

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: Honorable Board of Supervisors

Date: December 9, 2014

From: *MD* Mary Dietrich, Facility Services Director
By: Laurie Morse, Property Manager 

Subject: A&A Motel Acquisition

ACTION REQUESTED:

1. Approve the acquisition of the A&A Motel, also known as the Lake Tahoe Inn, located at 3520 Lake Tahoe Blvd., South Lake Tahoe, CA, from WBW Property Holdings Corporation, a California corporation, at a purchase price of \$1,425,000.
2. Adopt a Resolution authorizing the Director of Facility Services, or designee, to execute the Agreement of Purchase and Sale and to execute all other documents and take all actions necessary to complete the acquisition based upon the attached Material Terms;
3. Approve a Budget Revision shifting \$1,499,700 in appropriations from Capital Project 4907 – Miscellaneous Projects to a new Capital Project 4961 – A&A Motel Acquisition.
4. Authorize the real property to be added to the Master Fixed Asset list following the close of escrow.

BACKGROUND: On June 3, 2014, your Board authorized staff to commence negotiations on purchase and sale transactions for the purpose of acquiring Tourist Accommodation Units (TAUs) that would have the potential to make significant progress in securing needed commodities. Placer County's interest in acquiring TAUs is two-fold: 1) Meet the environmental goals of the Tahoe Regional Planning Agency's (TRPA's) 2012 Regional Plan, and 2) Meet economic needs of the Placer County Tahoe Basin Town Centers. TRPA's Regional Plan requires reduction of development outside Town Center areas in order to focus more environmentally superior pedestrian-transit oriented mixed-use development within Town Centers. In order to achieve this goal, a capstone improvement to the 2012 Regional Plan provides additional incentives for the demolition of blighted lodging stock and restoration of fragile stream environment zones (SEZs), but only when the old units are transferred to Town Centers. The incentive provides two bonus units for each unit purchased, demolished, restored and transferred, thereby delivering a total of three units for every one purchased. There are a limited number of blighted lodging properties on SEZ lands in Placer County in comparison with the City of South Lake Tahoe, and currently no lodging properties in an SEZ are on the market in Placer County.

Because Placer County's Area Plan will tier off TRPA's Regional Plan, environmental policies and goals to be achieved are quite consistent. The draft Area Plan policies include:

- Encourage redevelopment and revitalization of Kings Beach and Tahoe City Town Centers (Town Centers) 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; and
- Encourage the transfer of development rights from environmentally-sensitive lots and outlying residential areas to Town Centers.

In addition to attaining environmental goals, Placer County also desires to improve economic conditions in the Tahoe basin. Tahoe City and Kings Beach have suffered in recent decades due to the lack of new or upgraded mid-range to high quality lodging product, which has had a detrimental impact both in terms of the economic and traffic impacts on the environment. Of the 11 transient lodging units currently operating in the Town Centers, most were built between 1949 and 1959, with the most recent project completed in 1960. Yet communities such as Olympic Valley and Northstar just outside the Tahoe basin have attracted significant growth and investment during the same period, especially in the last decade, and are able to appeal to a full spectrum of visitor's needs in pedestrian-oriented villages.

According to the September 2013 "Economic Significance of Travel to the North Lake Tahoe Area" report 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 only 28 percent of the total visitor days, they comprise 42 percent of all visitor spending. This means that overnight visitors spend more money and generate fewer environmental impacts than day visitors.

With these facts in mind, your Board approved allocation of resources to complete an economic analysis and business plan to attract and incentivize investment in the Tahoe basin Town Centers. Initial findings presented to your Board in October demonstrated that a variety of elevated cost factors have led to investment stagnation and shrinkage of what was once a thriving tourist economy in Placer County's Tahoe basin communities. Those factors include: a broken commodity-based development system (including cost, availability and onerous TRPA code requirements), high cost of land, high cost of providing an adequate parking supply, lack of approval process predictability, and length of time to approve projects. The requirement of lodging projects to accumulate TAUs, and associated holding costs, are highlighted as crucial challenges, and one in which public participation would provide a significant incentive.

With the professional brokerage services of Hester Real Estate Tahoe Properties (Hester), staff subsequently investigated several hotel properties in South Lake Tahoe resulting in identification of a 34-unit motel property that was listed for sale. This 34-unit motel property, known as the A&A Motel and also known as the Lake Tahoe Inn, is located at 3520 Lake Tahoe Blvd., South Lake Tahoe, in El Dorado County, with 9,086 (approximate) square feet on a 0.63± acre parcel identified as APN 027-350-06-100 (see Exhibit A - Property). Since this Property is located within an SEZ, it is an opportunity for the County to secure 102 TAUs through the TRPA Regional Plan's 3:1 bonus incentive program. Staff is optimistic that approval from the TRPA and the City of South Lake Tahoe (SLT) can be obtained that would allow these TAUs to be transferred and made available for Placer County development projects once the motel improvements are demolished and the Property is restored to open space condition. Preliminary discussions with the California Tahoe Conservancy (CTC), who has implemented

several such SEZ property acquisition and restoration projects, indicate its willingness to partner with the County by subsequently acquiring the Property from the County and performing the restoration project.

Staff delivered a Non-Binding Letter of Intent (LOI) to the Property's owner, WBW Property Holdings Corporation (Seller) on November 4, 2014 and received the Seller's counter proposal on November 18, 2014. On November 19, 2014 a final LOI was accepted by both parties. Staff subsequently presented an Agreement of Purchase and Sale (Agreement) to the Seller based on the attached Material Terms (See Exhibit B – Material Terms). A key provision of the Agreement provides for a 180-day Investigation Period during which the County can perform essential due diligence regarding project contingencies prior to proceeding with the acquisition (see Investigation Period below). During this Investigation Period, Economic Development and CEO staff will finalize the Tahoe Town Center Economic Development Incentives Strategy (Strategy) and create a business plan for review by your Board that will prioritize and provide a framework for selected Strategy recommendations. It is anticipated that the Strategy will identify the need for Placer County to allocate General Fund resources to seed incentive tools, such as TAUs. Detailed business plan recommendations are also likely to include identification of other existing and future funding sources, holding cost analysis, governance, creation of a commodity and incentive banking and distribution system, including criteria, and repayment methodologies for developers who access such commodities and incentives.

While the Seller is in agreement with the material terms, some provisions of the Agreement remain to be fully negotiated. Given this status, it is recommended that your Board approve this acquisition and adopt the attached Resolution authorizing the Director of Facility Services to complete negotiations; execute the Agreement based on the attached Material Terms subject to approval by County Counsel and, execute all documentation and take all other actions necessary to process and complete this transaction. This transaction is allowed pursuant to Government Code Section 25350 that provides for the acquisition of real property interests. This action has been publicly noticed pursuant to this Code.

ENVIRONMENTAL CLEARANCE: The actions requested of your Board are exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to Section 15301 Existing Facilities because there is no activity taken by the County that would result in an expansion of the existing use. Additionally, should your Board's action to approve the Agreement result in a transfer of the Property to the County, this action is exempt from CEQA pursuant to Section 15325(a) which provides for transfers of ownership of interests in land in order to allow restoration of natural conditions, including plant or animal habitat.

FISCAL IMPACT: The total cost for acquisition is estimated at \$1,499,700, including the purchase price, escrow, title, legal, professional services and project management expenses. Approval of the Budget Revision will provide sufficient funding for this project.

ATTACHMENTS: EXHIBIT A – PROPERTY
EXHIBIT B – MATERIAL TERMS
RESOLUTION
BUDGET REVISION

CC: COUNTY EXECUTIVE OFFICE
AUDITOR - CONTROLLER

MD/LM/SV

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Before the Board of Supervisors County of Placer, State of California

In the matter of: A Resolution authorizing the Director of Facility Services, or designee, to execute an Agreement of Purchase and Sale between the County of Placer and WBW Property Holdings Corporation, and execute all other documentation and, to take all other actions necessary to these property transactions.

Resolution No: _____

RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2014 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest: Clerk of said Board

WHEREAS, WBW Property Holdings Corporation (Seller) currently owns the A&A Motel, a 0.63 acre, 9,806 square foot, 34-unit motel located at 3520 Lake Tahoe Blvd, South Lake Tahoe, CA, identified as El Dorado County APN 027-350-06-100 (Property), which contains 34 Tourist Accommodation Units (TAUs) as shown on Exhibit A; and,

WHEREAS, the County desires to secure commodities necessary to incentivize economic development in the Tahoe Basin's Kings Beach and Tahoe City town centers; and,

WHEREAS, Seller desires to convey the Property to the County of Placer (County) for a purchase price of \$1.425 million; and,

WHEREAS, because this property is located in a Stream Environment Zone, the acquisition of this property could realize a 3:1 TAU bonus incentive following receipt of approval by the Tahoe Regional Planning Agency, resulting in a total of 102 TAUs, and, with approval of the City of South Lake Tahoe, these TAUs could be transferred and available for Placer County development projects.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the Director of Facility Services, or designee, on its behalf, to execute the Agreement for Purchase and Sale between the County and WBW Property Holdings Corporation based on the Material Terms contained in Exhibit B and subject to approval by County Counsel; to transfer the aforementioned property interests; execute all other documentation; take all other actions necessary to complete this property transaction; and, to consent to the acceptance and recordation of the deed for said Property.

ATTACHMENTS: EXHIBIT A – PROPERTY
EXHIBIT B – MATERIAL TERMS

EXHIBIT A – PROPERTY

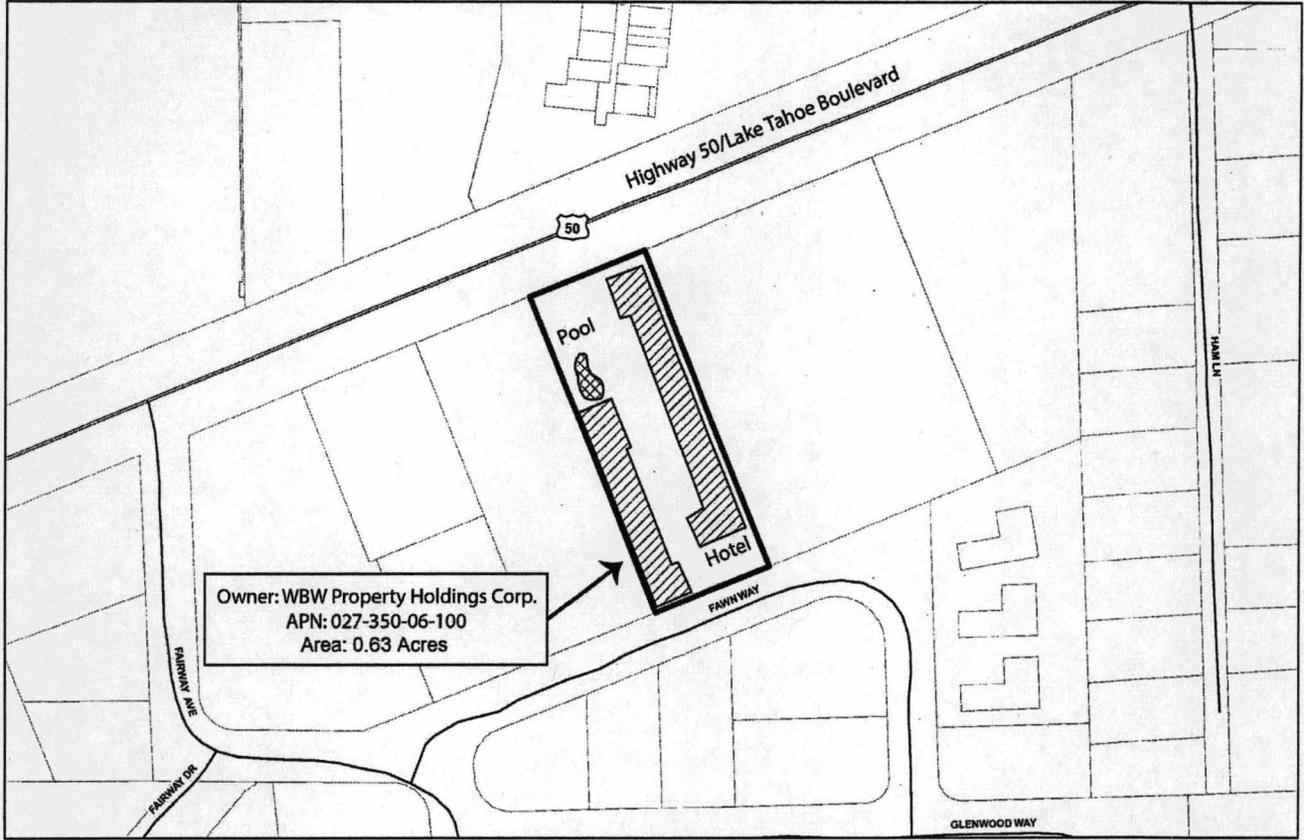


EXHIBIT B – MATERIAL TERMS

Material Terms – Agreement of Purchase and Sale (Agreement)

Property: That certain real property known as the A&A Motel, and also known as the Lake Tahoe Inn, located at 3520 Lake Tahoe Blvd., in El Dorado County, California and identified as APN 027-350-06-100, comprising 9,806± square feet on 0.63± acres of land (Property).

Parties: WBW Property Holdings Corporation, a California corporation, (Seller), and the County of Placer, a political subdivision of the State of California (County).

Purpose: To provide for the purchase and sale of the Property as conveyed through a Grant Deed from Seller to County.

Purchase Price and Initial Deposit: \$1,425,000.00. Within 10 days of a fully executed Agreement, the County must remit a \$10,000 Initial Deposit to Escrow Holder.

Investigation Period: A 180-day investigation period allows for the County to perform due diligence prior to proceeding with the acquisition including the following:

- Investigate the Property's title, zoning, and physical condition
- Approval of all Notices affecting the Property and documents provided by Seller
- County's determination of the TAU acquisition project's overall financial feasibility related to acquisition costs, holding costs, net income, agency costs, financing costs)
- Receive key approvals from the Tahoe Regional Planning Agency and the City of South Lake Tahoe to allow the 3:1 bonus and transfer of the Tourist Accommodation Units to Placer County
- Reach an agreement with the California Tahoe Conservancy to convey the Property for subsequent restoration
- Appropriate purchase funds
- Approve of the Property's environmental condition
- Obtain an appraisal to support the Purchase Price

Deposits: An Initial Deposit of \$10,000 shall be remitted to Escrow Holder within 10 days of a fully executed Agreement. An Additional Deposit of \$40,000 shall be remitted to Escrow Holder once the County has accepted all contingencies. Unless in the case of default by the County, both the Initial Deposit and the Additional Deposit are fully refundable should the County cancel the Agreement. The deposits will apply to the Purchase Price upon Close of Escrow.

Close of Escrow: The Agreement provides for a 30-day escrow period and during such time the Seller must ensure that the Property's physical, business and operational condition is significantly in the same condition as it was when the County cleared contingencies.

Closing Costs: County shall pay any recording fees. Seller shall pay any transfer taxes. County and Seller shall each pay one-half (1/2) of the escrow fees, document preparation costs and other related closing costs. Seller shall pay the premium for an ALTA Standard Coverage Policy with a liability not exceeding the total Purchase Price. The County shall pay costs for any coverage in excess of such ALTA Standard Coverage Policy. County and Seller shall each pay its own legal and professional fees and fees of other consultants incurred with regard to this transaction. Seller shall pay any and all real estate commissions due.

Conditions to Close: County's obligation to purchase and the Close of Escrow shall be conditioned on all of the following:

- Seller has timely performed all of its obligations under the Agreement
- Property is conveyed free of all liens, restrictions, encumbrances and impositions other than the "Permitted Exceptions".
- Seller has not taken any action which would have the effect of violating any representation, warranty, covenant contained in the Agreement
- Seller has made any and all payments due and owing with respect to the Property.
- The Property's physical, business and operational condition is significantly in the same condition as it was at the time County cleared contingencies.
- Seller shall deliver possession of the Property to County at Close of Escrow, free and clear of possession, including all tenants and occupants.

Delivery of Documents: Seller shall deliver to County copies of all tests, surveys, maps, plans, records, permits, correspondence reports or other materials affecting the Property which are within the Seller's possession or control

Rights to Inspect: Terminating at the Close of Escrow, County shall have the right, upon 24 hours' notice, to enter on the Property in order to conduct inspections, tests, surveys and other studies as the County may deem necessary.

Representations and Warranties: As deemed satisfactory to the County, Seller shall provide representations and warranties related to the presence of Hazardous Materials, violations of laws, ordinances or regulations, breach of contracts, rights of others, and bankruptcy or litigation against the Seller or the Property.

Broker Representation: County shall be represented exclusively by Hester Real Estate, Brad Hester - Broker, Tahoe City, CA. Any and all real estate broker commissions shall be paid by Seller via separate agreements between Seller and brokers, which County shall not be a party to nor shall have any liability for whatsoever.

