



Friends and Neighbors of the Orange County Fairgrounds

Working for a Fairgrounds that is Focused on the Community

PMB 5014
600 W Santa Ana Blvd, Ste 114A
Santa Ana, CA 92701
vpollmeier@me.com

8 June 2020

VIA E-MAIL

Chair Sandra Cervantes and Board
32nd District Agricultural Association
88 Fair Drive
Costa Mesa, CA 92626
E-Mail: *Distribution List*

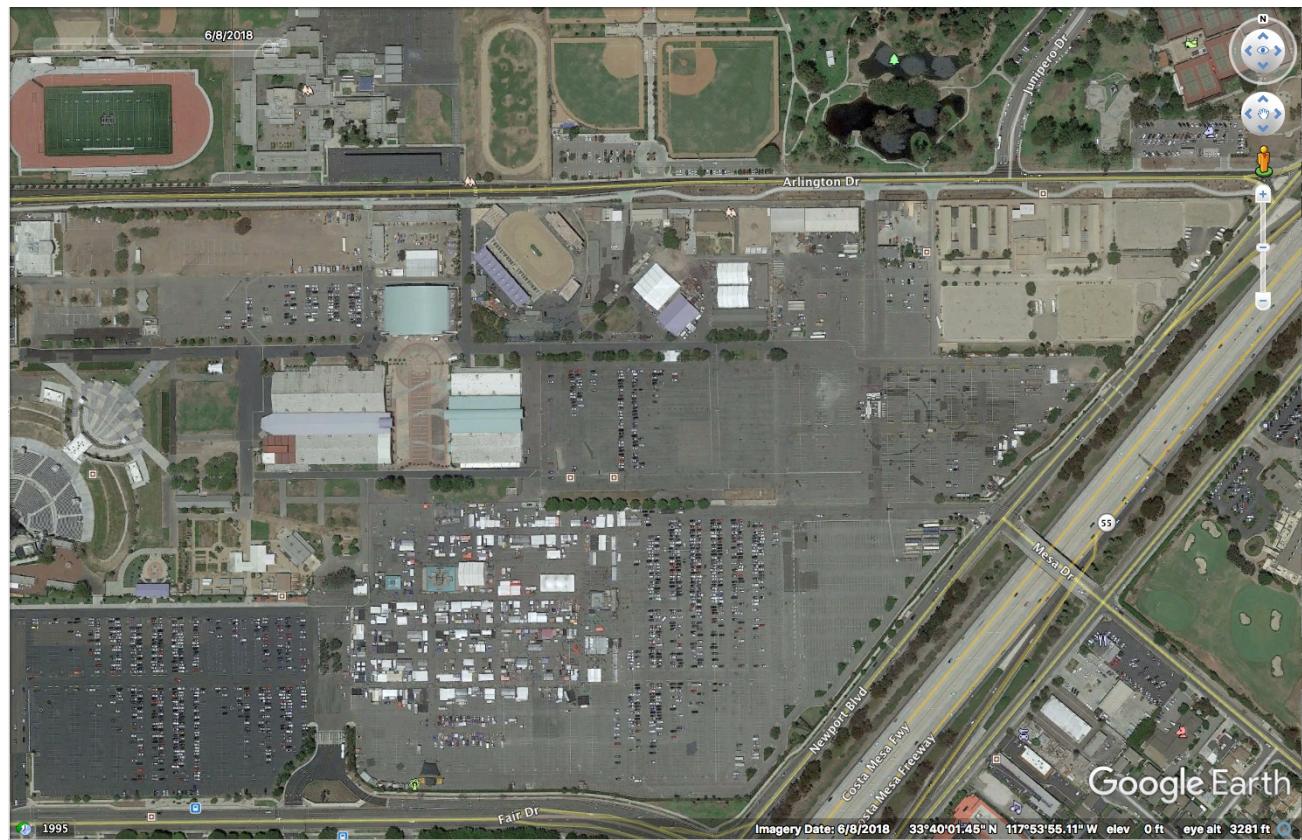
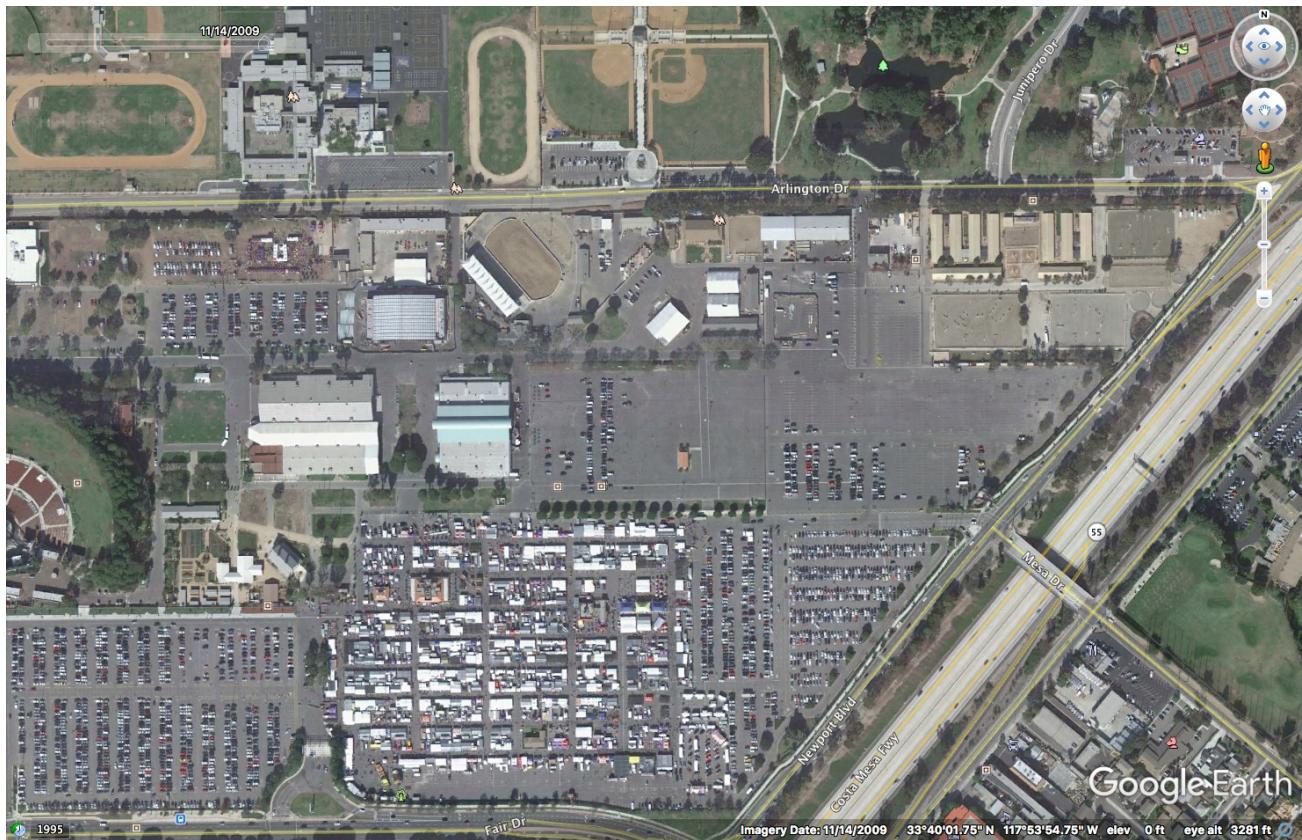
RE: *Handling of OC Market Place*

Dear Chair Cervantes and Board:

On May 20, 2020, Spectra submitted a letter to the 32nd District Agricultural Association (“32nd DAA”) seeking to terminate its contract to operate the OC Market Place. Although the basis cited in its letter for termination does not appear to be valid, Friends and Neighbors of the Orange County Fairgrounds encourages you to accept Spectra's termination, with the critical requirement that Spectra surrender to the 32nd DAA any property rights that it may have related to the OC Market Place or to any facilities which Spectra has in the OC Fairgrounds parking lot. This will create an opportunity for the 32nd DAA to investigate how best to use its valuable resources, which have been occupied by the legacy OC Market Place operation, to support the 32nd DAA's mission and its core functions.

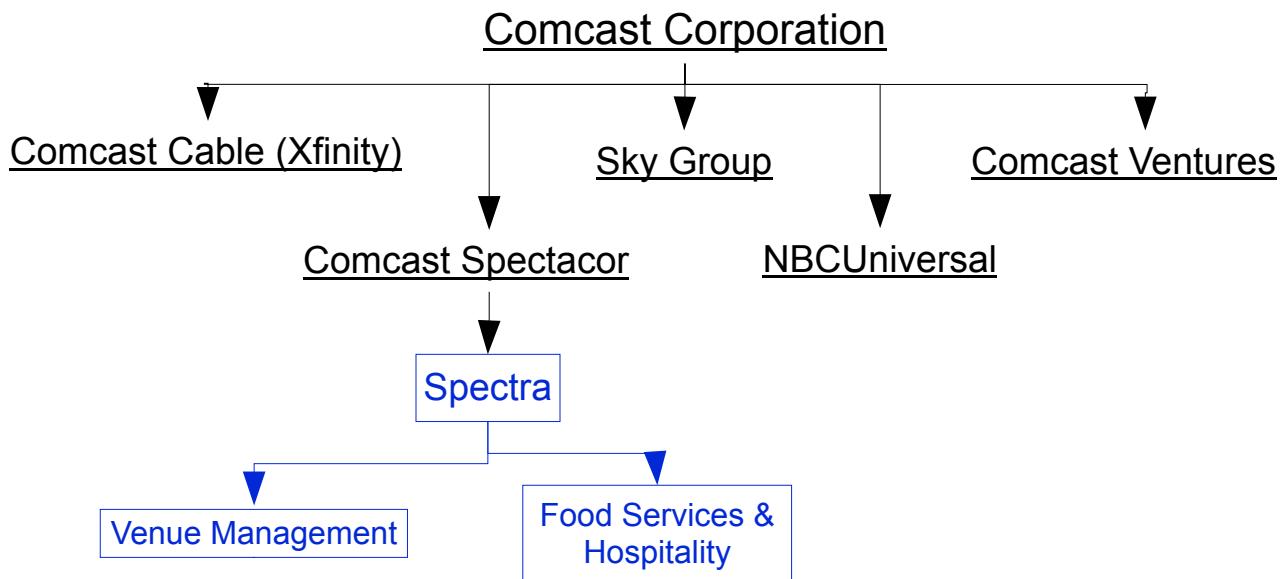
Unfortunately, the OC Market Place reflects a 50 year old business model that appears to be at the end of its natural life-cycle. Orange County Market Place was founded in 1969 by Tel-Phil Enterprises, which included the Teller family in addition to other investors. Tel-Phil was the sole operator until the business was sold to Ovations Fanfare LP in 2016. The advent of eBay, the Amazon Marketplace, Rakuten, Etsy, and others, as well as the rise of other swap-meets in Orange County, has contributed to an inexorable decline in the OC Market Place for more than a decade. The change in management from Tel-Phil to Spectra has not been able to reverse this decline and the OC Market Place has not evolved with the times, in part because the contract to operate the weekend outdoor market place at the OC Fairgrounds has not been competitively bid since 1969.

The OC Market Place is a shadow of what it once was. The extent of this decline can be seen in two aerial Google images that happened to capture the OC Market Place in operation. The first, from 2009, shows an OC Market Place that took up all of Parking Lots A and H. Vendor space is at capacity and the parking area is full. The second photo is taken from 2018. The OC Market Place covers a much smaller footprint than it once did, the vendors are spread out, with large gaps between



them, and there are far, far fewer cars parked in the adjacent lot, reflecting the much lower turn-out. This decline has continued, and before shutting down as a result of the pandemic, the OC Market Place had declined even further.

There are those among OC Market Place vendors who have argued that giving a short term rental break to Spectra, which they believe Spectra will pass along to its vendors, will turn the OC Market Place around. It will not. The issues with the OC Market Place are systemic and long term. Moreover, the issue is not cash flow, and a six month rent reduction to Spectra is not going to be a significant motivator. As illustrated in the organization chart, below, Spectra is part of Comcast Spectacor, a division of Comcast Corporation, which had \$108.9 billion in revenue in 2019.



According to its website, Spectra manages 135 venues world-wide, including, among many others, the Cotton Bowl, the Liberty Bowl, and Wells Fargo Center¹ in Philadelphia (home of the Philadelphia Flyers of the NHL and the '76ers of the NBA). Spectra provides Food Services & Hospitality functions at 180 locations throughout the world. A short term rental break is not going to change Spectra's mind or solve the OC Market Place's systemic issues, and the 32nd DAA would be well advised to follow the lead of a sophisticated multi-national facilities management and food services and hospitality company in exiting the endeavor.

After 50 years, the time has come for the 32nd DAA to evaluate whether other, better uses for the facilities historically occupied by the OC Market Place exist. Voluntarily accepting Spectra's termination, with the requirement that Spectra surrender any tangible and intangible property rights it has in the OC Market Place and to all facilities it has in the parking lots in or surrounding the OC Market Place, would give the 32nd DAA the flexibility and the opportunity to determine how best to use the area. For example, the parking revenue, alone, from additional all venue events or multiple large events made possible by the parking area currently occupied by the OC Market Place, could result in \$1.5 - \$2 million in annual revenue and ameliorate the issues of traffic, safety and neighborhood annoyance created by parking shortages and/or the use of off-site parking.

The 32nd DAA has had a long term relationship with Tandem Partnerships, who can provide substantial expertise and guidance as to what option for alternative events and marketing that would

¹ Wells Fargo Center and the Philadelphia Flyers are also owned by Comcast Spectacor.

be created by the availability of the space currently occupied by the OC Market Place. The opportunities to have more all-site weekend events, book multiple large events on the same weekend, or develop new events such as high-end specialty craft fairs, or even reach out to the Orange County Farm Bureau about becoming the future home of the weekend OC Farm Bureau Farmer's Market should all be evaluated. We recommend that as part of the 32nd DAA's acceptance of Spectra's termination, you direct staff to work with Tandem to research and develop a plan for making efficient, lucrative, and mission supportive use of this opportunity.

While Tandem is performing that analysis and before the 32nd DAA has decided its future direction, the 32nd DAA, can continue to operate the OC Market Place to ease the transition for vendors. Continued operation at zero or reduced rental rate by Spectra, for a limited time, could be made an additional condition of allowing termination. Similarly, especially in light of the cancellation of the in-person 2020 OC Fair, the 32nd DAA would appear to have the resources to operate the OC Market Place during any transition.²

In conclusion we recommend that the 32nd DAA:

- Agree to voluntarily terminate Spectra's ongoing contract to operate the swap meet with the conditional requirement that Spectra transfer to the 32nd DAA all tangible and intangible property rights or liens that it has related to the OC Market Place and transfer ownership of all facilities in the parking lot to the 32nd DAA;
- Work with Tandem to identify options to more effectively and profitably utilize the resources currently used by the operation of the OC Market Place in keeping with the 32nd DAA's mission and core enterprise; and
- Continue to operate the OC Market Place during a limited transition period to reduce the impact on vendors, either through an agreement with Spectra or through direct operation.

The OC Market Place was born in, and of, a time, when, outside of the annual Fair, the OC Fairgrounds was used for very little, and the OC Market Place provided a unique shopping alternative to the residents of Orange County. Neither of those two things has been true for many years and while the OC Market Place's business has inexorably declined, the 32nd DAA's ability to make other use of those facilities has greatly increased. Spectra's request to terminate its contract is an opportunity for the 32nd DAA to recognize this and embark on a new initiative, with the guidance and advice of Tandem, that is reflective of the 32nd DAA's mission and current realities and with greater profit over the years to come. Thank you for your consideration.

Sincerely,



Vincent M. Pollmeier
Director, Friends and Neighbors of
the Orange County Fairgrounds

² You may be told that Cal. Bus. & Prof. Code §21669(b) prevents the 32nd DAA from directly operating a swap meet, but, although you should get your own opinion of counsel, this section does not appear to apply as the only swap meets in direct competition to the OC Market Place in the Costa Mesa area are operated by Golden West College and Orange Coast College, which are not private enterprises.

Distribution:

Board of Directors - 32nd District Agricultural Ass'n

Chair Sandra Cervantes	scervantes@ocfairboard.com
Vice Chair Natalie Rubalcava-Garcia	nrubalcava-garcia@ocfairboard.com
Ashleigh Aitken	aaitken@ocfairboard.com
Barbara Bagneris	bbagneris@ocfairboard.com
Nick Kovacevich	nkovacevich@ocfairboard.com
Douglas La Belle	dlabelle@ocfairboard.com
Newton Pham	npham@ocfairboard.com
Robert Ruiz	rruiz@ocfairboard.com

Michele Richards, CEO, OCFEC	mrichards@ocfair.com
Josh Caplan, Deputy Attorney General	josh.caplan@doj.ca.gov