

4th District Agricultural Association

Sonoma-Marin Fair Facility and Financial Assessment

November 15, 2017

Ms. Erin Post, CEO
4th District Agricultural Association
175 Fairgrounds Drive
Petaluma, CA 94952

November 15, 2017

Dear Erin:

Markin Consulting is pleased to submit the attached financial summary analysis for the future development options of the Sonoma-Marin Fairgrounds & Event Center.

The analysis presented in this report is based on estimates, assumptions and other information developed from industry research, input provided by the project representatives and stakeholders, review of the 2017 Sonoma-Marin Fair, and analysis of competitive events and facilities. The sources of information, the methods employed and the basis of significant estimates and assumptions are stated in this report. Although we believe that the information and assumptions set forth in this report constitute a reasonable basis for the estimates of potential financial results, the achievement of any estimate may be affected by fluctuating economic conditions and the occurrence of other future events that cannot be anticipated. Therefore, the actual results achieved will vary from the estimates and such variations may be material.

This report is to be used for evaluation of the future planning of the Sonoma-Marin Fairgrounds and Event Center and the annual Sonoma-Marin Fair. It is not to be used for any other purpose. This report is not to be used in conjunction with any public or private offering of securities, debt, equity or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of Markin Consulting.

The terms of our engagement are that we have no responsibility to update this report or to revise the estimates because of event and transactions occurring subsequent to the date of this report.

Sincerely,





Rod Markin, President
Markin Consulting

The mission statement of the 4th District Agricultural Association directs programming and operations which, in turn, drives facility and space needs

The Sonoma-Marín Fair promotes and showcases agriculture, while displaying the diverse talents, interests and accomplishments of the citizens of California, especially the youth of Sonoma and Marin counties. This is achieved by providing education, entertainment and recreational opportunities for the general public, while continually striving towards enhancing the promotion and preservation of California's agricultural heritage.

The market and facility assessment for the Sonoma-Marin Fair involved six principal elements

<p>Facility Usage</p> 	<p>Market Characteristics</p> 	<p>Competitive Factors</p> 	<p>Financial and Operations</p> 	<p>Fair Programming</p> 	<p>Future Fair Potential</p> 
<p>Components of Sonoma-Marin Fair Assessment</p>					
<p>Baseline of year-round operations that provide financial support for the annual Fair, including permanent tenants and rental operations</p>	<p>Key trends in market area – population, households, incomes, age, ethnicity, businesses, employment, socio-economic factors</p>	<p>Competitive factors include fairs, festivals, family activities, and the like</p>	<p>Mission, vision, goals/objectives provide insight into programs, staff needs, facility priorities, pricing, contracts and resulting revenues and expenditures</p>	<p>Understanding the current programming for the Sonoma-Marin Fair uncovered opportunities to increase participation and attendance, and improve facility uses</p>	<p>Facility and layout changes to Fair programming and financial results</p>

The financial and operating aspects of the 4th District Agricultural Association include the Sonoma-Marin Fair, year-round rentals and permanent tenants

Fair Operations



The annual Sonoma-Marin Fair, held in June, operates on 61 acres of property consisting of indoor, covered and outdoor spaces for competitive activities, livestock judging, entertainment, contests, food concessions, carnival, parking and circulation

Year-Round Rentals



A few outdoor and indoor spaces are available for rentals – Herzog Hall, Beverly Wilson Hall, Carnival area, livestock barns and other outside spaces

Permanent Tenants



The 4th DAA generates significant revenues from long-term leases of buildings, parking lots and outside areas

Two important performance metrics for the Fairs' attendees versus market populations are age categories and income stratifications

The Fair overperforms in attracting persons in the 25 to 49 age bracket and underperforms for the 50 and over age bracket – actually a good outcome.

The Fair significantly overperforms with households in the \$40,000 to \$49,000 income range and, similarly, underperforms in the \$100,000 and over income range. Underperforming in attracting households with high incomes (except for ag-based households) is quite common in the Fair industry.

Sonoma-Marin Fair

Comparison of Fair Attendance by Age

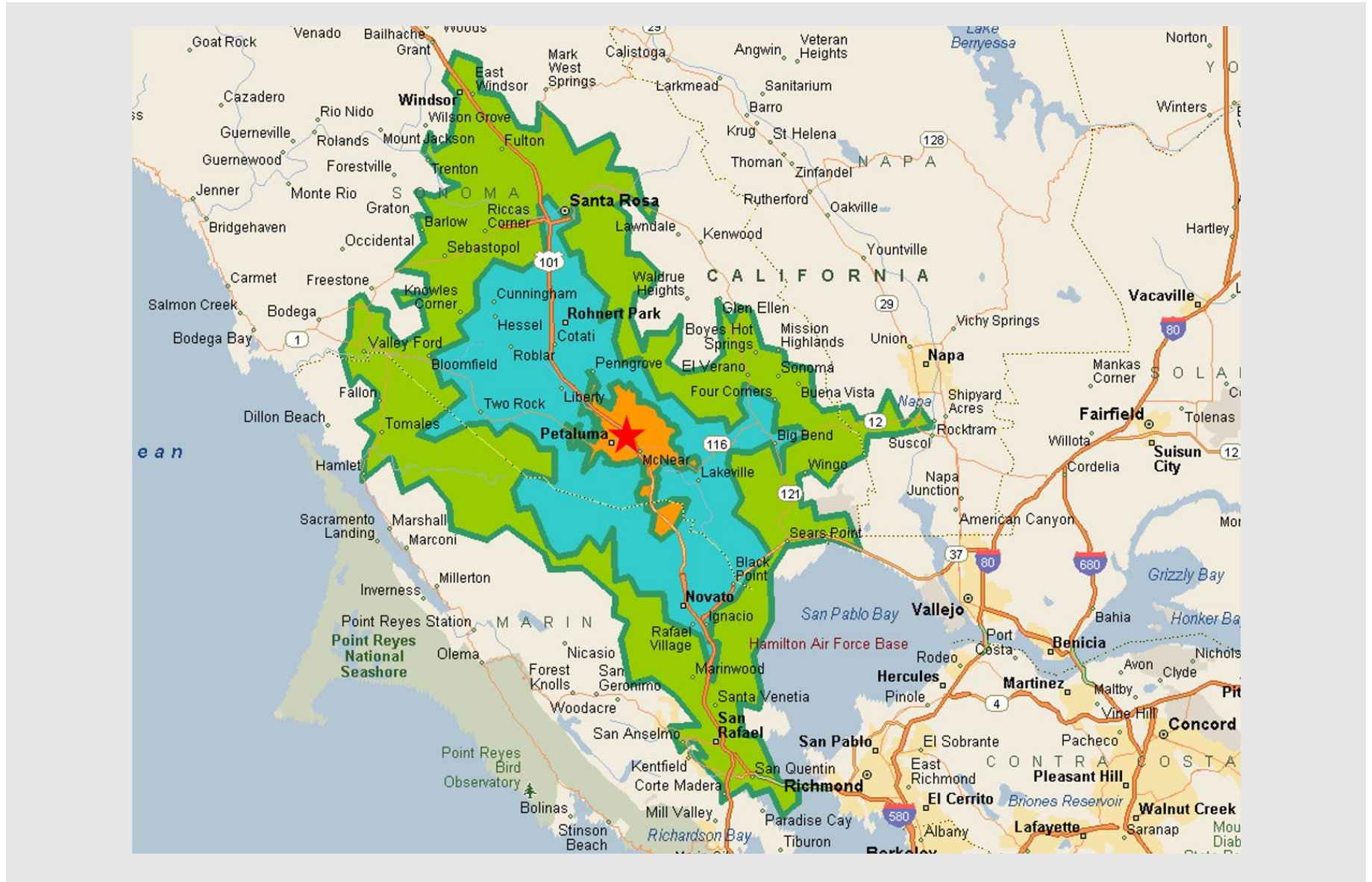
Age	Fair Attendees	Market Population	Over/Under Performance
Under 25	27.5%	28.0%	-0.5%
25 - 29	14.4%	5.3%	9.0%
30 - 34	13.6%	5.6%	8.0%
35 - 49	27.8%	19.6%	8.2%
50 - 74	15.3%	33.9%	-18.5%
Over 75	1.5%	7.6%	-6.1%

Sonoma-Marin Fair

Comparison of Fair Attendance by Combined Income

Income	Fair Attendees	Market Population	Over/Under Performance
Under 40K	26.6%	27.5%	-0.8%
40K-49K	27.2%	7.4%	19.7%
50K-59K	10.1%	7.2%	2.9%
60K-69K	7.4%	9.1%	-1.7%
70K-99K	12.7%	12.6%	0.2%
100K+	16.0%	36.3%	-20.3%

Fair attendees reside principally within 30 minutes of the Fairgrounds, with the majority living within 10 and 20 minutes



Revenues generated by the 4th DAA include both Fair and Non-Fair revenues

Sonoma-Marin Fair

Fair Revenue Comparison, 2012 - 2016

	2012	2013	2014	2015	2016
FAIR REVENUES:					
Admissions to Grounds	\$551,949	\$523,845	\$577,440	\$617,805	\$600,220
Industrial and Commercial Space	53,225	52,940	50,760	50,250	49,895
Carnivals	0	0	6,095	6,220	5,940
Concessions	105,728	106,533	112,368	127,094	127,424
Exhibits	57,469	53,090	53,381	55,089	50,916
Fair Attractions	15,907	12,607	10,035	8,875	6,781
Miscellaneous Fair	<u>90,112</u>	<u>78,595</u>	<u>83,199</u>	<u>97,791</u>	<u>99,150</u>
Total	<u>\$874,390</u>	<u>\$827,610</u>	<u>\$893,278</u>	<u>\$963,124</u>	<u>\$940,326</u>

Source: 4th District Agricultural Association

Sonoma-Marin Fair

Non-Fair Revenues Comparison, 2012 - 2016

	2012	2013	2014	2015	2016
NON-FAIR REVENUES:					
Miscellaneous Non-Fair Programs	\$3,400	\$6,700	\$5,050	\$2,650	\$4,550
Interim Revenue	586,397	570,456	608,788	652,880	702,052
Prior Year Revenue Adjustment	907	0	36	0	4,316
Motorized Racing	79,181	85,605	90,049	95,490	99,950
Other Operating Revenue	<u>25,871</u>	<u>69,744</u>	<u>18,751</u>	<u>21,053</u>	<u>22,383</u>
Total	<u>\$695,756</u>	<u>\$732,505</u>	<u>\$722,674</u>	<u>\$772,073</u>	<u>\$833,251</u>

Source: 4th District Agricultural Association

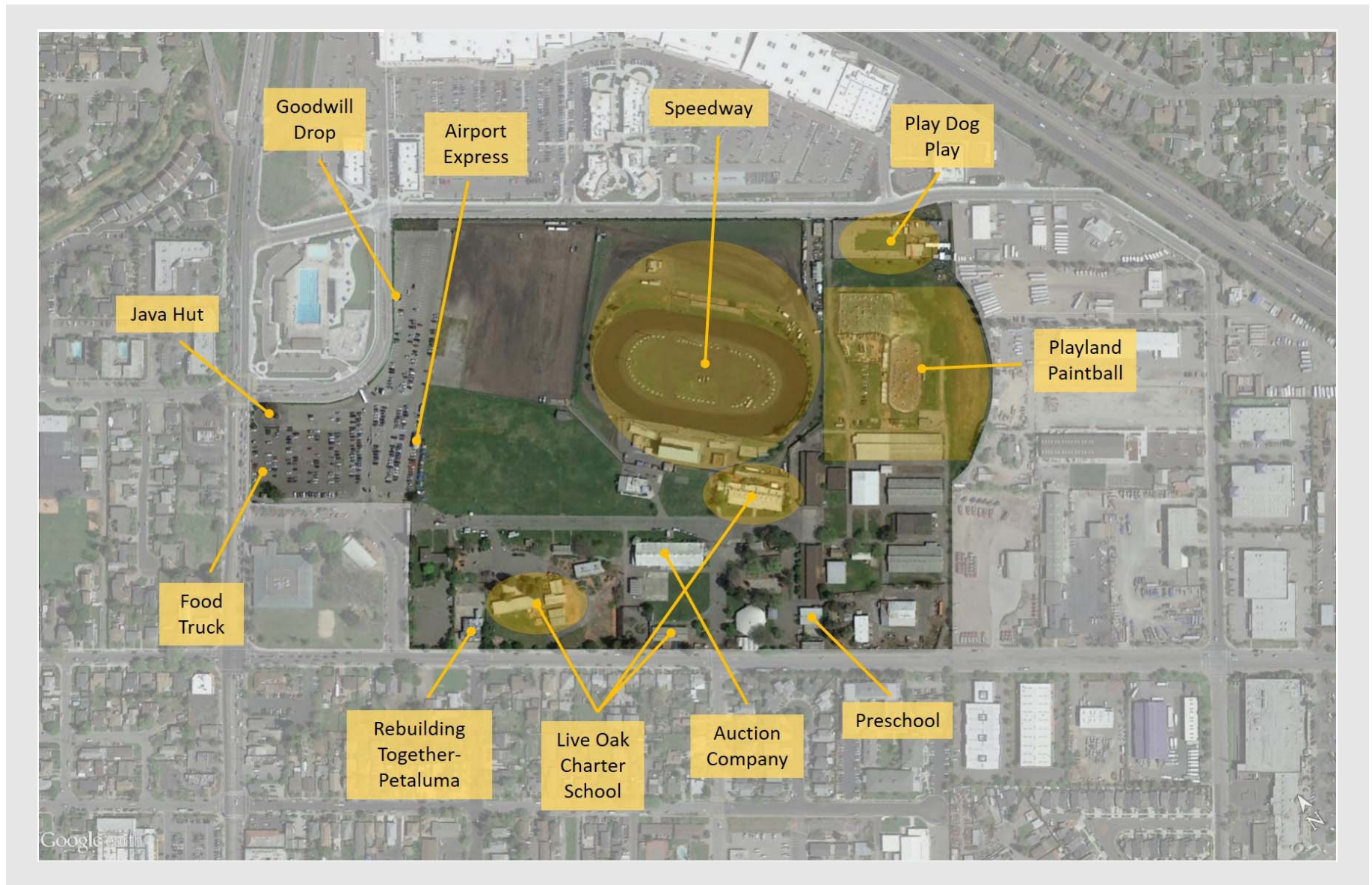
Expenses to stage the annual Sonoma-Marin Fair include administration, publicity, entertainment, exhibit and other direct expenditures

	2012	2013	2014	2015	2016
Operating Expenditures:					
Fair Expenditures					
Administration	\$229,706	\$243,481	\$217,261	\$223,183	\$216,697
Maintenance & General Operations	228,274	214,255	201,398	171,798	205,324
Publicity	\$86,929	\$87,319	\$80,023	\$80,456	\$83,930
Attendance Operations	99,596	94,346	94,381	94,342	97,479
Miscellaneous Fair	7,398	8,409	9,838	10,805	11,664
Premiums (For Exhibit programs only)	59,416	57,327	57,566	56,049	45,420
Exhibits	81,206	84,779	84,827	84,966	86,619
Fair Entertainment Expense	451,331	447,464	491,256	498,899	500,593
Motorized Racing	4,485	3,830	3,716	4,344	6,221
Equipment (Funded by Fair)	<u>4,143</u>	<u>1,194</u>	<u>6,254</u>	<u>3,120</u>	<u>15,016</u>
Subtotal	<u>\$1,252,485</u>	<u>\$1,242,403</u>	<u>\$1,246,520</u>	<u>\$1,227,962</u>	<u>\$1,268,963</u>
Non-Fair Expenditures					
Administration	\$153,138	\$162,320	\$144,841	\$148,788	\$144,465
Maintenance & General Operations	152,183	142,836	134,265	114,532	136,882
Miscellaneous Non-Fair Programs	<u>\$47,260</u>	<u>\$45,523</u>	<u>\$42,625</u>	<u>\$53,223</u>	<u>\$56,352</u>
Subtotal	<u>\$352,580</u>	<u>\$350,680</u>	<u>\$321,731</u>	<u>\$316,543</u>	<u>\$337,699</u>
Total Operating Expenditures	<u>\$1,605,065</u>	<u>\$1,593,083</u>	<u>\$1,568,251</u>	<u>\$1,544,505</u>	<u>\$1,606,662</u>

Source: 4th District Agricultural Association

Per management, administration and maintenance/general operations are allocated 60% to Fair and 40% to non-Fair

In 2016-2017, the 4th District Agricultural Association had 11 different permanent tenants that leased both indoor and outdoor spaces at the Fairgrounds



Permanent tenant revenue, in 2016, was reported at about \$554,400 – accounting for 79% of all interim revenues

Permanent Tenant	2016 Revenue
Java Hut	\$39,550
Goodwill	4,200
Food Truck	9,050
Airport Express	70,050
Speedway	99,950
Play Dog Play	31,250
Playland Paintball	54,650
Pre School	23,800
Auction Company	76,000
Live Oak Charter School	<u>145,900</u>
	<u>\$554,400</u>

Source: 4th DAA

Without the revenue from permanent tenants, the annual Fair would run significant deficits, as the arbitrary allocation of administration and maintenance/general operations appears skewed too much to non-Fair, based on overall year-round rentals activity versus Fair preparation and operations

Fair usage assessment included outdoor spaces and indoor/covered spaces and permanent tenants

Fair Outdoor Space Uses



Various parts of the Fairgrounds' outdoor spaces are used for Fair programming, activities and events: carnival, food booths, entertainment, contests, demonstrations, commercial exhibitors, RV and vehicle parking, entry gates and pedestrian circulation.

Fair Indoor and Covered Spaces



The Fairgrounds' indoor and covered spaces are used for housing and judging livestock/animals, competitive non-livestock exhibits, commercial exhibitors, police, security, first aid and administration.

The Sonoma-Marin Fair uses a variety of outside spaces for activities and events



Indoor and covered spaces for the Fair include livestock barns, buildings for stall exhibits, commercial exhibitors, security and police, administration and entertainment venues



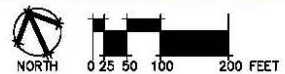
Key programming and facility factors for the Fair

- The Fair could benefit from high-bay, climate controlled indoor spaces for competitive exhibits, commercial exhibitors and other indoor activities/contests
- Livestock facilities at the Fairgrounds provide more than adequate space in penning and stalling that is needed to accommodate current and future Fair needs
- Due to the piecemeal additions of buildings to the Fairgrounds throughout the years, there are a variety of spaces that are unusable or ineffective for staging the Fair – a better layout and consolidation of livestock structures and indoor buildings could help maximize usage and assist with circulation
- Reduction of the available Fairgrounds space could negatively impact attendance and programming of the Fair

- New Buildings
- Existing Buildings
- Green Space
- Parking
- Maintenance



Sonoma-Marin Fairgrounds – Recommended Site Plan Components



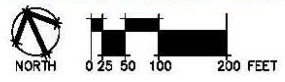
POPULOUS

Estimated renovation and grounds improvement budget

Existing Building Renovations	
Renovation costs (106,000 s.f.)	\$2,833,000
Contingency (15%)	425,000
Contractor fee, bond, etc.	488,000
Soft Costs (12%)	<u>450,000</u>
Recommended budget	<u>\$4,196,000</u>
Grounds Improvements	
Outdoor arena/pens	\$210,000
Event garden	132,000
Landscape/hardscape	272,000
Parking	168,000
RV/trailer parking	77,000
Perimeter fencing	<u>156,000</u>
	\$1,015,000
Contingency (15%)	152,000
Contractor fee, bond, etc.	175,000
Soft Costs (12%)	<u>161,000</u>
Recommended budget	<u>\$1,503,000</u>
Recommended total budget	<u>\$5,699,000</u>



Sonoma-Marin Fairgrounds – Recommended Fair Layout



Potential Revenue Impacts of Redevelopment Alternative

	2016 Actual*	Scenario A	Scenario B	
OPERATING REVENUES:				
Admissions to Grounds	\$ 600,000	\$ 600,000	\$ 600,000	
Industrial and Commercial Space	50,000	60,000	60,000	A
Carnival	6,000	6,000	6,000	
Concessions	127,000	127,000	127,000	
Exhibits	53,000	53,000	53,000	
Fair Attractions	7,000	7,000	7,000	
Miscellaneous Fair	100,000	100,000	100,000	
Miscellaneous Non-Fair Programs	5,000	5,000	5,000	
Interim Revenue	802,000	200,000	115,000	B
Other Operating Revenue	22,000	22,000	22,000	
TOTAL OPERATING REVENUES	\$ 1,772,000	\$ 1,180,000	\$ 1,095,000	

A - 20% increase in Indoor Commercial Exhibit Revenues to reflect new and more spaces

B - Scenario A - HH rental plus Paintball, Dog Park and Pre-School/Scenario B excludes HH Rental

Potential Expense Impacts of Redevelopment Alternative

	2016 Actual*	Scenario A	Scenario B	
OPERATING EXPENDITURES:				
Administration	\$ 361,000	\$ 361,000	\$ 361,000	
Maintenance & General Operations	342,000	330,000	280,000	C
Publicity	84,000	100,000	100,000	D
Attendance Operations	98,000	98,000	98,000	
Miscellaneous Fair	12,000	12,000	12,000	
Miscellaneous Non-Fair Programs	56,000	56,000	56,000	
Premiums (For Exhibit programs only)	45,000	45,000	45,000	
Exhibits	87,000	87,000	87,000	
Fair Entertainment Expense	500,000	500,000	500,000	
Motorized Racing	6,000	-	-	
Equipment (Funded by Fair)	15,000	15,000	15,000	
TOTAL OPERATING EXPENDITURES	<u>\$ 1,606,000</u>	<u>\$ 1,604,000</u>	<u>\$ 1,554,000</u>	

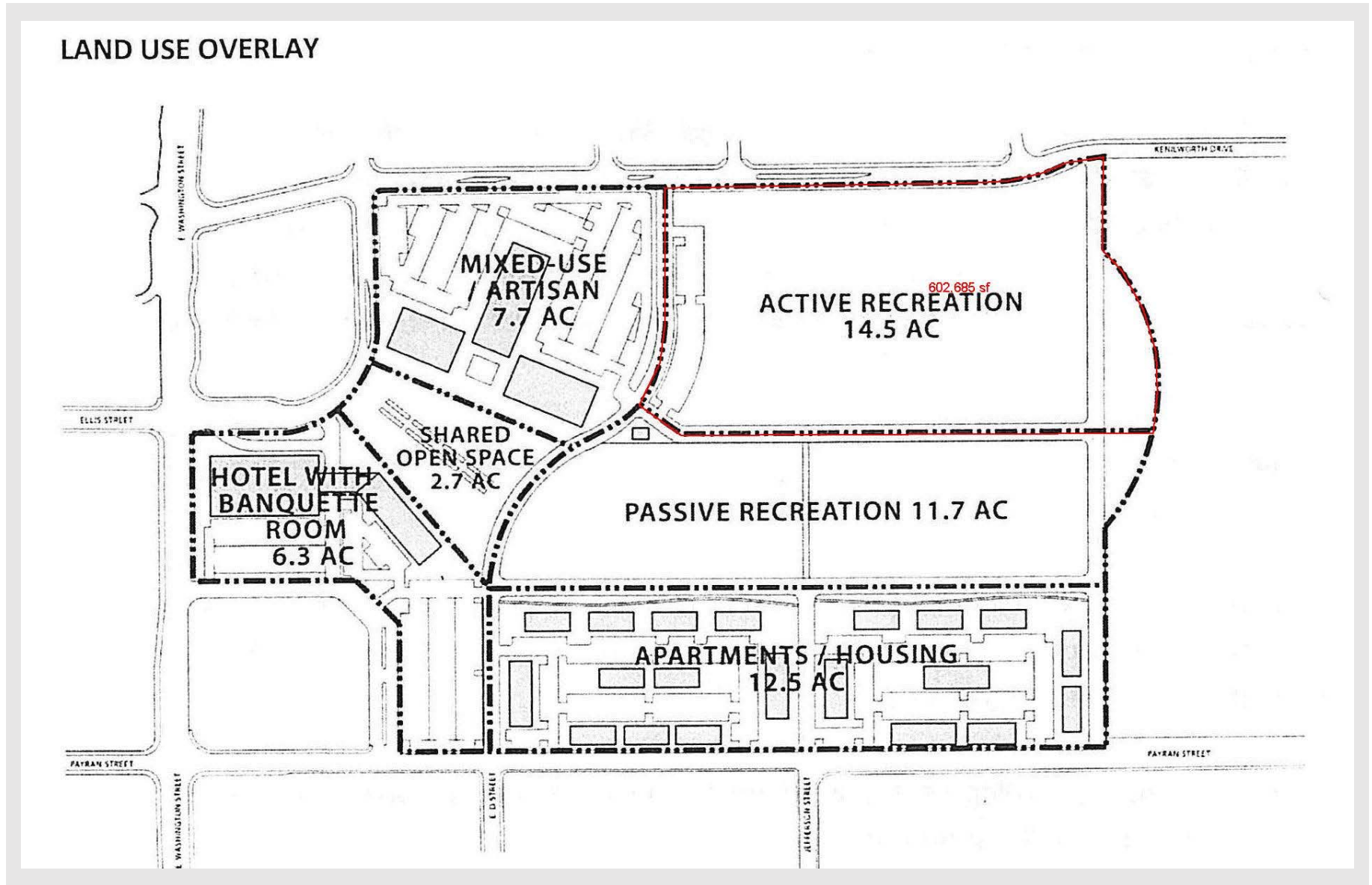
C - Scenario A - Same Staff, plus adjusted costs of Fair portable costs/Scenario B excludes one 6 month maint. person plus adjusted costs of Fair, less utilities for lost facilities

D - 20 percent increase in publicity costs needed to attract people to new fair layout

Potential Net Operating Impacts of Redevelopment Alternative

	2016 Actual*	Scenario A	Scenario B
Total Operating Revenues	\$ 1,772,000	\$ 1,180,000	\$ 1,095,000
Total Operating Expenditures	<u>1,606,000</u>	<u>1,604,000</u>	<u>1,554,000</u>
Net Operating Profit/(Loss) before Depreciation	<u>\$ 166,000</u>	<u>\$ (424,000)</u>	<u>\$ (459,000)</u>

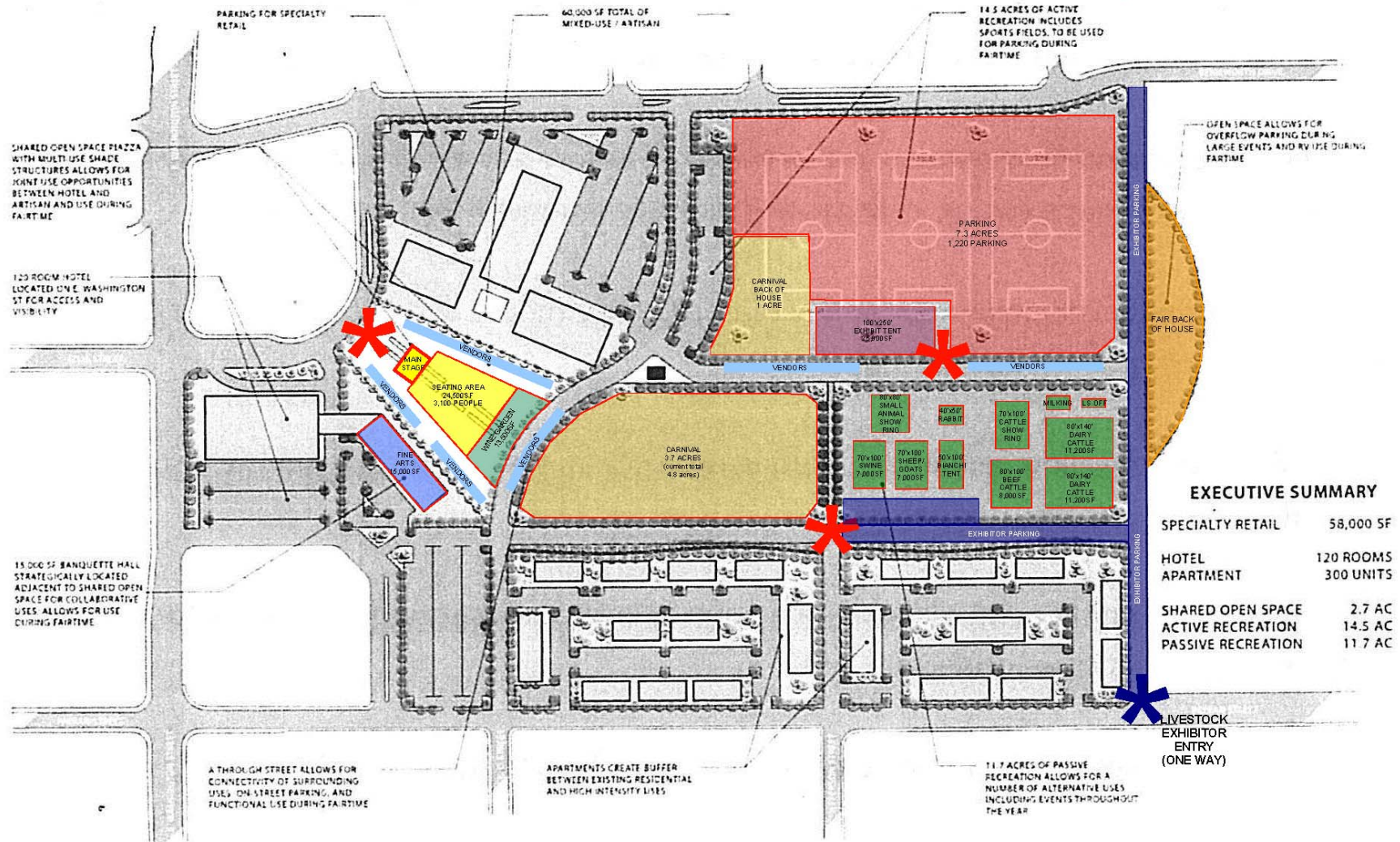
Option D Land Use



Option D Concept

SCHEMATIC CONCEPT PLAN OPTION D FAIR OVERLAY

TICKET GATE



EXECUTIVE SUMMARY

SPECIALTY RETAIL	58,000 SF
HOTEL	120 ROOMS
APARTMENT	300 UNITS
SHARED OPEN SPACE	2.7 AC
ACTIVE RECREATION	14.5 AC
PASSIVE RECREATION	11.7 AC

Positive Aspects of Layout/Use with Option D

- Fine arts exhibits in modern climate-controlled conference center
- Wine garden probably in better location than existing, more traffic
- Main parking and ticket gate enters fair at livestock area, more traffic
- Tight, but manageable, spaces for sidewalk vendors and midway

Major Layout/Use Challenges of Option D

- Poor unloading/loading for livestock
- Poor parking for trailers and livestock exhibitors
- Loss of RV sites in the identified space
- Carnival and its support compound split unless carnival compressed or reduced
- Fair support compound takes up valuable parking and is probably too small

Major Layout/Use Challenges of Option D

- Available parking is only around 1,220 cars if very efficiently parked on sports fields
- Commercial exhibit tent takes up sports field parking
- Main stage seating area is approximately ½ of existing
- Fine arts exhibits probably hard to find/low traffic in hotel conference center
- In long term, Fair and apartment housing could be in conflict

Potential Revenue Impacts Comparison with Option D

	2016 Actual*	Scenario A	Scenario B	Option D
OPERATING REVENUES:				
Admissions to Grounds	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Industrial and Commercial Space	50,000	60,000	60,000	50,000
Carnival	6,000	6,000	6,000	6,000
Concessions	127,000	127,000	127,000	127,000
Exhibits	53,000	53,000	53,000	53,000
Fair Attractions	7,000	7,000	7,000	7,000
Miscellaneous Fair	100,000	100,000	100,000	100,000
Miscellaneous Non-Fair Programs	5,000	5,000	5,000	-
Interim Revenue	802,000	200,000	115,000	-
Other Operating Revenue	22,000	22,000	22,000	22,000
TOTAL OPERATING REVENUES	<u>\$ 1,772,000</u>	<u>\$ 1,180,000</u>	<u>\$ 1,095,000</u>	<u>\$ 965,000</u>

Potential Expense Impacts Comparison with Option D

	2016 Actual*	Scenario A	Scenario B	Option D
OPERATING EXPENDITURES:				
Administration	\$ 361,000	\$ 361,000	\$ 361,000	\$ 371,000
Maintenance & General Operations	342,000	330,000	280,000	62,000
Publicity	84,000	100,000	100,000	98,000
Attendance Operations	98,000	98,000	98,000	119,000
Miscellaneous Fair	12,000	12,000	12,000	12,000
Miscellaneous Non-Fair Programs	56,000	56,000	56,000	-
Premiums (For Exhibit programs only)	45,000	45,000	45,000	45,000
Temporary Facilities and Operating Costs	-	-	-	854,000
Exhibits	87,000	87,000	87,000	87,000
Fair Entertainment Expense	500,000	500,000	500,000	500,000
Motorized Racing	6,000	-	-	-
Equipment (Funded by Fair)	15,000	15,000	15,000	15,000
TOTAL OPERATING EXPENDITURES	\$ 1,606,000	\$ 1,604,000	\$ 1,554,000	\$ 2,163,000

A

A – Estimated costs of tent rentals, pen and tie rentals, additional Porta-Johns, trailers, fencing, portable power and lights and support compound.

Function	Min. Req. Area (SF)	Est. Cost Per SF	Total Cost	Program Notes
Exhibition Space	25,000	\$2.60	\$65,000	open air, no flooring, assume 15,000sf of required 40,000 is in hotel banquet space
Exhibition Flooring	25,000	\$1.25	\$31,250	event deck over turf for flat floor exhibition space (optional)
Administration Trailer	2		\$6,000	allowance
Admissions Trailer	3		\$9,000	allowance
Security Trailer	1		\$3,000	allowance
Livestock Office Trailer	1		\$3,000	allowance
Red Barn	300	\$2.60	\$780	open air, no flooring, not including furnishings
Rabbit	2,000	\$2.60	\$5,200	open air, no flooring, not including tables/cages
Swine	7,000	\$4.00	\$28,000	open air, includes pens, no flooring
Sheep/Goat	7,000	\$4.00	\$28,000	open air, includes pens, no flooring
Small Animal Show Ring	3,200	\$4.50	\$14,400	open air, including panels and bleachers
Milking Parlor	1,600	\$2.60	\$4,160	open air, not including equipment, no bleachers
Bianchi Barn	5,000	\$4.00	\$20,000	open air, includes pens, no flooring
Dairy Cattle	22,000	\$3.50	\$77,000	open air, including tie rails, no flooring
Beef Cattle	8,500	\$3.50	\$29,750	open air, including tie rails, no flooring
Cattle Show Ring	6,600	\$4.50	\$29,700	open air, including panels and bleachers
Wine Garden				
- Tenting	4,000	\$2.60	\$10,400	open air, no flooring, not including furnishings
- Landscape/Dec	30,000	\$1.00	\$30,000	Allowance
Porta-Johns	60	\$120.00	\$7,200	
ADA Porta-Johns	10	\$120.00	\$1,200	
Hand Wash Stations	10	\$120.00	\$1,200	
Event Grounds Sound	1		\$15,000	Allowance
Portable Power	1		\$200,000	Allowance, assuming no or limited shore power (Aggreko)
Portable Lighting	1		\$40,000	Allowance, assuming no or limited site lighting (Aggreko)
Support Compound	1		\$10,000	Allowance, temp. fenced, secure, small staff/vol. tent
Portable Fencing	2,500	\$10.00	\$25,000	Allowance, exact layout TBD
Portable Water	1	\$15,000	\$15,000	Allowance, livestock use
Warehousing	1	\$27,000.00	\$27,000	annual lease for warehousing fair owned equipment .90/sf
Rental Total			\$736,240	
- Contractor Fee	10%		\$73,624	
- Site Manager Fee	4%		\$29,450	
- Permits	2%		\$14,725	
Total Soft Costs			\$117,798	
Estimated Total Overlay			\$854,038	

Potential Net Operating Impacts Comparison with Option D

	2016 Actual*	Scenario A	Scenario B	Option D
Total Operating Revenues	\$ 1,772,000	\$ 1,180,000	\$ 1,095,000	\$ 965,000
Total Operating Expenditures	<u>1,606,000</u>	<u>1,604,000</u>	<u>1,554,000</u>	<u>2,163,000</u>
Net Operating Profit/(Loss) before Depreciation	<u>\$ 166,000</u>	<u>\$ (424,000)</u>	<u>\$ (459,000)</u>	<u>\$ (1,198,000)</u>

Principal Factors in Future Operations/Use of Fairgrounds Property

- Recognition that the City desires revenue/development from property
- Under any scenario that reduces the Fair's footprint, the 4th DAA would experience substantial loss of net revenues
- Mutually beneficial approach (to City and 4th DAA) may be for the DAA to both consolidate its footprint AND commercially redevelop spaces freed up with the consolidation
- Lease payments, shared development results and City revenue potential would benefit both the City and DAA