

SOUTH TAHOE REDEVELOPMENT AGENCY

Participating in Public-Private Partnerships
for a Better Future

TO: Honorable Chair, Norma Santiago and Members of the Board of Supervisors of
El Dorado County

FROM: David M. Jinkens, City Manager, City of South Lake Tahoe
Executive Director, South Tahoe Redevelopment Agency



DATE: February 2, 2010

SUBJECT: Overview of Proposed South Tahoe Redevelopment Project Area No. 2

BACKGROUND:

The City of South Lake Tahoe is the only city in California that exists within the boundaries and land-use jurisdiction of a Bi-State Compact approved by two states and the Federal government that cedes considerable land use authority to a regional planning agency (the Tahoe Regional Planning Agency – TRPA). The City rests in a beautiful environmental setting. It is home to almost 24,000 people and has a reported unemployment rate of over 15%. Over 50% of the population falls within the low-income category.

The people who live and work in South Lake Tahoe are fine people who work hard and long to make enough money to raise a family and exist. The economy is tourist-based and seasonal in nature.

City government and the people of South Lake Tahoe do not have the same capitalist and market-driven forces available to them to grow jobs, encourage investment, improve infrastructure, and assist in the delivery of quality work force housing that are available to most California cities and counties. Severe growth limitations exist. City government leaders and the community support strong environmental protection and support the development of a strong, vigorous and diversified local economy of environmentally compatible businesses. Community leaders want to do all we can to encourage private sector investment that is environmentally friendly and meets the goals and policies being developed in the City's new General Plan, Tahoe Valley Community Plan, and Sustainability Plan while making certain that they are consistent with environmental thresholds set forth in the emerging new TRPA Regional Plan.

Redevelopment Project Area No. 2 is needed to eliminate blight and encourage investment in the project area. Without the use of this community improvement tool, the goals and aspirations to build a strong local economy, grow the tax base, and eliminate blighting conditions will not occur. Growing the local economy and tax base (the proverbial economic pie) helps all

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governmental entities and most importantly helps the people who live and work in South Lake Tahoe.

Authority to create redevelopment project areas in cities and counties rests in the State Constitution and State law if studies and surveys done find that conditions precedent exist to do so. The City Council authorized these studies, they have been completed, and these documents in their draft form, in accordance with State law, have been provided to your fine staff.

Fiscal Analysis

The premise underlying the use of redevelopment is that without it the growth of the tax base (that in the South Shore is severely restricted by law). By creating a new project area, eliminating blight, making needed infrastructure improvement, etc., new investment in the area will occur and the tax base will grow. Redevelopment is a financing tool to make improvements and eliminate blight that will grow the total economic pie.

A new redevelopment project area does not take existing property tax dollars from any agency. As investment is made by the Agency to eliminate blight, etc., the argument is that more investment will occur in the project area and the growth of the tax base will increase. The growth of the tax base because of redevelopment is defined as the "tax increment". Under redevelopment law the Agency will retain a greater percentage of the growth in the tax base in a diminishing amount over time with the balance of the revenue in the tax base going to all taxing entities.

As an illustration, in Redevelopment Project Area No. 1, the total property tax base grew faster because of redevelopment than it would have grown without it. The analysis we have conducted in that area shows almost all of the growth in property taxes has occurred due to Agency actions. Over the past 20 years, Project Area No. 1 grew by 7.7 percent per year. Of that growth level, 5.4 percent of it occurred due to projects fostered by the Redevelopment Agency (the Embassy Suites Hotel; the Lake Tahoe Vacation Resort; the Ski Run Marina; the Heavenly Village project). On average, only 2.3 percent of the growth would have occurred without redevelopment. And most of that can be attributed to the normal inflation of 2 percent allowed under Proposition 13. Property tax revenue from the 2 percent growth is also returned to most of the local agencies in Project Area No. 1 by the County.

Of course, no one knows what growth will be like in Project Area No. 2. The reason the Agency is proposing to include this as a redevelopment area is that there has been little new investment in the area over the past 20 years. The area suffers from a variety of physical and economic conditions which are defined as blight under state law and therefore make the area eligible for redevelopment assistance, including the use of tax increment financing.

The public has rightfully complained that there is little by way of local shopping available, and that they have wanted an area of the City that can serve their needs. To that end, we have put

together the draft Tahoe Valley Community Plan. Part of the vision contained in the draft Plan is to “encourage retail businesses and services that meet local needs, encourage local ownership, and appeal to visitors seeking to mix with the local community”. Redevelopment is a financing tool to achieve the goals laid out in the Tahoe Valley Community Plan. By doing this, we hope to grow the property tax pie beyond what would normally happen.

Recent growth in the proposed Redevelopment Project Area has been around 4 percent per year. If we can raise that level to an average of 7 percent per year (close to what has happened in Redevelopment Project Area No. 1), then the County will receive as much or more from their pass through payments as they would receive under the normal allocation of property taxes.

Schools also tend to gain in redevelopment project areas. Our analysis indicates that the Lake Tahoe Unified School District may receive almost \$11 million in funding that can be used for facilities. While it is true that the state must backfill for any loss, redevelopment financing is really the only tool the state of California provides local communities for revitalization. And the Agency has followed the rules provided by the state to adopt the area for redevelopment.

Draft Redevelopment Plan

The attached draft Redevelopment Plan is the fundamental document that will govern the Agency’s activities in the Project Area. The draft Redevelopment Plan sets forth the boundaries of the Project Area, establishes the long-term goals of the Agency for the Project Area, and serves as the financing plan for the Project Area by authorizing the use of tax increment revenues and the issuance of tax allocation bonds. As required by the Redevelopment Law, the draft Redevelopment Plan establishes certain fiscal and time limits (for example, the draft Redevelopment Plan contains a limit on the amount of tax allocation bonds that can be outstanding at one time). The draft Redevelopment Plan **does not** contain eminent domain authority.

Unlike other planning documents, the draft Redevelopment Plan does not dictate specific uses on specific sites. Instead, it authorizes the Agency to provide incentives to stimulate improvements. These incentives can be in the form of grants, low-interest loans, or other types of assistance. Because redevelopment is a long-term solution the types of improvements that are authorized must be very general and flexible to allow different needs at different times. However, some of the known activities the Agency will be looking to do or assist with, on a cooperative basis, include:

- Improving and/or repairing commercial properties
- Making repairs to homes, and assisting with high-quality work-force housing
- Upgrading the fire protection and water systems in the Project Area
- Addressing drainage, roads, traffic conditions, pedestrian amenities and lighting
- Creating attractive open spaces

Preliminary Report

The Redevelopment Law set forth certain conditions that constitute physical and economic blight. The Project Area must be characterized by one or more of the physical blighting conditions and one or more of the economic blighting conditions. The blighting conditions must be substantial and prevalent. Any non-blighted parcels that are included must be necessary for effective redevelopment. An example of a physical condition that causes blight is buildings in which it is unsafe or unhealthy for persons to live or work because of serious building code violations, serious dilapidation and deterioration caused by long term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards and faulty or inadequate water or sewer utilities. An example of an economic blighting condition is depreciated or stagnant property values.

In addition, the Project Area must be predominantly urbanized. This means that at least 80 percent of the land in the Project Area has been or is developed for urban uses or is an integral part of or one or more areas developed for urban uses which are surrounded or substantially surrounded by parcels that have been or are developed for urban uses.

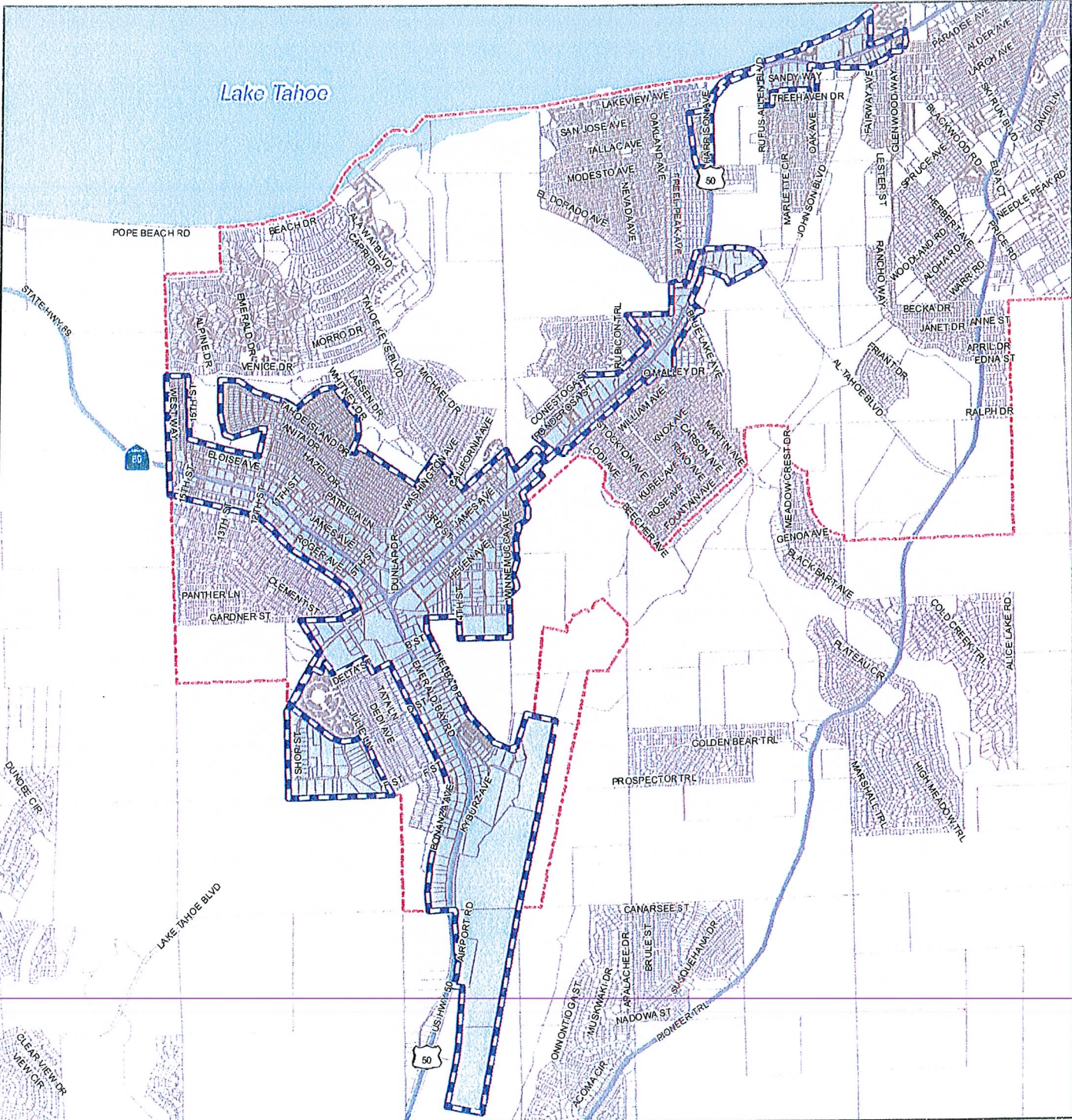
The attached Preliminary Report, among other things, describes the urbanized nature of the Project Area, the physical and economic conditions existing in the Project Area, the proposed projects of the Agency, and how those projects will help improve or alleviate the blighting conditions in the Project Area.

Environmental Review

In connection with the proposed Redevelopment Plan, the Agency's environmental consultant prepared an Initial Study to evaluate the potential for adverse environmental impacts resulting from implementation of the Redevelopment Plan in the Project Area. Based on the Initial Study, a draft Program Environmental Impact Report (draft EIR) has been prepared for the Redevelopment Plan. The draft EIR has been mailed to the State Clearinghouse, responsible and trustee agencies and other interested parties for review and comment during a 45-day public review period which ended on January 15, 2010. The draft EIR will be revised and supplemented to incorporate comments received during the public review period, and the Final EIR will include the Agency's responses to comments and a Mitigation Monitoring Program.

Attachments:

- Map of the Proposed Project Area
- Draft Redevelopment Plan
- Preliminary Report



**South Tahoe
Redevelopment Agency**

**SOUTH TAHOE
REDEVELOPMENT PROJECT
AREA NO. 2
PROPOSED PROJECT AREA**



Prepared By: Urban Futures, Inc.
Source: Urban Futures, Inc.
Base Map Source: City of South Lake Tahoe
Date: 09/3/09
File: SLT_RevPA_Web.mxd



LEGEND

-  South Lake Tahoe City Limits
-  Major Roads
-  Proposed Project Area

