

Douglas County Board of County Commissioners

AGENDA ACTION SHEET

Title: For possible action. Discussion of the procedures under NRS 279.608 to amend, deviate from, or dissolve redevelopment plans and area boundaries and to provide direction to staff regarding the possible commencement of such procedures for Douglas County Redevelopment Area No. 2. (Dave Nelson and Zach Wadle')

Recommended Motion: Provide direction to staff regarding any action permitted under NRS 279.608 to amend, deviate from, or dissolve redevelopment plans and area boundaries for Redevelopment Area No. 2.

Financial Impact: Financial impact is dependent on action taken by the Board.

Prepared by: Natalie Wood, Admin. Services Manager

Meeting Date: May 16, 2019 **Time Required:** 20 minute presentation (approximate).

Agenda: Administrative

Background Information: This item appears on the agenda at the request of Commissioner David Nelson. The District Attorney's Office will make a presentation to the Board regarding NRS 279.608 and the general procedure to amend, deviate from, or dissolve redevelopment plans and area boundaries.

Previous Items and Board Actions

1997 - The Tahoe Douglas Visitors Act gives authority to the Tahoe Douglas Visitors Authority for planning, construction and operation of a convention center in the Tahoe Township.

2010 - Douglas County participates in the development of the South Shore Vision Plan to identify strategies to inform the update of the Tahoe Regional Planning Agency's (TRPA) Regional Plan. The plan is in response to factors in the declining resort and tourism market in the South Shore including:

- 1) 10 years of precipitous decline in gaming revenues,
- 2) The general tourism trend toward resort destination that are focused on recreation and entertainment experiences, and
- 3) Regional regulatory policies that were implemented to preserve and enhance Lake Tahoe's water clarity that had in some cases deterred redevelopment (revitalization).

September 2011 - Completed South Shore Vision Plan includes development of new indoor entertainment venue and conference/group meeting space as part of one of 14 principle ideas to redefine the physical attributes of the study area in a way that is economically sustainable and responsive to environmental

conditions.

2012 Douglas County Strategic Plan identifies initiative to work with stakeholders to identify viable options to implement the South Shore Vision Plan.

September 25, 2013 - TRPA adopts South Shore Area Plan which incorporates principles of the South Shore Vision Plan, including entertainment amenities. 2015 Douglas County Strategic Plan identifies initiative to work with local partners and stakeholders to initiate the development of a year-round conference/entertainment venue at Lake Tahoe.

October 15, 2015, the Board approved Resolution 2015 R-068 designating Redevelopment Area No. 2 within the Lake Tahoe Basin area of Douglas County for evaluation for redevelopment pursuant to NRS Chapter 279.

November 10, 2015, the Douglas County Planning Commission selected Redevelopment Area No. 2 for further redevelopment evaluation, found that the preliminary redevelopment plan for Redevelopment Area No. 2 was sufficient under NRS 279.526, and directed that the preliminary redevelopment plan be submitted to the Douglas County Redevelopment Agency for review pursuant to NRS 279.528.

November 19, 2015, the Douglas County Redevelopment Agency (Agency) adopted a more detailed redevelopment plan for Redevelopment Area No. 2 and submitted the proposed redevelopment plan to the Planning Commission for its report and recommendation as to the plan's conformity with the Master Plan and other related planning documents.

December 8, 2015, the Planning Commission unanimously adopted a Report and Recommendation approving the Redevelopment Plan for Redevelopment Area No. 2 and submitted its Report and Recommendation to the Douglas County Redevelopment Agency.

January 21, 2016, The Agency made its proposed Owner Participation Rules available for public inspection.

January 21, 2015, The Agency made its proposed Employment Plan available for public inspection.

January 21, 2016 - The Agency made its proposed Relocation Rules available for public inspection.

January 21, 2016 - The Agency made its Blight Study and Economic Feasibility Report available for public inspection (attached).

January 21, 2016 - The Agency submitted the Redevelopment Plan and its Analysis of the Primary Plan to the Douglas County Commission.

January 21, 2016 - The Board of Commissioners approved submission of the Redevelopment Plan for Redevelopment Area No. 2 within the Lake Tahoe Basin area of Douglas County and accepted the accompanying report and proposed redevelopment rules from the Agency pursuant to NRS 279.578.

February 18, 2016 - The Board of Commissioners adopted Ordinance 2016-

1456 approving and adopting the Redevelopment Plan for Redevelopment Area No. 2.

2017 The updated Economic Vitality Plan includes South Shore Vision Implementation including entertainment venue development.

April 20, 2017 - Board of Commissioners approved additional 1% Transient Lodging License Tax on all transient lodging businesses within the Lake Tahoe Township for the purpose of studying the feasibility of, planning for, operating, and/or funding economic redevelopment projects within the Lake Tahoe Township; This funding is intended to supplement to funding generated by Redevelopment Area No. 2 in the Stateline area. Funds collected are paid to the TDVA. The TDVA's intended purpose is to use the funding to study the feasibility of, planning for, and operating the Event Center.

January 2018 - TDVA submits Event Center project to Tahoe Regional Planning Agency to commence environmental review process.

March 15, 2018 - Board of Commissioners hear an update from TDVA on the design and development of the proposed Event Center.

July 19, 2018 - Board of Commissioners hear TDVA presentation on the Fiscal and Economic Impacts Study of the Event Center. Estimated new visitor spending of \$44 million - \$66 million annually. Additional annual Room Tax proceeds to Douglas County estimated at \$800,000 - \$1.1 million.

Agenda Item # 4

NRS 279.608 Material deviation from or amendment of redevelopment plan: Recommendation to legislative body; hearing; notice; report and recommendations by planning commission; action by legislative body.

1. If, at any time after the adoption of a redevelopment plan by the legislative body, the agency desires to take an action that will constitute a material deviation from the plan or otherwise determines that it would be necessary or desirable to amend the plan, the agency must recommend the amendment of the plan to the legislative body. An amendment may include the addition of one or more areas to any redevelopment area but may not include the removal of an area from any redevelopment area, regardless of whether that area was initially a part of the redevelopment area or was added later through amendment.

2. Before recommending amendment of the plan, the agency shall hold a public hearing on the proposed amendment. Notice of that hearing must be published at least 10 days before the date of hearing in a newspaper of general circulation, printed and published in the community, or, if there is none, in a newspaper selected by the agency. The notice of hearing must include a legal description of the boundaries of the area designated in the plan to be amended and a general statement of the purpose of the amendment.

3. In addition to the notice published pursuant to subsection 2, the agency shall cause a notice of hearing on a proposed amendment to the plan to be sent by mail at least 10 days before the date of the hearing to each owner of real property, as listed in the records of the county assessor, whom the agency determines is likely to be directly affected by the proposed amendment. The notice must:

- (a) Set forth the date, time, place and purpose of the hearing and a physical description of, or a map detailing, the proposed amendment; and
- (b) Contain a brief summary of the intent of the proposed amendment.

4. If after the public hearing, the agency recommends substantial changes in the plan which affect the master or community plan adopted by the planning commission or the legislative body, those changes must be submitted by the agency to the planning commission for its report and recommendation. The planning commission shall give its report and recommendations to the legislative body within 30 days after the agency submitted the changes to the planning commission.

5. After receiving the recommendation of the agency concerning the changes in the plan, the legislative body shall hold a public hearing on the proposed amendment, notice of which must be published in a newspaper in the manner designated for notice of hearing by the agency. If after that hearing the legislative body determines that the amendments in the plan, proposed by the agency, are necessary or desirable, the legislative body shall adopt an ordinance amending the ordinance adopting the plan.

6. As used in this section, "material deviation" means an action that, if taken, would alter significantly one or more of the aspects of a redevelopment plan that are required to be shown in the redevelopment plan pursuant to [NRS 279.572](#). The term includes, without limitation, the vacation of a street that is depicted in the streets and highways plan of the master plan described in [NRS 278.160](#) which has been adopted for the community and the relocation of a public park. The term does not include the vacation of a street that is not depicted in the streets and highways plan of the master plan described in [NRS 278.160](#) which has been adopted for the community.

(Added to NRS by [1959, 664](#); A [1983, 492](#); [1985, 2077](#); [2003, 2344](#); [2009, 2769](#); [2013, 1510](#); [2017, 3420](#))

LAKE TAHOE BLIGHT STUDY

DOUGLAS COUNTY REDEVELOPMENT AREA #2

Prepared as an attachment to the Report to the
Douglas County Board of Commissioners

January 21, 2016



Table of Contents

Definition of Blight 1

Legal Requirements..... 2

General Description of the Proposed Redevelopment Area..... 2

Douglas County Redevelopment Area #2 (map #1)..... 4

Summary of Hotel/Casino Properties (table #1)..... 6

Approach and Methodology 6

Identification of Blight within Douglas County Redevelopment Area #2..... 7

1. *Unfit or Unsafe Buildings or Structures*..... 7

1.(a) Defective Design and Physical Construction..... 7

1.(b) Faulty Arrangement of Interiors and Spacing of Buildings 8

1.(c) Overcrowding..... 9

1.(d) Inadequate Provision for Ventilation, Light, Sanitation, Open Spaces and Recreational Facilities
9

1.(e) Age, Obsolescence and Deterioration and Dilapidation Mixed Character, Shifting of Uses 10

PROPERTY RATINGS SUMMARY CHARTS..... 15

Number of Structures and Vacant Lots (chart #1) 15

Percent of Structures (chart #2)..... 15

Tahoe Shores Mobile Home Park (pictures) 16

2. *Faulty Planning* 18

3. *Lots of Irregular or Inadequate Shape or Size*..... 18

4. *Disregard to Contours or Physical Conditions*..... 19

5. *Inadequate Streets or Physical Conditions*..... 21

South Lake Tahoe and Stateline (Pictures) 23

Deteriorating Streets (Pictures) 24

6. *Possible submerging* 25

7. *Depreciated or Deteriorating Values* 25

Gaming Revenue (chart #3) 31

Hotel Casino Employment (chart #4)..... 32

Room Occupancy (chart #5)..... 33

Gaming Revenue Per Square Foot of Floor Space (chart #6)..... 34

Douglas County Unemployment (chart #7) 35

School Enrollment (chart #8) 35

Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

- Real Property Assessed Valuation (table #2) 37
- 8. *Growing, or Total Lack of, Proper Utilization*..... 39
 - Underutilized Surface Parking Lots (pictures)..... 41
- 9. *Loss of Population or Use*..... 44
 - Population Stateline (Charts #10) 45
- Conclusion* 47
 - Economic Conditions of Blight..... 47
 - Physical Conditions of Blight 47
 - Social Conditions of Blight 48
- Closing Comments 48
 - Summary of Blight Conditions (Table #3) 49

Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Definition of Blight

To be eligible for redevelopment in Nevada an area must meet several specific requirements including a demonstration that it is blighted according to Nevada Revised Statutes. The rationale behind Nevada's enabling laws to create redevelopment agencies resides in NRS 279.416-420. These statutes describe conditions of blight and deterioration that, if prevalent, constitute a menace to the health, safety and welfare of communities. To be considered blighted an area must be characterized by at least four of the factors delineated in NRS 279.388. These blight conditions are reprinted, verbatim in the box below.

1. The existence of buildings and structures, used or intended to be used for commercial, industrial or other purposes, or any combination thereof, which are unfit or unsafe for those purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime because of one or more of the following factors:
 - a) Defective design and character of physical construction.
 - b) Faulty arrangement of the interior and spacing of buildings.
 - c) Overcrowding.
 - d) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities.
 - e) Age, obsolescence, deterioration, dilapidation, mixed character or shifting of uses.
2. An economic dislocation, deterioration or disuse, resulting from faulty planning.
3. The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.
4. The laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions.
5. The existence of inadequate streets, open spaces and utilities.
6. The existence of lots or other areas which may be submerged.
7. Prevalence of depreciated values, impaired investments and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered.
8. A growing or total lack of proper utilization of some parts of the area, resulting in a stagnant and unproductive condition of land which is potentially useful and valuable for contributing to the public health, safety and welfare.
9. A loss of population and a reduction of proper use of some parts of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere

Finally, NRS 279.519 states that a redevelopment area need not be restricted to only those building improvements or lands which are detrimental or inimical to the public health, safety or welfare, but may consist of an area in which such conditions predominate and injuriously affect the entire area. Furthermore, a redevelopment area may include, in addition to blighted areas, lands, buildings or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part.

Legal Requirements

According to NRS Chapter 279, evidence of blight must be provided in a Report to the legislative body (in this case the Douglas County Board of County Commissioners). Among other items, this Report to the Board of County Commissioners (the Report) must provide evidence sufficient for the Board of County Commissioners to determine that:

1. The redevelopment area includes a blighted area, the redevelopment of which is necessary to effectuate the public purposes declared in this chapter; (NRS 279.586 (1) (a))
2. Also, according to NRS 279.586 f (1) and (2) all noncontiguous areas of a redevelopment area:
 - a. Are blighted or necessary for effective redevelopment; or
 - b. Satisfy the requirements stated in NRS 279.519 subsection 4
3. Finally, the inclusion of any lands, buildings or improvements that are not detrimental to the public health, safety or welfare is necessary for the effective redevelopment of the area of which they are a part (NRS 279.586 (1) (g))

Once documentation related to these requirements is provided in the Blight Study the Board of County Commissioners effectively ratifies these findings when it adopts the Report and Ordinance creating the Redevelopment Area.

General Description of the Proposed Redevelopment Area

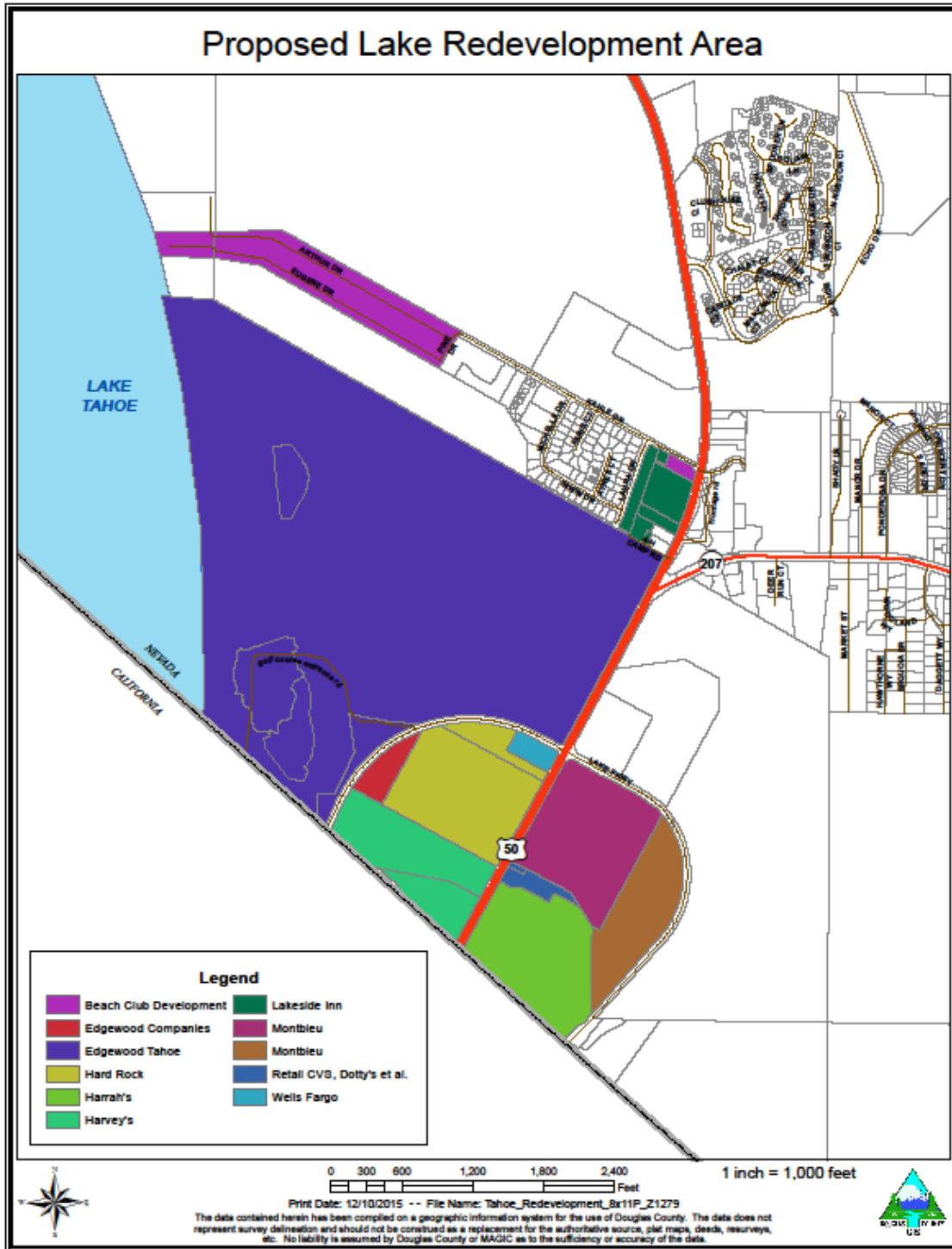
Since the proposed redevelopment area is so compact (map #1) Bender & Associates was able to undertake an in-depth analysis of each structure plus the Edgewood Tahoe Golf Course. These structures include five casinos (Harrah's, Harveys, the Hard Rock, Mont Bleu and the Lakeside), a warehouse building located behind Harveys, Wells Fargo Bank, the Tahoe Beach Sales Center, the Adventure Bike Shop an old storage building the Edgewood Tahoe Golf Course and the Tahoe Shores trailer court. The only noncontiguous property is the Tahoe Shores Trailer Court. The only property that exhibits any large expanse of open land is the Edgewood Tahoe Golf Club, but according to NRS definitions this entire area is considered improved land (NRS 279. 519 (6)).

While the Lake Tahoe Basin is an iconic destination resort, and one of the most scenic outdoor areas in the United States, it is characterized by five high-rise casinos more representative of an urban district. These five casinos were all built in a different era (see Table 1) when gaming was the overriding reason to visit and few resort destinations could compete with the beauty, excitement and elegance of Lake Tahoe. However, over the past three decades Lake Tahoe's economic prosperity has declined to the point that the community is currently facing severe hard times. The reasons are as varied as the growth of Indian gaming in California, to major investment by competing destinations, to the obsolescence of the hotel/casino business model, to regulations which make it extremely difficult to add rooms, to drought, to the recent national recession. Finally, the most vivid evidence of this economic stagnation can be found by viewing the vast acres of unused parking which has not been needed for years.

With the exception of Wells Fargo Bank and the Edgewood Golf Course, most of the other properties within the proposed redevelopment boundaries exhibit significant age and deterioration. This is most evident in

the Tahoe Shores Trailer Court where the majority of its properties reveal classic examples of blight. Conversely, this property provides a substantial opportunity for redevelopment which is critical to reversing the extreme downward economic trend experienced by Stateline over the past three decades. The warehouse building behind Harveys, the Adventure Bike Shop and the adjacent storage building are all obsolete, dilapidated and deteriorating. Finally, the Edgewood Tahoe Golf Course is a Lake Tahoe icon and represents an opportunity to help Stateline reverse its decline. By investing in new, upscale residential units, the type of accommodations and amenities demanded by the modern customer (and common in competing resort destinations such as Vail, Aspen, Breckinridge, Napa, Park City, etc.), will be available in Lake Tahoe.

Douglas County Redevelopment Area #2 (map #1)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Summary of Hotel/Casino Properties (table #1)

SUMMARY OF MAJOR HOTEL / CASINO PROPERTIES				
NAME	OPENED	STORY	ROOMS	CASINO SQUARE FEET
Harrah's Lake Tahoe Hotel	1973	18	525	65,000
Hard Rock Hotel and Casino	1965	14	539	25,000
Harveys Lake Tahoe Casino	1944	18	740	87,500
Lakeside Inn and Casino	1969	2	123	17,852
Montbleau Resort, Casino and Hotel	1978	15	437	40,000
TOTALS			2,364	235,352

Approach and Methodology

With the definition of blight according to NRS 279 clearly explained, it is necessary to demonstrate how, and where, these conditions exist in the proposed Douglas County Redevelopment Area #2 (the Lake Redevelopment Area). To accomplish this, the proven interpretation (used in several other Nevada Blight Studies) of each blight factor is provided in italics. In turn, general and specific examples of blight located within the Douglas County Redevelopment Area #2 are identified and an explanation of how they fit that particular blight factor is provided. In other words, when the general and specific examples of blight in Stateline match the interpretation of the blight condition designated in State law, the area can be considered blighted according to that factor. The identical method is used to characterize each of the thirteen blight factors.

For ease of understanding, the format used is to:

1. List the legal blight factor as defined by NRS 279.388
2. List the proven interpretation in italics
3. Provide the general and specific examples which match this blight factor

Both primary and secondary data sources were used to quantify existing conditions in the proposed redevelopment area. To determine blight, Bender & Associates undertook field surveys, reviewed information available in the public domain and consulted with Douglas County staff and members of the South Tahoe Alliance of Resorts (STAR).

Structures within the proposed Redevelopment Area were analyzed individually and collectively, and both physical and economic blight indicators were observed in the field surveys. These blight indicators include inadequate roads, deterioration and dilapidation of structures, age and obsolescence, and crowding. Secondary sources documented population stagnation, job loss, declining gaming revenue and dwindling local tax receipts. Secondary data sources included the Nevada Gaming Abstract, Douglas County Master Plan, the Lake Tahoe Basin Prosperity Plan, the Economic Vitality Strategy and Action Plan, the South Shore

Area Plan, State of Nevada and U.S. Census Bureau records, and interviews with County staff and STAR members. Finally, an extensive photographic record of blight was documented in order to provide a permanent, visual record of the extent of decline and deterioration.

Identification of Blight within Douglas County Redevelopment Area #2

As previously mentioned, this Blight Study describes, in bold face headings, each of the specific blight factors defined in state statutes. The interpretation of the statute appears in italics. Finally, the applicable data that reveals the existence of blight and matches the specific factor under consideration is provided.

1. Unfit or Unsafe Buildings or Structures

The existence of buildings and structures, used or intended to be used for residential, commercial, industrial or other purposes, or any combination thereof, which are unfit or unsafe for those purposes and are conducive to ill-health, transmission of disease, infant mortality, juvenile delinquency or crime because of one or more of the following factors (1a-1e).

This category of the law deals with the physical condition of buildings in a redevelopment area. It includes subcategories that describe specific indicators of blight: defective design and physical construction; faulty arrangement of interiors and spacing of buildings; overcrowding; inadequate provisions for ventilation, light, sanitation, open spaces and recreational facilities and age and obsolescence of structures.

Each of these categories is discussed separately, and in detail below.

1.(a) Defective Design and Physical Construction

Buildings of any type may suffer deterioration or disuse, or may contribute to such problems in other buildings, because of inherent defects in their design. Such buildings can present safety hazards, be functionally inefficient or facilitate their own deterioration. Defects may exist from the moment a given building is completed; or, they may evolve as occupants attempt to accommodate change in uses within the building or within surrounding buildings over time.

Conditions of defective design can occur in a variety of ways, and can include inappropriate exterior building materials, or a building that is of inadequate size for the intended use, or exterior retrofit of utilities, such as electrical and water systems. A faulty addition to a building can also be considered defective design. Inadequate construction resulting from deficient soil conditions may facilitate their own deterioration.

General Characteristics

While many of the buildings within the Douglas County Redevelopment Area #2 are old and obsolete, very few of these problems can be attributed to defective design or construction.

Specific Examples

None of the buildings within this proposed redevelopment area were observed to be blighted due to defective design or physical construction.

1.(b) Faulty Arrangement of Interiors and Spacing of Buildings

Indicators of faulty interior arrangement and spacing of buildings include inadequate setbacks and side yards resulting in fire hazards, inadequate loading, inadequate on-site parking areas, excessive lot coverage, and exposed outdoor storage and/or production.

The field survey was conducted through direct observation of various hotels and casinos.

General Characteristics

Stateline's hotel/casinos were constructed decades ago when their predominant use was to encourage customers to take advantage of their gaming activities. This business model focused on hotels with small rooms designed to provide brief rest interludes before encouraging the customer to return to the excitement of slot machines and gaming tables. Luxuries and amenities in hotel rooms were limited.

Over the years this business model became increasingly outdated. Today the typical customer spends less time on the casino floor and is much more interested in spending his disposable income on dining, shopping, luxury spa treatments, entertainment and other amenities. Furthermore, the destination resort areas that Lake Tahoe competes with have made considerable investment in their luxuries and amenities. Most noticeably room size has increased with luxury suites being the most desired accommodation. Consequently, the hotels in Stateline provide ample evidence of blight due to faulty and outdated interior arrangement.

Specific Examples

All five of Stateline's hotel/casinos demonstrate blight due to faulty interior arrangement.

Consequently, 5 of the 12 properties or 42% were observed to exhibit this blight factor.

1.(c) Overcrowding

Overcrowding generally indicates housing which has densities that are too high by today's standards. Conditions of overcrowding often lead to populations, which are packed into limited space resulting in social and economic problems.

General Characteristics

The commercial nature of this redevelopment area means that the only single family residential units are located in the Tahoe Shores mobile home park. The five large hotels can also be considered housing units.

Specific Example

While the Tahoe Shores residential units can be considered blighted due to other criteria, they are not rated as such because of housing density.

In total, none of the properties are considered blighted due to overcrowding.

1.(d) Inadequate Provision for Ventilation, Light, Sanitation, Open Spaces and Recreational Facilities

Inadequate provision for ventilation, light, sanitation, open spaces and recreational facilities. A typical indicator of inadequate ventilation and light includes building walls with windows placed too close together so that air and light cannot reach the windows. Open space and recreational facilities refers to parks and playgrounds which are inadequately maintained.

General Characteristics

Most of the structures within the redevelopment area are well spaced. However, Doc's Cottages close proximity to the warehouse building behind Harveys, demonstrates inadequate ventilation and an inability for light to reach the warehouse building.

Specific Examples

The inability of light to penetrate the warehouse building behind Harveys is a classic case of blight due to lack of light and ventilation.

The total number of properties considered blighted in this category is 1 of 12 or 8%.

1.(e) Age, Obsolescence and Deterioration and Dilapidation Mixed Character, Shifting of Uses

Age refers to buildings and structures of older construction that have not been renovated or upgraded to: eliminate deterioration; modernize heating, ventilation, plumbing or electrical systems; or remedy code or other legal violations or inadequacies. Obsolescence refers to an outdated building design and layout, or site plan that is no longer useful or economically viable given present-day standards or market needs. Such buildings may encourage marginal uses or become neglected and pose safety hazards.

Dilapidation and deterioration are characteristics of buildings or structures or vacant land.

The terms "Mixed Character" and "Shifting of Uses" refer to a use in a building that was not intended for that building and, consequently, the building is usually poorly adapted and inefficient. This is considered a blight characteristic because it can lead to incompatible uses, and increased deterioration if buildings are put to more rigorous use than originally intended.

General Characteristics

Most of the buildings in Douglas County Redevelopment Area #2 are considered blighted under this factor.

Simply the age of most of the buildings in the area would rate them as blighted. The most recent hotel/casino construction dates to 1978 and one is over seventy years old. Several of the other non-hotel/casino properties in the area are also over fifty years old.

General Characteristics (continued)

While age is one factor that qualifies many of these structures as blighted, evidence of obsolescence is also pervasive. In the fast paced hotel/casino industry where rapidly changing consumer trends demand that properties constantly be upgraded, Lake Tahoe has fallen behind. Because the business model in prior decades focused on gaming and related activities, hotel rooms were often relatively small and spartan. In a prior era the customer didn't mind as he was content to take only a brief respite from gaming before returning to the slot machines or gaming tables.

This has all changed in the past two decades. Modern customers are used to large rooms or luxury suites, and a vast array of amenities. They also expect the hotel/casino to be a place with a menu of activities far beyond the gaming experience. Shopping, dining, lounge entertainment, concerts, luxury spa treatments, pool side diversions, famous entertainers and related activities are much more important to the younger demographic than just gaming. Finally, this customer has become accustomed to this experience because it is common at resort destinations which are Lake Tahoe's most rigid competition. Consequently, discriminating visitors increasingly choose to spend their leisure time and income in resort destinations other than Lake Tahoe. When considered in the context of blight, this situation represents the textbook case of obsolescence.

This area also demonstrates one example of the mixed character blight factor, namely the warehouse structure behind Harveys which is clearly incompatible with the adjacent high rise hotel/casinos.

Many of the other structures in the redevelopment area suffer from dilapidation and deterioration. The storage building, Adventure Bike Shop, and the Tahoe Beach Club sales office, all located along Kahle Drive, have seen better days. Similarly, the warehouse behind Harveys hotel/casino suffers from dilapidation and deterioration.

Finally, so much dilapidation and deterioration was identified within the Tahoe Shores trailer park that a common rating system used in other Blight Studies was replicated for this report.

Specific Characteristics – Age

Harveys Hotel originally opened in 1944, the Hard Rock in 1965, the Lakeside Inn and Casino in 1969, Harrah's in 1973 and the Mont Bleu in 1978, all of which can be considered ancient in the hotel/casino industry. The warehouse behind Harveys, the Tahoe Beach Club Sales Office, the Adventure Bike Shop and the Kahle Drive storage building can all be considered blighted due to age.

In sum, only the Wells Fargo Bank, the Edgewood Golf Course and the Tahoe Shores Mobile Home Park are not blighted due to age

Specific Characteristics – Obsolescence

Harveys Hotel and Casino, the Hard Rock Hotel and Casino, the Lakeside Inn and Casino, Harrah's Hotel and Casino, and the Mont Bleu Hotel and Casino can all be considered blighted due to obsolescence. The individual investments that have been made to each of these properties have not been sufficient to keep pace with the standard in the industry, the modern customer profile or the resort destinations which are the major competitors to Lake Tahoe.

The reasons for this decline are numerous. For example, all the Stateline casinos were built on a model popular four or five decades ago with an emphasis on small hotel rooms and casinos with few amenities beyond gaming. The casinos featured an increasingly obsolete model with an inward design and an emphasis on keeping the customer in the building. The more modern trend in casinos is outward facing in appearance and operations. With nongaming revenue now exceeding gaming income there is a premium in newer casinos on developing activities and amenities to engage the customer. In contrast to Stateline's older business model, the newer design focuses on developing a roster of amenities the visitor will gladly return to after sampling the competition.

The modern design focuses on activities and amenities so interesting and exciting they will persuade customers from other hotels to migrate to the newer properties. Hotel rooms are larger, diversity of offerings is more extensive, and gaming is considered just one component of the visitor experience. The casinos in Stateline have struggled to keep up with this new reality.

In sum, all five of the hotel/casinos can be considered blighted due to obsolescence.

Specific Characteristics - Dilapidation and Deterioration

Ratings in this blight category are the product of firsthand field observations. These observations occurred on October 23, and 24, 2015.

The rating categories used in the field survey to assess conditions are generally defined as follows:

Buildings or land rated as excellent or in good condition ("A") are in need of little or no maintenance; vacant parcels are well cared for and not overgrown with weeds or other debris.

Buildings or land rated as deferred maintenance ("B") need minor improvements such as paint or other exterior cosmetic repairs; vacant parcels need minor landscaping improvements.

Buildings or land rated as needing moderate rehabilitation ("C") require a substantial amount of improvement such as a new roof, exterior siding, and foundation repairs, etc. vacant parcels are extensively overgrown and may exhibit topographical problems; and

Buildings or land rated as needing extensive rehabilitation ("D") are abandoned or boarded up, very poorly maintained, have significant structural damage or need several major repairs. Vacant parcels are thoroughly overgrown with weeds, have substantial debris, have been used as a common dumping ground, exhibit foundations of demolished buildings, have severe topographical problems, etc.

Structures that were assigned a rating of "C" or "D" are dilapidated or deteriorated. Deteriorated buildings which have not been properly maintained by property owners and tenants are a hindrance to attracting new development to the redevelopment area. Existing property owners and prospective developers are often discouraged from investing in an area where deterioration is prevalent, because security in their investment is uncertain. The presence of properties which exhibit signs of deterioration may also deter owners of neighboring properties from improving or even maintaining their properties. This occurs if it appears that any benefits which might accrue to their properties will be diminished or negated due to the condition of surrounding properties. This presents a risk of decreases in property values if deteriorated conditions are permitted to persist, as illustrated in the Tahoe Shores mobile home park.

Blight Due to Age, Obsolescence, Deterioration, Dilapidation, Mixed Character and Shifting of Uses

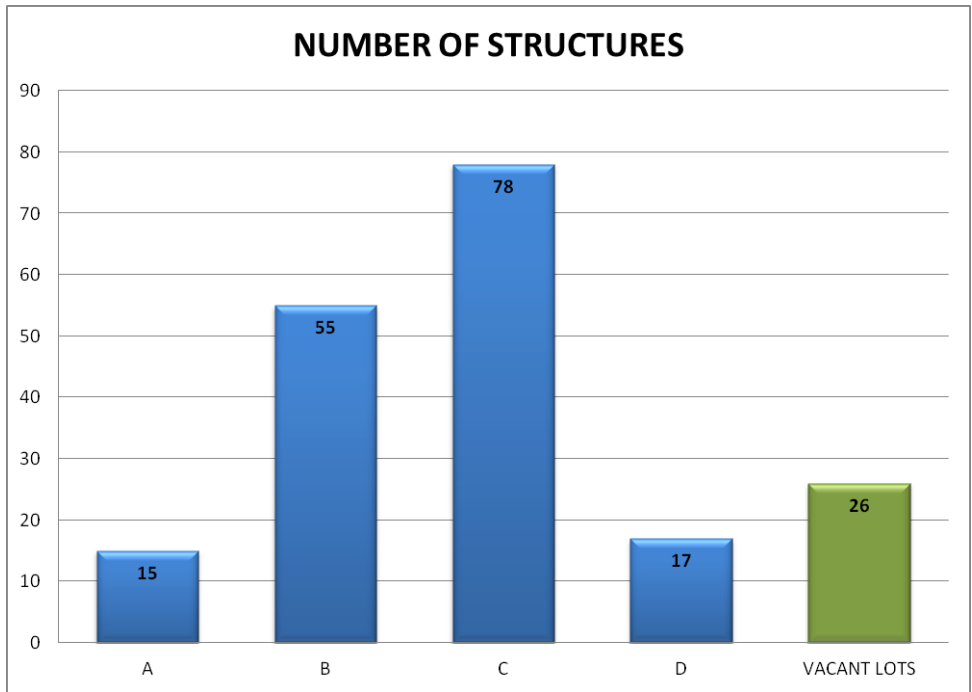
The field research detailed in Charts #1 and #2, verifies that 150 of the 165 structures in the Tahoe Shores mobile home park are rated "B," "C" or "D." This means that 91% of all the parcels are in need of some form of maintenance. More serious is the fact that 95 or 58% are in need of moderate to extensive rehabilitation (a condition rating of "C" or "D"). When you add in the vacant lots, which are all rated "D", 121 of the 191 mobile homes, or 63%, are considered blighted due to dilapidation or deterioration.

The enclosed pictures provide examples of the extent of this deterioration.

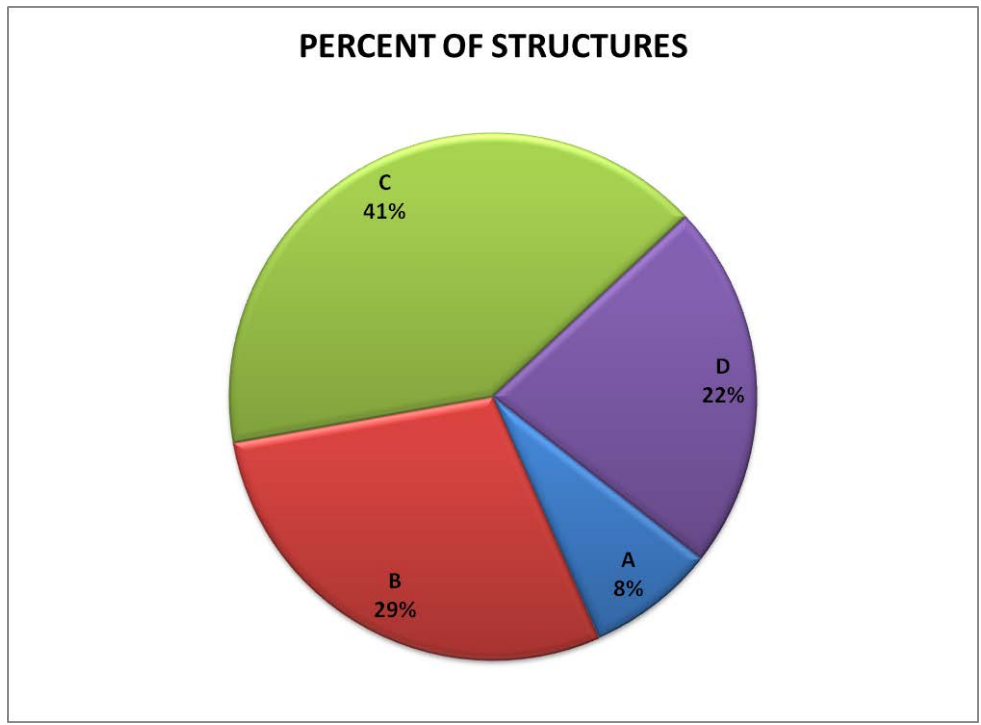
Taken together, these various blight factors provide evidence that all the properties in the redevelopment area except the Wells Fargo Bank and the Edgewood Golf Course suffer from either age, obsolescence, mixed character of uses, or dilapidation and deterioration. Accordingly, this category identifies 11 of the 12 properties, or 83%, as blighted.

PROPERTY RATINGS SUMMARY CHARTS

Number of Structures and Vacant Lots (chart #1)



Percent of Structures (chart #2)



Tahoe Shores Mobile Home Park (pictures)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

2. Faulty Planning

An economic dislocation, deterioration, or disuse resulting from faulty planning. Evidence of faulty planning results from buildings containing uses, which are incompatible with adjacent uses.

General Characteristics

The primary example of this blight factor is most prevalent with the warehouse building behind Harveys Hotel/Casino.

Specific Examples

Doc's Cottages back up to the warehouse building on the Harveys property and provide little, if any, space between the buildings. With modern building codes a warehouse building would never be allowed to locate adjacent to a commercial motel, i.e. a textbook example of incompatible uses. Furthermore, the close proximity of the warehouse structure to Harvey Hotel/Casino creates a serious fire hazard. In turn, a small fire could easily impact the health and safety of hundreds of customers within surrounding buildings, most ominously the nearby 740 room Harveys Hotel.

In total, there were 2 examples of Faulty Planning meaning 2 of the 12 properties, or 17%, were blighted according to this factor.

3. Lots of Irregular or Inadequate Shape or Size

The subdivision and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.

The economic viability of an area is reduced when it contains a number of lots of inadequate size for usefulness and development. This situation is commonly the result of historical subdivision and development patterns, as well as shifting economic trends in commercial sectors (e.g. shifts in the demand for goods and services). Adequate parcel size and dimensions are necessary if land is to be effectively utilized. Certain minimum lot sizes are required not only for code compliance, but also to make development and redevelopment attractive to investors. Parcels must be large enough to accommodate the primary structure, setback area, circulation, and parking space. Parcels not able to meet these conditions may require that potential investors acquire adjacent properties (which may not be for sale) or forego rehabilitation or development of a property in lieu of an attractive site of adequate size and dimensions. Section 279.388 of the NRS considers the "subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development" a characteristic of a blighted area.

General Characteristics

Once again, the warehouse area behind Harveys Hotel/Casino is the classic example of blight due to inadequate shape and size. This structure would never be allowed to be constructed in this location today, due to modern fire, safety, and building code regulations.

Specific Examples

The small size of the lot in which the warehouse building behind Harveys is shoe horned, plus the lack of circulation, to the absence of setbacks, to the limited parking, are all classic examples of blight due to inadequate shape or size.

In all, there was 1 property classified as blighted due to inadequate shape or size representing 8% of the total.

4. Disregard to Contours or Physical Conditions

The laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions. This blighting characteristic refers to the presence of parcels that, because of their layout, create problems with, or do not take advantage of, opportunities presented by the topography of an area.

General Characteristics

As can be expected from the slope in the redevelopment area, runoff from land in many parts of the redevelopment area flows directly into Lake Tahoe. Millions of dollars, and decades of effort have been expended in reducing erosion in an attempt to maintain the clarity of Lake Tahoe. For decades, strict standards to control runoff have been required by TRPA on all new development in the Tahoe Basin. Unfortunately, the fact that most of the properties in the redevelopment area predate these requirements means that the runoff from the vast acres of surface parking flow unchecked into Lake Tahoe. This problem is compounded by the absence of adequate curbs and gutters along Stateline Avenue and Kahle Drive which are ineffective in intercepting or diverting this runoff.

This problem has been most clearly identified by the Nevada Tahoe Conservation District. This District supports a project which proposes to redesign and expand the dry Kahle Basin to a larger wet Basin. It also proposes to replace an undersized 36" pipe with a 48" pipe. In addition, it would also install conveyance infrastructure along Laura Drive to capture Lakeside Inn and adjacent commercial property runoff. By installing drop inlets and conveyance pipe along Laura Drive the Lakeside Inn area runoff could then be treated by the proposed Kahle Drive storm drain treatment system.

General Characteristics (continued)

The ultimate objective is to rectify the current situation where runoff from the existing Kahle Dry Basin exits the Basin from a vegetated swale, travels approximately 50 feet to Burke Creek, which then flows into Lake Tahoe. Naturally, these improvement require local municipal revenue, a difficult prospect given Lake Tahoe's current economic climate.

Specific Examples

All five of the hotel/casinos in the redevelopment area contribute to the erosion problem due to the layout of the hotel/casinos which contain surface parking for a level of customer demand not experienced in Stateline for over a decade. Also, the Tahoe Beach Club sales office, the Adventure Bike Shop and the storage building (all located on Kahle Drive), contribute to this problem as both streets have inadequate curbs and gutters to prevent runoff.

In total, 8 examples, or 67% of the properties can be considered blighted due to contours or physical conditions.

5. Inadequate Streets or Physical Conditions

The existence of inadequate, deteriorating, rutted streets, open space and utilities. Section 279.388 of the NRS states a blighted area may also be characterized by the existence of inadequate public streets, open space or utilities. Inadequate streets are defined as those that lack the capacity to carry the existing or anticipated vehicular traffic, or provide inadequate access to an area. Inadequate open space refers to a lack of sufficient parks and recreation areas. Inadequate utilities means that an area lacks or is poorly served with electricity, gas, telephone or other services necessary for successful development.

General Characteristics

As mentioned previously, Lake Tahoe currently struggles to engage the modern destination resort visitor due to the lack of activities, ambience and amenities they are accustomed to. Part of this ambience is a pedestrian friendly “sense of place” with interesting and unique dining and retail opportunities in an environment that places a premium on strolling, window shopping, people watching, bicycling, or dog walking. Unfortunately, Lake Tahoe is again more representative of a bygone, auto-centric era with busy US Highway 50 the primary offender (see South Lake Tahoe and Stateline pictures).

South Lake Tahoe, California began to address this changing demographic by redeveloping its side of the state line through the Heavenly Village redevelopment project. Eliminated were the small, 1950’s era motels and outdated souvenir shops, replaced with attractive and interesting retail stores and new dining experiences. Wide sidewalks, small plazas and pedestrian benches were designed to unconsciously promote a pedestrian oriented, friendly ambience. In contrast, the Nevada side still retains a 1950’s atmosphere where a casino is designed to keep the visitor captive, and a stroll outside the hotel is met with 4-6 lanes of traffic. In short, a major highway, dividing the heart of a resort area, is incompatible with the calm and peaceful environment the modern visitor expects and has experienced in competing locations such as Napa, Sonoma, Breckinridge, Aspen, Vail, or Park City.

To its credit, Lake Tahoe has been striving for years to change this inadequate traffic pattern. According to the South Shore Area Plan, the South Shore Community Revitalization project (Loop Road) is meant to rectify this problem by allowing for traffic to flow around the High Density Tourist District and for the existing Highway 50 to be turned into a pedestrian friendly Main Street. However, “this project has been in the planning process for over 20 years but has yet to move forward as a result of lack of funding.”

This lack of funding is underscored by a discussion of existing conditions in the 2011 Master Plan which provides information on Douglas County transportation revenue sources. These revenue sources include the residential and non-residential construction tax, the 1 percent room tax, as well as local and regional taxes. The Master Plan reveals that since 2005, all three revenue streams have been steadily declining.

General Characteristics (continued)

To sum up, Highway 50 is the primary example of an inadequate street system that has an impact far beyond traffic. It results in a serious problem for Lake Tahoe as it contributes to an overall atmosphere that does not meet the expectations of the modern visitor. In turn, this serious traffic issue impacts the entire redevelopment area by contributing to declining hotel visitation and revenues, ultimately providing fewer customers to all the businesses in and outside the redevelopment area.

Specific Examples

It has already been mentioned that US Highway 50 represents blight as part of an inadequate street network. Beyond US Highway 50 there are other examples of inadequate streets in Douglas County Redevelopment Area #2. Kahle Drive has no sidewalks, and what curbs and gutters it does contain are deteriorated. Even when sidewalks are present, most are dilapidated and in need of repair. Stateline Road exhibits the same absence of curbs, gutters and sidewalks. Finally, Arthur and Eugene Drives, the two streets which service the Tahoe Shores mobile home park, also have no sidewalks, curbs and gutters. In addition to these streets being blighted, the absence of curbs and gutters contributes to erosion and water clarity problems for Lake Tahoe.

Regarding utilities, one problem unique to Lake Tahoe is characteristic of blight due to the physical condition of inadequate utilities. This problem is the presence of overhead (as opposed to underground) electrical utility lines. In a pristine area like Lake Tahoe, electrical transmission lines, by their very nature, can be considered visual blight. More importantly, these transmission lines frequently are buffeted by high winds causing recurrent power outages. More than just an inconvenience, the absence of reliable transmission lines, and the power they supply, threatens the health and safety of the residents in Lake Tahoe. Efforts to rectify this problem have been discussed, but declining revenues have, to this point, been insufficient to underground these utilities.

Finally, storm water runoff impacting Lake Tahoe's clarity is an enormous and persistent problem. The goal of the Kahle Basin project is to improve treatment of storm water runoff in Kahle Basin. Finding a reliable funding source for this and other important storm water treatment projects competes with other municipal service needs. As mentioned previously, these municipal service needs are constrained by Stateline's decaying economic climate and declining tax receipts.

Overall, inadequate streets and utilities impact all the properties in the proposed redevelopment area (see deteriorated streets pictures). Consequently, 12 of the 12 properties, or 100%, are considered blighted due to inadequate streets or physical conditions.

South Lake Tahoe and Stateline (Pictures)

South Lake Tahoe



Stateline



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Deteriorating Streets (Pictures)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

6. Possible submerging

The existence of lots or other areas which may be submerged. Areas which are flood prone or in a flood plain can be considered as possible submerging candidates.

No evidence of flooding or flood prone areas in the Douglas County Redevelopment Area #2 was identified.

In total, it is estimated that none of the properties in this category, or zero percent, can be classified as blighted due to possible submerging.

7. Depreciated or Deteriorating Values

Prevalence of depreciated values, impaired investments and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered. Conditions where assessed values have been declining or failing to keep pace with those in other comparable locations indicates a lack of investment by existing property owners and outside investors.

General Characteristics

The most compelling demonstration of blight in Lake Tahoe revolves around social and economic maladjustment resulting from over two decades of economic deterioration. This economic deterioration begins with declining hotel/casino revenues, and progresses in a domino effect where employment declines, tax revenues diminishes, the ability to maintain critical municipal services is impaired (including an inability to reduce sediment from migrating into Lake Tahoe), to the difficulty of most Stateline workers being able to afford housing in the Tahoe Basin, to declining school enrollment. Ultimately these conditions result in a diminished sense of community which impacts the entire South Shore area. The current situation is best summed up by the South Shore Area Plan which states, "the status quo does not provide a level of revenue that is sustainable for the South Shore."

Stateline's devastating economic decline and deterioration is obvious, well documented and has continued unabated for years. According to the South Shore Vision, "Given the decline in the gaming industry, the overall poor visitor infrastructure, increased competition, and other factors previously mentioned, it would be challenging for South Shore tourism spending to grow significantly to previous levels, let alone growth beyond those levels, over the long run. If not addressed, this stagnation will result in further stagnation along with the continued loss of revenues as well as taxes, and employment which will likely discourage future investment continuing this downward trend."

The reasons for the decline in economic prosperity over the past two decades are many and their impact has spread throughout the entire region. In fact, the entire County has suffered from the dwindling tax revenues generated in Lake Tahoe. This economic decline has reached a crisis stage and if it is not reversed the long term health of the entire Lake Tahoe Basin is in question.

General Characteristics (continues)

The economic maladjustment trends affecting Lake Tahoe can be briefly summarized:

- Total Stateline hotel/casino revenue has fallen from \$557 million in 2004 to \$349 million in 2013, a decline of 31% (chart #3).
- Gaming revenues have decreased significantly from a high of \$338 million in 2004 to \$209 million in 2011, a decrease of 38%.
- Employment within Stateline casinos declined from 5,349 in 2004 to 3,035 in 2013, a reduction of 52% (chart #4).
- Average room occupancy decayed from a high of 82% in 2004 to 67% in 2013 (chart #5).
- The number of new room nights rented in Stateline hotels fell from 775,973 in 2000/2001 to 606,625 in 2010/2011, a drop of 22%.
- Gaming revenue per square foot of floor space sunk from \$1,562 in 2004 to \$1,044 in 2013, a decline of 33% (chart #6).
- The unemployment rate in Douglas County increased from a high of 6% in 1990 to 14.8% in 2012 (chart #7).
- 49% of homes are owned by second home owners.
- School enrollment declined In Tahoe schools from a total of 822 students in 1990/1991 to 431 students in 2010/2011, a reduction of 48% (chart #8).

After decades of deteriorating values the result is clearly evident. Economic maladjustment has caused property values to depreciate to the point where even the investment being made in Stateline's hotel/casinos is impaired due to the overall decline of the entire area. These declining property values also result in lower tax receipts to local governments, leading to difficulty in continuing to provide basic municipal services. Finally, the problems emanating from declining assessed values (table #2) are compounded as Lake Tahoe's major competitors constantly upgrade and improve their menu of entertainment, shopping, dining, spa treatments and facilities and other amenities, This vicious downward economic spiral continues because, while Lake Tahoe's competitors constantly reinvest in their facilities, existing Stateline property owners and outside investors are reluctant to make significant investment locally until they see some evidence that this deteriorating economic climate is being reversed.

General Characteristics (continued)

The first, and most obvious reason for Stateline’s economic decline, is the dynamic growth of tribal gaming. Much of Stateline’s traditional market is derived from Sacramento, the Bay area and surrounding communities. Several modern Indian casinos such as Thunder Valley, Cache Creek, and Red Hawk have been built in this area over the past fifteen years and contain many of the amenities and activities the younger visitor prefers. Many Indian casinos are conveniently located near Interstate 80 and are closer to Sacramento, the Bay area and other large California population centers than Lake Tahoe. These casinos are also located at a lower altitude, meaning the visitor doesn’t have to cross the Sierra mountain range which can often become a serious hazard, particularly during the winter

Another significant reason for Stateline’s shrinking economy is that all the casinos were built on a business model popular four or five decades ago. This business model relied on small hotel rooms, an inward design, casinos with few amenities beyond gaming and an emphasis on keeping the customer in the building. This business model is increasingly obsolete, as the modern trend in casinos is outward facing in appearance and operations, featuring a roster of diverse activities and amenities. With nongaming income now exceeding gaming revenue, there is a premium in a design that focuses on a list of options the visitor will gladly return to after sampling the competition. Furthermore, a successful set of diverse activities, entertainment and amenities will entice customers from other properties to migrate to the more modern experience. In today’s successful properties hotel rooms are larger, diversity of offerings is far superior, and gaming is considered just one component of the visitor experience. The casinos in Stateline have struggled to keep up with this new reality.

The third reason for Stateline’s economic regression is its competition. With the proliferation of social media and less complicated transportation access, the potential visitor finds it much easier to select from an ever expanding list of resort destinations. Lake Tahoe finds itself competing with places as varied as Napa, Sonoma, San Francisco, Monterrey, Aspen, Breckinridge, Park City, Vail, and even Las Vegas. Over the past decade most of these resort destinations have made substantial investments to reinvent themselves to appeal to changing visitor preferences. Beyond facilities and amenities, these locations have also invested millions of dollars in promoting their destinations, paying particular attention to social media. Again, these are all areas where Lake Tahoe has struggled to keep up, and where the outside investor is reluctant to risk his capital.

Impaired investment also occurs when it comes to marketing. The South Shore Vision Plan states, “ while Lake Tahoe has traditionally had a competitive advantage with funds derived from its Tourism Business Improvement District (TBID), that advantage has been significantly eroded as many of South Shores competitor destinations have multi-million dollar promotional budgets and have formed their own TBID’s. With the advent of online and social media marketing tools, destinations now have the capacity to promote themselves, their events and activities in an efficient manner that was not previously possible. These promotional messages, often with greater reach than traditional marketing messages, now compete with South Shore, further adding to the competitive environment.”

General Characteristics (continued)

Even the investments the hotels in Stateline are willing to make, are uniquely impaired. The regulatory nature of the Lake Tahoe region, and its culture of controlled growth, makes it difficult to add rooms. Combined with a fixed, high rise shell, it is a challenge for the hotel owner to change his layout and design unless he has the money, or inclination, to implode his hotel and rebuild from the ground up. Naturally, this is a highly unlikely, and potentially unprofitable, strategy. At the same time, none of Lake Tahoe's primary competitors face these considerable impediments to reinvestment

Another factor in the economic decay in Stateline over the past five years has been the serious and ongoing drought. With competition increasingly fierce, the lack of snow over the past several years has only intensified economic maladjustment. Similarly, with pictures on social media of stranded boat docks, overlooking receding waters, it makes it difficult to compete for summer vacationers.

Last, the economic recession has contributed to Lake Tahoe's recent economic maladjustment. While the recession from 2007-2013 impacted the entire nation, the effect was uneven. It is no secret that one of the states hardest hit by the recession was Nevada. Add to that the reality of the discriminating traveler who is much more likely to choose a modern resort destination with a diverse range of modern activities, amenities and entertainment, rather than one struggling with the weight of numerous other economic challenges.

The effort to reverse the disastrous cycle of deteriorating values and impaired investment focuses on two major projects. The first is a new, state of the art concert venue/event center. The Douglas County Master Plan succinctly explains the objective of this project, "is to revitalize the economy, contribute to the attainment of TRPA environmental threshold standards, including water quality and scenic vistas, and create a sustainable tourist destination, that provides access to recreational opportunities within walking and biking distance of the bed base which is intended to contribute to the reduction in vehicle miles traveled." It is a proven fact that visitors will travel long distances to attend a concert or special event in Stateline. However, without an indoor venue the realistic Lake Tahoe event season lasts no more than five months, at best. Investing in a multi-purpose venue is the first step in Stateline's effort to diversify its product, attract new visitors, and reverse its economic maladjustment.

The second development is the Edgewood Golf Course improvement project. "The project consists of a tourist accommodation complex with a total of 194 new tourist accommodation units, improvements in water and energy efficiency, and a new public beach." This project is designed as a new, high end, residential complex designed with the amenities and luxuries demanded by today's visitor. This is the first investment by Stateline to provide the type of accommodations its competition has been successfully constructing and marketing throughout the past decade.

Specific Examples

It is obvious serious depreciation in values and economic maladjustment continues unabated in Stateline, and negatively impacts all of the properties within the redevelopment area. These deteriorating values began with shrinking gaming revenue, hotel visitation, tax receipts, employment and lack of investment due to the regulatory nature of the Lake Tahoe region. Over the years this has translated into limited or impaired investment by property owners. This limited and impaired investment by property owners and outside investors has been insufficient to reverse this downward spiral. The impacts are felt by all the other businesses within, or near, the redevelopment area which have also experienced the loss of income and customers.

Over time the economic maladjustment resulting from sinking private sector revenue, reductions in employment and declining population leads to social maladjustment. This social maladjustment takes the form of declining school enrollment, the threat of busing children to remote locations and an inability of many workers to afford housing close to where they work. Inevitably, this leads to the greatest social maladjustment of all, a loss of a sense of community.

In reviewing Douglas County budgets from fiscal year 2011-2012 to the present, it is clear how devastating Stateline's economic maladjustment has been on the County's tax receipts and how inadequate these revenues are in maintaining critical public services. For example, in 2011 Douglas County eliminated 65 positions and most employees experienced a voluntary salary reduction of 5%. These salary reductions were not completely restored until 2014. The county also eliminated some low priority programs to help address the budget shortfall.

In 2012 the County revealed that revenues continued to exceed expenses resulting in a \$3 million General Fund structural budget deficit. This \$3 million deficit was projected to endure until at least 2016 unless additional actions to bring expenses in line with revenues was taken. Accordingly, services such as airport operations, signal light maintenance, printing, and janitorial services, were outsourced.

2014's budget disclosed that state consolidated taxes, room taxes, sales taxes, gaming taxes, building revenue, and earnings on investments had all declined for the past four years. The consolidated tax is particularly significant since it represents 26% of the County's revenues. More specifically, Douglas County's share of the consolidated tax dropped from \$12,508,270 in 2006 to \$10,608,318 in 2014, a decline of \$1,899,952, or 15%. Douglas County's efforts to reverse these trends gained ground in 2015 when its unemployment rate fell to 8%. Unfortunately, this rate still lagged behind the State's 7.5% and the country's 6.1%.

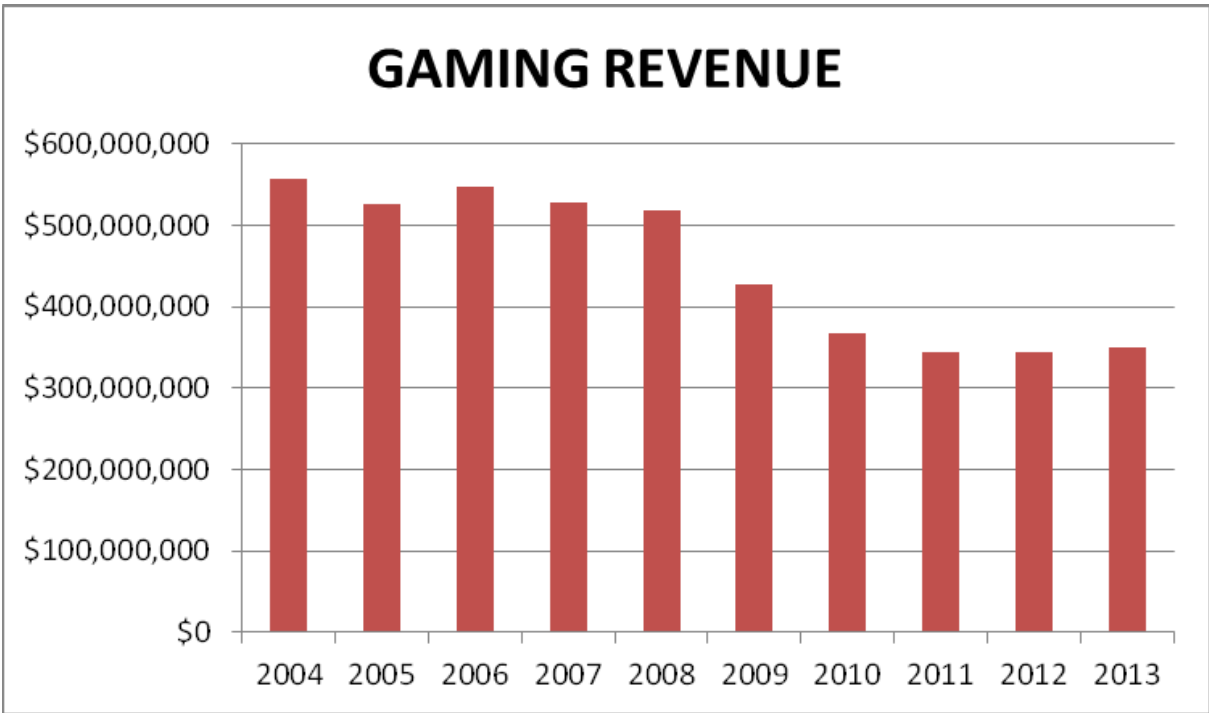
It is clear from these statistics that Douglas County's ability to keep pace with the cost of increasing public services is severely strained. At the same time as Douglas County's revenues were declining, new costs from the State of Nevada for services increased County expenses by over \$500,000. Over time inadequate revenues lead to deferred maintenance, turnover of valued employees, and painful choices over which programs have to be cut back. Ultimately, a major factor contributing to the lack of adequate tax receipts and budget shortfalls in Douglas County is the economic decline emanating from Stateline.

Specific Examples (continued)

Finally, deteriorating assessed values translate into lower property tax receipts straining the ability of local government to pay for critical services such as fire protection, schools, snow removal, law enforcement, environmental improvements, etc. These municipal services are critical to the health, safety and welfare of the entire area. To summarize, the existing status quo represents a level of revenue that is not sustainable for either the private or public sector in South Shore.

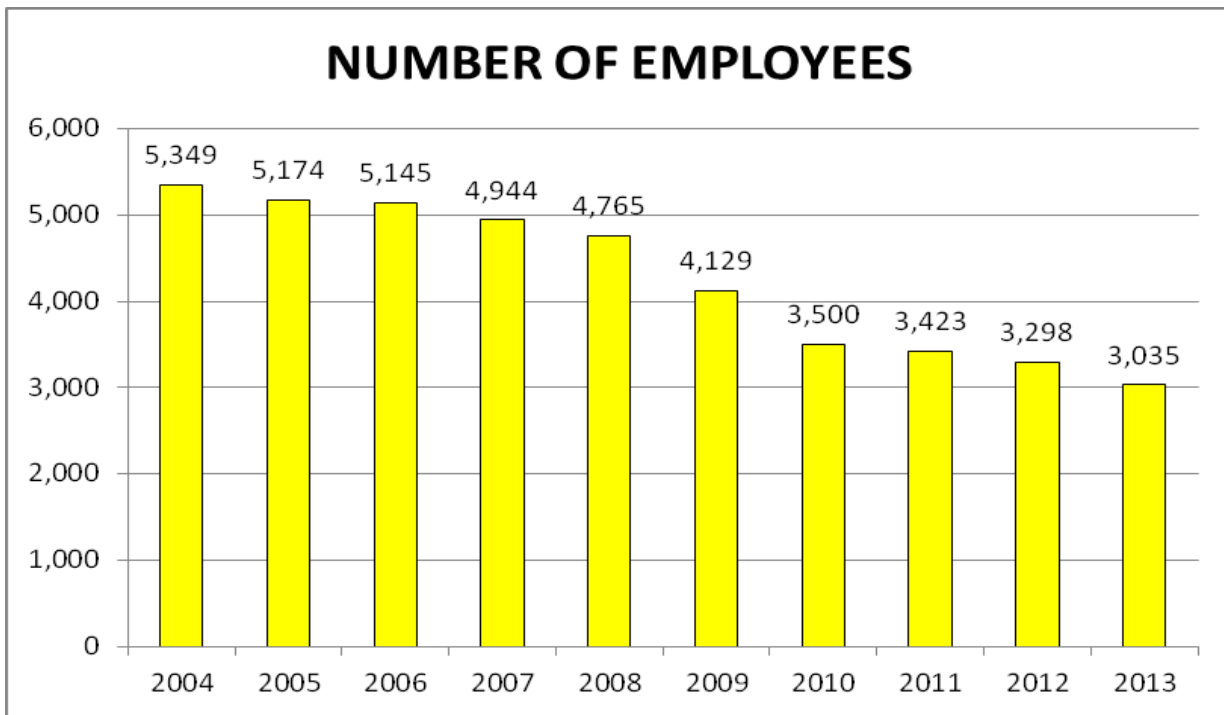
Consequently, it is obvious that all 12 properties in the redevelopment area, or 100%, can be considered blighted due to depreciated or deteriorating values.

Gaming Revenue (chart #3)



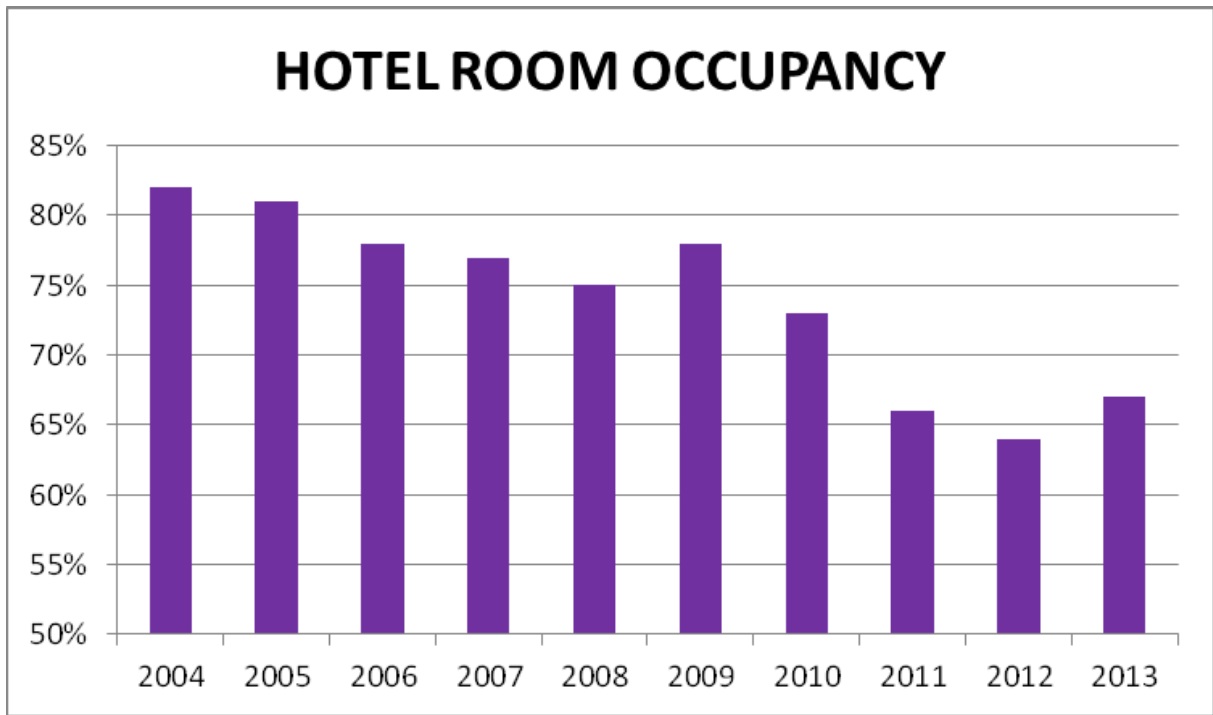
Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Hotel Casino Employment (chart #4)



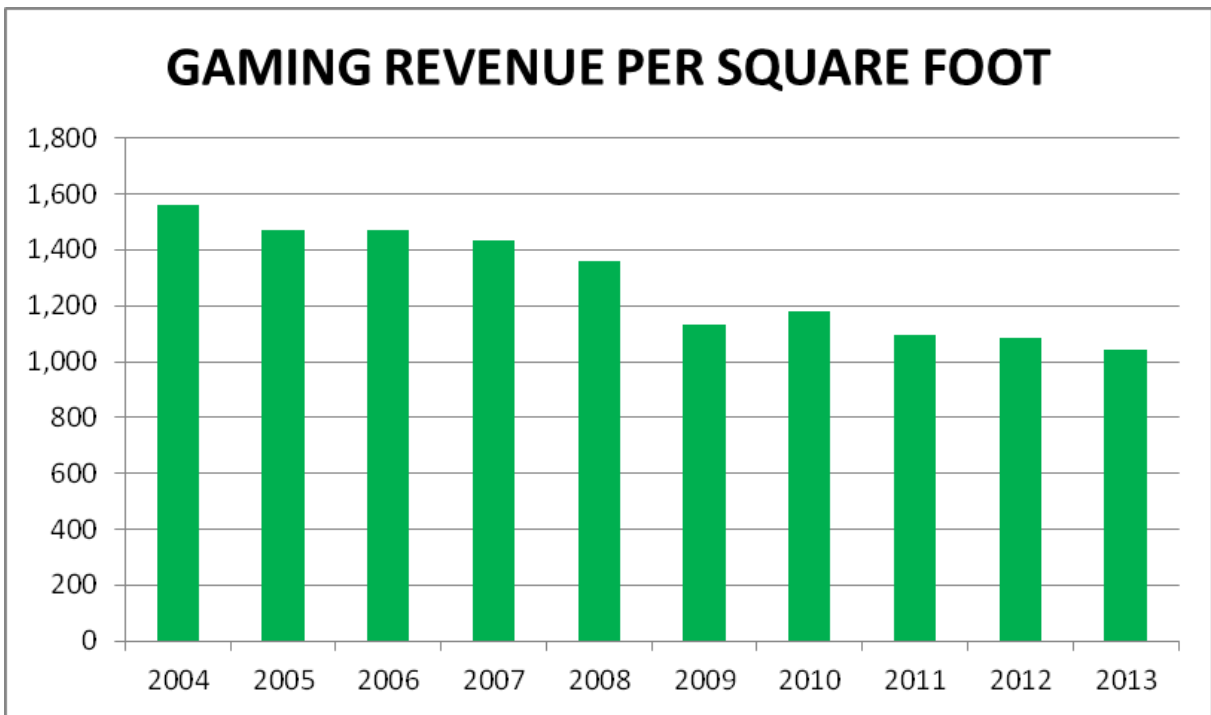
Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Room Occupancy (chart #5)



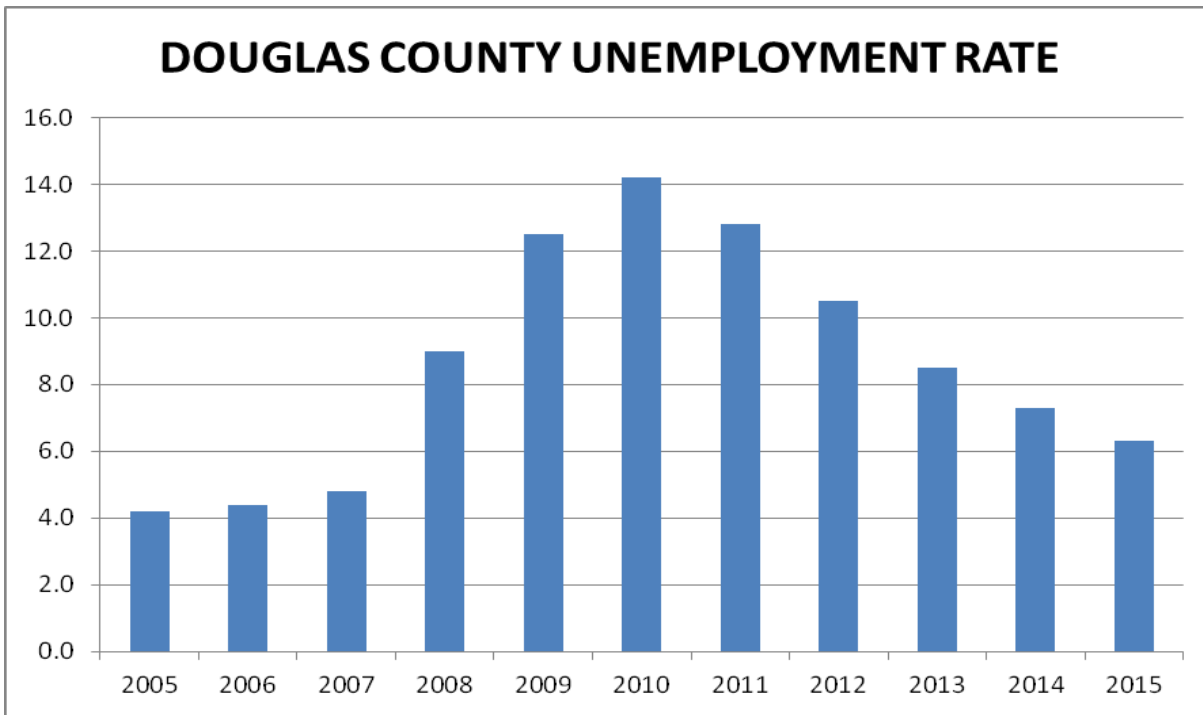
Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Gaming Revenue Per Square Foot of Floor Space (chart #6)

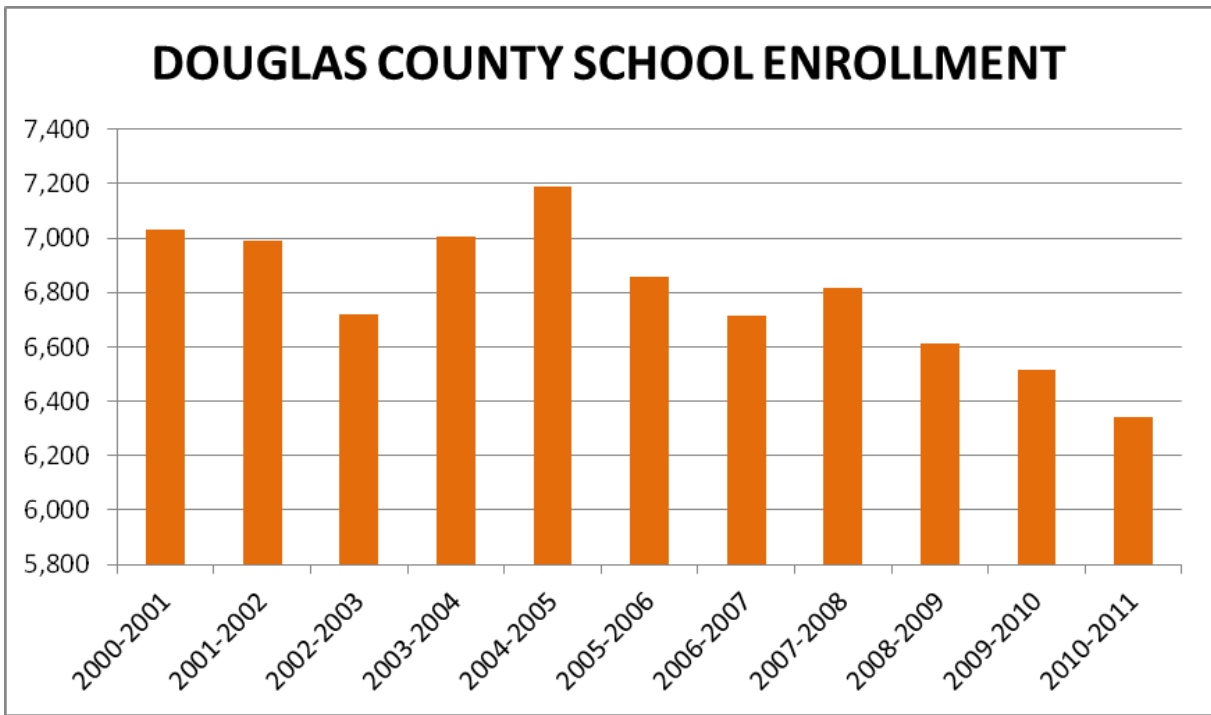


Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Douglas County Unemployment (chart #7)

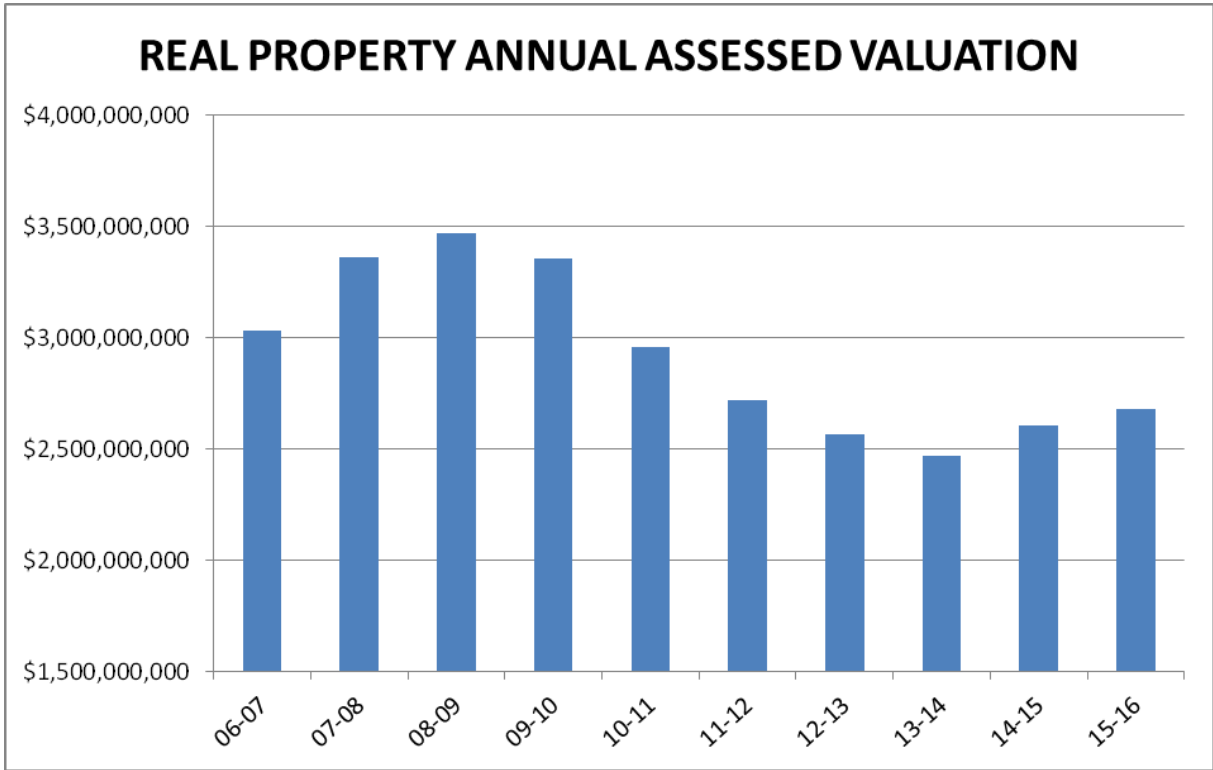


School Enrollment (chart #8)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

Real Property Assessed Valuation (table #2)



Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

DOUGLAS COUNTY NEVADA		
REAL PROPERTY ANNUAL ASSESSED VALUATION		
Fiscal Year	Valuation	Percent Change
06-07	\$3,029,303,657	27.01%
07-08	\$3,361,568,993	10.97%
08-09	\$3,471,506,400	3.27%
09-10	\$3,357,029,719	-3.30%
10-11	\$2,955,966,285	-11.95%
11-12	\$2,718,250,124	-8.04%
12-13	\$2,563,080,699	-5.71%
13-14	\$2,469,602,313	-3.65%
14-15	\$2,604,338,881	5.46%
15-16	\$2,678,207,114	2.84%
TOTAL CHANGE	-\$351,096,543	-12%

8. Growing, or Total Lack of, Proper Utilization

Growing or total lack of proper utilization of some parts of the area, resulting in a stagnant and unproductive condition of land which is potentially useful and valuable for contributing to the public health, safety and welfare.

This factor refers to the existence of one or more conditions (such as declining or slowly growing property values, or vacant land dispersed among developing properties) that indicate the economic health of an area is declining or stagnating, and that by themselves, or in combination with other physical and social conditions, prevent the private marketplace from economically using, maintaining, upgrading, developing or redeveloping the area.

General Characteristics

The growth and proliferation of tribal gaming, an outdated business model and building design, the economic recession, the ongoing drought, the TRPA regulations which have dis-incentivized redevelopment, substantial increases in marketing by Lake Tahoe's most significant competitors, a decline in hotel occupancy and revenues, average room price and tax revenue, have already been mentioned as reasons for Stateline's economic stagnation. In turn, these factors have made it too risky for the private sector to redevelop existing properties or for outside investors to consider developing new projects within Douglas County Redevelopment Area #2.

The declining property values within the redevelopment area eventually result in land such as the Tahoe Shores mobile home court which is not employed to its highest and best use. A large, single owner parcel located on the Lake Tahoe shore has enormous redevelopment potential. Despite Stateline's serious economic stagnation, this unproductive site is ideally positioned to interest investors into redeveloping it.

Also, the enormous amount of surface parking dispersed among the five casinos represents an unproductive use of land which has significant potential for redevelopment (see pictures of underutilized surface parking lots). This vast amount of concrete was designed for a level of visitation which hasn't existed for years. Once a percentage of this acreage is redeveloped, considerable economic benefit will result. Redeveloping a portion of these surface parking lots will also produce environmental benefit through the reduction in sediment washing into Lake Tahoe. Redeveloping these stagnant and unproductive parking areas represents Lake Tahoe's best chance to arrest its economic decline.

Finally, unproductive interior space also exists within the hotel/casinos themselves. Many of the gaming areas and restaurants are closed during normal business hours because they were designed for a level of demand that has not existed for years. The current level of customers does not justify operating all the space, all hours of the day. Upgrading and redeveloping these areas with more modern amenities would provide a level of activity desired by the ideal customer. However, the current marketplace is prevented from upgrading these areas because it would not provide a sufficient return on investment.

Specific Examples

This blight factor is documented in several ways. Evidence of declining property values and inadequate tax receipts is derived from County records. Confirmation of economic stagnation is provided through tables on decreasing employment, revenue, hotel occupancy, and tax receipts. Proof of housing stagnation results from information on the dwindling number of households in the Tahoe Basin and plummeting school enrollment.

Most importantly, the prime redevelopment sites in Stateline are located in the unproductive Tahoe Shores mobile home court and the underutilized parking surfaces at several hotels. Combined with the underutilized areas within the casinos, these various redevelopment opportunities have significant potential to begin reversing Stateline's economic deterioration. Ultimately, redevelopment of these prime sites is the best chance Stateline has for improving the health, safety and welfare of all of the businesses and residents within the redevelopment area. However, until Lake Tahoe is able to reverse its economic decline, investors will devote invest their capital in more lucrative locations.

In summary, all 12 properties, or 100% of the area is considered blighted according to this factor.

Underutilized Surface Parking Lots (pictures)





Attachment: BLIGHT STUDY DOUGLAS COUNTY_160108a (4077 : Discussion to amend, deviate from, or dissolve Redevelopment Area No. 2)

9. Loss of Population or Use

Loss of population and a reduction of proper use of some parts of the area, resulting in further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.

General Characteristics

Simultaneous with the dramatic economic deterioration in Douglas County Redevelopment Area #2 has been a corresponding loss of population. According to the 2013 Douglas County Master Plan, the population in the Tahoe Planning Area declined from 6,739 persons in 2000 to 5,227 in 2011, a reduction of 52%. More specifically, according to the 2011 Master Plan of Existing Conditions the population of the Stateline CDP was 1,215 in 2000 but dwindled to 842 by 2010, a decline of 31%. (chart #10). These statistics, in and among themselves demonstrate that Stateline is blighted according the factor of loss of population.

In addition, Stateline's loss of population has far reaching effects beyond its declining economic prosperity, and impacts factors which are considered social blight. According to the Lake Tahoe Basin and Prosperity Plan, "in addition to the job losses and economic trends another factor contributing to population changes is related to housing market conditions. As a result of accelerated housing values in the earlier part of the decade, many longtime residents sold to second home owners and investors. This increased the cost of housing beyond the level many of the workers in the Lake Tahoe Basin could afford. While the recent downturn has helped to reduce the cost of housing in some areas, the large levels of job loss and economic distress indicators create ongoing challenges of affordable housing and added cost to the taxpayer. Ultimately, in 2010 most teachers, firefighters, and police officers, lacked the purchasing power to qualify for home ownership in the Tahoe Basin. Entry level workers were locked out of the market, and even experienced workers could not purchase housing in certain communities around the Lake."

The diminishing household population also leads to stagnation in school enrollment, another classic social blight condition. More specifically, school enrollment declined in Tahoe schools from a total of 822 students in 1990–91 to 431 students in 2010-2011, an astonishing 48% decline. Ultimately, this falling enrollment resulted in the closing of Kingsbury Middle School in 2008 and the possibility of busing students to the Carson Valley or South Lake Tahoe. While the closing of Kingsbury Middle School might have saved some money in the short run, if students are bused to other locations it would add costs to the taxpayer for new services.

Finally, the reluctance of existing businessmen to redevelop their properties, due to the loss of population and customers, results in further deterioration and impacts which are often invisible. The Lake Tahoe Basin Prosperity Plan states, "the difficulties businesses face in investing in property improvements contributes to increased runoff and deterioration from aging infrastructure and properties, including visual and functional blight. This cycle further erodes the viability of the Tahoe Basin as a world class tourist destination and as a healthy and livable community for residents and families."

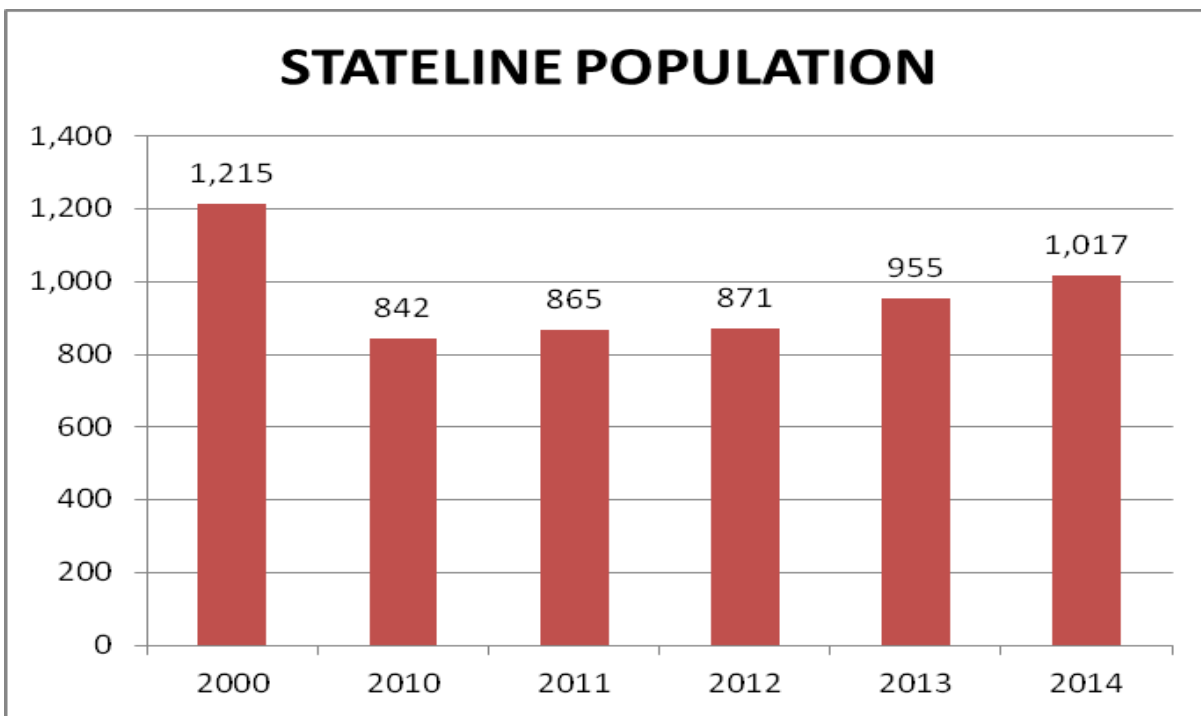
General Characteristics (continued)

Specific Examples

The category of population loss is one of the most dramatic and compelling demonstrations of blight experienced by Stateline. This population loss negatively affects all of the properties in the proposed redevelopment area. According to the Economic Vitality and Action Plan, “the dramatic population loss leads to a greatly diminished sense of community to support vital community services and quality of life.”

With a population decline of 31% in just ten years, it is apparent that all 12 properties can be considered blighted due to population loss.

Population Stateline (Charts #10)



Conclusion

NRS 279.388 requires that to be considered blighted a proposed redevelopment area must be characterized by at least four factors. The proposed Douglas County Redevelopment Area #2 exceeds this requirement. **In fact, of the nine factors provided in NRS statutes, blight has been demonstrated in eight of them. Furthermore, blight predominates in six of the nine.**

When further divided into the more commonly used 13 factors used in this Study, blight is documented in 10 of the 13 (table #3). Accordingly, it is clearly evident that the blight which exists in Douglas County Redevelopment Area #2 constitutes a serious menace to the health, safety and welfare of the Lake Tahoe area.

Economic Conditions of Blight

Blight in Stateline, resulting from economic maladjustment, is severe, ongoing and unmistakable.

Hotel/casino revenues have declined at a rate of 37%, gaming revenue at 38%, employment in the gaming sector 43%, average room occupancy 15%, gaming revenue per square foot of floor space 33%, and property values 12%. Unemployment has increased from 6% in 1990 to 14.8% in 2012. Combine these trends with the prolonged drought, the near decade long recession, and the increasing fierce and sophisticated competition, and you have a textbook case of economic maladjustment and stagnation. While it could be argued that the drought and economic recession are cyclical, and subject to end, it is unmistakable that all the other conditions of economic maladjustment are structural, and will not expire without significant intervention.

Physical Conditions of Blight

Blight in Stateline resulting from physical conditions is serious and pervasive.

One of the foremost examples of Stateline's physical blight is traffic on US Highway Route 50. Until a loop road is constructed to redirect traffic around the casino core, there will be no chance to convert Stateline into a friendlier, pedestrian oriented, sense of place.

Secondly, several hotels maintain unused parking, which is a characteristic of blight due to underutilized or vacant land. Paralyzed with a street system that has no (or limited) curbs or gutters, a situation exists where sediment easily flows into Lake Tahoe degrading its water quality. An attempt to address this problem through the Kahle Basin storm water treatment project has been constrained due to lack of funding.

Third, the presence of overhead electrical transmission lines contributes to visual blight and is a threat to safety due to recurrent power outages.

Finally, if one combines the reluctance or inability of current business owners to upgrade and/or redevelop their properties, with the unwillingness of new investors to consider investing in Stateline due to economic distress, you have all the ingredients for continued deterioration and dilapidation. This classic example of physical blight due to impaired, or lack of new investment, continues to afflict Stateline to this day.

Social Conditions of Blight

Blight in Stateline due to social maladjustment is extensive and threatens its sense of community.

The reasons for this situation are numerous and varied. For example, the workers who provide critical health and safety services to the entire region are often unable to afford a home where they work. This dilemma is compounded due to the uncommon nature of the housing market where 49% of the homes are owned by second home owners, Also, the threat of children being bused to schools in outlying areas resulting from a 48% decline in enrollment persists

All these examples are classic social blight characteristics and show no signs of ending without concerted private and public sector efforts.

Closing Comments

Collectively, the conditions currently present in Stateline are textbook examples of blight. These conditions demonstrate why the Nevada State Legislature created the Community Redevelopment statutes. These enabling laws provide a uniquely crafted tool to address dilapidation, economic maladjustment, population loss, and stagnating physical and social conditions. Without intervention by the public and/or private sectors, the current economic trend in Stateline is economically unsustainable and will continue to constitute a menace to the health, safety and welfare of Lake Tahoe's residents.

Summary of Blight Conditions (Table #3)

Blight Factor	Blighted Properties	Percent Blighted
1 (a) Defective design	0	0%
1 (b) Faulty arrangement and spacing of buildings	5	42%
1 (c) Overcrowding	0	0%
1 (d) Inadequate ventilation, light, sanitation, open spaces, and recreation facilities	1	8%
1 (e) Age, obsolescence, deterioration, dilapidation, mixed character shifting of uses	10	83%
2) Faulty Planning	2	17%
3) Lots of irregular form, shape or size	1	8%
4) Lots in disregard to contours or other physical characteristics	8	67%
5) Inadequate streets, open spaces and utilities	12	100%
6) Lots which may be submerged	0	0%
7) Depreciated values, impaired investments, and social and economic maladjustment	12	100%
8) Stagnant and unproductive condition of land	12	100%
9) Loss of population resulting in further deterioration and added costs to the taxpayer	12	100%