

DECISION PAPER



Date: April 7, 2017

Issue:

Develop Tahoe Donner Employee Housing on undeveloped lot(s) that are centrally located within Tahoe Donner Association.

Background:

From direction provided at the January Board Meeting, the General Plan Committee housing working group and staff have reviewed priority site locations, existing zoning densities, setback requirements, cost-benefit analytics, and development schedule options. The attached analytics provide scenarios that may evolve as the market changes, and/or as directed by the Board of Directors. However, with local residential housing rental approach, Tahoe Donner is not able to secure long term rentals as existing Bylaws do not allow for the Association to incur debt. With continued efforts, staff is prepared to find and acquire appropriately entitled land in 2017, and begin planning for construction in 2018.

Options:

- Option 1: In 2017, purchase entitled undeveloped land, and in 2018, develop housing units to meet the seasonal employee housing shortfall requirements of the association to replace the existing short term rentals.
- Option 2: Continue short term leasing multiple private homes for employee housing.
- Option 3: Allow employees to find their own housing in the free market.

Recommendation:

Management recommends the Board of Directors consider approving Option 1: In 2017, purchase entitled undeveloped land, and in 2018, develop detailed design and construction plans for an appropriate number of housing units to address the seasonal employee housing shortfalls currently addressed with short term rentals.

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Reviewed By: Mike Salmon

Board Meeting Date: April 22, 2017

General Manager Approval to Place on the Agenda:  **Date:** 4-19-17

Tahoe Donner Association
Employee Housing NPV Scenarios
4/19/2017 DRAFT

2.0% NPV Rate, all years

3.0% Inflation Factor, all years (applies to all revenues and all costs)

| Scenarios | Initial Capital Outlay | Base per year Operating NET | | NPV OUTPUT | | | | | |
|-----------------------------------|------------------------------|-----------------------------------|----------------------|-------------|-------------|-----------|-----------|-------------|-------------|
| | | | | Years | Years | Years | Years | Years | Years |
| | | | | 5 | 10 | 15 | 20 | 25 | 30 |
| ST Leases | - | (37,560) | A | (187,763) | (384,913) | (591,918) | (809,272) | (1,037,491) | (1,277,119) |
| <i>per bed for the # of years</i> | | | | (5,522) | (11,321) | (17,409) | (23,802) | (30,514) | (37,562) |
| Buy/Build 1 | (1,700,000) | 72,880 | B | (1,302,338) | (919,796) | (518,131) | (96,386) | 346,441 | 811,406 |
| <i>per bed for the # of years</i> | higher density | | | (38,304) | (27,053) | (15,239) | (2,835) | 10,189 | 23,865 |
| Buy/Build 2 | (1,700,000) | 63,280 | C | (1,350,328) | (1,018,176) | (669,420) | (303,229) | 81,268 | 484,986 |
| <i>per bed for the # of years</i> | lower density | | | (61,379) | (46,281) | (30,428) | (13,783) | 3,694 | 22,045 |
| Buy/Build 3 | (2,700,000) | 145,760 | D | (1,918,401) | (1,153,317) | (349,987) | 493,502 | 1,379,157 | 2,309,087 |
| <i>per bed for the # of years</i> | two tri-plexes, high den | | | (28,212) | (16,961) | (5,147) | 7,257 | 20,282 | 33,957 |
| | | <u>Output1 Yr (j)</u> | <u>Output2 Yr(k)</u> | | | | | | |
| | A vs B Delta | 14 | 22 | (1,114,574) | (534,883) | 73,788 | 712,886 | 1,383,932 | 2,088,525 |
| | A vs C Delta | 15 | 24 | (1,162,565) | (633,263) | (77,501) | 506,043 | 1,118,759 | 1,762,105 |
| | A vs D Delta | 13 | 18 | (1,730,638) | (768,404) | 241,931 | 1,302,774 | 2,416,648 | 3,586,205 |

(j) The Year in which both scenarios equate to similar NPV amount is year; before this year, ST Leases has better NPV, after this year, Buy/Build has better NPV

(k) The Year in which the Buy/Build starts to have positive NPV

This analysis compares the two scenarios. High probability 'both' is an ideal solution, with core units in the Buy/Build and ability to flex with the ST Leases year to year based on economic conditions. The association cannot enter into long-term (>12 month) leases.

Both of the above exclude Chalet House, which provides 4 beds and ~ \$4000 per year in net positive cash flow.

| Key Assumptions in Scenarios | | See pages 2 and 6 for full details of all assumptions | | | |
|------------------------------|--|---|-------------|-------------|-------------|
| | | ST Leases | Buy/Build 1 | Buy/Build 2 | Buy/Build 3 |
| | | A | B | C | D |
| # Beds built | | na | 36 | 24 | 72 |
| # Beds net, excluding Chalet | | 34 | 34 | 22 | 68 |
| base annual op costs | | (184,440) | (74,000) | (74,000) | (148,000) |
| base annual op income | | 146,880 | 146,880 | 137,280 | 293,760 |
| base annual op net | | (37,560) | 72,880 | 63,280 | 145,760 |
| base annual op net, per bed | | (1,105) | 2,144 | 2,876 | 2,144 |

The net present value (NPV) is the difference between the present value of the expected cash inflows and the present value of the expected cash outflows.

Not used ---- The cost of capital represents the minimum desired rate of return (i.e., a weighted average cost of debt and equity capital).