



CITY COUNCIL AGENDA REPORT

MEETING DATE: September 7, 2004

ITEM NUMBER: IX-3

SUBJECT: Resolution Opposing the California Performance Review Regarding “Tapping Surplus Property Assets” Pertaining to the Orange County Fairgrounds

DATE: September 1, 2004

FROM: City Manager’s Department

PRESENTATION BY: Allan L. Roeder, City Manager

FOR FURTHER INFORMATION CONTACT: Allan L. Roeder, City Manager at (714) 754-5327

RECOMMENDATION:

1. Adopt a resolution opposing the findings of the California Performance Review regarding “Tapping Surplus Property Assets” regarding the Orange County Fairgrounds as “underutilized.”
2. As a matter of City Council policy, adopt a position opposing the closure and/or relocation of the Orange County Fairgrounds.
3. Reaffirm the City’s General Plan designation for the Orange County Fair as “Fairgrounds”, and it’s zoning as “Institutional and Recreational”.

BACKGROUND:

The Orange County Fairgrounds (OCF), operated by the 32nd Agricultural District, has been part of the Costa Mesa community since 1949. OCF’s mission is to provide educational, entertainment and recreational opportunities for the general public and preserve the heritage of California agriculture. This is achieved by showcasing the talents, interests and accomplishments of the citizens of California, especially Orange County residents. It is located on a 150-acre parcel bounded by Newport Boulevard, Fair Drive, Fairview Road, and Arlington Avenue.

Earlier this year, a concept proposal was offered by Assembly Member John Campbell (70th Assembly District) to relocate the OCF to the “Great Park” (formerly the El Toro Marine Corps Air Station) in the City of Irvine and to sell the existing 150-acre parcel for high density commercial office and residential development to assist the State of California with its current budgetary shortfall. It should be noted that this was strictly a “concept proposal” and no action has been taken to implement any of the elements of this concept.

In meetings subsequent to the announced concept, representatives of the City of Costa Mesa expressed serious concerns with the proposal. Among the points raised by City representatives and other interested parties are the following:

- As a center for Entertainment, Recreational, Cultural and Educational activities, the OCF is unique in Orange County and hosts one of the most successful Fairs in the nation.
- The OCF hosts over 100 events per year, supporting cultural and non-profit events, the Orange County Marketplace, weekly educational activities (such as the Centennial Farm and The Ranch programs), the annual County Fair and a variety of entertainment events.
- State law precludes redirection of the proceeds from the sale of State Agricultural District property to the State General Fund, negating the foundational purpose of the concept proposal.
- Events at the OCF generate thousands of year round and season employment opportunities for local youth and senior citizens.
- From a land use perspective, the OCF is integral to the City's General Plan; balancing peak hour traffic demand with the off peak weekend demand created by the OCF.
- Sale of the OCF would eliminate a significant asset in the City's Park, Recreation and Open Space Inventory that cannot be replaced.
- Relocation of the OCF would result in the loss of the Orange County Marketplace, a significant "incubator" for small business development in Costa Mesa as well as the County as a whole.
- The OCF and the City of Costa Mesa share a significant heritage with the former Santa Ana Army Air base (SAAB).
- Loss of the activities at the 150-acre site would result in a loss of approximately \$600,000 per year in direct tax revenues to the City of Costa Mesa.
- The "net cost" of relocating the OCF has not been calculated and is expected to be significant. The "concept proposal" assumed available land in the "Great Park" at a no or low cost to the State of California. Furthermore, no consideration has been given to the cost of replicating existing facilities at the OCF. Costs associated for land acquisition and replacement of facilities will greatly impact any net proceeds available to the State of California.

Subsequent to the issuance of the concept proposal, the State of California released the "California Performance Report" (herein after referred to as the CPR). The CPR was prepared at the direction of Governor Arnold Schwarzenegger to identify opportunities for reducing the cost of State government. The 2500 page document addresses a wide range of topics and is currently the subject of public hearings throughout the State. The hearings are presently scheduled to conclude in late September. Depending on the public comments and review by the Governor, various recommendations in the report are expected to be submitted in Bill form during the 2005 Legislative session.

Included in the report is a section entitled "Tapping Surplus Property Assets." Within this section (please see Attachment A) is a discussion of "examples of underutilized or surplus property." Two specific examples are offered in the report, including a discussion on the OCF. The report characterizes the OCF as "The land is used to hold the annual Orange County Fair, a summertime agricultural festival." For purposes of this report, it is important to note that this is the only comment made relative to the activities at the OCF. The report goes on address the severe housing crisis in California

and specifically Orange County. It cites figures relative to the value of the site if developed residentially at varying levels of density. It is also important to note that the report does acknowledge that development of the site for housing, retail or commercial office space would rely on the cooperation of local government in the zoning and development process. While the report uses the OCF as an example of what is considered underutilized State property, it does not specifically recommend sale of the site.

Finally, on August 26, 2004, the Orange County Fair Board conducted a public hearing on the CPR specific to underutilized State assets and its characterization of the OCF. OCF staff provided an extensive presentation regarding the year-round activities at the OCF, the estimated economic impact of the OCF and other supporting documentation, taking exception to the characterization of the OCF in the CPR. Following the staff presentation, the Board received public comments for over 3 hours. The testimony overwhelmingly took exception with the characterization of the OCF in the CPR and included substantial support for retaining the Fairgrounds in its present location. The Fair Board unanimously adopted a resolution (please see Attachment B) taking exception with the characterization of the OCF as underutilized in the CPR. No formal action was taken in regards to the possible relocation of the OCF. Several members of the Board expressed opposition to relocation but a willingness to keep an open mind as to prospective options and opportunities for further development of the existing site and the possibility of a satellite program at the proposed "Great Park" in Irvine.

ANALYSIS

Although the Background portion of this report addresses both the concept proposal by Assemblyman Campbell as well as the California Performance Report findings, this analysis will only address the CPR. As strictly a concept, the proposal by Assemblyman Campbell lacks sufficient detail to provide any analysis of value. Further, it has not been submitted in any concrete form by way of legislation so there is no formal action to oppose. Finally, the Assemblyman has indicated that he would not support relocation of the OCF if the City opposed it. In fairness, the preceding is based on media accounts of statements by the Assemblyman and in direct conversation with members of the City Council.

The CPR is a formal proposal and will be considered by the Governor and members of the State Legislature in the future. As such, it is important that the City Council take official action on the findings in the report if deemed of sufficient concern to the City of Costa Mesa. A resolution has been prepared (please see Attachment C) stating findings contrary to the characterization by the CPR of the OCF as underutilized. The attached resolution is similar to that adopted by the Board of the OCF and embodies the key points noted in the Background section of this report. Should the City Council adopt the resolution as submitted, it is recommended that it be transmitted to the State of California as part of the formal public testimony on the CPR with the Mayor, City Council and/or the City Manager authorized to speak on the City's behalf in support of the resolution.

In addition to the proposed resolution opposing the findings of the CPR, it is the staff's recommendation that the City Council adopt a formal position opposing either the closure or relocation of the OCF. The overwhelming public comment on this matter has focused on the value of the OCF to the City of Costa Mesa. While the attached resolution responding to the findings of the CPR addresses the issue of underutilization,

it does not address the matter of the sale or relocation of the OCF. A review of alternatives to retention of the OCF is discussed in the Alternatives Considered section of this report.

In addition to adoption of the attached resolution and policy position opposing closure or relocation of the OCF, staff suggests City Council reaffirm its position on the Fair's General Plan designation as "Fairgrounds", and "Institutional and Recreational" zoning. This recommendation is based on three key points:

1. The present General Plan land use designation for the OCF is "Fairgrounds" which accurately represents the current and future planned use of the property. The site has been identified as some form of Public, Open Space, and Institutional land use for decades as part of the City's General Plan. For the public record, staff believes it is important to note that the current designation was created years ago and not a reaction to findings in the CPR or other proposals.
2. In various discussions both public and private, suggestions have been offered regarding the possibility of retaining the OCF but selling off pieces of the site for private development. While sale of any portion of the site would require State approval, the prospective land use would be subject to City approval. However, while a prospective business may be compatible with operations of the OCF, it would be incompatible with the City's General Plan if not encompassed within the Fair's operation. To eliminate any inconsistency created by selling off portions of the OCF, staff believes the entire site should be retained under the existing General Plan designation and zoning, and that alternative uses for specific segments of the OCF be considered by way of a Fair Master Plan amendment.
3. One of the very important elements of the current General Plan/Zoning designation for the OCF is its "fit" with the balance of the City's General Plan. Beyond contributions the OCF brings in terms of open space, recreational, educational, cultural and entertainment venues, other characteristics of the OCF are also important in the context of the City's Land Use policies. Any substantive change in the proposed use of the site – whether by way of sale or long-term lease – will clearly have impacts on the City's overall General Plan.

ALTERNATIVES CONSIDERED

1. "No Action" Alternative

The section of the CPR pertaining to the OCF, under "examples of underutilized or surplus property", is simply inaccurate and wholly misleading. It is written purely as a means to substantiate the report's recommendations absent any factual basis. Accordingly, staff can find no basis to support the findings of the report as an alternative for City Council consideration. At the same time, given that the CPR is now a public document and is being circulated for review, comment, and potentially as the basis for future legislative action, staff could not and cannot recommend the "No Action" alternative.

2. Closure and/or Relocation of the Orange County Fairgrounds Alternative

Procedural Tasks necessary to support this alternative would be:

- a. Support closure of the OCF.
- b. Support relocation of the OCF to the “Great Park” in Irvine or alternative location in Orange County.
- c. Support relocation of the OCF to another location in Orange County in exchange for conversion of the existing 150-acre site to municipally owned Park & Open Space.

3. Reaffirmation of existing General Plan/Zoning Designation Alternative

Since staff’s recommendation is strictly a reaffirmation of the City’s existing General Plan land use designation, this action is not necessarily required. While staff believes reaffirmation has value for the public record, the existing General Plan designation is not in question and will remain in place regardless of any attempt to relocate the Fair or sell the property.

FISCAL REVIEW

At the current policy level of this issue, there are no direct fiscal impacts. There are, however, clear and significant fiscal impacts should the OCF be declared surplus or relocated.

At present, the City receives approximately \$600,000+ per year in retail sales tax from various operations at the OCF. As State property, no property taxes are generated from this site. It is impossible to project what revenues might be generated on the 150-acre site should the OCF be relocated and the property privately developed. Depending on the mix of development and allowable densities, revenues could be expected to be significantly higher than currently generated from the site. Potentially, the cost for providing municipal services might also be expected to increase. At this time, however, it simply is not possible to provide any credible fiscal impacts absent a proposed, alternative use for the site.

LEGAL REVIEW:

The City Attorney’s Office has reviewed and approved the attached resolution “as to form.”

CONCLUSION

The future disposition of the Orange County Fairgrounds is an extremely important matter to the City of Costa Mesa. Not only does the OCF represent a significant activity center in the community but a landmark and noteworthy part of the City's identity and heritage. Its physical presence in the heart of the community has far reaching impacts from a land use standpoint. Therefore, it is important that Costa Mesa seriously consider representations made in the California Performance Review, and take those actions necessary to protect the City's interests.

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ATTACHMENTS: A ["Tapping Surplus Property Assets"](#)
 B [OCF Board Resolution](#)
 C [City Council Resolution](#)

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