



CITY COUNCIL/ORANGE COUNTY FAIRGROUNDS AUTHORITY BOARD AGENDA REPORT

MEETING DATE: September 7, 2010 **ITEM NUMBER:** _____.

SUBJECT: PROPOSED LEASE WITH ORANGE COUNTY FAIR AND EVENT CENTER, L.P.

DATE: SEPTEMBER 3, 2010

FROM: CITY ATTORNEY/AUTHORITY ATTORNEY

PRESENTATION BY: KIMBERLY HALL BARLOW,
CITY ATTORNEY/AUTHORITY ATTORNEY

FOR FURTHER INFORMATION CONTACT: KIMBERLY HALL BARLOW, 714 754-5339

RECOMMENDATION:

Adopt a Resolution approving the draft lease subject to completion of exhibits and minor revisions approved by the Authority Attorney and Executive Director.

BACKGROUND:

The Authority considered a draft lease with OC Fair and Event Center, L.P. for the Fairgrounds property at its Special Joint Meeting on August 24th. At that time, a number of issues remained open and the Authority Board approved the lease subject to changes it authorized and further negotiation. The lease as it was approved by the Board on August 24th is attached as Attachment 1. The revised draft lease submitted to the Authority Board for consideration is the result of on-going negotiations concerning the lease terms between the Authority and OC Fair and Event Center, L.P. as directed by the Board (Attachment 2).

ANALYSIS:

The attached revised Lease has been negotiated in an effort to resolve all outstanding issues between the JPA and OC Fair and Event Center, L.P. Attachment 2 shows all changes from the August 24th version considered by the Board, including all exhibits except Exhibit A3 (list of contracts), Exhibit F (independent collection agent instructions) and Schedule 1 (excluded property). With respect to the areas on which staff was directed to negotiate, we believe we have negotiated revised provisions which the Board will find acceptable. Changes were made primarily in Sections 6.1, 6.2, 15.10, 28.4, Exhibit H and its attachments. In addition, several exhibits which were previously incomplete have now been completed, including Exhibits C-1, G, I, and K.

FISCAL REVIEW:

The terms of the Lease and the related documents relating to the proposed purchase of the Fairgrounds from the State of California have been drafted to ensure that there is no risk to the City’s general fund involved in acquiring and leasing the Fairgrounds. The financial terms mutually agreed to in the Memorandum of Understanding have been restated in Article 3 and Exhibit “E” of the lease. Based on an independent financial analysis of the terms of the lease as prepared by Kaiser Marston Associates, the City will receive \$234,494,570 in rent and sponsorship fees over the term of the 55 year agreement. A copy of the revenue analysis is included in this report as Attachment 5.

It requires notation that the JPA/City will assume some level of continuing responsibility for oversight of the lease and operations of the OCFEC. The appropriate level of staffing and/or consulting assistance will be modest in comparison to the revenue generation but will still be necessary. A determination as to the desired level of staffing and oversight of the Tenant should be determined prior to the close of escrow.

CONCLUSION:

Staff recommends that the Authority Board adopt the attached Resolution approving the revised lease with OC Fair and Event Center, LP, predicated on its compliance with the MOU and as directed by City Council/Authority Board subject to such changes as are authorized by the Board, and subject to independent verification of the financial capacity of the Tenant, its general partner and the guarantors, and authorize the Chair and Secretary of the Authority to execute same, subject to addition of the remaining exhibits and such minor changes as are approved by the Authority Attorney and Executive Director.

KIMBERLY HALL BARLOW

CITY ATTORNEY/AUTHORITY
ATTORNEY

ALLAN R. ROEDER

CITY MANAGER/EXECUTIVE
DIRECTOR

DISTRIBUTION:

- ATTACHMENTS 1 [Draft Lease \(8-24-10\)](#)
- 2 [Draft Lease \(9-3-10\)](#)
- 3 [Resolution](#)