

Feds Final Folly: The Destruction of Steele Park Resort
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Public Law 96-375's unintended destructive consequences become visible. As the Bureau of Reclamation's Katrina-like process at Lake Berryessa lurches on to an unknown resolution, local residents and previous lake recreation users are fed up with the Feds. This was made clear to Supervisor Diane Dillon at the latest Berryessa Highlands community meeting. Both Supervisor Dillon and Congressman Mike Thompson are clearly frustrated by their apparent helplessness to do anything about Reclamation's lack of progress in signing the new contract for the five major west shore resorts. The Steele Park Resort contract is especially important since it has a major impact on the water and sewer rates for Berryessa Highlands residents.

Four of the resorts have been closed since the middle of last summer. Steele Park is shutting down soon and will be demolished during the next nine months. The Pensus Group was chosen last May to manage these five resorts, but Reclamation has been unable to finalize a contract with them since that time. In several public statements, Reclamation claimed that there would be a smooth transition and recreation services would be only minimally affected as the resorts were all upgraded and improved. Tragicomically, this has not happened, although the Reclamation refrain has remained, "We are making good progress and expect the contract to be signed soon." The first such statement was made in May, 2008 and last publicly-stated deadline expired last week with no action.

Why did this happen? Follow the money. The table below gives the annual revenue of each of the five Pensus-designated resorts as well as its appraised value. These figures are from public documents that were part of the bid process. Under normal circumstances in the transition of a business ownership, the new owner would pay the previous owner fair-market value for its permanent facilities as well as for other property and equipment it might want to keep. This approach is actually codified in Public Law 96-375: "...if a new concessionaire assumes operation of the concession, require that new concessionaire to pay fair value for the permanent facilities to the existing concessionaire."

But this would mean that the entry cost for any new concessionaire would be \$32M. They would then have to make major capital improvements costing tens of millions more. And all this for resorts that had only produced a previous GROSS annual revenue stream of about \$12M. At least \$4M of that revenue had been rental payments from the long-term mobile home owners - essentially pure profit since the resorts provided almost no services to those tenants.

Resort	Annual Gross Revenue	Reclamation Appraised Value	Mobile Home Revenue	Mobiles: % of Total Revenue
Berryessa Marina	\$1.61M	\$3.3M	\$0.76M	47%
Putah Creek	\$1.03M	\$4.15M	\$0.38M	37%
Rancho Monticello	\$3.32M	\$11.22M	\$2.1M	63%
Spanish Flat	\$2.09M	\$4.06M	\$0.78M	37%
Steele Park	\$2.62M	\$9.59M	\$0.66M	25%
Total	\$12.61M	\$32.32	\$4.68M	37%

Not only would any new owners be faced with a major capital investment program, but at the same time 37% of their pure profit was also eliminated. This is a tough financial nut to crack during a contract term set by Reclamation of only 30 years.

Reclamation's solution to this dilemma was to re-interpret Public Law 96-375 and, despite its own appraisal, declare the present facilities of no value to the incoming concessionaire, and require the present resort owners to remove or demolish everything, including restaurants, motels, launch ramps, roads - back to bare ground.

In a May 19, 2008, letter Reclamation stated: "Based upon evaluation of the successful proposal and subsequent confirmation with the successful offeror, The Pensus Group LLC, Reclamation has determined that all permanent facilities in your Resort concession area must be removed by the end of the concession contract." Of course, since this was impossible to accomplish by the end of contracts, which expired for some resorts in only two months, Reclamation asked for a demolition plan. At least one submitted plan gave a timeframe for completion of many years.

The fallout from this debacle has been very damaging to the local Lake Berryessa community. The resorts provided hundreds of jobs. Steele Park Resort had a payroll of 50 people during its summer operations. When Steele Park essentially ceased most operations at the end of last year, Capell Valley Elementary School lost about 10 students, bringing its enrollment to less than 50 students. The Napa Valley Unified School District is preparing to close the local school and bus the children to the City of Napa every day.

But the closures also impacted many local and other Napa County businesses. Favorite restaurants have lost 40% of their business. Local service businesses have also lost 30%-40%, some up to 50%, of their revenue. Just one closed resort, Rancho Monticello, has eliminated approximately \$500,000 worth of purchases from local and regional suppliers annually. This doesn't include the loss to Reclamation of \$105,000 per year in franchise fees from the resort.

The real tragedy is that none of this ever had to happen. During the controversial government process that led up to the present situation, several common-sense plans were proposed, LBVSPT A+ and the Resort Operators Plan, which would have accomplished the goals of improving all the resorts without destroying them first. At least one of the bidders for the new concessions, the Lago Group, a consortium of present concession owners and local business people, would have kept these five resorts open. But their bid was apparently disqualified on a technicality.

Steele Park Resort was arguably the best resort on the lake. It has one of the best views from its older but well-kept restaurant. The mobile homes blended with the environment with their subdued "Steele Park grey" mandatory color. They were well-maintained with expensive interior upgrades - some selling for up to \$100,000 only 5 years ago. Their owners would have given them to the new concessionaire for free to be used as upscale short-term rentals under the new contract. Instead, mobile home owners are paying \$3,000 to \$5,000 to demolish them and the demolition continues at a swift pace. Once again real people's lives and livelihood have been seriously damaged - with no end in sight.

