

October 24, 2006 – Board Meeting at the South Lake Tahoe City Council Chambers
To: The Hon Chairman and members of the El Dorado County Board of Supervisors
From: John Upton, Mayor Pro-Tem, City of South Lake Tahoe
Subject: Status Report on Major Improvement Projects in the City of South Lake Tahoe

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For ease of review, the following brief status report and summary description of major improvement projects, both redevelopment and non-redevelopment, in the City is provided to show the Board the steps the City of South Lake Tahoe has taken to compensate for the no-growth environment in the Tahoe Basin. Despite all these efforts, City projections are for flat revenue growth, without considering the possible impacts of the casino at Shingle Springs. The City also recognizes that the delay in that project resulting from the County's litigation has been of benefit to the City in that it has made it possible for these projects to be established in advance of the casino's operation. For the Board meeting, it will be accompanied by both verbal and power-point information.

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1. **Embassy Vacation Resorts (EVR), NE & SW corners, Ski Run Blvd and U.S. Highway 50:**
 - a. Completed development – 142 interval ownership units, 7,242 potential interval weeks, currently approximately 6,000 sold and on tax rolls as separate parcels. (NE corner)
 - b. Phase IV: Under construction, 40 additional units, 2,000 potential interval weeks.
 - c. Phase V (on SW corner) Approved project scope, 24 units, 13,000 square feet commercial space. The City is in negotiations as Sunterra evaluates project potential and scope. Sunterra's initial indication is to develop 24 condominium-hotel units at the site.
 - d. Phases IV and V are expected to add \$65-\$70 million to the tax rolls.
 - e. 20% of tax increment (TI), approximately \$150,000/year, is housing purposes set aside.
2. **Ski Run Commercial Center, SE corner, Ski Run Blvd and US Highway 50:**
 - a. This is not a project sponsored by the Redevelopment Agency (RDA.)
 - b. Currently, the site is an aged commercial center (on the corner) and a former gas station & car wash site from which hazardous waste has been removed.
 - c. Proposed project plan:
 1. Construct new commercial center on vacant site and relocate tenants in existing center in the newly-constructed center.
 2. Tear down the existing commercial center.
 3. Construct new commercial center that will enclose the corner area.
 4. Developer has already obtained all needed commercial square footage allocation.
 5. Estimated incremental addition to tax rolls: \$3.5 million, 1% tax = \$35,000.
 6. El Dorado County estimated additional annual tax revenue: \$10,200.
 - d. Status: This project is on the October 25, 2006 TRPA agenda.
3. **Heavenly Village Projects, location Park Avenue to Embassy Suites Hotel:**
 - Marriott Grand Residence, 199 units, 183 1/4 shares, 32 – 5 week, 16 – 3 week, plus 67,642 square feet of commercial space. Open since December 2002.
 - Marriott Timber Lodge, Phase 1, 145 units, with 7,395 potential weekly interval ownerships, plus 10,500 square feet commercial. Opened 12/02, 6,000 sold.
 - Marriott Timber Lodge, Phases 2 and 3, 116 units, 5,716 potential additional interval weeks. Phase 2 just completed, Phase 3 starting May 2007. Estimated addition to tax base in redevelopment area, \$240 million. 20% of TI, approximately \$500,000/year, is housing purposes set aside.
 - Cecil's Market, completed in 2004, 24,000 square feet commercial.
 - Cinema, completed in 2004, 5,670 square feet commercial.

- Heavenly Gondola: Opened in December 2000, includes approximately 6,000 square feet of commercial space. Overall skier days at the resort have increased from about 820,000/year to about 1,070,000/year, while reducing traffic counts.
- 4. **Village Center**, created a “village enclosure” around former Crescent V shopping center. Completed in 2004, \$17 million added to redevelopment tax rolls.
- 5. **Project 3**, 50,000 square foot Convention Center, plus 386 units condominium hotel, plus 56,000 square feet of commercial, and 630 spaces of underground parking. This is a redevelopment project, located on the north (Lake) side of US 50, bounded by State Line, Friday, and Cedar Avenues, status:
 - a. OPA executed July 2006, with 24 of 29 properties already acquired by the developer. For the remaining 5, RDA has obtained prejudgment orders of possession.
 - b. Tahoe Regional Planning Agency (TRPA) permit obtained.
 - c. Estimated project value \$400 million.
 - d. 20% of TI, approximately \$800,000/year, is housing purposes set aside.
 - e. Projected commencement of project is May 2007, completion November 2009.
- 6. **Gondola Vista**, on Lake Parkway, across the street from Forest Inn, status:
 - a. The developer has owned this property in the State line community plan area for 5 years. From a land use perspective, it is like an “island”, with a motel on one side, a shopping center across the street, and state-owned land on the other sides. It is far nearer to more motels and Heavenly Village than to any residential use.
 - b. Projects allowed in the community plan without amendment:
 1. Multi-family affordable income apartments, with up to 50% land coverage. This project would not be economic, given the area land values.
 2. Financial institutions, at up to 70% land coverage.
 3. Up to 48 single-family condominiums, with 30% land coverage. These properties would sell for a total value of approximately \$28 million.
 - c. The project proposed with amendment is ten duplex-style fractional ownership units, plus a 4-plex with moderate income units for rent as inclusionary housing. The estimated total project value is about \$44 million. The project status:
 1. The City Council unanimously approved a community plan amendment on August 1, 2006, agreeing that this is the most appropriate land use.
 2. The TRPA Board did not approve the amendment at its August 23 meeting, but voted to reconsider the action on September 27, and will reconsider the amendment at its October 25, 2006 meeting.
 3. This is not a redevelopment project. If the project proceeds, the added property tax revenue to El Dorado County (30% tax share) would be \$84,000 per year without amendment, \$132,000 with the plan amendment.
- 7. **Redevelopment Agency (RDA) housing projects** in process:
 - a. Melba Drive & Kyburz avenue – 26 units, opened July 17, 2006.
 - b. Emerald Bay Road, between 10th & 13th streets – 18 units, disabled specialty housing, to start construction in May 2007.
 - c. Herbert Avenue & Pioneer Trail – 33 units, affordable and low income senior (age 62 and over) housing to begin construction May 2007.
- 8. **Public parking garage at Heavenly Village**, 422 spaces, opened March 2003.
 - a. The garage was a TRPA required mitigation for the Park Avenue project.
 - b. Financing is a \$9 million revenue bond at 7 1/4% interest containing early payoff penalties until the year 2012.

- c. Due diligence requirements for bondholders include 2 hour parking enforcement at Village Center (across the street) and no parking on adjacent roadways.
 - d. The garage requires about \$1.3 million in annual gross revenues to break even, and was within about \$25,000 of that in 2005-06.
 - e. A refinancing of the area Mello-Roos is in progress, and is expected to increase cash flow available to support the garage by about \$100,000 per year to 2012.
- 9. Transit/Interpretative Center in Heavenly Village:**
- a. Completed in early 2003, funded by a \$7 million Proposition 116 grant.
 - b. The original operating concept was to have administrative offices for the Coordinated Transit System (CTS) on the upper floor, transit services on the lower floor. By completion, there was no need for CTS at that location.
 - c. The facility costs the transit budget about \$45,000 per year (for utilities), plus about \$55,000 per year, as the facility's share of Park Avenue Management.
 - d. In 2005, Heavenly rented the upper floor for \$50,000 per year, with \$8,500 per year credit for staffing the facility lower floor from 11/15-4/15 each year.
 - e. In 2005, the U.S. Forest Service agreed to staff from 6/15-9/30 each year.
 - f. In 2006, the City obtained a \$1.4 million grant from the California Tahoe Conservancy (CTC) to create the "**Explore Tahoe Visitor Center, an Urban Trailhead,**" to provide both transit and environmental information to the unique walk-in clientele in the area. Most planning is complete. The remodeled facility is expected to open in July 2007.
- 10. Tahoe Valley Community Plan (TVCP):**
- a. Part of the 1987 TRPA regional plan, the plan team was convened in 2003.
 - b. The team's initial visioning was constrained by the 25,000 in commercial square footage provided in the 1987 plan. This was too limiting.
 - c. The environmental review is expected to be based upon what could be done with up to 300,000 square feet on new commercial. A 2006 study determined that the South Lake Tahoe area experiences \$219 million per year in gross retail sales leakage, which greater commercial area at Tahoe Valley could alleviate.
 - d. Development in the plan area cannot occur without the water system being upgraded, at an estimated \$18 million cost. The City, private system owner, and South Tahoe Public Utility District are currently engaged in solutions.
- 11. South Lake Tahoe Airport:**
- a. The terminal building was remodeled in 2006, financed by \$150,000 per year in rental payments saved over the next 6 years. The remodel included significant upgrades that the facility would, in any event, have needed.
 - b. The City's goal is to make the airport a first-class General Aviation (GA) facility, similar to Aspen. Aspen currently receives 100,000 GA passengers per year.
 - c. The airport is open for day and night operations. The facility is also included in the TRPA Transportation Plan for regional scheduled service. The continuation safe daytime operating conditions, as well as nighttime operations, is contingent upon TRPA Governing Board approval of FAA-mandated safety tree hazard removal.
- 12. The new 20-year TRPA Regional Plan (P-2007):**
- a. The current likely regional plan completion date is 2009.
 - b. The City, and El Dorado and Douglas counties have joined in a sub-regional (place-based) effort. The consultant's work has just been completed.
 - c. It is intended that TRPA will make code changes so that a few demonstration projects can proceed, and test the regulatory and market realities of implementing the good ideas advanced by the place-based plan teams.

- d. The City's "30,000 foot view" of the next 20 years in the Basin is:
 - * The Basin is built out, so planning focus must shift to redevelopment.
 - * TRPA must shift from being a regulator to being a planning and coordinating agency.
 - * TRPA must shift from stopping bad development to creating incentives so that bad existing development redevelops into good development. The phrase "the project is the fix," first developed in 1995, must be the future guiding principle.

Concluding comments:

- a. The City needs and appreciates the El Dorado County Board of Supervisors support in our efforts to preserve the environment and build a strong economy.
- b. The revenue gained from the County's enabling City projects is to both the City's and County's mutual benefit.
- c. The City looks forward to working with the County on future joint projects, including the P-2007 effort, the joint facilities effort, the 56 acre effort, and others that may develop over time.