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Now here -- I'll just kind of hold up the 1969 report where you took the financial statement audited by the Department of Finance and reported that to the Legislature. I don't see any figures in your 1972 report just submitted to the Legislature having to do with the financial condition of Cal Expo. There are a number of general statements, but very little in there about the \$11 million of capital improvements needed that were mentioned at last week's hearing in response to Mr. Cory's question. As management should be responsible to your Executive Committee, Mr. Nissen, it seems to me you should also be responsible to the Legislature --

MR. NISSEN: Right.

CHAIRMAN CULLEN: -- when they have made it very clear that they wish to be kept informed.

MR. NISSEN: No financial statement accompanied this?

MR. BAIR: No financial statement is -- the financial conditions are spelled out in other documents. We have on the -- the reason that that financial statement that you are pointing to there, Mr. Cullen, was put in the first report is that it is the financial statement of the Corporation, and the reason it was in there was to tell the Governor and the Speaker and the Lieutenant Governor what the situation was when the Executive Committee took over from the Corporation. And it was audited by the Department of Finance and also the Auditor General came in and made an audit, which I believe was somewhat close to what was determined by the Department of Finance. But that is the reason that it was submitted in that form and in subsequent reports we had never -- we submitted to -- between the first one and the one that you just -- that's just been

submitted, and we assume because we never had any -- had them questioned that that was the type of a report that we were supposed to submit.

CHAIRMAN CULLEN: Well, are you saying, then, that irrespective of the law requiring the financial condition to be described, that you can satisfy this requirement perhaps by a line in the letter that if the Governor or the Speaker or the President pro Tempore are interested that they find it in another document?

MR. BAIR: No, that is not our intent. Certainly, if it is the feeling of your Committee or of anyone who is interested in these reports that you should have a financial report as submitted by the Corporation or something like that, we will certainly be happy to submit this kind of a report. But, as I say, as we had submitted two that did not have -- well, even the first one did not have any financial statement as such of the Corporation -- I mean of the Executive Committee, it was of the Corporation, and as I say, I told you the reason why it was in there.

If it is the feeling that this should be done, well, this is the way we will do it. We have never had anyone tell us before that we should submit another kind of a report.

CHAIRMAN CULLEN: Mr. Bair, as an agency head and a man with some governmental experience, do you adhere to the philosophy that an agency head or department head should be very aggressive in arguing for funds for his agency or his department in meetings with the Director of Finance?

MR. BAIR: In this case I would say that yes, within -- in-house. I mean in discussions with the Executive Committee, and

if I feel an expenditure is an essential one.

CHAIRMAN CULLEN: Does your Executive Committee feel the same way, Mr. Nissen? Does your Committee feel they should be very aggressive in arguing for funds for his agency or his department in meetings with the Director of Finance?

MR. NISSEN: Well, I would -- within reason, yes. I can't say -- that's a pretty broad statement to make for every dollar they should get. Are you talking about the Committee opinion or the opinion of maybe a minority group within the Committee or special --

CHAIRMAN CULLEN: No, I'm talking about loyalty to the group you have been appointed to by the Governor --

MR. NISSEN: Well, I think the Committee is faced with two -- they have the responsibility of loyalty to the Governor for -- over an appointment. They also have the responsibility to do a decent -- a respectable job of handling the affairs of Cal Expo.

CHAIRMAN CULLEN: I didn't mean loyalty to the Governor. I meant loyalty to Cal Expo.

MR. NISSEN: Yes.

CHAIRMAN CULLEN: The Governor appointed you to do the best job possible in running -- operating Cal Expo, right? That leads me to a paragraph in your letter. Why in the world is the Committee concerned with the area of Health and Welfare to the extent that they -- that you sympathize with the Governor? Why aren't you in there telling the Governor, as you told us last week, that you need \$11 million to finish this and the Governor's Review Committee Report says you need \$11 million? Mr. Bair says you need \$11 million.

Why are we keeping it a secret from the Governor?

MR. NISSEN: It is no secret from him, I'm sure.

CHAIRMAN CULLEN: It is not in the annual report.

MR. NISSEN: He is aware of it as any of us are, and our position is that we are in the same position with other State agencies that certainly are competing against welfare and schools. It is pretty rough competition.

CHAIRMAN CULLEN: Now, in discussing future development at Cal Expo in your letter, you highlight a permanent amusement park. "Since our last report we contracted with Atlas Greater Shows at Cypress for a 20 year project which will include five permanent spectacular rides," and so forth. Now, that's the one -- I think Mr. Cory discussed last week, Mr. Bair, where he -- I think you brought up they have to be finished in ten years.

MR. BAIR: Yes, we -- we estimate that -- well, the operator himself feels that it will be ready for operation for longer than just the Fair period in probably two or three years. I'm inclined to doubt that this is so because he made -- unless he's going to put in a lot of money than I think he is over this period of time. Mr. Cory's point, as I remember it, is simply that perhaps it would then have the benefits of the income from it immediately.

CHAIRMAN CULLEN: What do you think about it?

MR. BAIR: Obviously the financial benefits are -- would be greater if we build all at one time, I suppose. However, that doesn't happen to be the policy that we are working under. The policy was to develop it the best we could.

CHAIRMAN CULLEN: Whose policy?

MR. BAIR: The policy of the Executive Committee.

CHAIRMAN CULLEN: The Executive Committee. Mr. Nissen, what does the Executive Committee think about spending \$7 million to save \$5 million or to save \$13 million really? But if you spend \$7 million now and stop losing it immediately, and every year for ten years. That was Mr. Cory's premise, you would continue to lose \$1 million a year.

MR. NISSEN: Does the State Legislature want to put us in the amusement park business or the --

CHAIRMAN CULLEN: Why don't you tell the State Legislature? If I ran a Finance Committee, and you came before us and persuaded, as Mr. Bair or Mr. Cory almost persuaded me -- if the State and the Governor could -- would agree to appropriate \$7 million we would stop losing \$1 million for ten years, why didn't you bring it up? Give us the alternative, we are not clairvoyant. Who do you talk to, Verne Orr? Is he the only one or do you speak to Earl Coke? Talk to all of us by way of a letter. Send a letter. What about the amusement contract? Mr. Cory asked if you could terminate it. I think Mr. Relat or someone said it was a ten year contract or 20 year contract.

MR. BAIR. It is a ten year contract, I think. Mr. Relat is the best one to comment on the provisions of the contract. They are known to me and Mr. Nissen. However, Mr. Relat is the legal man who helped us draw it up during the negotiations. I think he's better qualified to answer that.

CHAIRMAN CULLEN: Let me come to it in a minute, and pursue this. Last week it is my recollection that -- Mr. Nissen, and I

pick on you, sir, because you are the Chairman.

MR. NISSEN: Sure.

CHAIRMAN CULLEN: I believe you, supported by Mr. Bair, testified that it was the policy of the Administration and the Executive Committee that there be no significant deviation from the Master Plan. The long-range goal is to complete the capital construction at Cal Expo.

MR. NISSEN: This is true, with us seeking private capital to do the job.

CHAIRMAN CULLEN: All right. Now, am I correct in thinking that when you say the Master Plan that you are referring to the ERA projection prepared for the Department of General --

MR. NISSEN: So-called "Gold Book" plan.

CHAIRMAN CULLEN: Right, the "Gold Book".

MR. NISSEN: Right.

CHAIRMAN CULLEN: That's published by ERA. Economics Research Associates. And would I be correct in assuming that those objectives have been modified by the Governor's Blue Ribbon Commission headed by General Lolli, that is, Governor Reagan's committee to review the California Exposition? Was that adopted, do you recall, Mr. Nissen, by Governor Reagan?

MR. NISSEN: Well, he had -- you are talking about the -- their recommendation putting us on a pay-as-you-go basis?

CHAIRMAN CULLEN: Yes, the whole report.

MR. NISSEN: You say adopted. Adopted by who now?

CHAIRMAN CULLEN: By your Executive Committee. I mean are we talking about the ERA Master Plan or are we talking about recommended

changes or the plan as changed by this report?

MR. NISSEN: Yes, this -- you don't have a copy of that report we made to the Governor?

MR. BAIR: Your recommendations --

MR. NISSEN: I have the excerpts on it right here, Mr. Cory. I'm sorry, Mr. Cullen. In this --

CHAIRMAN CULLEN: I can't --

MR. NISSEN: It is lengthy, it is about a page long.

CHAIRMAN CULLEN: What is recommendation three? What does that have to do with it?

MR. NISSEN: "a thorough review by the Committee" -- if I can just read these few lines.

CHAIRMAN CULLEN: All right.

MR. NISSEN: "A thorough review by the Committee", that's Lolli's Committee, "resulted in a report to the Governor that the Exposition and Fair proceed as planned in accordance with its recommendations. The Governor approved the Committee Report April 1, 1967. The Committee recommendations were" -- and then there is this lengthy group of recommendations, sir. I can read them if you want me to.

CHAIRMAN CULLEN: No, I want to address myself to recommendation three, which in my copy of the -- what appears to be a photocopy of the -- of the typed Lolli report, recommendation three has to do with all entertainment in the recreation park and the --

MR. NISSEN: Can I -- I can read it to you the way it is here in this report. Recommendation three is that "the concessionaires install, maintain and operate entertainment features there by the

Capitol --"

CHAIRMAN CULLEN: Same one. What's the estimated cost of those rides?

MR. NISSEN: There is no -- the figure isn't given there.

CHAIRMAN CULLEN: All right. Now I have the Lolli report here, that is what I purport to be the Lolli report.

MR. NISSEN: This is the condensed --

CHAIRMAN CULLEN: That's the summary. Now here, Mr. Bair, you may recognize this. It describes rides and games with a total hourly capacity of 14,5000 people: Riverboat, Flume, Sky Ride, Carousel, Roller Coaster and so forth, together with rest rooms, personnel maintenance building and fees for a total of \$5.13 million. Do you recognize that, Mr. Bair?

MR. BAIR: Yes.

CHAIRMAN CULLEN: Now, in your "Gold Book", if you turn to Page 36, a firm that the State of California paid a great deal of money to for their expertise, Economics Research Associates, estimates the capital cost of the rides, without the rest rooms and so forth, to be \$1.7 million, the recreation area is at \$3.7 million. Does anyone question the difference -- does anyone here know? We have got a turnover between these two figures. How did we jump from \$3.7 million to \$5.1 million?

MR. BAIR: I have speculated a good deal about this, Mr. Cullen and I am not sure. I have never been able to determine how ERA arrived at that figure. I want to make the point that regardless of what the figure is, the Executive Committee wants to have the amusement park and we want to build it. I would say

that the figuring in General Lolli's report is much more realistic. However, there is another factor at work there and that is that an amusement park consists not only of rides, like the Flume Ride and Minirail and things like that, and this is a large expenditure, but there are things like a Western Street, concession stands, rest rooms; there are -- there's landscaping, and the electrical equipment for one thing is very expensive. I imagine that in the ERA report that when I look at it, it seems to me that they probably -- that this figure is hidden in there in some of these other items that they have mentioned in their report.

CHAIRMAN CULLEN: They include the Minirail and General Lolli segregated the Minirail into another section of the report. It is not included in the \$5 million. How much is that Minirail contract?

MR. BAIR: The Minirail, if I remember right -- I cannot tell you exactly, but I think it cost in the neighborhood of \$1.3 million to \$1.8 million, somewhere in that area alone.

CHAIRMAN CULLEN: So I have to increase this figure to \$7 million, so we are practically doubling the figures in General Lolli's report; the estimates contained therein are almost double of what ERA consultants estimated.

MR. BAIR: I spent a good deal of time looking that over and, as I say, I can only conclude that first there was perhaps somewhat of an understatement in the amount to be spent for the rides proper and that also that they have listed it -- in the other assets of the amusement park or the other expenditures in other areas, like for example, landscaping and the -- what you

might call the environmental aspect or the theme aspect of the amusement park. That's the only conclusion I can draw.

CHAIRMAN CULLEN: Well, you know --

MR. BAIR: Looking at that discrepancy --

CHAIRMAN CULLEN: -- General Lolli's Committee only took testimony on three days, March 15, 20 and 21.

MR. NISSEN: That's true.

CHAIRMAN CULLEN: And this point deviated sharply from the ERA conclusions. As I repeat, the State of California paid a lot of money. Now, for example, General Lolli's Commission stated that the Flume Ride would cost \$635,000. How much did --

MR. BAIR: It actually cost about -- the one that we have there cost about \$340,000 to \$360,000, somewhere in that neighborhood.

CHAIRMAN CULLEN: Why is that?

MR. BAIR: Well, it is not -- it is what is known as a -- I forget the term, but it is not the length of -- it hasn't got the length of flume that was originally planned in this thing, but we -- we settled for it because the amusement park operator that we contracted with felt that this was going to be sufficient to handle the capacity of the people that would be using it and I for one agreed with it. And, also, the -- the Flume Ride and -- it depends on what company you buy from. This happens to be a Japanese ride.

CHAIRMAN CULLEN: Is it possible that the Lolli Commission could have -- I really shouldn't lay it off onto him -- Governor Reagan's Committee erred on the high side?

MR. BAIR: It is possible. However, there is some substantiation

for the figure. For example, they have the Flume Ride -- because I believe the one at Knott's Berry Farm, that could possibly have been where they got the figure. I believe that's what it cost.

CHAIRMAN CULLEN: Could you tell the Committee, as you did last week, that it probably cost roughly -- and I'll stipulate that was a curbstone estimate on your part, roughly \$11 million to complete the capital improvements out there? Are you relying on Governor Reagan's Committee figures of 1967, or during the past five years as a part of your management responsibilities, have you kept these figures updated?

MR. BAIR: Yes.

CHAIRMAN CULLEN: You have?

MR. BAIR: Yes.

CHAIRMAN CULLEN: And is it possible for you to let us know to the penny what it will cost for the capital improvements to achieve the Governor's stated long-range goal?

MR. BAIR: I don't think that I could do it. I don't think that I could or anyone else could let you know to the penny how much it will cost because the -- when you buy a ride it fluctuates from where you buy it and at the time you buy it. Like everything else, inflation is at work here and the difference between the figure that -- some of those figures and some of the figures I quoted to you have to do with the inflationary aspect of it.

CHAIRMAN CULLEN: What was the 1967 value -- appraised value of Point West?

MR. NISSEN: The appraisal as I remember it -- I believe Mr. Relat probably will remember it better than I and Mr. Kelts.

As you know, there was a General Services appraisal and then an appraisal by an independent appraiser and I don't know which one you are referring to, but I believe that probably --

CHAIRMAN CULLEN: Throw one out.

MR. BAIR: Mr. Kelts or Mr. Relat could give you a pretty good -- give you the figure.

CHAIRMAN CULLEN: What figure is that?

MR. BAIR: You want to know 1967, is that it, what the appraisal value was --

CHAIRMAN CULLEN: The one described by Mr. Payne of the PERS, said it required an appraisal of land that was conducted --

APPEARANCE OF MR. LAWRENCE ROBINSON, JR., DIRECTOR, DEPARTMENT OF GENERAL SERVICES; ACCOMPANIED BY MR. ARTHUR COLLINS, ASSISTANT DIRECTOR, DEPARTMENT OF GENERAL SERVICES, AND MR. EMIL RELAT, CHIEF COUNSEL, DEPARTMENT OF GENERAL SERVICES.

MR. EMIL RELAT: That's the same appraisal you were talking about last time, right?

CHAIRMAN CULLEN: 1967.

MR. RELAT: Yes, that was the appraisal that was obtained for the purposes of getting the loan from PERS.

CHAIRMAN CULLEN: What was the --

MR. RELAT: It was first an appraisal by John Day who worked for the Department of General Services, Property Acquisition, who made the formalistic appraisal, the big book. He came up with \$8.5 million for Point West. Then they had a man down south by the name of Goode who was a -- also an appraiser in the business and he took that appraisal, reviewed it and then made his report which consists of about maybe ten pages which basically said, "I concur with the methodology used. The review is right. But I

differ with some valuations," and he said, "I think it is worth \$7.5 million."

CHAIRMAN CULLEN: All right.

MR. RELAT: Then you had a difference between the two and Mr. Vincent as the Chief of the Property Acquisition Division, having to make the report to PERS, then got the two together and there was a letter under which both agreed we will say the property is worth \$8 million, and that's what was then used as the figure of appraisal.

CHAIRMAN CULLEN: All right, for the sake of discussion, let's take the lesser appraisal figure, \$7.5 million. Mr. Bair has just advised the Committee that due to inflation some of these costs in the Governor's Blue Ribbon Committee report, perhaps maybe more, I would like to ask Mr. Robinson as the new Director of the Department of General Services, generally speaking, has the cost of choice land in a metropolitan area kept pace with the inflation since 1967?

MR. LAWRENCE ROBINSON: I would think choice land has, Mr. Cullen. Getting back to your original question, though, if I understood it correctly, you were asking Mr. Bair what the appraised value of Cal Expo was and the figure that Mr. Relat gave you was the appraised value of Point West. There is no relationship.

CHAIRMAN CULLEN: Thank you for clarifying that. We are talking about Point West. I'm obviously leading up to the fact that if the low appraisal of 1967 was \$7.5 million, if the Governor is correct in his estimate that inflation has increased costs on the average of five percent a year since -- since he took office, well then that \$7.5 million -- that land probably ought to be worth about

25 percent more than it was in 1967. Did Coldwell Banker give you an appraisal on this latest sale?

MR. RELAT: Well, they handled it from the point of view of the buyer, so they wouldn't be doing that on Point West.

CHAIRMAN CULLEN: Well, did anyone --

MR. RELAT: If I -- you know, your original --

CHAIRMAN CULLEN: Did the State of California hire an appraiser?

MR. RELAT: With regard to the -- as of the time it got ready to sell, the matter was reviewed and it was brought up to date by the Property Acquisition Division.

CHAIRMAN CULLEN: Who -- who concluded that inflation had not touched --

MR. RELAT: Well, as a matter of fact, the conclusion was one of the things that was mentioned; it was that the rate of growth of population in the Sacramento area had diminished and that therefore there were factors which indicated that the inflationary effect on this land would not be as great as might otherwise be expected and they -- the document has been submitted to your Committee which covers this more accurately. As I recall it, it basically said that \$7.5 million -- \$7.3 million was a reasonable price for that property to be sold for the purpose, that Kaiser-Aetna sale.

CHAIRMAN CULLEN: How much is that an acre? Do you recall? I don't want the figure now.

MR. RELAT: But I would like to mention one thing about the Committee report and you are asking about the price.

CHAIRMAN CULLEN: Before I leave this, before I leave this point, Mr. Relat, I'd like to ask for -- if I may, Mr. Robinson --

MR. ROBINSON: Yes.

CHAIRMAN CULLEN: -- a copy of the State appraisal of this \$7 million worth of land because --

MR. RELAT: Mr. Cullen, it's been submitted to your Committee. (Appendix A)

CHAIRMAN CULLEN: We have the appraisal?

MR. RELAT: We have everything -- everything we have we submitted to your --

CHAIRMAN CULLEN: I'm sorry.

MR. RELAT: -- on last Friday, and --

CHAIRMAN CULLEN: I haven't seen it.

MR. RELAT: That's why I happen to recall that particular document. I happened to see it.

CHAIRMAN CULLEN: All right. You were going to ask me about --

MR. RELAT: I just wanted in a sense of being constructive, you asked how would you have a differential in the price of the Flume Ride. With regard to putting out the bond issues, this was the document the Public Works Board put out and they were talking about progress that they made and with regard to a Flume Ride they have the specific statement that said; "A contract was executed in January 1967 with Arrow Development Company of Mountain View, California, for engineering a Log Flume Ride, one of the major attractions of the Recreation Park. This action assures an early completion of the phase of the work so that the ride can be completed prior to opening." And I call it to your attention that they did have the input of that type of information and there just was quite a variation at times with regard to what the

costs of a specific phase of the amusement park would be, because it depended upon the visualization of the people. It took responsibility for what would be the scope of the ride, so that in the particular point that you mentioned, apparently the Committee did have an input of information of that nature.

CHAIRMAN CULLEN: Mr. Bair --

MR. BAIR: I'd like to add something to that, too, Mr. Cullen, is that if -- if you are -- what you're implying here is that some sort of a tie between the value of land and the value of rides exists. You can't -- this is like comparing apples and oranges. A ride is a -- something like an automobile. It fluctuates according to the labor that goes in it and materials, steel, plastics, electric motors, pumps and all this sort of thing. And I think that you would agree that there has been in this area -- there has been a considerable rise in prices over the last four or five years. This is not necessarily true of land because of the factors that Mr. Relat mentioned, that were shown to be an actual slowdown in the growth of the area in which Point West occupies.

CHAIRMAN CULLEN: Mr. Nissen, what are we going to do with that contract with Atlas?

MR. NISSEN: I beg your pardon?

CHAIRMAN CULLEN. What's the recommendation of the Executive Committee with respect to the long-term contract with Atlas?

MR. NISSEN: Well, I hope the thing works out satisfactorily. Certainly their first year of operation was that they made a good start on the thing. There is a long way to go as far as developing

an amusement park and we recognized this when we entered into the contract with them. We advertised for bids and this was something like the Point West sale. However, there were a lot of people interested and came shopping around, but everybody was -- was willing to -- if the State was willing to put up -- put up a big block of money and put an amusement park in there with all kinds of people that were willing to enter into some kind of a negotiation with us. We came down to -- when we finally made the decision to go with Atlas, that was the one real live prospect that we had.

CHAIRMAN CULLEN: Has he responded to your October resolution telling him to shape up or ship out?

MR. NISSEN: I think Mr. Bair could probably answer that better than I could.

CHAIRMAN CULLEN: Has he, Mr. Bair?

MR. BAIR: He has. I'll put it this way, he has verbally. He has agreed to do all the things that we set forth for him to do. And, to the best of my knowledge, he intends to do them. I talked to him on the telephone this morning in regard to some of the things that we are going to require of him, and we are requiring of him, and he assured me that he was going to be here Friday to reassure the Executive Committee that he intends to live up to his contract.

CHAIRMAN CULLEN: And the contract says, "Upon default, provided such default is not cured within 30 days, the State shall have the immediate right of re-entry and may remove all property." Are you serious about that? You said in the letter of October 15 -- 30 days later was November 15 -- you said in that letter, "Failure to provide rest rooms or even temporary facilities." You said that

he contracted with individuals operating in games judged by the Attorney General to be illegal or contrary to this contract. You say the Flume Ride is a lower capacity than you were given to understand and it was constructed in such a way that it has been shut down for inordinate lengths of time causing loss of revenue. He has failed to install permanent light towers or even temporary light towers upon your request. The general quality of the materials used was under the estimate that it was led to believe would be brought in. You received many complaints to his labor practices. He has mishandled parking in the carnival area after original prohibition had been waived temporarily by management, and Mr. Nissen's committee has been unable to identify any advertising campaign as called for in the original contract.

MR. NISSEN: That's right.

MR. BAIR: This is a bill of particulars that was prepared by Mr. -- and given to Mr. Alevy and some of these things he has taken steps to correct already and we have every expectation --

CHAIRMAN CULLEN: Which one? Capacity of the Flume, for example?

MR. BAIR: Yes, they are working on the Flume Ride now, to increase its capacity.

CHAIRMAN CULLEN: What else?

MR. BAIR: He has assured us that as far as the parking is concerned, that would be under our control during this next year and that he will -- he will leave that to us.

CHAIRMAN CULLEN: Maybe you could -- if you would, Mr. Nissen, let's know what -- what's been corrected, because if --

MR. NISSEN: We can.

CHAIRMAN CULLEN: If Mr. Cory's suggestion is correct, that we tend to lose -- continue to lose a million dollars a year, it would seem to me that Mr. Bair could either substantiate it or come up with a good estimate and maybe the Legislature ought to be asked to take this \$90 million windfall that the Governor speaks of and apportion perhaps \$10 million to \$11 million to Cal Expo and get rid of this operator that doesn't seem to be too responsible.

MR. NISSEN: He will be before the Executive Committee to report -- at our regular meeting -- our regular meeting is this Friday, Friday of this week.

CHAIRMAN CULLEN: You may want to -- I don't know whether anything is going on here that is really valid. I'm sure people will little remember it ten years from now, but if there is the slightest bit of validity in the alternatives that I propose, you might discuss them with Earl Coke and say, "Look, here's an opportunity to perhaps salvage a very good thing for the State of California."

All right, Mr. Relat, last week you told me that -- in spite of the apparent restriction in the California State Exposition and Fair Law that the Director of General Services could only sell surplus property for industrial and commercial purposes. You said that the property had been sold pursuant to another portion of the Code, is that right?

MR. RELAT: No, I said the way you read it to me I didn't know whether I identified the Flume, and then I stated my -- in my language the statutory powers, as I understood it, and that

is Section 3557, which is the Section you are reading and it is -- and that's the way I understand it.

CHAIRMAN CULLEN: All right.

MR. RELAT: And the reference to commercial and industrial property is a word of art. I'm sure it doesn't preclude a development such as was obtained by the Department of General Services. Under the statute which was passed, which authorized the Public Employees' Retirement System to actually buy this property and provide Cal Expo with money to complete its construction, there was placed in the statute, and this was by reason of the desire of certain legislators that when it came time for the Directors to exercise the option to take it back, that they do it only pursuant to a purchase at appraised prices and that the buying back of it would be for the purposes of disposing of the property only in accordance with a good master plan for the development of sale of Point West. That's in the Government Code. And it was very easily understood because that was the only way you had to assure that the disposition of the property on piecemeal arrangements --

CHAIRMAN CULLEN: All right.

MR. RELAT: -- wouldn't end up with a bad fiscal situation.

CHAIRMAN CULLEN: Mr. Nissen, do you have a copy of the Master Plan for Point West?

MR. NISSEN: Not with me, no, sir.

CHAIRMAN CULLEN: Mr. Bair, you are prepared on the Master Plan of Point West?

MR. BAIR: No, we never have --

CHAIRMAN CULLEN: Why are we talking about a Master Plan,

Mr. Relat? None exists.

MR. RELAT: Oh, yes, it exists.

CHAIRMAN CULLEN: Not for Point West.

MR. RELAT: Yes, sir. That's the DRA, the Development Research Associates. Now, Mr. Collins can talk to that because our Department --

CHAIRMAN CULLEN: All right.

MR. RELAT: No, sir, that's not -- I believe we have furnished you a copy of it. (Appendix B)

CHAIRMAN CULLEN: Mr. Collins, can you address yourself to the State Master Plan described in the Government Code relevant to Point West?

MR. ARTHUR COLLINS: Yes, Mr. Chairman. At the time we were preparing to dispose of the Point West property we hired a firm of Research Development Associates, RDA, not the same as the earlier firm, the ERA, that we had on the thing -- excuse me, Development Research Associates, DRA, and they prepared a Master Plan for Point West and eventually this Master Plan, or a very similar Master Plan, was generally approved by the City authorities for planning purposes and it was part of the basis of the sale. It was general in nature, not specific, saying this identical building had to go to this identical place, such as that.

CHAIRMAN CULLEN: Well, now, Mr. Relat, when you say the words "commercial", "industrial", they are words of art. I assume you have attended as many zoning hearings as I have.

MR. RELAT: I'm sure I haven't.

CHAIRMAN CULLEN: When Jack Clifford wants to go before a Board

of Supervisors or a City Council with a project, he knows what area of town is zoned commercial, what's zoned industrial, what's zoned residential, does he not? And we give him names, don't we of C1, C2, R1, R2?

MR. RELAT: Yes, sir.

CHAIRMAN CULLEN: Right. Now, as far as I'm concerned the Legislature says that those lands shall not be used for residential. It explicitly says commercial and industrial.

MR. RELAT: Mr. Cullen, I have to disagree with you in that because as a matter of statutory construction you always read it to arrive at a reasonable conclusion. You wouldn't want to end up with a conclusion that would not be in the best interests of the State or ridiculous result.

CHAIRMAN CULLEN: That's right, sir, we didn't want a subdivision out there, did we, because we'd have to put in a school, that's why.

MR. RELAT: If you read the Section, it is part of the new State Fair Law, and it was part of a plan by which the property to be used for the Cal Expo would be determined by the Executive Committee, which they did, and then it was also an authority -- as to those properties which were not to be used that way the Director of the Department of General Services was given the authority to sell it. The purpose of the sale would be to sell it consistent with the development of the overall property out there and to then yield money by reason of the sale, which would be available for the further construction of Cal Expo. The Legislature indicated that this would be one of the assets by which this construction could be

finally completed and when it comes to then developing the plan for the best utilization of the property, that's why we hired experts in the field. They come up with a mix and if the mix includes some residential property as well as apartments it is --

CHAIRMAN CULLEN: I understand, Mr. Relat. I'm sure the City and County think it is a great thing.

MR. RELAT: Yes, sir.

CHAIRMAN CULLEN: My point is that there is a possibility that State law, as far as Point West is concerned, has pre-empted City and County zoning laws because State law plainly says the only way the Director of General Services can sell surplus land at Cal Expo is for commercial or industrial development in areas of the Exposition site. Now, the Director of General Services through a -- a Deputy Director, Mr. Oliver, has conveyed Point West without any such restriction. The buyer went down to the County of Sacramento and got a building permit for 348 residential units. So the question I'm posing, rhetorical as it may be, is does the County have the authority to issue such a building permit where State law, as far as I'm concerned, has clearly zoned surplus land only for commercial and industrial development? Now, that's rhetorical and I'm sure you have to disagree because the deed is done.

MR. RELAT: But I would --

CHAIRMAN CULLEN: That's the point I want to make.

MR. RELAT: -- make the observation that zoning did include commercial and industrial as well.

CHAIRMAN CULLEN: So far as that's all right --

MR. RELAT: The property out there is a property that will support industrial and commercial and it is included in the over-all plan. And actually the residential properties which were sold as described by the persons that made the study was that that would better serve the commercial property there also.

CHAIRMAN CULLEN: Well, perhaps to avoid any difficulty General Services may want to pose legislation removing that restriction, as we do sometimes, saying that the Legislature didn't intend -- no matter what the Legislature said it didn't intend to say that. That's quite enough for today unless anyone has anything to add. So we will --

MR. JACK WATSON: If it is all right?

CHAIRMAN CULLEN: Mr. Watson.

MR. WATSON: Yes. In that regard, does the Executive Committee have any control over the compatibility of the building on Point West with Cal Expo?

MR. RELAT: No, sir, not at this point. The plan of the sale was -- a condition to the sale was that the buyer have their plan of development approved by local government, and they did. And that's the only control that was exercised.

MR. WATSON: If it is all right, Mr. Cullen, two more questions.

CHAIRMAN CULLEN: Go ahead.

MR. WATSON: Has the Committee received the review of the appraisal made by the Property Acquisition Section of General Services just prior to the sale?

MR. RELAT: May I make an observation? The Committee didn't receive these informations because the Executive Committee had no

part in the sale of Point West. I don't mean the Executive Committee, I mean this Committee.

MR. WATSON: Received the review of the appraisal just prior to sale?

MR. RELAT: Yes, I believe -- if it is not in the papers I'll certainly find it. It is my belief it is among the papers we sent to your Committees last Friday, it would be that information. (Appendix C)

MR. WATSON: All right, and Mr. Nissen, if the admonition came down to you from the Governor to hold the line on the budget regardless to what might or might not happen, and evidence was presented to the Executive Committee that it would be wiser in the long run to expend a large sum of money, which would prevail?

MR. NISSEN: Well, I'm sure we would approach the Administration and ask for -- try to point out the -- what we would feel in that case, presuming that was the situation, there was an inequity and we would just -- because after all, we don't -- the final say on what our budget is isn't our responsibility.

MR. WATSON: It isn't the Executive Committee's responsibility to recommend --

MR. NISSEN: To recommend, yes, but as far as -- it goes from us and then it is reviewed -- the Director of General Services --

MR. WATSON: Does he have veto power over that recommendation?

MR. NISSEN: I think you could interpret it as veto power, couldn't you, on that? He has -- he has review power over it.

MR. RELAT: The Executive Committee is within the Department of General Services. So the State Fair budget is one of the budgets

subject to review by the Director as one part of his Department.

MR. WATSON: Would it be fair to state it would be difficult to see a recommendation for a larger expenditure of funds from the Executive Committee arriving at the Legislature?

MR. NISSEN: You say a larger --

MR. WATSON: A large sum, say \$10 million or \$11 million knowing the Governor's position on increasing the budget.

MR. NISSEN: Yes, I think that would be very true, presently.

MR. WATSON: Thank you.

CHAIRMAN CULLEN: Mr. Robinson, did you ever reverse the budget procedure and tell the Cal Expo Committee not to request more than \$135,000 or don't request more than \$180,000?

MR. ROBINSON: Today -- meaning this particular budget process, probably would be a good example of what's happened, Mr. Cullen. I came on duty with the State the last week in July and the last week in July was the week of final approval by my Department on all of the budgets. The Cal Expo budget was not finally approved at that particular time because Mr. Bair and the Executive Committee needed some more thinking on it. They did come up with a budget which we have not submitted and it is of the same order, give or take a few percentage points, as last year's. However, since that time we have been holding hearings, Mr. Nissen has, and Mr. Bair, with myself in attendance, with the various committee groups -- committees, and the different specialties of the Fair. And while our budget is submitted I intend shortly with the approval, Friday, of the Executive Committee, if they give to me that approval, to submit augmentations to that budget for special projects, special

developments that will augment the cost of the State Fair by upwards of \$200,000. Now, the reason that it's taken time is that we wish to see what the productivity of those augmentations would be. We wanted to analyze the additional attendance. We wanted to analyze the possibility of increasing the gate. In other words, the type of cost-benefit analysis for each type of augmentation to make the Fair better, but to be sure that we did not expand our reliance upon the General Fund and hopefully even eliminate our reliance upon the General Fund, as far as the \$19,000 augmentation.

CHAIRMAN CULLEN: That reminds me of someone's suggestion last week that you build a movie theater but you want to analyze the attendance before you spend any money to put in seats.

MR. ROBINSON: You should analyze what the productivity will be before you make the capital investment.

CHAIRMAN CULLEN: I don't understand your incremental spending. You say you are going to ask for \$200,000 and see if that increases attendance and if it does you may ask for another \$1,200, is that what you are saying?

MR. ROBINSON: No, no, different shows. For instance, the special events have asked for an augmentation.

CHAIRMAN CULLEN: I see, you are --

MR. ROBINSON: Different kinds of things that will increase, presumably, the attractiveness of the show. The advertising and publicity group have asked for an increase in advertising. Well, we wanted to analyze where it would be spent and in what medium it would be spent, where the bulk of the attendance of the State Fair

comes from and make sure that we are spending it in those particular areas.

CHAIRMAN CULLEN: You are talking about increasing the allowance for the 21 days?

MR. ROBINSON: That's correct, we are.

CHAIRMAN CULLEN: Is anyone going after funds for the Exposition Center for the six unfinished display rooms that -- for the display of the history of California and California's education system?

MR. ROBINSON: As a secondary project, yes. This particular budget and this particular effort has been related more particularly to the 21 day Exposition, but this is a subject that is discussed at our regular meetings and at the Management Subcommittee meetings, too. We have a proposal, for instance, from a displayer, I'm not at liberty at the moment to say who or what the product is, but a man would like to build a building that would be a building of general interest displaying a product of general interest on our grounds. We have that under review at the moment. These kinds of things we are inviting and hoping to develop, but it is slow -- it is slow battle.

CHAIRMAN CULLEN: Well, I suppose we could beat this horse all afternoon. Did you want to say --

MR. CLIFFORD: I'd like to comment, in the four years I've been on the Committee that Mr. Robinson is more sensitive to the feelings of the individual Board members than any of the other heads of General Services, which is a welcome relief.

CHAIRMAN CULLEN: I think we will recess on that happy note.

Tuesday, February 1, 1972

The Committee met at 2:30 p.m. in Room 6028, State Capitol, Chairman Cullen presiding.

Present: Assemblymen Mike Cullen and Peter Schabarum.

Staff Present: John W. Billett, Senior Consultant, Jan Sharpless, Associate Consultant, and Dean Cromwell, Staff.

CHAIRMAN CULLEN: The hearing will come to order. Supervisor Pat Melarkey, Chairman of the Sacramento County Board of Supervisors, has asked to make a short presentation relevant to Cal Expo, a subject that this Committee is going into in depth.

APPEARANCE OF DR. PAT MELARKEY, CHAIRMAN OF THE SACRAMENTO COUNTY BOARD OF SUPERVISORS.

DR. PAT MELARKEY: Chairman Cullen, Mr. Schabarum, I am Dr. Pat Melarkey, Chairman of the Board of Supervisors of Sacramento County. I very much appreciate this opportunity to appear before you today and share some of the thoughts and feelings of our Board of Supervisors regarding the continued existence of Cal Expo at its present site. (Appendix D)

First, as a native Sacramentan, as you might expect, I am very familiar with the fair, both the old State Fair on Stockton Boulevard, and the new State Fair at the Cal Expo grounds. During my youth I worked there many summers and the attendant excitement of preparing for a fair and then seeing its pageant unfold brings back many

nostalgic memories for me. The first summer I worked at the fair I convinced the race starter, Mr. Sid Swanson, who was well known as a starting gate operator on the West Coast race circuit, that I was an excellent horseman and therefore, should be allowed to work on the track in the afternoon and place the horses in the starting gate. Though he warned me of the peculiar meanness and excitability of race horses I convinced him that I was qualified. The first horse that I placed in the gate bit me on the arm, broke my wrist watch that I had just received for high school graduation, and left several scars on my wrist. Naturally, Mr. Swanson then consigned me to a rake, with which I performed diligently for the rest of the State Fair meet.

Today, however, I would like to concentrate my thoughts and my presentation on just three areas that I believe are important to the Board of Supervisors of our County and its residents.

Society's need for a common meeting place. The continued existence of the California State Fair has been on shaky ground since 1947. The reason is simple and that is California in the last 25 years has moved swiftly to lose many of its rural influences and since the fair was basically a rural concept, where people gathered once a year during the harvest, the fair could not compete for the people's attention with so many other types of entertainment coming to the front. I can remember reading a survey in 1948 or 1949 that was commissioned by the Board of Governors of the old

State Fair, which determined that the State Fair in Sacramento was at the wrong place and at the wrong time and should be split into three regional fairs. One in Sacramento, one built around the Cow Palace Exposition, and one built around the Los Angeles Fair at Pomona. The study also brought out the fact that fairs were changing and that the management must find other things to attract its patrons besides the old traditional appeal to livestock and rural displays. And I feel that the tragedy of the present Cal Expo is that after many years of struggling, the fair is finally finding itself in terms of a quality amusement park, on very modern grounds, and year-round activities that cover things such as art auctions of our local television stations, the Camellia Ball, and the use by three or four high schools here in Sacramento. It was unfortunate that the City of Sacramento could not have located its Convention Center on the Cal Expo grounds, as many of us felt was a good idea, but on the other hand, it was felt by others in the City that a facility like this would bolster the downtown and maintain its high level of quality atmosphere for the Capitol buildings and the people who worked in them. Within ten years, there may well be something going on at Cal Expo every day and every weekend such as rentals and income of horse racing and now our new night harness racing and perhaps in the future dog racing; and the income from Cal Expo should be enough to sustain its year-round operation. The point I want to make is society's need for gathering, young and old, and

I could tell you that our society does not have these opportunities these days, and I think that is one of the problems of our society and why so many things are going on that disturb us. The old tradition of the farmers coming into town and displaying their wares and the gathering of the clans was something that I don't think we can ever bring back. But I don't think you would argue with me that the present society we have generally does not take time for the old traditions.

The second point I would like to make is the position of Cal Expo in the American River Parkway Plan that was initiated by the Board of Supervisors some years ago. The American River Parkway is a 23 mile strip on both sides of the American River running from Sacramento to Nimbus Dam and Folsom Lake. In that area the County of Sacramento has acquired over 1700 acres at a cost of almost \$7 million in the past 11 years. And I might tell you, gentlemen, that those dollars were dollars coming out of the general tax rate and matching grants we received from Federal sources and they were difficult dollars to spend politically. But we felt that this Parkway could become a monument and a jewel in the park system of our State. We have also spent \$400,000 in development cost at Discovery Park, which lies at the confluence of the two rivers just two miles from the Capitol. And we are hoping that some day this will be something extremely valuable to the residents of this entire area. You have all heard of the bike trails that we have operating and of the plans we have

to extend them. We are told that unofficial counts put the number of cyclists using these bike trails at 5,000 a week. I don't think that there is any doubt that when the trails were extended and enlarged, and then, along with the horsemen and hikers who are using these trails constantly, we can assume that there will be 25,000 to 50,000 people a week using these facilities. Now Cal Expo is important to all these plans for the simple reason that it is exactly in the middle of the Parkway and, since the inception of our Parkway Plan, it has been assumed that Cal Expo would be a central part of the whole arrangement. We are, in a short time, going to open up the area below Cal Expo for an overnight camping and fishing grounds. And the Board is contemplating at present, putting a bond of some \$5 million to \$10 million on the November ballot so that we may secure more development funds to improve the roads and park sites so the residents of the County can get in to use the area we have acquired.

My point in stressing the American River Parkway is two-fold. First of all, it shows a commitment of the County to this area in terms of plans and money and secondly, it shows a very effective partnership between the City, County, State and Federal Governments and all are contributing their money to secure a quality environment and a good recreation area for the people of this entire urban area.

In closing, gentlemen, we understand your Committee's concern involving the operation and fiscal problems relating to Cal Expo.

We believe that it will be a great asset to our community, naturally, and particularly its relationship to our plans for enhancing the environment of the area. People of the County have made a substantial commitment involving over \$5 million, coupled with active community involvement to the concept and implementation of the American River Parkway, and will soon be asked to make even a greater fiscal commitment. People of the County have made extensive use of Cal Expo and there is every reason to expect that they will continue to expand their use. The attendance this year would have broken last year's record had it not been for some disturbances caused by groups of the young people. I do not feel, however, because of this, that we should back away from these public gatherings but we should proceed on and try to find out how we can gather in peace and harmony like we used to 20 years ago and enjoy each other's company.

I believe that Cal Expo is an opportunity to do this and believe that operations of this type should be continued. I know they are expensive, but I think it is more expensive to do without them. We would hate to see the State take precipitous action that would result in the removal from our community of one of the historic facilities which was once a major attraction and a major recreational opportunity for our citizens.

I am also appending a short statement made by the Sacramento Metropolitan Chamber of Commerce regarding some of the economic information regarding Sacramento and Cal Expo.

When developing an exposition appropriate to the State of California, flexibility, compatibility and economic land use were prime considerations. All planning, both the activities and of structures, were to be flexible. Adjustments for attendance fluctuation and growth were important.

The California Exposition promotes and extols the State in all aspects, its heritage, culture, industry, people and resources. While maintaining the values of a traditional fair, the concept of year-round use makes it a distinct departure from tradition. It is the only project of its kind in North America whose scope has been planned from the outset as a continuous program of mutually sustaining balanced activities.

The economic effects of Cal Expo flow in a variety of channels all resulting from the spending and employment generated by the attraction. From these new spending inputs the State of California has benefited from added tax receipts, increased retail sales, new employment and Sacramento County has benefitted from a general raise in the economy.

During 1971, 1,815,273 persons visited the Cal Expo site, an increase of 216,112 over 1970, and set an all-time attendance record. 893,737 persons attended the State Fair and 921,536 persons attended the interim events. Thirty-eight new interim events were added to 1971's calendar of events. Among the most successful were the Home Show, 40 nights of harness racing, the Auto Expo, Lippizaner Horse Show,

and Sacramento's biggest social event of the year - the Camellia Ball. 1972 will find more attractions added to the calendar of events. Agri Expo West, a first-time attraction, scheduled in February, will bring the agriculture enthusiasts from all of California and the Western United States together with the new and innovative techniques of farm equipment manufacturers. According to Economics Research Associates, the grand total of new spending input directly generated by the exposition comes to approximately \$330 million between the years 1968 through 1980. It can be considered a net increase in the flow of money in the economy because it represents spending that would not have occurred, or that probably would not have occurred in California were there no exposition or fair.

The economic impact of Cal Expo is being felt in a broad area of California, the economic benefits that flow from the exposition are of significant dimensions and Cal Expo will generate substantial increases in tax revenues, retail sales and payrolls for the State of California.

CHAIRMAN CULLEN: We feel that the park, Dr. Melarkey, the original concept still embraced by this administration, according to the testimony given before this Committee is that of the year-round operation, which is certainly more than the 20 day State Fair.

Can you tell us whether or not the Board of Supervisors have ever considered participating with the State in developing

additional attractions at Cal Expo, such as, for example, a sports arena?

DR. MELARKEY: We have never discussed that since I have been on the Board. Last year there was discussion of some private citizens, as I read the paper, feeling that there was a need for a sports arena in the community and Cal Expo was considered as one of the sites. Whether or not this is newspaper talk or it was really serious, I don't know. There was, of course, a problem when they located the convention center downtown. I think in some ways it was a great tragedy that it wasn't placed at Cal Expo. On the other hand, as I mentioned in my statement here, we have other urban renewal needs that are important, also. Since we do have the Capitol downtown and this fine park and buildings here, we cannot afford in this community to let the downtown area deteriorate as they have done all over the country. So, that was part of the reason which I think the convention center was probably placed downtown. Ideally, we would have placed it out there because of the parking and central location of it.

Sacramento County has no plans, but I would certainly be interested in participating in any activity of that kind.

CHAIRMAN CULLEN: Are there any other co-op things between the County of Sacramento and the State of California?

DR. MELARKEY: Only in this Parkway. Our trails and right-of-ways open up onto the Cal Expo grounds, and we have a very fine

working relationship, but we haven't had any joint projects that I know of.

CHAIRMAN CULLEN: So, there is precedent with respect to utilization of Cal Expo?

DR. MELARKEY: Yes. I would assume that would be an integral part of the whole park there. It's right in the middle of it and it's the biggest piece of ground.

CHAIRMAN CULLEN: Thank you.

Mr. Schabarum?

ASSEMBLYMAN SCHABARUM: I think, only for the record, I do want to inject into the dialogue the fact that Chairman Cullen and I have been involved in overseeing Cal Expo since we came here five years ago. And, to say the least, it got off to a very bad beginning. I think that the consensus might be that it hasn't really improved. I'm using the criteria of income versus expenses, namely, then what the State's General Fund has had to provide by way of additional funds. That is far from satisfactory. I don't personally see any change in the attitude of the management of the State Fair and its policy department, notwithstanding the fact that legislative efforts have been made and representations have been made by the Fair and Exposition Executive Committee that things would improve.

Dr. Melarkey, as to the City and County relationship, you've touched on the convention center, and from where I sit, would have to observe that the City and the County have been most neglectful

in terms of their interest or involvement in assisting or participating in improving the Expo facility as it currently stands or in the development of the surrounding property, which, of course, at this point is in a state of loss. We are going to have to, I think, still work towards putting that thing on a paying basis. It can be done. I only point to my own fair, Los Angeles County Fair, which for years has operated on a plus basis. I don't believe there's much sentiment for a perpetual deficit continuing at Expo.

DR. MELARKEY: I won't argue the point that it could be made to be a money maker. I don't know if we have the population mass in this community as you do in L. A., where its sheer numbers are going to make the turnstiles go and the fair come out even. I have been to the fair in L. A. and it's an outstanding County Fair, twice as big as the State Fair. But you have the people there. I don't think we can compete with the Disneyland concept.

As you stated, we got off to a very bad start. I happened to be at the opening of Disneyland some years ago because of a television director friend of mine who was in charge of the opening, and it was a semi-disaster itself. But we got the State Fair -- the State Fair was not completed to its -- its original concept and this also leaves a bad flavor in people's mouths. They had the carnival zone and all the rides at the doorway right away and it looked just like the old rehash. And the new State Fair really hasn't come through yet as far as I'm concerned. But I could pledge to you that the

County is trying to scrape together every dime they can.

I recognize you have the same problems we do in terms of money but every dime we get goes to complete that park. And I think if our bond issue passes in November that within a year you will see some sizeable development along that land, of which we own quite a bit already; but, it is just sitting there. And, as I mentioned we are trying to emphasize purchase instead of development so we can get the land before it's all gone.

CHAIRMAN CULLEN: Any further questions? Mr. Billett?

MR. JOHN BILLETT: Dr. Melarkey, with regard to the Parkway, has the County considered or would it be possible that the County would be interested in working out an arrangement with the State for additional lands, say, for example, a long-term lease or something of that nature to be used as a public golf course or to be used, perhaps, for some kind of public camping facilities or a recreational park of some type?

DR. MELARKEY: I think that would be a great idea. We might trade you the County Hospital for that land.

It just dawned on me, maybe we can work a deal here. No, I think that would be great. Our problem, frankly, is like yours; it's money. And we've got our development. Money has been nil. And every time we -- every time something raises, like Medi-Cal, they take development money out to pay the County bills and the park budget is the one that is razed. And it's too bad, but that

might be something that might be possible. We could probably work that out with the State Fair Directors.

CHAIRMAN CULLEN: Do you have any County golf courses?

DR. MELARKEY: Yes. We have Haggin Oaks.

CHAIRMAN CULLEN: Are you making any money?

DR. MELARKEY: Probably paying its way. I don't think golf courses are big money. We have Ancil Hoffman, which is on the river up stream which is very --

CHAIRMAN CULLEN: Do you think there would be a demand?

DR. MELARKEY: I think that close into town, I would assume there is. I was told there are private developers interested in doing these things and that the Fair Board has not been too, you know, encouraging about it. But maybe -- maybe we should take the initiative here and ask them.

CHAIRMAN CULLEN: We understand it. The Board of Directors out there, which is called the Executive Committee --

DR. MELARKEY: Yes.

CHAIRMAN CULLEN: -- rather --

DR. MELARKEY: Among other things, yes.

CHAIRMAN CULLEN: The Fair again, as we understand, is one of the tenants of Cal Expo. But Tom Bair is the Manager at Cal Expo. We've been advised that they have shelved any plans for a golf course at that location.

DR. MELARKEY: Well, maybe we should take the initiative.

CHAIRMAN CULLEN: I would not want to see, for example, that land declared surplus and turned into an industrial site when you have a bicycle trail going through there.

DR. MELARKEY: That would be a tragedy.

CHAIRMAN CULLEN: It's certainly something to consider.

DR. MELARKEY: I'll follow that up. I appreciate the suggestion. We -- that just might be possible, and there might be a gesture on our part that might make a beginning, but I would also like to state we have talked about arenas being built in the community and I would weigh that against what the effect the construction of an arena elsewhere might have on the future of Cal Expo. I think we have to get all of these facts out.

CHAIRMAN CULLEN: Very good. Your testimony certainly is appreciated by the Committee.

DR. MELARKEY: Thank you.

CHAIRMAN CULLEN: And thank you for coming.

(PORTIONS OF THE HEARING NOT PERTAINING TO THIS SUBJECT HAVE BEEN DELETED)

The hearing was adjourned.

Appendix A

Due to the extensiveness of this document, it is not reprinted, but is available for inspection in the Committee Office.

Appendix B

Due to the extensiveness of this document, it is not reprinted, but is available for inspection in the Committee Office.

Appendix C

TO: H. C. VINCENT, JR.
Chief Land Agent

January 8, 1968

SUBJECT: Appraisal Review
Point West Subdivision
"New State Fair Site"
Department of General Service Appraisal
John E. Day, M.A.I., Appraiser

This review is concerned with a 229 acre portion of State property known as Point West Subdivision at the State Fair and Exposition Site on Arden Way, Sacramento. The appraisal was prepared by John E. Day of Property Acquisition Division with advice from Stanley Goode of Goode and Goode in Santa Ana. Mr. Day's conclusion of value was \$8,500,000 or approximately \$37,000 per acre.

The first of the major assumptions in the report is that there is a market for six general uses to which the subject property can be put. These uses are-- service station, motor hotel, shopping center, general commercial, multi-residential and industrial.

The information leading to this conclusion was carefully considered in the highest and best use section of the appraisal. A comprehensive analysis by the appraiser concluded that each of these uses could be expected on the subject property within a reasonable future time. Considering the excellent location of the subject property in connection with the growth of Sacramento and the location of new enterprises, we are in complete agreement that there would be a market for each of the uses mentioned.

A second assumption is the location of each use on the designated "parcels". The size and location of these parcels were determined prior to the commencement of the appraisal report. It was the appraiser's decision, however, as to location of each use. He used logic in placement of the various uses: For instance, industrial uses were placed west of Interstate 80, commercial areas were along the major access routes, and service stations were at the most strategic corners. These conclusions were reviewed in the field and we consider them to be valid and reasonable.

A third major assumption made by the appraiser was that the property would be marketed in the approximate size parcels indicated in the report. Again the appraiser has carefully sampled the market to aid him in the size determination. His assumptions and conclusions appear reasonable.

The final major assumption was the time taken to market these parcels. This rate of absorption varies in each of the uses. The appraiser has again "gone to the market" to determine absorption periods of similar property. The present value of the monies estimated to be received yearly for the length of this period was then computed. The conclusion is the value the property is worth as of the date

Appendix C

RE: Appraisal Review - Point West Subdivision
"New State Fair Site" - Department of General Services
John E. Day, M.A.I., Appraiser
Page 2

of the appraisal. The subject property has been valued as available for purchase by only one buyer. The valuation of each separate use as shown in the report is simply an intermediate step (by the use of the discounting process) in arriving at total value.

The appraiser's selection of a rate is a major part of the discount process. He has selected 15%. This is the return the prudent investor would consider necessary to receive during the "holding period" from the present time to the date of sale of each type of property. The 15% rate includes return on investment (or interest), administrative costs, and real property taxes. The 15% rate has not been "proven" in the report; however, it is a judgment factor in any case. Our conclusion is that his judgment has been as good here as it has been in other major decision areas in the report.

We viewed each of the major sales used in the report in company with Mr. Day. Our general conclusion is that there was a wealth of comparable data and that the appraiser did a competent job in working from these sales to value each of the uses that subject property would be put to.

Adjustments were necessary in many cases but the appraiser has done a uniformly good job of explaining the reasons for his adjustments and consequently leading the reader to concur with each conclusion. There are 52 total sales included in the report; a much greater number than this were considered. Each of these 52 sales is analyzed separately and compared to the applicable type use. As a general comment, these comparisons have been carefully considered.

The depth of investigation and extent of analysis required in an appraisal of this type is considerable. Mr. Day has taken the time to do the complete job necessary to be convincing that his conclusions are valid. The organization of the report is excellent. The length of the readable material at first appears formidable, and the appraiser may have been somewhat redundant in his desire to cover each use and each valuation problem to its fullest. However, this is not a criticism; the conclusion assures the reviewer that no major step has been overlooked in the appraisal process.

As stated above, Mr. Stanley Goode was contracted by the State to aid Mr. Day in the valuation process. Specifically, the refined objectives of Mr. Goode's employment are as follows:

1. To function as a consulting appraiser.
2. To provide advice and consultation regarding all abstracts of the appraisal problem including alternate and logical patterns of land utilization.
3. To offer appropriate direction as to criteria for data assembly, analytical methods, and methods of correlation employed in formulating market value conclusion.
4. To review the appraisal report prepared by Mr. Day and provide opinions as to adequacy of data, soundness of methods employed, logic of optimum-use estimates, and accuracy of the conclusion of final estimate of market value.

Appendix C

RE: Appraisal Review - Point West Subdivision
"New State Fair Site" - Department of General Services
John E. Day, M.A.I., Appraiser
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In a letter to you dated January 2, 1968, Mr. Goode sets forth the results of his participation in the appraisal and the appraisal review, and his own opinion of market value at \$7,500,000. The exceptions mentioned by Mr. Goode to Mr. Day's report, which account for the difference in total valuation between the two appraisers, are:

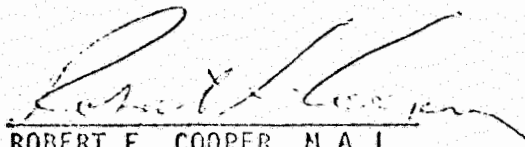
- a. An insufficient discount rate on service-station use.
- b. The absorption period for some of the uses.
- c. Generally, a less optimistic view of the current real estate market.

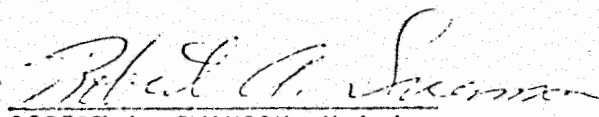
Mr. Goode states that the Day report was prepared in a sound and competent manner and evidenced high standards in every respect.

The comments submitted by Mr. Goode have been analyzed and it appears that the main difference of opinion is in the length of absorption time as to Parcel "E".

Mr. Day has supported his absorption period on local historic statistical data which reflects the rate of development in the past which was used as a guide to the reasonable future absorption rate. Mr. Goode, on the other hand, supports his absorption period on his general experience with land utilization. However, in his comments, he admits that "the industry acceptance of Site 'E' may be more favorable than currently anticipated".

We have considered Mr. Day's final conclusion of value supported by his detailed appraisal, and have carefully analyzed the reasons set forth by Mr. Goode for a lower opinion of value, and are of the opinion that the value of \$8,500,000 reflects the fair market value of this site and we recommend its acceptance.


ROBERT F. COOPER, M.A.I.
Supervising Land Agent


ROBERT A. SWANSON, M.A.I.
Assistant Chief Land Agent

RFC:sgm
RAS:sgm

Thomas F. Sherman
Supervising Land Agent

November 13, 1970

Property Acquisition Division

Point West Subdivision
230-Acre Surplus Sale
November 18, 1970
VALUATION REVIEW

The purpose of this memorandum is to review the valuation history of the Point West surplus property and to make recommendations as to:

1. The market value of Unit 1 containing 187.437 acres as of November 18, 1970.
2. The market value of Unit 2 containing 42.006 acres as of November 18, 1970.
3. The minimum reasonable bid that falls within the market value range as estimated above.

The Point West subdivision is part of the original 1,065-acre Fair Site purchased in 1949 for \$850,000. The new fair site is now operational and the 230-acre northerly portion of the original site has been declared surplus to State needs. This 230-acre area was subdivided and improved with streets, curbs, gutters, sanitary sewers, storm drains and water mains in 1967 at a cost of approximately \$2 million.

The Point West surplus was appraised by John E. Day, M.A.I., and Stanley Goode, M.A.I., as of January 2, 1968 for \$8,500,000 and \$7,500,000, respectively. Mr. Day updated his report as of December 9, 1969 and as of that date concluded a value of \$7,500,000. Although Mr. Day sets forth five reasons for his value change, the primary reasons are:

1. Cal Expo did not materialize as an integrated year-round fair and amusement center with complementary golf courses and automobile race track. At the time of the original appraisal, investment in Cal Expo was estimated at \$34 million and attendance projected at 2,470,000. Actual investment was \$20 million and 1970 attendance was 1,590,128.
2. Availability of mortgage funds for investment purposes declined sharply in the two-year period between estimates.

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Point West Subdivision - Valuation Review
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Both the original Day-Goode appraisal and the Day updating valued the 230-acre parcel as one property, available for purchase by one buyer--as opposed to many parcels available for purchase by many buyers.

Shortly after the original valuation report was submitted, the State employed the firm of Development Research Associates (Los Angeles) to prepare Land Use and Marketing Plans for the 230 acres. A summary of their findings and the two appraisals are set out as follows:

<u>Land Use</u>	<u>Day-Goode</u> <u>(1-2-68)</u>	<u>D.R.A.</u> <u>(4-26-68)</u>	<u>Day</u> <u>(12-9-69)</u>
Hotel-Hotel	48	44	30
Mobile Home Park	0	42	0
Industrial	41.306	0	41.3
Multi-family Residential	59.795	68	68
Theatre	0	4	0 ^a
Theme or Satellite Shopping Center	23.475	25	23.5
Special-Commercial-Institutional or General Commercial	51.157	47	61
Service Station or Bank	<u>5.71</u>	<u>0</u>	<u>5.7</u>
TOTAL	229.443	230	229.5

The projected uses, as set out above, are in fairly close agreement.

The area devoted to Hotel-Hotel Use was lowered in the second Day report to reflect the less than year-round operation of Cal Expo. This factor was not completely apparent at the time of the original Day report or the DRA Study.

The Mobile Home Park Use was DRA's idea but hardly practical in view of the nonsuitability of the site and competitive selling prices of mobile home park acreage in the Sacramento area. This use was applicable to the area now designated Unit 2.

The Industrial Use was the Day alternative for the area west of Interstate 80 (now called Unit 2). This use still appears to be the most reasonable use for this area. (However, the service station site west of Interstate 80 appears to me to be impractical.)

^aIncluded in Special Commercial

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Point West Subdivision - Valuation Review
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The Multi-Family Use was increased to absorb some of the area formerly devoted to the hotel-motel use.

The Theme or Satellite Shopping area remains about the same in all three estimates.

The Special-Commercial-Institutional or General Commercial use was increased to accommodate some of the area formerly devoted to hotel-motel use.

The big area of difference between DRA's proposal and the updated Day report (other than the switch from mobile home park to industrial) is the shift from hotel-motel use to general commercial. Mr. Day also breaks out the service station-bank use separately.

CONCLUSION

Values have generally remained constant in the Sacramento area during the last year. I therefore feel the Day value of \$7,500,000 is still applicable to the entire site. I also feel that the highest and best use of the area west of Interstate 80 (currently designated Unit 2) is for a light industrial use and that the Day Industrial values are appropriate for this area.

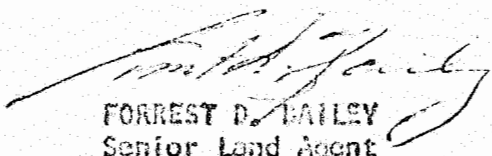
RECOMMENDATION

I recommend that the Day valuation of \$7,500,000 most accurately reflects the market value of the entire parcel.

The 137.437-acre parcel designated as Unit 1 should be valued at the acreage unit rate applicable to the integrated use plan in the updated Day report of \$35,200 per acre, or \$6,000,000.

The 42.006-acre parcel designated as Unit 2 should be valued at the industrial unit rate of \$21,500 per acre, or \$900,000.

The range of market value for this type of property is usually about ten percent. Bids in the range of \$5,940,000 to \$7,260,000 for Unit 1 and \$810,000 to \$990,000 for Unit 2 should be expected. In my opinion, bids lower than the minimums set out above should not be accepted.


FORREST D. BAILEY
Senior Land Agent

FDB:vg

APPROVED:

Thomas F. Sherman

Appendix D

STATEMENT OF DR. PATRICK E. MELARKEY, CHAIRMAN OF THE BOARD OF SUPERVISORS,
SACRAMENTO COUNTY

Given to the Assembly Efficiency and Cost Control Committee, February 1,
1972

Mr. Chairman and Members of the Committee, I am Dr. Pat Melarkey, Chairman of the Board of Supervisors of Sacramento County. I very much appreciate this opportunity to appear before you today and share some of the thoughts and feelings of our Board of Supervisors regarding the continued existence of Cal Expo at its present site.

First, as a native Sacramentan, as you might expect, I am very familiar with the fair, both the old state fair on Stockton Boulevard, and the new state fair at the Cal Expo Grounds. During my youth I worked there many summers and the attendant excitement of preparing for a fair and then seeing its pageant unfold brings back many nostalgic memories for me. The first summer I worked at the fair I convinced the race starter, Mr. Sid Swanson, who was well known as a starting gate operator on the West Coast race circuit, that I was an excellent horseman and therefore, should be allowed to work on the track in the afternoon and place the horses in the starting gate. Though he warned me of the peculiar meanness and excitability of race horses I convinced him that I was qualified. The first horse that I placed in the gate bit me on the arm, broke my wrist watch that I had just received for high school graduation, and left several scars on my wrist. Naturally, Mr. Swanson then consigned me to a rake with which I performed diligently for the rest of the State Fair meet.

Today, however, I would like to concentrate my thoughts and my presentation on just three areas that I believe are important to the Board of Supervisors of our County and its residents.

1. Societies' need for a common meeting place.

The continued existence of the California State Fair has been on shaky ground since 1947. The reason is simple and that is, California in the last 25 years has moved swiftly to lose many of its rural influences and since the fair was basically a rural concept, where people gathered once a year during the harvest, the fair could not compete for the peoples' attention with so many other types of entertainment coming to the front. I can remember reading a survey in 1948 or 49 that was commissioned by the Board of Governors of the Old State Fair, which determined that State Fair in Sacramento was at the wrong place and at the wrong time and should be split into three regional fairs. One in Sacramento, one built around the Cow Palace Exposition, and one built around the Los Angeles Fair at Pomona. The study also brought out the fact that fairs were changing and that the management must find other things to attract its patrons besides the old traditional appeal to livestock and rural displays. And I feel that the tragedy of the present Cal Expo is that after many years of struggling, the fair is finally finding itself in terms of a quality amusement park, on very modern grounds, and year round activities that cover things such as Art Auctions of our local television stations, the Camellia Ball, and the use by three or four high schools here in Sacramento. It was unfortunate that the City could not have located its Convention Center on the Cal Expo Grounds, as many of us felt was a good idea, but on the other hand, it was felt by others in the City that a facility like this would bolster the downtown and maintain its high level of quality atmosphere for the capitol buildings and the people who worked in them. Within 10 years there may well be something going on at Cal Expo every day and every weekend such as rentals and income of horse racing and now our new night harness racing and perhaps in the future dog racing, and

the income from Cal Expo should be enough to sustain its year round operation. The point I want to make is societies' need for gathering, young and old, and I could tell you that our society does not have these opportunities these days, and I think that is one of the problems of our society and why so many things are going on that disturbs us. The old tradition of the farmers coming into town and displaying their wares and the gathering of the clans was something that I don't think we can ever bring back. But I don't think you would argue with me that the present society we have generally does not take time for the old traditions.

The second point I would like to make is the position of Cal Expo in the American River Parkway Plan that was initiated by the Board of Supervisors some years ago. The American River Parkway is a 23 mile strip on both sides of the American River running from Sacramento to Nimbus Dam and Folsom Lake. In that area the county has acquired over 1700 acres at a cost of almost 7 million dollars in the past 11 years. And I might tell you gentlemen, that those dollars were dollars coming out of the general tax rate and matching grants we received from Federal sources and they were difficult dollars to spend politically. But we felt that this Parkway could become a monument and a jewel in the park system of our state. We have also spent \$400,000 in development cost at Discovery Park which lies at the confluent of the two rivers just two miles from the Capitol. And we are hoping that some day this will be something extremely valuable to the residents of this entire area. You have all heard of the bike trails that we have operating and of the plans we have to extend them. We are told that unofficial counts put the number of cyclists using these bike trails at 5,000 a week. I don't think that there is any doubt that when the trails are extended and enlarged, and then, along with the horsemen and hikers who are using these trails constantly, we can assume that there will be 25 to 50,000 people a week using these facilities. Now Cal Expo is important to all these plans for the simple reason that it is exactly in the middle of the Parkway and since the

inception of our Parkway Plan it has been assumed that Cal Expo would be a central part of the whole arrangement. We are, in a short time, going to open up the area below Cal Expo for an overnight camping and fishing grounds. And the Board is contemplating at present, putting a bond of some 5 or 10 million dollars on the November ballot so that we may secure more development funds to improve the roads and park sites so the residents of the County can get in to use the area we have acquired.

My point in stressing the American River Parkway Plan is two-fold. First of all, it shows a commitment of the County to this area in terms of plans and money and secondly, it shows a very effective partnership between the City, County, State and Federal Governments and all are contributing their money to secure a quality environment and a good recreation area for the people of this entire urban area.

In closing, Gentlemen, we understand your Committee's concern involving the operation and fiscal problems relating to Cal Expo. We believe in the County, however, that one does not do away with an operation of this type without losing some important historical and recreational opportunities that we seem to have too few of these days in our modern society. We believe that it will be a great asset to our community, naturally, and particularly its relationship to our plans for enhancing the environment of the area. People of the County have made a substantial commitment involving over five million dollars coupled with active community involvement to the concept and implementation of the American River Parkway and will soon be asked to make even a greater fiscal commitment. People of the County have made extensive use of Cal Expo and there is every reason to expect that they will continue to expend their use. The attendance this year would have broken last years record had it not been for some disturbances caused by groups of the young people. I do not feel, however because of this, that we should back away from these public gatherings but we should proceed on and try to find out how we can gather in peace and harmony like we used to 20 years ago and enjoy each others company.

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I believe that Cal Expo is an opportunity to do this and believe that operations of this type should be continued. I know they are expensive, but I think it is more expensive to do without them. We would hate to see the State take precipitous action that would result in the removal from our community of one of the historic facilities which was once a major attraction and a major recreational opportunity for our citizens.

I am also appending a short statement made by the Sacramento Metropolitan Chamber of Commerce regarding some of the economic information regarding Sacramento and Cal Expo.

When developing an exposition appropriate to the State of California, flexibility, compatibility and economic land use were prime considerations. All planning, both of activities and of structures, were to be flexible. Adjustments for attendance fluctuation and growth were important.

The California Exposition promotes and extols the State in all aspects, its heritage, culture, industry, people and resources. While maintaining the values of a traditional fair, the concept of year round use makes it a distinct departure from tradition. It is the only project of its kind in North America whose scope has been planned from the outset as a continuous program of mutually sustaining balanced activities.

The economic effects of Cal Expo flow in a variety of channels all resulting from the spending and employment generated by the attraction. From these new spending inputs the State of California has benefited from added tax receipts, increased retail sales, new employment and Sacramento County has benefited from a general raise in the economy.

During 1971, 1,815,273 persons visited the Cal Expo site, an increase of 216,112 over 1970, and set an all time attendance record. 893,737 persons attended the State Fair and 921,536 persons attended the interim events. Thirty eight new interim events were added to 1971's calendar of events. Among the most successful were the Home Show, Forty nights of harness racing, the Auto Expo, Lippizaner Horse Show, and Sacramento's biggest social event of the year - The Camellia Ball. 1972 will find more attractions added to the calendar of events. Agri Expo West, a first time attraction, scheduled in February, will bring the agriculture enthusiasts from all of California and the Western United States together with the new and innovative techniques of farm equipment manufacturers. According to Economic Research Associates, the grand total of new spending input directly generated by the exposition comes to approximately \$330 million dollars between the years 1968 through 1980. It can be considered

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a net increase in the flow of money in the economy because it represents spending that would not have occurred, or that probably would not have occurred, in California were there no Exposition or Fair.

The economic impact of Cal Expo is being felt in a broad area of California, the economic benefits that flow from the Exposition are of significant dimensions and Cal Expo will generate substantial increases in tax revenues, retail sales and payrolls for the State of California.
