

FREQUENTLY-ASKED QUESTIONS ABOUT THE REPORT OF THE ACCOMMODATIONS TASK FORCE TO THE LAKESIDE BOARD OF DIRECTORS

1Q: How is the historic preservation and modest expansion of the Hotel Lakeside related to Lakeside's Chautauqua mission?

A: Lakeside is often introduced to new individuals and families through short-term rentals. Cottage rental availability is declining and rental rates are rising, excluding many from enjoying Lakeside. As currently configured, Lakeside's two hotels are not proving attractive for many who would like to experience Lakeside. Across the nation, every Chautauqua that has failed has first experienced the collapse of its hotel. Historically, the Hotel Lakeside, in particular, has been one of the important ways that newcomers have been exposed to Lakeside and its Chautauqua program.

2Q: Are there any financial advantages to Lakeside in addressing the renovation needs of the Hotel Lakeside and the Fountain Inn?

A: The Lakeside Board of Directors continues to look for ways to temper increases in the gate fees and other charges to Lakesiders while sustaining the quality of programs and infrastructure. The report of the Accommodations Task Force indicates that the improved hotels can achieve revenues to defray the net cost of their renovation, invest in future upkeep, and provide a reasonable profit that can be applied to other areas of Lakeside's program and mission.

3Q: What's the current usage of the two hotels on the grounds?

A: Though the hotels come close to filling on some mid-summer weekends, there is no time when they reach as much as 50% occupancy for a full month. For much of the summer they are rarely more than a third full and there is even lower occupancy in the "shoulder" seasons of spring and fall. Repeated surveys indicate that individuals and families WANT to stay in the hotels, but find the rooms unattractive and ill-configured. In the Hotel Lakeside, few rooms will accommodate a family of four and some are entirely without bathrooms. Neither hotel produces sufficient income for long-term maintenance and capital improvement of the properties.

4Q: Why do we think that a renovated Hotel Lakeside (and refurbished Fountain Inn) will attract more guests?

A: Both surveys of current and prospective Lakesiders indicate considerable interest in the use of the hotels for families or guests if properly renovated. Studies of other area hotels suggest strong demand on the peninsula for hotel accommodations. The Hotel Lakeside was recently voted to have the best hotel window view in the state by readers of *Ohio* magazine, and "heritage tourism" to historic places is the fastest growing piece of the national travel market. Lakeside's success in repeatedly hosting the

Midwest Birding Symposium indicates the demand of groups that can be met with a hotel with better guest rooms and meeting spaces. Travel consultants suggest that in the fall, winter, and spring, the Hotel Lakeside could be a strong draw for the so-called SMERF (Social, Military, Educational, Religious, and Fraternal) market.

5Q: Will the “footprints” of the hotels change much?

A: Renovations to the Fountain Inn are primarily cosmetic or deal with furnishings and amenities. The footprint remains the same (although some guest rooms turned into Lakeside offices in recent years will be reclaimed). A careful historic restoration of the exterior of the Hotel Lakeside is proposed, including, if possible, restoration of the 2nd story porch. Guest rooms will be reconfigured throughout the historic hotel, resulting in fewer rooms but ones capable of comfortably accommodating guests. The Task Force proposes a 3-story L-shaped addition, architecturally conforming to the historic hotel, across the south (back) side of the hotel and along the west side to the current kitchen, fully enclosing the courtyard. The ground floor of this space would provide a new check-in area and at least two meeting rooms with pre-function areas in the adjacent foyers. New guest rooms above would bring the total number of rooms available in line with the current number of the hotel but capable of handling a modestly larger number of guests—and in much greater comfort.

6Q: Will these become luxury hotels out of the financial reach of many?

A: Currently, the hotels are only able to charge very modest rates, well below the market for even Marblehead Peninsula hotels like the Holiday Inn Express next to McDonalds at the intersection of Routes 53 and 163. The renovated hotels should be able to provide much better value and can sustain increases in rates during the seasons. The shoulder seasons, which will be marketed to groups as well as individuals, may sustain much stronger rates than current. Access is an important principle for Lakeside, and the Fountain Inn, especially, will be able to provide bargain accommodations.

7Q: Did the Accommodations Task Force explore other configurations for the hotels as well as entirely replacing them?

A: Over the past three years the Accommodations Task Force and its predecessor working group explored many different options. The proposal that it has taken to the Lakeside Board of Directors, developed with the input of professionals in historic preservation, architecture, travel marketing, hotel management, seems to be for the size that can be afforded, is self-sustainable, produces reasonable financial returns, and meets Lakeside’s needs. The Board of Directors does not favor totally replacing the two hotels for practical, missional, and historical reasons. The “bones” of the Fountain Inn are sufficiently sound to allow for a cost-effective refurbishment, while the Hotel Lakeside is simply an iconic center of our Lakeside Chautauqua, the institutional facility that dates back almost to Lakeside’s beginning. A significant part of the financing available for hotel renovation is ONLY available for preserving historic structures. Preservation of the Hotel Lakeside has brought Lakesiders together In

common effort for decades; a proposal to raze it forty years ago led to the foundation of the Friends of the Hotel Lakeside, whose legacy we all enjoy.

8Q: Why can't Lakeside simply renovate the existing Hotel Lakeside without making any additions?

A: In order to reconfigure guest rooms to comfortably accommodate families and include modern bathrooms, the total bed-count in the historic hotel actually DECREASES—to the point where the project will not pay for itself or be economically viable. To be feasible, the infrastructure costs (foundation work, HVAC, plumbing, etc.) need to be spread across a larger number of rooms that only an addition can provide. To achieve occupancy goals outside the summer season, it will be essential to have more meeting space than is available in the current hotel footprint.

9Q: Speaking of financing, how can large projects like these be addressed?

A: The feasibility study put before the Lakeside Board late this spring proposes that the refurbishment of the Fountain Inn can be accomplished with regular budgeted capital improvement funds. The renovation and enlargement of the Hotel Lakeside requires other funding sources. It is proposed that a portion be defrayed by pursuit of historic preservation tax credits made available on a competitive basis by the state and federal governments. Additionally, the task force recommends that the Lakeside Board of Directors identify the project as a philanthropic opportunity for Lakesiders with a special interest in the Hotel Lakeside. A regular bank mortgage would be sought for a majority of the project, and a small portion might be available to individual investors, Lakesiders or others. Obviously, the project, even if approved in some form by the Board of Directors, can only go forward if each of the financing pieces are put in place in ways that conform with the financial model that make the project feasible.

10Q: So how can a not-for-profit entity like Lakeside utilize tax credits and operate hotels that, if successful, will run at a significant profit?

A: Legal counsel advises that the tax credits will have to be “sold” to for-profit investors who can benefit from them. The Accommodations Task Force has recommended to the Lakeside Board of Directors that a Limited Liability Corporation, separate from Lakeside but controlled by Lakeside, which is able to earn significant revenue from a business, be created to own the Hotel Lakeside. A second LLC under the control of Lakeside would operate the hotel. What is fundamental is that the Lakeside Association would control these entities.

11Q: Is the Task Force or the Board of Directors aware of any down-side risk to undertaking a major project of this kind?

A: The Board of Directors takes the financial security—as well as control of the hotel property—very seriously. It has to ask hard “what if” questions about the ability of the renovated and expanded Hotel Lakeside to meet the financial targets necessary to meet its financial obligations. The Accommodations Task Force has provided detailed scenarios of operations that the Board is studying to assure itself that it

any financial obligations contracted can be met. The Board also wants to know what happens if actual operations should fall short of projections. The Board will not want to go forward with any plan unless it can be sure that control of the hotel and its operating policies remain under the control of Lakeside. In short, contingency plans are essential.

12Q: Why does the Task Force report recommend that the operator of the Hotel Lakeside offer limited alcoholic beverage service and just what does that mean?

A: After a great deal of study and consultation with hospitality professionals as well as with sister Chautauquas, the Task Force recommended that the Hotel Lakeside restaurant, and only the Hotel Lakeside restaurant, make available beer and wine as beverages with food purchases. It also recommended that group meetings and receptions utilizing hotel meeting space be able to serve beer and wine with food. It made these recommendations based upon studies by our consultants. It should also be noted that the other U.S. and Canadian Chautauquas offer some form of beverage service to serve guests and attract groups.

13Q: Does this proposed beverage policy for the Hotel Lakeside presage other changes to alcohol policy in Lakeside?

A: The Board of Directors has been clear to the Task Force that no other policy change will be considered, and the Board is insistent that Lakeside remain a safe and wholesome family environment. Of course, this will require explicit and enforced hotel/restaurant policies as well as expectations for patron conduct in line with the expectations we all have for one another at Lakeside. The proposed beverage policy applies only to the hotel and any contiguous patios and does not include the front lawn/lakefront area. The full Board has already had some discussion about whether or not wedding receptions where alcohol is served should be excluded during the Chautauqua season. Community feedback on issues like this is helpful.

14Q: Why is a plan for the hotels being looked at now?

A: The 2008 strategic plan for Lakeside, approved by the Board of Directors, identified accommodations—including hotels, cottage rentals, and group housing—as a priority area of concern. Both hotels have had piecemeal renovations in the past, but neither has been addressed in a comprehensive and business-like fashion. In 2015, our beloved Hotel Lakeside will reach 140 years old and can't wait much longer for its needs to be addressed. Even if the Board of Directors acts on some version of the Task Force recommendation, it will be several years before a project is completed. It does not seem responsible to keep kicking the hotel issue down the road.