

MEMORANDUM

TO: Board of Trustees

FROM: Kendra Wong
Board of Trustees, Chairwoman

SUBJECT: Review, discuss and possible action on the proposed modification to the 30-year ground lease with Parasol Tahoe Community Foundation (PTCF)

STRATEGIC PLAN

REFERENCES: Long Range Principles #2 - Finance, #3 - Workforce, #5 - Assets and Infrastructure

DATE: April 4, 2017

I. RECOMMENDED ACTION

That the Board of Trustees makes a motion to direct Staff to provide a summary report on the feasibility of this proposal at our next meeting on April 25, 2017. This feasibility analysis would review the costs and benefits of considering this lease modification and compare existing capital projects currently included in the 5-year CIP plan.

I also recommend that we include this issue on our May 10, 2017 meeting agenda as I want to make sure that we notify the public about this potential change. The agenda item would be conducted similar to the way we hold a public hearing where we receive feedback from the public. I would include as part of this recommendation that we do several display ads in our local newspaper as well as much social media outreach as possible.

II. DISTRICT STRATEGIC PLAN

Long Range Principle #2 - Finance - Report results and demonstrate value

Long Range Principle #2 - Finance - Develop and maintain a long term plan to sustain financial resources

Long Range Principle #3 - Workforce - Comply with State and Federal regulations

Long Range Principle #3 - Continue to provide a safe environment and continue to strive for low workers compensation incidents

Review, discuss and possible action -2-
on the proposed modification to the
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Long Range Principle #5 - Maintain, renew, expand and enhance District infrastructure to meet the capacity needs and desires of the community for future generations.

Long Range Principle #5 - Maintain, procure and construct District assets to ensure safe and accessible operations for the public and the District's workforce.

Long Range Principle #5 - Conduct planning and design, in advance of undertaking projects or procurement, to ensure new District assets meet operational requirements and enhance the customer experience.

Long Range Principle #5 - Comply with regulatory requirements and industry standards.

III. BACKGROUND

On January 12, 2000, IVGID executed a 30-year ground lease with three (3) 23-year options for 1.5 acres of land (later amended to 2.36 acres) within the Incline Park property.

The ground lease was for \$1 per year and contingent upon PTCF operating a non-profit center on the site. Subsequently, PTCF raised approximately \$14 million to construct and furnish the Donald W. Reynolds Community Non-Profit Center. The 31,500 +/- square foot building was completed in 2002. Since that time, PTCF has operated the non-profit center consistent with the lease terms.

IV. CURRENT SITUATION

Recently, PTCF sent a letter to the Board of Trustees indicating an interest in possibly modifying the existing Ground Lease.

The letter stated:

...the Parasol Board of Directors has spent the past year taking an in-depth look at our work in the community and brainstorming new opportunities to effectively meet the changing needs of the community in the future.

One of the opportunities identified by our board would require a modification of the Land Lease currently in place between Parasol and the Incline Village General Improvement District (IVGID). Our board believes that this option would not only broadly serve the

whole community it would also address pressing issues currently facing the district.

As a follow up to this letter, I approached PTCF and learned more about their interest in modifying the lease.

PTCF is interested in focusing more of their energies on their core mission which is functioning as a non-profit public charity dedicated to supporting service agencies in the Lake Tahoe region. They would like to shift both monetary and financial resources, which are dedicated to bricks and mortar functions, and dedicate those resources to their core mission. Freeing up these resources would increase the amount of financial support that PTCF could provide to the region.

Under this scenario, they would no longer serve as the landlord for the Donald W. Reynolds Community Non-Profit Center. They would financially support their grantees' office space costs instead of granting them space. Consequently, they would no longer meet the land use requirements of the ground lease.

PTCF would like to engage the District in a dialogue wherein the use of the building improvements would be shifted to the property owner (IVGID) and the lease would be modified to reflect this new arrangement. PTCF would like to remain as a tenant in the building and has offered to assist IVGID in facilitating service agencies' access to the shared-use facilities in the building. While PTCF would also like a small portion of the building to continue as a non-profit center, the majority of the space in the building could be used by IVGID for their programming and office space needs.

As part of the lease modification, PTCF would like to receive adequate consideration for the remaining life of the building improvements. By tapping the value of the building improvements, PTCF would have additional resources to provide to community non-profits.

As you know, IVGID is in the process of assessing its programming and facility needs via the Community Services Master Plan. Both the current plan and the previous plan, that was adopted in 2000, identified the need for more programming space and District office space. The PTCF proposal could potentially be a very cost-effective means to address IVGID's current deficiencies for both programming and office space.

V. CONCLUSION

I believe this proposal could provide benefits to both IVGID and the community; however, the Board of Trustees lacks the necessary details to evaluate the opportunity and compare existing alternatives.

Given that we are near the close of budget season, I recommend that the Board of Trustees initiate a due diligence process so that we can have time to consider this lease modification prior to adopting our budget for Fiscal Year 2017/2018.

I recommend that Staff provide a summary report on the feasibility of this proposal at our next meeting on April 25, 2017. This feasibility analysis would review the costs and benefits of considering this lease modification and compare existing capital projects currently included in the 5-year CIP plan.

I also recommend that we include this issue on our May 10, 2017 meeting agenda as I want to make sure that we notify the public about this potential change. The agenda item would be conducted similar to the way we hold a public hearing where we receive feedback from the public. I would include as part of this recommendation that we do several display ads in our local newspaper as well as much social media outreach as possible.