

**FINAL
SONOMA-MARIN FAIRGROUNDS AND EVENT CENTER
ASSESSMENT REPORT**

Prepared for:

**City of Petaluma
California**

Prepared By:

**RCH Group, Inc.
A. Plescia & Co.**

September 16, 2015



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Note: The County Assessor’s Parcel Map (Appendix B) for the Fairgrounds shows that the overall site contains two separate parcels totaling 63.5 acres. The 55.5 acres referenced throughout the Assessment is based upon calculations derived from scaled aerial maps by the Consultant and does not include acreage associated with either the swim complex or library; both of which are included in the County’s 63.5 acre description of the overall property.

I. INTRODUCTION AND PURPOSE

The City of Petaluma ('City') retained the RCH Group, Inc. ('RCH') to prepare a preliminary assessment ('Assessment') of the existing Sonoma-Marín Fairgrounds and Events Center to help the City explore possibilities for expanded use of the 63 -acre City-owned Fairgrounds property (of which 55.5 is dedicated to the Fairgrounds and the remaining acreage is set aside for the swim center and the Library) ("Fairgrounds"). The intent of the preliminary assessment is to help the City better understand the opportunities and constraints associated with the future development and use of the Fairgrounds, and help define the potential highest and best uses of the Fairgrounds, taking into consideration the need to accommodate the annual Sonoma-Marín Fair – as a means to assist the City in its negotiations with the 4th District Agriculture Association ("DAA") about the long-term use and management of the property.

The basic assumptions identified by the City at the initiation of the Fairgrounds assessment included the following:

- The property would continue to be available to serve as the site of the five-day Annual Fair;
- This assessment would begin to address questions as to how the Annual Fair might be structured on the property and how the Fairgrounds property could be used for other events and uses;
- The City wishes to increase "meaningful" public access to the property;
- The City does not seek to develop the Fairgrounds as a retail complex, but does seek to understand other development opportunities which could generate revenue. A small amount of retail could be considered if it supports a larger purpose on the Fairgrounds, and;
- The City seeks to understand the property's revenue opportunities.

Additionally, the City provided a list of potential new uses to analyze in light of the abovementioned assumptions. These uses included the following:

- Sports activities, professional and amateur, and corresponding facilities such as soccer, baseball, lacrosse, hockey, etc., and adjoining or support hospitality services and venues;
- Consumer shows, trade shows, etc.

- Agriculturally themed events and activities such as farmers’ markets, sustainable and local food products, etc.;
- A demonstration facility for local food producers where small-scale food production and small scale retail is combined as a tourist “Farm to Table” experience;
- A hotel capable of hosting conventions;
- Name-entertainment concerts and other potentially revenue-generating entertainment events; and
- Others, as identified which in this case include multi-family residential (rental) uses.

Due to the size constraints of the property, the existing racetrack and charter school were not included in the future land use scenarios for this Assessment.

The land uses studied are for the most part unique or one of a kind niche industries that are more operator than market driven e.g. the owner / developer must create a user experience that draws from a larger market than the city itself and market the facility as a unique “place to go”. Such operator driven uses and activities work well in concert with the requirements of a renewed and reduced fair footprint, however, a more detailed market analysis would be required to assure that the market demand would support these uses and that the fair could operate on a smaller or shared use footprint.

This Assessment is based on various existing available data, reports, plans and other information provided by the City, the DAA and other secondary sources. A list of the major data, information and documents used in the preparation of the Assessment is included as Appendix A to this report.

II. PRELIMINARY FINDINGS AND CONCLUSIONS

1. Based on site observations during the 2014 Annual Fair, approximately 41.2-acres are used to host the Annual Fair (16.2 of the 41.2 acres are used for parking).
2. The existing footprint of the area used by the DAA could potentially be reduced through shared parking, shared buildings, new, more efficient buildings and flexible open space layouts. This study presents possible approaches that would require discussions with DAA staff, further study, and design to assure feasibility.
3. If the size of the property used for the Annual Fair were reduced, the property could support new development of non-Fair uses including a) specialty retail (artisan district) that would include a platform to showcase locally grown/produced agricultural/dairy products, locally distilled spirits (wine, beer, whiskeys), affiliated farm to fork restaurants/taverns,

affiliated educational forums, venues for local/regional entertainers, outdoor space for local events/festivals, flexible open space areas; b) multi-family residential that would provide a transition to the residential neighborhood west of the Fairgrounds property; and c) hotel / lodging that would include meeting, banquet and conference space facilities.

4. The City currently receives an annual lease payment of \$1.00 per year from the DAA for exclusive use of the 55.5-acre Fairgrounds property, with the existing agreement in effect through the year 2023. The property could have a market value of \$250,000 to \$650,000 per acre (depending on the type and extent of non-fair development) if developed with the uses described above in Item 3 above. Alternatively, the property could generate \$245,000 to \$671,000 in new annual ground lease revenue if the property were leased instead of sold, for uses described in Item 3 above.
5. The Fairgrounds property could generate an additional \$640,000 to \$850,000 in new annual public tax revenue (property tax, sales tax and transient occupancy tax) if developed with the uses described above in Item 3.
6. Currently, the DAA is earning \$703,887 annually through non-Fair interim events held on site and by ongoing leases of property and buildings.
7. If the Fairgrounds property were kept under City ownership and management, private development could fund the infrastructure, development and construction cost of a reconfigured property, including the cost of the open space needed for the Annual Fair.

III. BACKGROUND

A. Location and Context of Fairgrounds Property

The existing Sonoma-Marin Event Center and Fairgrounds is a 63 -acre City-owned property (of which 55.5 acres is dedicated to the Fair) located on E. Washington Street between Kenilworth Drive and Payran Street. The Fairgrounds property includes a number of existing buildings and facilities used for the Annual Fair and non-Fair interim events. Figure 1 shows the Fairground's relationship to major highways, bus routes, other developments, the river and downtown area.

Adjacent uses (Figure 2) to the Fairgrounds include a new retail center to the northwest along Kenilworth Drive featuring nationally brand named outlets, an aquatic center and library to the northeast fronting on E. Washington Street, single family detached homes along Payran Street, and a variety of light industrial uses to the southeast. The Fairgrounds is close to the Redwood Highway (Highway101) and has good access to and from Highway 101 vis-à-vis the E. Washington Street interchange.

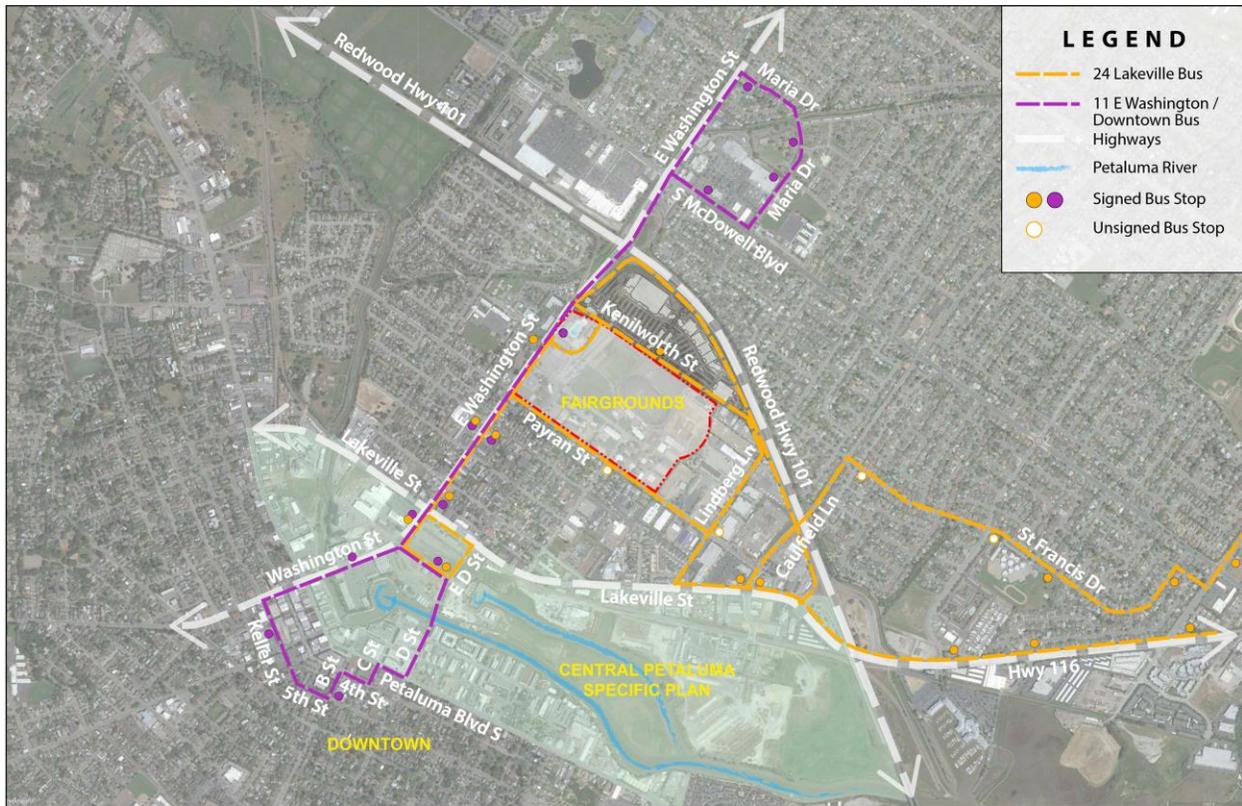


Figure 1: Site Context



Figure 2: Existing Land Use

The Fairgrounds proximity to the newly built retail center and Highway 101 could support development that would draw from the larger region than the development planned for the Downtown or Turning Basin. The Fairgrounds is also only four blocks away from areas planned for development associated with the Central Petaluma Specific Plan and proposed transit center - a potentially major activity node (see Figure 2).

B. City and DAA Lease Agreement

The City and DAA entered into a 25-year lease agreement in 1973 for use of the 55.5-acre Fairgrounds property. Under the terms of the lease, the DAA pays the City \$1.00 per year as payment for the DAA’s exclusive use of the property. The initial lease term was extended by the parties in 1998 for an additional 25 years, therefore the existing lease agreement expires in 2023. The extension of the lease agreement in 1998 retained the same \$1.00 per year lease payment to the City. Over the period of the lease agreement the City and DAA have agreed to several amendments to the original lease agreement related to the acreage of the Fairgrounds under lease to the DAA.

IV. EXISTING USES OF FAIRGROUNDS PROPERTY

A. Annual Fair

The annual five-day Sonoma-Marin Fair is conducted on the Fairgrounds in June each year. During the Annual Fair the property is used almost entirely for Fair purposes with exception of the existing speedway.

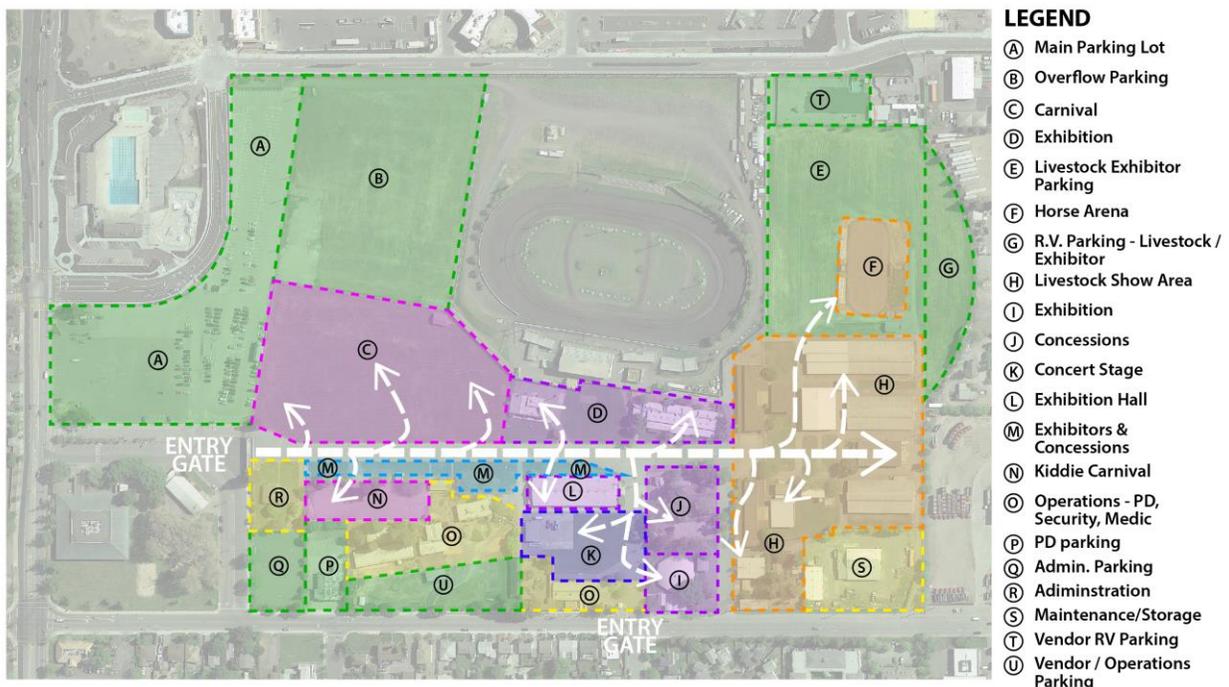


Figure 3: Fair Time Use of Fairgrounds

Figure 3 presents a graphic showing how the Fairgrounds is used during the Annual Fair time. Annual Fair attendance has been relatively stable over the past ten years.

Table 1 presents a summary of the annual Fair attendance (both paid and total) for the period from 2004 to 2013.

Table 1		Paid Attendance		Total Attendance	
Annual Fair Attendance (2004 to 2013)		Total	% Change	Total	% Change
Year					
2004		37,892	-14%	57,053	-11%
2005		42,493	12%	60,589	6%
2006		37,035	-13%	52,990	-13%
2007		42,538	15%	60,227	14%
2008		39,762	-7%	57,872	-4%
2009		40,398	2%	58,996	2%
2010		41,175	2%	60,281	2%
2011		42,770	4%	61,074	1%
2012		44,751	5%	62,550	2%
2013		42,829	4%	60,568	-3%

Source: 4th District Agricultural District; RCH Group, Inc.; A. Plescia & Co.

Table 1: Annual Fair Attendance 2004-2013

B. Non-Fair Interim Events and Leases

The DAA generates approximately \$703,887 annually through long term leases of property, daily rentals and services (Table 2). Currently there are nine active leases including: a) speedway and related parking; b) Children’s Workshop Preschool; c) Live Oak Charter School; d) Airport Express, Park and Ride; e) Java Hut f) Goodwill g) Skip Domingo’s Auction; h) paintball; and i) Play Dog Play (see Figure 4).

A number of the existing buildings and facilities on the Fairgrounds are used for non-Fair interim events including: a) Herzog Hall; b) Beverly C. Wilson Hall; c) Main Parking Lot; d) Carnival Lot; e) Stage and Park; and f) Dairy Show Ring (see Figure 5). The frequency of annual use varies significantly among the seven buildings and facilities ranging from once a year (e.g. Dairy Show Ring) to over 80 times per year (e.g. Herzog Hall) for 2013.

**Table 2:
Summary of Fairground Buildings - Non-Fair Uses
and Annual Revenues (2014)**

Facility/Service	Size	Non-Fair Use	Annual Revenue
Leases			
Arts & Crafts Building	14,250 SF	Children's Workshop Preschool	\$ 24,679
Community Building	20,840 SF	Live Oak Charter South	\$ 136,500
School Complex	1.77 acres	Live Oak Charter North	
R.O.P. Building	NA	Live Oak Charter South	
Main Exhibit Hall	32,300 SF	Skip Domingo's Auction	\$ 72,818
Main Parking Lot	0.36 acres	Goodwill Industries	\$ 3,850
Main Parking Lot	5.17 acres	Park & Ride, Airport Express	\$ 66,575
Main Parking Lot	0.20 acres	Java Hut	\$ 37,600
Livestock Parking Lot	5.29 acres	Playland Paintball	\$ 34,800
Statellite RV Park	1.31 acres	Play Dog Play	\$ 22,800
Race Track	11.91 acres	Auto racing March - October	\$ 90,049
Subtotal			\$ 489,671
Daily Rentals			
Beverly Wilson Hall		Daily rentals	\$ 24,301
Herzog Hall		Daily rentals	\$ 98,795
Grounds			\$ 86,070
Carnival Lot		Daily rentals (School PE)	
Behren's Park		Daily rentals	
Grove Area		Overnight RV parking	
Barn Area		Cattle shows, animal events	
Parking Lot B		Overflow/race track parking	
Main Stage & Lawn		Daily rentals (School PE)	
Maintenance Yard		Storage & caretaker home	
Concourse & Streets		Vehicle & pedestrian access	
Subtotal			\$ 209,167
Miscellaneous Non-Fair Programs			
Miscellaneous		Miscellaneous	\$ 5,050
Subtotal			\$ 5,050
Total			\$ 703,887
Source: 4th District Agricultural Association; City of Petaluma; RCH Group, Inc.			

Table 2: Fairgrounds Buildings – Non-Fair Uses and Revenues

The Sonoma-Marin Event Center and Fairgrounds property is used for a variety of existing uses including the Annual Fair, various non-Fair interim events and several ongoing on-site leased uses. Based on the provisions of the existing lease agreement between the City and DAA, the DAA is solely responsible for operating and managing the existing uses on the Fairgrounds property, and is responsible for all ongoing maintenance and capital improvements to/on the property. Figure 6 presents observations about the existing uses of the Fairgrounds property, including usage of buildings / facilities, physical conditions, accessibility, etc.

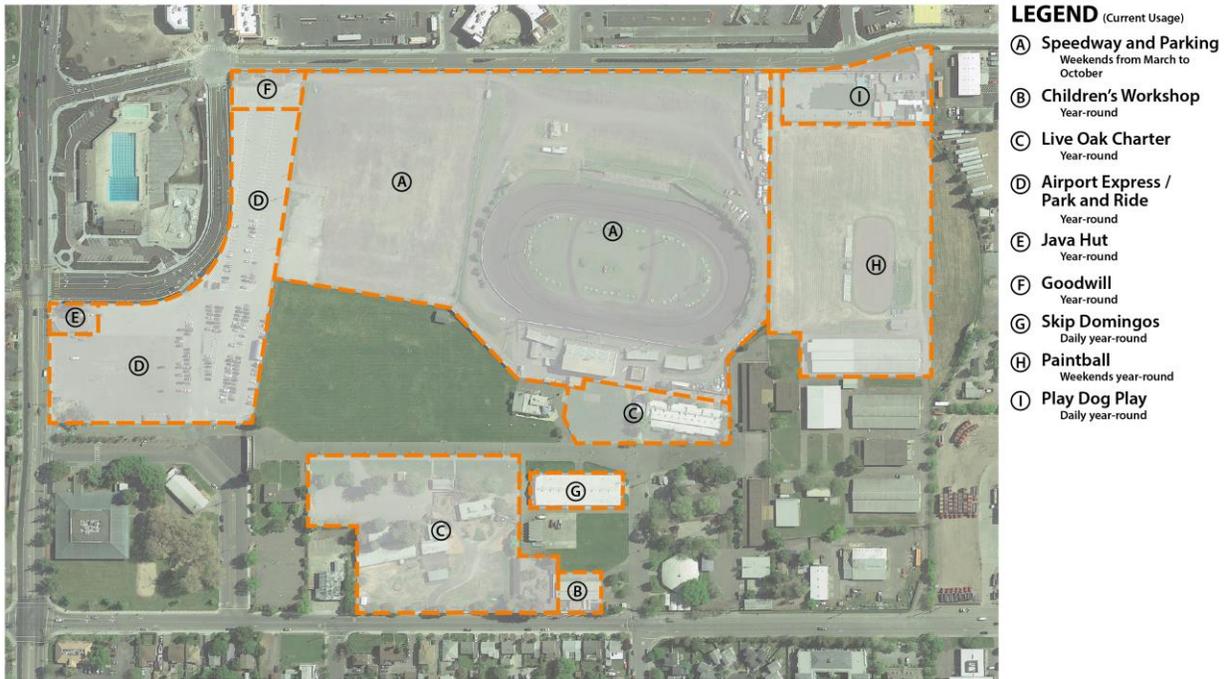


Figure 4: Long-Term Leased Lands



Figure 5: Non-Fair Interim Uses

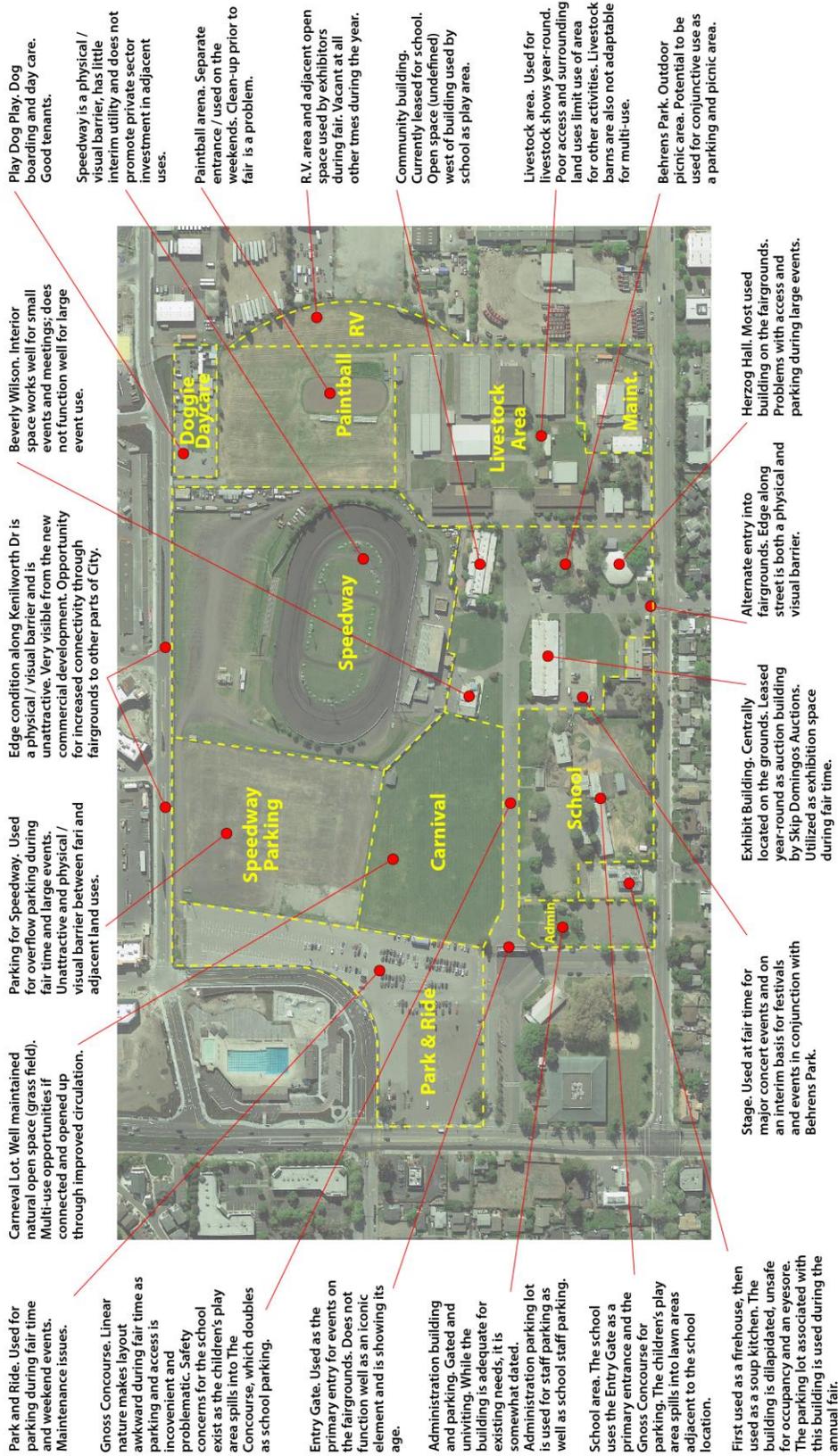


Figure 6: Site Observations

V. PRELIMINARY CONCEPTS FOR OVERALL SITE UTILIZATION

A. Overall Themes Related to Future Use of the Fairgrounds Property

The proposed primary themes related to the potential future use of the Fairgrounds property include the following:

- *Ongoing Annual Fair Use*, a redefined Fairgrounds area that allows the DAA to operate the Annual Fair consistent with the DAA mission. The structure of the City and DAA Lease Agreement would need to be re-structured to redefine both the area and the prescriptive use of land by which the DAA operates.
- *Introduction of Demonstration and Retail Sale Activities Showcasing Sonoma County*, public/private development of an “Experience Sonoma County” facility that could be used to showcase Sonoma County products, e.g., cheese, wine, beer, olives, creamery, etc. The intent would be to demonstrate how such products are made and provide for retail opportunities within the facility, much like the Barlow concept in Sebastopol.
- *Introduction of Meeting, Event and Conference Activities*, private development of an on-site hotel with meeting, banquet, event and conference space. The meeting, banquet, event and conference space could be made available to the DAA during the Annual Fair.

B. Considerations for a Redefined and Reconfigured Fairgrounds Area

RCH attended the 2014 Annual Fair to see how the DAA uses the facilities and property during Fair time. The observations and analysis resulted in the following conclusions:

- Approximately 22 acres of the Fairgrounds is used for the Annual Fair event, including 12 acres for core events, 3.6 acres for the carnival and 6.5 acres for the livestock area – equestrian ring.
- Parking for the Annual Fair includes all of the Main Parking lot (5.7 acres); Lot B (5 acres); 2.1 acres south of the core area used for administration, police, security and vendor parking; as well as 3.4 acres of open space east of the livestock area totaling approximately 16.2 acres. The general public does not use the area east of the livestock area.
- The 2014 layout of the Annual Fair did not provide any pedestrian points of ingress or egress east of the Fairgrounds. As such, there was very little impetus for people to park

in the retail center and walk to the Fair, given the distance. In addition, center management had put out signs asking fairgoers to park elsewhere.

It also appears that a significant amount of fair attendees avoid close-in parking (for a fee) entirely by parking in the surrounding neighborhoods, where there appeared to be ample supply within a three or four block area of the Fairgrounds.

- Totaling the Fair and parking components illustrates a total requirement of roughly 41.2 acres or approximately 74% of the 55.5 acre site. This assumption is based entirely upon site observations and are meant to provide a “snapshot” of the Fair as it exists today.

C. Potential for Private Non-Fair Development Uses on the Fairgrounds Property

The following provides a brief overview of each land use or activity identified by the City for analysis. The information presented below is based on the review of existing available data, research into comparative projects prepared by others, and limited one-on-one interviews with people involved in each industry or activity and is intended for use by the City in establishing a public policy relative to the renewal of the DAA lease of the property, and future use of the City-owned Fairgrounds. The information is not intended to establish a “project level of economic feasibility” for any of the specific land uses identified by this assessment or indicated on the Schematic Concept Plans. In-depth market and/or feasibility analyses would be required to fully understand the economic potential of the uses described below.

Sports Venues

Revenue producing sports parks typically involve active play fields (soccer, rugby, softball, lacrosse, volleyball, etc.), with limited support facilities such as restrooms, picnic areas, parking and a small multi-use building containing office space for administration and concessionaires for food service. By themselves, sports parks typically require high initial capital costs and do not generate a significant amount of direct revenue related to use of the property underlying the facility. Once built however, they can produce revenue typically as part of a tournament circuit operated by third party non-profits, clubs, associations or promoters. Tournaments also provide spin off revenue to local hotels, retail and restaurant establishments as multi-day stays are typically required by both participants and spectators.

A recent study completed for a proposed sports complex in Placer County identified the target market to be within a two-hour drive. A two-hour drive from Petaluma places a large part of the Bay Area and Sacramento region within reach, however the Bay Area is different from other markets given its geographic diversity which effectively separates one area within the region from the next.

The Placer County study further recommended that a typical tournament ready complex consist of at least 12 full-sized soccer fields (350' X 220' typical) designed to be able to also

accommodate other field sports such as football, field hockey and rugby. This would also give the facility the capability to host state, regional and local events, while at the same time accommodating the needs of local youth sports activities. Sports fields of this caliber run in excess of \$2 million per field representing a sizable up-front investment, with revenue generated long-term from tournament, club use and other rentals.

Mixed Use Artisan

These types of uses and events are typically housed within buildings or outdoor spaces specifically designed with flexibility in mind. Planned buildings and multi-use outdoor open spaces associated with the Fair, hotel and specialty retail would allow for any and or all of these uses.

An underlying theme identified during the course of this assessment involved locally produced food and dairy products. Properly positioned by the City and or a third-party operator, there appears to be a potential market for “locally made and grown product-based” quasi-retail, informational and educational development similar in concept to The Barlow project in Sebastopol.

For the most part, The Barlow is tenant-driven with the existing tenant mix involving an eclectic group of retail and manufacturing concerns brought together by the need for buildings to consist of a 1/3rd to 2/3rd ratio of retail to industrial and manufacturing. For instance one of the buildings contained a retail establishment that also sold products from a wholesale producer in the back of the building. There was also an educational component to this arrangement whereas classes and demonstrations were provided to groups interested in their particular activity; which in this case was hand-made soaps.

These hybrid types of uses and the types of facilities required by a renewed Fairgrounds work well together given the inherent need for flexibility by both. At this initial stage of analysis there appears to be a potential for this type of use in Petaluma. However the depth of the market, in terms of how much space could potentially be developed and absorbed is a question that would need to be addressed as part of a more in-depth market and feasibility analysis, taking into account the needs and operational requirements associated with a renewed Fairgrounds footprint.

Entertainment

Petaluma and Sonoma County have a wide variety of live performance opportunities that vary from small stage setups in parks and public squares to venues such as the Green Music Center in Rohnert Park. Without the benefit of a promoter or corporate sponsor, the best that Petaluma could likely achieve in the near future would be to work in conjunction with the Fair to promote live performance events both during the Annual Fair and at other times of the year. This would likely be seasonal in nature using temporary stages, dressing rooms, toilets, etc. As

such, these types of events could readily occur within the types of indoor and outdoor spaces contemplated for the Fairgrounds.

Properly positioned and marketed, live music and other productions should be attracted to the Fairgrounds due to its superior location (visibility, accessibility, proximity to downtown, proximity to Highway 101, etc.), on-site parking supply, and likely complement of ancillary land uses.

The Sonoma County region of California is the home of many well-known musicians and equipment manufacturers. Therefore the potential exists to develop a relationship with one or more of those entities and use their network of contacts in order to bring performers to town and have them participate in a corporate sponsorship program which could be a part of the renewal program for the Fairgrounds.

Hotel

Based on existing available information and analysis that have been prepared regarding the hotel and tourism market in Petaluma and Sonoma County, there appears to be the ability of the market to absorb approximately 100 to 120 rooms without negatively effecting the existing hotel and lodging properties in Petaluma beyond the first year of rooms being added to the existing hotel room supply.

There are six existing hotel properties in Petaluma which include 564 rooms. In addition there are currently three proposed hotel projects in Petaluma which total approximately 268 rooms (including the Riverfront Hotel (120 rooms), Petaluma (53 rooms) and Silk Mill (53 rooms); however it is not certain whether these three proposals will actually be implemented by their respective developers. A major positive factor for the Fairgrounds is its locational advantage, being visible and directly accessible from Highway 101 via Washington Avenue.

Residential

Multi-family residential (apartments) has been identified by the City as a potentially desirable land use that could be used to help buffer the newer components of the Fairgrounds and provide a connection to the existing adjacent residential neighborhood to the west. It is estimated that approximately ten acres (approximately 200 to 300 units at a density of 20 to 30 units/acre) would likely be required for residential use to attract a new residential developer to the property. This amount of area would likely be needed to create a critical mass of development that would attract a high quality residential development entity.

D. Synthesis Regarding Future Fair and Non-Fair Private Development Uses on the Fairgrounds Property

Fair

As described in Section E. below four schematic concept plans have been developed to illustrate how these various land use components could be physically positioned on the Fairgrounds. For purposes of this assessment two different structures of Fair operation were identified by the City for analysis. The first structure of operation, covered under schematic concept plan Options A, B and C, assumes that the Fair will continue to operate on the Fairgrounds site with a reduced and redefined footprint under a restructured agreement with the City. Schematic concept plan Option D assumes that the Fair would operate within a large, publicly owned and operated, open space that will be made available to the DAA yearly so that the DAA may host the Annual Fair and related interim non-Fair events.

The Fair, in schematic concept plan Options A, B and C, assumes the ability for the DAA, together with the City and others, to construct two approximately 60,000 square foot buildings intended to replace both existing exhibition and livestock facilities. This amount of square footage equates approximately to what the Fair currently has distributed over a number of buildings, varying in age and utility. It is assumed that any new structures would be designed to make up for any quantifiable loss of square footage by providing more flexible, higher quality space in its stead. Current prices on the construction of this type of space varies from approximately \$45 to \$150 per square foot of building area depending upon architectural style, materials, HVAC systems, audio and visual equipment etc.

In addition to the two large buildings, a renewed Fair would require flexible multi-use outdoor open space (hardscape and soft-scape) for use by vendors, the carnival, equestrian activities, etc. This overall concept assumes that the ownership and use of the buildings would be a joint use arrangement of some sort between the DAA, the City, and a potential third party developer. Phasing would be an integral component of the overall development program to ensure that the annual Fair would not be negatively impacted through the site renewal process.

The last necessary component of a renewed Fair involves ample close-in parking opportunities. Having parking distributed around the renewed grounds also provides more flexibility than the Fair currently has when it comes to gate fees and parking revenues.

The Fair, in schematic concept plan Option D, assumes the ability for the DAA to operate on City owned and managed public space, which would be privately funded through non-fair development. This option would not include the Fair as a permanent tenant; rather the DAA would be given access to a designated area of the Fairgrounds property from the City for the Annual Fair and related non-Fair interim events. The areas initially identified for Fair use is made up of a total of approximately 28.9 acres including 14.5 acres of active recreation, 11.7 acres of passive recreation, and 2.7 acres of shared open space.

Under schematic concept plan Option D, the DAA would be allowed full utility of designated open space land uses for set-up, event production, and take-down. Also assumed under Option D, the Annual Fair might include use of the hotel banquet hall for indoor operational needs such as vendors. While this option might be viable for the Fair operation, it would likely require that the DAA have substantially more onerous setup costs due to the need to import temporary structures and facilities. It is assumed that these costs or any ongoing costs could potentially be offset by a lack of maintenance responsibilities, as the DAA would not be required to manage, operate, or maintain permanent facilities year round.

Private Non-Fair Development

Many of the uses identified by the City can be accommodated in buildings and open space areas designed with flexibility in mind. As such, exhibition-type structures consisting of large open truss interiors that are readily divisible and improved by individual tenants should be considered as part of the basic module of any development program. That in combination with properly designed open space areas should provide the flexibility required to implement the City's desires and needs for future revenue-producing uses for the Fairgrounds.

This "hybrid" land use could include a tenant mix of locally based companies involved in agriculturally and dairy based products, the arts (physical, dance, music, live stage, culinary), spirit production (wines, beers, whisky), manufacturing, and others. Examples of comparable and prototype projects include the Barlow project in Sebastopol, the Ferry Building in San Francisco and the Oxbow Public Market in Napa.

Complementing this hybrid would be a planned hotel with at least 100 rooms and up to 25,000 square feet of meeting, banquet and conference space and other visitor serving amenities, similar in concept and quality to that of a Courtyard by Marriot. A recently completed hotel feasibility study indicated that Petaluma would be able to absorb approximately 100 to 120 new hotel rooms without substantially impacting existing hotel properties in the City. The primary advantages of the Fairgrounds location for hotel uses include high visibility and convenient freeway access.

In addition to buildings and outdoor spaces associated with a refined Annual Fair footprint, other land uses taken into consideration include multi-family residential and passive and active open space acting as a buffer between new land uses and the existing residential neighborhood to the west of the Fairgrounds.

E. Schematic Concept Plans

Four schematic concept plans (Figures 7, 8, 9 and 10) have been developed to illustrate how these various land use components could be physically positioned on the Fairgrounds, factoring in the assumptions that: 1) there could be a redefined and reconfigured footprint of the Fair;

and 2) that the existing racetrack and charter school would not be part of the long-term development program.

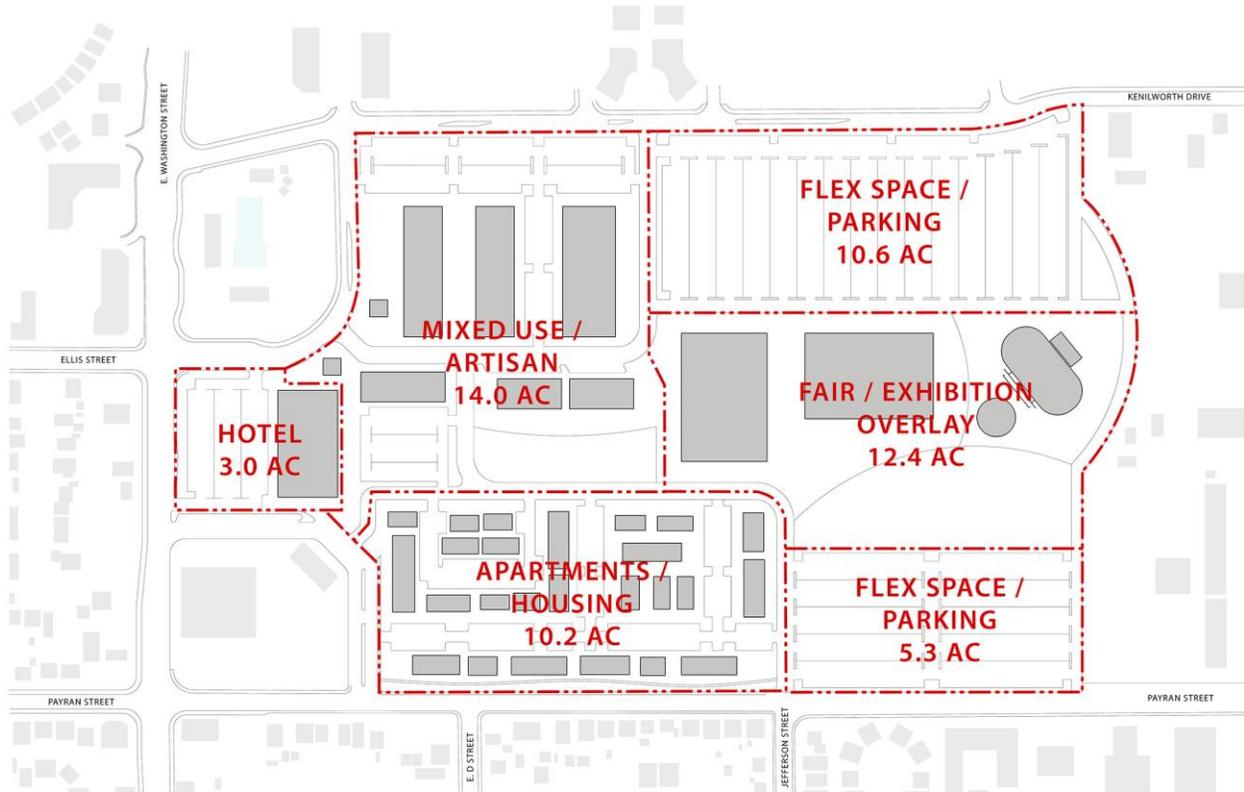
Assuming that the Fair could be renewed on a smaller footprint, three of the schematic concept plan options (Figures 7, 8, and 9) present a conceptual level look at how the Fairgrounds might be laid out relative to land use, circulation and parking needs. All of these plan options prepared provide for sufficient on-site parking to satisfy facility needs.

Assuming that the Annual Fair could operate on the grounds without any leased land or buildings, the Schematic Concept Plan Option D (Figure 10) presents a conceptual level look at how the grounds might be laid out relative to land use, circulation and parking needs. This figure also assumes that the Annual Fair would be able to operate on the turf/open space provided.

Common to all of the concept plans was the need to provide a “stand-alone” project that had its own brand and appeal rather than be seen as an adjunct just to the Fair, the retail uses to the east, or other on-going programs the City might have for lands in close proximity to this Fairgrounds. This concept translated into plans that utilized Washington Street as a main project entry with a road (thematic thread) extending from that point into the middle of the site and terminating at a large common open space feature surrounded by multi-use buildings. The location of the planned hotel facility was also a common element of the four schematic concept plans as the Washington Street address made sense from, both, an exposure and access standpoint.

All other components of the four schematic concept plans provide variations on a theme showing either greater or lesser amounts of the Fair, specialty retail (artisan district), residential, sports fields, and hotel uses. Programmatically, it is assumed that other uses such as entertainment, conventions and meetings, farmers markets, demonstration areas, etc. could fit into the flexible structural framework embodied in the alternative schematic conceptual plans prepared for the Fairgrounds.

LAND USE OVERLAY

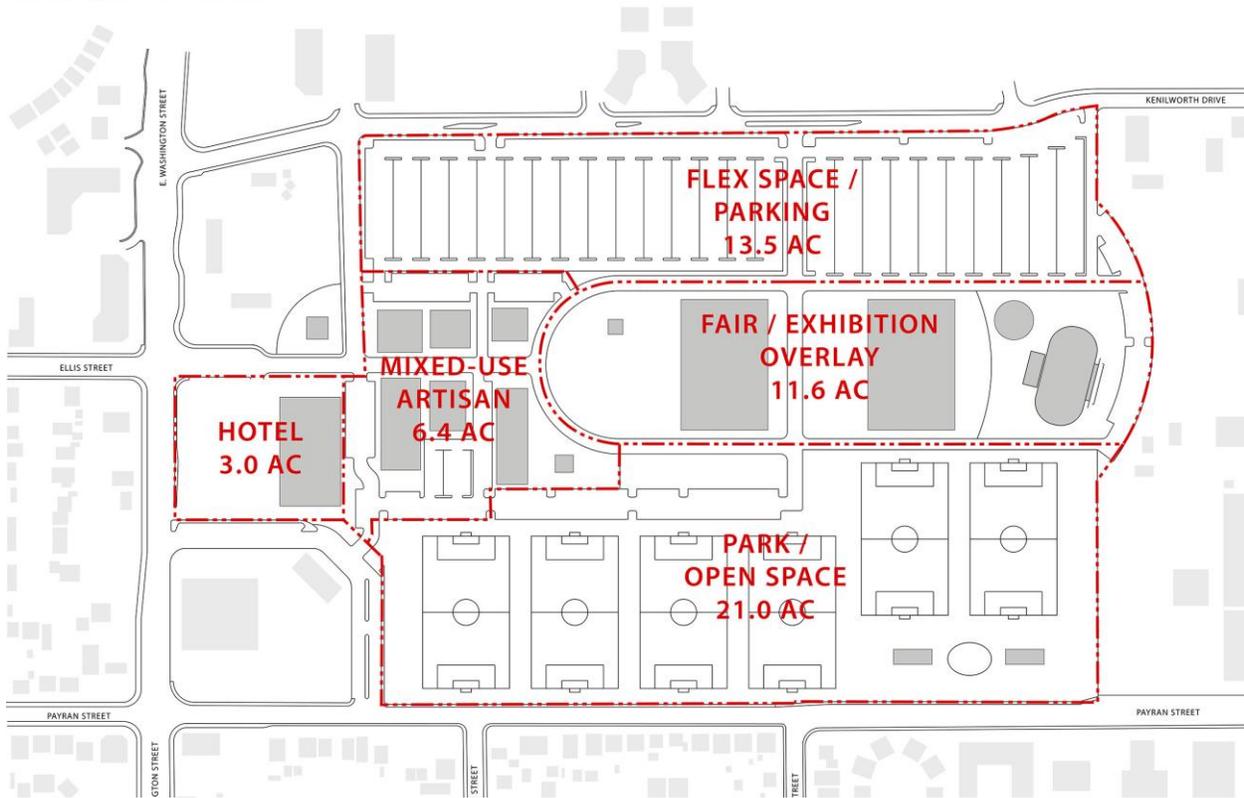


SCHEMATIC CONCEPT PLAN



Figure 7: Option A Schematic Concept Plan

LAND USE OVERLAY

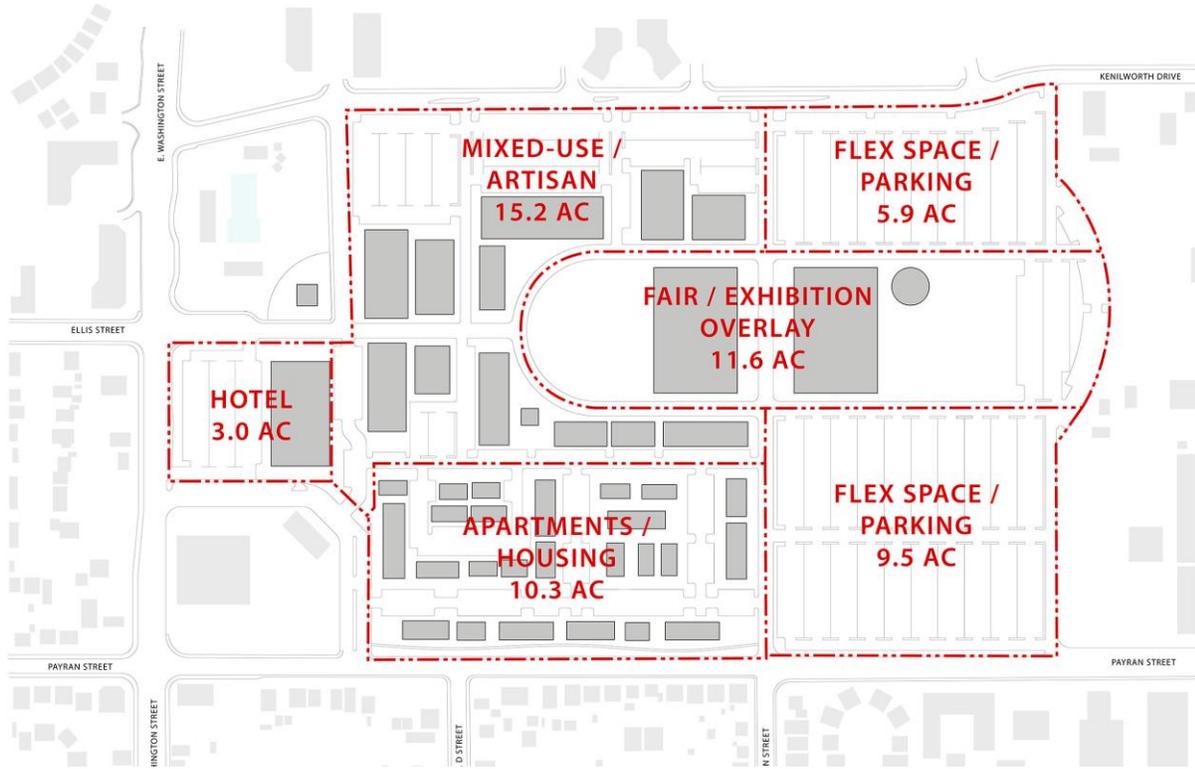


SCHEMATIC CONCEPT PLAN



Figure 8: Option B Schematic Concept Plan

LAND USE OVERLAY



SCHEMATIC CONCEPT PLAN

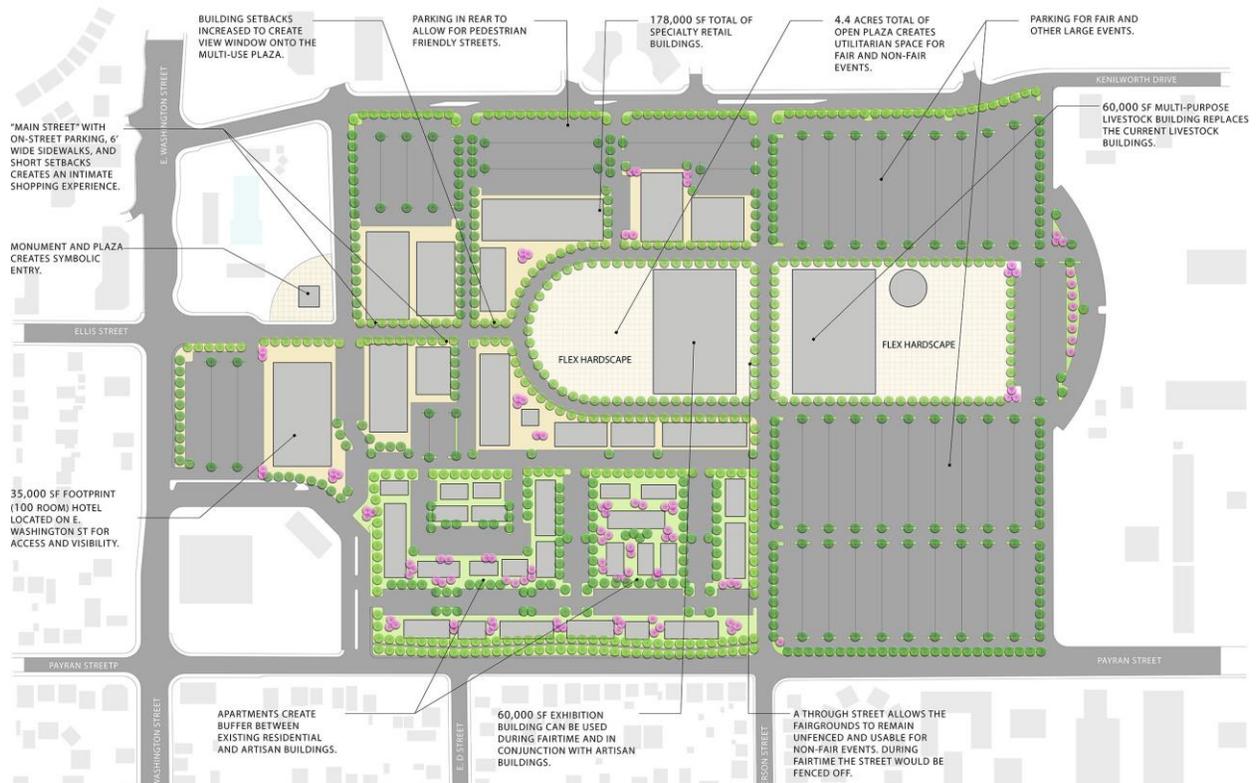
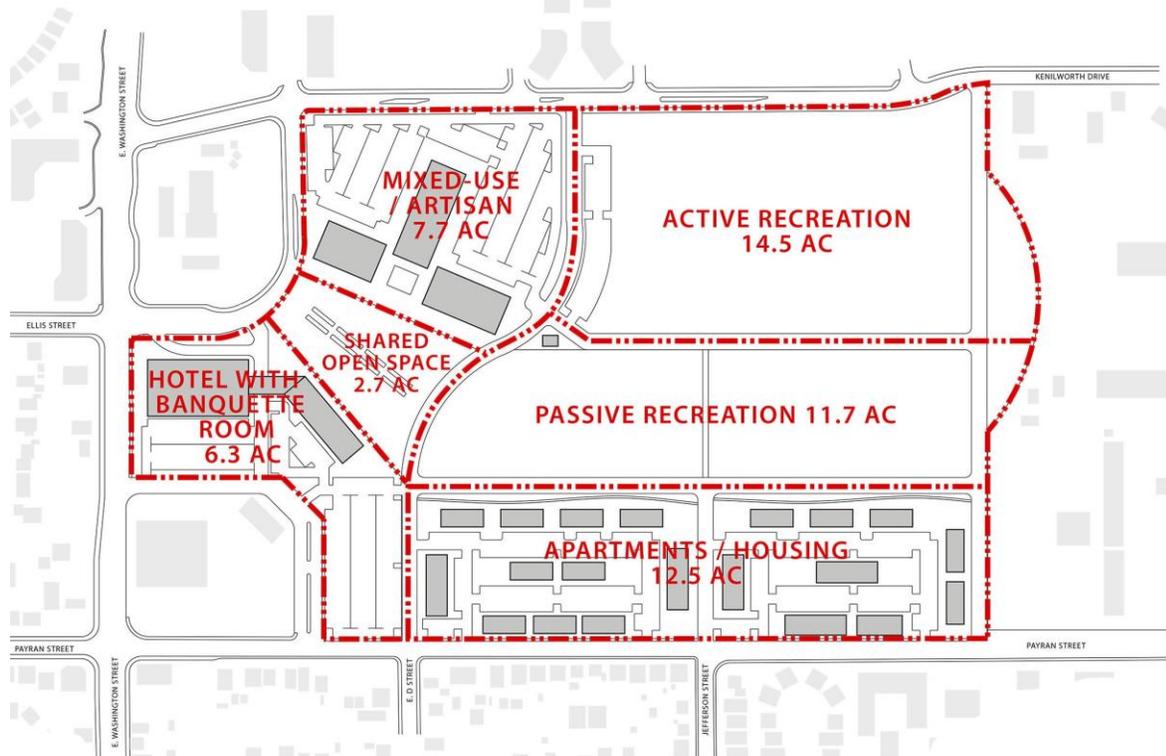


Figure 9: Option C Schematic Concept Plan

LAND USE OVERLAY



SCHEMATIC CONCEPT PLAN

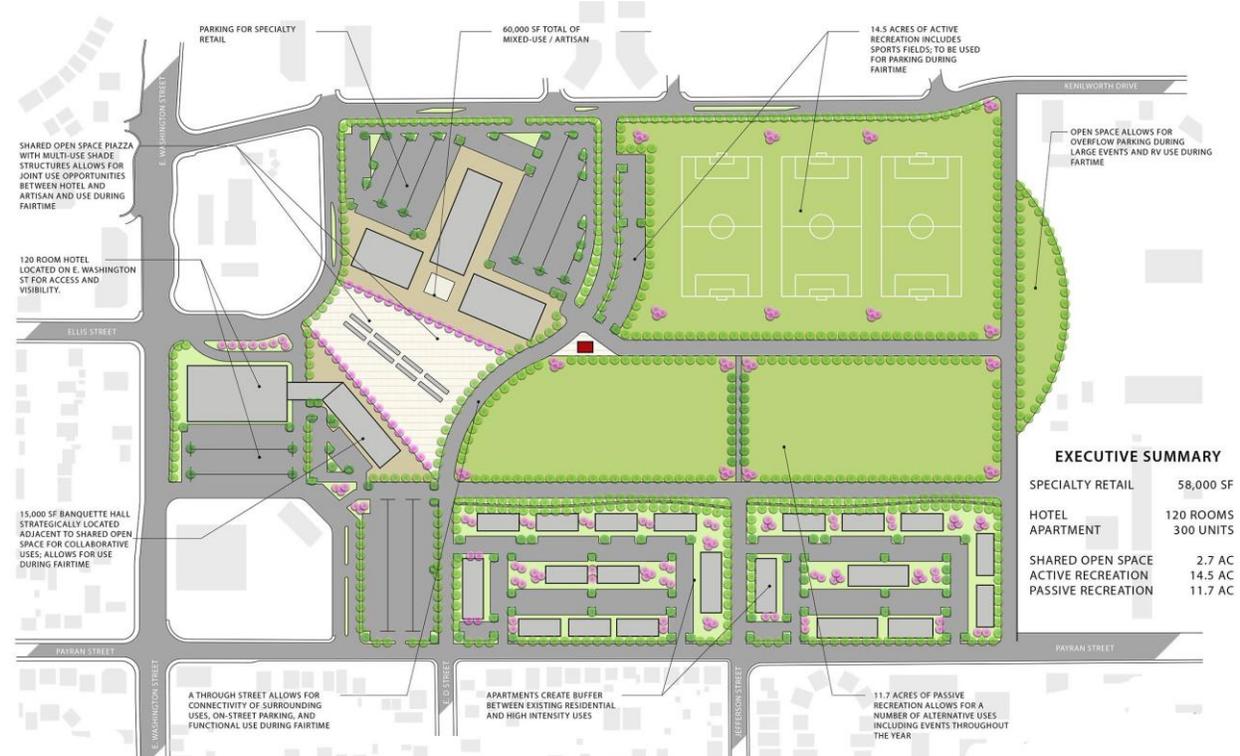


Figure 10: Option D Schematic Concept Plan

F. Private Development Considerations

In consideration of the ability to identify development opportunities and attract private investment, it is essential that the City and DAA objectives and guidelines for development of the Fairgrounds be outlined for prospective private investors and/or developers. For the Fairgrounds property there must be a balance between the goals of the City, goals of the Fairgrounds and the financial objectives of the private market. In that regard the following parameters for development are outlined below:

- Private investment/development must be complementary to the Fairgrounds and be able to co-exist with planned adjacent Fairgrounds and other public uses;
- Private investment/development must fund all costs for required improvements and site development, including utilities and access, to accommodate the proposed private development on the Fairgrounds;
- Private investment/development must generate a positive annual cash flow for use to improve/enhance the Fairgrounds;
- If the Fairgrounds is leased for private development uses, the City's fee interest in the land cannot be subordinated to project financing (therefore, the private sector investment must be a viable lease in which the lender is in a subordinate position to the City); and
- Private investment/development will be required before any development is likely to occur; new uses may require zoning changes and possibly a General Plan amendment.

In general, private development can be the most effective means of creating value for the City and DAA if the private investor/developer:

- Has significant development and operating expertise in the proposed land use or project type(s);
- Has significant entitlement, development, and operating expertise (particularly for complex and politically sensitive projects);
- Can deliver and or invest capital to create "value added" for City and DAA;
- Can demonstrate a long-term revenue stream to City; and
- Will accept all financial risk associated with the proposed development.

Under schematic concept plan Options A, B and C, the components of the site plan concept that would be privately developed are the specialty retail (artisan district), residential and hotel uses. Also assumed under these three plan options, the City and the DAA would be required to fully fund and develop the designated redefined and renewed Fairgrounds area. Under Schematic Concept Plan Option D, the specialty retail (artisan district), residential and hotel uses would be privately developed, with the active recreation, passive recreation and shared open space being privately, publicly or publicly/privately financed. Under any of these plan options, the non-Fair designated uses would be developed under either a long-term lease or sale of the City-owned property. The area needed to develop these potential uses is approximately 6 to 15 acres for the specialty retail (artisan district) uses, 10 to 13 acres for the residential uses and 3 to 7 acres for the hotel uses, including on-site parking to accommodate each respective use.

Private developers will be more attracted to a property if they do not have to go through an extensive entitlement process (e.g. general plan, zoning, project environmental review, etc.), consequently it would be beneficial if the basic underlying land use designation and zoning was established by the City prior to implementing a process to select a private developer for the types of land uses addressed above in Section V. This approach would reduce the entitlement risk to a private developer, and therefore potentially increase the value of any portion of the Fairgrounds that is designated for such private non-Fair development uses.

VI. ANNUAL REVENUE IMPLICATIONS OF CONCEPTUAL DEVELOPMENT PROGRAM ALTERNATIVES ON CITY OF PETALUMA AND EXISTING FAIRGROUNDS OPERATIONS

This section of the report presents preliminary information regarding the potential annual public tax revenue and annual ground lease payments that could potentially be received by the City of Petaluma from implementation of certain non-fair private development uses on a portion of the existing Fairgrounds, consistent with the schematic concept plan options described in Section V. above. This section does not address the costs related to additional City services that might be necessary to serve the identified private non-Fair development uses on the Fairgrounds.

It should be noted that the preliminary information presented in Table 4 is based on full build-out of the prospective land uses indicated in the four schematic concept plan options. However the development of that portion of the Fairgrounds that is designated for private non-Fair development would likely be phased and built-out over time. Therefore the City would not realize the complete financial benefit as presented in this section until the development of the each prospective land uses was complete.

This section also presents preliminary information regarding the potential financial benefit to the Fairgrounds operations (specifically non-Fair leases and interim events) from implementing certain private non-fair development uses on the Fairgrounds as indicated in the four schematic concept plan options.

A. Summary of Schematic Concept Plan Options

Table 3 below presents a comparison summary of the four schematic concept plan options previously presented and described in Section V of this report. For each use preliminary information is provided for the prospective site area acreage and building area (square footage).

Table 3: Summary of Schematic Concept Plan Options	Schematic Concept Plan Options							
	Option A		Option B		Option C		Option D	
DEVELOPMENT PROGRAM	<u>Acres</u>	<u>%</u>	<u>Acres</u>	<u>%</u>	<u>Acres</u>	<u>%</u>	<u>Acres</u>	<u>%</u>
<u>Site Area (Acres)</u>								
Specialty Retail (Artisan District)	14.0	25.2%	6.5	11.7%	15.2	27.4%	7.7	13.9%
Residential	10.2	18.4%	-	0.0%	10.3	18.6%	12.6	22.7%
Hotel	3.0	5.4%	3.0	5.4%	3.0	5.4%	6.3	11.4%
Multi-Use/Open Space	-	0.0%	21.0	37.8%	-	0.0%	28.9	52.1%
Fairgrounds	28.3	51.0%	25.0	45.0%	27.0	48.6%	-	0.0%
Total	55.5	100.0%	55.5	100.0%	55.5	100.0%	55.5	100.0%
<u>Building Area (SF)</u>								
Specialty Retail (Artisan District)	127,000	23.2%	75,000	24.6%	178,000	31.3%	65,000	13.8%
Residential	190,000	34.7%	-	0.0%	190,000	33.4%	320,000	68.1%
Hotel	75,000	13.7%	75,000	24.6%	75,000	13.2%	85,000	18.1%
Multi-Use/Open Space	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Fairgrounds	155,000	28.3%	155,000	50.8%	126,000	22.1%	-	0.0%
Total	547,000	100.0%	305,000	100.0%	569,000	100.0%	470,000	100.0%

Source: RCH Group, Inc.; A. Plescia & Co.

Table 3: Summary of Schematic Concept Plan Alternatives

B. Estimate of Potential Annual Public Tax Revenue from Schematic Concept Plan Alternatives

Currently the City does not collect taxes from any use or lease of the Fairgrounds property, except some nominal amount of possessory interest tax from certain Fair vendors, and non-Fair
Sonoma-Marin Fairgrounds & Event Center Assessment 26

leases. It is possible that in the future, if either a portion of the property were leased to the DAA, and then subleased to tenants for non-fair events, the City could collect additional revenues. However for the purposes of this report, potential taxes associated with that portion of the Fairgrounds property is not included.

A summary of the estimated annual public tax revenue (property tax, sales tax and transient occupancy tax) which could be generated from implementation of the land uses in the four schematic concept plan options is presented in Table 4. The preliminary information is presented for each prospective land use (specialty retail (artisan district), residential and hotel) under Options A, B, C and D. Estimated overall annual public tax revenue, and the estimated amount that could be received by the City, is based on the following factors:

- Estimated property tax is based on a tax rate of 1% applied to the estimated development value of each use, with the City receiving 14% of that figure.
- Estimated sales tax is based on a tax rate of 8.25% applied to the estimated amount of annual sales volume, with the City receiving 1%.
- Estimated transient occupancy tax is based on 10% applied to the estimated amount of room sales revenue with the City receiving 100%.

Under Schematic Concept Plan Options A, B and C, the preliminary information presented in Table 4 is based on the assumption that: 1) the City would retain ownership of the Fairgrounds and lease (on a long-term lease basis) the portions of the Fairgrounds for private non-fair development consistent with a City-approved development program; and 2) the non-fair development would be privately financed, developed, owned and operated, and be subject to applicable property tax, sales tax and transient occupancy tax requirements.

Under Schematic Concept Plan Option D, the preliminary information presented in Table 4 is based on the assumption that: 1) the City would retain ownership of the Fairgrounds and lease (on a long-term lease basis) all portions of the Fairgrounds for private non-fair development consistent with a City-approved development program; 2) the development of the entire site (Specialty Retail (Artisan District), Residential, Hotel, Shared Open Space) would be privately financed, developed, owned and operated, and be subject to applicable property tax, sales tax and transient occupancy tax requirements; 3) the development of the Passive Recreation area would be privately/publicly financed – but likely City owned, and operated; 4) the Active Recreation area would be publicly financed, developed, owned and operated; and 5) public space would be made available to accommodate the Annual Fair and interim non-Fair uses.

As indicated in Table 4, overall Schematic Concept Plan Option A, B, C and D could generate approximately \$2.8 million, \$1.7 million, \$3.4 million and \$2.6 million, respectively in additional new public tax revenue annually. In terms of benefits to the City, Schematic Concept Plan Options A, B, C and D could generate approximately \$780,000, \$638,000, \$851,000, and \$840,000, respectively, of additional net new annual public tax revenue to the City.

By land use type (depending on the schematic conceptual plan option), Specialty Retail (Artisan District) uses could generate approximately \$99,000 to \$248,000 in additional new net annual public tax revenue to the City, while Residential use could generate approximately \$69,000 to \$99,000, and Hotel use approximately \$534,000 to \$641,000, respectively.

It should be noted that the preliminary information presented in Table 4 is based on full build-out of the prospective land uses indicated in the four schematic concept plan options. However the development of that portion of the Fairgrounds which may be designated for private non-Fair development would likely be phased and build-out over time. Therefore the City would not realize the complete financial benefit as presented in Tables 4, 5, or 6 until the development of each prospective land use was complete.

**Table 4:
Summary of Estimated Annual Public Tax Revenue
for Schematic Concept Plan Options**

	Schematic Concept Plan Options			
	Option A	Option B	Option C	Option D
Specialty Retail (Artisan District)				
<u>Property Tax</u>				
Development Value (1)	\$ 31,115,000	\$ 18,375,000	\$ 43,600,000	\$ 22,019,000
Property Tax Rate	1.00%	1.00%	1.00%	1.00%
Annual Property Tax - Total	\$ 311,150	\$ 183,750	\$ 436,000	\$ 220,190
Annual Property Tax - City Portion (2)	\$ 43,561	\$ 25,725	\$ 61,040	\$ 30,827
<u>Sales Tax</u>				
Retail Area (SF) (3)	44,500	26,250	62,300	22,750
Estimated Annual Sales (4)	\$ 13,350,000	\$ 7,875,000	\$ 18,690,000	\$ 6,825,000
Annual Sales Tax - Total (5)	\$ 1,101,375	\$ 649,688	\$ 1,541,925	\$ 563,063
Annual Sales Tax - City Portion (6)	\$ 133,500	\$ 78,750	\$ 186,900	\$ 68,250
Subtotal - City Portion	\$ 177,061	\$ 104,475	\$ 247,940	\$ 99,077
Residential				
<u>Property Tax</u>				
Development Value (1)	\$ 49,000,000	NA	\$ 49,000,000	\$ 71,039,000
Property Tax Rate	1.00%	NA	1.00%	1.00%
Annual Property Tax - Total	\$ 490,000	NA	\$ 490,000	\$ 710,390
Annual Property Tax - City Portion (2)	\$ 68,600	NA	\$ 68,600	\$ 99,455
Subtotal - City Portion	\$ 68,600	NA	\$ 68,600	\$ 99,455
Hotel				
<u>Property Tax</u>				
Development Value (1)	\$ 28,750,000	\$ 28,750,000	\$ 28,750,000	\$ 34,492,500
Property Tax Rate	1.00%	1.00%	1.00%	1.00%
Annual Property Tax - Total	\$ 287,500	\$ 287,500	\$ 287,500	\$ 344,925
Annual Property Tax - City Portion (2)	\$ 40,250	\$ 40,250	\$ 40,250	\$ 48,290
<u>Sales Tax</u>				
Retail Area (SF)	25,000	25,000	25,000	25,000
Estimated Annual Sales (7)	\$ 1,445,500	\$ 1,445,500	\$ 1,445,500	\$ 1,734,500
Annual Sales Tax - Total (5)	\$ 119,254	\$ 119,254	\$ 119,254	\$ 143,096
Annual Sales Tax - City Portion (6)	\$ 1,193	\$ 1,193	\$ 1,193	\$ 1,431
<u>Transient Occupancy Tax (TOT)</u>				
Annual Room Revenue (7)	\$ 4,925,500	\$ 4,925,500	\$ 4,925,500	\$ 5,913,000
TOT Rate	10.00%	10.00%	10.00%	10.00%
Annual TOT Revenue	\$ 492,550	\$ 492,550	\$ 492,550	\$ 591,300
Subtotal - City Portion	\$ 533,993	\$ 533,993	\$ 533,993	\$ 641,021
Multi-Use/Open Space				
<u>Property Tax (8)</u>				
Development Value	\$ -	\$ -	\$ -	\$ -
Property Tax Rate	1.00%	1.00%	1.00%	1.00%
Annual Property Tax - Total	\$ -	\$ -	\$ -	\$ -
Annual Property Tax - City Portion	\$ -	\$ -	\$ -	\$ -
<u>Sales Tax (8)</u>				
Estimated Annual Sales	\$ -	\$ -	\$ -	\$ -
Annual Sales Tax - Total	\$ -	\$ -	\$ -	\$ -
Annual Sales Tax - City Portion	\$ -	\$ -	\$ -	\$ -
Subtotal - City Portion	\$ -	\$ -	\$ -	\$ -

Summary by Land Use Type				
<u>Overall</u>				
Specialty Retail (Artisan District)	\$ 1,412,525	\$ 833,438	\$ 1,977,925	\$ 783,253
Residential	\$ 490,000	NA	\$ 490,000	\$ 710,390
Hotel / Event Center	\$ 899,304	\$ 899,304	\$ 899,304	\$ 1,079,321
Multi-Use/Flex Open Space	\$ -	\$ -	\$ -	\$ -
Total	\$ 2,801,829	\$ 1,732,741	\$ 3,367,229	\$ 2,572,964
<u>City Portion</u>				
Specialty Retail (Artisan District)	\$ 177,061	\$ 104,475	\$ 247,940	\$ 99,077
Residential	\$ 68,600	NA	\$ 68,600	\$ 99,455
Hotel / Event Center	\$ 533,993	\$ 533,993	\$ 533,993	\$ 641,021
Multi-Use/Flex Open Space	\$ -	\$ -	\$ -	\$ -
Total	\$ 779,654	\$ 638,468	\$ 850,533	\$ 839,552
Summary by Public Tax Type				
<u>Overall</u>				
Property Tax	\$ 1,088,650	\$ 471,250	\$ 1,213,500	\$ 1,275,505
Sales Tax	\$ 1,220,629	\$ 768,941	\$ 1,661,179	\$ 706,159
Transient Occupancy Tax	\$ 492,550	\$ 492,550	\$ 492,550	\$ 591,300
Total	\$ 2,801,829	\$ 1,732,741	\$ 3,367,229	\$ 2,572,964
<u>City Portion</u>				
Property Tax	\$ 152,411	\$ 65,975	\$ 169,890	\$ 178,571
Sales Tax	\$ 134,693	\$ 79,943	\$ 188,093	\$ 69,681
Transient Occupancy Tax	\$ 492,550	\$ 492,550	\$ 492,550	\$ 591,300
Total	\$ 779,654	\$ 638,468	\$ 850,533	\$ 839,552
Source: RCH Group, Inc.; A. Plescia & Co.				

Footnotes:

- (1) Based on project economic analysis for specialty retail (artisan district), residential and hotel land uses
- (2) Based on 14% of estimated total property tax revenue
- (3) Retail space based on 35% of total building area
- (4) Based on overall average of \$300 per square foot of retail space per year
- (5) Based on 8.25% sales tax rate
- (6) Based on 1% of estimated total sales
- (7) Based on percentage of room revenue per project economic analysis for hotel land use
- (8) Does not include any potential possessory interest tax or sales tax from the Annual Fair or events at Multi-Use Active Open Space area which would have to be determined through a more indepth analysis beyond the scope of this assessment

Table 4: Summary of Estimated Annual Public Tax Revenue

C. Estimate of Potential Annual Ground Lease Revenue from Schematic Concept Plan Options

Instead of selling the property, the City could chose to lease the property to a private developer(s). Table 5 presents the estimated annual ground lease payments which could be received by the City for uses consistent with the four schematic concept plan options described earlier in this report. The preliminary information is presented by land use type (specifically Specialty Retail (Artisan District), Residential(Apartments) and Hotel uses), and overall by schematic concept plan options (Options A, B, C and D). The preliminary information is based on the assumptions that the City would retain ownership of the Fairgrounds and lease (on a

long-term lease basis) the portions of the Fairgrounds designated for development of private non-fair uses consistent with a City-approved development program.

The estimated annual ground lease payments are based on 6% of the estimated residual land value of the area designated for private non-Fair development as adjusted by land use type.

As indicated in Table 5, Schematic Concept Plan Options A, B, C and D could generate approximately \$647,000, \$245,000, \$671,000, and \$536,000, respectively, in potential annual ground lease payments. By land use type (depending on schematic conceptual plan option), Specialty Retail (Artisan District) uses could generate approximately \$128,000 to \$310,000 in annual ground lease payments to the City, while Residential (Apartments) could generate approximately \$182,000 to \$248,000, and Hotel use approximately \$113,000 to \$226,000, respectively.

**Table 5:
Summary of Estimated Annual Ground Lease Payments
for Schematic Concept Plan Options**

	Schematic Concept Plan Options			
	Option A	Option B	Option C	Option D
Specialty Retail (Artisan District)				
Land Area				
Acres	14.0	6.5	15.2	7.7
SF	609,840	283,140	662,112	335,412
Residual Land Value				
Per Acre	\$ 338,900	\$ 338,900	\$ 338,900	\$ 276,000
Per SF	\$ 7.80	\$ 7.80	\$ 7.80	\$ 6.34
Total	\$ 4,756,752	\$ 2,208,492	\$ 5,164,474	\$ 2,125,200
Annual Lease Payment	\$ 285,405	\$ 132,510	\$ 309,868	\$ 127,512
Residential				
Land Area (Acres)				
Acres	10.0	-	10.0	12.5
SF	435,600	-	435,600	544,500
Residual Land Value				
Per Acre	\$ 413,500	\$ -	\$ 413,500	\$ 243,500
Per SF	\$ 9.50	\$ -	\$ 9.50	\$ 5.39
Total	\$ 4,138,200	\$ -	\$ 4,138,200	\$ 3,044,200
Annual Lease Payment	\$ 248,292	\$ -	\$ 248,292	\$ 182,652
Hotel				
Land Area (Acres)				
Acres	3.0	3.0	3.0	6.3
SF	130,680	130,680	130,680	274,428
Residual Land Value (1)				
Per Acre	\$ 627,500	\$ 627,500	\$ 627,500	\$ 596,900
Per SF	\$ 14.40	\$ 14.40	\$ 14.40	\$ 13.70
Total	\$ 1,881,792	\$ 1,881,792	\$ 1,881,792	\$ 3,760,250
Annual Lease Payment	\$ 112,908	\$ 112,908	\$ 112,908	\$ 225,615
Summary				
Specialty Retail (Artisan District)	\$ 285,405	\$ 132,510	\$ 309,868	\$ 127,512
Residential	\$ 248,292	\$ -	\$ 248,292	\$ 182,652
Hotel	\$ 112,908	\$ 112,908	\$ 112,908	\$ 225,580
Total	\$ 646,605	\$ 245,418	\$ 671,068	\$ 535,744
Source: RCH Group, Inc.; A. Plescia & Co.				

Footnotes:

(1) Estimated residual land value is based on stabilized operating year (4th operating year)

Table 5: Summary of Estimated Annual Ground Lease Payments for Schematic Concept Plan Alternatives

Under Schematic Concept Plan Options A, B and C the estimated residual land values used for the preliminary information presented in Table 5 are based on previous preliminary residual land value analyses prepared by RCH Group, Inc. and A. Plescia and Co. for the City and are as follows: 1) Specialty Retail (Artisan District) - \$7.80 per square foot or \$339,000 per acre; 2) Residential - \$9.50 per square foot or \$413,500 per acre; and 3) Hotel - \$14.40 per square foot or \$627,500 per acre at stabilization which would be the fourth operating year).

Under Schematic Concept Plan Option D the estimated residual land values used for the preliminary information presented in Table 5 are based on previous preliminary residual land value analyses prepared by RCH Group, Inc. and A. Plescia and Co. for the City and are as follows: 1) Specialty Retail (Artisan District) - \$6.34 per square foot or \$276,000 per acre; 2) Residential (Apartments) - \$5.539 per square foot or \$243,500 per acre; and 3) Hotel - \$13.70 per square foot or \$597,000 per acre.

The estimated per square foot land value figures for Schematic Concept Plan Option D are lower than the land values for Options A, B and C due to a number of reasons. The reasons are as follows: 1) the inclusion of the funding responsibility on the three land uses (Specialty Retail (Artisan District), Residential and Hotel) for a portion or all of the designated Shared Open Space and Passive Recreation areas (for example, 100% of the estimated development costs of the Shared Open Space (\$2.3 million) is shared equally between the Specialty Retail (Artisan District) and Hotel uses; and 50% of the estimated development costs of the Passive Recreation area (\$2.35 million) is funded by the Residential (Apartments) use); and 2) there are slightly larger site areas for the three land uses which increases the associated site development costs.

It should be noted that the residual land value information presented above is only intended to provide a preliminary “order-of-magnitude” estimate of the potential market value of the Fairgrounds property based on the three Schematic Concept Plan alternatives, and is not intended to be an appraisal of the Fairgrounds nor a precise estimate of market value. The ultimate value of the Fairgrounds could be determined if the City were to decide to implement a process for disposition and development of the entire property.

D. Estimate of Potential Annual Operating Income from Proposed Multi-Use Open Space Areas (Schematic Concept Plan Option D)

Under Schematic Concept Plan D the portion of the Fairgrounds designated for Passive Recreation and Active Recreation is intended to be financed (in part), developed and operated by the City. The designated Shared Open Space (2.7 acres), Active Recreation (14.5 acres) and Passive Recreation (11.7 acres) areas could potentially be used for a variety of entertainment, community and sports events and activities.

Development Costs

For purposes of Schematic Concept Plan Option D, the City's intent to have the estimated development costs of these three open space areas funded as follows: 1) the development cost of the Shared Open Space (2.7 acres) funded by the Specialty Retail (Artisan District) and Hotel uses equally; 2) the development cost of the Active Recreation area (14.5 acres) funded by the City; and 3) the development cost of the Passive Recreation area (11.7 acres) funded equally by the City and Residential use.

The estimated development cost for the Shared Open Space, Active Recreation and Passive Recreation areas (as previously described in this Addendum) are as follows:

<u>Area</u>	<u>Acreage</u>	<u>Development Cost</u>
Shared Open Space	2.7 acres	\$2.3 million
Active Recreation	14.5 acres	\$4.3 million
Passive Recreation	11.7 acres	\$4.7 million

Ownership and Operation/Management Expenditures

For purposes of Schematic Concept Plan Option D, the City's intent to have the City retain ownership of the land underlying these three open space use areas, and annually operate and manage the areas. Therefore the City will receive some annual revenue and incur annual expenses associated with the operation and management of these three areas.

Based on the PROAGIS program field report from the National Park and Recreation Association (NRPA), the estimated annual expenditures per acre of park land managed by a local jurisdiction is approximately \$7,666 in 2015. This figure could apply to the designated Shared Open Space (2.7 acres) and Passive Recreation area (11.7 acres) areas. Using the Placer Valley Sports Complex Feasibility Study prepared by Ripken Design for the Placer Valley Tourism (Placer County, CA), an estimate of annual operating expenditures for a sports-oriented active open space area could be approximately \$12,400 per acre. This figure could be applied to the designated Active Recreation area (14.5 acres). Applying these figures to the three open space areas yields an estimated annual expenditure of approximately \$280,000 to \$290,000.

Operating Revenue

In order to estimate potential annual revenue for the designated Active Recreation area (14.5 acres), we reviewed the Placer Valley Sports Complex Feasibility Study prepared by Ripken Design for the Placer Valley Tourism (Placer County, CA) and operating information obtained from the City of Woodland related to its existing Community Center/Sports Complex. Based on that information, the estimated amount of annual revenue that could potentially be derived from operation of the Active Recreation area (14.5 acres) is approximately \$190,000 to

\$270,000 – assuming the area is designed and actively programmed for tournaments involving baseball, softball, soccer and other field sports and the City is able to secure sponsorships for the area and its related activities.

The estimated amount of annual revenue that could potentially be derived from operation of the Active Recreation area (approximately \$190,000 to \$270,000) does not fully offset the estimated amount of annual operating expenditures for the Shared Open Space, Active Recreation and Passive Recreation areas (approximately \$280,000 to \$290,000). The difference is approximately \$50,000 to \$60,000 using the mid-point of the indicated operating revenue and expenditure ranges. This difference could potentially be offset by the City with additional net new public tax revenue and/or new annual ground lease revenue from the private development of the Specialty Retail, (Artisan District), Hotel and Residential (Apartments) land uses in Schematic Concept Plan Option D (see Table 6).

As indicated earlier the estimated amount of annual operating revenue does not include any annual revenue the City might receive from the DAA related to the Annual Fair under a use agreement with the City.

E. Estimate of Potential Combined Annual Public Tax Revenue and Annual Ground Lease Payments from Implementation of Schematic Concept Plan Alternatives

Table 6 presents the combined amount of annual public tax revenue (property tax, sales tax and transient occupancy tax) and ground lease payments that the City could receive from implementation of the four schematic concept plan options.

Overall Schematic Concept Plan Options A, B, C and D could potentially generate approximately \$1.4 million, \$900,000, \$1.5 million, and \$1.3 million, respectively, in additional net annual public tax revenue (property tax, sales tax and transient occupancy tax) and annual ground lease payments to the City. For Schematic Concept Plan D, the figure of \$1.3 million includes factoring in the estimated amount of \$190,000 to \$270,000 of gross annual operating income from operation of the Active Recreation, and the estimated annual operating expenditure of \$280,000 to \$290,000 – resulting in an estimated annual deficit of \$50,000 to \$60,000.

By land use type Specialty Retail (Artisan District) could generate approximately \$227,000 to \$558,000 (depending on the conceptual development program alternative) in combined net annual public tax revenue and annual ground lease payments to the City – while Residential (Apartments) use could generate approximately \$282,000 to \$317,000 and Hotel use approximately \$647,000 to \$867,000, respectively.

**Table 6:
Summary of Estimated Annual Public Tax Revenue (City Portion)
Gross Operating Income and Annual Ground Lease Payments**

	Schematic Concept Plan Options			
	Option A	Option B	Option C	Option D
Specialty Retail (Artisan District)				
Property Tax	\$ 43,561	\$ 25,725	\$ 61,040	\$ 30,827
Sales Tax	\$ 133,500	\$ 78,750	\$ 186,900	\$ 68,250
Subtotal	\$ 177,061	\$ 104,475	\$ 247,940	\$ 99,077
Lease Payments	\$ 285,405	\$ 132,510	\$ 309,868	\$ 127,512
Total	↗ \$ 462,466	↗ \$ 236,985	↗ \$ 557,808	↗ \$ 226,589
Residential				
Property Tax	\$ 68,600	\$ -	\$ 68,600	\$ 99,455
Subtotal	\$ 68,600	\$ -	\$ 68,600	\$ 99,455
Lease Payments	\$ 248,292	\$ -	\$ 248,292	\$ 182,652
Total	↗ \$ 316,892	↗ \$ -	↗ \$ 316,892	↗ \$ 282,107
Hotel				
Property Tax	\$ 40,250	\$ 40,250	\$ 40,250	\$ 48,290
Sales Tax	\$ 1,193	\$ 1,193	\$ 1,193	\$ 1,431
Transient Occupancy Tax	\$ 492,550	\$ 492,550	\$ 492,550	\$ 591,300
Subtotal	\$ 533,993	\$ 533,993	\$ 533,993	\$ 641,021
Lease Payments	\$ 112,908	\$ 112,908	\$ 112,908	\$ 225,615
Total	↗ \$ 646,901	↗ \$ 646,901	↗ \$ 646,901	↗ \$ 866,636
Multi-Use/Open Space				
Property Tax	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ -	\$ -	\$ -	\$ -
Transient Occupancy Tax	\$ -	\$ -	\$ -	\$ -
Gross Operating Income	\$ -	\$ -	\$ -	\$ (55,000) (1)
Subtotal	\$ -	\$ -	\$ -	\$ -
Lease Payments	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ (55,000) (1)
Summary				
Specialty Retail (Artisan District)	\$ 462,466	\$ 236,985	\$ 557,808	\$ 226,589
Residential	\$ 316,892	\$ -	\$ 316,892	\$ 282,107
Hotel	\$ 646,901	\$ 646,901	\$ 646,901	\$ 866,636
Multi-Use/Open Space	\$ -	\$ -	\$ -	\$ (55,000) (1)
Total	\$ 1,426,259	\$ 883,886	\$ 1,521,601	\$ 1,320,332

Source: RCH Group, Inc.; A. Plescia & Co.

Footnotes:

(1) Based on mid-point of estimate of annual gross operating revenue that could potentially be derived from the Multi-Use Active Open Space; however the estimated annual operating expenditures \$280,000 to \$290,000 for the three designated open space areas (Shared, Active and Passive) exceed the estimated annual revenue (\$230,000)

Table 6: Summary of Estimated Annual Public Tax Revenue (City Portion) and Annual Ground Lease Payments

F. Annual Fairgrounds Operating Revenue and Expenditure Information for the Period 2009 to 2014

Table 7 presents a summary of the Fairgrounds operating revenue and expenditures for the period from 2009 through 2014 for all operations including the Annual Fair, non-Fair interim events, non-Fair tenant uses, non-Fair sub-lease uses, etc. The annual income and operating expenditures are presented by specific categories.

**Table 7:
Summary of Fairground Annual Operating Information
2009 to 2014**

	Operating Years						6-Year Average
	2009	2010	2011	2012	2013	2014	
Operating Revenues							
Admissions to Grounds	\$ 481,433	\$ 495,018	\$ 521,727	\$ 551,949	\$ 523,845	\$ 577,440	\$ 525,235
Commercial Space	\$ 57,445	\$ 53,595	\$ 52,480	\$ 53,225	\$ 52,940	\$ 50,760	\$ 53,408
Concessions	\$ 93,853	\$ 96,131	\$ 103,427	\$ 105,728	\$ 106,533	\$ 118,463	\$ 104,022
Exhibits	\$ 63,297	\$ 61,532	\$ 55,514	\$ 57,469	\$ 53,090	\$ 53,381	\$ 57,381
Horse Show	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horse Racing (Live)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Satellite Wagering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fair Attractions	\$ 19,352	\$ 17,781	\$ 17,999	\$ 15,907	\$ 12,607	\$ 10,035	\$ 15,613
Motorized Racing	\$ 83,865	\$ 77,588	\$ 62,241	\$ 79,181	\$ 85,605	\$ 90,049	\$ 79,755
Interim Attractions	\$ 1,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249
Misc. Fair	\$ 84,517	\$ 87,407	\$ 88,381	\$ 90,112	\$ 78,595	\$ 83,200	\$ 85,369
Misc. Non-Fair	\$ 7,725	\$ 3,050	\$ 6,414	\$ 3,400	\$ 6,700	\$ 5,050	\$ 5,390
Interim Revenue	\$ 602,182	\$ 559,678	\$ 547,937	\$ 586,397	\$ 570,456	\$ 608,788	\$ 579,240
Prior Year Rev. Adjust.	\$ 608	\$ (102)	\$ 3,622	\$ 907	\$ -	\$ 36	\$ 845
Other	\$ 33,755	\$ 17,907	\$ 19,271	\$ 25,871	\$ 69,744	\$ 18,751	\$ 30,883
Total	\$ 1,529,523	\$ 1,469,585	\$ 1,479,013	\$ 1,570,146	\$ 1,560,115	\$ 1,615,953	\$ 1,537,389
Operating Expenditures							
Administration	\$ 342,850	\$ 341,831	\$ 372,796	\$ 382,844	\$ 405,801	\$ 362,102	\$ 368,037
Maintenance / General Operations	\$ 372,983	\$ 373,296	\$ 356,355	\$ 380,457	\$ 357,091	\$ 335,663	\$ 362,641
Publicity	\$ 107,647	\$ 114,589	\$ 117,017	\$ 86,929	\$ 87,319	\$ 80,023	\$ 98,921
Attendance Operations	\$ 94,017	\$ 98,233	\$ 101,881	\$ 99,596	\$ 94,346	\$ 94,381	\$ 97,076
Misc. Fair	\$ 14,216	\$ 11,590	\$ 7,758	\$ 7,398	\$ 8,409	\$ 9,838	\$ 9,868
Misc. Non-Fair	\$ 46,881	\$ 43,605	\$ 38,410	\$ 47,260	\$ 45,523	\$ 42,625	\$ 44,051
Premiums	\$ 68,585	\$ 63,393	\$ 59,196	\$ 59,416	\$ 57,327	\$ 57,566	\$ 60,914
Exhibits	\$ 109,889	\$ 88,810	\$ 80,692	\$ 81,206	\$ 84,773	\$ 84,827	\$ 88,366
Horse Show	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Horse Racing (Live)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Satellite Wagering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fair Entertainment	\$ 462,507	\$ 462,552	\$ 467,502	\$ 451,331	\$ 447,464	\$ 491,257	\$ 463,769
Motorized Racing	\$ 5,315	\$ 4,958	\$ 3,411	\$ 4,485	\$ 3,830	\$ 3,716	\$ 4,286
Interim Entertainment	\$ 2,074	\$ -	\$ 221	\$ -	\$ -	\$ 189	\$ 414
Equipment	\$ 2,944	\$ 2,400	\$ 1,136	\$ 4,143	\$ 1,194	\$ 6,254	\$ 3,012
Prior Year Exp. Adjust.	\$ (609)	\$ (51,152)	\$ (1,449)	\$ (3,319)	\$ (1,980)	\$ 694	\$ (9,636)
Cash (Over/Under)	\$ 1,064	\$ 1,565	\$ 549	\$ 385	\$ 2,562	\$ 604	\$ 1,121
Other	\$ 19,354	\$ 7,349	\$ 19,167	\$ -	\$ -	\$ -	\$ 7,645
Total	\$ 1,649,718	\$ 1,563,019	\$ 1,624,641	\$ 1,602,131	\$ 1,593,659	\$ 1,569,739	\$ 1,600,484
SUMMARY							
Operating Revenues	\$ 1,529,523	\$ 1,469,585	\$ 1,479,013	\$ 1,570,146	\$ 1,560,115	\$ 1,615,953	\$ 1,537,389
Local / Base Allocation and Other Funds	\$ 143,354	\$ 143,749	\$ 312,367	\$ 151,439	\$ 62,100	\$ 32,548	\$ 140,926
Total	\$ 1,672,877	\$ 1,613,334	\$ 1,791,380	\$ 1,721,585	\$ 1,622,215	\$ 1,648,501	\$ 1,678,315
Less: Operating Expenses	\$ 1,649,717	\$ 1,563,019	\$ 1,624,642	\$ 1,602,131	\$ 1,593,659	\$ 1,569,739	\$ 1,600,485
Net Operating Profit/(Loss) Before Depreciation	\$ 23,160	\$ 50,315	\$ 166,739	\$ 119,457	\$ 28,554	\$ 78,762	\$ 77,831

Source: 4th District Agricultural Association; RCH Group, Inc.; A. Plescia & Co.

Table 7: Summary of Annual Fairground Operating revenue and expenditures – 2009 to 2014

Overall the total annual operating revenue and expenditures have remained relatively stable over the six-year period from 2009 through 2014, both overall and by specific revenue categories.

Total annual operating revenue has remained relatively stable over the six-year period ranging from approximately \$1,470,000 to \$1,616,000 per year, with an overall average of approximately \$1,537,000 per year for that period. Annual operating revenue reached a high of approximately \$1,616,000 in 2014.

The largest categories of annual revenue are Admissions to Grounds and Interim Revenue which averaged approximately \$525,000 and \$579,000, respectively, over the six-year period. On average these two categories of revenue constituted approximately 72% of annual operating revenue received by the Fairgrounds.

Total annual operating expenditures have also remained relatively stable over the six-year period from 2009 to 2014 ranging from approximately \$1,563,000 to \$1,648,000 per year with an overall average of approximately \$1,600,000 per year for that period. Annual operating expenditures have decreased each year since 2011 with the annual expenditures in 2014 (approximately \$1,570,000) being the lowest annual level since 2010 (approximately \$1,563,000).

The largest categories of annual operating expenditures are Administration, Maintenance / General Operations and Fair Entertainment which averaged approximately \$368,000, \$362,000 and \$464,000, respectively, over the six-year period. On average the Administration and Maintenance / General Operations categories constituted approximately 46% of annual operating expenditures; while Fair Entertainment constituted approximately 29% of annual operating expenditures over the six-year period.

The Fairgrounds operation has experienced an annual net operating profit (before depreciation) each year during the six-year period from 2009 to 2014 when comparing annual operating revenue and annual operating expenditures – including the factoring in of local base allocation and other funding received by the Fairgrounds. During the six-year period there has been a large fluctuation in the amounts of annual net operating profit ranging from \$23,000 to \$119,000 per year. The overall average annual net operating profit during the six-year period was approximately \$78,000 – which represented approximately 5.1% of average annual operating revenue during that same period of time.

G. Implications for DAA and Fairground Activities

This study assumes two different structures of operation by which the DAA could potentially operate. The first potential structure of operation, Schematic Concept Plan Options A, B and C,

assumes that the Fair would operate on land dedicated to the Fair for its sole use. These options also assume that the Fair would operate on a redefined and reconfigured footprint different than the area covered by the existing City and DAA lease. The second potential structure of operation, Schematic Concept Plan Option D, assumes that the DAA would operate the Annual Fair and interim uses on City-owned public land that would otherwise be used as Passive Recreation and Active Recreation space. Further study and collaboration with the DAA will be needed to determine how the development of these alternatives would allow the DAA to maintain their mission statement and to assure long-term viability of the DAA and the Annual Fair.

Currently, the DAA generates over \$580,000 annually through interim events and leases which cover a large portion of the DAA's overhead and operating expenses. Shrinking the property available to the DAA will reduce their ability to generate ongoing revenues; however, the smaller property could also generate fewer expenses. Understanding the actual needs of the DAA to operate the annual fair and achieve its mission will be critical in determining the ultimate feasibility of redeveloping the Fairgrounds property.

CAVEATS AND LIMITATIONS

1. The preliminary analysis contained in this document is based, in part, on data and information from secondary sources, including the City of Petaluma and the 4th District Agricultural Association. RCH Group, Inc. and A. Plescia & Co. believe that these sources are reliable, however, RCH Group, Inc. and A. Plescia & Co. cannot guarantee the accuracy of such data and information.
2. The preliminary analysis assumes that neither the local, regional or national economy will experience a major recession. If an unforeseen change occurs in either the local, regional or national economy the information contained in this document might not be valid.
3. The information contained in this preliminary analysis is based on economic considerations, not political considerations. Therefore the preliminary information should not be construed as a representation or opinion that any required governmental approvals would be secured for any proposed development projects.
4. The preliminary analysis is based on the informed judgment of RCH Group, Inc. and A. Plescia & Co. using the best available market, business and economic data and information that reflects current real estate market conditions as of the date of this preliminary analysis. The preliminary information and analysis should not be relied upon as sole input and basis for any final business decisions regarding any proposed development projects.
5. Any preliminary estimated land values, construction costs, financing costs, lease rates, sales income projections, etc. are based on the best available data and information as of the date of this preliminary analysis. No warranty or representation, either expressed or otherwise, is made that these estimates would actually materialize.
6. The global order of magnitude development costs are intended to provide a very rough snapshot of what it might take to develop each space in accordance with the concept provided for in the Assessment. Area takeoffs were derived from non-engineered base maps, are conceptual, and are subject to change. Costs have been based upon historical data and allowances for similar project types (fairs) constructed or planned in Northern California. Costs are provided without the benefit of architectural or engineering drawings, or detailed facility programs.

Order of magnitude costs were developed only for major elements of work, do not necessarily include or reflect all possible variables, including costs typically associated with fees/permits, are not intended to be all-inclusive, and should be used for discussion purposes only.

APPENDIX A

SOURCES OF INFORMATION

The preliminary ASSESSMENT was prepared using certain data and information from the following sources:

1. 2013 Annual Tourism Report; Sonoma County Economic Development Board/Sonoma County Tourism
2. 2012-13 Annual Report; Petaluma Visitors Program
3. City of Petaluma, Overall Utility Exhibit
4. City of Petaluma General Plan 2025, Proposed and Existing Bicycle Routes
5. City of Petaluma, Development Impact Fee Calculation Sheet, 2013
6. Executive Summary Long Range Master Plan Sonoma-Marin Fair, 2003; Bullock Smith & Partners, Inc.
7. East Washington Place Draft EIR, 2009; Design, Community & Environment
8. Fiscal and Economic Impact Assessment, Riverfront Project, 2013; Keyser Marston Associates, Inc.
9. Fiscal and Economic Impact Analysis for Proposed Silk Mill Hotel, 2009; Bay Area Economics
10. Legal Description of Fairgrounds Property; Old Republic Title Company
11. Occupancy Rates, 2014, Sonoma County Tourism Research and Statistics; Smith Travel Research
12. Petaluma Waterways, A Blueprint for Action; City of Petaluma, Petaluma River Access Partners, National Park Service
13. Petaluma Transit Route Map
14. Petaluma SMART Rail Station Areas: TOD Master Plan, 2013; Opticos
15. Sonoma County Indicators, 2013; Sonoma County Economic Development Board, Sonoma County Workforce Investment Board
16. Sonoma-Marin Fairgrounds Preliminary Draft Report of the Market Demand Assessment for Fairgrounds Facilities, 2002; Markin Consulting
17. Sonoma-Marin Fairgrounds Master Plan Feasibility Assessment; Markin Consulting
18. Sonoma-Marin Fair Statement of Operations (STOP), 2009-13; State of California
19. Sonoma-Marin Fair Operating Budgets, 2010-14; State of California
20. Sonoma-Marin Fair Interim Event Contracts, 2013; 4th DAA
21. Sonoma-Marin Fair Annual Themes & Attendance; 4th DAA
22. Sonoma-Marin Fair Non-Fairtime Uses; 4th DAA
23. Sonoma-Marin Fair Contracted Concessions, 2011-13; 4th DAA

24. Sonoma-Marín Fair Board of Director Minutes, 2013; 4th DAA
25. The Economic Outlook Focus on California and Sonoma, November 2013, Beacon Economics
26. The Economic Field of Dreams; Analyzing the Local Economic Development Potential of Sports Tourism, 2007; Eric Harper, Masters of Public Policy and Administration Thesis, Cal State Sacramento
27. Transit Occupancy Tax Report, 2013; Sonoma County Economic Development Board, Sonoma County Tourism

APPENDIX B

COUNTY ASSESSOR'S PARCEL MAP

