



DGS

State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency

DEPARTMENT OF GENERAL SERVICES Executive Office

707 Third Street • West Sacramento, CA 95605 • (916) 376-5000 • Fax (916) 376-5018 • www.dgs.ca.gov

December 10, 2009

The Honorable Jose Solorio
Member of the Assembly
State Capitol, Room 2196
Sacramento, CA 95814

Dear Assembly Member Solorio:

Thank you for your letter dated December 2, 2009, regarding the sale of the Orange County Fairgrounds (Fairgrounds). Governor Schwarzenegger requested that the Department of General Services (DGS) respond to the concerns you raised regarding DGS' actions and the process for selling the Fairgrounds.

Constitutionality of Assembly Bill X4 22

The Legislative Counsel has advised you that Assembly Bill X4 22 (AB X4 22) may be an invalid attempt to amend the Constitution. We respectfully disagree. Section 9 of Article III of the California Constitution applies to surplus State real properties purchased with General Fund monies. Since the Fairgrounds was acquired from a special fund and is not being sold as "surplus" property, Section 9 of Article III of the Constitution does not apply and the funds can be directed by the Legislature.

Assessment of Property Value

The Fairgrounds represents one of the State's highest-valued real estate assets. The estimated value of \$96 million to \$180 million dollars was derived from the development opportunity represented by this large, well-located, urban in-fill parcel and is premised on the buyer securing development entitlements. Also, AB X4 22 deems the Fairgrounds' fair market value to be based on the bill's bidding process and, consequently, no appraisal is required on this property. The \$96 million to \$180 million figure is our good faith estimate of the Fairgrounds' value and we understand that the market and other forces may affect the property's value. We will take all aspects of the sale into consideration when evaluating the bids we receive. And we will, of course, take into account that while AB X4 22 authorizes the Fairgrounds' sale, the bill does not require the sale particularly if the public bidding process does not result in an opportunity to realize the highest, most certain return for the State.

Future of Fairground State Employees

AB X4 22 does not disband the current 32nd District Agricultural Association ("District") that employs Fairgrounds workers. The District may continue operating a fair, whether through a joint-use agreement between the Fairgrounds' buyer, or at a different location. Since the District will still exist, it has the ability to determine the best course for its employees.

Conflict of Interest and Ethical Concerns

We can assure you that claims DGS collaborated with the Orange County Fair Board, its executive staff, or consultants, to develop the terms of the Request for Proposals and the bidding process are incorrect. Fair staff was contacted, but only to explain the disposition process and to obtain the necessary financial records, existing contracts and vendor agreements, property inventories and other materials needed to prepare the Request for Proposals. While we cannot speak to actions that may or may not have been taken by people outside of DGS, we can assure you DGS has acted appropriately in carrying out AB X4 22's purposes.

As we all are well aware, the State continues to face unprecedented fiscal challenges. I understand and appreciate your concerns and hope this letter addresses your questions. As authorized by the Legislature, the DGS will continue to do its due diligence on the Orange County Fairgrounds and will proceed with the bidding process.

If you have any questions or need further information, please contact Melanie Perron, Legislative Coordinator, at (916) 376-5045.

Sincerely,



Ronald L. Diedrich
Acting Director

cc: Michael Proso, Legislative Affairs Secretary, Office of the Governor
Laura Zuniga, Acting Deputy Secretary—Legislation, State and Consumer Services Agency
Lisa Martin, Acting Deputy Director, Legislative Affairs, Department of General Services
Teresa Bierer, Acting Deputy Director, Real Estate Services Division, Department of General Services