



PRESS RELEASE

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FOR IMMEDIATE RELEASE

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North Tahoe Public Utility District Board of Directors and Recreation and Parks Commission Joint February Meeting

(Kings Beach, California) - The North Tahoe Public Utility District (NTPUD) Board of Directors and Recreation and Parks Commission met together on Thursday, February 28, at the North Tahoe Event Center. The Board members and Commissioners heard presentations on the Recreation and Parks Department funding struggles and a presentation from Laulima Development LLC related to their proposed public-private partnership for the North Tahoe Event Center.

RECREATION AND PARKS DEPARTMENT FUNDING OVERVIEW

General Manager Duane Whitelaw provided an overview of the finances of the recreation and parks department, the dilemma the District has been facing of trying to increase revenue while still keeping recreation and facilities affordable for the community, as well as an overview of the history of the Event Center.

The North Tahoe Event Center came to the District in 1978 via a three way property swap between the District, Placer County and the State of California. A State bond provided financing for acquisition of the property and also included a deed restriction that the building be offered for "park purposes" in addition to being conference and event facility. Improvements were made in 1986 via a grant from Placer County Transient Occupancy Tax (TOT) collections that provided \$2 million for improvements to the facility.

Over the years the District has tried a variety of options to get the Event Center to operate in the black including hiring event planner staff, using grant funding for marketing and studies which recommended ways to maximize revenue by increasing use of the building for conferences and weddings. The various

suggestions provided in that study were also explored and tried. The Event Center has been experiencing an average loss of \$90,000 annually over the last ten (10) years, plus a capital asset replacement shortfall of \$80,000 per year. In addition, District reservation records show that the building is now and has historically been underutilized.

Capital improvements including upgrades for the building are unfunded and cannot be covered with current revenue streams. Roof, HVAC, wall coverings, carpets and ceiling tiles have reached their useful life and need repairs and/or upgrades. The District's goal has always been to make the Event Center sustainable and is always seeking opportunities. One of the options being discussed is a partnership with Laulima Development LLC who is currently in escrow on the Ferrari Crown Motel. Another option may be to look for other partners. In any case, the goal is to find a way to eliminate the deficit and address pending future capital replacement, while keeping the building affordable and accessible to the community.

GM Whitelaw told both the Board of Directors and Recreation and Parks Commission that while raising additional taxes is the last option, the District is getting very close to that as an option that they must consider.

LAULIMA DEVELOPMENT PRESENTATION

Brian Helm, a consultant to Laulima Development LLC provided an overview of a process that began with a public meeting held by Laulima on February 18th. The purpose of that meeting was to receive input from the community and expressed that it had been helpful in providing information on the role and importance of the Event Center in the community that will be an important part of their proposal. Laulima will be closing on the Ferrari Crown Hotel at the end of April.

David Boquillion of Laulima Development LLC provided an overview of his vision for redevelopment of the Ferrari properties in concert with the Placer County Community Plan which relies on both public and private investments. One element of their business model includes event and conference facilities, but before moving ahead with design on the Crown property, they wanted to explore if the community would be interested in partnering on the Event Center. He feels that if the partnership benefits the community, it is a better option than building another conference and meeting facility nearby. Being able to coordinate, consolidate and share staffing and resources between the Event Center and a 92 unit hotel would make operating expenses for the Event Center more affordable. The San Francisco Bay Area is a prime customer for Lake Tahoe and believes they can increase business both to the hotel and the Event Center, if it is included in the proposal, in the off season.

Mr. Boquillion explained that the partnership purchasing the Crown is made up of an investment company and Highway One, a hotel and conference management company. Together they own and operate a series of restaurants, a hotel in Atlantic City, Alexander Valley, Monterey Downs, and Santana Row in San Jose. They would not only build a new center but the agreement would pay the District for every event.

Brian Helm noted that based on comments from February 18th a facilitated public-private partnership process for a new Event Center would be utilized that would include input on the guiding principles for operations and the physical structure. Preliminary thoughts on the structure would be a new event

center a maximum of 28,000 square feet which could include enhanced event spaces, food and beverage service, fitness elements, and lobby.

Mr. Helm stated that the initial guiding thoughts that have been created based on input received from the community on February 18, 2016 would include:

- An event center that remains open to all local taxpayers, hotels, businesses and public entities
- Recreation amenities and fitness class facilities
- Indoor youth recreation program facilities
- Casual food and beverage space to create a town center and informal meeting location
- Community space to support local clubs
- Funding from partnership lease payments to support additional recreation programming offered by NTPUD
- Online reservation calendar showing programs and events, and will allow for easily reviewing availability and pricing
- Reduced rate structure for NTPUD and local ratepayers for meetings and facility use
- Lulima responsible for all operational and capital costs

The steps for partnership would be to submit a proposal to the District's Board, prepare a memorandum of understanding and then work with District staff and legal counsel to draft a binding agreement in the form of a long term lease which will define the details of the partnership. The Board could then approve or decline the partnership agreement.

He noted that Lulima would be required to successfully complete conditions of the partnership agreement prior to the lease becoming binding. These conditions would include completing the public private design with public participation, approval of their application to Placer County and Tahoe Regional Planning Agency, Lulima's proof of funds, and completion of construction of the new facility. Only after all conditions of the partnership agreement are met would the lease and right to use the building begin. In no way would the public lose ownership of the Center.

David Ferrari addressed the group regarding the sale of his property, his family's history in the area who had first settled in the Reno before buying the Crown property. He spoke about public private partnerships in the area and stated that he believed that this type of partnership is necessary to accomplish big things in small communities. The Boys and Girls Club of North Lake Tahoe is a great example.

Questions and comments asked during the meeting are available as part of the adopted February 25, 2016 Board of Directors/Recreation and Parks Commission Joint Meeting minutes on the District's website. A copy of the comments, questions and District answers also follow this press release.

The next meeting of the NTPUD Recreation and Parks Commission will be held on Thursday, March 24, 2016 beginning at 5:30PM at the North Tahoe Event Center in Kings Beach. NTPUD Recreation and Parks Commission meetings are typically held on the 4th Thursday of the month and open to the public. All those interested in recreation and parks are encouraged to attend.

The next meeting of the NTPUD Board of Directors will be held on Tuesday, April 12, 2016 beginning at 2:00 PM at the North Tahoe Event Center in Kings Beach. NTPUD Board of Directors meetings are typically held on the 2nd Tuesday of the month and the public is encouraged to attend.

Information on NTPUD Commission and Board meetings, including agendas and packets, may be obtained on the District's website, www.ntpud.org.

The North Tahoe Public Utility District provides sewer and water service to the residents of Kings Beach, Tahoe Vista, Carnelian Bay, Cedar Flat and Agate Bay. The North Tahoe Regional Park, Tahoe Vista Recreation Area and Boat Launch and North Tahoe Event Center are owned and operated by the District and provide recreation opportunities to residents and visitors.

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Approved By: Duane Whitelaw, General Manager

**Questions asked by the public and answered by the District at the
Joint Meeting of the North Tahoe Public Utility District Board of Directors and the
Recreation and Parks Commission**

February 25, 2016

Questions asked by the public.

- Who is Laulima Development LLC?
NTPUD has reviewed numerous websites. Upon receipt of a proposal the Board chooses to pursue, a more thorough vetting process will occur.
- Who is the real buyer?
No agreement would result in the District selling the building. The building and the property will continue to be owned by the District.
- How long can we expect before there will be a decision?
The timeline will be decided by the Board of Directors. A written proposal from Laulima Development LLC is expected in late March and will be discussed at the April 12 Board of Directors meeting.
- What happens if they put money in, stay here for a certain amount of time and then they leave?
This scenario will be addressed as a negotiating point in the legal agreement.
- Do we need/want to make a profit?
Public service is different from pure profit based business models. The NTEC falls somewhere in between. Fees for community use are subsidized creating a shortfall too great to be covered with profitable events, i.e. weddings. These losses at the NTEC must be covered by reserves which are now depleted. This is impacting our ability to operate and maintain our other Park facilities.

- Maybe we should we lose money?
If the District did choose to lose money, funds still needs to be available to cover the loss and pay bills, employees, etc. Funds to cover those losses would have to be accomplished by a tax increase at this point in time.
- Were weddings, catering and such eliminated because they are no longer reflected in the budget?
No. Weddings and a percentage to the District for catering have continued, but the way they are reflected in the budget has changed over the years. Wedding are our most profitable event.
- If there was different structure for operating maybe it could be successful?
The District has tried numerous operating structures over the years; from a fully staffed sales and marketing department to bare bones staffing. The amount of the losses may have differed slightly, but there were mostly losses in each configuration. The District must finally decide between a formal partnership such as proposed by Lualima or asking for a vote by the public to increase taxes. A combination of the two may be an option as well. Affordability and community access are the benchmark for NTPUD and realizing a profit for the private side of the partnership being theirs.
- Do people know that the Event Center is in this problem?
This is an issue the District has been talking about for many years. In 2006 a study funded by the North Lake Tahoe Resort Association was done with findings provided to residents via the District's newsletter and discussions at the Board meeting. These challenges were also addressed during the Recreation and Parks Master Plan and the survey that was completed in 2009. The problems are publicly discussed during each budget cycle. Monthly financial reports show the financial status of the Event Center, Parks Department and all the departments as part of our Board packet available on our website, www.ntpud.org Public forums over opportunities such as proposed by Lualima also present a chance for the NTPUD to discuss recreation shortfalls.
- What if it loses for more than a year?
This is a risk for the developer and not the District. This risk would be addressed as a negotiating point in the legal agreement.
- Is there a pool of money that can help keep this afloat?
This is a business decision of the developer. There would not be a pool of public dollars used to keep the Center open. Failure of the operator would eventually lead to the public taking back the Event Center that is full refurbished.

Statements from the Public:

1. Pete Todoroff – Get a good marketing person. Dropping money into a new building is not a good investment. Make use of what you have. Get a consultant that will tell you what you can do to improve your facilities.
2. Joe Huelle – The economy is changing. This used to be a tourist community with hotels and these hotels have turned into rentals. Insist that hotels are turned back into tourist units.

3. Ann Nichols – Who is Laulima Development LLC? Who is the real buyer? Need to go slow and be careful. Put it out to proposal. Worried about attorney's fees. Funding is a huge concern.
4. Fred Hodson – Make sure to cover all bases and fully vet the proposal.
5. Regina Straver – Short sighted, premature, huge mistake. Give more time for the KBCCIP to work its magic. Who knows what the future may bring? Look at the legal issues and costs of exploration.
6. Pam Berger – Review of all the partnerships that the PUD has been successful, Field 5, playground, disc golf, and dog park. Partnerships do work and not afraid of one. How long can we expect before there will be a decision? Developers can't wait forever.
7. Ryan Wexler – Thanks for laying out the situation. What happens if they put money in, stay here for a certain amount of time and then they leave? District is now responsible for maintenance more expensive building. Wait and see who Laulima is after they develop the hotel. Partnership for profit is different than those that have been explained which are not for profit. Do we need/want to make a profit? Maybe we should we lose money? Building has value by itself. This is the death con 5 solution and we should try 1 – 4 first. Go to public bid to get the most you can.
8. Jim Schneider – I think it's positive that you are looking at alternatives to keep it going at a neutral level. Make sure local discount is affordable. Concerned that community will lose some of their shoulder season enjoyment.
9. Joy Doyle – NTBA – Can't voice support or opposition but look forward to exploring it with community, Laulima, Board, and members. Ask people to be engaged. Advocate for open and transparent process. In alignment with Kings Beach Visioning Principals as reflected in the 2013 Vision Process.
10. Kay Williams – Granlibakken manages Franciscan Lakeside Lodge. Were weddings, catering and such eliminated because they are no longer reflected in the budget? It was explained how budgeting has changed. If there was different structure for operating maybe it could be successful? Make sure that if they are not successful the community won't be left with a shell. We should support Dave Ferrari. Granlibakken submitted a letter because they believe other opportunities should be explored to make it succeed before you give it away. Enhanced marketing.
11. Leah Kaufman – Believe that some deficit in the last few years is due to KBCCIP and losing parking. Do people know that the Event Center is in this problem? Many Event Centers exist with subsidy. Concerned with the size and financing to keep it affordable and accommodate community. What if it loses for more than a year? Is there a pool of money that can help keep this afloat?
12. Steve Harrison – If it's losing money and they want to take it over, it seems like a good proposal. Support Dave Ferrari.
13. Jake Hudson – Has the potential to be a great opportunity for Kings Beach and all of North Lake Tahoe and a win-win for all stakeholders. NTPUD would be letting down rate payers and communities if you don't look at this as an opportunity and explore it some more.
14. Dave Herzog – Agrees with Jake's comments. Great chance to look at something new for this facility. Want PUD to look at proposal.
15. Mark Sura – Congratulations Dave. Welcome to the community, Laulima. Do you put up walls to your neighbors before you meet them? It's a new vision for the community and a good one. Congrats to the PUD for looking at things because it's currently not working. A good thing for the community. Vote of confidence all the way around.
16. Theresa May Duggan – Applause to Mark, Dave, Jake and Joy Doyle for their comments. I am curious to learn more information. So impressed and applaud PUD for being open, transparent

and inclusive tonight. Let's give it a chance, the devil is in the details. It can be worked out. The RFP should include audited TOT returns for anyone that would go into partnership with the PUD.

17. Judy Layton – Parking is a real problem and needs to be addressed.

18. Meera Beser – Want to see some work done on Dave's property. Like that you're looking at it. Worried about the giant hole that lived in the S Shore. Don't want to see us stuck in the economic mire. Let's do what we can do today to improve economic output of this building. Let's go forward and see what they have to offer.

Board of Director and Recreation and Parks Commission comments will be reflected in the minutes after approval.