

TAHOE SUSTAINABLE COMMUNITIES INVESTMENT PROGRAM

Executive Summary

Lake Tahoe (Lake) is famed for its clear and deep alpine waters, awe-inspiring mountain views, and world-class outdoor recreation. The Lake, the economy, and local communities, however, are all suffering from the impacts of outdated land use patterns and transportation infrastructure built in the 1960's that do not reflect the desired form and function of modern resort communities. The Lake Tahoe Basin's (Basin's) strip commercial development and auto-centric road network are not attractive to visitors nor do they serve the needs of local communities. These issues are major contributors of urban stormwater runoff that threatens the clarity of Lake Tahoe.

To address these concerns, the 2012 Regional Plan promotes clustering development in the Basin's town centers to create more walkable, bike-able, and transit-oriented communities. The Regional Plan also includes a Sustainable Communities Strategy (SCS), as required by California state legislation known as SB 375, which links the Basin's land use and transportation strategies to reduce greenhouse gas emissions and help revitalize the Basin's urban centers.

To accelerate implementation of Lake Tahoe's SCS and the goals of SB 375, the California Tahoe Conservancy (Conservancy) is developing a Tahoe Sustainable Communities Investment Program (TSCIP). TSCIP will refocus the Conservancy's land acquisition and marketable right programs to: 1) acquire and restore aging developed properties on environmentally sensitive lands and retire or transfer the development rights to town centers; 2) sell, lease, or exchange vacant Conservancy land in these town centers; and 3) acquire the remaining private properties in several of Lake Tahoe's roadless subdivisions to remove the threat of development.

The Conservancy's initial goal will be to acquire and restore one-third of the commercially developed properties located on environmentally sensitive land on the California side of the Tahoe basin (primarily in South Lake Tahoe) by 2024. To reach this goal, the Conservancy will seek to acquire properties with 230 motel/hotel rooms and 132,000 square feet of commercial space, at a cost of about \$52,000,000 (in 2013 dollars). With adequate funding from cap-and-trade auction revenue and other public

and private sources, together with the proposed transportation investments in the Lake Tahoe SCS, this program has the potential to transform the environment and economy of the Basin, and to provide a national model for stewardship and sustainable redevelopment of a national treasure.

California Legislative Background

The Global Warming Solutions Act of 2006, or Assembly Bill 32 (AB 32), establishes a comprehensive program to reduce greenhouse gas emissions (GHG) from all sources throughout the State. AB 32 requires the State Air Resources Board to adopt regulations to require the reporting and verification of statewide GHG and to monitor and enforce compliance. The bill requires the State board to adopt a Statewide GHG limit equivalent to the 1990 GHG levels to be achieved by 2020.

California State Senate Bill 375 (SB 375) was signed into law in 2008. SB 375 requires each of the State's 18 metropolitan planning areas to develop and adopt a Sustainable Communities Strategy (SCS) as a key component of their Regional Transportation Plan. SCS plans must identify transportation, housing, and land use policies necessary to meet the GHG reduction targets established for each region by the California Air Resources Board. They must also attempt to coordinate the resulting land use pattern with the transportation network so as to reduce per capita GHG emissions from personal-use vehicles (automobiles and light trucks).

In May 2013, the California Air Resources Board and the Department of Finance issued a *Cap and Trade Auction Proceeds Investment Plan* to guide the expenditure of cap-and-trade auction proceeds. The Investment Plan recognizes the importance of Sustainable Community Strategies in reducing GHG emissions and identifies implementation of SCS plans as a priority investment. According to the Investment Plan:

“Investment in land use planning and transportation infrastructure and operations is needed to implement the goals of SCS plans and support sustainable development efforts at the regional and local level. In particular, several activities are essential. These include: support of the SCS development process at the regional level, development of local planning efforts to reflect each regional strategy, and implementation of specific projects at the local and regional levels to support development of sustainable communities.”

Lake Tahoe Region Background

In the Lake Tahoe Region, the Tahoe Regional Planning Agency (TRPA) and Tahoe Metropolitan Planning Organization (TMPO) adopted the Lake Tahoe Sustainable Communities Strategy (Lake Tahoe SCS) in December 2012 as part of its approval of the Regional Transportation Plan and Regional Plan Update. The Lake Tahoe SCS seeks to reduce per capita GHG emissions 12% by 2020 and an additional 7% by 2035. To achieve these targets, the Lake Tahoe SCS and the Regional Plan promote clustered development in the Basin's relatively compact town centers – areas generally within walking distance of shops, dining, and recreation opportunities - that are well served by transit, pedestrian, and bicycle infrastructure.

The Regional Plan's focus on promoting clustered development is consistent with SCS plans adopted by other metropolitan planning organizations. The *One Bay Area Plan*, for example, steers transportation and housing investments to Priority Development Areas in the San Francisco Bay Area that can better accommodate the expected new growth in the region.

In the Basin, however, the focus of the Regional Plan is not to concentrate rapid new growth. In fact, because of the combination of skyrocketing land prices before the recession and the significant drop in gaming revenue, the Basin has lost 10,000 residents since 2000, and commercial vacancy rates are much higher than in other mountain resort communities. As a result, Lake Tahoe SCS and Regional Plan aim to reduce the development footprint in the Basin, and to shift the existing land use pattern from scattered auto-centric districts to vibrant walkable and bike-able town centers. Accordingly, the Regional Plan and Lake Tahoe SCS include incentives for transfers of development to designated town centers, require new allocations for commercial development and affordable housing be used only in town centers, and direct transportation investments toward high density corridors.

To complement and enhance the effectiveness of these programs, the Lake Tahoe SCS recommends improvements to the Basin's Transfer of Development Rights (TDR) programs, including a new emphasis on transferring or permanently retiring a portion of existing development commodities. Much of Lake Tahoe's early development consisted of strip motels and businesses outside of town centers, many of which are now outdated, underutilized, and no longer economically viable. According to the Lake Tahoe SCS:

“The possibility of reducing the development footprint in the Lake Tahoe region through an innovative development rights transfer program could provide for significant reductions in GHG emissions from private vehicles

and can be complemented by the development of a land acquisition program that retires, or in some cases transfer, excess development rights...This type of program would be an ideal candidate for various potential revenue sources such as California “cap-and-trade” funding, private sector, and other sustainability funding programs.”

Conservancy Land Acquisition and Land Bank Programs

Since its inception in 1985, the Conservancy has acquired and managed land for water quality and open space purposes, provided grants to local agencies for conservation and recreation projects, and operated a land bank to facilitate the transfer of development rights consistent with TRPA’s Regional Plan. The proposed TSCIP would realign several of the Conservancy’s existing programs to achieve the goals of the Lake Tahoe SCS and Regional Plan, as described below.

Land Acquisition Program

The Conservancy's initial focus was a mass acquisition program involving the purchase of thousands of small, vacant, subdivided lots on erodible, steep lands or in wetland areas. These parcels provide open space, recreation, and water quality benefits, and significantly reduce the development potential and related impacts in the Basin. The Conservancy now owns and manages nearly 4,900 parcels encompassing 6,500 acres.

In recent years, as described in its 2012 Strategic Plan, the Conservancy has shifted its focus away from acquiring undeveloped residential lots to acquiring land in high priority watersheds, and roadless subdivisions, and establishing lakefront parks. Anticipating the need for TSCIP, the Strategic Plan also noted that the Conservancy would be evaluating “the potential to develop a new program to acquire and restore *developed* properties in sensitive areas.”

Land Bank Program

The Conservancy also has a long history of buying and selling impervious coverage and other marketable rights under TRPA’s land use system, which limits the level of commercial, tourist serving and residential development in the Basin. Through a 1988 Memorandum of Understanding (MOU) with TRPA, the Conservancy established a Land Bank to mitigate excess land coverage on properties with existing development and to facilitate transfers of coverage and other marketable rights under TRPA’s rules. The Conservancy acquires properties from willing sellers, restores the land and banks the marketable rights, then seeks to resell the land coverage and/or marketable rights through a public process, using the revenue to further the acquisition program or other Conservancy objectives.

Over the past 25 years, the Conservancy's Land Bank has been enormously successful in facilitating market-based transactions of coverage and other marketable rights. To date, the Conservancy has facilitated the development of nearly 7,000 projects utilizing the Land Bank.

Although the vast majority of Land Bank transactions have involved coverage, the Conservancy has also acquired varying quantities of other marketable rights which can be bought, sold, or exchanged under TRPA's rules. These include:

- Commercial Floor Area (CFA): the footprint in square feet of commercial buildings;
- Tourist Accommodation Units (TAUs): motel or hotel rooms designed for short-term rentals;
- Residential Development Rights (RDRs): the right assigned to each vacant residential parcel; and
- Residential Allocations: rights distributed over time by TRPA to guide the pace of residential development that must be matched with an RDR for each residential unit constructed.

The CFA, TAUs, and RDRs associated with the acquired parcels have historically been deposited into the Land Bank and become available for public purchase. To date, the Conservancy has assisted property owners with over 100 projects by selling over 8,150 square feet of CFA and over 175 TAUs.

The Conservancy's Land Bank works in tandem with the Regional Plan to encourage transfers of development. Under the Regional Plan, property owners may transfer up to six units of use for each unit transferred if the sending parcel (development to be removed) is environmentally sensitive land and/or distant from town centers. For example, the owner of a 3,500 square foot commercial building in a Stream Environment Zone (SEZ) more than two miles from a town center can transfer the CFA into a town center and construct up to 21,000 square feet of CFA. Owners of sending parcels closer to town centers are eligible for lower ratios. See Map 1 for a graphic depiction of the transfer ratio potential.

Tahoe Sustainable Communities Investment Program

To help fulfill the goals of the Lake Tahoe SCS and Regional Plan, the California Tahoe Conservancy is proposing to work with the TMPO, TRPA, local agencies, and the private sector to develop a Tahoe Sustainable Communities Investment Program (TSCIP). The TSCIP would refocus the Conservancy's land acquisition, asset

management, and marketable development rights programs to help achieve the GHG reduction targets in the Lake Tahoe SCS, restore environmentally sensitive land to improve water quality and provide open space, and help to revitalize the Basin's urbanized areas.

In addition to achieving GHG reductions, the environmental benefits of the TSCIP include improvements in water quality, water conservation and energy efficiency associated with redevelopment of the Basin's outdated commercial infrastructure, and restoration of environmentally sensitive lands in targeted areas. In particular, the restoration of these acquired parcels would protect valuable stream environment zones, fish and wildlife habitat and improve Lake Tahoe's famed clarity. The TSCIP would also help revitalize the Basin's urban centers by removing underperforming, blighted properties.

To achieve the goals of the Lake Tahoe SCS through the TSCIP, the Conservancy will: 1) seek to acquire and restore developed parcels on environmentally sensitive lands, and retire or transfer the coverage or marketable rights from these developed parcels to town centers; 2) seek to sell, lease, or exchange the Conservancy's "asset lands" in town centers; and 3) complete its acquisitions of the remaining vacant lots in four roadless subdivisions to eliminate their development potential. Each of these strategies is discussed below.

1. Acquisition and Restoration of Developed Properties on Sensitive Lands

The primary focus of TSCIP will be to acquire and restore aging and underused developed properties on environmentally sensitive lands (i.e., stream environment zones), particularly in South Lake Tahoe, which contains a vast oversupply of dated strip motel units. South Lake Tahoe possesses nearly 12,000 TAUs, while resort destinations of a similar size have between 4,000 and 7,000 TAUs (*South Shore Vision – Destination Economic Impact Analysis 4.0*, Strategic Marketing Group, 2012). These properties are typically situated on parcels ranging in size between one-half and two acres, contain 25-50 small rooms with very low occupancy rates, and have little or no redevelopment potential. They also lack modern energy and water efficiency features, and contribute significant amounts of polluted stormwater runoff to Lake Tahoe. Map 2 identifies the commercial and hotel/motel development sites that could be acquired in South Lake Tahoe. Map 3 identifies potential acquisition opportunities on the north shore, and Map 4 identifies the opportunities on the west shore.

Consistent with the Conservancy's original program to acquire vacant properties, this strategy to acquire developed properties will provide significant environmental and economic benefits. Environmentally sensitive lands in the Basin's urbanized areas will

be restored and protected, water quality will be improved, and remaining development will be more concentrated in town centers. In addition, this new program focus will provide relief to owners of developed but outdated properties for which there is little or no market demand, just as the Conservancy's past acquisitions of vacant lots provided relief for thousands of landowners who could no longer build on their properties when the 1980 TRPA Compact was ratified.

By purchasing developed parcels on environmentally sensitive lands, the Conservancy will also acquire the impervious coverage and other marketable rights associated with them. These marketable rights would then be retired or transferred to town centers to facilitate more compact development and potentially generate revenue for the program. For example, if the Conservancy acquires a 40-unit motel that is 10,000 square feet in size, the 40 TAUs could be retired, transferred to a town center or converted to 10,000 square feet of CFA consistent with TRPA regulations.

Inventory and Targets

The Conservancy has identified approximately 18 hotel/motels with about 850 rooms (TAUs) and 66 additional buildings with 370,000 square feet of CFA located on environmentally sensitive lands on the California side of the basin. Over 60 percent of these developed sites are within community plan areas and town centers. Based on current land values, approximately \$155,000,000 would be required to acquire and restore all of the developed properties on environmentally sensitive lands (850 TAUs and 370,000 SF of CFA) situated on approximately 77 acres.

Given current funding limitations and the need for willing sellers, the Conservancy believes that an aggressive but achievable target would be to acquire and restore roughly one-third of the current development footprint on sensitive land on the California side of the basin in 10 years. This equates to about 280 TAUs and 132,000 square feet of CFA, roughly corresponding to 6-8 hotel/motels and 20-25 commercial properties encompassing nearly 26 acres, at an estimated cost of \$52,000,000 (in 2013 dollars). It should be noted that restoration costs are highly variable from property to property given specific site constraints, previous land uses, adjacency to open space or developed properties, and other factors.

Key Issues and Options

Several stakeholders have recommended that the Conservancy consider other options in addition to full fee acquisitions of commercial property on sensitive lands. The Conservancy will be seeking advice on these and other options to increase the effectiveness of its land bank as part of its further development of the TSCIP.

Acquiring development rights: Some stakeholders have recommended that the Conservancy become more active in buying and selling development rights directly rather than acquiring them incidentally through purchases of land. For example, a motel owner seeking to remodel by transforming its 40 small, outdated rooms to 20 larger, more efficient and modern rooms could sell the excess TAUs to the Conservancy to help finance the improvements. The Conservancy could then retire or sell the units to help facilitate redevelopment in town centers, and invest the revenue in acquiring or restoring additional properties.

Acquiring any developed properties: Other stakeholders have recommended that the Conservancy not limit itself to acquisitions of developed property on environmentally sensitive land, since retiring or transferring the marketable rights of any developed commercial property, particularly those outside of town centers, could help to reduce and/or cluster development. In most cases, however, the most environmental benefits can be obtained by acquiring and restoring properties on sensitive land.

Acquiring residential properties: The Conservancy has also been urged to consider acquiring developed residential properties on sensitive land (in addition to commercial and tourist accommodation properties) since the floor area of these properties can also be converted into other marketable rights and transferred to town center locations. As noted above, TRPA rules allow both commercial and residential properties to be transferred at a maximum transfer ratio of six to one, if also located greater than one and one-half miles from a town center. As a result, the Conservancy could purchase a 2,000 square foot home on environmentally sensitive land outside of a town center and restore the property. Under this scenario, the 2,000 square feet could be converted into 12,000 square feet of CFA and sold to a project within a town center. These acquisitions are not likely to be as cost-effective as the purchase of commercial property in restoring sensitive areas or reducing vehicle trips, but may be worth considering in some cases.

Acquisition Process and Priorities: The Conservancy will be seeking advice on the process and criteria for selecting its priority acquisitions, the extent to which it should publicize or market the program, and whether it should target specific properties or geographic areas. In general, land banks maintain confidentiality in real estate negotiations to avoid driving up property values. However, the Conservancy may also consider conducting a “reverse auction” to allocate TSCIP funds. Typically the Conservancy spends months or even years negotiating with individual property owners without any guarantee of success. Under a reverse auction, the Conservancy would announce its intent to purchase property, coverage, and/or marketable rights, and accept bids from property owners, who would compete to offer the best value. The Conservancy would then compare the bids and accept those providing the greatest benefits. This approach

has the potential to significantly improve the visibility, timeliness and cost-effectiveness of the program.

Other Policy Issues: The Conservancy will be evaluating and seeking advice on several policy issues related to the TSCIP. These issues include, for example, policies outlining when the Conservancy would retire or transfer the marketable rights it has acquired, whether to restrict the availability of these rights to development projects in town centers, and whether to make marketable rights available to support specific types of projects that help fulfill the goals of the Lake Tahoe SCS, such as affordable housing, LEED certified buildings, or developments that provide other benefits such as sidewalks, bike paths, or open space.

Regional Plan Issues: Finally, the Conservancy will be seeking to work with key agencies and stakeholders on potential amendments to the Regional Plan that would help facilitate implementation of TSCIP. These may include changes to TRPA's Excess Coverage Fee Mitigation Program, coverage transfer restrictions, and other policies that hinder the effectiveness of the Conservancy's Land Bank in providing more significant environmental benefits while facilitating new redevelopment projects.

2. Asset Land Sales

In the Conservancy's land inventory of 4,890 parcels, 331 are regarded as "asset lands." These include lands acquired through litigation settlements, lands acquired to accumulate banked coverage to facilitate projects, "bulk acquisitions" of both environmentally sensitive and developable lands, and other lands that may no longer be suitable for their original acquisition purpose. The Conservancy adopted Asset Lands Program Guidelines to govern the potential sale, exchange, and transfer of asset lands in March 2012.

Two categories of these asset lands can be sold or exchanged to promote the TSCIP. The first category includes parcels designated as "Area Plan Asset Lands," which are defined as "developable lands in highly urbanized areas that could support sustainable, compact development or other uses consistent with the Regional Plan and local area plans." Of the 17 parcels currently in this category, six are located at the South Tahoe "Y" and nine are located in and adjoining the Meyers Town Center (Map 5); and two others are located in the Kings Beach Town Center or within the Kings Beach Industrial Community Plan Area (Map 6). The sale, lease, or transfer of these asset lands could help revitalize each of these areas with new businesses opportunities or other uses consistent with the town center or area plan zoning.

The second category of Conservancy asset lands includes developable parcels acquired from Caltrans along the former U.S. Highway 50 right of way to construct the South Tahoe Greenway Shared Use Trail. The Greenway will be the backbone of South Lake Tahoe's growing bike trail network, linking residential communities and commercial and recreational areas from Stateline, Nevada to Meyers, California. Many of these 85 parcels will be required to construct the Greenway, but others may be sold or leased for affordable housing or other purposes consistent with the Lake Tahoe SCS.

Collectively, the sale, lease, or exchange of these asset lands could significantly boost the development of more vibrant, compact communities, particularly at the South Tahoe "Y" (Tahoe Valley) and Meyers, two dated and underused town centers. In addition, the revenue generated from sales of these asset lands could be used to reinvest in TSICP priority acquisitions. Sensitive areas of sold asset lands would be permanently protected.

The Conservancy Board will be considering two major changes to its inventory of asset lands at its March 2014 meeting to facilitate implementation of TSCIP. The first will be to consider adding eight high capability parcels in town centers or former community plan areas to its asset land inventory. The second will be to reduce the inventory from 331 potential asset lands to a much more limited number of properties that could be sold in the next five to ten years to promote TSCIP and other Conservancy programs.

3. Acquisition of Properties in Roadless Subdivisions

The Conservancy will also be seeking to acquire vacant parcels in the Basin's remaining roadless subdivisions. Many of these parcels were created in the early part of the past century to provide summer campsites for visitors from the rapidly growing San Francisco Bay Area, but were never intended to include permanent improvements. Consequently, many of the legal lots do not meet current building standards and streets, sidewalks, and other infrastructure were never installed. All that exist today are the so called "paper streets," because they only exist on a paper subdivision.

Since 1985, the Conservancy has sought to acquire, restore, and protect the subdivided parcels in these subdivisions to remove the threat of new development, infrastructure, and vehicle trips, while also providing open space. The Conservancy has successfully acquired 97% of all legal lots of record (over 1,420 lots) within four large substandard subdivisions containing the greatest number of undeveloped legal lots. The four subdivisions are Woodvista, Tahoe Pines, Tahoe Woodlands, and Mark Twain Camp, as depicted on Map 7.

A top priority of the TSCIP program, therefore, will be to purchase the remaining 42 legal lots in these four roadless subdivisions. While the sheer number of legal lots remaining is quite small relative to what has already been acquired, the potential impacts are significant if none are acquired. Purchase of the remaining 42 lots, comprising less than six acres, will prevent the creation of up to 1.8 miles (9,500 lineal feet) of new roadways (1,800 lineal feet of which would directly impact stream environment zones), eliminate 10 Daily Vehicle Trip Ends per household, and remove nearly 29 acres of paper streets.

An estimated \$1,500,000 (in 2013 dollars) would be necessary to acquire the remaining 42 legal lots within roadless subdivisions. Since these lots are undeveloped, minimal costs would be necessary for land management, such as forest habitat enhancement activities and vehicle barrier installation.

Measuring Success

To measure the success of the TSCIP, and to provide a basis for establishing investment priorities, the Conservancy will be working with partner agencies and stakeholders to develop a number of metrics, including, but not limited to, the following:

- Contribution towards the Basin's per capita GHG reduction targets (12% by 2020 and an additional 7% by 2035)
- Reduction in vehicle miles traveled (VMT) regionally and between town centers;
- Increased ridership on transit and/or bike paths (non-auto mode share)
- Preclusion of VMT generated via acquisition of legal lots within roadless subdivisions;
- Percentage of Lake Tahoe Bicycle and Pedestrian Plan implementation (miles of bike trail/sidewalk, number of bus shelters installed);
- Regional reduction in measureable air quality pollutants (carbon monoxide and ozone);
- Volumetric reduction in point source pollutants as measured by the Lake Tahoe Total Maximum Daily Load;
- Acres of sensitive land restored to a functional state and their corresponding, modeled GHG sequestration abilities;
- Acres of upland forested lands treated and their corresponding, modeled GHG sequestration abilities;
- Reduction in consumption of energy and water resources (energy and water efficiency);
- Reduction of TAU (South Lake Tahoe) and CFA inventory located on sensitive lands;

- Increased duration of visitation/higher TAU occupancy;
- Marketable rights purchased through the program and sold to projects within town centers.

TSCIP Funding Opportunities

Several funding sources are potentially available to support the TSCIP. A combination of public and private sources is likely to be necessary for both individual acquisitions and subsequent site restoration activities.

Conservancy Asset Land Sales

In addition to facilitating more compact development in town centers, the sale of Conservancy asset lands in these areas could generate revenue for the program. Conservancy sales of its asset lands in town centers may generate between \$2,000,000 and \$3,000,000.

Conservancy Excess Coverage Fee Revenue

The Conservancy operates and administers an Excess Coverage Mitigation Fee Program, as previously described, through an MOU with TRPA. TRPA requires properties in excess of current coverage limitations to reduce a portion of their excess coverage (coverage beyond current regulatory limitations) or pay a fee when they seek permits to remodel and/or redevelop their property. The Excess Coverage Mitigation fees paid into a special fund at TRPA are funneled to land banks in California (Conservancy) and Nevada (Nevada Division of State Lands, NDSL). The Conservancy and NDSL then seek to restore an equivalent amount of coverage by acquiring and retiring other parcels with land coverage from willing sellers.

In the past 25 years, the Conservancy has assisted over 5,700 development projects that have paid \$8,000,000 in Excess Coverage Mitigation fees to mitigate over 1,250,000 square feet of excess land coverage. Depending upon the health of the regional economy and specifically the development industry, between \$3,000,000 to 5,000,000 may be provided over the next 10 years by private sources through the payment of Excess Coverage Mitigation fees.

Conservancy Sales of Marketable Rights

The Conservancy and other potential investors may be able to recapture some of their acquisition costs by reselling the TAUs or converting them to CFA, as allowed under TRPA rules. In the south shore, however, the large oversupply of hotel rooms and availability of CFA will significantly reduce demand for these commodities. In addition, many stakeholders in both the business and environmental communities have

argued that these rights should be retired rather than transferred to increase the economic and environmental health of the south shore. The south shore's lodging sector would benefit from increases in its extremely low occupancy rates if dozens of aging TAUs are retired rather than transferred, and fewer vehicle trips could be generated. Therefore, Land Bank revenues derived from the acquisition and subsequent sale of marketable rights may expect to be a limited source of funding to help implement the TSCIP; estimated revenues are between \$500,000 and \$1,000,000 over the next 10 years.

State of California Cap and Trade Auction Revenue

Born from the requirements of AB 32, the California Cap and Trade program is a market-based compliance mechanism that generates substantial funds to support feasible and cost-effective greenhouse gas emission reductions. The *Cap and Trade Auction Proceeds Investment Plan* issued by the Air Resources Board and Department of Finance identifies implementation of Sustainable Communities Strategies as a priority investment. Accordingly, the Conservancy will be seeking an initial allocation of \$5,000,000 to \$10,000,000 on per year of cap-and-trade auction revenue to support initial implementation and administration of the TSCIP.

Redevelopment Bills

Although redevelopment agencies were abolished in California, several bills have been introduced recently to re-establish them as a tool for infill development. Senator Steinberg's SB 1, for example, would have allowed a local government to establish a Sustainable Communities Investment Authority (Authority) and direct tax increment revenues to that Authority in order to address blight by supporting development in transit priority project areas, small walkable communities, and clean energy manufacturing sites. Should such an Authority come to fruition in Lake Tahoe, a natural partnership with the Conservancy could evolve that further advances the implementation of the TSCIP.

Private and Philanthropic Sources

There may be an opportunity to pool together financial and staff resources from State, federal, local and private stakeholders to create a TSCIP Property Acquisition Fund. Property acquisition funds with a social mission were designed to directly acquire or provide loans to assist with the acquisition of land or property, often to support affordable housing, transit-oriented development, or other goals. A key benefit of these funds is their ability to move quickly to purchase property opportunistically. The participation and investment by the member organizations (local and national foundations, financial institutions, nonprofit organizations and private interests) would be critical to the establishment, operation and success of any such fund. In addition, the

Tahoe Fund and the Tahoe Prosperity Center could both be instrumental in attracting private sector investments.

Other Financing Options and Guidelines

In January 2013, U.S. Environmental Protection Agency published a comprehensive study on *Infrastructure Financing Options for Transit-Oriented Development (TOD)*. The report provides a broad overview of infrastructure funding and financing tools, and the challenges of financing public-oriented projects that rarely generate revenue. Not surprisingly, the report found that “a community’s context, needs, and resources will determine which strategy or combination of strategies is most appropriate.”

Nevertheless, the report contains several guidelines that may be useful in shaping the TSCIP, including:

- Develop a plan that establishes a broad, long-term vision yet is flexible enough to respond to changing market cycles, funding opportunities, and other market conditions.
- Think strategically about prioritizing public investments and public funds. Starting with small steps and moving forward incrementally helps to build market confidence and attract other sources of capital.
- Seek multiple funding sources, and a broad funding base, both to generate the most funding possible and to create a more stable revenue stream.
- Create partnerships to fill the gaps left by traditional funding sources.

Next Steps

To further develop and oversee the TSCIP, the Conservancy is proposing to establish a steering committee or advisory council of key agencies, stakeholders, and private interests from both within and outside of the Basin. The role of the group would be to assist the Conservancy with:

- Establishing criteria for acquisitions, sales, and other key program elements;
- Attracting public and private funding;
- Developing financing options;
- Evaluating and monitoring the benefits of the program; and
- Providing recommendations on key policy and programmatic issues.

The Conservancy will continue to partner with the Tahoe Transportation District, TMPO and TRPA on a more comprehensive Lake Tahoe SCS implementation strategy. This implementation strategy would integrate the key elements of the TSCIP into a comprehensive and complementary roster of transportation, land use, affordable

housing and energy efficiency strategies to attain the Basin's GHG emission reduction targets and other goals of the Lake Tahoe SCS.

List of Attachments:

- Map 1 – Potential Transfer Ratios
- Map 2 – Developed Properties on Sensitive Lands-South
- Map 3 – Developed Properties on Sensitive Lands-North
- Map 4 – Developed Properties on Sensitive Lands-North
- Map 5 – Asset Lands-South
- Map 6 – Asset Lands-North
- Map 7 – Roadless Subdivisions

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