



DATE: October 24, 2022

TO: Honorable Mayor and Members of the City Council through City Manager

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SUBJECT: Provide Direction To City Staff On A Successor Agreement With The Fourth District Agricultural Association (DAA) For Continuation Of The Annual Sonoma Marin Fair On Site, For Master Planning Of Additional Sustainable, Compatible Property Uses And For The Future Use And Management Of The City's Fairgrounds Property

RECOMMENDATION

It is recommended that the City Council receive the staff presentation and public input and provide direction to City staff on a successor agreement with the Fourth District Agricultural Association (DAA) for continuation of the annual Sonoma Marin Fair on the site, for site analysis and master planning for potential additional, sustainable, compatible property uses, and for the future use and management of the City's Fairgrounds property generally. Council direction to staff could include adoption of the attached, draft resolution establishing guiding principles regarding determining and implementing future Fairgrounds uses.

BACKGROUND

The property where the Sonoma-Marin Fair has been held for at least the past 50 years ("the fairgrounds") is a 55-acre City-owned parcel near the center of Petaluma, generally bounded by East Washington Street, Payran Street, and Kenilworth Drive. For at least the past 50 years, the entire fairgrounds property has been leased to the Fourth District Agricultural Association ("DAA") for \$1 per year, giving the DAA full control under the lease to utilize and manage the entire leased property. This arrangement has also exempted the DAA from City zoning requirements for uses, permit review, etc. As discussed in this staff report, the fairgrounds property refers to the land leased to the DAA, which excludes the Petaluma Library, Swim Center, Kenilworth Park and Teen Center.

The fairgrounds has long been the home to the Sonoma-Marin Fair ("the fair event"), a 5-day agricultural and community event that generally is held in mid- to late June each year and is

organized and run by the DAA. The current lease between the City and the DAA is set to expire on December 31, 2023. The lease cannot be renewed in its current form due to restrictions on the duration of leases of City property in the City's charter. The purpose of tonight's agenda item is to receive City Council direction on next steps in charting the future of the City's fairgrounds property as well as the City's future relationship with the DAA.

History of Kenilworth Park Acquisition and Uses

The fairgrounds property has been a center of parkland, recreational, agricultural and fair uses for nearly a century. The property was acquired by the City in 1911 with the proceeds of a voter-approved bond for funding purchase of the property as parkland. The ballot question for the December 29, 1910 special election on the bond issuance was "Shall the City of Petaluma incur a bonded indebtedness of \$20,000 to pay the cost of acquiring certain lands for public purposes for a public park . . . commonly known as Kenilworth Park?" The voters approved the bond issuance and the indenture obligating the City to repay the bond purchasers was issued March 7, 1911. The indenture included no restrictions on the land's use. Nor were deed restrictions on the land's use recorded against the property. The bond debt that was issued to acquire Kenilworth Park has long since been paid and retired. The latest preliminary title report on the fairgrounds property lists various easements on the property but makes no reference to use restrictions regarding the property. The preliminary title report indicates that the City owns the property in fee, subject to the current lease to the DAA, and lists no other parties with ownership interests in the property other than easement holders.

The City first leased the Kenilworth Park property to the DAA to conduct fair activities on the site in 1947. Prior to that time, the fair event was located at the current Petaluma Highschool site. The adjacent Fair Street reflects the prior location of the fair. The City entered into the current lease with the DAA effective January 1, 1973. The lease had an initial term of 25 years and a 25-year renewal option, which the DAA exercised. The current lease is to expire on December 31, 2023.

Key Details of the Existing Fairgrounds Lease

The existing lease gives the DAA near-complete control of both the physical infrastructure on the property as well as the day-to-day uses of the property. The scope of the DAA's authority over the property under the lease was the subject of a September 7, 1977 opinion issued by the California Attorney General's Office. The opinion concluded that "[b]ecause of the extremely broad spectrum of rights granted to the Association under this lease, it would appear that for the period of time which the lease is in existence the Association has all those powers over the use of the property which it would have if it were the owner in fee." The Attorney General's Office further concluded that "because of the nature of the leasehold, the City of Petaluma may not exercise any governmental power control over the Association's use of the premises." As a result, during the term of the current lease, the DAA has not only had virtually complete control of the entire fairgrounds property subject to the lease, it has also exercised that control generally free from any regulatory control of the City over the DAA's operations and activities. This is because the activities of district agricultural associations have generally been held to be matters of statewide supervision and concern not subject to local regulation.

The lease provides that during the lease term, the DAA owns all structures on the property constructed by the DAA, and that during the lease term and within six months after the expiration of the lease the DAA has the right to remove buildings constructed by the DAA. Except for the right to remove buildings constructed by the DAA within the first six months following expiration of the lease, the DAA's right to use the fairgrounds property and to authorize others to use it will

expire along with the lease on December 31, 2023. The expiration of the lease will also reactivate the City's governmental power and control over the site, including all applicable land use, building, and police power regulations of the City.

Article XI, Section 75 of the Petaluma Charter establishes restrictions governing City franchises and leases. Under Section 75, City property may be leased for initial lease terms not exceeding 50 years, and renewed for renewal terms not exceeding 25 years. The current lease of the fairgrounds property to the DAA established an initial term of 25 years with a renewal period of 25 years. Although the current lease could have specified a longer initial term, it did not do so, and because the maximum permitted renewal term of 25 years is about to be exhausted, the current lease cannot be extended in accordance with the City Charter. Nonetheless, the City may approve a new agreement with the DAA permitting the DAA to continue offering annual Fair events on the property in accordance with the City Charter and other applicable law.

Sublessees and Events Revenues

The DAA leases portions of the fairgrounds property to a variety of sublessees, including, as examples: an operator of the speedway, a charter school, a pre-school, a paintball facility, a coffee hut, a doggy day care facility, etc. The DAA also books a variety of both private and community events that pay a rental fee for use of the property. These events are separate and non-inclusive of the annual fair event. In total, the DAA's leases and events generate approximately \$700,000 annually which represents roughly a third of the DAA's annual budget.

DAA Financial Analysis

Gaining a complete understanding of the DAA's financial picture as we explore successor agreement arrangements will be critical to ensuring the future viability of the DAA and the fair event. It is currently difficult to provide an up-to-date, accurate financial analysis of the operational budget of the DAA for several reasons. First, there was no fair event in calendar years 2020 and 2021, the DAA's marquee event that comprises well over a half of the DAA's total revenues and expenditures; thus, the last full year for which we have financial data that included a fully operational fair event is 2019. Second, staff presumes that, anecdotally, the DAA had a need to reduce expenditures as a result of the pandemic (or, alternatively, dip into reserves), and it is unclear whether those reductions would be made more permanent in an ongoing normal financial picture. And third, since City staff are not intimately familiar with accounting customs and norms typically utilized by California's agricultural associations, more research will be necessary to ascertain the sources of certain revenue streams, and whether those would continue in various future scenarios.

With the above important caveats, below are some basic observations that staff have gleaned from a review of recent DAA financial information – to approximate what a "normal" operational year would be, including a full fair event:

REVENUES:

- Lease and event revenue total approximately \$700,000 annually;
- Revenue from the annual fair event totals approximately \$1,000,000 annually;
- Miscellaneous revenue, including contributions from the California Fairs and Expositions Division, varies around \$100,000 to \$200,000 annually;
- Total Revenue of \$1.8 million – \$1.9 million annually.

EXPENDITURES:

- Direct costs of the annual fair event are approximately \$1,000,000 annually;
- Staff salaries and benefit costs of the DAA staff are approximately \$400,000 annually;
- Operations, maintenance, and equipment / supplies costs of approximately \$400,000 annually;
- The DAA also books annual depreciation expense and pension liability amortization of approximately \$150,000 annually;
- Total Expenditures of \$1.8 million - \$1.9 million annually.

RESERVES

- On December 31, 2020, unrestricted reserves were reported to be \$1.27 million, minus pension liability of \$432,000;
- As of the most recent financials the City received from the DAA (dated July 2021), it appears that 2021 was running a substantial deficit; while that may have cured itself during the year, it appears that the DAA may have needed to dip into reserves for a \$200,000 - \$300,000 deficit in 2021;
- While 2022 is not yet completed, staff estimates the DAA unrestricted reserves to be in the range of \$600,000 to \$800,000.

Kick-off of Public Engagement Process

On February 28, 2022 the City Council approved the City's Community Outreach and Engagement Plan to inform future decisions about the city-owned fairgrounds property. The Plan included a robust public engagement process with a range of methods for collecting input from residents, stakeholders, and the broader community such as an online survey, storytelling exhibit, and a community workshop event.

Additionally, the City retained Healthy Democracy to facilitate a lottery-selected advisory panel to deliberate and make recommendations on a vision(s) for the future of the fairgrounds property. On July 11, 2022, the lottery-selected community panelists presented the following three reports to Council and the community:

1. Guiding Principles—a prioritized list of overarching values, decision-making criteria, key interests, and important activities that any final recommendation should take into consideration.
2. Outline of Pathways—the possibilities and visions for the Fairgrounds site, including options considered and rationales based on lived experience and outside evidence.
3. Final Report—the Panel's final recommendations, including preferred fairgrounds land use(s) and rationales, dissenting opinions, and supporting details.

Additionally, the Panel created a user guide to “provide a clearer picture and further insight into the decision-making and evolution of the three reports presented to the Council.” (<https://cityofpetaluma.org/documents/fairgrounds-panel-report-manual/>)

To provide additional context to the vision statements created by the Panel in their final recommendations, the Panel hosted a charrette on October 2, 2022 to develop illustrated visualizations of their recommendations utilizing local architects and moderators. These

visualizations and a video regarding the Panel process will be presented by the Panel at the October 24 meeting.

A complete summary of the public engagement process and community input received is included in the “Community Engagement” section below.

Existing Policy and Zoning Framework

2025 General Plan

There are multiple references to the fairgrounds in the City of Petaluma: General Plan 2025. The fairgrounds are identified as a “landmark” in setting the local context of the city. The General Plan notes that the lease for the fairgrounds will expire towards the end of the General Plan timeframe, and states that:

The Sonoma-Marin Fairgrounds occupy the largest single parcel—about 64 acres in size. A diverse array of special events are held at the Fairgrounds throughout the year, including the annual Sonoma-Marin Fair in late June... The long-term value of having a Fairgrounds site in Petaluma has been supported by the community, although the Fairgrounds could be considered for relocation to a site with greater flexibility or redevelop the existing site to meet the economic and use needs of the Fair District. In case of future reuse and relocation of the Fairgrounds, extension of the street grid into new development will help connect Petaluma’s central/core neighborhoods. The old Kenilworth Junior High School site, located adjacent to Highway 101, is slated for reuse as a shopping center with a combination of large stores and smaller shops, and townhomes. Orienting the redevelopment of this block toward existing arterial streets and established, older neighborhoods will insure compatibility of design and intensity. (page 2-18)

The General Plan indicates that the City should consider an evolution of the fairgrounds. In the General Plan the “fairgrounds” include the full extent of the parcels owned by the City, which currently accommodate the Library, Swim Center, Kenilworth Park, Teen Center, Rebuilding Together offices, roadways and land leased to the Fair Board. These parcels together occupy approximately 64 acres. The Library and Kenilworth Park occupy approximately 4 acres, as does the pool and skate park site. Approximately 55 acres of the site are leased to the Fair Board. The General Plan recognizes the fairgrounds’ key location along the Washington Corridor and the desirability for public access and use of the site. There is specific reference to exploring different mixes of land uses in the event that the fair event relocates or consolidates.

General Plan Policies specifically related to the fairgrounds are outlined below:

2-P-23 Facilitate development patterns that provide an urban edge along East Washington Street, providing visual continuity and cohesiveness, and increased safety.

- D. Ensure that development at the old Kenilworth Jr. High school site and any future redevelopment of the Fairgrounds property maintains a public, pedestrian, and active face along East Washington Street, and provides civic and ceremonial spaces with links to the Library and other uses.
- E. Explore the feasibility of establishing a parking district or other methods of consolidated parking for the corridor, including joint use possibilities with the Fairgrounds or other uses in the area.

2-P-82 Work with the Sonoma-Marín Fair to explore more optimal use or relocation of the Fair's site.

- A. Optimal use could include redesign and intensification of the existing acreage; reduction and intensification of the existing site; or master planning of the Fairground and adjacent property(ies) to create an improved layout of the fairground; improve compatibility with existing neighborhoods, and enhance adjacent development potential.
- B. If the Fairground is relocated, permit a diverse range of residential and commercial uses appropriate in intensity and character to compliment the residential neighborhood to the southwest, and new commercial uses toward Highway 101. Require provision of park and open space and extension of the existing street grid.

2-P-83 Work with the Sonoma-Marín Fair to explore opportunities to achieve a joint-use agreement and/or year-around use of open space/green field areas of the fairgrounds for public access and/or recreational activities including group sports

5-P-43 Support efforts for transit-oriented development around the Petaluma Depot and along the Washington Street, Petaluma Boulevard, McDowell Boulevard, Lakeville Street, and other transit corridors.

- Reserve and plan for future bus stop enhancement and transit priority along Washington Street and Petaluma Boulevard.
- Enhance the use of the Park and Ride facility at the Fairgrounds through education and marketing.

6-P-11 Pursue joint use agreements with the Sonoma-Marín Fairgrounds to permit use of grass areas on the fairgrounds as active playfields.

9-P-15 Consider retail among possible uses in a mixed-use area on the County Fairgrounds site, in the event the Fairgrounds should relocate or consolidate uses into a smaller portion of the site.

The fairgrounds property is assigned two General Plan land uses, Mixed Use and Public/Semi-Public. In general terms, the area fronting East Washington Street and extending back approximately to the fairgrounds entry gate is designated Mixed Use and the remainder of the 55-acre site is designated Public/Semi-Public. In General Plan Table 6.1-2 the Fairgrounds is also identified for a proposed 20-acre active community park.

Zoning Designations

The Petaluma fairgrounds property is similarly zoned between Mixed Use 1B (MU1B) and Civic Facility (CF). The boundaries of the MU1B zoning extends along approximately 2/3 of the Washington Street frontage, not including the Library and Swim Center. The MU1 designation follows the Mixed-Use land use designation referenced above and extends approximately 700 feet into the larger property, past the entry gates and into the fairground proper as seen in Figure 1. The remainder of the site is zoned CF. The zoning designations do not follow the parcel lines on the property.

The following are excerpts from the Implementing Zoning Ordinance (IZO 4.020) outlining the general purpose and application of each of the zoning districts currently applied to the Fairgrounds Property.

Civic Facility

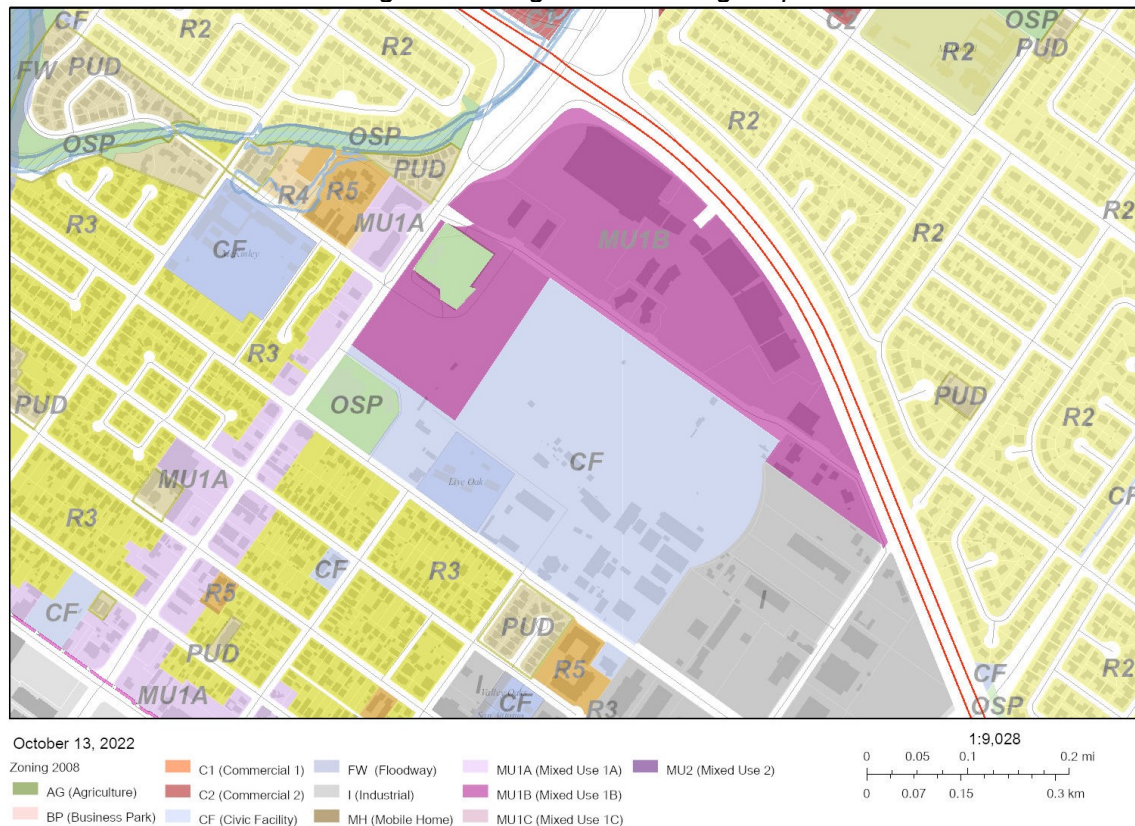
CF (Civic Facility) District. The CF zone is applied to sites for proposed public utility facilities, government offices, community service uses and lands, and significant sites owned and operated by the elementary, secondary, or community college districts, as well as private and/or parochial schools. The zone implements and is consistent with the public/semi-public, and education classifications of the general plan.

Mixed Use Zone 1B

MU1A, MU1B, MU1C (Mixed Use 1) Zone. The MU1 zone is applied to areas intended for pedestrian-oriented, mixed-use development with ground-floor retail or office uses adjacent to the downtown core, and in other areas of the city where existing auto-oriented commercial areas are intended for improvement into pedestrian-oriented mixed-use development. The MU1 zone is consistent with and implements the mixed-use land use classification of the general plan, which establishes a maximum floor area ratio of 2.5 for both residential and nonresidential uses within the classification, and a maximum density of 30 units per acre for residential.

- *Mixed Use 1B Zone* This zone is applied to larger parcels located primarily along major arterial roadways. The larger parcel size should allow for a mix of uses on the site.

Figure 1: Fairgrounds Zoning Map



Source: City of Petaluma (2022)

Priority Development Area (PDA)

In 2007, the City of Petaluma applied for and received a Priority Development Area (PDA) designation for central Petaluma. That area covered the "Turning Basin" and "Lower Reach" sub-areas of the Central Petaluma Specific Plan (CPSP), including the then unbuilt Sonoma-Marín Area Rail Transit (SMART) station located at the edge of the specific plan boundary. In 2009, the city expanded that PDA to take in both the remainder of the CPSP area and the full ¼-mile buffer surrounding the downtown SMART station and Copeland Transit Mall; an area of approximately 450 acres.

In 2020, Petaluma expanded the Downtown PDA to include the fairgrounds and the Target center as well as Washington Boulevard up to Highway 101. At the same time, the City established a new PDA around to the planned Corona Road SMART station and extending south on McDowell Boulevard. The current PDA boundaries are seen in Figure 2. Petaluma PDAs and illustrate the connection of the two areas at the intersection of East Washington and North McDowell, in close proximity to the fairgrounds property.

PDAs are administered by ABAG/MTC and are a primary method for identifying projects for grant funding. There are limited ABAG/MTC funding opportunities outside of the boundaries of PDAs. Establishing a PDA is a way to gain access to potential funding, but does not impact local control over planning, land uses, or project approvals. Establishing a PDA could help fund planning in the PDA, as well as infrastructure projects, housing projects, technical and staffing assistance,

and other projects. Cities may exit the program at any time. PDAs will not impact Petaluma's Regional Housing Needs Allocation (RHNA).

Figure 2. Petaluma PDAs



Existing Conditions Studies Overview and Summary

Site Analysis Studies

To inform City Council decision making on the future of the fairgrounds, the City commissioned several site studies between 2020 and 2022 in order to identify current conditions on the fairgrounds property. These studies analyze the 55-acre Petaluma fairgrounds property environment, soil conditions, facilities conditions, and the historic relevance of the fairgrounds buildings and fairgrounds as a whole. Each topic is addressed in a package of documents that capture technical background information and identify significant findings. The complete studies can be accessed on the Fairgrounds Resources webpage: <https://cityofpetaluma.org/fairgroundsresources>.

Environmental Studies

To identify current environmental conditions for health and environmental safety on the 55-acre site, the City retained Edd Clark and Associates Inc (EC&A), to conduct the environmental site analysis.

- The environmental work, background information, maps, and findings are documented in the Phase I Environmental Assessment Report (EC&A, 2020), Phase II Subsurface Investigation Report (EC&A, 2022), and the Summary of Environmental Work completed at the 301 Payran Street Site (EC&A, 2022). These studies are compiled as the Petaluma Fairgrounds Environmental Site Analysis 2022 at the link noted previously.
- The following provides a high-level description of the multiphase process and key findings, which can be found in full in each of the reports. The Phase I Environmental Assessment Report summarizes an effort to survey the fairgrounds and identify areas of potential contamination. The study identified five Recognized Environmental Conditions (RECs), or areas for additional investigation into presence of hazardous substances and petroleum products on the fairgrounds site.
 - The presence of RECs and important data gaps concerning contamination events on the site led EC&A to recommend a series of additional tests and research to determine if the RECs required more environmental work and might impact permitted land uses in the area.
- The Phase II Subsurface Investigation took place in mid-late 2021 and included identifying potential contaminants to study. The study concluded that the fairgrounds has levels of contamination typical of sites in agrarian and urban areas historically used for varied commercial, civic, and agricultural uses. The results show that the identified levels of hazardous substances and petroleum products do not affect current commercial, industrial, and school land uses, but that residential uses would warrant additional investigation, remediation, and/or mitigation. There are two areas of higher contamination on the fairgrounds. This includes the Maintenance Yard, and a Leaking Underground Storage Tank (LUST) at 301 Payran Street that the City is working to resolve.
 - The study examines the following Primary Constituents of Concern, or contaminating chemicals to look for:
 - Gasoline (TPH-g), Benzene, Toluene, Ethylbenzene, Xylenes, Naphthalene, Tetrachloroethene (PCE), Methyl tert-butyl ether (MTBE), Tert-butyl alcohol (TBA)
 - Sampling completed in June and December 2021 as part of the Phase II investigation identified levels of contamination typical of sites in agrarian and urban areas historically used for varied commercial, civic, and agricultural uses.
 - The constituents of concern are generally limited to 301 Payran Street, and to a lesser extent, the Maintenance Yard.
 - EC&A noted the Maintenance Yard as an area for further analysis due to levels of PCE and Benzene, that are acceptable for commercial, industrial and school land uses, but are above levels acceptable for residential uses.
 - The results show that the identified levels of hazardous substances and petroleum products do not affect current commercial, industrial and school land uses, but that residential uses would warrant additional investigation, remediation, and/or mitigation.
 - The Phase II Subsurface Investigation Report also recommended that the City of Petaluma continue to investigate information on past contamination events and complete a Soil, Soil Vapor, and Groundwater Management Plan

(SSVGMP) to identify appropriate treatments throughout the site to avoid health and environmental impacts during any future development activities (Phase II, EC&A 2022).

- In May 2022, the City of Petaluma confirmed the recommendations of the Phase II Subsurface Investigation Report and contracted with EC&A to complete a Soil, Soil Vapor, and Groundwater Management Plan, currently being reviewed by staff.
- The Leaking Underground Storage Tank (LUST) Case (No. 49-0037) at 301 Payran Street is being regulated by the San Francisco Bay Regional Water Quality Control Board (SFBRQCB) and is being tested and investigated as part of the ongoing work at 301 Payran Street. The Summary of Environmental Work completed at the 301 Payran Street Site (EC&A, 2022) is also included in Petaluma Fairgrounds Environmental Site Analysis 2022 <https://cityofpetaluma.org/documents/petaluma-fairgrounds-environmental-site-analysis-2022/>.

The environmental site analysis conducted as a multiphase process by EC&A is part of the City's due diligence for identifying, monitoring, and remediating environmental conditions to protect health and environmental well-being at the fairgrounds site. By following the soil and groundwater management guidance provided in the SSVGMP, development activities can safely occur at the site. The Phase II investigation indicates that current uses can continue at the site, and that additional investigation or mitigation may be necessary for certain areas if land uses are modified to meet the community's vision and needs for the site.

Staff intend to continue to closely monitor and carry out the appropriate environmental management practices recommended by the technical team at EC&A and the San Francisco Bay Regional Water Quality Control Board (SFBRWQCB).

Facility Condition Assessment

In 2022, the City of Petaluma contracted with Gordian, a firm that specializes in facility and building analysis, to survey current conditions of all buildings on the Petaluma fairgrounds property. The Gordian team conducted a Facility Condition Assessment for all 53 permanent or long-term buildings and related facilities, which includes the sites maintained and managed by the DAA, and sites leased to tenants including Live Oak Charter School, the Speedway, Airport Express, and others.

The 2022 Facility Condition Assessment provides background information on the facilities, facility needs identified by building systems, and projections for addressing deferred building replacement, rehabilitation and maintenance costs, including a recommended improvement schedule. A Summary Report provides visual highlights of key findings and an inventory of facilities evaluated in the study. The assessment and summary report are both available in the Petaluma Fairgrounds Facility Condition Assessment 2022.

Key findings from the facilities assessment include the following:

- The average age of the 53 facilities on the site is over 60 years old.
- One-half of the buildings on the fairgrounds property have surpassed their useful life.
- Most of the remaining half of the existing buildings are nearing the end of their life cycle and require significant investments to ensure their integrity and safety.
- The overall property needs over \$12.2 million of investment-92% of which is past due and immediate, and 8% is anticipated for repairs within the next 10 years.

- High urgency items include, but are not limited to:
 - 42 of 45 roofs are past due for replacement
 - Broken windows are present in many facilities
 - Wooden clapboard siding needs replacement across many facilities
 - ~\$1.5M is needed for interior renovation of existing restrooms Sheep and Swine Barn Restrooms need mold remediation
 - Many site structures (pergolas, ramps, stairs) show signs of significant degradation

The Speedway Area, which totals 12,960 gross square feet and includes the grandstands, concessions, and driver support buildings, is of particular concern when analyzed through the lens of Net Asset Value (NAV). The NAV represents the condition of a facility relative to its current replacement value, or the amount of remaining utility in an existing facility. The NAV is calculated by dividing the required maintenance cost by how much investment is needed to replace it. This area requires \$1.87 million in maintenance due over the next 10 years and has a current replacement value of \$2.96 million. Therefore, the Speedway area's NAV is 37%. Buildings with a NAV below 50% indicate that multiple major building systems are in jeopardy of failure and reliability issues are widespread throughout the buildings. The Speedway area's buildings are the most pressing facility safety concerns on the fairgrounds property with high maintenance costs required to address them.

The City is obligated to ensure that the fairgrounds facilities continue to provide safe and reliable spaces to serve various community needs. The Facility Condition Assessment highlights important data points to help assess the current facilities and approach the site holistically.

Historic Resource Evaluation

The City contracted with Page & Turnbull to evaluate the potential historic and cultural significance of the fairgrounds property given the age of many of the existing buildings and the historic use of the site as the Petaluma fairgrounds in the context of the evolution of the city. Page & Turnbull completed a Historic Resource Evaluation (HRE) which includes the history of the fairgrounds from 1882 to the present day and applies the evaluation criteria of the California Register of Historical Resources (California Register) to identify the historic resources present on the fairgrounds property. An Executive Summary of the history and findings is included at the beginning of the document, along with a photo gallery of all extant built resources at the site. These materials are compiled in the Petaluma Fairgrounds Historic Documentation 2022 accessible on the link noted previously.

The evaluation identified the following key findings for the City:

- The 47-acre portion of the fairgrounds property where the fair has historically been held is eligible for listing in the California Register of Historical Resources (California Register) as a historic district. This excludes the Petaluma Branch of the Sonoma County Library, the Teen Center, Kenilworth Park, the main parking lot, and the Petaluma Swim Center.
- Herzog Hall is individually eligible for listing in the California Register.
- The presence of historic resources on a site does not mean that a site must be preserved as is in perpetuity.

The HRE documents each building on the site that is of potential historic relevance and notes that, while the 47-acre portion of the fairgrounds that has been designed as a district to host fair activities is eligible for listing in the California Register, built environments are always changing

and that continuing to adapt for present and future uses is often the best way to ensure that historic properties remain a vital part of a community. Partial demolition of an eligible historic resource or eligible historic district may allow for a site to provide new community value, while still retaining some of its historic character. The presence of an eligible historic resource also does not mean that the site cannot change or be redeveloped in the future in compliance with the California Environmental Quality Act (CEQA).

Long Range Planning Context

The City is concurrently working on various long range planning efforts that intersect with the fairgrounds visioning process and that recognize the site's central location, size, and significance to the community's sense of place. This section provides an overview of how the fairgrounds site is being considered in each process and notes opportunities for further discussion depending on the City Council's direction.

Sixth Cycle Housing Element

The Public Draft of the Sixth Cycle Housing Element was available for public review from August 29 to October 3, 2022. The City is currently analyzing community input received to integrate changes into the draft for the first submission to the California Department of Housing and Community Development (HCD) in late October 2022.

The fairgrounds site was not identified as a potential housing site in the City's 6th cycle Housing Element given the current outreach and visioning process that is occurring specific to the future of the Fairgrounds property and given that the City has demonstrated that it can meet the Regional Housing Need Assessment (RHNA) of 1,910 units for the period of 2023- 2031 through sites already zoned for housing as illustrated in the site inventory included in the draft housing element.

General Plan Update Status

Much of the work to date for the General Plan Update process has been development of the guiding principles and the Housing Element. Out of a desire to allow adequate time to conduct a fairgrounds-specific outreach process the General Plan process has not included specific discussion of the fairgrounds, however the Vision Statement, General Plan Pillars, and Guiding Principles are relevant to the fairgrounds and its central place in the geography and identity of the city, and any future discussion of the fairgrounds can be guided by this work as well as fairgrounds-specific input from the community.

The next step in the General Plan process is to develop policy frameworks and land use alternatives. The policy frameworks will largely track with the anticipated focus of the General Plan elements (Transportation, Economic Development, Arts and Culture, etc.). The General Plan process has so far refrained from specific discussion of the future of the fairgrounds to allow time for the fairgrounds-specific outreach effort to conclude. Now that that primary public outreach process is concluding it is appropriate to include findings and direction from the fairgrounds-specific outreach process as well as direction from City Council on the treatment of the fairgrounds in the General Plan Update, particularly as the General Plan process begins to focus on land use alternatives and the policy framework. Dependent upon City Council's direction to staff on next steps on planning for the fairgrounds, it is possible to discuss the treatment of the fairgrounds as part of the General Plan update at the December 5 City Council meeting. The fairgrounds site has many potential implications and opportunities related to land use, climate action, emergency preparedness, civic services, natural and open space, and sense of place in the General Plan.

Climate Action and Adaptation Plan

The City adopted a Climate Emergency Framework in 2021 and in accordance with the recommendations in the Framework is developing a Climate Action and Adaptation Plan (CAAP). The CAAP will document Petaluma's plan to eliminate carbon emissions by 2030 and steward our adaptation to the emerging and dynamic impacts of climate change.

While the Fairgrounds site has not been discussed specifically in any of the programs and strategies, this large, publicly owned site in the center of the city has potential to support various initiatives related to the CAAP, such as providing a location for solar installations to power the pool or library, providing a location for charging electric vehicles, or being an asset to the urban forest. Goals identified in the Framework that may be implemented in the CAAP and that relate to considerations about future Fairgrounds property uses and programs include: under the Equity and Climate Justice section, maximizing opportunities for all residents to live in clean and healthy environments that protect against the impacts of climate change and environmental pollutants, including equitable access to parks and open space; and under the Adaptation and Climate Resilience section, assessing anticipated climate impacts and informing City decisions and investments in infrastructure, land use planning and city form to ameliorate those impacts.

Active Transportation Plan

The City of Petaluma is currently updating its Active Transportation Plan (ATP), a plan for the network of bicycle and pedestrian facilities throughout Petaluma. The fairgrounds property is relevant to the ATP because it abuts Washington Street, a priority corridor for active transportation safety and accessibility improvements. Additionally, the Fairgrounds property has the potential to provide community access and connections across the site and to become a major asset for community recreation and exercise.

Sustainable Design Assistance Team (SDAT)

In August 2022, the City of Petaluma and Petaluma community hosted a group of leading design professionals specializing in architecture, landscape architecture, urban design, sustainability, and equity from the [American Institute of Architects](#) (AIA) Sustainable Design Assistance Team (SDAT).

This team worked with the community to develop a vision for how to make Petaluma a "15 Minute City," in which community members can meet the majority of their needs within a 15-minute walk. The SDAT recommendations propose significant improvements along Washington Street that dedicate car lanes to bicycle and pedestrian facilities and expand the urban tree canopy along the corridor.

COMMUNITY ENGAGEMENT

The Council approved a Community Outreach and Engagement Plan (Attachment 1, Exhibit 1) to gather broad community input about their vision for the future of the fairgrounds. Staff carried out the planned outreach from February through October of this year and directly reached over 1,500 community members.

First, a community-wide survey was conducted online and received 1,113 responses. A community storytelling exhibit held at the Sonoma County Library facilitated over 75 community members sharing their experiences with and memories of the fairgrounds. Finally, an open house

style community workshop event was held in September, which attracted approximately 200 attendees. The workshop offered information about the fairgrounds and gathered feedback about what attendees learned at the event and what they hope to see on the fairgrounds property in the future. Additionally, a digital version of the community workshop event was created (www.PetalumaFairgrounds.com) to invite those who were not able to attend the in-person event to learn more about the property and provide their input. A total of 15 community members participated in the virtual workshop.

Overall, the input received across the many participants and through the various outreach efforts reflected similar themes and sentiments. The strongest takeaways from the various public outreach efforts are summarized below. See Attachment 1 for a full detailed summary of the community feedback gathered during each of the various outreach efforts.

The survey results indicate Petalumans have mixed emotions about possible changes on the City's fairgrounds property. Many see the opportunity for change, some are excited for change, and almost all feel connected to what the property currently offers. Over a third of survey respondents mentioned that they value the annual fair event and would like to see it continue on the site.

The storytelling exhibit illuminated the deep connections the community has with the property and the special memories that have been created there. It is clear that the property is a community space which cultivates positive social and emotional connections, and many enjoy the events, activities, and entertainment on site that foster important generational memories. Visit www.PetalumaFairgroundsStories.com to read all community submitted memories.

The community workshop event provided an important opportunity for City staff, consultants, and community partners to talk with community members in person. The event enabled staff to share what they know about the property and engage with attendees on what they hope to see on the property in the future. During this workshop, attendees had access to the various property condition reports and expressed concern about the lack of maintenance on the site. A majority of workshop attendees value the speedway and shared concerns about losing the community space. There was also a clear, strong desire for the fair event to continue.

Central to the City's public engagement effort was a lottery-selected panel designed and coordinated by Healthy Democracy, a nonprofit, nonpartisan organization with experience in designing and coordinating innovative deliberative democracy programs. The approach included selecting panelists through a democratic lottery to achieve diverse demographic representation and help to ensure that most panelists were not frequent participants in previous public decision-making processes. This new kind of collaborative policymaking provided plentiful time for a representative group of community members to learn about, curate, and deliberate on the possible options for the future of the City owned fairgrounds property. The Panel will be presenting its own findings and recommendations separately during this workshop. See Attachment 2 for a summary of how the panel was formed, what they discussed, and what deliverables they prepared for the City Council to review.

Through the many ways the community has been engaged regarding future fairgrounds uses, it is clear that Petalumans cherish the public gathering space, amenities, and events offered at the fairgrounds and want to maintain and enhance the opportunities to gather, recreate, and enjoy hobbies that are unique to the property and not available elsewhere. Looking forward, many envision a parklike space with open access and thoughtful programmatic use that would minimize neighborhood impacts. They also value the agricultural heritage that is celebrated on the property

during various events and would like to see this agriculture connection continue. The community recognizes the vital need for an emergency sheltering space and are proud of the how the property can transform for emergency response – there is a clear desire for this to continue in the future. Overall, Petalumans have indicated that they value the public spaces, amenities, and events that enable the community to gather at the fairgrounds property, make memories, and share experiences, and they prefer to not see private development on the site.

DISCUSSION/NEXT STEPS

With the fairgrounds lease expiring in 14 months, the key question for the City Council, staff, Petaluma community, DAA, and sublessees alike is: “What happens to the fairgrounds after December 31, 2023?”.

The City has engaged in a robust, multi-faceted public engagement program that has sought input from as many diverse voices as possible. Included as Attachment to this staff report is a “Summary of City Conducted Outreach” that details the various avenues and channels through which we have heard resident feedback, as well as representative feedback such as: community memories, preferred uses of the fairgrounds, pros/cons of existing uses, visions for the future of the fairgrounds, etc. While we cannot do justice to the incredibly rich, detailed, and passionate results that came from this community feedback in this staff report, staff have applied as much as possible of the community’s collective interests in crafting the recommendations below.

Key interests expressed by City residents and stakeholders, including the Healthy Democracy panel, can be defined as guiding principles that the City Council can adopt to help provide steady guidance for staff on what will inevitably be a multi-year effort to act on the community feedback regarding the City fairgrounds property’s future and maximize the property’s potential as a unique asset for all community members. Throughout this proposed effort, there will be numerous other occasions for community discussion regarding the City fairgrounds property and its highest and best uses. Council-approved guiding principles would help provide continuity throughout the process. Staff recommend that the Council consider the following as guiding principles regarding the future of the City fairgrounds property:

Guiding Principles

- Acknowledge and build upon community input regarding the fairgrounds property while continuing to engage with the community going forward
- Create, maintain, and enhance authentic partnerships across stakeholders and community groups with an interest in the fairgrounds property
- Provide civic and institutional stability during the transition period and beyond so that the fair event and other key uses continue.
- Affirm a renewed, generational commitment of the City to the Petaluma community’s agricultural past and present for which the fairgrounds property continues to be a focal point, to the people who have utilized and want to utilize the fairgrounds property, and to the fairgrounds property itself and its unique challenges and potential as an asset for the whole community through near-, medium-, and long-term actions and milestones for the property and related programs.
- Preserve and enhance key elements, resources, and activities at the fairgrounds property that the community is connected to and that make the place unique

- Honor the legacy of history, place, and community while fostering safety, health, inclusivity, cultural connectedness, accessibility, and useability of the fairgrounds property for the benefit of all
- Preserve and enhance the capacity of the fairgrounds property to provide critical emergency response resources for Petaluma and the region
- While preserving the essential and unique feel and presence of the fairgrounds property and its core features, ensure that future fairgrounds property uses, including fair event uses, are maximized to effectively and compatibly accomplish as many of the community's needs and wants for the fairgrounds property as possible.

Based on these guiding principles, staff have developed the following **goals** to help further guide the implementation of the City Council's direction regarding the future of the fairgrounds property:

1. Reflect as much community feedback as possible, including the recommendations of the Healthy Democracy panel and feedback from prior and subsequent community workshops, including the interests listed above as well as the substantial input summarized in Attachment 1, in all efforts regarding the City-owned fairgrounds property
2. Separate the operation of the fair event from the property management function to allow the DAA to focus on sustaining its key mission of hosting the best possible fair event for the benefit of the community.
3. Help the DAA transition its focus on the fair event and its financial sustainability by providing interim revenue stability and support while the DAA develops its future financial and operating model.
4. Ensure public safety, asset preservation and community access to the fairgrounds property by transitioning day-to-day maintenance, operations and programming responsibilities to the City.
5. Provide interim business continuity and stability to existing sublessees on the fairgrounds property.
6. Provide time to master plan and map out the future uses for the fairgrounds property reflecting the public's needs and wants, including a revised footprint for the fair event and the potential for "pilot uses" on the site.

Staff Recommendation

To further these goals, staff recommends that the City Council direct staff to **carry out next steps** for the continuity of the fair event, and current revenue producing uses, including the following:

- City to assume site control on January 1, 2024 following expiration of the current lease on December 31, 2023.
- City and the DAA to execute a transitional use agreement to permit the DAA to continue operating the annual 5-day fair event on the site, within a specified footprint.
- Term of the use agreement to be 3 years with a 2-year renewal option by mutual agreement.
- City to assume all operations on site, including facility and grounds maintenance, subuser interactions, event bookings, programming, etc.
- City to execute new agreements with existing tenants who are interested in extending their tenancies at the fairgrounds; City to receive proceeds from subagreements.
- DAA to establish a sustainable budget and operational plan based on existing fair event gate and other DAA revenues to operate the annual fair event.

- City to establish a schedule of annual grant payments to the DAA during the transition period to assist DAA in establishing a successful and sustainable fair event each year. The City grant subsidy would reduce annually for the term of the transitional agreement while the DAA develops a new business and financial plan focused on operating the annual fair event.
- The transitional agreement would establish a series of milestones to be achieved by the DAA and the City.

A **proposed timeline** for the period prior to the expiration of the current lease follows:

- October 24—Council direction on interim use agreement
- March/April 2023—Present use agreement to DAA Board and Council for consideration and approval
- April-December 2023
 - Transition fairgrounds property management and operations to the City, including executing new agreements with existing tenants
 - Develop City management plan with budget for maintenance and operations of the City fairgrounds property

Proposed short-, mid-, and long-term goals during the term of the transitional agreement between the DAA and the City:

Short Term Goals (during the term of the transitional agreement/3-5 years):

- Finalize and implement Short-Term Property Management and Use Plan
- Prioritize action on the recommendations in the facility conditions assessments to ensure the health and safety of the occupants and users of the fairgrounds (evaluate needed safety measures and upgrades)
- Ensure that the General Plan Update processes includes a full evaluation of and recommendations for the future use of the fairgrounds, including consideration of the community input on the fairgrounds gathered to date. The General Plan Advisory Committee to begin considering the fairgrounds property as part of the General Plan process, following City Council guiding principles
- Support the DAA to develop a business and financial plan to successfully operate the annual fair
- Pilot community uses on property based upon community feedback
- Initiate a master plan process for the fairgrounds property in partnership with the DAA and other stakeholders and community members

Mid-Term Goals (5+ years):

- Updated agreement with DAA
- Prioritization of Master Plan-including funding identification
- Establish a Fairgrounds Advisory Panel/Community Commission to promote the active use of the property

Long Term Goals:

- Implementation of Master Plan

ALTERNATIVES

Enter into an agreement with the DAA under which the DAA continues to maintain the property and oversee sub user agreements.

An option that the City Council could consider as an alternative to the staff recommendation is to direct staff to negotiate a successor agreement that would effectively maintain the status quo; i.e. the DAA would continue to have management and operational authority over the fairgrounds property, would continue to accrue the lease revenue associated with the sublessees, and would continue to plan and program the site with little input from the City or the City's residents and stakeholders.

While this option could hold some benefits, related to familiarity with the existing arrangement and maintaining existing legacy uses on the property, most of **the guiding principles and community feedback is not addressed by this alternative**. While some of the community input referenced historic memories and uses of the fairgrounds, more relevantly, it also emphasized the need for more, expanded uses of the property; more access for the public; new and innovative approaches related to climate action, parkland, trees, local food and agriculture; more flexible event space for diverse community gatherings; and better and more accessible facilities in times of emergency.

Related to this alternative, staff and the fairgrounds subcommittee of the City Council (comprising Councilmembers Healy, King and McDonnell) recently met with a representative of the California Department of Food and Agriculture ("CDFA") to discuss available grant opportunities through CDFA's "Community Resiliency" program. This program is only available to DAAs, as CDFA is endeavoring to invest State resources to upgrade fairground facilities to encompass multi-use, open-concept buildings that can easily be commandeered in times of evacuations or other emergency uses. While it could be attractive to receive a one-time investment in the fairgrounds of approximately \$10-\$20 million for a new multi-use facility (however there is no ongoing funding for operational support and relies specifically on the DAA to manage), staff and the subcommittee expressed concern that the tradeoffs associated with this program (in terms of state control of the property and other restrictions) would not meet the community's vision nor provide the City the ability to plan and manage the future uses of the site per that vision.

In summary, while there may be some benefits to this alternative, including the possibility of a sizeable one-time investment into the fairgrounds facilities, when considering the community input and vision for the property and the many unknowns of the management and control of the facility, staff feel strongly that the best option is the above recommendation--which returns local control to the property, local decision-making about future uses and investments, local access to the property's assets, and responsiveness to the community vision for this important community asset.

PUBLIC OUTREACH

The Community Outreach and Engagement Plan which included a lottery-selected community panel, a community survey, an in-person workshop event paired with a virtual workshop website, and a community storytelling exhibit enabled a robust engagement process as outlined in detail in the Community Engagement section above.

RELEVANCE TO THE GENERAL PLAN

A description of the 2025 General Plan recommendations, policies and programs concerning the Fairgrounds property is included in the Background section above. The General Plan supports the City's current effort to envision a future for the Fairgrounds property that departs from the historic status quo "[t]he long-term value of having a [Fair event] site in Petaluma has been supported by the community, although the [Fair event] could be considered for relocation to a site with greater flexibility or . . . the existing site [redeveloped] to meet the economic and use needs of the Fair District. In case of future reuse and relocation of the [Fair event], extension of the street grid into new development will help connect Petaluma's central/core neighborhoods."

FINANCIAL IMPACTS

There is no direct financial impact from the Council providing direction to staff. Ultimately, the terms of the successor agreement between the DAA and the City will determine the financial impacts, positive or negative, to the City. Those impacts will be enumerated when the agreement is brought back to the City Council for approval (estimated to occur in March or April 2023).

CITY COUNCIL GOALS

The City Council goals include a focus on "Spaces and Places that Thrive." Within that goal, there is a workplan item that identifies "Engage the community to envision and adopt a master plan for the fairgrounds property." This item fits within this workplan item. This workplan item / initiative was also selected by the City Council as one of the City's top 10 priorities for this fiscal year.

CLIMATE INITIATIVES

As noted above, although the Fairgrounds site has not been discussed specifically in any of the programs and strategies in the City's adopted Climate Emergency Framework (CEF), the Fairgrounds property has the potential to support various initiatives related to the City's Climate Action and Adaption plan (CAAP), which is being prepared as part of the City's General Plan update process and in response to the CEF. For example, the Fairgrounds property could provide locations for solar installations to power the City Pool, Library, or other facilities on site, and provide a location for charging electric vehicles, and host urban forest development. Goals identified in the CEF that may be implemented in the CAAP and that relate to considerations about future Fairgrounds property uses and programs include: under the Equity and Climate Justice section of the CEF, maximizing opportunities for all residents to live in clean and healthy environments that protect against the impacts of climate change and environmental pollutants, including equitable access to parks and open space; and under the Adaptation and Climate Resilience section of the CEF, assessing anticipated climate impacts and informing City decisions and investments in infrastructure, land use planning and city form to ameliorate those impacts.

ATTACHMENTS

1. Summary of City Conducted Outreach
2. Overview of Lottery Selected Panel Process
3. Resolution