

**CONCLUSIONS AND RECOMMENDATIONS
FOR THE PLANNING, POSITIONING, AND IMPLEMENTATION
OF THE REVITALIZATION OF THE SOLANO COUNTY FAIRGROUNDS**

June 23, 2010

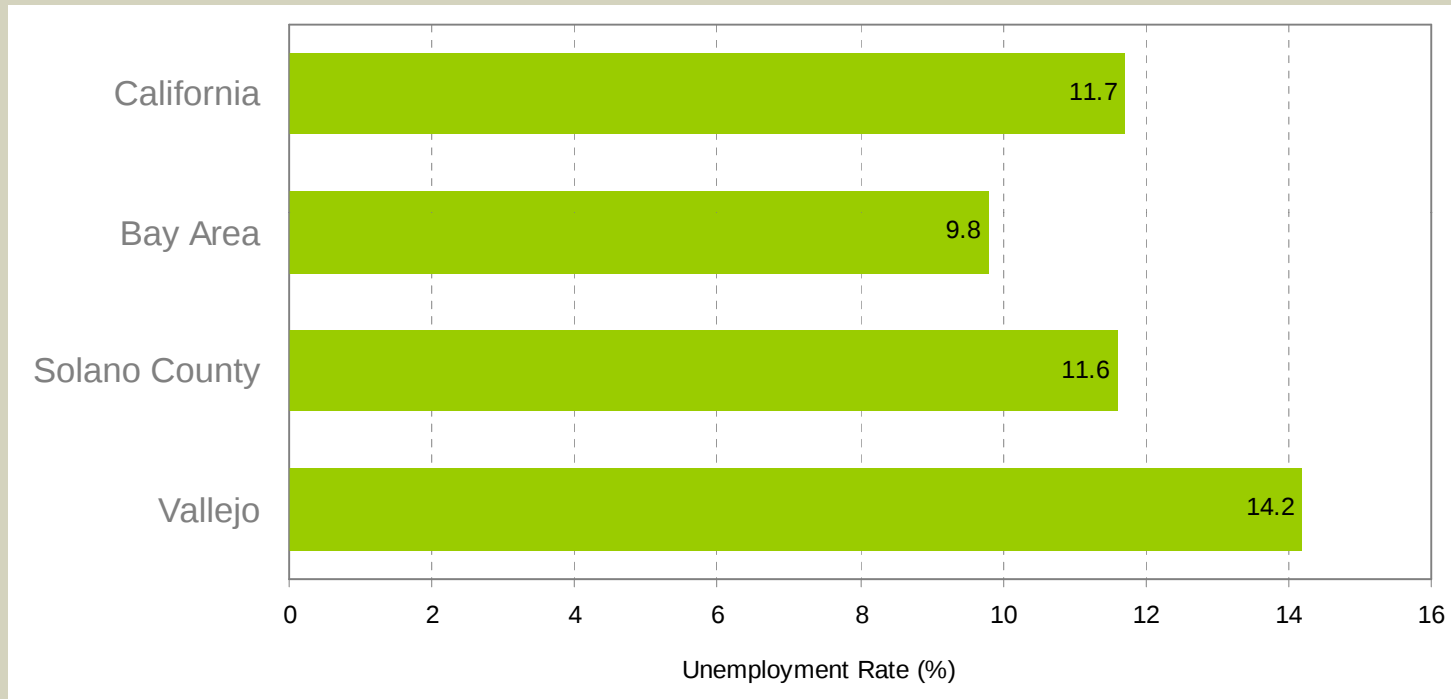
By Aaron N. Gruen

Gruen Gruen + Associates

*Urban Economists, Market Strategists
and Land Use/Public Policy Analysts
Pre-development Services*

Fragile Economic Conditions

April 2011 Unemployment



Source: California Employment Development Department

Fragile Economic Conditions

Solano County Underwater Mortgages

Core Based Statistical Area	Mortgages (#)	Negative Equity Share
Stockton	129,200	62.3%
Vallejo – Fairfield	92,418	57.9%
Bakersfield	153,222	52.0%
Riverside – San Bernardino	861,023	51.3%
Fresno	153,362	46.9%
Sacramento	494,024	43.4%
Oakland	547,903	32.4%
San Jose	347,365	19.8%
San Francisco	324,164	9.5%

Sources: First American CoreLogic; Beacon Economics.



“New Normal” Requires New Set of Rules for Success

1. New uses for excess and obsolete retail space;
2. Multi-family rental units in mixed-use developments;
3. Regulatory conditions that stabilize but don't re-inflate housing prices;
4. Green office space near transit, integrated with relatively high density housing close to experiential shopping, restaurant and entertainment venues; and
5. Distribution and industrial space to capture demands associated with shifts in patterns of goods movement and labor availability.



Retail Will Not Return to What it Once Was

Powerful demographic, cultural and technological factors:

- A less consumer-driven economy and slower retail sales growth
- Declining population in their peak retail spending years
- Increasing online sales
- Non-demographic changes in the retailing industry



2010 to 2020 U.S. Population by Age

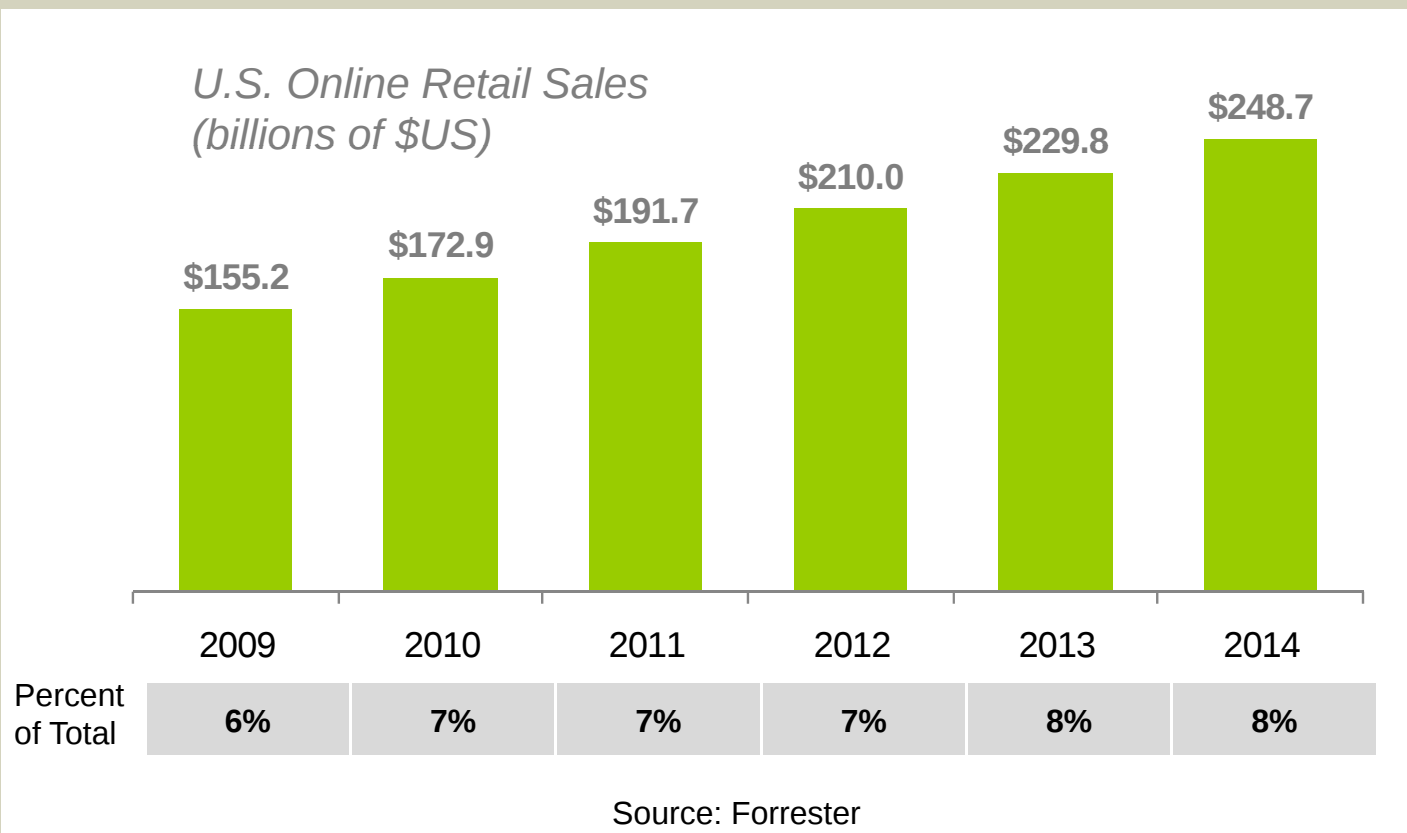
<u>Age Group</u>	2010		2020	
	<u>Number</u>	<i>Share</i>	<u>Number</u>	<i>Share</i>
Under 16	66,533,965	21.4%	72,665,159	21.3%
16 to 33	77,471,405	24.9%	81,350,698	23.8%
34 to 45	49,132,276	15.8%	52,254,029	15.3%
46 to 64	76,873,347	24.7%	80,312,309	23.5%
65 +	40,597,339	13.1%	54,804,470	16.1%
Total	310,608,332	100.0%	341,386,665	100.0%

Sources: U.S. Census Bureau, National Population Projections; Gruen Gruen + Associates.



Online Sales Will Increase

- A growing share of goods purchased on the Internet
- Online sales are forecast to grow to 8% of total retail sales by 2014



Intense Competition for Retail, Office, Hotel and Exhibition Uses

Relationship Between Retail Space Demand and Supply Within the Primary Trade Area		
	2010 # Square Feet	2020 # Square Feet
Demand for Retail Space @ \$300 to \$350 Per Square Foot ¹	2,715,000 - 3,168,000	2,883,000 - 3,364,000
Supply of Retail Space	3,385,000	3,544,000
<i>Existing Supply</i> ²	3,385,000	3,385,000
<i>Potential Future Supply</i> ³	-----	159,000
Unmet Space Demand (Supply Surplus)	(217,000) – (670,000)	(180,000) – (661,000)
¹ Based on trade area expenditure potential of \$950,371,813 in 2010 and \$1,009,145,817 in 2020. ² Not including smaller centers and freestanding stores in the primary trade area of less than 25,000 square feet. ³ Not including potential longer-term additions of retail space not yet entitled (such as the American Canyon Town Center) or any other potential future supply other than the third phase of the Napa Junction development and Walgreen's-anchored center in American Canyon.		
Source: Gruen Gruen + Associates		



Intense Competition for Retail, Office, Hotel and Exhibition Uses

Solano County / Napa Valley Office Space Inventory by Submarket: 2011

Submarket	Total Inventory # Square Feet	Vacant Space # Square Feet	Vacancy Rate %	Full-Service Rent \$ PSF
Fairfield	1,752,192	545,184	31.1	1.79
Napa	1,389,141	396,970	28.6	1.92
Vacaville	513,761	145,585	28.3	1.79
Vallejo	234,065	25,548	10.9	n/a
Total¹	4,221,120	1,162,881	27.5	1.83

¹ Total includes other minor submarkets (American Canyon, Benicia, Suisun City, Dixon).

Sources: Colliers; Gruen Gruen + Associates.



Intense Competition for Retail, Office, Hotel and Exhibition Uses

Hotel Market Demand and Supply in Vallejo: 2006-2011¹

Year	Annual Room Supply # Room Nights	Total Room Nights Occupied #	Annual Occupancy %
2006	525,600	285,845	54
2007	525,600	294,740	57
2008	525,600	281,205	54
2009	525,600	283,630	54
2010	525,600	262,697	50
2011	525,600	266,874	51
¹ Annual figures refer to “running 12 month periods”.			
Sources: Vallejo Visitors & Convention Bureau; Smith Travel Research.			



Competing Exhibition Facilities

Calistoga Angwin Lake Berryessa



Intense Competition for Retail, Office, Hotel and Exhibition Uses

Competitive Facilities for Solano County Fairgrounds in Its Current Condition				
ID	Facility Name	Location	Total Exhibit Space (Largest Building)	Total Bldg. Space
	Solano County Fairgrounds	Vallejo	40,000 (20,000)	140,250
A	Napa Valley Expo (Town & Country Fairgrounds)	Napa	16,000 (7,200)	31,800
B	CSU East Bay Oakland Center	Oakland	None	11,000
C	Marin County Fair & Exhibition	San Rafael	22,500 (22,500)	22,500+
D	Dixon Fairgrounds	Dixon	10,000 est. (5,000 est.)	26,300
E	Contra Costa County Fairgrounds	Antioch	21,000 (7,000)	21,000
F	Sonoma-Marin Fairgrounds & Event Center	Petaluma	6,358 (6,358)	11,238
G	Alameda County Fairgrounds	Pleasanton	32,500 (32,500)	131,000
H	Napa County Fairgrounds	Calistoga	15,100 (9,400)	15,100
I	Sonoma County Fairgrounds	Santa Rosa	105,838 (40,500)	105,838
J	San Mateo County Event Center	San Mateo	215,000 (104,900)	254,500



Potential Use Opportunities

- Create a dominant regional-serving agglomeration of entertainment/amusement and supporting uses that would also provide a magnetic environment and draw for the Fair
- Additional entertainment anchor
- Restaurant row - interesting eating & drinking formats/themes
- Experiential/recreational retail – potentially including outlet
- Upgrades and updates to existing Fair facilities/activities



Implementation Actions

- Refine the primary land uses - uses that cannot readily be replaced by the Internet and with less direct competition
- Provide for potential additional entertainment anchor opportunities (including potential expansion by Six Flags)
- Capitalize on existing strengths including proximity to Six Flags to enhance the nature of the site as a regional-destination



Characteristics of Successful Entertainment Uses That Stand the Test of Time

- Remain competitive by providing
 - Opportunities for visitors to “show off” and have fun!
 - Social gathering places....people watching and interaction
 - Good food and unique treats
 - Exciting shopping that isn’t found at standard shopping centers or malls



Additional Implementation Measures

- Investigate Six Flags' willingness to collaborate on improving and expanding destination entertainment uses
- Explore potential opportunities for attracting another major branded destination entertainment use complimentary to the Fair & Six Flags
- Position Fairgrounds to capture potential exciting new experiential retail and other compatible uses (outlet retail and array of eating and drinking)
- Develop options for year-round uses and products at the Fair; make sure that events and attractions stay relevant and relate to contemporary preferences for food, entertainment and education



Additional Implementation Measures

- Consider the selective update, upgrade, and expansion of existing Fair facilities in a phased program, as an option to the challenging “quantum leap” of demolition and new construction
- For intermediate/interim enhancements to Fair facilities, consider “facelifts” to key buildings and enhancements to the grounds
- For Specific Plan, emphasize a user-friendly environment, flexibility to respond to shifting or unforeseen market demands, ability to capitalize on prior investments, and enhancements to improve competitive position of Fair and the Fairgrounds

