

**OVERSIGHT BOARD
FOR THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY
SPECIAL MEETING MINUTES
Friday, April 18, 2014, 2:00 p.m.
Downstairs Airport Conference Room, Suite 108
1901 Airport Rd.,
South Lake Tahoe, California 96150**

NOTE: The Minutes represent the brief summary/actions of items taken at the April 18, 2014, meeting. Complete Board member discussion on agenda items are kept on audio tape per the City's record retention policy and detail on agenda items can be reviewed in the staff reports contained in the agenda packet which is kept on file in the City Clerk's department as permanent record or on the City's website at <http://www.cityofslt.us>

CALL TO ORDER/PLEDGE OF ALLEGIANCE TO THE FLAG:

At 2:05 p.m., Chair Cole called the meeting to order and led the pledge of allegiance to the flag.

Note: the meeting room was re-located to the City Council Chambers at 1901 Airport Rd., South Lake Tahoe, California.

ROLL CALL:

Present at the meeting site were Chair Cole, Board Members Baugh, Kerry and Vogelgesang. Board Member Murillo arrived at 2:08 p.m. for New Business a). Board Member Mikulaco participated via teleconference at 4359 Town Center Blvd., Ste. 106, El Dorado Hills, California. Absent was Board Member Meyers. Also present were Assistant City Attorney Doherty, Assistant City Clerk Palazzo, Administrative Services Director Carlson and David Doezema, Consultant for Keyser Marston Associates, Inc.

PUBLIC COMMUNICATIONS (2:06 p.m.): None

CONSENT AGENDA:

1. Minutes:
February 25, 2014 Special Meeting Minutes

IT WAS MOVED BY BOARD MEMBER KERRY AND SECONDED BY BOARD MEMBER BAUGH TO APPROVE THE MINUTES AS SUBMITTED

A vote was taken as follows.

AYES: COLE, BAUGH, KERRY AND VOGELGESANG
AYES (Teleconference): MIKULACO
ABSENT: MEYERS & MURILLO

Board Member Murillo arrived at 2:08 p.m. and took her seat at the dais for New Business a).

NEW BUSINESS:

- a) **Resolution of the Oversight Board of the Successor Agency to the South Tahoe Redevelopment Agency Approving the Long-Range Property Management Plan Prepared Pursuant to Health and Safety Code Section 34191.5 Determining that Approval of the Long-Range Property Management Plan is Exempt from the California Environmental Quality Act and Taking Certain Related Actions**

Chair Cole introduced the item.

NEW BUSINESS (a): Continued

David Doezema, Consultant, Keyser Marston Associates introduced his company Keyser Marston Associates and stated the company had been in business for four years and their core business was in assisting redevelopment successor agencies in preparation of their Long Range Property Management Plans.

David Doezema, Consultant, Keyser Marston Associates provided the board with PowerPoint presentation entitled "Long Range Property Management Plan - South Tahoe Redevelopment Successor Agency" and furnished a narration of the following slides:

- Long Range Property Management Plans
- Four Options for Disposition of Property
- Properties Identified for Sale
- Sale Proceeds
- SW Corner Lake Tahoe and Ski Run
- 3141 Riverside
- 3900-3908 Lake Tahoe Boulevard
- 4709 Osgood
- Parking Lot at Ski Run and Paradise Avenue
- Development Right Commodities
- Governmental Use Properties
- Disposition of Governmental Use Properties Under H&S 34181 (A)
- Right Turn Lane: Highway 50 at Ski Run Boulevard
- Maple Avenue Right of Way
- Public Parcel Within Heavenly Village
- Next Steps

Long Range Property Management Plans - Doezema explained the purpose of the plan was to identify Successor Agency owned properties for disposition under the requirement of AB 1484 which required Successor Agencies to prepare a Long Range Property Management Plans prior to disposition of real property. Doezema stated the content of the plan was outlined by statute and included property inventory and estimated value. He noted the deadline to submit the plan to the Department of Finance was August, 2014.

Four Options for Disposition of Property – Doezema noted six properties were recommended to be sold with three properties recommended for transfer to an appropriate public agency within the jurisdiction.

Member Mikulaco questioned if transfer meant to "sell" or to "give".

Doezema stated the plan recommended transfer and was silent on any compensation for transfer; however, the plan estimated a market value of zero dollars.

Doezema noted two other options not relevant to this plan (1) to retain for disposition per an existing Disposition and Development Agreement or other Enforceable Obligation (2) transfer to City or County for project identified in an approved redevelopment plan.

NEW BUSINESS (a): Continued

Properties Identified for Sale – Doezema stated there were six properties - four properties being vacant sites totaling 3 ¼ acres, a parking lot totaling ½ acre, Marketable Development Rights that existed under a Tahoe Regional Planning Agency program that limited development in the Tahoe Basin and established a system whereby development rights could be bought and sold separately from parcels of land. Development Rights had value and were owned by the Successor Agency.

Sale Proceeds – Doezema stated estimates of property value were included in the plan and those estimates did not bind the agency in determining the final sales pricing. He further stated that since no current appraisal information was available, the plan used the 2012 sales price for the Southwest Corner site.

Member Mikulaco requested clarification if the Heavenly Village parcel was included in the six properties.

Doezema stated it excluded that parcel.

Member Mikulaco questioned what was different about that parcel and why it was not included in the list.

Doezema explained it was a parcel that contained public improvements constructed in conjunction with the Heavenly Village project. The project was constructed as private development in partnership with the former Redevelopment Agency and within that project were public plazas, sidewalks and landscaped areas. Doezema further explained those improvements were financed with proceeds of tax exempt bonds and those bonds contained covenants which required the Successor Agency to protect the tax exempt status of the bonds for the benefit of the bondholders.

Member Mikulaco requested clarification regarding whether public ownership was a requirement or an option.

Doezema stated it was mandatory under the covenants of the bonds and if the property was sold to a private entity the tax exempt status of the bonds would be jeopardized.

Member Kerry noted the photos on slide 16 showed the sidewalks within the Heavenly Village property.

Member Mikulaco remarked he drove the properties and was familiar with them.

Doezema explained the plan's basis for estimating property value and recommended the sale proceeds to be used to pay Enforceable Obligations of the Successor Agency.

SW Corner Lake Tahoe and Ski Run – 1 ½ acre size, previously listed for sale and recently fell out of contract and would be offered for sale again. It was formerly occupied by four motels and is now vacant site. The prior developer's proposal was to construct a Walgreens.

3141 Riverside – 1/3 acre size, consisted of three lots and was zoned high density residential. A \$300,000 estimate was provided to the Successor Agency to assess a reasonable lease rate for temporary construction staging on the property and if used for that purpose, an \$8,000 or \$9,000 lease amount would be generated for interim use.

NEW BUSINESS (a): Continued

3900-3908 Lake Tahoe Boulevard – Vacant site with a value of \$600,000. It was formerly occupied by two motels demolished by the former redevelopment agency and was proposed to be offered for sale.

4709 Osgood – ¼ acre size vacant site. It was formerly a veterinary facility with an estimated market value of \$100,000 and was proposed to be offered for sale. Adjacent to this property was a larger vacant lot that had frontage on Lake Tahoe Blvd. which was owned by the city and could be a joint marketing opportunity with both parcels.

Parking Lot at Ski Run and Paradise Avenue – ½ acre size, currently leased on a month to month basis to the Ski Run Marina and used for employee parking. The lease may be terminated at any time; additionally, the Ski Run Marina owner is obligated to come back with a conceptual level plan for potential development of the property. The property was proposed to be offered for sale.

Development Right Commodities – Commodities were created by Tahoe Regional Planning Agency (TRPA) and a cap was established on development in the Basin. Development rights within that cap could be moved between parcels and were bought and sold as commodities. The Successor Agency owns 18 hotel Tourist Accommodation Units (TAUs) and 27 Residential Units of Use (RUUs) which have an estimated value of \$1.3 M.

Member Mikulaco inquired if governmental buildings were exempt from the commodity.

Chair Cole noted no developed governmental property was located on those parcels.

Assistant City Attorney Doherty explained government property was also subject to obtaining the requisite commodities and the answer would be “no”.

Doezema explained those commodities were both residential and hotel/motel commodities and were proposed for sale. Doezema provided background regarding the Successor Agency program of acquiring older motels and demolishing them to improve the property and using the development rights to construct larger, higher quality hotels. Those commodities were the remnants of that program.

Member Kerry inquired what was the estimated value of a current RUU and a current TAU.

Doezema stated a TAU was \$25,000 per room and a RUU was \$35,000 per unit. He also stated the pricing was obtained by the California Tahoe Conservancy price list dated January 2014.

Governmental Use Properties – Three properties were identified (1) turn lane located at Lake Tahoe Blvd. and Ski Run (2) small street segment - Maple Avenue (3) Heavenly Village public parcel.

Disposition of Governmental Use Properties Under H&S 34181 (A) – “Oversight Board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction”

NEW BUSINESS (a): Continued

Right Turn Lane: Highway 50 at Ski Run Boulevard – Constructed in the mid 1990's by the former Redevelopment Agency. It was a State right-of-way that was intended to be dedicated to CalTrans. The plan proposed the transfer to CalTrans to fulfill the intent of the former Redevelopment Agency.

Maple Avenue Right of Way – ½ acre street which is the only access for several residential parcels. The plan proposed the transfer to the City to continue to be used as a public street.

Public Parcel Within Heavenly Village – 1.91 acres, included public sidewalks, plazas, landscaped areas within Heavenly Village and was part of a Redevelopment Agency project to assist in offsetting the costs that would have been borne by the private sector. Doezema explained it was a public-private partnership and this was the public component part of the project.

Member Mikulaco inquired why there was no value to this parcel.

Doezema explained this parcel was required to be maintained for public use under public ownership.

Chair Cole stated it required maintenance annually and could not be developed, therefore was a liability which did not generate income.

Doezema explained that maintenance costs were shared by private parties in partnership with the City and was required to be funded pursuant to a set of conditions, covenants and restrictions which granted easements across the parcel to the adjacent private parties and required the parcel be maintained for public use and access. Doezema further explained the improvements were funded by tax exempt bonds, and to maintain the tax exempt status of the bonds, the parcel must remain under public ownership. Additionally, the covenants required the Successor Agency to take any necessary actions to preserve the status of those bonds.

Member Mikulaco inquired if public ownership could be city or county.

Doezema stated "yes".

Member Mikulaco remarked the county would like some property in Tahoe and suggested a process for that because giving away property would not pay off the bonds.

Chair Cole explained the tax exempt bonds have a low interest rate and if taken out of public ownership and sold individually the bonds would be defaulted on and the cost would increase substantially because the purchaser would pay market rate for the bonds.

Member Mikulaco stated if the value of the property exceeded the amount owed on the bonds; there was value to the property.

Chair Cole stated there was no value to the property.

NEW BUSINESS (a): Continued

Member Kerry stated the property was not Heavenly Village. It was the sidewalks within Heavenly Village. She explained the sidewalks were maintained by an organization named Park Avenue Development Maintenance Association (PADMA) which included the City, Redevelopment Successor Agency, Trans Sierra Investments and Marriott. The cost was several hundred thousand dollars annually for maintenance of the sidewalks and it was shared between the parties. Kerry explained it was very expensive to maintain and if El Dorado County wanted to purchase it there was no possibility of selling it.

Chair Cole stated the only value was if a toll was charged for people to walk on the sidewalk.

Member Baugh stated he had follow-up questions regarding the discussion and struggled with the same issues as Mikulaco.

Member Kerry stated an asset could be transferred to the city or another agency when it is for a public purpose as long as it is used for a public purpose.

Next Steps – with the Board's approval, submit the Plan to the Department of Finance and once approved, property could be disposed of pursuant to the Plan. Sales or transfers would require separate authorization by the Board and also the Department of Finance.

Doezema concluded the presentation.

Chair Cole stated this was the time to ask questions.

Member Baugh stated his first question regarding approvals by the Board was answered by the last slide and acknowledged the plan would need to be adopted in order to move forward. He further stated his concern was the prior agency paid for the improvements and in his opinion had value to the Heavenly Village and furthermore, the maintenance costs would not be absorbed if there was no value.

Chair Cole stated the value was the ancillary property to assist in generating money to pay back the bonds.

Member Baugh remarked he understood Cole's point, but stated the parcels had value.

Chair Cole explained the parcel couldn't exist on its own and had no value upon its own; the only value was to the properties adjacent to it.

Member Baugh stated he understood their only value was because of the properties surrounding the parcel. He further stated the properties it was attached too had value, so the parcel had value and it wouldn't be maintained if it did not have value.

Member Vogelgesang repeated Baugh's point that sidewalks allowed access to the businesses and had value; however, stated they did not have value on the open market, rather the sidewalks had value to the businesses and were part of the concern that paid for the upkeep.

NEW BUSINESS (a): Continued

Member Baugh stated he was looking at this in a linear process and the concept was he believed the parcel had value. Value to whom and how the value was entangled and whether or not the value could be extracted by the agency were separate issues.

Member Kerry explained that everything had a value and the purpose of the Redevelopment Agency retaining ownership was to maintain public access. She also said the dissolution law stated if an agency was maintaining property for public access that was the only scenario in which a property could be transferred to a local agency because a local agency would also want it to remain free. She stated the sidewalks and inside of the Heavenly Village must remain free under the covenants. Kerry explained the City and the Redevelopment Agency were board members to the organization which managed the all the public space that organization required it remain free and open. Kerry stated public purpose for it being free is why it had no market value because only a public agency would maintain something for free.

Member Mikulaco remarked it did not change his opinion and asked if Member Baugh had any further questions.

Member Baugh questioned the unraveling of ownership and to whom there was value.

Chair Cole explained the Redevelopment Agency purchased property to keep open space and public access and this was one example of that.

Doezema explained the bonds were payable from Redevelopment Property Tax Trust Fund (RPTTF) funds and maintenance was funded 80% by property owners and 20% by city.

Chair Cole noted the parcel was tax exempt and didn't generate any money to pay back bonds.

Member Baugh remarked the parcel was collateral for the bonds.

Doezema stated the parcel was not collateral and the bonds were secured by property tax increment.

Member Baugh inquired what debt was covered by covenants.

Doezema stated it was Redevelopment Successor Agency bonds.

Member Baugh requested clarification if the parcel was not collateral, how did it tie into the bond covenants.

Doezema explained that tax exempt bonds must be used for eligible things and private property was not eligible to qualify for tax exempt bonds and would be a violation of the covenants which stated the Successor Agency was obligated to protect for bondholders.

Member Baugh stated he didn't see this as becoming private property; however, the Redevelopment Agency paid money for those assets and he believed it would be reasonable for the city to pay some value if transferred, so the agency could recover some costs in putting those assets in place.

NEW BUSINESS (a): Continued

Assistant City Attorney Doherty explained the California Constitution protected private businesses and private entities from having ingress and egress to their establishment cut off by a public agency. She stated the sidewalks and public thoroughfares' only existed so the public agency that owned them could provide public access to the private establishment and the Redevelopment Successor Agency could not transfer to a private entity.

Member Mikulaco said a public entity could be county or city. He remarked the county may be interested and he would like to see who would pay more for the land and the money could be used to pay the obligation to the bondholders.

Chair Cole stated if the county wanted to buy the parcel and maintain as open space, they could bring an offer to the Oversight Board. He noted the parcel would need to be maintained and could not create revenue.

Assistant City Attorney Doherty clarified when the Redevelopment Agency acquired the open space it did so by agreement with the private entities of Heavenly Village with the understanding the public entity would contribute maintenance and public access to the private establishments and that was the extent of why the Redevelopment Agency "owned" those parcels.

Member Kerry restated the purpose of ownership was for the agency to contribute maintenance costs and also supplied staffing and services to assist in maintenance. She noted PADMA now had its own staffing to supply assistance for maintenance of public access to sidewalks.

Member Mikulaco referenced one of the slides stating it said "preliminary estimate of market value" and "public facilities" and requested clarification regarding whether or not public facilities could be built because there are public sidewalks.

Chair Cole stated the whole redevelopment area was at its maximum allowable coverage.

Doezema noted the CCR's for the project state the parcel was to be maintained in its present condition.

Member Kerry indicated there was an easement granted in the CCR's for private entities to set up tables and chairs or benches.

Member Mikulaco stated for the record: "So you are telling me of the 1.9 acres that is there, there is absolutely no land that can be developed for any public facility whatsoever?"

Chair Cole stated "yes".

Assistant City Attorney Doherty confirmed that was correct and explained that private parcels could not be land locked.

Member Mikulaco again stated the question : "there was 1.9 acres with heated sidewalks and he had been out there and there was quite a bit of property and your telling me there is

absolutely no legal situation whatsoever that any public facility, which is what is was built for, the infrastructure is there, can be built there?"

NEW BUSINESS (a): Continued

Chair Cole explained that TRPA mandated how much impervious coverage could be put over a lot and TRPA also allowed a project area to be put together and calculated how much land coverage was be used over a project area. He stated the project area had used all of its land coverage and the open space there was to mitigate the areas that were covered and stated nothing else could be built on the 1.9 acres.

Member Mikulaco requested clarification for the record that nothing could be built on this 1.9 acres given the legal restrictions.

Assistant City Attorney Doherty stated she agreed with Cole's explanation of TRPA's legal restrictions verbatim and remarked that she did not have the CCR's in front of her and perhaps it was possible to take out a small portion of the public right of way to build something. Doherty further stated that the sidewalks were narrow and those were the portions subject to public ownership.

Member Kerry stated there were construction requirements and possibly a public bench could be put on the sidewalk.

Member Mikulaco asked for the public part of Heavenly Village to be continued until he saw more information as they had a fiduciary responsibility to the bondholders and taxing agencies as an Oversight Board.

Member Murillo stated she had nothing to gain or lose from the discussion and asked Mikulaco what point he wanted to make and further stated from her perspective in using that area, the purpose was doing exactly what it should be doing and it created a great environment. She stated for the record she was against violating the tax exempt bond structure due to the cost. She further stated she wanted to know what Mikulaco wanted to do with the parcel that differed from the recommendation and acknowledged the board agreed there was some value that was subjective based on the property that it surrounded.

Member Baugh indicated Mikulaco believed it had value and could be developed further. Baugh stated he was concerned because the Redevelopment Agency paid for this asset and he believed the asset had some value and if it was going to be transferred to the city there should be some value coming back to the Redevelopment Agency. He stated he agreed that the parcel met its purpose and didn't want to change the bonds.

Chair Cole explained Redevelopment Agency money was sometimes used to build parks and roads as public benefits. Cole further stated to charge the city to maintain a public benefit made no sense to him.

Member Baugh stated he wanted to revisit the original purpose of the Redevelopment Agency to support development and now the Board was trying to separate an asset that was in the wrong place.

Chair Cole said he believed it was in the right place and was intended to protect the bondholders and safeguard the revenue generated to ensure it was used to pay for the debt.

Cole stated if the tax exempt status of the bonds was jeopardized it would take a lot longer to pay off the debt and longer for the taxing entities receive their money.

NEW BUSINESS (a): Continued

Member Baugh stated wrong place, meant titles in the wrong place.

Chair Cole explained the City partnered with the Redevelopment Agency and the developers and the City had taken on the responsibility of maintaining all the public access, roads, parks, heated sidewalks and were still willing to maintain them.

Member Baugh inquired who owned the revenue side of the contract for maintenance.

Member Kerry explained there was no revenue and each of the partners contributed money to pay for the maintenance costs.

Chair Cole noted the city contributed money to pay for its share of the costs because they owned the garage and every year the budget changed based on costs to maintain area.

Member Kerry noted the city's share was 20% of the costs to maintain the landscaping, lighting, heating of sidewalks, trees and security.

Member Baugh inquired to whom the tenants wrote a check.

Chair Cole stated it was to the common area maintenance organization.

Member Baugh inquired if the Successor Agency had any obligation because he was concerned about transferring an asset and keeping liabilities.

Member Kerry stated the City would pay the full 20% of the costs, if ownership was transferred to the City.

Member Murillo inquired if the City created the Redevelopment Agency.

Member Kerry confirmed she was correct.

Member Murillo stated she believed it was logical for the parcel to be transferred to the city.

Member Kerry explained the area was part of the same project area as the parking garage and PADMA had an agreement with the City to maintain the properties including the parking garage assets until it was transferred.

Member Mikulaco inquired if this parcel was within the city limits or the unincorporated area.

Chair Cole stated it was in the city limits.

Member Mikulaco stated there was \$1.3 M of development right commodities, over \$2 M in properties collectively, excluding Heavenly Village parcel.

Doezema stated the total was \$3.3 million including commodities.

NEW BUSINESS (a): Continued

Member Mikulaco stated the turn lane at Highway 50 and Ski Run had no value and suggested transferring it to CalTrans to include in their CIP. He stated the ½ acre at Maple had no value and suggested it be transferred to the City to put in their transportation plan. He stated out of the four options only the sale of properties made sense because as an Oversight Board they had a responsibility to pay back the debts. He suggested attaching the commodities to the parcels where it made sense, prior to the properties being offered for sale.

Chair Cole indicated that was the plan and explained the Southwest Corner property value could be increased if commodities were added to it.

Member Mikulaco inquired if commodities were needed to move forward with the Chateau project.

Chair Cole stated the project was already permitted and all the commodities were in place and the commodities in the plan were independent of that project.

Member Mikulaco requested further clarification those commodities were not needed for the project across from Heavenly and they were free and clear to do what the Board wanted to with them.

Chair Cole stated the agency was forced to sell the commodities and it was the intent of the Successor Agency to bring a package to the Oversight Board with the Southwest Corner and relist the property with the commodities.

Member Mikulaco suggested an open process to select a realtor that might list the property at 1% and give fairness to all the realtors in the area. He stated the additional proceeds would be more money to pay the bonds off and a more open process would assist with getting a better deal.

Chair Cole stated it was the Successor Agency's role to form a process with the approval of the Oversight Board. He further stated it was the intention of the Successor Agency to put an out an RFP and solicit the best qualified broker with the best commission and also to add the commodities.

Member Mikulaco asked if anyone had any thoughts on the Caltrans or City transfer.

Member Kerry agreed those parcels served no other purpose and related that same concept to the sidewalks at Heavenly Village.

Member Mikulaco stated he had issues with the Heavenly Village parcel and the concept of it having no value. He inquired if the recommendation was to give Maple Ave. to the City and the turn pocket to Caltrans.

IT WAS MOVED BY BOARD MEMBER MURILLO AND SECONDED BY BOARD MEMBER KERRY TO ACCEPT THE PLAN AS PRESENTED

Member Mikulaco questioned the motion.

NEW BUSINESS (a): Continued

Chair Cole restated the motion was to adopt the resolution which referred to the exhibits listing the Successor Agency properties for disposition some of which were for sale and some for transfer.

Member Murillo stated all were agreeable on the transfers for City and Caltrans and Mikulaco disagreed on the transfer of Heavenly Village. She believed it was a good recommendation that was started by the City for public purpose and was a good asset which should remain with the City.

Member Mikulaco inquired if the motion was to transfer the Heavenly Village parcel to the City.

Chair Cole stated the recommendation was to transfer the sidewalks to the City for continued maintenance in compliance with the covenants.

Member Baugh inquired if the transfers would be brought back to the board for separate approval.

Member Murillo clarified her motion to **ADOPT THE RESOLUTION AS PRESENTED.**

Member Kerry seconded the motion and noted the Department of Finance must approve the action as well.

Chair Cole called for the question.

A roll call vote was taken as follows.

AYES: COLE, BAUGH, KERRY, MURILLO AND VOGELGESANG
NOES (Teleconference): MIKULACO
ABSENT: MEYERS

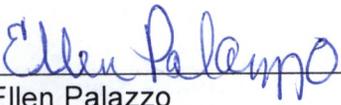
OVERSIGHT BOARD MEMBER ANNOUNCEMENTS/COMMENTS:

Mikulaco wished everyone a safe and wonderful Easter weekend.

ADJOURNMENT:

Chair Cole adjourned the meeting at 3:20 p.m.

Respectfully Submitted by:



Ellen Palazzo
Assistant Board Clerk



Hal Cole, Chair