



STATE OF CALIFORNIA  
FAIR POLITICAL PRACTICES COMMISSION  
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May 15, 2025

Heather L. Stroud  
City Attorney  
City of South Lake Tahoe  
1901 Lisa Maloff Way  
South Lake Tahoe, CA 96150

Re: Your Request for Advice  
**Our File No. A-25-017**

Dear Ms. Stroud:

This letter responds to your request for advice regarding conflict of interest provisions of the Political Reform Act (the “Act”).<sup>1</sup> Please note that we are only providing advice under the conflict of interest provisions of the Act and not under other general conflict of interest prohibitions such as common law conflict of interest or Section 1090. Also note that we are not a finder of fact when rendering advice (*In re Oglesby* (1975) 1 FPPC Ops. 71), and any advice we provide assumes your facts are complete and accurate. If this is not the case or if the facts underlying these decisions should change, you should contact us for additional advice.

### QUESTION

Does the Act prohibit City of South Lake Tahoe City Councilmember Keith Roberts from taking part in upcoming governmental decisions regarding the Chateau project due to his employment by Tahoe Investment Capital and Stewardship (TICS) and the owner’s interest in seven hospitality businesses located near to the project?

### CONCLUSION

Yes. Councilmember Roberts is disqualified under the Act from taking part in governmental decisions regarding the Chateau project because, as discussed below, it is reasonably foreseeable that the decisions would have a material financial effect on his source of income interest in the owner of TICS.

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

## FACTS AS PRESENTED BY REQUESTER

Councilmember Keith Roberts is employed as the Chief Operating Officer of TICS, a Nevada stock corporation. TICS contracts with local businesses to provide management services, all of which are located in close proximity to an approximately 8-acre privately-owned site on which the City is trying to spur development (the Chateau site or project).

### **A. The Chateau Site and Project History.**

The Chateau site consists of approximately 8 acres of privately-owned land located across U.S. 50 from Heavenly Village, near the Stateline Avenue and Cedar Avenue intersection, in an area of South Lake Tahoe called the Tourist Core. The Chateau site was slated to be redeveloped as part of a project called South Lake Tahoe Redevelopment Project 3, which was originally approved by the City Council in 1998 as a mixed-use development consisting of two condominium-hotel structures, a publicly owned entertainment venue, retail stores, a below-grade parking structure, and public amenities including a park, underpass below Lake Tahoe Boulevard/U.S. 50 to connect to Heavenly Village, and stormwater facilities. The developer modified the project in 2006-2007, and again in 2015-2016, such that the currently entitled project consists of:

- 345,879 square foot of hotel use and 75,480 square feet of hotel accessory uses
- 16,193 square feet of recreation and spa uses
- 20,415 square feet of commercial/food services
- 9,035 square foot night club
- 95,302 square foot multi-purpose meeting facility with conference capacity for 1,600 people and concert capacity for 4,400 people
- 535 parking spaces
- Pedestrian underpass removed

In 2007, the City Council approved the project's subdivision map and authorized a building permit for the foundation only. Construction began in 2007 with the demolition of most of the existing buildings and excavation of the underground parking garage. Construction halted in late 2007 because of the loss of construction financing.

In 2013, City Council approved a discretionary permit authorizing construction of ground-floor retail space fronting U.S. 50/Lake Tahoe Boulevard. Construction is complete and businesses are operating there, including McP's Taphouse and Grill, DeRubeis Fine Art of Metal Gallery, Insomnia Cookies, The Sock Hop, Bonanza Boot & Leather, Cantarito Cococina and Bar, and Poke Rak (one of TICS's clients).

Construction of 16 hotel/condominium units above this retail space is ongoing. You do not request advice on this portion of the development because you do not anticipate forthcoming City Council decisions on this portion, which is already entitled.

Beginning in 2023, the City sought to spur development on the partially constructed portion of the Chateau site where the "foundation only" permit was issued in 2007. Since construction halted later that year, that portion of the project has been dormant and was declared a public

nuisance. The current owner allowed the site to languish and has not taken concrete steps towards either developing or selling it to another potential developer.

In March 2023, the City Council added to its Strategic Plan an action item to create a summary of vacant and underutilized properties and develop a priority list to work with the property owner on redevelopment opportunities. On September 12, 2023, the City Council received a presentation on the history and status of the Chateau site and directed staff to take several actions to try to encourage development of the site, including to investigate infrastructure and financing districts including bond sale options, to take appropriate enforcement action for the abandoned construction, and to pursue a development agreement with a performance bond requirement with the owner.

On January 9, 2024, the City Council received a presentation from staff on vacant and underutilized sites and identified the Chateau site and one other property as the highest priorities. On April 23, 2024, the City Council received an update from staff and directed staff to engage with an economic development and real estate consultant to assist in developing feasible development concepts for the site, identifying potential funding sources, conducting outreach and solicitation for developer proposals, identifying opportunities to transfer ownership of the site if necessary, and potentially negotiating a development agreement with the owner. On August 13, 2024, the City Council authorized execution of a contract with RSG, Inc. to perform this scope of services, which is underway.

At this time, it is expected that the City Council will need to provide directions or act on one or more of the potential options:

- Continue discussions with the current developer;
- Initiate discussions with El Dorado County regarding potential participation in a Tax Increment Financing District and, if a partnership seems feasible, work with RSG to develop more detailed analysis to determine desired district boundaries;
- Quote for continuing conversations and looking at creating a TBID (Tourism Business Improvement District) to pay for a public purpose in the project area which would include a demand for a convention space, different types of housing, and contacting the Washoe tribe and the developer to see if they would be willing to work together.

There has been no discussion about the boundaries of a potential future Tax Increment Financing District or Tourism BID (collectively the Potential Districts), but it is possible because of their proximity that one or more of the TICS client businesses could be included in the Potential Districts. No additional facts are available regarding the Potential Districts, or the possible impacts if TICS client businesses would be included in these districts.

## **B. Councilmember Roberts' Management Position in TICS.**

Councilmember Roberts was elected to the City Council in November 2024. He has been employed as the Chief Operating Officer of TICS since June 15, 2023. He is one of three employees at TICS, the other two being the owner of TICS and the owner's wife. The Councilmember receives

a salary from TICS with a potential for an annual bonus. Neither his salary nor bonus are tied to any measurable performance goals. The Councilmember's employment agreement does not include a contingency, bonus, or other special compensation for achieving any particular purpose or goal of TICS. His job duties include consulting with TICS's client businesses to provide suggestions on how they can improve operations by reviewing profit and loss reports and daily reports for trends and visiting each client location as a consumer or shopper about once a week. The Councilmember also implements human resources standards and reviews insurance and marketing contracts for each client.

**C. Councilmember Roberts' Source of Income from TICS Owner and Clients.**

TICS's clients are other businesses owned and operated by TICS's owner and include seven businesses, restaurants, bars, and a gym, located in the general vicinity of the Chateau site: California Burger, Social House, Community Speakeasy, Gym Love, Noel's, South of North Brewing Company, and Poke Rok. The owner of TICS rents all the of the properties where TICS's clients operate.<sup>2</sup> California Burger, Social House, and Community Speakeasy are all within one LLC entity. The remaining businesses are all separate entities. The seven TICS businesses are not located within the Chateau site, but two of them – Poke Roke and South of North Brewing Company – are directly across the street from the project site. The other five businesses are in close proximity to the site, all within about a quarter mile.

TICS's revenue comes solely from management fees paid by its client businesses. After reaching a certain threshold of gross income profitability, TICS's clients pay 6.5 percent of gross income to TICS for management services. To date, Noel's and Poke Rok have not hit the gross income level to trigger payment of management fees.

The Councilmember owns stock in two of the TICS businesses. He owns one-half share in California Burger, an estimated value of \$4250, and one-half share in Gym Love, an estimated value of \$2,500. In 2024, he received a dividend from California Burger of \$800.

Regarding the potential impacts on TIC's owner's businesses and clients, you state that it is plausible that future City Council decisions regarding the Chateau site may result in an increase of 5 percent of a nearby business's gross income in an amount of at least \$10,000, where the currently entitled project at the Chateau site includes a hotel, night club, and conference facility, and the nearby restaurants and bars in particular would be the exact kind of businesses that would benefit from such a project in such close proximity.

## **ANALYSIS**

**A. The Act.**

The Act's conflict of interest provisions ensure that public officials will perform their duties in an impartial manner, free from bias caused by their own financial interests. (Section 81001(b).)

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<sup>2</sup> No facts were provided regarding whether the TICS owner has month to month rentals or leasehold interests. Based on the conclusion that the official has a disqualifying financial interest in the decisions, we do not analyze whether or not the rentals"

Section 87100 prohibits any public official from making, participating in making, or using their position to influence a governmental decision in which the official has a financial interest. (Section 87103.) A public official has a “financial interest” in a governmental decision, within the meaning of the Act, if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on one or more of the public official’s interests. (Section 87103; Regulation 18700(a).)

Section 87103 identifies an official’s interests that may give rise to a disqualifying conflict of interest under the Act. Based on the facts presented, those interests relevant to the question presented include:

- Any business entity in which the public official has a direct or indirect investment worth two thousand dollars (\$2,000) or more. (Section 87103(a).)
- Any source of income, except gifts or loans by a commercial lending institution made in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided or promised to, received by, the public official within 12 months prior to the time when the decision is made. (Section 87103(c).)
- Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management. (Section 87103(d).)

Under Regulation 18700.1(a)(2), in addition to having a financial interest in any business entity from which the official has received income of \$500 or more within 12 months before the relevant governmental decision is made, the official has a source of income interest in:

- Any individual owning a 50 percent or greater interest in that business entity. (Regulation 18700.1(a)(2)(A).)
- Any individual, regardless of the extent of the individual’s ownership interest in that entity, who has the power to direct or cause the direction of the management and policies of the business entity. (Regulation 18700.1(a)(2)(B).)

Councilmember Roberts has a business entity and a source of income interest in TICS. He has a source of income interest in TICS’s owner who fully owns TICS. He also has a business entity and source of income interest in California Burger and a business entity interest in Gym Love due to his stock ownership. We must therefore determine whether the governmental decisions regarding the Chateau project will have a reasonably foreseeable, material financial effect on those interests.

## **B. Foreseeability and Materiality.**

Under Regulation 18701(a), a financial effect is presumed reasonably foreseeable where the official’s financial interest is explicitly involved as a named party in, or subject of, the decision. The reasonably foreseeable financial effect of a governmental decision on an official’s financial interest in a business entity is material if the source is a named party in, or the subject of, the decision, including where the business is subject to an action taken by the agency that is directed at the entity. (Regulation 18702.1(a)(1)(G).) The reasonably foreseeable financial effect of a governmental

decision on an official's financial interest in a source of income is material if the source is a named party in, or the subject of, the decision. (Regulation 18702.3(a)(1).)

Where an official's economic interest is not explicitly involved in the governmental decision, the applicable standard for determining the foreseeability of a financial effect on the economic interest is set forth in Regulation 18701(b), which provides:

A financial effect need not be likely to be considered reasonably foreseeable. In general, if the financial effect can be recognized as a realistic possibility and more than hypothetical or theoretical, it is reasonably foreseeable. If the financial result cannot be expected absent extraordinary circumstances not subject to the public official's control, it is not reasonably foreseeable.

Regulation 18702.3 provides the standards for determining if the financial effect on a source of income interest is material. If the source is an individual, the reasonably foreseeable financial effect of the decision is material if the official knows or has reason to know that the individual has an interest in a business entity that will be financially affected under the materiality standards in Regulation 18702.1. (Regulation 18702.3(a)(2)(B).) Here, the facts provided indicate that Councilmember Roberts knows TICS's clients are businesses owned and operated by TICS's owner.

Under Regulation 18702.1, the reasonably foreseeable financial effect of a governmental decision on an official's financial interest in a business entity is material if the business entity is the subject of the decision. The City is currently considering the Potential Districts and it is possible, because of their proximity, that one or more of the TICS owner's businesses could be included in these districts. However, specific facts about the nature and scope of the Potential Districts are currently unknown. Moreover, the facts provided indicate that the City is in preliminary discussions and collecting information about the Potential Districts. We need not further analyze the Potential Districts due to our conclusion that Councilmember Roberts has a disqualifying financial interest in the Chateau site decisions, whether or not the City proceeds with the Potential Districts.<sup>3</sup>

The reasonably foreseeable financial effect on a business entity is also material if the business is not explicitly involved, and the decision may result in an increase or decrease of the entity's annual gross revenues, or the value of the entity's assets or liabilities, in an amount equal to or greater than: (A) \$1,000,000; or (B) five percent of the entity's annual gross revenues and the increase or decrease is at least \$10,000. (Regulation 18702.1(a)(2).)

The reasonably foreseeable financial effect on a business entity is also material if the decision may cause the entity to incur or avoid additional expenses or to reduce or eliminate expenses in an amount equal to or greater than: (A) \$250,000; or (B) one percent of the entity's annual gross revenues and the change in expenses is at least \$2,500. (Regulation 18702.1(a)(3).)

Here, you have not provided the gross revenues or values of the TICS owner's seven businesses. However, we can analyze whether it is reasonably foreseeable that the Chateau project will lead to a material financial effect on the official's source of income interest by examining the

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<sup>3</sup> Under Regulation 18702.1(a)(1)(G), if the owner's businesses are the subject of the decision the reasonably foreseeable financial effect of the governmental decision on an official's financial interest is material.

likelihood that the Chateau project will affect the owner's business interests under the materiality thresholds.

TICS owner's businesses include restaurants, bars, and a gym, all located near the Chateau project, including two businesses directly across the street. The Chateau project currently includes improvements and amenities that would attract and accommodate more people in the area, including hotel space, nightclub, conference meeting and concert space, recreation space and added parking, all of which would provide an economic boost to nearby businesses such as TICS's owner's businesses. Accordingly, it is reasonably foreseeable that the Chateau project decisions may increase the annual gross revenue of each of the TICS owner's nearby hospitality-related businesses in an amount that is equal to or greater than five percent of the entity's annual gross revenues and the increase or decrease by \$10,000 or increase expenses by at least one percent of the entity's annual gross revenues and \$2,500 due to additional customers the project would bring to the area. (Regulation 18702.1(a)(2)(B), (a)(3)(B).) This conclusion is supported by the City's understanding that the Chateau site decisions may trigger the gross revenue threshold, since the restaurants and bars in particular would be the exact kinds of businesses that would benefit from such a project in such close proximity.

Based on the facts provided, Councilmember Roberts is disqualified under the Act from taking part in governmental decisions regarding the Chateau project because it is reasonably foreseeable that the decision would have a material financial effect on his source of income, the owner of TICS. Because we have determined that Councilmember Roberts is disqualified as a result of his source of income interest in TICS's owner, we do not further address the Councilmember's other interests.

If you have other questions on this matter, please contact me at (916) 322-5660.

Sincerely,

Dave Bainbridge  
General Counsel

/ s/ John M. Feser Jr.

By: John M. Feser Jr.  
Senior Counsel, Legal Division

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