

State of California

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MEMORANDUM

Date: March 16, 2009

To: Board of Directors
California Exposition & State Fair

Via: Norbert J. Bartosik, General Manager/CEO
California Exposition & State Fair

From: Brian A. May, Deputy General Manager
California Exposition & State Fair

Subject: Board Member Questions and Answers from the Real Estate Committee and Staff

At the February Board Meeting, there was great interest in asking additional questions. As such it was suggested by Deputy Attorney General, Jerry Blair, that Board Members send their questions to the General Manager who would disseminate them to the Real Estate Committee. The Real Estate Committee and staff have answered in writing each of the questions received from the Board and they are provided for your review. Because of our continuing commitment to transparency they will also be available to the public on our webpage.

The questions were answered without consulting with representatives of the NBA. The NBA has expressed an interest in also providing answers to the questions provided by the Board once the questions are released for their review, which will occur when the Board packet is released to the public. Answers provided by the NBA will be distributed at the Board Meeting.

Assembly Member Dave Jones submitted questions to the Real Estate Committee and provided a copy to the NBA. The NBA provided Mr. Jones with answers to his questions and the NBA has provided us with a copy which is included in your Board packet.

Claude Gruen and representatives of the NBA will be present at your meeting.

Thanks and should you have any questions please feel free to contact me or Brian.

State of California

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MEMORANDUM

Date: March 13, 2009

To: Board of Directors
California Exposition & State Fair

Via: Norbert J. Bartosik, General Manager/CEO
California Exposition & State Fair

From: Real Estate Committee
California Exposition & State Fair

Subject: Board of Directors Questions & Responses Regarding the NBA Proposal and the Gruen Report Presentations

1. I would like to see a preliminary analysis by staff of their thoughts of the proposed square footage available to Cal-Expo to put on the State Fair. How would the various attractions and components be effected pros and cons? It appears from the layout maps presented by Gensler that the area available to hold the state fair is significantly less than what we have now. One of the advantages of our current footprint is the ability to spread out the different disciplines at the fair so that one does not interfere with the other. In addition, while currently attendance numbers are not where we would like them the ones we have now due fill the park. With a smaller venue, how do we maintain and grow attendance and not turn people off by being too crowded. In addition, has the Chief reviewed the area reduction and is there any concern of being able to isolate and control any incident that might arise. **An acreage/density study was done by HOK which determined that the site density of the current site is exactly the same as the proposed site—approximately 60,000 people at peak. This information will be shared at a future meeting.**

The Expo Building which consolidates all the indoor activities under one roof was at our suggestion and is consistent with changes in the Fair industry and the consumer and trade show industry. The non Fair business will benefit considerably being under one roof.

The smaller footprint reduces the amount of walking for the Fair patron, which has been a concern with those who have health issues or are less fit.

Chief Craft is reviewing the plan and we'll pass his comments along.

2. While I come late to the party and the rest of the Board may have covered this and already have an understanding of the economics. But from the presentation, to the comments made by both government officials and the public and subsequent press coverage the whole exercise seems to be about saving the Kings and revitalizing Sacramento etc. with not much detailed discussion of Cal-Expo and the State Fair. While I see these as meaningful goals and not at odds with the goals and needs of Cal-Expo I believe our primary fiduciary responsibility as the Board of Cal-Expo is to the State Fair and the acreage owned and set aside for the operation of the State fair. Therefore I would like to see in general terms what exactly is in this proposal for Cal-Expo. I know that Cal-Expo is supposed to get a new fair grounds but what if anything else is in it for Cal-Expo (excluding some value 100 from reversion of the improvements). **We agree with your comment about Cal Expo first. As you know, Cal Expo can't always control what the public and the media focus on. The Board is being provided with copies of an article in the March 4 edition of the Sacramento Bee which highlights the importance of Cal Expo and its need to acquire money for renovation.**

The three things that make this proposal attractive to Cal Expo are:

- the proposal would build a new fairground
- the NBA has agreed to keep us whole (undefined at this point)
- profits from the project would be shared.

For the Board to agree to a project that basically gives up the free use of the land without having any idea of the value to be received and the structure does not demonstrate good governance. While given the different presentations by the “dueling” consultant’s hard numbers may not be practical but a general concept of both potential dollars and structure needs to be understood by ALL of the Board to properly exercise its duty and obligation. **The plan at this time is still conceptual, and action by the Board on February 27 was only to gather more information from private sector developers. The Real Estate Committee and staff are committed to a project that is in the best interests of Cal Expo. The Board will continue to exercise its duty and obligation until such time as the Board agrees that this project is good for Cal Expo and the State of California concurs.**

3. This has probably been stung up the flag pole and shot down long ago but I’ll ask anyway. The major obstacle (excluding the state of the economy) in my mind to make this a viable project and generate the greatest return to the Landholder (the State through Cal-Expo) is trying to develop the total project on leased land. Has there ever been a discussion of the developer acquiring land (approved by the state/Cal-Expo) and trading that land for the Cal-Expo sight (at least the acreage that is most problematic – Mixed use areas.). Possible land for a new location of Cal-Expo or go forward with the Arena/Cal-Expo as presented and trade out the balance. Of course then we would have to have another state agency buy the new piece from Cal-Expo but I’m sure there is some environmental funds somewhere for that. **The current site has two very strong attributes which in our opinion outweigh any proposal to relocate to another site. The first is: location, location and location. Second, is Cal Expo as a brand? Both have contributed to the success of the operations.**

4. Was the staff involved in the preparation of the plan that was proposed? Yes, over the course of the last 22 months the staff and Real Estate Committee spent hundreds of hours working with the NBA and their consultants. If so:
5. Is the staff satisfied that 14 % plus or minus of the remaining land is sufficient for us to have a State Fair? Working closely with Charlie Smith of HOK, we believe that the 45 acres or 13% of the total site is sufficient for needs of the State Fair and non Fair events. The building structure is being designed for a second story space should that be needed in the future. The Arena and adjacent outside plaza space provides another 17.5 acres.

It may be that this is the future of fairs, to present the exhibits and all the fair functions in one large building. You're correct in your assumption of consolidating a large part of the fair activities under one roof. HOK designed a similar facility at Reliant Park for Rodeo Houston which has been very successful. The non Fair events will benefit tremendously from this design.

6. Is the location of the fair building where it is proposed acceptable to us? If not I would hope we have the ability to tell them where we would want it. There are some concerns about the grouping of the Arena and Fair facilities in relationship to the parking and the ingress and egress. Cal Expo needs to have greater visibility and a prominent relationship to Exposition Blvd. These are matters that can be worked out.
7. Is the staff satisfied with the elimination of on premise horseracing and its effect on the fair itself? This seems to be the future, is the timing too soon or OK? While racing contributes considerably to Cal Expo's current funding, we also know that racing revenue is on the decline here and throughout the country. Given the proposed project timeline, it appears that we would be able to race live for another 3-4 years. The proposed project includes a new Satellite Wagering Facility.
8. If there was staff involvement, did they make any suggestions on behalf of the Fair, its continued existence, its contribution to our economy and were these suggestions included in the presentation that was made to us on Friday by the Basketball Association? One of my concerns is that if this development proceeds as presented will the California State Fair still be able to be offered in keeping with what the attendees and exhibitors expect as 1st class among fairs? A visioning workshop was held that Norb and Brian attended where it was discussed that the new facility needed to be designed to be a national destination for the State Fair and a destination for non Fair events that would attract a statewide and national audience. We will not recommend proceeding if we can't continue our tradition of being recognized as one of the best Fairs in North America.
9. Can the Fair use the Arena for presentations? Cal Expo has every intention of negotiating use of the arena.
10. Will the Arena be owned by the Basketball Association and or the Owners of the team? The Arena will be owned by Cal Expo.

11. In the course of the many months of various meetings I assume that the NBA and the team ownership were speaking as one. **Cal Expo has not had any contact with owners of the Sacramento Kings.**
12. What are the sources of funding for the Arena? **John Moag told the Board that funding would come from 3 potential sources: the developer, the Maloof's, and Tax Increment Financing (TIF).** What is the total estimated cost of the Arena? **Unknown to Cal Expo.**
13. What is the amount for each source of funding for the Arena? **Unknown to Cal Expo.**
14. What is the total cost of the Fairgrounds and Exposition? **We believe that the cost of building a new fairgrounds could be as much as \$300 million.**
15. What are the sources of funding for the Fairgrounds and Exposition? **Some of the same sources as identified in answer #1 such as developer financing, the Maloof's, TIF, and other sources yet to be determined.**
16. What is the amount for each source of funding for the Fairgrounds and Exposition? **Unknown to Cal Expo.**
17. What is the total cost of the remainder of the development? **Gensler's presentation at the Board Meeting identified \$1.91 billion in direct spending for construction of the mixed use project.**
18. What are the sources of funding for the remainder of the development and the amount for each? **Same sources as identified in the answer to Question #12.**
19. What will it cost the city annually to provide municipal services to the project? **If there is a cost, and what that cost may be, is unknown to Cal Expo.**
20. What will it cost the County annually to provide county services to the project? **If there is a cost, and what that cost may be, is unknown to Cal Expo.**
21. How much tax revenue annually will the City be asked to forgo to fund the arena? **Unknown to Cal Expo.**
22. How much tax revenue will the County be asked to forgo to fund the arena? **Unknown to Cal Expo.**
23. What other taxing entities will be asked to forgo tax revenue to fund the arena and how much? **Unknown to Cal Expo.**

24. In addition to tax increment funding, are there any other public sources of funding that will be sought/used for the project? **Unknown to Cal Expo.** What are they and what is the amount for each? **Unknown to Cal Expo.**
25. What are the “external” infrastructure improvements (roads, highway, transit, sewer, etc) needed for the project, how much will they cost, and who will pay? **All of the above. The specific details are not known to Cal Expo at this time.**
26. Will the Kings owners provide funding to develop the Arena? How much? **See answer to Question #12. The amount is unknown.**
27. Who will own the Arena? **Cal Expo**
28. Who will manage the Arena? **TBD**
29. Will the Kings owners provide any ongoing lease or other revenue stream to Cal Expo? If so, how much? **TBD**
30. If there are cost overruns on the Arena, who pays? **TBD, but not Cal Expo.**
31. If there are cost overruns on the Fairgrounds and Expo, who pays? **TBD, but not Cal Expo.**
32. Has there been any analysis of whether demand for commercial (retail, office, hotel, etc) development in the region, county and city, respectively, is sufficient to meet the proposed supply of commercial development in this project and others that are planned in the city, county and region’s land use plans? If so, what does it show? If not, will there be an analysis prepared? **Analysis has been prepared by the NBA’s consultant, ERA, and a peer review of ERA’s work was performed by Gruen Gruen + Associates. The finding of this analysis was presented to the Board at its February 27, 2009 meeting. Complete reports from both consultants can be found at www.calexpo.com. In summary, ERA provided a Land Value Analysis and development schedule that concluded that “absorption and phasing are based on national and local economic and real estate conditions”. Gruen on the other hand said that “obtainable prices and absorption will be affected by supply competition”. Examples of potential competitive projects are identified in the Gruen report.**
33. Has there been any analysis of whether the proposed commercial development for this project will compete with proposed commercial development for other major projects (Railyards, Township 9, West Sacramento Triangle, Downtown redevelopment), and what impact this will have on those projects? **Please refer to the response to Question 22.**
34. In some of the graphics provided by the NBA’s consultants, there is an “overflow” parking area on the south side of the levee. Is it your intention to use that as an overflow parking area at times other than during the state fair? What use is intended for that parking area? **The law currently allows use of the parking area on the south side of the levee only during the State Fair. The American River Parkway Plan which has been adopted by the Board of**

Supervisors and is waiting legislative approval allows for limited expansion of Cal Expo's use solely for agricultural and equestrian events outside the State Fair period.

35. We have been advised by the General Manager that it will cost \$150 mil to replace the existing "fairgrounds" and it appears that this proposal has used that number to be the cost to build what will be the new Fairgrounds and Expo. Please identify specifically what will be funded with the \$150 mil. **The Strategic Development Plan adopted by the Board in 2006 estimated capital improvement costs to renovate the current fairgrounds at \$150 million. The cost to build the new fairgrounds could be as much as \$300 million.**
36. Will the two parking garages adjacent to the hotel and the retail, and the other retail/hotel buildings in the "Expo Zone and Fairgrounds" be funded by the \$150 million? **The parking garages are not included in Cal Expo's cost estimate for building a new fairgrounds. The drawings presented by the NBA are conceptual and may not reflect the final plan.**
37. What is the current retail arrangement at Cal Expo? Do State Fair vendors pay Cal Expo a flat fee, or do they pay Cal Expo a percentage to have a stand at the fair? Does Cal Expo receive a percentage of the sale for other events at Cal Expo, or is it a flat fee? **Food concessionaires pay based on a percentage of their gross sales during the Fair and non Fair events. Commercial exhibitors during the State Fair pay a flat fee based on the size of the space. Event promoters contracting for the use of the grounds outside the State Fair pay rent based on a variety of different formulas which may include a flat fee, percentage of ticket sales, or a combination of both.**
38. Who will own the retail in the "Expo Zone & Fairground" area? Has there been any analysis of whether Cal Expo will receive less from Fair vendors who are competing with brick and mortar shops located in the "Expo Zone and Fairgrounds". **The developer will have the right to build and lease out the retail space. We do not anticipate an impact on Fair vendors.**
39. What is number of buildings and total square foot of those buildings on the existing property? **Excluding the Grandstand, there are 13 buildings for public use that total 300,000 s.f. These buildings are Expo Center (8 buildings), the Pavilion, and buildings A,B,C and D. The Grandstand and the 8 buildings in Expo Center do not meet current seismic safety standards.**
40. What is the total non-building square footage area of the existing fairgrounds (i.e. the pedestrian areas)? **Cal Expo sits on 350 acres.**
41. Do the proposed structured and pedestrian areas allow for the growth of the fair? **The proposed buildings are being designed for future expansion. An acreage/density study was done by HOK which determined that the site density of the current site is the same as the proposed site-approximately 60,000 people at peak.**

CONCEPTUAL PLAN

In the Letter of Understanding (LOU), it calls for a Conceptual Plan that includes a 1) detailed land use plan, including program analysis and phasing, 2) feasibility analysis, infrastructure, fee and development value analysis, 3) economic impact analysis for the Proposed Project, 4) artistic renderings, and 5) the Expo/Arena Facilities plan.

42. For the benefit of the public, can you explain each element and why each is essential to a complete and comprehensive “Conceptual Plan?” **The staff worked closely with Gensler and HOK on the site plan for the fairgrounds. Staff plans to spend time with the Board explaining the fair layout and its component parts. Gensler can speak to the rationale for the balance of the site that includes the private development.**
43. Is the Conceptual Plan incomplete or missing key elements? And if so, which and why? **Staff is working with Gensler and HOK on matters regarding ingress and egress to the fairgrounds and the number and location of the parking spaces. Cal Expo needs to have a better visual representation on Exposition Blvd. Additionally, a location needs to be identified for an Amphitheatre. Much of the Conceptual Plan may undergo changes as more information and input becomes available from interested parties.**
44. Were certain elements of the Plan purposely excluded from the February 27th board presentation, or did the NBA just have difficulty meeting the presentation deadline? **As was stated publicly, work by both economists, ERA and Gruen, took more time than anticipated.**
45. When will the Facilities Plan (or other missing elements) be addressed? **The Expo/Arena Facilities Plan is the work that’s been completed by Gensler and HOK in laying out the site plan for the arena and fairgrounds.**
46. Are there any risks associated with omitting the Facilities Plan? Does it undermine our negotiations to postpone important governance issues to a later date? **Answered in the preceding response.**
47. If the terms of the LOU were not met, was the NBA in breach? **The LOU is in effect until March 30, 2009. The NBA has not been in breach.**
48. Should the Real Estate Committee or staff have notified the board that the NBA did not comply with the terms of the LOU immediately? **If you’re referring to the fact that the LOU was not signed and returned timely, the NBA has said that this was an oversight. Cal Expo has a signed LOU from the NBA. This is not a compliance issue.**
49. If the Real Estate Committee believes that the Facilities Plan is of no consequence, why did all parties agree to include it in the LOU in the first place, including our sports negotiation consultant, the Bingham firm, the drafted the LOU? **The Facilities Plan was presented at the February 27, 2009 Board Meeting. There are still issues to be worked out as acknowledged**

in a preceding response. A more detailed presentation and discussion of the Facilities Plan will be made at a future Board Meeting.

50. Do you believe the “Conceptual Plan” is complete at this time and comprehensive enough for Cal-Expo to issue a Request for Qualifications (RFQ) to potential developers? **Yes.**

PROCESS

51. The NBA could not have determined whether the mixed use project is economically viable without estimating the cost of the arena and the new Cal-Expo facility. Do you find it odd that the board was not told in the NBA presentation how much will be spent on a new Cal-Expo facility? Is it common for any entity, public or private, to issue a RFQ to developers not knowing their compensation? Is the new Cal-Expo facility going to be worth \$150m or \$200m? **The NBA, in its presentation, said that a new fairgrounds and arena was estimated to cost \$500-\$600 million. We believe that the cost of relocating the fairgrounds could cost as much as \$300 million. More work needs to be done to get a firm cost estimate for the fairgrounds. We don't know what the cost is for a new arena.**
52. While the NBA has introduced a plan, the Cal-Expo Board of Directors has not been provided a written plan by the Real Estate Committee that introduces next steps or negotiation phases, timetables or a budget. Now that the project has been made public, isn't the board entitled to know the process and what costs may be associated with ongoing negotiations? **The Real Estate Committee is proceeding with the drafting of an RFQ in accordance with the Board's action on February 27, 2009. No further action was taken by the Board. The Board was informed that this next phase will cost approximately \$25,000. The Board has authorized \$150,000 for legal fees and consultants. Approximately, \$138,000 has been spent to date. The Real Estate Committee will be reviewing the budget at the March 27 Board Meeting.**
53. According to a Sacramento County Grand Jury report, “over \$700,000 of public funds” was spent leading to the placement of Measures Q & R on the ballot. The City and County spent over \$300,000 for sports consultants and attorneys to “craft a new arena deal for the Kings in 2006.” Assuming that the Cal-Expo and NBA negotiations are equally complex as the previous rail yard plan, what will be the cost of evaluating the NBA proposal? Why hasn't a proposed budget been submitted for the board's consideration? **The Board has approved every expense to date. The redevelopment of Cal Expo should not be compared to measures Q and R.**
54. The 2009 Cal-Expo budget called for \$20,000 being spent on Cal-Expo's economic analysis of the NBA plan. In actuality, we will spend \$50,000 on the study. Since Cal-Expo has not adopted a budget for the negotiations, what budgetary processes are in place that requires the Real Estate Committee to report to the board when they need additional funds? **The expenses to date including the Gruen report you refer to in your question are within the overall budget approved by the Board.**

55. Since the chair has the authority to approve and schedule agendas, what steps will the chair of the board take to ensure that future decisions associated with the NBA negotiations are made public early and well in advance of board hearings? **The Board cannot take action on an item unless it's so noted on the Board agenda. The February 27, 2009 agenda included a notice that the Board may consider taking an action.**
56. Is it conceivable that the board could once again be asked to vote on issues without critical information, expert opinion and public input? **The decision to act on an agenda item is based on the majority vote of the Board.**
57. Since the board voted on February 27, 2009 to move forward with a RFQ from developers, has Cal-Expo essentially agreed to the NBA's proposed Cal-Expo facility plan, and its proposed land and entertainment uses? If not, how will this be made clear to the NBA and potential developers that Cal-Expo has not approved the NBA proposal? **The Board has not taken any action on a proposal from the NBA or action on the Conceptual Plan. This will be communicated in the RFQ.**
58. The NBA has introduced three project goals, 1) New fairgrounds, 2) Keep Cal-Expo whole and 3) Cal-Expo is to share in the profits. What does "keeping Cal-Expo whole" mean? Does this mean physically and economically? Will Gruen study whether there is any likelihood of Cal-Expo receiving profits from the mixed use project? **The project goals you refer to would be better described as commitments made by the NBA to Cal Expo. The question of being "kept whole" will be addressed with the NBA. It's premature to talk about what level of profits Cal Expo will receive until an Agreement is reached with a developer.**
59. Rather than accept the NBA's project goals for Cal-Expo, should the board have discussions that lead to adopting project goals that reflect its priorities? **As indicated in the preceding response, what you identify as project goals should be looked at as commitments by the NBA. The project is still in the conceptual stage.**
60. If the board has not agreed to the land use plan as introduced by the NBA, will the Cal-Expo board hold hearings on what they believe should be project goals, acceptable revenue projections, governance structure and uses of the new Cal-Expo facility? And if so, when? **This is a decision by the Board on how it wishes to proceed.**
61. The City of Sacramento spent hundreds of thousands of dollars to study the last arena proposal and the rail yard developer spent millions on the Measure Q & R campaign only for the King's owners to abandon the project after it qualified for the ballot. What safeguards or assurances are there that this won't happen to Cal-Expo too? Why aren't the King's owner's part of the negotiating team? Doesn't it make sense to negotiate directly with Cal-Expo's future tenant? When will the Kings begin direct communications with Cal-Expo? **Cal Expo can only spend what the Board approves. The questions regarding the Kings owners should be addressed to the NBA.**

62. Presumably, due to financial concerns, the scope of Cal-Expo's economic analysis is limited and the Bingham Consulting firm's (sports negotiation experts) contract was not been renewed. Is Cal-Expo running the risk of being under represented and counseled when faced with negotiating a complex land use plan with seasoned NBA representatives? **The services of Bingham Consulting will be used as required.**
63. Has the board's decision to move forward on a RFQ before the board had the opportunity to review the NBA proposal, undermined the board's leverage or ability to compel the NBA to comply with all the terms of the LOU's conceptual plan and answer all questions submitted for the March 10th meeting of the board of directors? **No.**
64. Will all of the board of director's questions be made available to Claude Gruen and to the Department of General Services in advance of the March 10th meeting? **Only if the input of DGS and/or Claude Gruen is required.**
65. Will copies of the March 10th questions be made available to the public? **Yes. The meeting has been rescheduled to March 27.**
66. Will directors be provided the questions and answers in advance of the March 10th board meeting? **Yes. The meeting has been rescheduled to March 27.**

Department of General Services

67. What role does the California Department of General Services (DGS) serve in approving any NBA proposal? **DGS is required to approve any Agreement that the Board may enter into for the redevelopment of Cal Expo.**
68. If DGS's approval is required, would the Cal-Expo board of directors benefit by knowing in advance what standards or processes we need to conform with before we take action to convey state property to a private entity? **DGS has been kept apprised of the ongoing status of this matter. DGS participated in establishing the requirements of the Peer Review by Gruen Gruen & Associates and DGS is also participating in the drafting of the RFQ. DGS will continue to be invited to participate in the process.**
69. Gruen, Cal-Expo's economic consultant, determined that the NBA's proposal was overly optimistic. Are these findings sufficient for DGS to intervene early to evaluate the merits of the NBA plan before it progresses further? **DGS informed us in an earlier meeting that, should Cal Expo come to an Agreement for the redevelopment of the property, DGS will require that Cal Expo demonstrate prior to DGS approval that the State is getting fair market value in return for the land that is being turned over for private development.**
70. Would DGS approve a plan that did not explore alternative uses for the property that could generate even greater revenue for Cal-Expo, or a plan without an arena? **See the preceding answer.**

71. Does DGS apply a “highest and best use” policy to state property? If so, could DGS reject the NBA proposal if it doesn’t meet this standard? **See the preceding answer. DGS can reject an Agreement approved by the Board for reasons that are in the best interests of the State.**
72. Has DGS informed Cal-Expo that the board could approve a plan even if the State could get a better return from an alternative plan that does not include an arena? **No.**
73. What studies does DGS require? Were they consulted on the scope of the Gruen and Gruen analysis? Did they approve it? **DGS has been involved since the inception. DGS was consulted and agreed to the Scope of Work by Gruen Gruen + Associates.**
74. Could DGS approve a plan that did not study whether the new Cal-Expo would be profitable or identify any potential risks that should be mitigated such as competing uses, etc.? (The Gruen analysis only studied whether the land use plan could finance the construction of an Arena and Cal-Expo facility.) **The Real Estate Committee wouldn’t recommend a plan to the Board that wasn’t determined to be profitable.**
75. Are DGS’s standards a matter of law or subject to change from one Administration to the next? If it is the latter, could the Schwarzenegger Administration approve the plan only for our next governor to overturn it? **The Agreement would be binding once it’s approved by DGS unless there was a provision for cancellation in the Agreement.**
76. Will DGS address these questions before the board in public or in writing? **No such request to DGS has been made.**

DEVELOPERS (RFQ)

77. Why would a developer submit a bid before Cal-Expo, the NBA and the Kings owners came to a formal agreement? For example, the parties have not formally agreed to a completed conceptual plan (as defined in the LOU) including a site plan, financing, a governance structure or even compensation. **The Board directed the Real Estate Committee and staff to move forward with drafting an RFQ to seek potential developers. The RFQ process does not include bidding.**
78. Will it be disclosed in the RFQ that Cal-Expo has not agreed to the NBA site plan or any other terms? **Yes, if that’s the status at the time the RFQ is released.**
79. It has been suggested in the past by the Real Estate Committee that any interested developer would be required to pay for all Cal-Expo costs associated with the NBA negotiations (consultants, etc.). Will this be a requirement of the Request for Qualifications (RFQ)? **The Real Estate Committee is going to explore this.**

80. Like past Cal-Expo contracts and request for proposals, do the terms of the RFQ require the approval of the board of directors? **The draft RFQ will be presented to the Board for approval prior to its release.**

CAL-EXPO & STATE FAIR PROJECT GOALS

81. When will the Cal-Expo Board of Directors consider and adopt project goals for the proposed project? **This can be a discussion for upcoming Board Meetings. Board Members should submit their topics for discussion to the Real Estate Committee in advance.**
82. So that the board can determine the merits of the newly proposed Cal-Expo facility, when will Cal-Expo staff introduce the proposed Cal-Expo facility's site plan and any economic data that demonstrates that the new facility can be economically viable within the mixed use development? Will there be a hearing scheduled and when in the process? **More discussion, involvement and action by the Board will be needed. This will be an agenda item for future Board Meetings.**
83. According to the NBA presentation, the "State Fair remains Cal Expo's dominant event." Is this a wise business decision since industry trends and projections show fair attendance and revenue declining for years to come? **Cal Expo's mission as defined in the Food and Agricultural Code is the production of an annual State Fair.**
84. Can staff present economic information that demonstrates that the new facility can be profitable with declining fair revenue and proposed interim (non-fair) events? **The Real Estate Committee wouldn't recommend a Conceptual Plan for the Board's approval that wasn't profitable for Cal Expo.**

PROPOSED CAL-EXPO FACILITIES

85. How many acres are set aside for the proposed Cal-Expo facility, the Arena property and mixed use property?
- Cal Expo - 100 acres, exclusive of parking**
Arena - 18 acres, exclusive of parking
Mixed Use - 232 acres
86. Can staff provide a comparison chart of how many acres (or square feet) are devoted to the fairgrounds, livestock, and other sources of revenue generating property between the existing property and what is proposed in the NBA plan? For example, how big are the fairgrounds or vendor space today versus what is proposed in the NBA plan? Can a hearing be scheduled to make this information available to the board and public? **Yes, staff can make a presentation at future Board Meetings. The plan presented by the NBA is still in the conceptual stage.**
87. One previous site plan included an amphitheater on the Cal-Expo grounds. Why was this omitted from the NBA presentation? If it is not part of the new facility, how can Cal-Expo

drive new fair attendance without concert entertainment? How much potential revenue will Cal-Expo lose by giving up concert entertainment? **An agreement has not reached on its location and size. Cal Expo has no intention of agreeing to a Conceptual Plan that does not include facilities for live entertainment.**

88. The NBA's economist predicts that the new Cal-Expo facility will make less money than it does now, essentially having a gross operating revenue of \$27.5 million and a net operating income of \$1.2 million. Why would the State want to give up millions of dollars of property that has significant earning potential for a NBA plan that shows the new facility making less money than the existing facility? How does this serve the interests of Cal-Expo and California taxpayers? **The NBA's forecast reflects gross operating revenues. The reduction in net operating income is a result of the loss of racing revenue and revenue from the water park operations. However, what the forecast does not include is the threat of losing horseracing anyway as the racing industry continues to spiral downward. The NBA forecast does not also include the long term and recurring benefits from reduced deferred maintenance and operating expenses.**

The Real Estate Committee will not recommend that Board approve any Agreement that doesn't benefit Cal Expo and the State of California.

89. Have any revenue projections been made for six to ten years out when the mixed use project includes for the first time a hotel, restaurants and other venues that will be in competition with services provided by the new Cal-Expo facility? **No, but this should be a point of discussion. However, competition already exists.**
90. As we know, Cal-Expo has a small cash reserve only because it has postponed millions in deterred maintenance costs. How can the new facility, with a projected operating income of approximately \$1.2 million, cover future maintenance costs of a new facility, especially as it ages? **We would expect the operating expenses to be considerably less in the early years of operation. The NBA set as one its priorities the matter of keeping Cal Expo "whole" during the term of the Agreement. This will be a negotiated item.**
91. If the future success of Cal-Expo is dependent on increasing the number of interim events at Cal-Expo, the NBA proposal does not support this mission. The NBA's projections state that the new facility will generate \$27.5 million in revenue which includes revenue generated by the State Fair (18 day fair presumably) and a projected 133-154 non-fair events over a five year period, or rather a mere 26 to 30 events a year. Doesn't the NBA presentation mean 26-30 "additional interim" events a year on top of the already 100 existing events held at Cal-Expo today? **Yes, 26-30 additional events, many occurring on the weekdays. The study by the NBA and ERA concluded that Cal Expo is already capturing most of the consumer show market. Consumer and trade shows are not expected to grow substantially in the coming years.**
92. How does the NBA define "an event?" If Cal-Expo holds approximately 100 interim events a year and adds about 30 more, how come the net revenue returns are so low? What business

do we lose and what potential business will we gain in a new Cal-Expo facility? Please present offsetting revenue data? **The Real Estate Committee is seeking from the NBA and their consultants the definition of “an event”. During the course of ERA’s Market Feasibility Study for a new fairgrounds, ERA reported that consumer shows are not a growing industry, particularly as it pertains to this market since Cal Expo is already capturing most of the business in the market.**

93. Why isn’t the facility plan proposed by the NBA more ambitious so that the new Cal-Expo can be more profitable than the existing facility? **This is a market driven plan. The market for consumer and trade show business is not expected to grow substantially.**
94. Would the NBA limit the number of days Cal-Expo does business, or will it be free to schedule as many events as needed in order to be profitable and support its mission? **The Committee will not recommend an Agreement that restricts or limits Cal Expo.**
95. Since Cal-Expo and the arena will share parking facilities with the Kings, Monarchs, concerts and other arena venues, how many days will Cal-Expo be prevented from holding interim events that require significant parking? Wasn’t this a purpose of the LOU’s Facility Plan that has not been addressed so far? Don’t such scheduling conflicts have a financial impact on Cal-Expo’s bottom line? **See the answer to the preceding question.**
96. In addition to the NBA’s projection of Cal-Expo making a mere \$1.2 million in net operating income, does it identify the need for a non-compete clause so that this net operating income is not threatened by restaurants, hotel conference centers and other entertainment located within the mixed use project? Will studies be conducted that expose risks associated with competing uses or tenants? **The NBA has agreed to keep Cal Expo whole. The Committee will not recommend an Agreement that exposes Cal Expo in any way.**
97. Please provide data that supports the NBA’s revenue and expense projections for the new Cal-Expo facility? Please itemize the revenue from events according to fair and interim related events, and include all revenue from parking, sponsorships, signage, as well as sources of potential revenue? **It would be appropriate to ask this question of the consultants when they appear before the Board next. We will forward your question to the consultants in advance of the meeting.**
98. What expenses can we expect with a new facility versus the existing facility? **This needs further study, but we would expect the expenses to be considerably less.**
99. The NBA proposal identifies the race track and water park as sources of revenue that will no longer be part of Cal-Expo’s revenue stream. What other sources of revenue will no longer be part of the new facility? Concert venues, parking, sponsorships, signage, etc? **The Committee will not recommend that the Board approve any Agreement that doesn’t protect Cal Expo financially.**

100. How much parking is required for the Arena and State Fair at peak attendance? And does this plan have sufficient parking? **We are not in agreement on the parking plan including the number of spaces, their location and access to and from. That's why this is conceptual plan and the Committee has not asked the Board to act upon it.**
101. According Gruen's public testimony, parking revenue is very profitable. Will Cal-Expo be entitled to all this revenue? **Negotiations have not occurred on any of the revenue splits.**

Cal-Expo Analysis

102. The Gruen analysis only studied whether a mixed use project could fund a new arena and Cal-Expo facility, but did not study whether the new Cal-Expo facility could be profitable or what risks it may confront. Why? **Gruen is scheduled to review the Market Feasibility Study by the NBA for the new fairground.**
103. Who determined the scope of the Gruen and Gruen Associates economic analysis and why wasn't the board consulted on its scope? **The Board directed the Committee to have a Peer Review performed of work done by the NBA. The Scope of Work was reviewed by the DGS and the Real Estate Committee.**
104. What was the scope of the Gruen analysis and how was it determined? Did the Department of General Services approve it? **See the answer to the preceding question.**
105. Why didn't the scope of the Gruen analysis include indentifying the highest and best use of the existing Cal-Expo property? **The Board's direction was limited to a Peer Review. If the Board desires, more study can be done.**
106. Did the scope of the Gruen analysis include market research to determine if the type of entertainment and features offered by this conceptual plan would be profitable in the short and long-term for Cal-Expo? **The Board's direction was limited to a Peer Review.**
107. NBA states that one of its project goals for Cal-Expo is to share in the mixed use project's profits. Will Gruen study the likelihood of this goal? Since Gruen has already concluded that the mixed use plan is overly optimistic and couldn't even finance the construction of the mixed use plan, can we already discount the promise of Cal-Expo benefiting from future profits? **Gruen's work was limited to a Peer Review. It's premature to address the matter of land value or profits until more input is obtained from potential developers.**
108. Did the Gruen analysis express any reservations with the scope of the study? Did they recommend any additional analysis need to determine the merits of the overall plan and specifically, the new Cal-Expo facility? **Gruen suggested a market demand analysis study to identify what would be the best land uses for the site.**
109. The Gruen firm specializes in "strategic planning for development, redevelopment and revitalization." They provide counsel on "market demand," "pitfalls to avoid," and "the

ramifications of alternatives?” Why didn’t we fully explore the full scope of their services?
The Board’s direction was limited to the Peer Review.

110. What kinds of businesses or venues are incompatible or could threaten the economic viability of Cal-Expo’s interim events and State Fair? Has the NBA agreed to a non-compete clause?
The Market Feasibility Study did not identify any threats. The Peer Review has not been completed on this yet.
111. Will the scope of the study be expanded to determine whether Cal-Expo can profit and remain economically viable under the proposed Cal-Expo site plan and pending facility plan?
Expanding the scope of the study is the decision of the Board. The Committee will not recommend any Agreement to the Board that doesn’t financially protect Cal Expo.
112. Were non-compete clauses, governance structure and the aforementioned revenue opportunities supposed to be addressed in the LOU’s facility plan that is still pending? **The Facility Plan is still pending and the content of the Plan has not been discussed other than the Conceptual Plan for the fairgrounds.**
113. Presumably, some of the reasons the King’s owners abandoned the rail yard project (Q & R campaign) was a dispute associated with parking and neighboring food and entertainment venues that would compete with arena business. Since these issues still exist under the newly proposed NBA plan, when and how will it be resolved? Should we resolve these issues now, before Cal-Expo spends more time and resources on negotiations? Would these issues have been resolved by now had every element of the LOU been addressed? Is this another reason why the Kings should be negotiating directly with Cal-Expo? **The LOU is in effect until March 30, 2009. It is our understanding that Maloof Sports and Entertainment have been briefed by the NBA on the Conceptual Plan.**
114. The Gruen firm specializes in economic models that “accurately forecast the results of alternative development.” They also purport to be experts in “identifying market responsive plans that maximize land values and private and public returns from development and redevelopment?” Why didn’t we explore these services and won’t the Department of General Services require this type of thorough analysis as a condition of approval? **The direction the Real Estate Committee received from the Board was to have a Peer Review done of the NBA’s work by a consultant hired by Cal Expo. DGS will require that an Agreement demonstrate that the State is getting fair market value for the land that is being turned over for private development.**
115. Since DGS must approve any plan, is it legal or permissible for Cal-Expo to enter into a land use agreement that doesn’t provide the greatest financial return to taxpayers or the state?
Any Agreement that the Board may approve is not final until approved by DGS.
116. Will DGS approve a project when Cal-Expo’s economic consultant concluded the following about the NBA proposal, ERA’s “assumptions about obtainable prices, absorption and costs

may be optimistic?” DGS will be required to approve any Agreement the Board enters into with a developer.

117. Could Gruen have studied alternative land uses for the existing Cal-Expo property that do not include an Arena? If so, who made the decision not to study alternative uses without an arena and wouldn't such a decision require board approval? Yes, but the Real Estate Committee was directed by the Board to conduct a Peer Review of ERA's work, which did not include alternative uses.
118. Can the board expand the scope of the Gruen analysis? Yes, whatever the majority of the Board directs the Committee to do.
119. Can the board of directors get a copy of the Gruen contract and scope of work? Yes, it's already been provided to one Board Member who made the request.
120. Gruen submitted a power point presentation at the February 27th meeting of the board of directors. Can we expect a narrative that explains his findings further and when? Back up material which lead to Gruen's conclusions can be provided.

ASSEMBLY MEMBER DAVE JONES QUESTIONS & RESPONSES FROM THE NBA

Introduction:

Many of the questions posed cannot be answered until we receive greater clarity from the developer community on the feasibility and financial value of the plan, and develop a financial plan which will be formulated after receiving input from developers. We will attempt to answer all questions that we can and provide additional responses as we learn more.

1. What are the sources of funding for the Arena?
The arena would be paid for from funds generated by the developer of the project and the owners of the Sacramento Kings.
2. What is the total estimated cost of the Arena?
The proposed arena will not be designed until there is greater clarity on the feasibility and value of the proposed plan and necessary approvals are received. However, depending on design, location, cost of materials, the use of union labor, and other factors, recent arena construction in the United States has ranged between \$300 million and \$500 million.
3. What is the amount for each source of funding for the Arena?
Information is unavailable until a financing plan is developed.
4. What is the total cost of the Fairgrounds and Exposition?
The estimated cost of the fairgrounds and exposition, not including infrastructure, is between \$120 million and \$150 million, depending on the final scope of the project and the availability of funds.
5. What are the sources of funding for the Fairgrounds and Exposition?
The developer's contribution is the principal source of funding, with possible TIF financing for infrastructure.
6. What is the amount for each source of funding for the Fairgrounds and Exposition?
Information is unavailable until the scope of the project and availability of developer funds and a possible TIF is determined.
7. What is the total cost of the remainder of the development?
It is projected to be in the range of \$3.5 billion, depending upon the final plans for the development.
8. What are the sources of funding for the remainder of the development and the amount for each?
The developer will privately finance the remainder of the project, with possible TIF funds allocated to infrastructure. We also anticipate potential waiver or deferral of certain development fees.
9. What will it cost the city annually to provide municipal services to the project?
An analysis will be done to ascertain the extent to which on-site security and possibly fire services will be used. Once that analysis is complete, it will be shared with local police and fire departments for their comments, suggestions, and estimates of additional costs as the various phases of the project come on line. Other city, county and special district services will be addressed in the same manner. To date, the City, County and special district staffs have been supportive, but we understand the need to address service issues. As an infill site, these impacts should be less severe than would be the case with suburban development.

10. What will it cost the County annually to provide county services to the project?
See 9 above.
11. How much tax revenue annually will the City be asked to forgo to fund the arena?
The project does not anticipate the loss of any tax revenue to fund the arena. TIF proceeds may be requested for the project's infrastructure costs, depending upon the financing plan developed. It is not anticipated that any of such TIF funds would be applied to finance the arena itself. We have not done a complete TIF financing projection and do not plan on preparing one until we know the extent of developer interest and whether TIF is needed and would be supported.
12. How much tax revenue will the County be asked to forgo to fund the arena?
See 11 above.
13. What other taxing entities will be asked to forgo tax revenue to fund the arena and how much?
See 11 above.
14. In addition to tax increment funding, are there any other public sources of funding that will be sought/used for the project?
Information is unavailable until a financing plan is developed. Funded infrastructure credits and similar incentive financing may be explored, but no such sources have been identified or assumed at this point.
15. What are they and what is the amount for each?
See 14 above.
16. What are the "external" infrastructure improvements (roads, highway, transit, sewer, etc) needed for the project, how much will they cost, and who will pay?
No analysis has yet been done to quantify needed external transit improvements other than those already done by CalTrans. We have spoken with SMUD about their interest in constructing an on-site power facility, which they have indicated they would finance as it assists SMUD in providing required local generation. We have held discussions with staff of SCRSD and there is capacity and nearby infrastructure for the proposed development, so significant external improvements are not anticipated for sewer or storm drainage.
17. Will the Kings owners provide funding to develop the Arena?
Yes.
18. How much?
It depends on the availability of funds from the developer and the design of the arena.
19. Who will own the Arena?
That has not been determined.
20. Who will manage the Arena?
The Sacramento Kings would manage the arena, although event scheduling would be closely coordinated with CalExpo.
21. Will the Kings owners provide any ongoing lease or other revenue stream to Cal Expo? If so, how much?
The NBA and CalExpo have discussed the availability of the arena to CalExpo for certain events, but there has been no discussion of terms.
22. If there are cost overruns on the Arena, who pays?
The Kings.
23. If there are cost overruns on the Fairgrounds and Expo, who pays?
This has not yet been discussed.

24. Has there been any analysis of whether demand for commercial (retail, office, hotel, etc) development in the region, county and city, respectively, is sufficient to meet the proposed supply of commercial development in this project and others that are planned in the city, county and region's land use plans? If so, what does it show? If not, will there be an analysis prepared?

All assumptions in the ERA analysis are made on the basis of anticipated demand over the phased build-out of the project.

25. Has there been any analysis of whether the proposed commercial development for this project will compete with proposed commercial development for other major projects (Railyards, Township 9, West Sacramento Triangle, Downtown redevelopment), and what impact this will have on those projects?

Yes, these projects were taken into consideration in the development of ERA's demand assumptions over the life of the project.

26. In some of the graphics provided by the NBA's consultants, there is an "overflow" parking area on the south side of the levee. Is it your intention to use that as an overflow parking area at times other than during the state fair? What use is intended for that parking area?

No. There is no anticipated need for parking in that area other than during the State Fair.

27. We have been advised by the General Manager that it will cost \$150 mil to replace the existing "fairgrounds" and it appears that this proposal has used that number to be the cost to build what will be the new Fairgrounds and Expo. Please identify specifically what will be funded with the \$150 mil.

\$150 million is the currently projected cost to build the exposition facility, fairgrounds, administration building, safety and security facilities, maintenance facilities, FF&E, and all associated improvements other than infrastructure.

28. Will the two parking garages adjacent to the hotel and the retail, and the other retail/hotel buildings in the "Expo Zone and Fairgrounds" be funded by the \$150 million?

No. The \$150 million funds the items described in 27 above. The entertainment retail zone is part of the private development opportunity, although it compliments the Expo/Arena facilities.

29. What is the current retail arrangement at Cal Expo? Do State Fair vendors pay Cal Expo a flat fee, or do they pay Cal Expo a percentage to have a stand at the fair? Does Cal Expo receive a percentage of the sale for other events at Cal Expo, or is it a flat fee?

[Norb to answer.]

30. Who will own the retail in the "Expo Zone & Fairground" area? Has there been any analysis of whether Cal Expo will receive less from Fair vendors who are competing with brick and mortar shops located in the "Expo Zone and Fairgrounds"?

The developer will own the retail. No specific analysis has been done on the impact, if any, on fair vendors, although ERA's market study indicates that improved amenities in and around the expo zone is a critical driver of improved year-round exposition business and future state fair attendance.

31. What is number of buildings and total square foot of those buildings on the existing property?

[Norb to answer]

32. What is the total non-building square footage area of the existing fairgrounds (i.e. the pedestrian areas)?

[Norb to answer]

33. Do the proposed structured and pedestrian areas allow for the growth of the fair?

Yes. Capacity studies have been undertaken by HOK and the proposed fairground and exposition facilities comfortably accommodate current and projected State Fair operations and attendees.