



CITY OF PETALUMA

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July 13, 2023

Michael Parks, Board President
4th District Agricultural Association
175 Fairgrounds Drive
Petaluma, CA 94952

Dear President Parks and 4th District Agricultural Association Board Members:

We are writing in response to your recent counterproposal dated July 3, 2023, for use of the Petaluma Fairgrounds property.

The Association's counterproposal would prevent the City from making badly needed investments in the fairgrounds property, divert over \$1 million dollars annually from the City's general fund--impacting police, fire, road repair, and other services--and still does not close the existing operating deficit of the Association.

We urge the Association to accept the City's proposed revenue sharing agreement that enables the Association to completely close its operating deficit while allowing the City to invest in the property. Alternatively, the City is also open to the Association's suggested "fair only" agreement where the Association becomes an annual tenant on the fairgrounds property for the purposes of setting up, putting on and disassembling the fair each year.

Our proposal, dated June 12, 2023, offers an unprecedented opportunity for the 4th DAA to continue collecting revenue from the fair and non-fair events, while being relieved of the expense of property management that the City will assume. This arrangement will also enable the City to reinvest revenues generated on the property back into the property.

The City's proposal offers the Association ample time and revenue-generating opportunities to continue operating the fair and fulfill its mission for decades to come. We hope that you will accept the City's partnership proposal that will allow us to work together, support the transition of the fair and the Association to a sustainable revenue and staffing model, reinvest in the property, and partner with our community to envision the property's future. As a reminder, our partnership proposal would support:

- The Association maintaining year-round access to the property not used by long-term tenants, at no cost, for an interim period of 3 years. There will also be two, 1-year extensions available.
- The Association utilizing much of the property, free of charge, for approximately 2 months--prior to, during, and immediately following the fair. This will allow time to set-up, operate, and dismantle the annual fair.

- The City, using taxpayer subsidies, will support the viability of the annual fair through rent-free use of the property, City-assumed responsibility for property management and maintenance, and, where feasible, the sharing of City staff and other resources to support the annual fair.
- The Association's continuing ability to manage events and facility rentals, while providing for the Association to retain a portion of the revenues to cover the Association's structural operating deficit. The tiered revenue-sharing model that the City has proposed would 1) address the Association's structural deficit, 2) achieve robust public access that Petalumans want, and 3) provide a dedicated source of funds to reinvest in capital and operating needs of the property for better, and higher community utilization.

Under the City's proposal, annual event/rental revenues would be split according to the following tiered schedule:

- \$0 - \$500,000 - The Association to keep 90% of revenue; City to deposit 10% into a capital and operations investment fund.
- \$500,001 - \$700,000 - The Association to keep 65% of revenue; City to deposit 35% into a capital and operations investment fund.
- \$700,001 and over - The Association to keep 35% of revenue; City to deposit 65% of revenue into capital and operations investment fund.

A Capital and Operations Investment Fund would be dedicated solely for reinvestment in the fairgrounds property to begin needed rehabilitation including, but not limited to, maintenance, replacing failed and failing infrastructure, construction of new facilities, and other improvements to ensure the property is providing a safe and positive experience for our community now and in the future. Any reduction in the City's share of event revenues would further defer the needed maintenance on the property and limit the community's ability to access and enjoy the property. Note that under the City's partnership proposal, it will be necessary for the City to invest significant additional public funds to support the long-term planning, transformation, and full utilization of the property.

Conversely, the Association's July 3 counterproposal, rejecting the City's proposed partnership, has the effect of:

1. **No reinvestment into the property, and the Association receiving \$850,000 in City property proceeds**, notwithstanding the free rent, utilities (approximately \$200,000 annually), and property management cost relief that the City has offered. The City's partnership proposal that the Association has rejected would preserve the fair while reinvesting a portion of the revenues generated on the City property back into the property, which benefits the Association, the City, and the entire community.
2. **Substantial public subsidies requested by the Association exceeding \$1 million annually**, with little apparent benefit for our residents and taxpayers who own the property. With free rent, free utilities, availability of the space for several months to ensure the annual fair, and the proposed revenue structure that directs nearly all rental/event revenue to the Association--the Association has every opportunity to become a sustainable enterprise.

3. **Every Association proposal provided to date shows the Association with a six-figure deficit**, with no indication of how the Association's historic structural deficit would be corrected. Rather than using reserves, cutting administrative costs, or reimagining the fair's space use and efficiency, the Association continues to propose generating as much non-fair revenue as possible on as much of the property as possible--in direct conflict with our community's desire for full access to and use of its property.

Please reconsider the terms offered in our June 12 proposal, as that is the City's best and final offer. We are all aware of the significant amount--more than \$13 million--of deferred maintenance that exists on the property. The fairgrounds facilities will not improve without reinvesting some of the revenues generated on the property back into the property.

The City wants to partner with the Association to facilitate rentals and events on the property and to plan the dates, spaces and uses in response to our community's needs. We anticipate this will involve new uses, new facilities, new organizations, and new partners operating on the property, as well as significantly expanded public access and opportunities. Addressing the full extent of the long-standing needs of our community and new use opportunities on the property, while providing revenue to maintain the fair, will require the Association and the City to plan the fairgrounds calendar, events and space uses, thoughtfully and creatively, together.

Alternatively, we remain willing to work with the Association on the "fair only" scenario that you proposed, under which the Association would be an annual tenant on the fairgrounds setting up, putting on and disassembling the fair each year. A straightforward license agreement could provide the needed space, access, and time each year to offer the annual Sonoma-Marin Fair. As we have discussed, this option would allow the Association to focus solely on the fair event, relieving the Association of the need to generate additional revenue and more closely align its program activities with its mission.

The City continues to prepare and plan to assume ownership and management of the fairgrounds property when the lease expires after December 31, 2023. Whether or not the Association chooses to act as the event/rental agent on the property, or to focus on fair-time activities, we remain committed to reinvesting in the property to realize the community's vision and provide new, exciting, unifying opportunities on the site, for all Petalumans, and ensuring that the entire community benefits from this uniquely valuable resource.

If the Association would like to partner with the City as proposed, please let us know in writing no later than Friday, July 21, 2023, and indicate which version of the City's best offer is preferred. We will then provide transactional documents to implement that arrangement. If we do not hear from you by that date, we will assume that our negotiations have concluded, and your rejection of the City's partnership proposal is final.

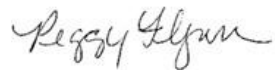
We continue to believe that a community partnership that includes the Association along with our many other community partners will best support our community's vision for greatly expanded utilization of the fairgrounds property and preservation of the Sonoma-Marin Fair.

July 13, 2023

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We appreciate the continued conversations and negotiations regarding your role as a partner with the City as we reimagine and reinvest in the community's fairgrounds. We continue to negotiate with the Association in good faith, and remain committed to transforming the Fairgrounds for community use, and further integrating the Fairgrounds into community life, while ensuring that the Sonoma-Marín Fair can continue.

Together in service to our community,

A handwritten signature in cursive script that reads "Peggy Flynn".

Peggy Flynn

cc: Petaluma City Council