



**MEMORANDUM
PUBLIC WORKS AND FACILITIES
REAL ESTATE SERVICES DIVISION
County of Placer**

TO: Board of Supervisors DATE: July 24, 2018
 FROM: Ken Grehm, Director of Public Works and Facilities
 By: Jennifer Merchant, Deputy CEO-Tahoe and Laurie Morse, Property Manager
 SUBJECT: Negotiation of Agreement of Purchase and Sale / R.T. Nahas Company, 3205 North Lake Blvd, Tahoe City, CA

ACTION REQUESTED

1. Authorize the Director of Public Works and Facilities to negotiate an Agreement of Purchase and Sale for the acquisition of three vacant parcels (APNs 093-160-079, -080, -081) totaling 11.4± acres located at 3205 North Lake Blvd, Tahoe City in the Dollar Hill area from R.T. Nahas Company for \$3,600,000.
2. Direct the Director of Public Works and Facilities, or designee, to return to your Board with a negotiated Agreement of Purchase and Sale in substantial conformance to the attached Material Terms and subject to County Counsel concurrence.

BACKGROUND

A representative of the R.T. Nahas Company and County Executive staff have had several conversations about the availability of and development potential on property in the Dollar Hill community of Tahoe City. The Nahas Property, comprised of three vacant parcels (APNs 093-160-079, -080, -081) totaling 11.4± acres, is located at 3205 North Lake Blvd, Tahoe City at the corner of State Route 28 and Fabian Way (see Property Map – the “Property”). The Nahas Property presents an excellent site for potential housing development because the Property had been previously approved for a significantly-sized, similar project, and because of the following qualities:

- Level site with Class 6 soil, so it has high land capability, which allows for maximum allowable coverage.
- Former location of a service station and retail building, which have both been demolished.
- Current MU-DH zoning designation allows for multiple commercial uses and multi-family, single family residential and many retail uses with a minor use permit.
- Readily accessible to schools, transit, multi-purpose trails and recreation space.
- On TART route, multi-directional bus shelters, and adjacent to Placer County trailhead and east-west bike trail system, with access to Tahoe City and recreation sites.
- Adjacent to 83-acre Firestone Property, which the County acquired in 2016 for the purpose of developing a trailhead and parking for the Dollar Creek Shared Use Trail.
- Banked Development Rights on Site as detailed below:

Tahoe Regional Planning Agency and Tahoe Truckee Sanitation Agency Banked Rights				
APN	Residential	Commercial	Coverage	Sewer
093-160-079	12	1,515	24,245	31
093-160-080	12	-	3,084	-
093-160-081	25	2,260	97,566	4
TOTAL	49	3,775	124,895	35

This site is also considered an attractive potential workforce/affordable housing development site due to:

- Workforce/affordable housing development Tax credit potential:
 - Near Schools (grades 4-12)
 - Proximity to Town Center (two miles to downtown Tahoe City / six miles to Kings Beach) and seven miles to Squaw Valley
 - Proximity to grocery stores, pharmacy, parks and transit
 - Retail component could include required fresh produce and meat, which is required to compete for many state and federal grants
- A TRPA-designated "Preferred Affordable Housing Area," and as such may be eligible for up to 25 percent bonus units above the 15 units per acre base allowable density.
- Previously permitted in 2003 for an approved 128 unit mixed use senior affordable, single family residential and retail. This project included 78 affordable apartment units, 50 market rate units in 25 duplex units and 4,800 square feet of commercial. However, the permit expired in 2009.

All of these factors are considered strong indicators that a similar residential/retail development could be feasible on the Property. For this reason and given the critical need for affordable housing in the Tahoe Basin, County staff has determined that the acquisition of this Property should be evaluated for feasibility of a workforce/family/affordable housing/mixed-use development and whether the County should acquire the Property.

The Nahas Property is adjacent to the Firestone Property, previously acquired by the County. Unlike the Nahas Property, the Firestone Property is deed restricted for recreational purposes. Because housing is among eastern Placer County's greatest needs, the priority focus is on developing the Nahas Property for housing, with no changes or additional development being recommended for the Firestone Property. The Nahas Property's proximity to trails and recreation create a strong nexus and desirable location for housing.

Housing Needs

The Fiscal Year 2015-16 Tahoe Truckee Region Housing Needs Assessment made the following specific findings about the North Lake Tahoe region:

- 80 percent of housing units are single-family homes
- 65 percent of available housing units are vacant, primarily for vacation use
- Almost half of housing units were built before 1979
- Median household income was \$67,000
- Median home price in November 2015 was \$538,000
- The maximum for-sale home price considered affordable to a four-person lower income household is \$235,000
- 76 percent of residents surveyed overpay for housing (more than 30 percent of income)
- The estimated wait list for an affordable rental unit is 6 months to 2 years
- An estimated 12,160 housing units are needed to accommodate future workforce
- 58.6 percent of local employees commute into the region from outside the region
- 46.6 percent of local residents commute outside the region for work; and since that time, housing affordability has worsened.

According to a Beacon Economics report on eastern Placer County workforce housing published in December 2017, "although the median household income in the Tahoe region is somewhat higher than California's, the median price of an existing single family home in the study area is one-third higher than California's. Furthermore, housing prices have outpaced wages in the area, resulting in a decrease in

affordability. With a 3.7 percent decline in the median household income from 2010 to 2015, the gap between housing costs and incomes has grown rapidly.”

North Tahoe Housing Affordability Comparison

	2010	2015	% Change
North Tahoe Region			
Median Existing SFR Price	\$450,000	\$530,000	17.8%
Median Household Income	\$65,833	\$63,386	-3.7%
Price to Income Ratio	6.84	8.36	
California			
Median Existing SFR Price	\$256,250	\$396,250	54.6%
Median Household Income	\$57,708	\$64,500	11.8%
Price to Income Ratio	4.44	6.14	

Source: American Community Survey

Note: 5-year Census ACS data used.

Excerpt courtesy Beacon Economics

“And the affordability outlook continues to become more critical as Beacon Economics provides more recent for sale home data that illustrate in August 2017, the median home value stood at \$624,500, an increase of 6.8 percent over the past year. A household of four must earn in excess of \$120,000 per year to afford a home in this range. For rental properties, Bay Area Economics reported in 2016 that the average monthly cost for a three bedroom home in eastern Placer County and Truckee is \$2,200 per month, while a family of four at 120 percent Average Median Income can only afford rent of \$2,100 per month.”

The lack of affordable housing also has negative impacts on the region’s tourist economy, and the ability for local businesses and governments that serve the community to attract and retain employees. The Tahoe Prosperity Center undertook “Business Walks” in Placer County in 2016 when 189 business owners were surveyed by volunteers to better understand business needs. Of the 140 business owners who cited they have challenges finding skilled employees, over 40 percent specifically identified a lack of affordable rental or home ownership opportunities to support a steady workforce. This winter, several lakeside businesses closed their doors during the mid-week period due to a lack of available employees and some posted signs on their locked doors attributing the shortage to a lack of housing, and similar steps are being reported this summer

As established through Economic Planning Systems’ 2014 economic analysis on feasibility of for profit commercial projects in eastern Placer County, government subsidy is needed to off-set extraordinary development costs in order to incentivize development of desired projects. The same holds true for housing development. The lack of housing development further exacerbates the threatened economic condition of the North Lake Tahoe region’s tourist economy.

Finally, housing was cited by 81 percent of respondents to a recent poll of likely voters in eastern Placer County as a very serious or extremely serious problem, eclipsing other key issues such as traffic and development of trails, transit and other visitor-serving infrastructure.

Agreement of Purchase and Sale Material Terms

County CEO staff has successfully negotiated Material Terms of a proposed Agreement of Purchase and Sale with R.T. Nahas Company (see Material Terms). The parties have agreed to a 120-day investigation period to assess the Property, evaluate the project feasibility, appropriate funding, and

obtain project approvals. The investigation period can be extended for up to three additional three-month periods as a Project Approval Contingency at a cost of \$20,000 for each term. The following provides the key Material Terms of the proposed negotiation of the Agreement of Purchase and Sale:

- Purchase price- \$3.6 million
- \$50,000 refundable deposit within five days of mutual execution of an Agreement of Purchase and Sale for a 120 day period to investigate the following conditions:
 - Project feasibility
 - Appropriation of purchase funds, including from other local funding partners
 - Approval of any entitlements, codes, covenants, conditions and restrictions, notices, studies and reports
 - Environmental condition, including Phase 1 and 2 environmental site assessments
 - Physical condition
 - Title condition
 - County's selection of a housing developer
- Investigation Period Extension—Project Approval Contingency:
 - Increase the deposit by \$20,000 for each of three 3-month extensions
 - If at the end of any of the terms, including the final term the County notices the seller that it does not intend to purchase the property, the County will remit all deposits made to date to the seller
 - In the event the County purchases the property, the deposits will be deducted from the total purchase price and the balance will be due

NEXT STEPS:

Should your Board agree to move forward with Material Terms for the Nahas Property, in addition to working with DPWF to finalize the Agreement of Purchase and Sale, CEO staff will work to undertake significant community outreach and also direct Procurement to draft and release a Request for Proposals (RFP) to affordable/workforce housing developers. The planned purchase would be placed on the August North Tahoe Regional Advisory Council agenda as an informational item to describe the housing need, planned development process and accept feedback. The CEO Tahoe office will also work with community organizations and stakeholders, including neighborhood associations, North Lake Tahoe Chamber of Commerce, Tahoe City Downtown Association and the Mountain Housing Council to better understand project goals and housing needs.

The housing RFP will be reviewed by a team of staff and community experts to assess proposals based on qualifications, experience, and the extent to which the proposed development concept is consistent with county and community goals, as well as the Tahoe Basin Area Plan. Once a project concept is complete, the environmental review process would be initiated.

In conclusion, this acquisition provides an opportunity to support development of much needed workforce/affordable housing in the North Tahoe Area. To proceed with this proposed acquisition, your Board's approval and authorization are necessary for the Director of Public Works and Facilities, or designee, to negotiate an Agreement of Purchase and Sale based on the Material Terms, subject to County Counsel concurrence.

ENVIRONMENTAL IMPACT

Your Board's actions to authorize negotiation of the Agreement of Purchase and Sale and to direct staff to return for consideration of the Agreement are each exempt from CEQA review on multiple independent bases.

Authorization to negotiate an Agreement of Purchase and Sale and direction to staff to return for consideration of the Agreement are each not a project as defined in California Public Resources Code Section 21065 and/or California Environmental Quality Act (CEQA) Guidelines Section 15378(a) and therefore are not subject to CEQA. CEQA applies only to the approval of a project, and the proposed actions do not constitute approval of a project. The authorization, execution and implementation of the Agreement will not cause any physical change to the environment, directly or indirectly, beyond those activities that are already authorized to occur at the site. All potential development at the Nahas Property will be subject to environmental review pursuant to applicable environmental laws.

In the event your Board's authorizations were determined to be a project under CEQA, the actions are exempt from CEQA review pursuant to CEQA Guidelines Section 15352(a). The proposed actions do not constitute approval of a project under CEQA Guidelines Section 15352(a) because they do not commit the County to a definite course of action. The County will have the right to discontinue negotiations or to terminate a future agreement based on contingencies such as the failure to secure project approvals.

Each of these facts is a separate and independent basis for the Board's determination that the Board's actions are exempt from CEQA and do not require further CEQA review.

FISCAL IMPACT

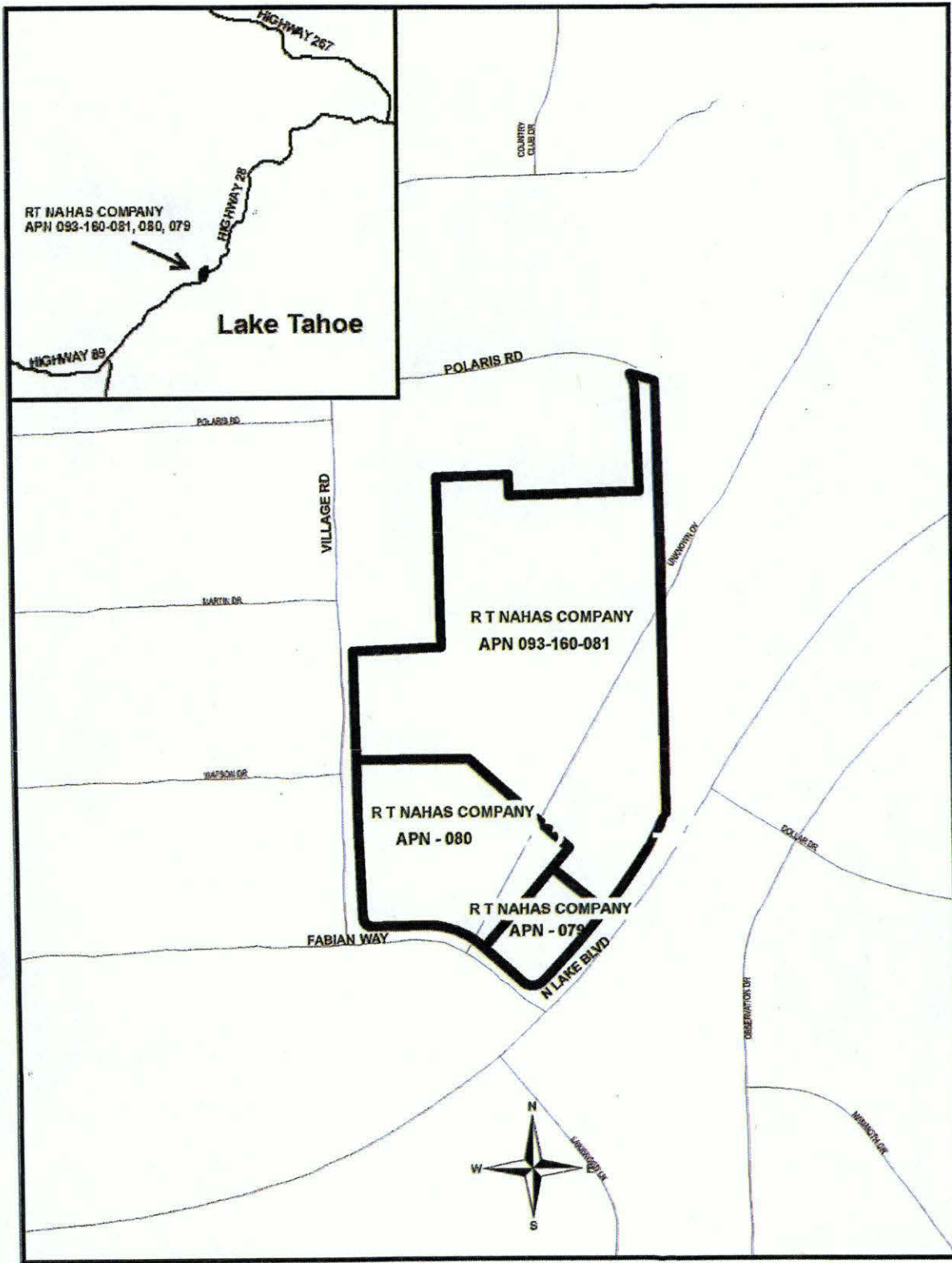
The total acquisition cost for the Property is an estimated \$3,800,000 including the Purchase Price (\$3,600,000), title, escrow, professional consultants, staff and legal costs. At this time, funding for this acquisition has not been appropriated; however, staff has identified \$2,273,000 from County housing and tourism sources such as the Housing Trust Fund, 2017-18 Transient Occupancy Tax fund balance, and the Lake Tahoe Tourism and Promotions budget and the potential for an additional \$500,000 from the Truckee-Tahoe Airport District leaving an additional \$1,027,000 needed from other local sources. Pursuant to the terms of the proposed Material Terms, the County would have 120-days to appropriate purchase funds. Potential other local funders may include the Tahoe Truckee Community Foundation and the Martis Fund. When Staff returns to your Board for consideration of the Agreement of Purchase and Sale, staff will include a recommendation to appropriate funding needed to initiate the due diligence activities and to pay the deposits in the amount up to \$110,000. During the 120-day Initial Investigation Period, staff anticipates returning to your Board to authorize funding for the total purchase funds depending on the outcome of these investigations.

The estimated total cost of the potential workforce/affordable housing development would be determined as a result of the County's request for proposal process for a developer. It is anticipated that this potential development in the Lake Tahoe Region would be very competitive for 9% Low Income Housing Tax Credit (LIHTC) allocated by the California Tax Credit Allocation Committee (TCAC). Other funding needed may come from other State, federal or other grant funding sources.

ATTACHMENT

Property Map
Material Terms

Property Map



Material Terms

*****PROPOSED***
NAHAS PROPERTY
MATERIAL TERMS OF AGREEMENT OF PURCHASE AND SALE**

The following summarizes the key terms and conditions which are the basis of the proposed Agreement of Purchase and Sale (Agreement).

1. **Parties:** The County of Placer, a political subdivision of the State of California ("COUNTY") and R.T. Nahas Company ("OWNER"). COUNTY and OWNER are sometimes hereinafter referred to individually as "Party" and collectively as the "Parties."
2. **Property:** The property is located at the corner of State Route 28 and Fabian Way in Tahoe City, CA in the Dollar Hill area of North Lake Tahoe, and encompasses three parcels (Assessor's Parcel Nos. 093-160-079 / 080 / 081) consisting of 11.4± acres as depicted on Exhibit A. Said Property shall include OWNER's interest in any and all Tahoe Regional Planning Agency ("TRPA") and other jurisdiction rights, entitlements, and commodities currently banked or allocated to said Property (e.g., residential, commercial, coverage and sewer), and shall hereinafter be referred to as the "Property."
3. **Purpose:** The purpose of the Agreement is to provide for the purchase and sale of the Property as conveyed through a Grant Deed from OWNER to COUNTY. The Parties acknowledge that COUNTY's intended use of the Property is for a potential workforce/affordable housing development ("Proposed Project").
4. **Purchase Price:** Three million six hundred thousand and no/100 dollars (\$3,600,000.00) for the Property, evidenced by cash payment from the COUNTY to OWNER upon close of escrow ("Purchase Price").
5. **Initial Investigation Period:**
 - i. Within five (5) business days of mutual execution of the Agreement of Purchase and Sale ("Agreement"), COUNTY shall remit to Placer Title ("Escrow Holder") an initial deposit of fifty thousand and no/100 dollars (\$50,000.00) ("First Deposit"). COUNTY shall have one hundred and twenty (120) days following mutual execution of the Agreement within which to investigate the Property ("Initial Investigation Period"). The following conditions shall be considered contingencies of the Agreement.
 - a) Project feasibility for the purposes of accommodating the Proposed Project, which may include COUNTY commencing a Request For Proposals (RFP) from qualified workforce/affordable housing developers to develop the Proposed Project.
 - b) Appropriation of purchase funds by COUNTY, and/or assigns, including the receipt of funding from other local funding partners.
 - c) Approval of Zoning; Entitlements; Codes; and Covenants Conditions and Restrictions ("CC&R's"), if any exist.
 - d) Approval of any and all Notices affecting the Property that are in OWNER's possession, including but not limited to delinquencies in payment of any dues, fees, and/or taxes due any governmental agency or jurisdiction having authority.
 - e) Approval of all documents provided by OWNER, including all reports or studies related to the physical condition of the Property, such as surveys, and geotechnical reports. OWNER shall also provide copies of any site plans, reports and studies performed pursuant to the OWNER's prior Highlands Village project applications, approvals and environmental review performed.
 - f) Environmental condition: Owner shall provide copies of any inspections, tests, and/or surveys, including but not limited to, Phase 1 and Phase 2 Environmental

Site Assessments, the presence of underground storage tanks or other potential hazards on the Property.

- g) Physical condition: whether the Property is suitable for the COUNTY's, and/or assigns, intended use.
- h) Title condition: Unrecorded encumbrances, reports, permits, and other records or issues disclosed by OWNER or otherwise identified by COUNTY.
- i) COUNTY's selection of a workforce/affordable housing developer who would assume the terms of this Agreement, and/or subsequent Agreement of Purchase and Sale prior to Close of Escrow.

If COUNTY finds the Initial Investigation Period contingencies unacceptable, and OWNER is unable to correct said Property-related conditions, COUNTY shall have the right, at its sole discretion, to cancel the Agreement and have its First Deposit refunded in full.

- ii. If COUNTY gives written notice to OWNER by 5:00 p.m. of the final day of the Initial Investigation Period of dissatisfaction with any of the above listed Property-related conditions, and the Parties have not entered into a mutually agreeable written resolution and/or mutual extension of the Initial Investigation Period by 5:00 p.m. one (1) business day thereafter, the Agreement shall be deemed cancelled. In such event, the First Deposit paid by COUNTY shall be immediately returned to COUNTY.
- iii. In the event COUNTY provides notice, in writing, to OWNER of its acceptance of the Initial Investigation Period, then the First Deposit shall become nonrefundable and shall be applied toward the Purchase Price at close of escrow, or forfeited to OWNER in the case that there is no close of escrow (to be further defined in the Agreement of Purchase and Sale).

6. **Investigation Period Extension - Project Approval Contingency:** Given the intended purpose for this Proposed Project, the Parties agree that the COUNTY shall have the right to continue the investigations and work to provide the COUNTY time to process and obtain final, non-appealable approvals (including an adopted CEQA document) allowing COUNTY, and/or assigns, to develop and use the Property for the Proposed Project intended use ("Project Approval Contingency"). Therefore, OWNER agrees to grant the COUNTY up to three (3) consecutive three-month Project Approval Contingency periods. The COUNTY's right to each of these extensions will be exercised separately, and in writing ten days prior to the subsequent extension period.

- i. COUNTY, and/or assigns, shall increase the deposit with the Escrow Holder by the sum of twenty thousand and no/100 dollars (\$20,000.00) for each period it so extends. In the event the COUNTY, and/or assigns, exercises each of the three extensions, then the total deposit in the sum of sixty thousand and no/100 dollars (\$60,000), along with the First Deposit of fifty thousand dollars (\$50,000), for a total of one hundred ten thousand dollars (\$110,000.00), shall be held in escrow and be applied towards the Purchase Price at close of escrow.
- ii. If COUNTY gives written notice to OWNER by 5:00 p.m. of the final day of any applicable extension period, or the final exercised extension period that it, and/or assigns, has not obtained all necessary Proposed Project approvals, and OWNER and COUNTY, and/or assign, have not entered into a mutually agreeable extension period by 5:00 p.m. one (1) business day thereafter, the agreement shall be deemed cancelled. In such event, all deposits paid to escrow as of that date, as exercised by the COUNTY, and/or assigns, shall be remitted to OWNER upon demand.

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- iii. In the event COUNTY, and/or assigns, approve all investigations and removal all contingencies, Escrow Holder shall be directed to commence a thirty-day (30) close of escrow process. In no event does this preclude the COUNTY from waiving this Project Approval Contingency and proceeding to Close of Escrow.

7. **Conditions to Close Escrow:** The Close of Escrow shall be conditioned on all of the following Conditions:

- i. OWNER has timely performed all of its obligations under the Agreement.
 - ii. Property being conveyed is free of all liens, restrictions, encumbrances, and impositions other than the title exceptions permitted by COUNTY, and/or assigned during the Investigation Period.
 - iii. OWNER has not taken any action, or omitted to take any action, which would have the effect of violating or rendering untrue any representation, warranty, covenant or agreement contained herein.
 - iv. OWNER has not caused any change to the physical or environmental condition of the Property following COUNTY's, and/or assigns, approval of any and all conditions and contingencies.
 - v. OWNER has made any and all payments due and owing with respect to the Property, including, without limitation, real estate taxes, assessments, charges, fees, levies and impositions, which payment may be made at Close of Escrow with proceeds of the sale of the Property.
 - vi. COUNTY shall reimburse the OWNER at closing for property taxes and sewer allocation service charges that have already been paid by the OWNER for the period starting from the date of sale to the end of the tax or billing period. Any taxes or services charges owed in arrears by OWNER shall be paid by OWNER at closing.
 - vii. OWNER shall deliver possession of the Property to the COUNTY at Closing free of any leases, claims to or rights of possession.
8. **Closing Costs:** COUNTY shall pay any recording fees, the premium for COUNTY's title insurance policy, one half of all escrow fees, one half of document preparation costs, and one half of other related closing costs. OWNER shall pay any transfer taxes and all costs to place the Property in the condition for conveyance required by the Agreement. Each Party shall pay its own legal, professional, and other consultant fees incurred with regard to this transaction.
9. **Application for Approvals During Investigation Period:** During the investigation period(s), COUNTY, and/or assignee, shall attempt to procure through the County of Placer land use process and the TRPA, a conditional use permit, Design Review Approval, and any other discretionary permits and/or land use entitlements required to allow the Proposed Project intended use of the Property (hereinafter collectively referred to as "Conditional Use Approvals"). COUNTY, and/or assignee, shall be solely responsible to secure the Conditional Use Approvals, and to pay all costs and fees associated with the Conditional Use Approvals. OWNER consents to them applying for and pursuing such Conditional Use Approvals. OWNER authorizes COUNTY, and/or assigns, to use, duplicate, and submit to any public entity such plans, drawings, and or other documents related to the Property as may be requested for the purpose of reviewing Conditional Use Approvals. As the owner of the Property, OWNER shall sign all applications, which may be required to allow COUNTY, and/or assignee, to apply for the Conditional Use Approvals. OWNER's signature upon any such application shall be strictly for

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the purposes of allowing COUNTY, and/or assignee, to submit such applications as they may need to obtain the necessary land use approvals, including the Conditional Use Approvals. OWNER shall not be required to sign as Permittee in connection with the acceptance of any conditions associated with approvals secured by the COUNTY.

- 10. **Broker Representation/Commission:** COUNTY is representing itself in the transaction, and as such, shall not be responsible to pay any commission and/or finder fee of any kind.
- 11. **Records:** OWNER acknowledges that the COUNTY is a public entity subject to the Ralph M. Brown Act and the Public Records Act (Cal Govt. Code Sec. 54950 et seq and Cal Govt. Code Sec. 6250 et seq, respectively; (collectively the "Acts")). OWNER acknowledges that the Purchase Price and other terms and conditions of this proposed Material Terms and Agreement are subject to public disclosure as part of the Board of Supervisor's open session meeting consideration of this transaction. OWNER further acknowledges that the Agreement, and related transaction documents may be subject to public disclosure under the Acts.

OWNER accepts and agrees to the incorporation of the above Material Terms into the preparation of an Agreement of Purchase and Sale between OWNER and COUNTY. The Parties recognize and agree that the enforceability of the terms of any future Purchase and Sale Agreement shall be subject to prior approval by the Placer County Board of Supervisors or its designee, and OWNER.

OWNER: R.T. NAHAS COMPANY

By: [Signature]
Signature
Shelly Abdean
Print Name

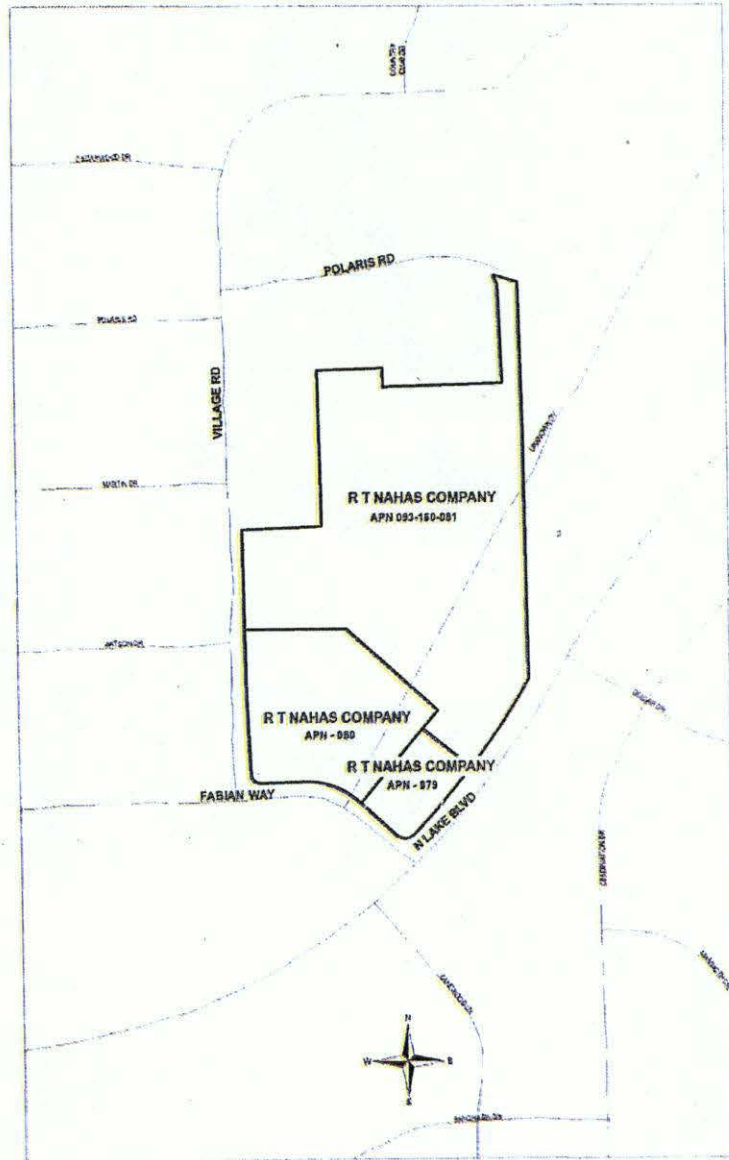
Date: 7/13/18
Title: Vice-President

By: _____
Signature

Print Name

Date: _____
Title: _____

**EXHIBIT A
PROPERTY MAP**



DR

