

**ENVIRONMENTALLY SENSITIVE LAND ACQUISITION – MOTEL 6 AND KNOX
JOHNSON PARCELS (UPDATE)**

Recommended Action: Adopt Resolution 22-12-05 (Attachment 1), authorizing: (1) an update to the previously authorized (under Resolution 21-11-06) acquisition of El Dorado County Assessment Number (AN) 031-290-037 and AN 031-290-039 or portions thereof, and subsequent demolition and site stabilization, for an increased amount of up to \$18 million; (2) acceptance of a grant of \$1.5 million from the California Department of Fish and Wildlife to support the acquisition; and (3) potential acceptance of a grant from the Wildlife Conservation Board and other potential grants to support the acquisition.

Executive Summary: The California Tahoe Conservancy (Conservancy) recommends a revised acquisition amount of up to \$18 million for two adjacent parcels comprising up to 31.2 acres of environmentally sensitive land next to the Upper Truckee River (River) and the Conservancy's Upper Truckee Marsh (Marsh) property in the City of South Lake Tahoe (City). In November 2021, the Conservancy Board (Board) adopted Resolution 21-11-06 authorizing up to \$10 million for the acquisition, and subsequent demolition and site stabilization. Since that authorization, Conservancy staff contracted for an updated Department of General Services- (DGS) approved appraisal. The appraisal has increased the fair market value of the acquisition based on available market data and comparable properties. The Conservancy offer will not exceed the acquisition fair market value as approved by the DGS regardless of the recommended authorization of \$18 million. In addition, Conservancy staff recommend Board acceptance of a California Department and Fish and Wildlife Service (CDFW) grant of \$1.5 million and, pending a successful application, acceptance of a \$6 million grant from the Wildlife Conservation Board (WCB), both to support the acquisition, and acceptance of other potential grants to support the acquisition.

The parcels comprise one of the highest priority environmentally sensitive land acquisitions in the Lake Tahoe Regional Plan. The first parcel, AN 031-290-039 (Motel 6 parcel), consists of four acres on a former floodplain. The Motel 6 parcel sits on eight feet of fill and has an existing motel, restaurant building, and parking area adjacent to the River. Under the recommended action, the Conservancy will remove existing structures, stabilize the site, and retire or transfer the development rights and coverage for future use on town center development. The second parcel, AN 031-290-037 (Knox Johnson parcel), consists of 27 acres and includes 25 acres of mountain meadow and wetlands,

and a two-acre single-family homesite adjacent to the Marsh. On the Knox Johnson parcel, the Conservancy will preserve the mountain meadow and wetlands and evaluate the homesite for future restoration or sale.

The recommended action supports the Conservancy's Strategic Plan Goal 4, which includes advancing multiple-benefit water quality protections by acquiring and restoring aging developed properties on environmentally sensitive lands, and either retiring or transferring the associated development rights to town centers. Upon authorization, Conservancy staff will continue negotiations, perform the necessary due diligence activities, and complete grant agreements to acquire the parcels, and demolish and stabilize the Motel 6 parcel.

Location: The Motel 6 parcel (AN 031-290-039) is located at 2375 Lake Tahoe Boulevard in the City. The Knox Johnson parcel (AN 031-290-037) is located at 940 Sunset Drive in the City. (Attachments 2 and 3).

Fiscal Summary: Staff seeks up to \$18 million to acquire the Motel 6 and Knox Johnson parcels, or portions thereof, which includes administrative, due diligence, and closing costs. This amount will also cover demolition of the existing structures and site stabilization work on the Motel 6 parcel. The purchase price of the parcels will not exceed fair market value as approved by the DGS. The acquisition and associated costs will be funded by Conservancy Proposition 68 funds, Tahoe Regional Planning Agency (TRPA) Excess Coverage Mitigation (ECM) funds, the \$1.5 million grant from the CDFW pending Board approval, a potential WCB grant and other potential matching grants. Conservancy staff will process the acquisition as part of its regular workload.

Overview

History

In November 2021, the Conservancy Board adopted resolution 21-11-06 authorizing up to \$10 million for the acquisition of the parcels and subsequent demolition of the existing structures, and site stabilization. Since November 2021, negotiations with the sellers have continued, and the Conservancy received approval of our purchase documents from both the DGS and the Department of Finance (DOF). The DGS and Conservancy staff submitted an offer at the current approved appraisal value to the sellers in November 2022 under the current \$10 million authorized project cost. As a part of the negotiations process, the Conservancy updated the appraisal. The DGS has reviewed updated appraisal information, including recent comparable sales, listings, and offers to purchase. The DGS approved a revised fair market value over the \$10 million project cost amount approved by the Board in November 2021. If the Board

approves the revised project cost amount, the Conservancy will submit an amended offer.

Conservancy staff has applied for and secured multiple funding sources for the acquisition. In June 2022, the CDFW authorized a grant of \$1.5 million for the acquisition, pending Board approval. The WCB invited Conservancy staff to submit a grant application in August 2022. Staff has submitted an application for \$6 million in grant funds to the WCB and anticipates notice on the grant request this winter. In November 2022, the TRPA awarded \$3.7 million of ECM funds for acquisition and administration. In total, Conservancy staff seeks match funding of \$11.2 million for the acquisition with any additional needed funding coming from the Conservancy's Proposition 68 acquisition authorization.

This acquisition requires two approvals from the California Public Works Board (PWB), in addition to Board approval. The PWB granted its first approval for site selection in September 2021, in concurrence with a recommendation from the DOF and DGS. The Board authorized the project at \$10 million in November 2021. This staff recommendation is updating the November 2021 Board authorization to accommodate current fair market value, as approved by the DGS, up to a total cost of \$18 million for acquisition, demolition, and site stabilization. The second PWB approval, for acquisition, will come after all the final purchase documents are executed by the sellers.

Detailed Description of Recommended Action

1. Major Elements and/or Steps of the Recommended Action

The recommended action will allow the Conservancy to acquire up to 31.2 acres of environmentally sensitive land adjacent to the River and Marsh. Upon Board approval, Conservancy staff will continue to work with the landowners to finalize negotiations and complete the transaction, including completing environmental site assessments, property surveys, and title report reviews. If applicable, the sellers must pay any encumbrances such as taxes, judgments, liens, or deeds of trust, and resolve any other title issues prior to escrow closure. The Conservancy pays for escrow fees, title insurance, and other related closing costs. Conservancy staff has obtained and reviewed a title report, an initial property survey, and environmental site assessment, and will update these reports as needed prior to closure.

Board authorization for accepting the \$1.5 million grant from the CDFW and grant funds from the WCB secures grant monies needed for the acquisition. If authorized, Conservancy staff will work with CDFW staff, and if approved, WCB staff, to execute the grant agreements. The Conservancy and TRPA already have an existing Memorandum of Understanding (MOU) regarding use of the ECM funds. In accordance with the MOU, the TRPA specifically authorized ECM funds for this acquisition project in November 2022. The acquisition grants and ECM fund agreements contain terms and conditions consistent with the Conservancy acquisition that advances multiple-benefit water

quality protections by acquiring and restoring aging developed properties on environmentally sensitive lands.

If authorized, Conservancy staff will complete and submit TRPA land coverage and development right verifications for the acquisition. Conservancy staff will also continue to work with the landowners and the PWB, DOF, and DGS to finalize negotiations and purchase documents, and receive final approval of the acquisition from the PWB to allow escrow to close. After escrow closes and the TRPA verifies the final coverage amount, staff can retire or transfer the development rights and coverage rights to town centers. The Conservancy will then demolish the existing structures and stabilize the Motel 6 parcel. On the Knox Johnson parcel, Conservancy staff will maintain and preserve the mountain meadow and wetland.

2. Overall Context and Benefits

The recommended action supports the Conservancy's Strategic Plan Goal 4, which includes advancing multiple-benefit water quality protections by acquiring and removing aging developed properties, restoring the environmentally sensitive lands, and either retiring or transferring the associated development rights to town centers. The recommended action allows the Conservancy to remove aging structures on former floodplain and prevents further development of the floodplain. The recommended action also allows for the preservation of mountain meadow and wetland habitat next to the River and Marsh. The acquisition will also create the opportunity for future fill removal and restoration efforts. Additionally, the recommended action has the following benefits:

1. Supports the Lake Tahoe Environmental Improvement Program (EIP) goal to acquire high priority environmentally sensitive land;
2. Advances the Lake Tahoe Regional Plan and Sustainable Communities Strategy by removing aging development from sensitive land and retiring or transferring development rights for town center development;
3. Advances Executive Order N-82-20 by helping to meet the goal of conserving 30 percent of California's natural lands by 2030;
4. Protects unique habitats that serve as international flyways for migratory birds;
5. Meets various regional and statewide water quality, wildlife, and land conservation goals, including the TRPA Stream Environment Zone Threshold;
6. Provides the future opportunity to restore and to add wetland acres in the largest wetland and watershed in the Basin;
7. Ensures contiguous public ownership of the River corridor and allows for the Conservancy and the adjacent public landowner partners, such as the Tahoe Resource Conservation District and the USDA Forest Service, Lake Tahoe Basin Management Unit, to closely coordinate River restoration and management efforts; and

8. Increases climate resilience by enhancing carbon storage, protecting climate change refugia and corridors, and improving water quality and reliability.

3. Schedule for the Recommended Action

Upon Board authorization, Conservancy staff will complete due diligence activities and negotiations and anticipates the close of escrow before the end of 2024. Staff plans to proceed with demolition and site stabilization in the summer after the acquisition, depending on weather and seasonal restrictions.

Financing

Staff seeks authorization for up to \$18 million for the acquisition of the two parcels, including administrative and closing costs; the subsequent demolition of existing structures; and site stabilization work. The purchase price of the parcels or portions acquired will not exceed fair market value, as approved by the DGS. The Conservancy will use its Proposition 68 funds, TRPA ECM funds, CDFW and WCB grants, and other potential matching grants. Conservancy staff will process the acquisition as part of its regular workload.

Authority

Consistency with the Conservancy's Enabling Legislation

This acquisition is consistent with the Conservancy's enabling legislation. Specifically, Government Code section 66907 authorizes the Conservancy to select and acquire real property for the purposes of protecting the natural environment, providing public access or public recreational facilities, preserving wildlife habitat areas, or providing access to or management of acquired lands. Additionally, Government Code section 66907.10 authorizes the Conservancy to improve and develop acquired lands for a variety of purposes, including protection of the natural environment. Under Government Code section 66907.9, the Conservancy is authorized to initiate, negotiate, and participate in agreements for the management of land under its ownership and control with local public agencies, state agencies, federal agencies, nonprofit organizations, individuals, corporate entities, or partnerships. Further, Government Code section 66908 authorizes the Conservancy to receive grants from both private and public sources.

Consistency with the Conservancy's Strategic Plan

This acquisition is consistent with the Conservancy's Strategic Plan Goal 4 (Foster Basinwide Climate Change Adaptation and Sustainable Communities).

Consistency with the Conservancy's Program Guidelines

The recommended action is consistent with the Conservancy's Land Acquisition Program Guidelines. The Motel 6 parcel is located in the City and currently has aging structures. Acquisition would allow the Conservancy to demolish the existing structures

and retire or bank the associated coverage and development rights for use in town centers.

Consistency with External Authorities

The recommended action is consistent with the EIP because it helps to implement EIP project #01.02.04.0001 – Acquiring Environmentally Sensitive Land.

Compliance with the California Environmental Quality Act

Pursuant to the California Environmental Quality Act (CEQA) Guidelines (Cal. Code Regs., tit. 14, § 15000 et seq.), certain classes of activities are statutorily exempt from CEQA or are exempt because they have been determined by the Secretary of the California Natural Resources Agency to have no significant effect on the environment. Pursuant to Public Resources Code sections 21001(f) and 21082, the Conservancy has also adopted regulations to implement, interpret, and make specific the provisions of CEQA. (Cal. Code Regs., tit. 14, § 12100 et seq.)

Upon the original approval of this acquisition on November 8, 2021 (Resolution 21-11-06), the Conservancy determined that the action was categorically exempt under CEQA Guidelines sections 15301 (Existing Facilities) and 15325 (Transfers of Ownership in Land to Preserve Existing Natural Conditions and Historical Resources). Staff filed the Notice of Exemption (NOE) on November 22, 2021, State Clearinghouse No. 2021110372 (Attachment 4).

List of Attachments

- Attachment 1 – Resolution 22-12-05
- Attachment 2 – Acquisition Location Map
- Attachment 3 – Acquisition Project Map
- Attachment 4 – NOE filed November 22, 2021 (SCH No. 2021110372)
 - Exhibit A - Location Map

Conservancy Staff Contact

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