



ADDENDUM NO. 4
December 8, 2009

**REQUEST FOR PROPOSALS FOR
THE SALE OF THE ORANGE COUNTY FAIRGROUNDS**
(RFP No. AMB – 2009-10-07)

The following is a compilation of the 1st series of questions submitted to the DGS on the RFP dated October 7, 2009 regarding the sale of the Orange County Fairgrounds. The questions were submitted on or before November 13, 2009 as per the instructions in the RFP. Following each question is the DGS response to the submitted question. Unless otherwise defined herein, all defined terms will carry the same definition and meaning as indicated in the RFP

Note: A 2nd series of questions pertaining to RFP Addendum No. 3 will be accepted by the State up to and including December 15, 2009. See Addendum No. 3 for parameters and instructions for submitting Addendum No. 3 questions.

1. Why did Admissions Revenue decline sharply in 2006 and then increase strongly in the next two years and what, if anything, does this portend for the future?

A: Admissions Revenue varies with the number of paid admissions, and the price of admission tickets.

Paid admissions for the OC Fair:

2005	731,867
2006	652,867
2007	837,599
2008	864,727

Admission ticket prices for the OC Fair:

2005	Adult \$8 / Senior \$6 / Child \$4
2006	Adult \$8 / Senior \$6 / Child \$4
2007	Adult \$8 / Senior \$6 / Child \$4
2008	Adult \$9 / Senior \$7 / Child \$5

The decline in 2006 was attributable to lower attendance and a lower number of paid admissions to the fair. While the causes of lower attendance can never be determined with certainty, there was a heat wave during the run of the 2006 fair which is believed

to have adversely affected attendance

2. Similarly, what drove the strong increase in Concessions Revenue in 2007 and 2008 and why/why not are such increases likely durable?

A: See paid attendance figures above. Concessions Revenue is strongly driven by attendance, but also by factors such as points of sale, available seating, and food and beverage pricing.

3. Why did expenditures for Maintenance and General spike in 2008? Was this a one-time event or the beginning of a trend?

A: Expense increases in 2008 occurred in the Salaries & Wages – Permanent line item (which would be ongoing); Salaries & Wages – Temporary (variable costs which fluctuate based on factors such as the amount of construction or other projects); and Professional Services (variable cost - construction management).

4. Why did Fair Entertainment Expense spike in 2007 and 2008?

A: A major component of Fair Entertainment Expense is the performance fees for the Pacific Amphitheatre acts. In 2007 and 2008, acts with higher performance fees were selected. Additionally, some costs of production in the Pacific Amphitheatre increased in 2007 and 2008.

5. Construction in Process totaled \$6.3 million in 2008. Were these expenditures related to implementation of the Master Plan? What were the projects that were undertaken and what is their current status? Pending the sale of the property, are any new construction contracts being entered into to implement the Plan? When the property is turned over to the buyer in 2010, what elements and what percentage of the Master Plan improvements will have been completed?

A: Major components of Construction in Process at the end of 2008 included a breezeway connecting Buildings 14 and 16, and a new administration office building. Both these projects have been completed during 2009. A new exhibit building is currently under construction and is expected to be completed by mid-2010. See Question No. 21 for list of completed projects.

6. We note that that for 2008 there were Unrestricted Net Resources of \$23.7 million; we take it that this is cash and we assume that this will become the property of the state when the affairs of the 32nd DDA are concluded; please comment.

A: Unrestricted Net Resources will be retained by the 32nd DAA upon conveyance of the Property.

7. Further in respect to the previous question: Interest Earnings (part of “Other Operating Revenue”) in recent years have ranged from \$800,000 to \$1,400,000 (rounded) and have constituted an important element of Net Operating Income; presumably, some or all of these earnings are derived from cash balances that will be eliminated when the present operation is terminated (see above). Please comment and provide detail on the calculation of Interest Earnings in the past

several years.

A: The DAA has generally deposited most of its funds with the state's Local Agency Investment Fund. Interest Earnings has varied with the rates paid by LAIF and the balance of invested funds. Historical data on LAIF rates is available from the State Treasurer's website at http://www.treasurer.ca.gov/pmia-laif/historical/qrtly_appor_rates.pdf.

8. As a general matter, it is possible/likely that a successful bidder will operate the existing improvements and, in effect, would be purchasing a business. Any purchaser of this business would expect/require substantive discussion regarding operation and financial performance with the present operator, since many aspects of the Fair Operation are not evident solely from review of operating statements and balance sheets. We request that the state provide a venue, open to all proposers, whereby proposers can spend 1-2 days interviewing the operator regarding operations and finance.

A: The Authorizing Legislation allows for the sale of the Property's real property only. Personal property and business interest are not components of this transaction. Operational and financial information on the Orange County Fair and Event Center are provided in the RFP only because of the specialized nature of the Property's use. Arrangements should be made with the Orange County Fair and Event Center regarding any additional information pertaining to the operational elements of the Property.

9. Has the District identified items of deferred maintenance that require correction, and the cost of the work? Please provide any details that are available.

A: Improvements need to be made in the Pacific Amphitheatre to accomplish ADA compliance. These include addressing line of sight issues, concession stand service windows, and semi-ambulatory seating throughout the venue. No estimates in total. A budget is established in each year's capital expenditure plan, then items of deferred maintenance are prioritized and the budget allotted accordingly.

10. The RFP states that since "the Master Plan has not been adopted by the City of Costa Mesa... upon the property's transfer to a private entity, the Master Plan will carry no authoritative backing." Since the qualifier in the statement above is "private," do you have an opinion as to Master Plan approvals if the transfer were to a public entity such as the County?

A: The comment in the RFP would apply just the same to a public entity as it would to a private entity.

11. Has the District developed operating projections that show financial results upon full implementation of the Master Plan? If so, we would like to review the estimates and the assumptions underlying the projections.

A: No, no recent projections have been developed by the District.

12. At peak operation, is all of the parking area required? What is the extent, if any, of

excess parking area? At what times and conditions and to what extent is there a shortage of parking?

A: At peak operation, all of the onsite parking is utilized. OCFEC currently utilizes approximately 2,500 offsite parking spaces as well. During the OC Fair parking capacity is often reached on weeknight evenings and weekends. During certain non-fair events, offsite parking is utilized as well.

13. Will the state hold the successful bidder harmless from any shortfall resulting from operation of the Fair through August 2010?

A: The operation of the Fair through November 1, 2010 is not related to the conveyance of the Property.

14. Will the state guarantee that the property is free of mechanics and other liens at time of conveyance?

A: At this time, there are no mechanics or other liens against the property, and none are anticipated. See Purchase and Sales Agreement regarding State's representations at time of conveyance.

15. We wish to reserve the ability to ask subsequent questions related to the Purchase and Sale Agreement, State Profit Participation Requirement, Auction Format, and Offer Form, which have not been made available as of this date.

[Refer to Addendum No. 3.](#)

16. Assuming that the sale of the OCFEC does occur, what impact does the sale have on the ultimate disposition of the 32nd District Agricultural Association (DAA)? Will the DAA continue to exist and function? If yes, will the DAA simply move the annual Orange County Fair to another location in Orange County?

A: The future of the 32nd DAA or relocation of the OCF have not been determined.

17. Has DGS or the DAA prepared a cost/fiscal analysis of operating the Orange County Fair at another location in Orange County?

A: No.

18. What are the details of the State Profit Participation Requirement? Does the requirement apply if the property continues to operate as a fairgrounds and event center? Or is the profit participation requirement tied to the new owner's ability to secure a General Plan amendment and Zone Change from the City of Costa Mesa?

A: [Refer to Addendum No. 3.](#)

19. The City of Costa Mesa intends to place an initiative measure on the June 2010 ballot requiring voter approval of any future land use change at the Orange County Fair and Event Center. Does this pending action have any impact on DGS' position

relative to the sale of the property?

A: No.

20. Please provide a listing of all available environmental reports that have been prepared for the property, including any reports regarding potential onsite environmental hazards and contaminated soils.

A: the attached files ([Doc 1](#) and [Doc 2](#)) are the only known environmental reports other than what is referenced in the documentation linked in the [RFP](#). As additional information, the next link is a compilation of several [geotechnical reports](#) that that have been completed for projects at the OCFEC over the years.

21. Please provide a listing of all unbuilt capital improvements that are approved pursuant to the adopted OCFEC master plan, including both onsite and offsite improvements in the public right-of-way. This list should also include any off-site improvements that were included as mitigation measures in conjunction with the adoption of current OCFEC Master Plan. Please identify the estimated cost of all the unbuilt improvements and funding sources.

A: The following improvements are approved and are currently underway: exhibit building; main mall renovation; and commercial kitchen. The Master Plan includes additional projects which are not approved at this time. The linked file: [1203120043_001.pdf](#) indicates projects under the master plan with "C" written next to completed projects. The Master Plan document (Implementation section) includes cost estimates for the various phases of the Plan. These cost estimates are very general in nature and were prepared in 2003. There is no total budget for the master plan projects. Individual budgets are established as each project is initiated.

22. Regarding Addendum #1, issued November 10, 2009, which states that the State's Profit Participation requirement, Auction Format, and, Purchase and Sales Agreement, will all be delayed until November 23, 2009, will the deadline for questions be extended beyond November 13, 2009? What is the new deadline for questions?

A: [Refer to Addendum No. 3.](#)

23. After the November 23rd addendum is released, is a subsequent addendum anticipated?

A: Unknown. Addendums will be released as necessary.

24. Are there any circumstances in which the state will participate in financing the sale of the Fairgrounds?

A: No.

25. In evaluating a purchaser that is a newly formed entity with no assets other than the Fairgrounds to be acquired, will you consider the credit worthiness of non-guarantor affiliates? Or, will you consider only the credit worthiness of the

purchasing entity?

A: As indicated in the RFP, bid offers must include a Statement & Support of Sale Financing addressing the bidders ability to consummate an all-cash transaction on the sale of the Property at close of escrow.

26. Will a single recommended bid be given to the Fiscal Subcommittee for approval or will a ranked slate of bidders be provided for Subcommittee consideration and selection?

A: Bids will be posted and ranked at time of auction. If the State deems the highest posted bid to be acceptable, the State will enter into a Purchase and Sales Agreement with the qualified bidder posting the highest bid. If a sale with the bidder posting the highest bid can not be consummated, the State will repeat the process with the bidder posting the next highest bid.

27. What actions will the Fiscal Subcommittee of the State Senate and Assembly take to approve a potential sale? Who are the members of the Fiscal Subcommittee?

A: As per the Authorizing Legislation, the Director of the Department of General Services must report to the fiscal subcommittees 30-days prior to executing a Purchase and Sales Agreement. Make up of the fiscal subcommittees not pertinent to RFP.

28. Is the business of the Fair for sale or only the real property? If the Fair itself is not being sold why is the operational information included in the RFP?

A: Only the real property is offered for sale through the RFP. The OC FEC or going concern of the business operation are not offered for sale. The operational information is provided only because of the specialized nature of the Property's use.

29. Does the 32nd Agricultural District reserve the right to transfer the operations of the Fair separately from the ownership of the real property?

A: The 32nd DAA is a state entity governed by its own Board operating within the Division of Fairs and Expositions, California Department of Food and Agriculture. Questions of operation should be directed to the 32nd DAA.

30. The Unrestricted Net Resources of \$23.7 million at the end of 2008 may have constituted some or all of the working capital necessary to make deposits and the many other commitments and payments necessary to put on the Fair in early 2009. If the State removes this working capital (cash) at the time of sale in 2010, what is the estimated amount of working capital the operator of the 2010 Fair will need to fund including deposits, payments, and other working capital requirements necessary to put on the 2010 Fair or will the cash be considered a fair asset and be transferred to the buyer?

A: The 2010 fair will be operated by the OC Fair & Event Center/32nd District Agricultural Association. Unrestricted Net Resources will be retained by the 32nd DAA upon conveyance of the Property.

31. Is what is referred to in the audit as Net Resources – Operations, the same as what is referred to as Unrestricted Net Resources in the RFP. Are these funds used for working capital to set-up and hold the fair?

A: Unrestricted Net Resources is the excess of total assets (excluding capital assets) over total liabilities. It can generally be considered working capital, as the District has no long-term non-capital assets or liabilities, except for Compensated Absence Liability.

32. Will the State move the employees of the Fair Board to other locations, or does the State intend to release the employees if the buyer does not want them?

A: Question not pertinent to RFP.

33. If employees are released by the State, how will their accrued retirement benefits be handled? What options will the employees have?

A: Question not pertinent to RFP.

34. What method of depreciation is used for buildings, improvements, and equipment?

A: Straight-line depreciation has been used for buildings, improvements, and equipment.

35. The numbers in the “Income and Expense Comparison December 31,2004 through 2008” provided in the RFP appear to be nearly the same as those found in the California Department of Food and Agriculture Audit Office’s Audit Report #08-031 for the years ended December 31, 2007, and 2006, are these correct?

A: The numbers in the audit reports are correct.

36. Are audited financial statements available for 2004, and 2005? If so, please post copies on the RFP website or post the link to them.

A: Yes, audited financial statements are available for [2004 and 2005](#).

37. Is counsel representing the State in-house or is the State being advised about the sale by outside counsel? Who is the State’s counsel on this matter?

A: Question not pertinent to RFP.

38. Will there be any deed restrictions other than the reservation of mineral rights and the profit participation requirement?

A: The Property is offered for sale “as-is” subject to the reservation of mineral rights and the profit participation requirements. [Refer to Addendum 3](#) for more information.

39. According to the RFP, the Purchase and Sales Agreement would be available in

approximately 30 days from October 7, 2009. As of November 13, 2009, the Purchase and Sales Agreement has not been made available. When will this document be made available?

A: [Refer to Addendum 3.](#)

40. The RFP indicates that a State profit participation requirement would be issued within 30 days of October 7, 2009. As of November 13, 2009, the State profit participation requirement has not been made available. When will this document be made available?

A: [Refer to Addendum 3.](#)

41. The City of Costa Mesa General Plan designates the land use as fairgrounds with the area being zoned "Institutional and Recreational". This use is important to the CCCD in its mission as a community college. We also have joint agreements. Will the property be sold with the Buyers being advised that the zoning is limited to those uses defined by the City of Costa Mesa? Is there any plan by the State to override this zoning or rezone it? Will current public or private users of this property be allowed to continue those use agreements and will Buyers be so advised?

A: The property is zoned Institutional and Recreational (I & R) as represented in the RFP. No plan by the State to override zoning. The Property is being sold "as-is" subject to the reservation of mineral rights and the State's profit participation requirement. Refer to the [Purchase and Sales Agreement](#) for more information.

42. It is our understanding that some of this property may be included in a local government community redevelopment agency district. What effect will the proposed sale have on the redevelopment agency and vice versa?

A: Redevelopment questions should be directed to the City of Costa Mesa.

43. We understand that the fairgrounds property was a grant to the County from the federal government for a public purpose. In these cases any change of use by the grantee would be cause for the property to revert to the Grantor. Are there any such limitations on this property now, and will the public and potential Buyers be notified?

A: Refer to the title report provided in the RFP. There are no title issues preventing the sale of the Property.

44. We understand that there may be some real property ownership by a private party (Whittier) which contains reversionary rights to the heirs of that family, which limitations could run with the land use on some of the fairgrounds property. Will the public and potential Buyers be fully advised of this matter?

A: Refer to the title report provided in the RFP. There are no title issues preventing the sale of the Property.

45. Doesn't real property sale of County/public property require that the legislative body declare that the property is "surplus" and will no longer be needed for the purpose it is currently used? Also, in compliance with the surplus property laws aren't other public agencies (such as the City of Costa Mesa or Coast Community College District) able to seek the property for a similar public use prior to any sale? Has this been done? How does the law not apply to this property?

A: As per the Authorizing Legislation, the sale of the Property does not constitute a sale or other disposition of state surplus property within the meaning of Section 9 of Article III of the California Constitution and shall not be subject to subdivision (g) of Section 11011 of the Government Code.

46. In the 58 counties in the State of California, are any other county fairgrounds being offered for sale under the law that governs this sale? If not, is this a form of special legislation that requires a higher test or super majority vote of the state legislature? Does it require a vote of the people of Orange County?

A: Question not pertinent to RFP.

47. The RFP indicates that a Phase 1 Environmental Site Assessment is in process. Is there an estimated due date for this assessment? Will this assessment cover archaeological concerns?

A: The Phase 1 Environmental Site Assessment is scheduled to be posted at the end of December, 2009. An archaeological assessment will not be included in the Phase 1 report.

48. Under the California Public Records Act, the Coast Community College District is requesting documents (written questions with DGS answers) submitted by potential buyers in relation to the Request for Proposals Orange County Fairgrounds.

A: This Addendum 4 represents a compilation of all questions (and subsequent responses) submitted to the DGS as provided for in the RFP – including duplicate and/or questions of a similar nature.