

## **FACILITIES MANAGEMENT WEST, INC.**

190 Newport Center Drive, Ste. 100  
Newport Beach, CA 92660  
Telephone: (949)644-1860  
Telecopier: (949)644-1142

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The Honorable City Council  
City of Costa Mesa  
77 Fair Drive  
Costa Mesa, CA 92626

Dear Honorable Council Members:

This communication responds with greater precision to several questions raised since our May 3 letter regarding our interest in purchasing and operating the Orange County Fair and Event Center (OCFEC).

### **WHAT ARE YOUR INTENTIONS/MOTIVATIONS?**

We will continue operating the fair and related entertainment/educational/community activities as they exist today. Our commitment is to improve them for broader enjoyment, access, utilization and participation by the public, as well as for enhanced economic activity and new revenue they can generate for the city.

We are prepared to meet the state's purchase requirement. Additionally, we will commit new capital to improve the fair, its aging public facilities, areas which have considerable deferred maintenance issues, and the Pacific Amphitheater. The Orange County Market Place and Centennial Farm are significant community assets, and we want them to thrive.

### **IS THIS JUST A REAL ESTATE PLAY FOR NEW DEVELOPMENT AT THE FAIRGROUNDS?**

No. Our focus and passion is to improve existing facilities. We absolutely have no development plans or intentions, beyond considering new facilities – like a new community conference center – that would augment and be complementary to existing uses. We understand that city general plan and zoning for the site require any new uses be compatible with fair and entertainment-related uses.

### **WHAT ABOUT COMMUNITY GROUPS THAT USE THE FAIR FACILITIES FOR MEETINGS AND EVENTS?**

We are committed to retaining the many that exist such as the Orange County Marathon, Junior League Christmas Company, 4H, Girl Scouts, school district educational programs and the All American Boys Chorus – and encourage the city and other community groups to use

the facilities. We will expand and strengthen the OCFEC relationship with Orange Coast College.

#### DOESN'T THE CITY LOSE CONTROL UNDER YOUR PRIVATE OWNERSHIP PROPOSAL?

No. We believe the city can and will protect its considerable interests and most significant concerns through several mechanisms: General plan and zoning restrictions, binding covenants tied to the property, the permitting process, and contractual agreements negotiated with us. Additionally, our broad-based community advisory council will have an important role advising Facilities Management West on operating issues that may arise.

Further, we commit to give the city the OPTION TO PURCHASE the fair and event center from Facilities Management West in year 10, 20 or 30, subject to a mutually agreeable formula for assessing the value of the property at that time. This permits the city to assess the considerable influence we believe it will exert on maintaining the integrity of the fair and event center uses, and to measure the improvements in management, operations, maintenance and marketing that we envision. If the city reasonably believes their expectations have not been met, it has the option to reconsider municipal ownership. In a major way, this approach is further motivation for us to fulfill our pledge to operate in the public interest.

#### AS A FINANCIAL MATTER, WHY IS YOUR PROPOSAL SUPERIOR TO THE ONE ENVISIONED BY THE CITY?

Our proposal contains absolutely no municipal risk or required bureaucratic cost now or anytime in the future. It appears the city believes it can gain title and ownership of the fair grounds, and direct its operations, with no liability or expenditure of public funds through a complex financial structure. If an arrangement like this sounds too good to be true, it probably is. It is doubtful the city can legally shield itself – and thus its taxpayers – from the long-term risk of operating deficits (a historic reality), default by one or more of the private investors who would finance the city's purchase, or everyday lawsuits that arise from operating such a substantial operation. The Facilities Management West financing proposal envisions no legal involvement by the city, and therefore no risk, no financial contribution, no costs and no liability now or at any time in the future.

Further, our proposal involves the creation of a new revenue stream to the city from the operation of the fair grounds and related facilities. The more successful the OCFEC operations, the more beneficial it will be for the city.

#### HOW DO WE KNOW THAT YOU ARE FINANCIALLY STRONG AND STABLE ENOUGH TO COMPLETE THIS TRANSACTION?

We provided the city with evidence of our financial strength, and can complete the purchase in a cash transaction with the state, if it is required. The weakness of the American Fairs proposal is that it rests on a relatively small down payment and 30-40-year state financing.

If any of the participants default on their payments during the next three or four decades, the oversight organization – headed by the City of Costa Mesa, which holds title to the OCFEC – must step in or find an angel investor to make good on the obligation.

#### WHY DO YOU BELIEVE YOU CAN OPERATE THE FAIRGROUNDS BETTER THAN THE CITY IN PARTNERSHIP WITH AMERICAN FAIRS?

First, the city's talented staff has little or no experience or expertise running a fair or a large-scale, multi-venue entertainment center. American Fairs consists of the owner/operators of several substantial activities at the fair grounds, but likewise doesn't have experience managing or assuming overall operating responsibility for a comprehensive fair and entertainment facility. This currently is the responsibility of the fair board and staff.

Facilities Management West would retain the services of Comcast-Spectacor, a national organization with considerable experience in the management and operations of entertainment venues. Its subsidiaries include Ovations Fanfare, which has been providing food and beverage services at the Orange County Fair and Event Center since 1995. They provide similar services at more than 200 fairgrounds, event centers, amphitheaters, convention centers, stadiums, arenas and racetracks throughout the United States and Canada – including seven fairgrounds in California.

They have an excellent operational and business practices record at OCFEC, and their local knowledge will be invaluable to the management team.

Additionally, Comcast-Spectacor owns Global Spectrum, New Era Tickets, and Front Row Marketing. Clearly, Comcast-Spectacor is better equipped than American Fairs to oversee the COMPREHENSIVE management, maintenance, marketing and branding of the fair and event center.

A single ticketing operation for everything occurring at the fair grounds is just one example of how efficiency and cost reduction – let alone improved customer interface -- can be achieved under our operating proposal. The balkanized ownership/operation model proposed by American Fairs encourages individual owner/operators of existing venues to protect their turf and financial advantages. It doesn't lend itself to thinking first about what is in the best interests of the entire 150-acre fair and event center. The Facilities West Management proposal provides for a broader, more comprehensive approach which, in turn, will benefit the larger community and the individual owner/operators of existing venues.

#### HOW WILL YOU TREAT CURRENT STATE EMPLOYEES OF OCFEC?

We start by believing they have experience and historical perspectives that can be valuable to the ongoing management of the OCFEC. They will receive priority consideration for retention by Comcast-Spectacor, a more promising prospect than the transitional assistance contemplated by the city and American Fairs.

DO YOU HAVE CONFLICTS OF INTEREST WITH EXISTING OPERATIONS AT OCFEC?

Absolutely none. But, this question raises a significant conflict issue regarding the American Fairs proposed operating structure: Who oversees the managers, if the owner/operators of individual fairground venues sit on the oversight organization? How will the oversight organization members resolve issues that impact their own operations? Who decides contract issues involving these organizations? Or operational, ground lease, financial, bidding or auditing issues? It is an awkward, highly unusual structure that is ripe for conflict.

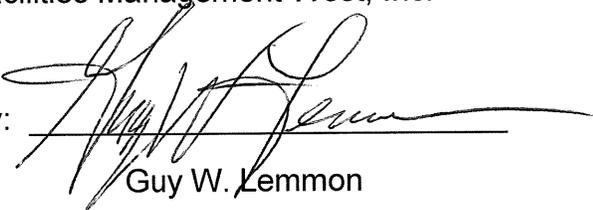
As we have emphasized before, we are local residents and investors with a passion for the fair. We understand "public ownership," at first blush, sounds appealing and desirable. But, we believe the proposal we have advanced achieves the goals of public ownership without its risks and obligations. And with the promise of a buy-back provision, the city will have the future option of organizing a public purchase of the facility.

We stand ready to work with the city, the community and OCFEC vendors and stakeholders to bring the fair grounds to a higher level of operation in which we all can share both pride and financial benefits.

Most cordially,

Facilities Management West, Inc.

By: \_\_\_\_\_

  
Guy W. Lemmon

cc: Allan Roeder, City Manager