

## **IVGID-Parasol Land Lease Amendment Fact Sheet** **dated May 10, 2017**

- Parasol Tahoe Community Foundation (PTCF) is a non-profit public charity dedicated to supporting communities and services within the Lake Tahoe region.
- PTCF leases 2.36 acres from IVGID and has built the 31,500 square foot D.W. Reynolds Non-Profit Center (DWR) to serve as a non-profit center for the community.
- DWR houses eleven (11) non-profit organizations and provides meeting facilities for forty five (45) community organizations.

### **Current situation**

- PTCF would like to focus on its Community Foundation efforts and transfer responsibility for building operation and maintenance to the property owner (IVGID).
- PTCF believes that the transfer/sale of the building to IVGID would result in the highest and best use of this valuable community resource.
- As a general improvement district, IVGID has the legal authority to acquire the improvements and lease space in the building; in other words, buy this building.

### ***PTCF has proposed a modification to the Ground Lease with the following terms:***

- The building improvements would become the property of IVGID.
- IVGID would have beneficial use of the majority of the building. Approximately 13 percent of the building square footage would be dedicated to the non-profit center and PTCF. About a quarter of the building is meeting space, conference room, kitchen, and storage areas.
- IVGID would be required to maintain a small portion of the building (approximately 2,400 square feet) as a non-profit center until December 31, 2023.
- IVGID would receive rent from the non-profit center tenants but would also be required to pay for utilities and maintenance.
- IVGID would be required to rent approximately 1,700 square feet to PTCF for twenty (20) years at a rental cost of \$1 per year.
- IVGID would be required to continue, at no cost, making the public meeting spaces available to qualified community organizations.
- Given the short and long term restrictions, IVGID would pay a reduced cost for the value of the real property improvements received.
- The acquisition cost would be \$5.5 million which could be paid in installment payments ending in 2022.
- The appraised value of the building is \$9.6 million.

If IVGID chooses not to modify the lease, PTCF will continue to operate the non-profit center.

### **Factors to consider**

- IVGID has an immediate need to replace its administrative building.
- IVGID also has a shortage of recreation and programming space.
- The DWR building could have adequate space to address IVGID's demand for office, recreation and programming space.
- IVGID has available resources to fund the acquisition cost and to make the necessary improvements to the building.
- IVGID does not anticipate that its annual operating costs would increase by shifting services into the building.
- IVGID does not anticipate that the cost of tenant improvements in the building would exceed the cost of repairs of maintaining its existing fully depreciated office facility

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### **Building Alternatives for IVGID**

- In 2012, IVGID undertook a study which reviewed multiple scenarios for the replacement of IVGD administrative offices.
- Study determined that it was most cost-effective to sell existing site and use proceeds towards the construction of new building adjacent to Recreation Center.
- Renovation of existing building was not feasible. In addition, rebuilding at existing site would necessitate temporary relocation would preclude ability to capture proceeds from sale of existing site.
- Also reviewed possibility of renovating an existing commercial building. Study determined that renovation was less cost-effective than new construction on IVGID-owned land. Currently there are no available buildings large enough to accommodate IVGID offices.
- Current estimated cost of new building is \$4.2 million.

### **Pros**

- IVGID could be able to take advantage of existing space in the community instead of expending the time, energy and resources needed for new construction.
- New offices could likely be located adjacent to the Recreation Center which could, in the future, restrict the ability for other uses to locate there.
- The DWR Building offers great flexibility for future programming needs. It could accommodate office and programming currently housed in the Recreation Center which could enhance programming opportunities in the Recreation Center without having to expand the Center's building footprint.

### **Cons**

- IVGID could have to dedicate staff resources to manage the non-profit center and public meeting space.
- The building is larger than needed for IVGID's immediate space needs. It would require additional resources than needed just for administrative offices.
- As a larger building, could also commit IVGID to larger asset replacement costs at some point in the future.
- Purchase of the DWR Building could commit approximately \$1.25 million of funds above what is needed for the admin building that could be used for another purpose.

### **Additional Information**

- IVGID staff prepared a Feasibility Report dated April 18, 2017 which is included in the agenda packet for the April 25, 2017 Board of Trustees Meeting. This report includes a more detailed discussion of the issues noted above along with the original ground lease, Parasol Business Plan, and other relevant documents.
- Additional information, including the draft lease amendment is included in the agenda packet for the May 10, 2017 Board of Trustees Meeting.

Both agendas are available online at the IVGID website.