



DATE: October 2, 2023

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

FROM: Peggy Flynn, City Manager
Brian Cochran, Assistant City Manager
Eric Danly, City Attorney
Ingrid Alverde, Director of Economic Development & Open Government

SUBJECT: Resolution to Approve License Agreements with Each of the Nine Tenants
Located on the City-Owned Fairgrounds Property to Become Effective When
the 4th District Agricultural Association Lease Expires on December 31, 2023

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution to approve a license agreement and terms with each of the nine existing tenants located on the City-owned fairgrounds property to become effective when the 4th District Agricultural Association lease expires on December 31, 2023 and to authorize the City Manager to Execute necessary documents to effectuate each of the nine agreements.

BACKGROUND

City staff have been working with the 4th District Agricultural Association (DAA) to transition property management of the City-owned fairgrounds property to the City when the DAA lease expires on December 31, 2023. The City Council adopted guiding principles (Attachment 1) to guide the transition of property management from DAA to the City.

The City Council-adopted guiding principles that were developed and informed by an extensive community engagement process help to ensure as the City assumes the property, that it meets the community's needs and vision. This involves keeping the community involved and forming strong partnerships. Additionally, these principles highlight the importance of keeping the annual fair and maximizing the fairgrounds for emergencies, agriculture, community activities and events, and other helpful purposes identified by the community.

At its October 24, 2022 meeting, the City Council also reviewed a list of next steps to complete the property management transition. One important step in that process is to execute agreements with existing tenants to continue operating their businesses in a relatively status quo manner over

the next 3-5 year interim period while a long-range vision is being developed with the Petaluma community for the fairgrounds property. Another step is to enter into an agreement with the DAA to support the annual Sonoma Marin Fair on the property. Finally, the City Council requested that staff develop an interim management plan outlining how the City would assume property management of the property.

The Council also reviewed short-, medium-, and long-term goals for the property transition.

Short-term goals (3-5 years)

- Develop a short-term property management and use plan, prioritizing safety measures and upgrades.
- Incorporate the fairgrounds property in the General Plan update process.
- Support the DAA in developing a sustainable business plan.
- Pilot community uses on the property.
- Initiate a master plan process.

Mid-term goals (5+ years)

- Update the agreement with the DAA to reflect the community's vision in the masterplan.
- Explore the establishment of a Fairgrounds Advisory Panel/Community Commission.

Long-term goal

- Implement the master plan.

Since last October, staff have been working on several fronts to implement the City Council's direction. We have developed an initial staffing plan to oversee the transition, have met with all existing tenants to establish each tenant's footprint and operating parameters. We have also identified needed resources for the transition. Staff has been meeting with the identified negotiating team for the DAA and discussed several interim options for keeping the annual fair and agricultural events promoted by the DAA while master planning the site and maximizing access and usability of the property for our entire community.

The DAA has accepted a framework proposal to contract with the City to manage events on the property and to continue the annual fair, as well as a revenue-sharing agreement which will reinvest in the property while providing the DAA with support to continue the annual fair. Staff is working with the DAA to finalize the details about how event revenue and maintenance costs will be shared between the DAA and the City. We plan to present a draft agreement to the DAA board and the City Council in the coming months.

DISCUSSION

There are 9 tenants operating businesses / organizations on the fairgrounds. They are:

1. Happy Hearts Preschool
2. Rebuilding Together - office
3. El Roy's - food truck
4. Java Hut - coffee

5. Play Dog Play - day care and overnight kennel
6. Airport Express – overnight parking and airport transportation
7. Playland – paintball and laser tag recreation
8. Live Oak Elementary and Middle School
9. Glad Enterprises – motorized vehicle racing

Attachment 2 shows where each business / organization is located on the property.

Our approach to the interim agreements with each tenant was to:

1. Honor the terms of their current agreements with the DAA for rental fees and space use; and
2. Offer a 3-year agreement with 2, optional 1-year extensions.

Attachment 3 shows the proposed License Agreement template to be used for each of the 9 agreements.

Each tenant agreement proposes that their space allocation and use remain the same and that starting rent begin at the current rate with an annual increase of 3.5%. This increase is based on an average of the DAA increases over the last five years and therefore is in line with the annual increases to which the tenants are accustomed. However, there are two exceptions. The speedway agreement proposes a smaller rent increase (2%) because their average increases from the DAA have been below the other tenants. This is supportable because the property is larger compared to the others and because they have and agree to continue sharing a portion of their concession earnings with the City. The Live Oak Elementary and Middle School has requested a 20% decrease from their current rent to help them reinvest in new buildings. Additionally, they're requesting a 20% reduction from the existing rent to be set aside specifically for maintenance, as their buildings have considerable deferred maintenance issues.

Attachment 4 shows the proposed rent for each tenant beginning in January 2024 through December 2028 (the proposed interim license term).

The City will receive approximately \$500,000 in the first year and up to \$550,000 in the fifth year in rent revenue (see Attachment 4) that can help support infrastructure investments, master planning, and associated staff to support the maintenance and operations for the property.

Finally, while not up for consideration with this agenda item, staff have identified an additional consideration that will need to come back to City Council prior to the end of the calendar year to effectuate these new tenant agreements. After reviewing the current uses on the site and the current land use and zoning designations, staff will be recommending a temporary zoning overlay that protects the legacy uses on the fairgrounds property while the community can finalize a master plan with associated land use policies and zoning. The proposed zoning overlay will be presented to the Planning Commission and the City Council before the end of the year.

PUBLIC OUTREACH

This agenda item appeared on the City’s tentative agenda document on September 18, 2023, which was a publicly noticed meeting.

COUNCIL GOAL ALIGNMENT

Re-envision the City-owned fairgrounds property in a way that keeps the fair relevant and viable while maximizing the use of this community asset.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

Preserve and protect Petaluma's environment with smart and efficient use of resources. Promote sustainable building practices and active conservation efforts to Petaluma residents.

ENVIRONMENTAL REVIEW

Introducing a resolution to approve a license agreement template to extend the license terms with the nine current tenants at the Fairgrounds Property is categorically exempt under the California Environmental Quality Act (“CEQA”) in accordance with Sections 15301 (Existing Facilities) as the license just extends the duration of the existing tenants but the uses will remain the same. Additionally, adopting the resolution is exempt pursuant to CEQA Guidelines Sections 15304 (Minor Alterations to Land) and 15305 (Minor Alterations in Land Use Limitations) as the licenses are for existing uses on improved property and do not change the land uses or density and won’t result in the removal of trees.

FINANCIAL IMPACTS

The City will generate approximately \$500,000 up to \$550,000 per year for the five-year interim license agreement term for a total of approximately \$2.6 million.

ALTERNATIVES

The City Council could not approve the resolution which would result in the City accepting management responsibility of the property without agreements in place between the City and the nine existing tenants onsite.

ATTACHMENTS

1. Fairgrounds Guiding Principles
2. Map of Fairgrounds with Tenant Locations
3. License Agreement Template
4. Rent Table
5. Resolution