

Monday, April 23, 2018

Michelle Scully  
Deputy county administrative officer  
County of Lake  
255 North Forbes St.  
Lakeport, CA 95453  
Michelle.Scully@lakecountyca.gov  
707-263-2580

**RE: LUCERNE HOTEL PROPERTY PROPOSAL**  
**Response to County of Lake RFP No. 1892-04 issued on Feb. 7, 2018**

Dear Ms. Scully,

As 2018 marks the 90th year since its completion, I am pleased to submit this proposal to reopen the cherished and historic Lucerne Hotel as an event and conference center for community gatherings, special events and educational trainings; a restaurant; hotel; office space; and festival venue, with the intention of creating a new economic engine and commercial corridor in the Lucerne community.

In the pages ahead, you will find an invitation extended to the County of Lake, community members, local educational institutions and businesses to partner with us. That partnership is the heart of our proposal, which plans to make this amazing and unique building once again available to the community in a way that will draw visitors, events and help revitalize the local economy.

My husband, John Jensen, and I are forming a nonprofit organization, the Lucerne Area Revitalization Association, which has several key goals, among them, to steward and operate the Lucerne Hotel. We have basic commitments with several partners for tenancy and use of the building, which you will see in the following pages. Alongside of that association, our business, Larson New Media, will be assisting with the project.

We have spent a year working on various aspects of this proposal. Our plan is thoroughly considered and carefully laid out, and has been thoroughly vetted by a number of individuals with experience in business and community projects.

We believe strongly that the building should remain in public ownership. That's because it is so critical to the Lucerne community, which was reinforced by our petition drive earlier this year to gather input from residents.

For that reason, we are proposing a lease with a minimum 15-year term. However, should the county determine that ultimately it will not keep ownership of the facility, as part of our overall plan

we propose – if we are selected – is to return to the county at a future date to negotiate a purchase of the building, after we have proven our ability to run it and to benefit the community .

Because of our discussions and assessment of the building, we do not anticipate relying on lending, and thus are not submitting any lending prequalifications as we do not believe it applies to our plan, which has the association acting in a master tenant role and as an active nonprofit fundraising entity . We explain the financial terms in more depth in our proposal.

Our plan is based around a carefully timed and planned rollout of the facilities of offerings, beginning with events and office space, that will allow the building to generate revenue which will cover its expenses. In addition, LARA has received verbal commitments and interest not just in donations of funds but in resources and expertise to help improve the building's operational efficiencies.

In short, we are planning to carefully and purposefully build a nonprofit structure to oversee the use of the building by multiple tenants from the ground up as we have done numerous times before, this time with a group of partner organizations and tenants.

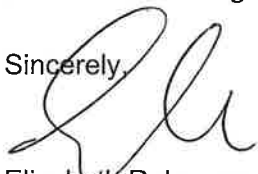
Our hope is that by June 30 we will have concluded can complete negotiations with the county of Lake for a 15-year lease, secure the building and begin to roll out events and office space availability. That would put us in a position to have the building reopened by the fall and ready for a Christmas community event and fundraiser .

In addition, we intend to open a limited number of hotel rooms to guests for special events and in cooperation with local wineries for events like the Wine Adventure.

In assuming the stewardship and running of the Lucerne Hotel, we assure the county that we will comply with all applicable federal and state building codes, ordinances, zoning and occupancy standards, and that we will abide by the Federal Civil Rights Act of 1964, the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, and all other Federal and State laws, regulations, rules, or orders which prohibit discrimination or harassment against any employee or applicant for employment because of race, color , religious creed, gender, national origin, ancestry , age, marital status, sexual orientation, political affiliation, physical or mental disability .

Thank you for the opportunity to submit this proposal. There is no other building in California like the Lucerne Hotel. We look forward to working with the county to once again open the doors of this valued building to the community that loves it.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth R. Larson', written over the word 'Sincerely,'.

Elizabeth R. Larson

Lake County News/Lucerne Area Revitalization Association

## **LUCERNE HOTEL PROPERTY PROPOSAL**

Response to County of Lake RFP No. 1892-04 issued on Feb. 7, 2018

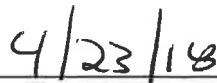
Submitted via hard copy and email to:

Michelle Scully  
Deputy county administrative officer  
County of Lake  
255 North Forbes Street  
Lakeport, CA 95453  
Michelle.Scully@lakecountyca.gov  
707-263-2580

Submitted by:

A handwritten signature in black ink, appearing to read 'ELI', is written over a horizontal line.

Elizabeth R. Larson, proposer

A handwritten date '4/23/18' in black ink is written over a horizontal line.

Date: Monday, April 23, 2018



*The Lucerne Hotel in golden hour, with Mt. Konocti behind it, photographed on Saturday, February 17, 2018, by Elizabeth Larson.*

## **Proposal to operate the historic Lucerne Hotel under a long-term lease**

**Lucerne Hotel  
3700 Country Club Drive  
Lucerne, Calif.**

***Prepared by Elizabeth Larson  
Lucerne Area Revitalization Association/Larson New Media***



*The Lucerne Hotel and Venus in fall of 2015. Photo by Elizabeth Larson.*

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## **INFORMATION ABOUT PROPOSERS**

### **Identification of proposers:**

Elizabeth Larson and John Jensen are the proposers. They are the sole owners of Larson New Media/Lake County News, in which capacity they act as editor/publisher/co-founder and advertising director/site administrator/co-founder, respectively.

Larson and Jensen are the founders of the Lucerne Area Revitalization Association, which is now in the nonprofit incorporation process and is the organization that will ultimately act as master tenant.

The Lucerne Area Revitalization Association, or LARA, is dedicated to the revitalization of Lucerne and the greater Northshore community in Lake County. Currently, LARA is in the process of finalizing its nonprofit 501c3 documentation and securing a fiscal sponsor to actively begin fundraising during the third quarter of 2018.

The organization will have an executive director and board of directors to guide its operations, plan fundraising, monitor financials and ensure that it is fulfilling its mission. LARA's proposed operating structure for the Lucerne Hotel is that which the county already has in effect with other county-owned facilities run by independent organizations: It intends to negotiate a memorandum of understanding between the County of Lake and LARA for the building's operation and maintenance, with LARA acting as the master tenant.

Both Larson and Jensen will be involved in managing the nonprofit in its master tenant role, which includes, and is not limited to, marketing and promoting the facility, doing business and tenant outreach, vetting of tenants, supervising stewardship of the property, and seeking out grants and investment for the property's maintenance, improvement and care.

### **Personal profiles and qualifications of proposers:**

The management team is led by local entrepreneurs John Jensen and Elizabeth Larson, who founded Lake County News in 2006.

Jensen holds a bachelor's degree in communications studies with an emphasis on broadcast media and information technology from Sonoma State University.



His employment experience includes executive management experience in multiple industries including CATV franchise auditing, hospitality, technology, news production and marketing. In 2003 he relocated a computer integration company which he founded in Sonoma County to Lake County.

Larson graduated with a degree in history from the University of Montana, Missoula, summa cum laude in 1993 and received a Master's of Philosophy degree in classics from the University of Cambridge, United Kingdom, in 1994, which translates to why she highly values history and protecting historic buildings and monuments.

Larson, who moved to Lake County in 2001, has been in publishing and journalism for 22 years. She has worked in book and magazine publishing, and weekly and daily newspapers. She began working in online publishing in the late 1990s, and used that experience to formulate her approach to online news coverage.

They have a successful track record of from-the-ground-up business creation. Jensen created Jensen Ambient, a computer company initially based on Sonoma County which relocated to Lake County, the holdings of which were transferred to Larson New Media, parent company of Lake County News and Lake IT. He is now in the process of opening a new business in Lucerne, the Konocit Bait Shack, and another technology company targeting the tourism industry.

Jensen also has worked successfully in the restaurant industry, was mentored by famed North Coast restaurateur John Ash and has successfully started new restaurants and revamped existing ones, including facilities for Hopland Sho-Kah-Wah Casino.

Larson comes from a ranching family where she was taught to manage large properties and historic buildings on acreage ranging from 50 acres to 5,000 acres.

**Mailing addresses:**

Business mailing address: P.O. Box 305, Lakeport, CA 95453-0305

Physical business and residential address: 3952 Foothill Drive, Lucerne, CA 95458

**Telephone numbers (24-hour availability):**

Business phone: 707-274-9904

Cell phones: Elizabeth Larson, [REDACTED]

**Federal tax ID number (for Larson New Media/Lake County News):**

EIN: 27-3068280

**EXECUTIVE SUMMARY**

On Feb. 7, 2018, the county of Lake released a request for proposals for organizations and individuals interested in a lease, lease option to purchase or purchase agreement for the historic Lucerne Hotel.

The building's immediate past tenant was Marymount California University, which left the building in June 2017.

Based on extensive study of the building, we have determined that the building can immediately be occupied for the purposes of meetings, special events, conferences and professional trainings, and more specific educational uses such as classes, with minor investment needed to cover furniture and ongoing utility costs.

Conference, classroom and meeting space in the building has been modernized and is ready for use.

In order to branch into other more extensive uses of the facility, it is the conclusion of professionals who have worked on the building that it will need electrical panel upgrades at a cost of \$150,000.

As many as 15 of the 70 hotel rooms had been upgraded to dormitories for students and staff of Marymount California University. In order to make full use of the rest of the rooms, they will require energy efficiency measures and HVAC upgrades. The building was designed and originally built with passive heating and cooling.

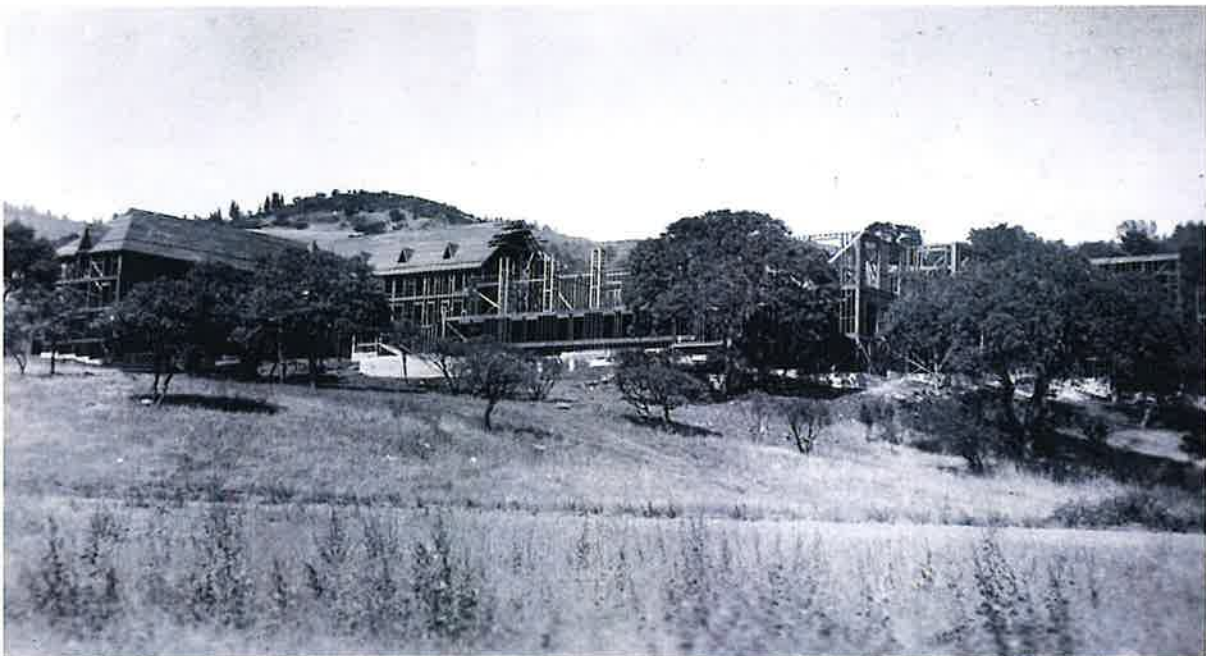
The Lucerne Hotel is a unique, one-of-a-kind, publicly owned asset in the state of California.

This proposal is submitted with the intention that the Lake County community profoundly benefit from this project. If our proposal is selected, we are open to collaboration with other RFP respondents and Lake County leadership to incorporate elements from their proposals that benefit the local economy, the Lake County community and Clear Lake Watershed.

Pictures of the building's interior are available at <https://flic.kr/s/aHsmeQu3YT> as well as at [www.chateaulucerne.com](http://www.chateaulucerne.com) , where drone footage is featured.

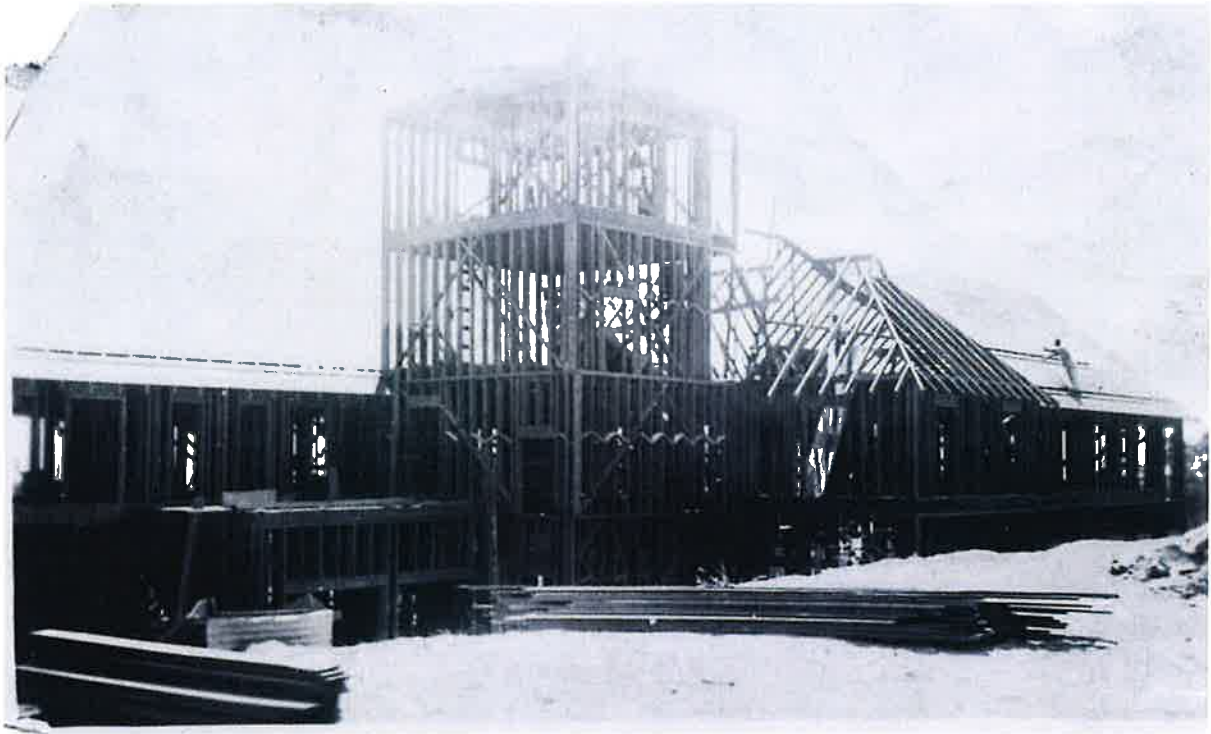
**Key considerations:**

- An electrical contractor/engineer should be engaged to prepare a report on the electrical panel and system upgrade. That will be required to determine the size of the new panel and create a plan to take to Pacific Gas and Electric for design.
- Consultation with the Northshore Fire Protection District chief is required to upgrade the alarm system in order to meet fire code.



Lucerne Hotel Property Proposal - Larson

*The Lucerne Hotel under construction. Photo courtesy of the Lake County Museum.*



*The Lucerne Hotel under construction in 1927.*

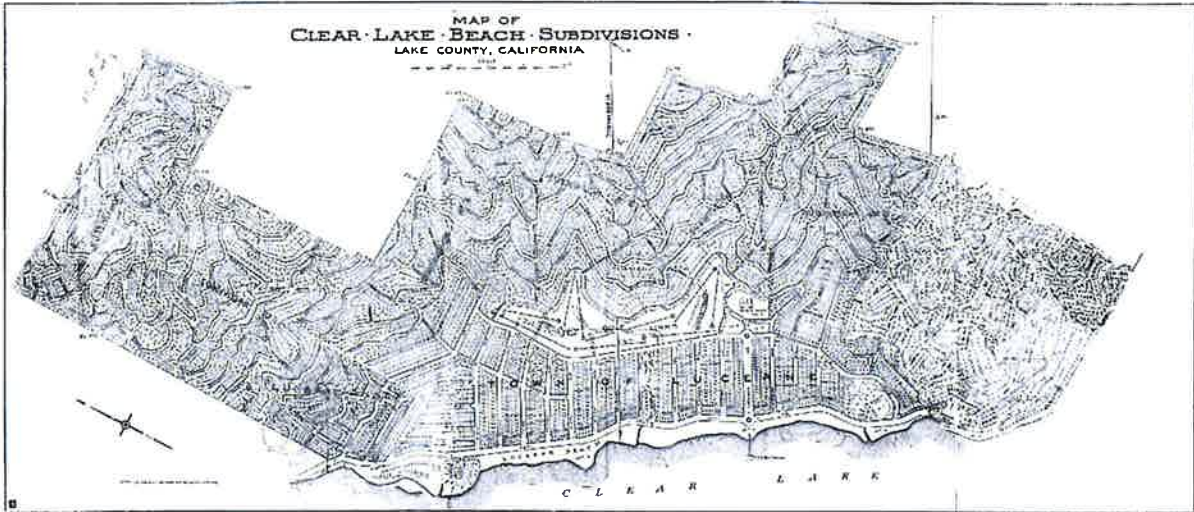
## **HISTORY**

The Lucerne Hotel – also known as Hotel Lucerne or the more colloquial term ‘the castle’ – was built by the Hotel Lucerne Corp., which consisted of Charles B. Hervey, president; John B. Rogers, vice president; and William Stewart, secretary-treasurer.

Construction on the building began in 1927 and was completed in 1928.

John Rinker Kibbey was the Lucerne Hotel’s architect. Kibbey is noted for having designed numerous historic buildings across Southern California and in Arizona, some of them now listed on the National Register of Historic Buildings.

The hotel was part of a community shoreline development called the Clear Lake Beach Subdivisions which stalled out during the Great Depression and following the death of the developer in a 1931 plane crash that occurred on a nearby hillside in Nice.



### **BUILDING AND GROUNDS**

The building is 55,000 square feet and sits on seven parcels – totaling seven acres – at 3700 Country Club Drive in Lucerne. It has a total of 70 hotel rooms, an auditorium, dining room, large kitchen, lobby, classrooms and conference rooms.

It has three main floors plus a seven-story tower, the tallest structure in Lake County.

On the bottom or first floor there are 18 hotel rooms, the server room, and areas that have been stripped back to the studs in order to build new rooms and offices.

On the main, or second, floor, is the main entrance, reception desk, lobby, kitchen, dining room, fireplace, ADA-compliant bathrooms and a wing of 26 hotel rooms.

On the third, or top, floor, is one large classroom, two smaller classrooms, a conference room, a cafe area, ADA-compliant bathrooms, and 26 hotel rooms.



Outside of the kitchen there is an add-on storage building. On the north side of the building there also is a small storage shed.

The grounds include basketball courts that need to be resurfaced and two concrete shuffleboard decks that are in reasonable shape on the Hotel Road side of the building. In front of the building there is a 37,000 gallon swimming pool that the county filled in with dirt to protect which can be dug out and rehabilitated.



*A December 2017 sunset as seen from the Lucerne Hotel's second-story balcony. Photo by Elizabeth Larson.*

In 2017, the county of Lake conducted bat mitigation on the building and built two freestanding bat houses on the hillside next to the building where the lively creatures can be viewed in the evening.

The grounds have many trees, including three large deodar cedars, nine redwood trees and nine pine trees that line Country Club Drive. All appear to be in good health.

Near the trees are some outdoor play equipment, specifically, two sets of monkey bars. There also a small pump shed.

The largest oak tree on the grounds is in front of the building – it has been there since the building was constructed – and also appears to be in good health. There are several other smaller oaks and pines on the grounds – closer to Hotel Road – that appear unhealthy and will need to be removed.

Behind the building, near its main lobby entrance, there is a new parking lot with striping and numerous ADA-compliant parking spots. Additional parking includes a large parking area that fronts Country Club Drive which is unpaved and used for parking during large events. That area will likely require some minor grading and gravel placement to facilitate parking and drainage.

Architect Lyndon Ernst, who created reports on the building for the county in the lead up to the purchase, has studied the Lucerne Hotel extensively.

“That’s the best framed building in the whole county. There is no better example of a framed building than that one,” he said. “The framing in that building is beautiful.”

He said the structure is pine, with parts of the building having 2x10s that are 20 feet long, straight and without knots.

According to county officials, the pine for the building was logged on the nearby hills.

The building also offers beautiful and expansive views of Clear Lake and Lake County.



*Video of new roof installed in October 2011: <https://youtu.be/pLRfpLNeI8c>*

### **SUMMARY OF COUNTY BUILDING REPAIRS AND UPGRADES**

The county of Lake purchased the Lucerne Hotel for \$1.35 million in 2010. At a Board of Supervisors meeting late in 2017, staff estimated that the total investment in the building – including purchase price – is now more than \$4.2 million.

The county made significant upgrades and repairs, most of which were a result of decades of deferred maintenance, as well as high-cost modernization projects that were one-time expenses.



Major repairs included a three-story elevator, which cost about \$400,000; a new roof; ADA-compliant bathrooms; replacement and glazing of some windows; new awnings; updating of about 15 hotel rooms to make them dorm rooms; stucco repairs; new paint; renovations of third floor to create the three classrooms plus conference rooms; parking lot lights; landscaping; and some electrical upgrades for the renovated portions of the building.

When Marymount California University opened its Lakeside Campus at the Lucerne Hotel in August 2014, Eric Seely, who served as the county's project manager on the Lucerne Hotel, said future renovations – including residential housing, and upgrades to the building's kitchen and electrical system – would be up to Marymount to complete.

The university made some upgrades to about 10 to 15 hotel rooms which were used as dormitory rooms, and installed a modern fiber optic infrastructure in the building, complete with high-speed intranet with dedicated server and switch rooms. However, the university did not complete the kitchen and electrical upgrades.

It's important to note that the parts of the building renovated so far have required the most investment – such as the elevator, renovated classrooms, new roof, etc. Future upgrades should be less costly.

Two modular homes that had been located on the property at 14th Avenue and Foothill Drive were removed by the county in the spring of 2017, before Marymount left. That area of the property would be suited to possible guest housing or community transitional housing at a future date.

### **IMMEDIATE REPAIR ISSUES**

Since Marymount California University left the building it has been habitually vandalized, with a spate of vandalism occurring around the holidays.

As of mid-February, there were 48 broken windows counted and most of the lanterns on the front balconies had been forcibly removed and destroyed. There also had been graffiti in a passageway on the back of the building.

County Public Services staff have boarded up most of the broken windows, especially a row of them on the first floor on the front of the building.

Repair costs are estimated at about \$6,000.

The building also will need to be refurnished, as almost all of the furniture was removed when Marymount California University left. The network infrastructure and server racks remain.

### **NECESSARY BUILDING UPGRADES/REPAIRS – ELECTRICAL**

One of the key areas of the building that will require modernization and upgrades is the electrical system.

Upgrades to the heating/cooling system and the kitchen will require a new electrical panel and service upgrade, according to Seely and to Craig Bach of Bach Electric, one of the electricians who worked on the building.

Bach said that, at one time, all of the building was wired and done well, but that it needs modern upgrades. He gave estimates of up to \$150,000 to make the needed electrical upgrades.

Among key electrical-related renovations are installing electrical panels on the outside of the building so that power to the building can be cut off in case of emergencies. He said that, currently, those panels are in the building's basement. He also suggested that the new service main needs to be installed through the back of the building through the area previously known as the bar.

Bach also said he could offer more specific upgrade costs for the electrical system if a floor plan with proposed uses is developed.

Both Bach and Seely have indicated willingness to do a tour of the building to go over needed upgrades.

The building is reported to have a 400 amp electrical system, and Seely said it is currently at capacity for its electrical usage. A pedestal mount transformer will be required to upgrade.

Ray Meyer of Pacific Gas & Electric and Jon Rogers of Coastal Mountain Electric, who also worked on the building, stated that the county at one point had an 800 amp upgrade designed

for the building, but those plans were not pursued and neither still had any copies of that plan available.

Bach, Meyer, Rogers and Seely all were asked about potential costs for the power upgrade. The estimates offered varied widely and cannot be considered firm.

Seely estimated \$20,000 for the pedestal mount transformer, \$20,000 for new equipment and \$70,000 for other work, for a total of about \$110,000. Bach estimated an upgrade could cost as much as \$150,000.

One of the unknowns is how large of an electrical upgrade is necessary. Bach suggested 2,000 amp may be optimum while Rogers said 1,200 could be sufficient. For comparison, Rogers said Kelseyville High School's much larger campus, which serves hundreds of students daily, has a 3,000 amp system, which includes room for the campus' future expansion needs.

Meyer said an upgrade to a system as large as 2000 amp could range anywhere from \$100,000 to \$400,000, but that costs could be reduced through allowances based on projected use. However, he cautioned that those were not firm estimates and that in order to get a firm estimate of cost the building would need an electrician to create a plan.

Similarly, Rogers said that an electrical contractor or engineer should be engaged to do a thorough study of the building and determine the electrical load.



*The Lucerne Hotel's kitchen. Photo by Elizabeth Larson.*

### **NECESSARY BUILDING UPGRADES/REPAIRS – GENERAL**

Seely has testified over the years to the building's structural soundness and "remarkable condition," even before the county embarked on major repairs.

In a recent conversation about the building, he said the hotel rooms will need heating and cooling, which he suggested could be achieved most cost effectively through split unit systems.

Ernst noted that the building – which was designed before air conditioning – has a passive heating and cooling system, and was designed to heat and cool itself. He said it has windows above doors that were used to move cold air from the corridor through rooms and then to the outside. He believes that if somebody were put it back to the way it originally was designed to be, it could very easily be identified as an energy savings/green hotel.

Seely said more residential (hotel) and commercial kitchen use likely will require alarm system updates. He said the current alarm system is expandable, and will need to have fire alarms, strobes and sirens added to it for increased use. He said Northshore Fire Chief Jay Beristianos has worked with the county on the fire concerns and that Beristianos can offer guidance on the alarm system upgrades that will be needed.

Much of the building still retains is original lathe and plaster work on the walls – which Bach said is “beautiful work” – but it will require insulation as there is little to none in the building now.

Both Seely and Bach said there is plumbing work that will need to be done; Bach cited extensive “black pipe” that will need to be replaced, and Seely noted aging valves that will need to be replaced.

In discussions with a local Cal Water official, he indicated that the company could assist with water conservation measures and offer consultation on needed water system upgrades.

Ernst said the building has an extensive sprinkler system throughout the interior, as well as a separate sprinkler system on the exterior in order to respond to the threat of wildland fires. “That building theoretically shouldn’t be able to burn down.”

Bach also called attention to what he believes may be an issue with the building’s foundation under the kitchen, which he believes may need reinforcement or repair because he saw what he believed to be a drop in the floor level.

Seely noted that in working on the building, other than the known repair issues and needed renovations, there were no big surprises with the project.

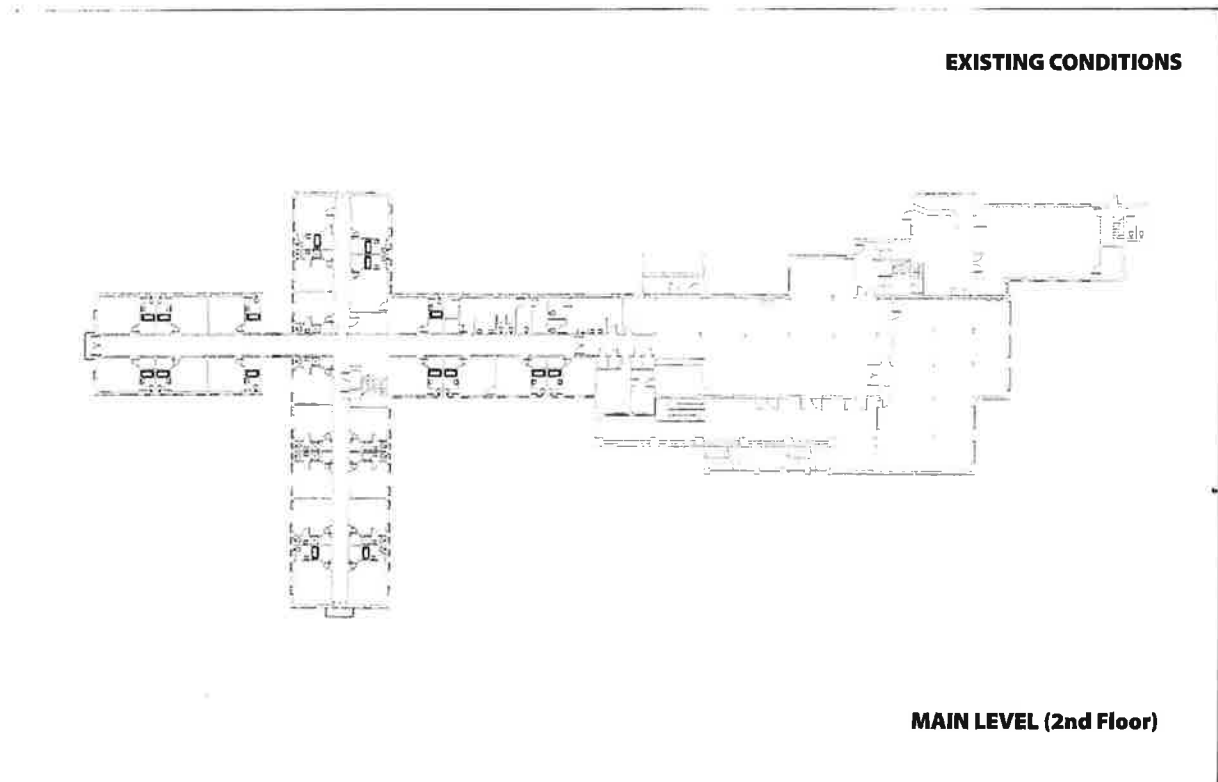
He said the building “is just raw with potential.”

#### **PROPERTY USE PROPOSAL: FLOOR PLANS**

Ernst shared the floor plans from 2009 and we later obtained from Craig Bach the current floor plans and additional plans completed by Marymount California University for future renovations that were left largely uncompleted.

Small versions of the current floor plans are shown below. We will be working off of these primarily as we plan updates to the building.

### **BASIC INTERIOR MEASUREMENTS AND FLOOR PLANS**



### **MAIN LEVEL (SECOND FLOOR)**

#### **Main lobby area**

Main lobby and entrance – 76 feet by 33 feet

Window alcove – 21 feet by 13 feet

#### **Dining/pub areas**

Lucerne Hotel Property Proposal - Larson

Dining room, front portion – 31 feet by 24 feet  
Dining room, back portion – 39 feet by 33 feet  
Pub – 34 feet by 20 feet

#### **Kitchen area**

Kitchen – 42 feet by 24 feet  
Small walk-in bathroom – 6 feet by 6 feet  
Small cold storage – 10 feet by 6 feet  
Dry storage outbuilding – 14 by 40

#### **Hotel space**

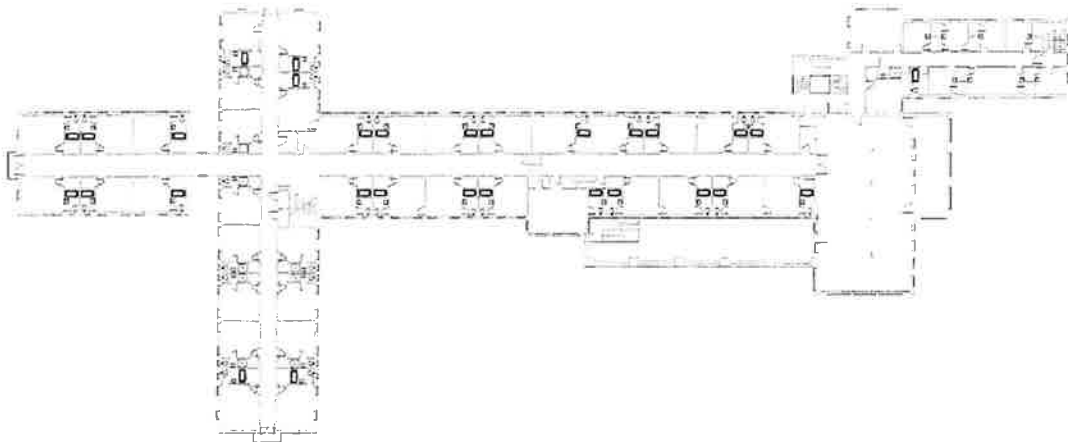
26 hotel rooms – including several upgraded dorm rooms and a mix of single rooms, measuring 11 feet by 13 feet plus bathrooms, and suites

#### **Main floor uses/renovations**

The main floor will remain the building's key entry point. It will be the location for the restaurant and commercial kitchen, will provide reception for events and the hotel and will house office space. Several of the renovated dormitory/hotel rooms on this floor will be among the first that will be rolled out for hotel rentals.

Construction needs on this floor include the building of the commercial kitchen, placement of a new electrical panel, new HVAC units/mini splits for hotel rooms, renovations of hotel rooms for hotel rental or office space.

**EXISTING CONDITIONS**



**UPPER LEVEL (3rd Floor)**

**UPPER LEVEL (THIRD FLOOR)**

Main classroom – 51 by 31 feet

Second classroom – 30 feet by 26 feet

Third classroom – 30 feet by 26 feet

Small storage and server rooms – each about 10 feet by 10 feet (estimate)

Coffee nook/Internet cafe space – 33 feet by 11 feet, with three hardwired and numbered network ports

Conference room – 19 feet by 15 feet

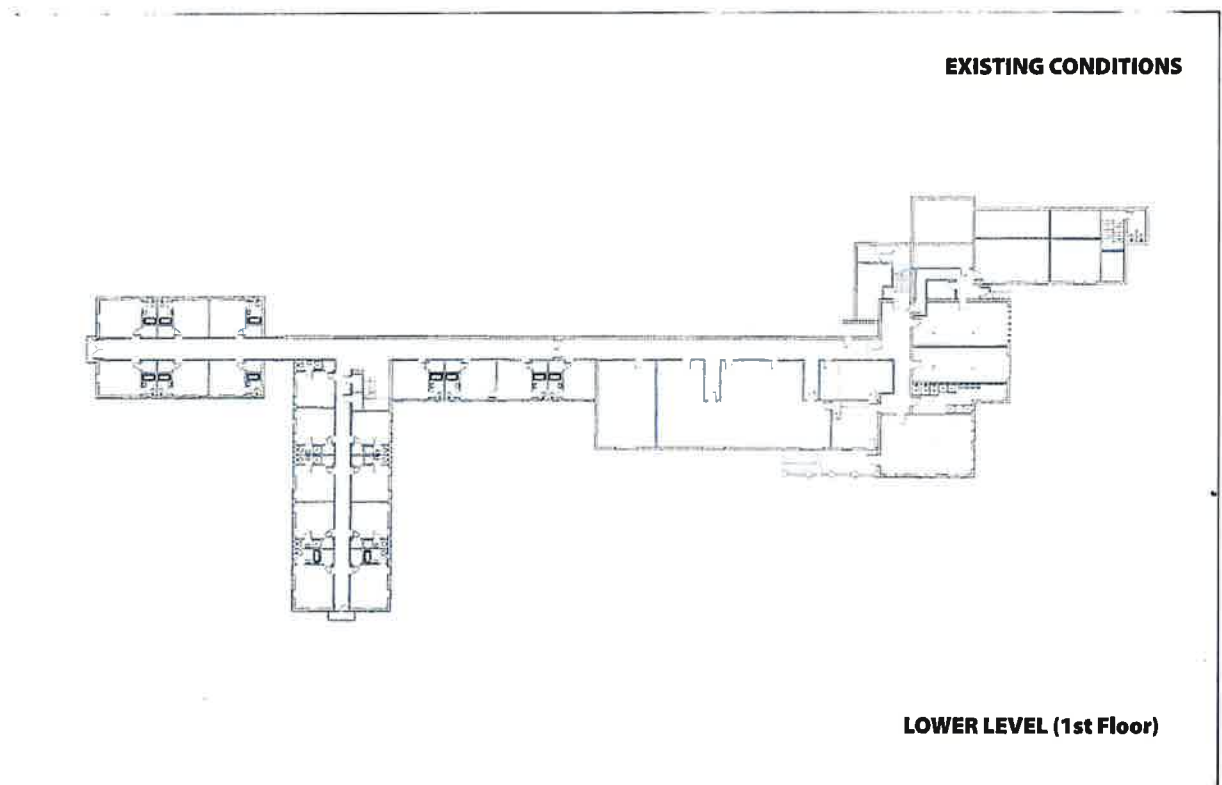
26 hotel rooms – including six upgraded dorm rooms and a mix of single rooms, measuring 11 feet by 13 feet plus bathrooms, and suites



### Third floor uses/renovations

The third floor will remain the center of conference and educational/training activities due to its modern classroom facilities.

Construction on this floor will primarily concern what is necessary to modernize hotel rooms and office space.



### LOWER LEVEL (FIRST FLOOR)

Eighteen hotel rooms; nine in front wing, six more in north wing, additional three down the hall  
Hallway – 86 by 67 feet

A large portion of this floor is ripped out and unfinished

Large room at the end of the building facing 14th Avenue measures about 20 feet by 30 feet

### **First floor uses/renovations**

Construction on this floor will include renovation of hotel rooms, and build-to-suit office and television/radio studio space.

This floor previously featured game rooms and other large rooms that were ripped back to the studs, and that is the area where the build-to-suit work would take place.



*The Lucerne Hotel covered in snow in 1932. Photo courtesy of the Lake County Museum.*



*Aerial view of the Lucerne Hotel property. Since the image was taken the pool has been filled in and the two modulares at the corner of 14th Avenue and Foothill Drive have been removed. Google image.*

## **GROUNDS**

We have walked the grounds with a Lake County-based University of California Master Gardener to identify the trees and plants, and assess their health and appropriateness for the location. She also offered a number of selections for plantings of native plants and plants that will require less water usage.

As part of our assessment of the grounds, we have identified a number of trees on the Hotel Road side of the building that appear to be unhealthy and which could potentially encroach on the road if they toppled or damage the building itself. Some of these trees will need to be removed but will be placed with suitable species.

### **SUGGESTED PROJECTS LIST**

#### **Immediate needs (within one to three months)**

- Furniture and IT equipment: \$5,000 to \$10,000
- Funds for repair of vandalism: \$2,000

#### **Short-term needs (within six months to a year)**

- Commercial kitchen: \$150,000 - \$175,000
- Electrical panel upgrade: \$70,000 to \$150,000

#### **Midrange needs (one to two years)**

- Alarm system upgrade: \$10,000
- Renovation of first bank of 20 hotel rooms: \$20,000 to \$50,000
- Ongoing plumbing system upgrades \$50,000 to \$100,000

#### **Long-term projects (one to five years)**

- Resurfacing of basketball courts: \$10,000
- Renovation of remaining 50 hotel rooms: \$50,000 to \$80,000
- Solar array: \$250,000
- Parking lot development: Undetermined amount
- Grounds upgrades (landscaping, gazebo, lamp posts, fencing, walking trails and garden): Undetermined amount
- Abandonment and rebuild of Hotel Road as private drive, emergency access, and walking trail: Undetermined amount

**Lucerne Hotel basic facility costs on an annual basis (estimated)**

|   |          |  |  |
|---|----------|--|--|
|   |          |  |  |
| Sewer/water   | \$19,000 |  |  |
| Elevator maintenance  | \$1,800  |  |  |
| Exterminator services   | \$2,400  |  |  |
| Garbage Collection (should be free due to free garbage at county buildings) | \$0      |  |  |
| Propane   | \$3,500  |  |  |
| Electricity   | \$25,000 |  |  |
| Miscellaneous repairs   | \$10,000 |  |  |
| Internet (public portions of building)                                      | \$6,000  |  |  |
| Phone service   | \$2,400  |  |  |
|   | \$70,100 |  |  |



*The lobby and reception desk of the Lucerne Hotel. Photo by Elizabeth Larson.*

### **PROPERTY USE PROPOSAL: NARRATIVE**

LARA's foundational concept for the use of the Lucerne Hotel is in accordance with the original redevelopment plan for the revitalization of Lucerne and the greater Northshore area, which named the building or purchase of a building for a conference center as a key goal.

LARA proposes to act as the master tenant of the Lucerne Hotel, which would offer that convention/event center venue. The building would be available to local business and the public for a wide variety of uses, including office space, weddings and family reunions, school proms and dances, conferences, trainings, educational events and fundraisers, club meetings or simply a place to stop, sit on the balcony and enjoy the grounds.

Plans also include a visitor and information center, with associated marketing and outreach activities that emphasize community history and character, and a "shop local" campaign meant to benefit not just tenants but the broader business community.

**Lucerne Hotel Property Proposal - Larson**



LARA will create a Web site to showcase the building's history and perform outreach to the community for uses and tenants. There also will be an online store for products featuring the building and an event booking component with quotes for building rentals and reservations, both of which sites are already in production. When performances are scheduled, patrons will be able to buy tickets online through the Web site. There also will be the ability for people to make general donations to LARA through its Web site.

In addition, LARA intends to do outreach and act as a liaison to work with potential tenants – such as private individuals and groups, businesses, corporations, universities and other nonprofits – for sustainable, long-term use of the building.

In such cases, the LARA would connect potential tenants with the county for the drafting of appropriate lease documents that would share proceeds between the county and the foundation for the building's upkeep and improvement. LARA would continue to assist and advise tenants on outreach and marketing.

Chief amenities LARA would work to establish are hotel rooms which would be available on a year-round basis as well as a restaurant and/or pub, boutique shops, a business incubator offering affordable office space to small and new businesses, and a drop-in business center. Still other potential uses might include a health club/day spa facility, and an after-school program offering recreation and activities for the community's teens and children.

Through proceeds from tenants and fundraising LARA will pursue upgrades to the building and the grounds, the latter possibly including a gazebo, a garden and landscaping, expanded parking area and loading dock, refurbished basketball courts and a new tennis court, refurbishment of the swimming pool, solar array to reduce utility costs, and a water catchment and reuse system.

LARA also intends to explore a variety of potential partnerships and avenues for use of the building, including:

- Working with the Lake County Library for a small lending library at the site, as had been pursued in partnership with Marymount California University.
- Museum exhibits through the Lake County Museum.

- Exhibits, art shows, performances and classes through partnerships with the Lake County Arts Council, Middletown Art Center and other arts organizations.
- Exploring community health and wellness initiatives in partnership with the county's health care industry.
- Adult and community education courses through partnerships with the community colleges, in particular, a hospitality training program.
- Exploration of creating a town-wide wifi hotspot to encourage business investment and visitors with area Internet service providers.
- Developing "aquatic tourism" through use of county lakeside facilities such as the parks and the site of the former Lucerne Clubhouse in order to draw groups like rowing clubs from around the region and state which have been known to train on Clear Lake over the years.
- "Cross-germinate" with other local nonprofits to mutually support each other's goals, including showing support for the schools, the Northshore Fire Protection District and the Lucerne Alpine Senior Center through joint use of space, events and fundraising activity.

**Other goals:**

- Create a community clearinghouse for volunteer and project opportunities, and a way to register for more information on local activities and events.
- Market the Lucerne Hotel's location at the heart of the Snow Mountain Berryessa National Monument.
- Create a volunteer force to assist with upkeep of community facilities from the Lucerne Hotel to local parks.
- Have the Lucerne Hotel added as a regional landmark and amenity/stopping point in the regional trail system.



- Create a job training program for hospitality as well as a volunteer opportunity for Americorps and other youth volunteer programs.
- Partnering with the county of Lake to provide office space and a meeting space, with the foundation to make available to the county a certain number of free events as part of the reimbursement plan.

## **AMENITIES**

### **1: Convention center**

One of the primary reasons the county of Lake purchased the building and invested in its renovation was because of the county's own stated needs for a convention and conference center on the Northshore.

The county's Northshore Redevelopment Project Plan specifically called for a conference center. The plan stated, "This project involves the provision of a facility appropriate for use by individuals and organizations for special events and to generate economic activity. The project will include site acquisition, as necessary parcel consolidation, relocation, development, and management of the facility."

Originally, a specific location was not identified, and at that point the county was looking at the Nice area in order to acquire a lakeside location. Later, when the Lucerne Hotel was listed for sale in 2008, the county decided it would be the ideal location.

That goal remains key to county economic plans, according to the 2016 Lake County Comprehensive Economic Development Strategy, or CEDS.

CEDSs has one of its policies, "Encourage the development of a hotel/conference center targeting Bay Area companies and organizations for retreats and meetings."

The plan goes on to lay out the following goal: "Assist in the development of 13th Avenue into the commercial center of town with the historic Lucerne Hotel as the 'anchor' within the former Northshore Redevelopment Project Area."

The CEDS plan also points out that the Lucerne Hotel is one of the county's many historical assets, describing it as "a 1920s era structure that is the most grand of the hotels and resorts that once were common around the county."

The 2017 Lakeport Lakefront Revitalization Plan also makes repeated references to a conference center – including, combined with a hotel – in the various alternatives it presents.

" ... Throughout the process the need for an upscale conference facility was mentioned. Some version or aspect of a center in this area should still be considered, particularly if there are some joint public private ventures that will provide community space and availability for private use," the plan stated.

Not only do we anticipate drawing groups from neighboring counties and the region, but individuals familiar with convention organization have told us that we can anticipate attracting events from all over the state, including Southern California, as groups will travel long distances for sites that offer not just amenities but an attractive setting.

## **2: Hotel**

Lake County currently has an estimated 400 hotel/motel rooms available, according to county and city studies.

Transient occupancy tax, or bed tax, collected by the county of Lake and the cities of Clearlake and Lakeport dropped precipitously after 2009, a result of the closure of Konocti Harbor Resort and Spa.

Over the last several years, hundreds of rooms in private homes have begun to be offered through AirBNB and other online services, but these room rentals have so far not resulted in county TOT collections, which is a significant source of lost revenue.

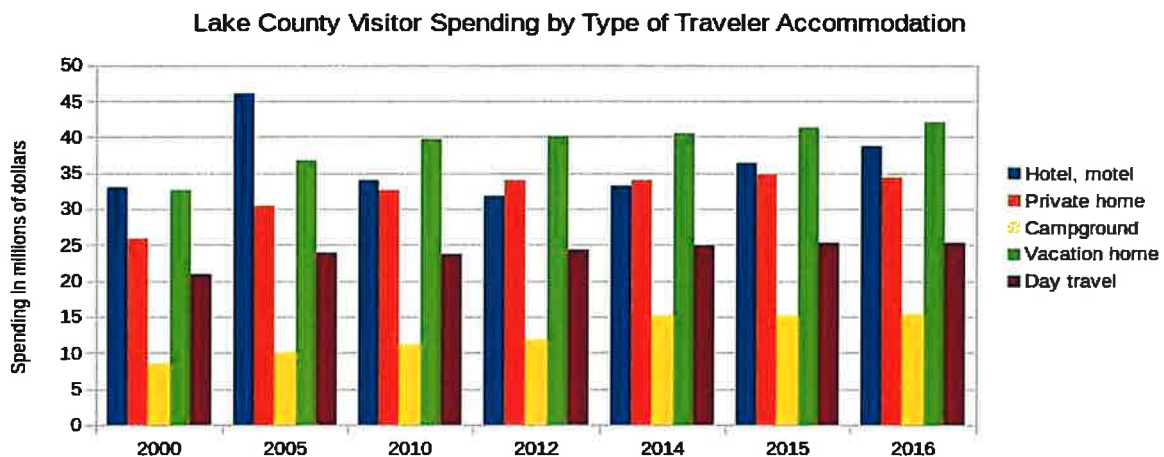
An initial review of the rooms in Lake County offered on AirBNB leads to a county of more than 1,050 rooms offered countywide. A conservative estimate formulated by removing duplicate listings is 800 rooms countywide. Of the rooms available, 169 are in Lucerne, 108 in Upper Lake, 103 in Nice and 58 in Clearlake Oaks, based on LARA's research.

In Lucerne, the Lakeview Inn is the only motel currently in operation. It has a total of 21 rooms that draws heavily on bass fishermen visiting the county. Rates for basic rooms are just over \$60 for single occupancy.

Outside of Lucerne, the closest amenity is WorldMark, a members-only timeshare that is reported to have one of the highest occupancies systemwide, year-round.

More upscale accommodations in Lake County are needed, as noted in the Lakeport Lakefront Revitalization Plan, which noted, "... In discussions with stakeholders and business owners, the idea of a new upscale hotel in the downtown area was well supported, particularly if the hotel included some type of conference/ meeting facilities. In addition, the market study identified the need for a modest-sized upscale hotel based on the current quality of hotel accommodations in Lakeport. For this reason a hotel has been included in the preferred option."

As illustrated in the Visit California report, "California Travel Impacts by County, 1992-2016," hotels remain a key source of traveler accommodation spending, as illustrated in the chart below.



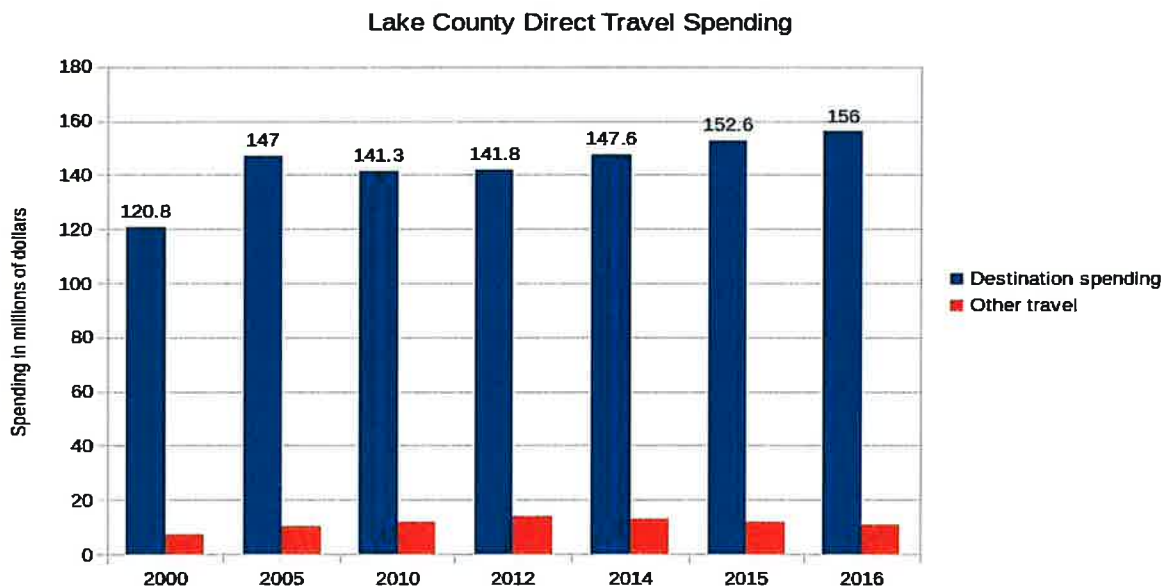
The Lucerne Hotel has 70 hotel rooms, 10 to 15 of which have already been renovated for use as dormitories. While most of the rest of the rooms have not been rented in decades, based on numerous evaluations of the building LARA believes that, with minimal investment these rooms

can be brought online to begin generating revenue for the building's maintenance and operation and the county's TOT revenues.

The prospects for high occupancy rates and higher per-room rental rates are very good for the Lucerne Hotel due to the interest in the historic building, its incredible setting and the intention of offering a wide range of other amenities – restaurant, spa and associated offerings – in the same location.

The anticipation is that the Lucerne Hotel will become a destination, drawing brand new visitors to the town and ultimately business and real estate investment. The Visit California report, "California Travel Impacts by County, 1992-2016," shows that destination marketing accounts for the overwhelming majority of travel spending in Lake County. The data is presented in the chart below.

As a local event organizer pointed out, there are few winter spots to go and enjoy a stay in Lake County. The Lucerne Hotel could offer a comfortable and enjoyable place to enjoy a winter stay, which would help build up Lake County's tourism outside of its traditional Memorial Day to Labor Day tourism season.



### **3: Restaurant/cafe/coffee shop**

Lucerne currently is home to Fresh & Bangin' and a new cafe, the only two sit down restaurants in town.

The Lucerne Hotel has a full commercial kitchen space in need of renovation and a large dining room. Once fully renovated, the space will be able to house a substantial commercial kitchen that will be able not only be able to serve large numbers of diners but also can cater large private or community events and support room service.

The former bar could also serve as a cafe, coffee shop or wine bar.

### **4: Commercial office space**

There is a very small amount of commercial space available for offices, and the Lake County Association of Realtors said it had almost no data on commercial leases and inventory for reasons which are not determined.

Several commercial buildings in Lucerne – including sites of former restaurants and shops – have changed hands repeatedly in recent years and are held by out-of-county owners or local owners who keep the property off the rental market in an effort to control competition for their various businesses, making the space unavailable to the general market.

As such, the Lucerne Hotel offers a prime location for office space, particularly in the open and unfinished downstairs sections, where the offices can be built to suit particular needs.

### **5: Events - sponsored by LARA**

LARA intends to host several of its own monthly and seasonal “anchor” events at the Lucerne Hotel to draw visitors to town, which is part of its overall goal for business generation for the larger community of the Northshore.

Prospective events include:

**Lucerne Hotel Property Proposal - Larson**

- The Lucerne Alpine Festival. This is the reboot of a community festival first held in 1947 to celebrate Lucerne.
- The “Distinguished Speaker Series.” A similar event had been sponsored by the Friends of the Marymount California University Lakeside Campus with great success, consistently drawing large attendance and assisting with the Friends’ fundraising activities. The goal would be to hold this series on a monthly basis, year-round.
- Continuation of the Lake Leadership Summit, a successful conference for county community and business leaders held in 2014 and 2015.
- August “National Night Out” event in conjunction with the Lake County Sheriff’s Office.
- School proms and winter balls. The Lucerne Hotel has been, and can continue to be, a very popular venue for county high schools’ dance and prom events.
- Farmers’ markets.
- Holiday events including a community Christmas celebration. This free event would welcome the community in to tour the building – transformed into a winter wonderland.

## **6: Events – General public rental**

The Lucerne Hotel offers the largest event space in the entire town and, it can be argued, throughout much of the Northshore.

Since the county purchased it in 2010, and thanks to its extensive renovation, It has been a popular location for conferences, trainings, meetings and special events, including weddings and high school proms, and community meetings.

A professional event organizer who is familiar with the building and has acted as its agent reported that the facility has a great deal of potential, and if the building’s commercial kitchen is renovated and the building is properly marketed, it could be a major attraction in and out of county. She also has agreed to partner with us to run events at the facility.

## 7: Berryessa Snow Mountain National Monument Centerpoint

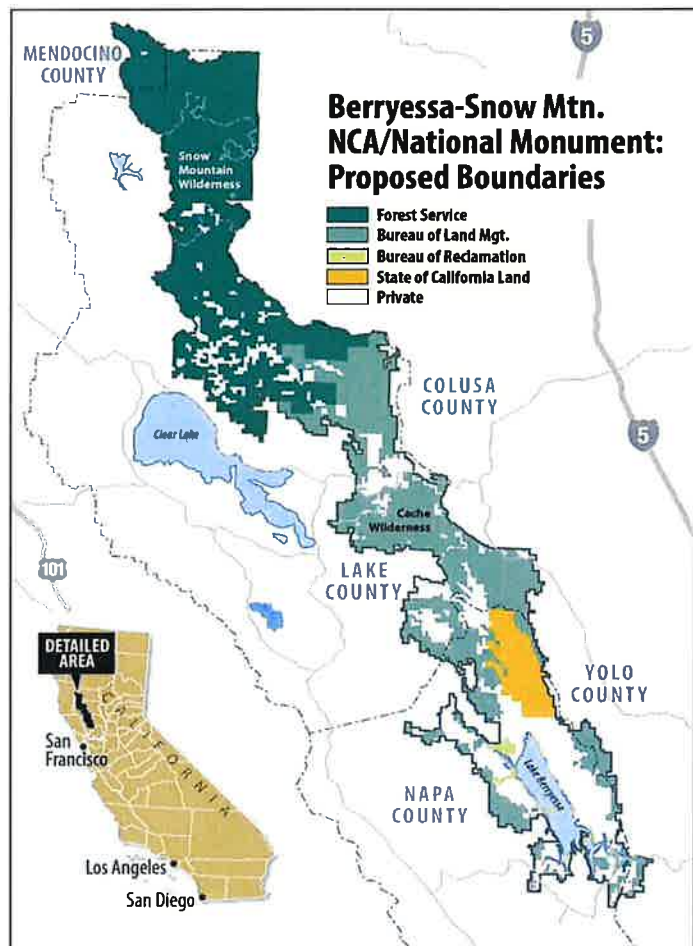
Two-thirds of the Berryessa Snow Mountain National Monument is within the boundaries of Lake County, and Lucerne is right in the heart of the 330,000-acre monument.

A 2014 report commissioned by the Winter Chamber of Commerce about anticipated economic impacts from the monument designation noted that Lake County was an economic gateway for the monument, with hotels and motels, retail stores, food services and drinking, and amusement and recreation among the industries expected to most benefit from the increased visitation.

“Visitor spending in the local counties is likely to occur at the economic centers that currently exist within the local counties. According to resource managers, gateway communities such as Winters, Clear Lake, and Williams are particularly well positioned geographically to capture visitor spending,” the report stated.

From studies of other national monuments, the plan showed the economic impacts tend to show marked increase several years after the designation.

In some cases, spikes in visitor and spending numbers showed spikes four to five years from designation. With Berryessa Snow Mountain’s designation having occurred in 2015, a four- to five-year cycle to begin to see peak visitor numbers would be in the range to 2019 to 2020, with the Lucerne Hotel



expected to be perfectly positioned to be fully online by that time.

A report from the Outdoor Industry Association titled “The Outdoor Recreation Economy” illustrates just how much local economies have to gain by promoting such prime outdoor assets as our local national monument.

The report shows that outdoor recreation is growing, and is responsible for \$887 billion in consumer spending annually, 7.6 million jobs, \$65.3 billion in federal tax revenue and \$59.2 billion in state and local tax revenue. The number of jobs it generates put is well beyond other industries such as real estate, transportation and even computer technology.

In addition, the West generates the largest portion of these revenues, led by the Pacific states of California, Oregon and Washington.

As such, we anticipate that the marketing campaign that LARA plans to undertake to promote the Lucerne Hotel, the Northshore corridor and the Snow Mountain Berryessa National Monument is expected to generate significant visitor revenue, new job and business opportunities, an improved image of Lake County and, as a result, a greater tourism market share.

## **8: Education**

The Lucerne Hotel now has a well-established history as an educational facility thanks to the former presence of a four-year university on the property.

The building is well-suited for small classes, larger lectures and events such as graduations, and has room to accommodate students and faculty on site.

There is ample opportunity for education offerings to benefit Lake County’s population alone as well as residents of adjacent counties and the rest of the region.

The 2016 American Community Survey estimates that of Lake County’s 47,610 residents above age 25:

- 24.8 have only a high school degree or equivalency;
- 32.9 percent have some college but no degree;



- 10.8 percent have an associate's degree;
- 10 percent have a bachelor's degree;
- 6 percent have a graduate or professional degree.

These statistics show that affordable and accessible educational opportunities could do much to enhance opportunities for Lake County's residents.

As such, LARA is exploring potential partnerships with educational institutions who are interested in locating a satellite campus that could serve local students at the Lucerne Hotel.

We are in the process of working with the two community colleges on a proposal for using the building as the home of a hospitality training program, with a view to possibly having it become a four-year degree for our local partner colleges.

### **9: Laboratory space/science education**

With the recent creation of the Blue Ribbon Panel to study Clear Lake, Assemblywoman Cecilia Aguiar-Curry is working to identify an ideal space for a laboratory to assist in the study. She is currently working to connect to UC Davis officials about that potential use.

In speaking with other officials around the county, including the Lake County Vector Control District, the need for biosafety level two or three labs has been identified. The agency also said that science conferences – never before held in the county – could be housed at the facility and could easily fill all 70 rooms.

The building has ample space to accommodate a laboratory and visiting scientists.

### **10: Health and wellness**

LARA's long-term planning for full utilization of the Lucerne Hotel includes a health and wellness component.

As a key location in the Berryessa Snow Mountain National Monument, the goal is to make the facility a "trailhead" to a variety of recreational opportunities, with linkages to the Konocti

Regional Trails system and the water trails on Clear Lake, guides to local public lands and other recreational activities.

Part of LARA's vision includes developing "aquatic tourism" through use of county lakeside facilities such as the parks and the site of the former Lucerne Clubhouse in order to draw groups like rowing clubs from around the region and state which have been known to train on Clear Lake over the years.

Other health and recreation activities plan for the site include resurfaced and renovated basketball courts, two new tennis courts, walking trails/paths, expanded outdoor fitness equipment, a renovated swimming pool that is usable year-round, outdoor garden facilities, a spa and indoor fitness classes, including yoga, pilates and aerobics.

## **11: Arts destination**

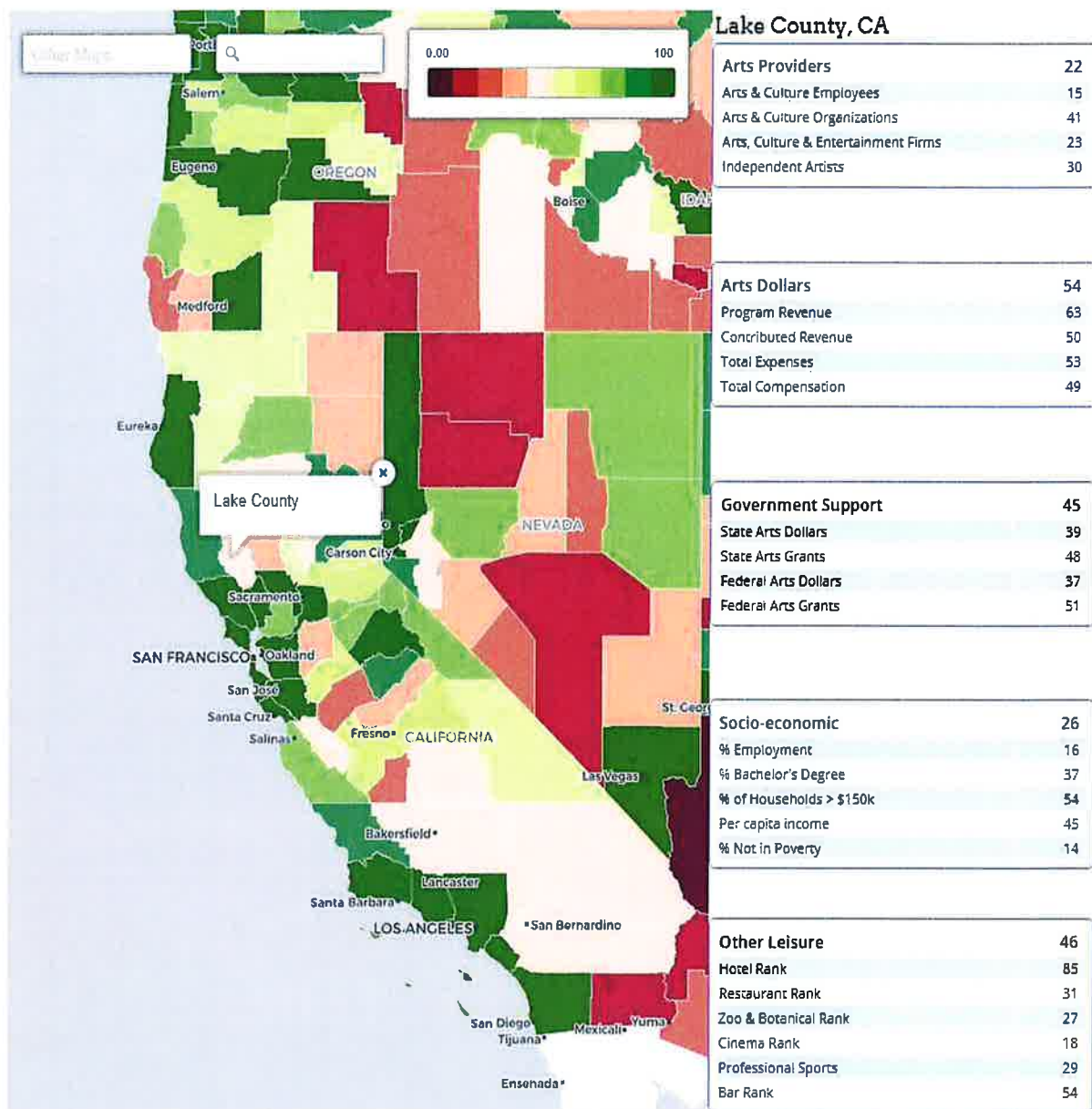
There is work under way by various organizations – including the Lake County Arts Council, Rural Arts Initiative and Middletown Art Center – to market Lake County as an arts destination.

LARA proposes to work with these groups on that effort, and as such intends to host a variety of art-related events to draw both visitors and county residents.

These events may include gallery shows, art and cultural exhibitions, art classes, a sculpture garden, and musical and theater performances.

Then National Center for Arts Research at Southern Methodist University's Meadows School of the Arts study of arts vibrancy across the United States found that Lake County was in the median range of California counties when assessing the number of arts providers, available dollars and government support.

Arts tourism is an under-explored area of destination marketing and is another opportunity for attracting visitors and providing cultural activities that the Lucerne Hotel can provide.



Map: "Arts Vibrancy Across the United States": National Center for Arts Research, Southern Methodist University Meadows School of the Arts.

## **12: Attraction concierge service**

LARA will partner with local organizations, businesses and destinations to offer a unique and specially designed concierge service to arrange for activities and tours of Lake County.

The service will arrange for hikes at Anderson Marsh and Mt. Konocti, kayak trips on Clear Lake and Blue Lakes, visits to the Rodman Reserve and other Lake County Land Trust-owned properties, and connect visitors to local amenities at places such as the Blue Wing Saloon and Tallman Hotel, Six Sigma Ranch and Winery, Langtry, the Ely Stage Stop, the county's museums and libraries, and other special locations.

## **13: Miscellaneous offerings**

LARA intends to operate portions of the building for a variety of other uses that would benefit the public and visitors in particular.

Those uses include a tourism information office and kiosk, gift shop of locally produced goods, a gallery and art exhibit space featuring local artists, mini lending library in cooperation with the Lake County Library, local history exhibits in cooperation with the Lake County Museum system, a drop-in business center and a Wi-Fi hotspot available to visitors and guests.

Boutique shops and other small business offerings will be made available based upon interest.

## **PROPOSER SCHEDULE**

The following is an estimated timeline for rolling out this project. The proposers reserve the right to make adjustments as they determine them to be necessary and practical.

- April 23: Proposal is submitted.
- April 25: Deadline to respond to RFP.
- May 2: Consultant selection panel convenes to evaluate proposals.
- May 16: Finalist is selected.
- May 23: Development of agreement for property lease or purchase.

- June 30 (at the latest): Negotiations concluded, lease signed, keys handed to proposers.
- July 1: Begin cleaning of building and grounds.
- July 6: Begin showing building to prospective tenants.
- Aug. 1: Tenants begin to move in; building officially opens for events.
- August: First community event – National Night Out event.
- October: Building available for campaign-related events, if applicable; possibly Halloween event.
- December: Community Christmas party and nonprofit fundraiser.
- Spring 2019: Certified California Naturalist course begins in partnership with Tuleyome.
- May 2019: Opening of a limited number of hotel rooms for the Lake County Wine Adventure; debut of Lucerne Alpine Festival reboot.
- June 2019: Opening of new restaurant, predicated on upgraded electrical panel.
- August 2020: Opening of hospitality training center.
- June 2021: Full opening of hotel.

#### **LEASE PROPOSAL: DESCRIPTION**

The proposers, who believe the building should remain in public ownership, are seeking to enter into a long-term lease with the county of Lake for the Lucerne Hotel with an initial term of 15 years. If during that time the county determines to sell the building, the proposers want first right of refusal in making an offer to purchase the building.

#### **LEASE PROPOSAL: FINANCIAL TERMS**

Under our nonprofit entity, there is adequate financing to implement the first phase of our proposal because the first phase is not capital-intensive; it's time intensive.

The first phase includes tenant recruitment and facility marketing, and vetting prospective tenants who will occupy the building.

A primary component of that vetting process is a review of prospective tenant financials to make sure they have the capacity to make the leasehold improvements that they will need for their business operations.

The maintenance of the property, in turn, will be managed based on cash flow from the tenants and the events the building hosts.

The proposers will assume the utility and maintenance costs for the building, with the funds to be generated from tenant leases and event proceeds. Additional fundraising will finance larger facility improvements.

The association proposes to begin with a monthly rental rate similar to that of the Ely Stage Stop while the building is being prepared for reopening. Once the building has tenants, the monthly rental rate will be increased commensurate to positive cash flow for the first two years of full operation, after which time the rental rate could be renegotiated.

While the county may view this as an overly modest amount, it is necessary to approach the rent at a lower level while the project gets off the ground.

There are precedents in place for an agreement with little or no lease cost for a county-owned building that is considered a community asset, not a real estate investment.

Those precedents include the 2007 memorandum of understanding between the Lake County Historical Society and the county of Lake for the operation of the Ely Stage Stop and Country Museum in Kelseyville, a very successful venue that is valued by the community, as well as the county's 2012 lease with Marymount California University. In the case of the latter, there was room to eventually discuss a higher lease rate once the facility was well-established.

To offset an agreement for very low or no lease cost, the county will in turn receive transient occupancy tax from the property and increased sales tax from activities it generates in the community as well as the visitors it draws. Increased property values should also be considered as another benefit the county will receive, as they will impact the county's tax roll similar to when the county first purchased the building and began renovations.

The plan also calls for LARA to maintain and improve the building, which means that this publicly owned asset will increase at no cost to the county.

Additionally, LARA intends to launch a marketing campaign for the Northshore – details of which are proprietary at this time – that will be at no cost to the county but will benefit county facilities

and local businesses, with the intention of increasing TOT and sales tax to help jumpstart the county's economy.

LARA will offer the county free use of the building for a specified number of meetings, trainings and events during the course of the year. That number will be determined in the property negotiations.

### **COVENANTS AND CONDITIONS TO UTILIZE THE BUILDING**

The proposal that we have submitted is designed specifically to protect, utilize and maintain the Lucerne Hotel.

It is based on a thorough review of the County Economic Development strategy, our long-term understanding of the community and the history of the building, and our intimate knowledge of the hotel and the highest and best use.

The covenants and conditions we offer here reflect our mutual understanding of what the county and community want and overall positive impacts to economic development that this project will have.

### **CERTIFICATION OF ABIDING BY ALL APPLICABLE STATE AND FEDERAL LAWS**

In assuming the stewardship and running of the Lucerne Hotel, the proposers assure the county of Lake that they and their associated organizations and business entities will:

- comply with all applicable federal and state building codes, ordinances, zoning and occupancy standards; and
- Abide by the Federal Civil Rights Act of 1964, the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, and all other Federal and State laws, regulations, rules, or orders which prohibit discrimination or harassment against any employee or applicant for employment because of race, color, religious creed, gender, national origin, ancestry, age, marital status, sexual orientation, political affiliation, physical or mental disability.

## **PRO FORMA**

The financial monthly forecasts for the project are attached with this proposal. The pro forma includes detailed descriptions regarding each line item represented. The pro forma narrative is based on our research into the market, the building, and our overall knowledge of the community.



**INCOME AND EXPENSE PROJECTIONS**  
YEAR 2018

|  | MONTHS             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | TOTAL               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|  | 1                  | 2                  | 3                  | 4                  | 5                  | 6                  | 7                  | 8                  | 9                  | 10                 | 11                 | 12                 |                     |
| <b>INCOME:</b>                             | <b>Off-Peak</b>    | <b>Off-Peak</b>    | <b>Off-Peak</b>    | <b>Off-Peak</b>    | <b>Peak</b>        | <b>Peak</b>        | <b>Peak</b>        | <b>Peak</b>        | <b>Peak</b>        | <b>Off-Peak</b>    | <b>Off-Peak</b>    |                    |                     |
| Restaurant lease                           | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,250.00         | \$2,000.00         | \$26,750.00         |
| Hotel lease                                | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,875.00         | \$7,500.00         | \$94,125.00         |
| Conference rentals                         | \$2,500.00         | \$2,500.00         | \$2,500.00         | \$2,500.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$2,500.00         | \$2,500.00         | \$45,000.00         |
| Office space rentals                       | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$2,000.00         | \$24,000.00         |
| Special events (weddings, etc)             | \$3,000.00         | \$3,000.00         | \$3,000.00         | \$3,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$5,000.00         | \$3,000.00         | \$3,000.00         | \$48,000.00         |
| <b>Total Income (add lines 7 thru 11)</b>  | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$17,625.00</b> | <b>\$17,000.00</b> | <b>\$237,875.00</b> |
| <b>COST OF GOODS SOLD:</b>                 |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                     |
| N/A  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                   |
| <b>Total COGS (add lines 14 thru 17)</b>   | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>            |
| <b>GROSS PROFIT (Subtract line 18 fr</b>   | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$17,625.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$22,125.00</b> | <b>\$17,625.00</b> | <b>\$17,000.00</b> | <b>\$237,875.00</b> |
| <b>OPERATING EXPENSES:</b>                 |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                     |
| Accounting                                 | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 200                | 2400                |
| Advertising                                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 600                | 7200                |
| Auto & Vehicles                            | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                   |
| Freight/Postage                            | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 1200                |
| Insurance                                  | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 2000               | 24000               |
| Leases (Equipment)                         | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 40                 | 480                 |
| Office Expenses                            | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 1200                |
| Rent                                       | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 12000               |
| Repairs & Maintenance                      | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 1200               | 14400               |
| Supplies                                   | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 100                | 1200                |
| Taxes (Sales)                              | \$1,277.81         | \$1,277.81         | \$1,277.81         | \$1,277.81         | \$1,604.06         | \$1,604.06         | \$1,604.06         | \$1,604.06         | \$1,604.06         | \$1,604.06         | \$1,277.81         | \$1,232.50         | \$17,245.94         |
| Travel and Entertainment (m/lea            | 50                 | 50                 | 50                 | 50                 | 75                 | 75                 | 75                 | 75                 | 75                 | 75                 | 50                 | 50                 | 750                 |
| Utilities/Telephone                        | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 500                | 6000                |
| Wages & Payroll Taxes                      | 8413.75            | 8413.75            | 8413.75            | 8413.75            | 12098.75           | 12098.75           | 12098.75           | 12098.75           | 12098.75           | 12098.75           | 8413.75            | 8413.75            | 123075              |
| Reserves                                   | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 1000               | 12000               |
| <b>TOTAL OPERATING EXPENSES (add</b>       | <b>16581.5625</b>  | <b>16581.5625</b>  | <b>16581.5625</b>  | <b>16581.5625</b>  | <b>20617.8125</b>  | <b>20617.8125</b>  | <b>20617.8125</b>  | <b>20617.8125</b>  | <b>20617.8125</b>  | <b>20617.8125</b>  | <b>16581.5625</b>  | <b>16536.25</b>    | <b>223150.9375</b>  |
| <b>OPERATING PROFIT (Subtract line :</b>   | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,043.44</b>  | <b>\$463.75</b>    | <b>\$14,724.06</b>  |
| <b>DEBT SERVICE:</b>                       |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                     |
| Loan Payments #1                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 0                   |
| <b>TOTAL DEBT SERVICE (Add lines 39</b>    | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>            |
| <b>NET PROFIT (Subtract line 42 from :</b> | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,043.44</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,507.19</b>  | <b>\$1,043.44</b>  | <b>\$463.75</b>    | <b>\$14,724.06</b>  |