

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
Submitted by: Jennifer Merchant, Principal Management Analyst

DATE: April 22, 2014

SUBJECT: Tahoe Basin Economic Development Investment Incentives

Action Requested

1. Affirm that Placer County is committed to facilitating development in Tahoe Regional Planning Agency-designated Town Centers, and that Catalyst and Opportunity Sites designated on Attachment A within those Town Centers represent the highest priority for near term investment and impact.
2. Approve a General Fund expenditure for professional services to prepare a Tahoe Basin Town Center investment strategy and business plan, in an amount not to exceed \$75,000, a budgeted net County cost.
3. Authorize the County Executive Officer or his designee to initiate discussions to identify commercial properties that could potentially be acquired for the purpose of securing land use commodities necessary to incentivize economic development in Tahoe Basin Town Centers.

Background

Work is currently underway to complete the Tahoe Basin Area Plan, in order to achieve consistency with the Tahoe Regional Planning Agency's Regional Plan Update and to update Placer County land use goals, policies and codes within the Tahoe basin. Once complete, the Community Plan will lay a foundation for future land use. TRPA's Regional Plan has a significant focus on changing development patterns to improve water quality and promote pedestrian and bicycle mobility. This focus results in incentives to remove certain development from stream environment zones in rural areas and focus it in the more urbanized Town Centers of Tahoe City and Kings Beach.

Your Board participated yesterday in a workshop that provided a framework for understanding the status of the draft Community Plan, a discussion regarding current planning, as well as challenges to implementation.

The Placer County Tahoe Basin Community Plan Policy Framework, published in December 2013, serves to guide growth and development, provide for the protection and enhancement of natural resources, and to attain environmental thresholds established by the TRPA. Many goals and policies support what is called "environmental redevelopment," or replacing existing blighted development with modern facilities that not only serve to grow economic potential, but also to help achieve environmental standards, especially water and air quality. Policies outlined:

- Encourage redevelopment and revitalization of Town Centers (Kings Beach and Tahoe City) in a manner that improves environmental and economic conditions and creates a more sustainable and less auto-dependent development pattern
- Encourage the development and redevelopment of tourist accommodations in the Plan Area by removing barriers to hotel development (or redevelopment) and promoting opportunities for public-private partnerships
- Encourage the transfer of development rights from environmentally-sensitive lots and outlying residential areas to Town Centers

Those policies, however, cannot be implemented without a dedicated program of incentives to offset the cost for investment in the Tahoe basin. While significant public investment has occurred in Tahoe City and Kings Beach over the last decade, private investment remains stagnant. Of the 11 transient lodging units currently operating in the Tahoe City and Kings Beach Town Centers, most were built between 1949 and 1959, with the most recent project completed in 1960. Now mostly over 50 years old, only four remodels have occurred, mostly in the 1960s and 1980s. Yet communities such as Olympic Valley and Northstar just outside the Tahoe basin to the north have attracted significant growth and investment during the same period, especially in the last decade. The cost to develop lodging product, which is related to strict regulations to protect Lake Tahoe's environment, coupled with the lack of predictability associated with the need to acquire necessary land use commodities prior to project approval, has led to investment stagnation and shrinkage of what was once a thriving tourist economy in the communities within the Tahoe basin. The economic damage is accompanied by a 17 percent full time resident population loss (source: US Census Bureau 2000 vs. 2010 population), which in turn cripples small businesses, schools and overall community wellbeing.

The updated focus of TRPA's Regional Plan, and by extension Placer County's draft Community Plan, has generated renewed interest in Tahoe basin investment. Several "Catalyst Project" sites have been identified by stakeholders during public workshops and other outreach efforts within the Kings Beach and Tahoe City Town Centers that show high potential for significant economic impact to those communities, in addition to other "Opportunity Sites," which may also result in net positive impacts, but to date lack a clear champion or proposal. (See Attachment A) In particular, a long-blighted development called the Henrikson Property near the western gateway to the Tahoe basin in Tahoe City, is in escrow. The potential owner is considering a lodging development that would complement the Tahoe City Golf Course, including a remodeled clubhouse and shared use parking. Additionally, the former BBLCC site, now called the Kings Beach Town Center, which encompasses a full city block, is likely to include lodging, mixed use retail, parking and some public services.

But because of the high cost to invest in the Tahoe basin, these and other projects are unlikely to come to fruition without some assistance from public sources. Lack of co-investment will result in a worsening of the already blighted status quo. And while initial capital outlay to secure commodities or provide other assistance to help write down investment costs is high, the public's return on investment is expected to be significant.

Lodging provides the foundation for a tourist economy, and Tahoe City and Kings Beach have suffered in recent decades due to the lack of mid-range to high quality lodging product, both in terms of economy and traffic generation. According to the September

2013 “Economic Significance of Travel to the North Lake Tahoe Area,” commissioned by the North Lake Tahoe Resort Association, overnight hotel/motel stays generate nearly twice the daily spend per visitor as the day visitor. So, while visitors staying in hotels, motels and bed & breakfasts make up 28 percent of the total visitor days, they comprise 42 of all visitor spending. This means more money is spent with fewer impacts than those generated by day visitors.

Other recent economic studies also point to the positive impact of lodging to a tourist-based economy. The draft report “Economic Analysis of the State Route 89/Fanny Bridge Community Revitalization Project” prepared by Economic & Planning Systems, Inc. for the Tahoe Transportation District, estimates the potential impact certain commercial projects could have on the Tahoe City economy. The report illustrates a sample 75-room boutique hotel/commercial mixed use concept that could support 40-60 employees, generate \$70,000 in sales tax, and over \$400,000 Transient Occupancy Tax revenue, as well as increase property values, resulting in higher property tax revenue.

Discussion of Requested Actions:

Of the issues identified as challenges to investment, Tourist Accommodation Units (TAUs) are recognized as the highest priority for resolution. County staff is working on multiple efforts, including collaborative partnership solutions through the Tahoe Prosperity Center, Community Plan and TRPA code changes, as well as identifying eligible sites for purchase and transfer. It is likely that the ultimate solution will be multi-pronged. It is staff’s intention to work all possible solutions simultaneously, as some will be short term and others are likely to take years to implement.

Further analysis in the business plan will yield a target TAU figure for each Town Center, as well as appropriate levels of commercial development in order to supply a good product balance. If TAU commodities were secured outside of Placer County, development of a programmatic agreement with potential sending jurisdictions for the purpose of commodity transfer would simplify transactions that could occur over the 20-year life of TRPA’s Regional Plan. There are also opportunities to commence discussions local, state and non-profit entities regarding securing and banking commodities, and with owners or potential owners of Catalyst and Opportunity Site properties, which would lead toward facilitation of creating a comprehensive investment incentive strategy.

The business plan will:

- Analyze, prioritize and recommend financing options in order to secure land use commodities and/or other means to incentivize economic development in the Tahoe basin’s Town Centers
- Analyze and recommend reimbursement methodologies, including, but not limited to, long-term leases, tax rebates, project-generated tax revenues, Community Facilities Districts, Business Improvement Districts, and Infrastructure Finance Districts
- Identify long-term capacity targets and mix of uses in Town Centers within Tahoe Regional Planning Agency-prescribed limitations
- Research options and develop a system of banking and distributing specified land use commodities

In the wake of the State’s dissolution of Redevelopment Agencies, jurisdictions are struggling to identify funding sources for continued public and private investment.

Funding to secure commodities or other development incentives would also be identified in the proposed Business Plan. State Infrastructure Bank loans, bonds, and other finance methodologies needed to secure commodities and other possible capital expenses will be reviewed, as well as various methods that would reimburse initial capital outlay, as outlined in the recommended action. Partnerships such as those possible with the California Tahoe Conservancy can also provide grant funding sources for certain commodity components. As an example, Placer County could purchase a blighted motel, bank the units, and the CTC could purchase the property from the County, fund demolition, and restore the site. Selected sources that best match specific needs would be brought back to your Board for consideration and approval.

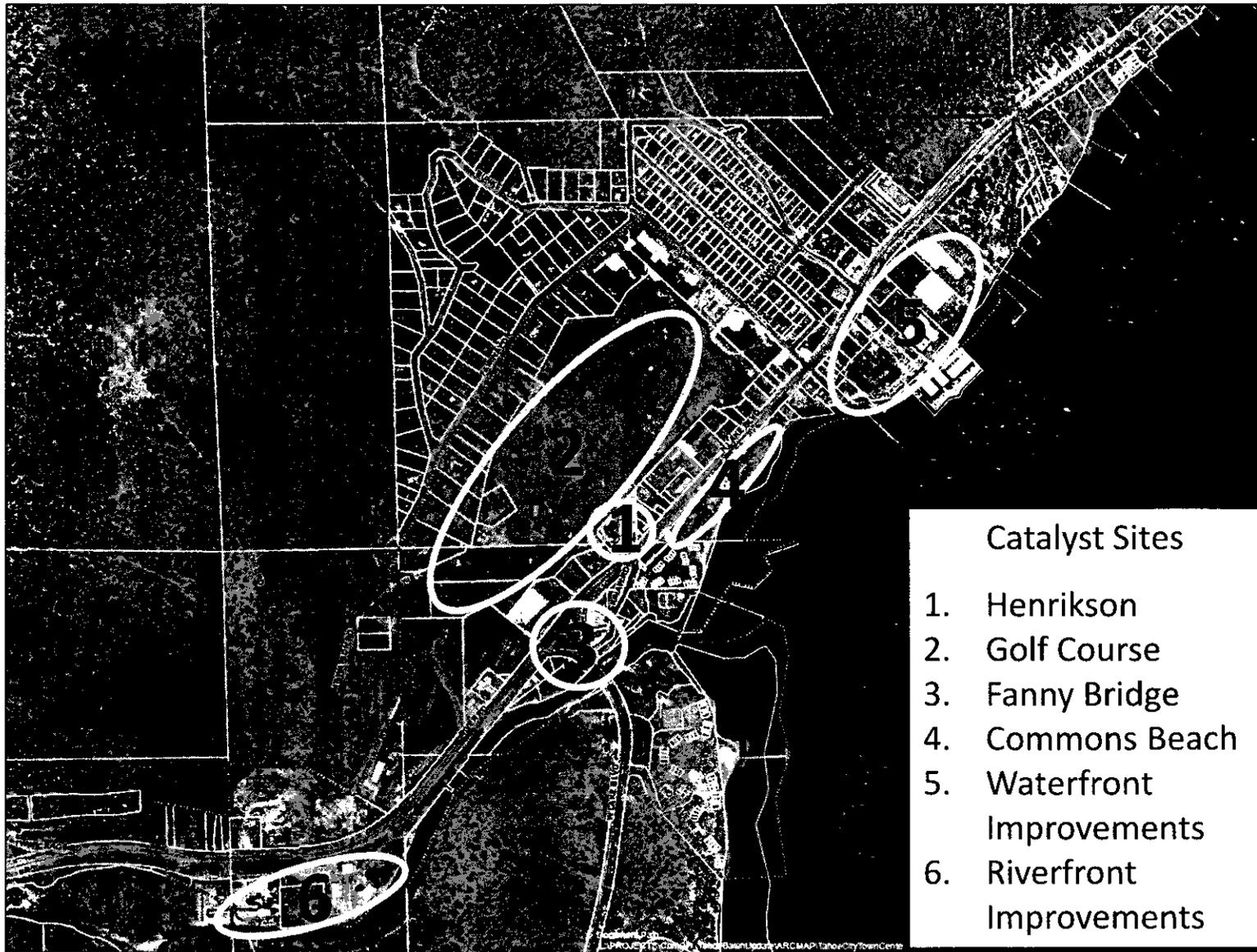
Placer County currently oversees tracking and distribution of Residential Allocation and Commercial Floor Area commodities on a first come, first serve basis. The Business Plan would analyze whether Placer County or other entities, such as agencies and non-profits, would be the best positioned to manage the distribution system. It would also consider a framework for TAU distribution that considers criteria such as location in Town Centers, designated Catalyst Project or Opportunity Sites, the project's return on investment potential, and others.

Fiscal Impact: The funding described above would come from the General Fund—Community Agency and Support Appropriation— and result in a \$75,000 cost to the County. There are sufficient funds budgeted and available to support the requested expenditure.

Environmental Analysis: The Board of Supervisors' approval of the requested actions is categorically exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15306. Section 15306 authorizes data collection, research and information gathering activities which do not result in a serious or major disturbance to an environmental resource. In this case, staff is requesting funds to develop a business plan that will identify opportunities and funding options for Tahoe Basin economic development. The requested actions do not include a commitment to a particular course of action, plan or funding mechanism. Any project that might result from that plan would be subject to separate CEQA review.

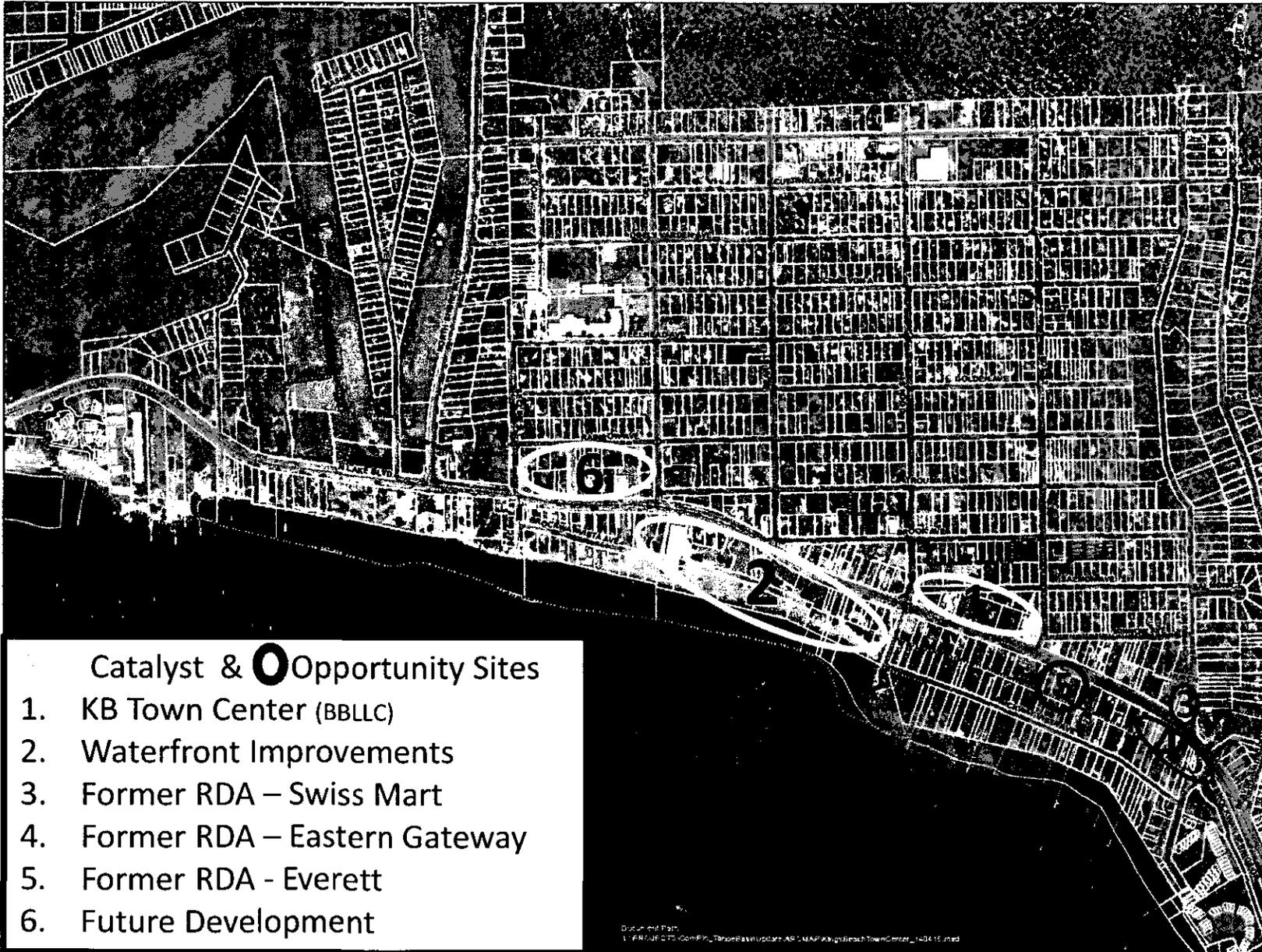
Attachment A

Tahoe City Catalyst Sites Map



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Kings Beach Catalyst and Opportunity Sites Map



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