

Nebraska State Legislature

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Nebraska Retirement Systems
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Reference

December 15, 2007

Patrick J. O'Donnell
Clerk of the Legislature
State Capitol, Room 2018
Lincoln, NE 68502

Dear Patrick:

LB 435 enacted during the 2007 legislative session directed the Agriculture Committee of the Legislature to perform a study of the capital investments necessary to serve the programming needs of a contemporary state fair and state fair facility, both at its existing location and at a hypothetical alternative location, and on or before December 15 provide a report of its findings. On behalf of the members of the Committee, I am pleased to provide you with the report of the Agriculture Committee in fulfillment of the provisions of LB 435.

The committee's report provides an historical overview leading up to present day discussions surrounding the future of the Nebraska State Fair at its present location and opportunities that may be realized in utilization of State Fair Park for an alternative use. LB 435 provided the Committee's study be assisted by analysis and recommendations relevant to the purposes of the study by a professional consultant. The consultant team of HOK Smith Forkner and Economic Research Associates (HOK/ERA) were selected for the State Fair Modeling Study authorized by LB 435. Our report summarizes the conclusions reached by HOK/ERA and compares the findings of this most recent assessment of State Fair Park with the conclusions of previous planning assessments. Final work products submitted by HOK/ERA are included as appendix items to the Committee report.

The immediate issue before us is one of choosing between competing alternatives for utilization of a state asset, which is now occupied and managed on behalf of the State of Nebraska by the Nebraska State Fair Board. The Agriculture Committee does not recommend a particular resolution of that question at this time. We are encouraged by the renewed interest by all parties to dialogue and to seek consensus or collaborative solutions to the questions at hand. A recommendation from the committee at this point would likely inhibit the ability for creative solutions to emerge. We expect the stakeholders in this discussion will work towards resolution and their success will guide and advise the Legislature on this important matter. The Committee is considering legislation for the 2008 session which would remove the statutory requirement found in §2-101 that the Nebraska State Fair be limited to its current location. Introduction of this statutory change would provide the catalyst for all parties to work towards resolving this issue. However, the Agriculture Committee is prepared to act to provide direction if the parties are unable or unwilling to resolve this issue through negotiation.

Pat O'Donnell
December 15, 2007

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It is the committee's hope and belief that question is not approached as whether we should have a great state fair or a great University. We believe the question is better framed as how can we achieve both. We are encouraged by the visionary thinking that has emerged from various communities and groups throughout the state during the course of this study. We urge and expect dialogue between the interested parties and the State Fair Board to move the state forward both in realizing opportunities to leverage the University's considerable assets through strategic research partnerships and in restoring the State Fair as a showcase of our state's heritage and as a premier cultural and educational event for the state and its citizens.

The members of the Agriculture Committee join me in expressing appreciation for the cooperation and assistance of the Nebraska State Fair Board and other stakeholder groups during the course of this study. We are encouraged by the ownership Nebraskan's continue to take in their State Fair, and impressed by the interest shown in its welfare. The Nebraska State Fair, as HOK/ERA observes, is a true "state" fair serving a statewide purpose and constituency.

A copy of this communication will be provided to members of the Legislature. I request that the committee's report for LB 435 along with this cover letter be made available to the public through the webpage of the Agriculture Committee.

Thank you for your consideration.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Philip Erdman". The signature is written in black ink and is positioned above the printed name and title.

Philip Erdman, Chair
Agriculture Committee of the Legislature

Nebraska State Fair Modeling Study

**Report of the Agriculture Committee of the Nebraska
Legislature in Fulfillment of LB 435**

December 15, 2007

The Nebraska State Fair Modeling Study:

**Report of the Agriculture Committee of the Nebraska
Legislature Pursuant to LB 435**

Agriculture Committee Members

Philip Erdman, District 47, Chair
Annette Dubas, District 34, Vice Chair
Ernie Chambers, District 11
M. L. Dierks, District 40
Russ Karpisek, District 32
Vickie McDonald, District 41
Don Preister, District 5
Norm Wallman, District 30

Report prepared by Rick Leonard, Agriculture Committee Research Analyst.

Introduction

The Nebraska State Fair has undergone a period of intense scrutiny over the past decade. During the 1990s and in the early part of this decade, a number of factors contributed to steadily declining state fair attendance, deteriorating facilities, and quality of the annual state fair event, and an increasingly distressed financial condition for the fair. More recently, in large part due to the substantial subsidy in the form of Nebraska lottery revenues approved by the voters in 2004, the fair has returned to relative operational stability. The Fair Board has eliminated operating debt, undertaken some modest improvements to State Fair Park and has achieved three consecutive years of positive trends in attendance and other indicators of performance.

With LB 1236 enacted in 2002, the Legislature recognized the State Fair as an annual venue for the exhibition and dissemination of agricultural, horticultural, industrial, mechanical and other products and innovations, for exhibitions in the sciences, arts and skilled crafts, and declared the fair to be a “beneficial cultural and educational event for the state and its citizens.” Despite recent success, the State Fair Board continues to face a number of challenges to continue to uphold these traditions and remain viable in the long term. While recent trends suggest that the Fair Board is in a better position to address deficiencies with its physical plant, the Fair Board has adopted a cautious, pay-as-you-go approach to achieving improvements in lieu of an ambitious comprehensive program of renovation, such as those envisioned in planning assessments of the facility that would require a more aggressive financing strategy.

State Fair Park, the fair’s location since 1901 which is property donated to the state of Nebraska as a permanent site for the fair, is now engulfed by the city of Lincoln. Its location - near business and entertainment centers of Lincoln and the University of Nebraska - coupled with favorable transportation and infrastructure facilities as well as the enhancements brought by the Antelope Valley urban redesign project, present opportunities for alternative public and private uses for the property. Very recently, the University of Nebraska, and planning groups within the city of Lincoln, have advanced the prospect of co-locating the state fair on the Lancaster County Ag Society’s exhibition facility near the southeastern edge of Lincoln to allow the state fairgrounds to become a public/private research campus. This proposal has been met with considerable skepticism by the State Fair Board and other constituencies.

In response to these developments, the Legislature enacted LB 435 during the 2007 session. LB 435 directs the Agriculture Committee of the Legislature to perform a study of the capital investments necessary to serve the programming needs of a contemporary state fair and state fair facility, both at its existing location and at a hypothetical alternative location, and to provide a report of its findings and recommendations. This document and attachments are submitted by the Agriculture Committee in satisfaction of this assignment.

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Historical Overview

The immediate catalyst for the Legislature undertaking this study is a series of planning activities by the city of Lincoln and a private community organization that have recommended relocating the state fair from its present site near downtown Lincoln to the exposition facility at the east edge of Lincoln operated by the Lancaster County Agricultural Society. However, it may be helpful to review the progression of events leading up to present conditions.

Deterioration of the Fair and Fairgrounds and the Solicitation of State Funds:

Until recently, the Nebraska State Fair has undergone a period of steady decline, both in quality of the state fair event and in attendance, and also in noticeable deterioration of the fairground facilities. The fair's financial issues are discussed in a 2001 program evaluation study by the Legislature's Research Division which found that in all but one year from 1993 to 2000, the state fair had operated at a loss after factoring in depreciation. There are undoubtedly a number of contributing factors, but two in particular stand out. First, horseracing revenues supporting the fair experienced a steady decline during the 1990s, coinciding with a period of expansion of other gaming venues, notably casino gambling in Iowa and initiation of the Nebraska state lottery. Secondly, relations between the Board of Agriculture and the Lancaster County Agricultural Society, which had co-located at State Fair Park and contributed financially to its maintenance, deteriorated due to disagreement over a number of fair property management issues. This led the Society to eventually abandon its cooperative arrangement with the State Board of Agriculture, and to initiate construction of its own exposition facility, now known as the Lancaster Events Center.

With the deteriorating state of the fairground capital facilities, the Board of Agriculture began to turn to state funding sources to assist with fairground maintenance. State Fair Park is owned by the State of Nebraska and is occupied by the Board under a property management agreement with the Nebraska Department of Administrative Services (DAS). A formal property management agreement between the Board of Agriculture and the DAS on behalf of the state was entered into in 1995 in part to enable the Board to qualify for state building maintenance funds and state general fund appropriations. Among other requirements relating to facilities planning, the 1995 property management agreement required the Board to develop, by the following year, a comprehensive facilities, and business plan. Although the Board failed to meet this requirement, it submitted capital construction requests to the Building Renewal and Allocation Fund in 1995, 1997 and 1999, and also submitted capital construction requests from the state general fund to the Legislature in 1997 and 1999.

All capital construction requests were denied due to the Board's failure to fulfill the planning elements under the 1995 property management agreement. In 1999, the Legislature appropriated \$20,000 matching funds to assist the Board in meeting that objective. The Board contracted with Sinclair Hille Architects of Lincoln which completed a comprehensive master plan in September, 2000. The Sinclair Hille study proposed a \$27 million capital improvement program carried out in 4 phases. The following year, the Board contracted with Markin Consulting of Maple Grove, Minnesota to prepare a long range business plan, completed in November, 2001. The completion of the Sinclair Hille master plan coincided with the beginning

of a prolonged period of severe budget shortfalls for the state of Nebraska. State funds were unavailable to assist the Board in implementing the plan and any private fundraising efforts were minimal or unsuccessful.

Legislative Intervention – Revisions to Governance:

The Legislature's Performance Audit Committee was also asked during this period to perform an evaluation of the State Board of Agriculture. The purposes of the evaluation were to describe the Board and its administration, evaluate the Board's financial performance, and to determine compliance with certain legal requirements. The results of this evaluation, completed in December, 2001, led to two bills introduced during the 2002 legislative session. LB 961 would have eliminated the Board of Agriculture and created a new State Fair Commission as a state agency to conduct the fair and manage the state fairgrounds. As introduced, LB 1236 did not propose significant changes in governance of the fair, but was introduced to implement a number of the recommendations of the program evaluation.

In part due to the state's fiscal situation, the Legislature did not wish for the state to assume the Board's substantial debt and liabilities and rejected the LB 961 approach. However, LB 1236 was enacted with amendments to change the governance of the fair in an attempt enhance the Board's ability to solicit private financial support, although retaining the Board's status as a private corporation. The Board of Agriculture was renamed the Nebraska State Fair Board and reorganized into an 11-member board, four of whom are appointed by the governor to represent business communities in the state, and the remaining members appointed from 7 state fair districts. The Chancellor of the University of Nebraska-Lincoln and the President of the Nebraska Arts Council were also added as ex-officio board members. LB 1236 also encouraged the reactivation of a state fair foundation, formally recognized in statute the Fair Board's use and management of the state fairgrounds under the property management agreement, and specified certain elements of that agreement.

Partnering Committee:

Despite some success in soliciting private support for the fair as a result of LB 1236, the State Fair campus and the fair itself continued to face severe financial difficulties, including the burden of servicing over \$1 million in operating debt. In 2003, Governor Mike Johanns and Lincoln Mayor Colleen Seng formed a group of community and governmental leaders to study issues confronting the fair, identify concepts to improve the fair's performance, and enhance efforts to solicit private sector support. This group was identified as the Partnering Committee which issued its report of findings & recommendations in January, 2004.

The partnering committee examined several options for the State Fair:

- Relocation possibilities – Grand Island, Omaha Convention Center, an I-80 interchange, and the Lancaster Ag Society Events Center at 84th & Havelock streets in east Lincoln;
- Moving some state fair functions to other venues, such as ag exposition to Husker Harvest Days and horseracing to the Events Center and concentrate on developing the fair and fairgrounds as an urban fair
- Bigger and better fair – expansion of fair event activities and facilities

- Similar size fair but with more modest investments to improve utilization and financial performance, including the option of relocating the Lancaster County Fair back to State Fair Park.
- Discontinue the state fair

The Partnering Committee's preferred alternative was a version of an improved state fair at its present location jointly hosting the state and Lancaster County Fair. The report identified an action plan that included a priority program of facility improvements and certain programming and operational improvements. Some of the capital improvements to the state fairgrounds identified are to coordinate with a significant city of Lincoln urban redesign project, known as the Antelope Valley project.

The Partnering Committee report also identified a set of recommended funding sources and additional funding options for consideration. The recommended funding elements of the action plan included:

- Seeking \$2 million of state lottery revenues to be directed to support for the state fair. The action plan envisioned that $\frac{1}{4}$ of the anticipated lottery revenues would be utilized to enhance state fair programming and $\frac{3}{4}$ utilized for bonding and debt service associated with capital improvements
- Provide 10% local match of lottery proceeds in part through increasing the lodging tax assessed by Lancaster County with incremental revenue dedicated to aid state fair capital needs
- \$8 million of private contributions raised by the State Fair Foundation
- Rely on horseracing industry to finance half of recommended horseracing facility upgrades identified in the capital construction portions of the action plan.

Portions of the funding elements of the Partnering Committee action plan have been implemented. Legislation was introduced during the 2004 legislative session, and enacted as LR209CA proposing an amendment to the state constitution to direct 10% of net lottery revenues to the State Fair Board. The corresponding ballot amendment was approved by the voters in November 2004. As amended and approved by the state's voters, LR209CA also directs that the host community for the state fair provide a 10% match of lottery revenues. At the time the Partnering Committee report was released, it was contemplated that the lodging tax, perhaps in combination with other local resources, would provide required matching funds. Since the completion of the Partnering Committee report, Lancaster County has accessed additional lodging tax authority available but additional revenues have been invested in other community projects. The host community match commitment has been met with general funds and other miscellaneous sources, and additional city sales tax revenues realized by annexation of the State Fair Park. To date, the Fair Foundation has fallen well short of securing the \$8 million in private capital recommended by the Partnering Committee, and continuing uncertainty surrounding the long-term location of the state fair have greatly hindered fundraising efforts. The Agriculture Committee is unaware of the extent to which the horseracing industry may have contemplated or initiated efforts to fund improvements to the fair's racing facility.

At the time of its submission to the voters, the 10% share of net lottery proceeds was estimated to generate approximately \$2 million annually. Actual lottery proceeds directed to the state fair thus far have exceeded \$2.5 million annually and in combination with the city of Lincoln matching revenues, this funding source now approaches \$3 million per year. With the influx of lottery revenues, the State Fair Board has eliminated its debt, initiated some modest improvements in infrastructure and aesthetics, made some progress in addressing deferred maintenance, and

achieved a noticeable improvement in the quality of the state fair event. Over the past three years, attendance at the fair has stabilized and is trending upward for the 2006 and 2007 fairs. While its financial condition has improved dramatically to the point that the Fair has returned to operational stability, the resources necessary to achieve the program of construction and renovation envisioned by the Sinclair Hille or Partnering Committee reports appears to remain limited. Any such improvements are likely to be undertaken in incremental steps. Very recently, the Fair Board commissioned a conditions study of the 4-H and Industrial Arts Buildings as per the Partnering Committee recommendations. The Board has discussed launching a fundraising campaign to raise \$4 million needed for a complete renovation of the 4-H building. Additionally, the Fair Board reported at the December 14 interim hearing of the Committee held in conjunction with LB 435 that it has built reserves to begin implementing elements of a 15-year capital improvement program unveiled at this hearing.

Events Facilities Task Force and Vision 2015:

In April, 2005, Lincoln Mayor Seng appointed an Events Facility Task Force to coordinate discussion of several ideas circulating within the community regarding possible arena and convention facilities. Mayor Seng directed the task force to study and evaluate various proposals for event venues that had been advanced by several groups, and to make recommendations to prevent duplication. Included among venues the task force was asked to examine were expansion of the Lancaster Event Center owned by the Lancaster County Agricultural Society and any plans for upgrading facilities at State Fair Park. The task force's report in October 2005 included a recommendation that the State Fair Board and the Lancaster County Agricultural Society explore co-locating to a single campus. A separate task force was then formed to examine the question of co-location more closely. This second study, released in November, 2006, specifically recommends the two groups consolidate at one location with the preferred option that the State Fair move to an expanded Lancaster Event Center campus and operate the facility under a common governing structure.

A separate private planning group consisting of business and community leaders in Lincoln and known as Vision 2015 has separately advanced a number of development "pillars" for the city of Lincoln. Among them is to expand the research facilities of the University of Nebraska-Lincoln. This group has advocated examining possible reuse of State Fair Park as a public and private research campus and relocation of the State Fair to the Lancaster Events Center. The Vision 2015 group has pledged to contribute at least \$6 million in private funds to help accomplish the relocation.

While the State Fair Board did participate in the Events Facilities Task Force, and has been approached by the Vision 2015 group, the fair board has not endorsed any proposal for relocation. In fact, in its formal statement of position regarding the Events Center Task Force recommendations and the Vision 2015 initiatives, the State Fair Board expressed its concern that any plan of relocation would necessarily entail considerable taxpayer subsidy and also cited conflicts with the Ag Society's business objectives and costs of associated capital plans. The position statement further implies that the Fair Board views the Ag Society site is unsuitable for location of the State Fair and inferior to the present location.

Nebraska Innovation Park:

Although not part of the scope of LB 435 or this report, planning regarding redevelopment of the state fairgrounds has continued on an independent path and deserves some mention here. The University has engaged the services of a private consulting firm to develop a model for a research park on the site of the State Fair Park. A proposed site plan and conceptual elements for such research facility designated as the Nebraska Innovation Park was unveiled publicly on November 19, 2007.

The plan presented is modeled after the Centennial Campus at the University of North Carolina, and includes public and private technology development space to encourage private entrepreneurs to work with UNL research faculty. Build out of the campus would be phased in over time and funded through a combination of public and private funds. Information about the Nebraska Innovation Park may be viewed online at <http://www.unl.edu/ucomm/chancellor/nipark/>.

LB 435: State Fair Modeling Study

The combination of planning activities discussed in the previous section led to the introduction of LB 435 and LB 131 during the 2007 legislative session. As introduced, LB 435 would have directed the State Fair Board to create an updated master plan with specified elements, including a cost benefit analysis of co-locating the state fair at another agricultural exposition facility, (i.e. the Lancaster County Events Center). LB 131, which is being held in committee, would direct the University of Nebraska-Lincoln to develop a research corridor master plan for areas adjacent to its downtown campus and including reuse of the State Fair Park for this purpose.

As enacted, LB 435 substitutes a study by the Agriculture Committee of programming needs to conduct a state fair and enhance other utilization of a state fair campus and the costs to achieve such programming needs at State Fair Park or at a new site. Sections 1 & 2 amend §2-108 and §2-111 to direct the Fair Board to cooperate with the Ag Committee study and authorizes the State Fair Board to commit funding to underwrite such study project. Under the bill, the Agriculture Committee is directed to perform a study with the following elements:

- Identification of capital facilities and infrastructure required at present state fair site to meet 15-year program needs to serve as state fair and to maximize off-season utilization and 15-year cash flow projection incorporating capital improvements to meet such program need
- Identification of capital facilities and infrastructure required at alternative location to meet comparable 15-year program need and 15-year cash flow projection.

This section further provides that the Ag Committee be assisted by analysis and recommendations relevant to the purposes of the study by an independent consultant commissioned with the assistance of DAS with funds gifted for that purpose (i.e. funds contributed by State Fair Board). The independent consultant report is to be submitted on or before November 15. The Ag Committee is directed to provide a report of its findings and recommendations by December 15 with an intervening public hearing of the committee held after receipt of the consultant report. The public hearing was held on Dec. 14.

Consultant Selection Process & Scope of Services:

An RFP soliciting proposals to fulfill the professional services authorized by LB 435 was advertised through local, regional, and national media outlets, including architectural/planning trade publications on April 30, 2007. Proposals were submitted by three consulting teams for the Nebraska State Fairgrounds Modeling and Master Plan Study. The team of HOK Smith Forkner and Economic Research Associates (HOK/ERA) was chosen by a five-member selection committee from among the three candidates. HOK/ERA was the preferred choice of 4 of the 5 selection committee members, utilizing a common evaluation and rating system based on evaluation of the written submissions only, and the unanimous choice of the selection committee after completion of interviews with each consultant group.

While all three candidate teams submitted strong proposals, it was felt that HOK/ERA 's approach to the project was most on point to the purpose of the study and its intended utilization at this stage of discussion of the future of the Nebraska State Fair. Additionally,

HOK/ERA's considerable experience in fair relocation feasibility studies and as designers of entirely new fairground facilities, where incorporating progressive fairground concepts is most feasible, were viewed as particularly relevant to the study objectives. Finally, the consultant's independence and objectivity was an important consideration. HOK/ERA's distance from the issues surrounding the fair and lack of previous business relationships with stakeholder groups in the community presented fewer concerns that their work would not be accepted as objective and unbiased.

Both the RFP and the contracted scope of services provided for HOK/ERA to present its conclusions in two phases. Phase I materials, presented to the Agriculture Committee on October 1, identified physical and programming elements necessary for optimal performance for the Nebraska State Fair. HOK/ERA employed a peer fair evaluation method selecting nine fair facilities that offered models of success and/or modern fair and exposition facility design and planning elements, for comparison of facilities and state fair event and facility needs and performance potential. From this information and utilization of economic and market analysis, a model fairground was developed within the parameters that the facility would be operationally self sufficient and achieve optimal state fair attendance and off-season utilization. The Phase I report also provided evaluation criteria to assess the suitability of any potential site for hosting the state fair and presented a hypothetical ideal state fair facility incorporating a variety of optimal design and functional features, amenities and services identified in the peer analysis.

Phase II of the project essentially compares the existing state fairgrounds to the ideal model developed in Phase I. The Phase II materials provide a side-by-side comparison of State Fair Park with the ideal model presented in Phase I, including elements of design and functionality, and capital facilities to accommodate fair event and off-season utilization programming needs. (Documents submitted by HOK/ERA were posted on the Agriculture Committee's website, <http://nebraskalegislature.gov/web/public/agriculture>.)

Project Objectives:

It is intended that the committee's work over the interim, assisted by consultant products authorized through LB 435, will arm the Legislature and interested constituencies with additional information to better inform current discussions regarding the fair, including location issues. Although co-location of the state fair at the Lancaster Events Center is being actively promoted within the Lincoln community, moving the fair to that location were by no means predetermined or necessarily preferred by all parties with a stake in this discussion.

It should be noted that it was not within the scope of consultant services commissioned in fulfillment of LB 435 to determine or to make a recommendation whether relocation of the state fair is a preferred or viable course of action. Additionally, it was also not a purpose of the study to solicit and assess any potential relocation sites for suitability to host the fair or to identify costs of doing so. However, in arriving at a better understanding of investments needed to upgrade the fair to contemporary fair standards at its present site, it is intended that the Phase I documents would be available to and useful to any group or community that wanted to investigate the feasibility and costs of developing any alternative site to host a state fair. The consultant's work products provide independent, objective analysis to better inform current discussions and to provide a consensus methodology for estimating costs for any location option, including continued development of the current site.

Summary of Professional Modeling Study Conclusions:

The final reports for both Phase I and Phase II submitted by HOK/ERA are included in the appendix materials of this report, as well as the PowerPoint presentation documents which supplement the written reports to the Agriculture Committee. The most significant conclusions are:

- Current state fair attendance is around 300,000 fairgoers, a statewide penetration rate of 16%. Based on the consultant's market analysis and performance of peer fairs, an appropriate target for optimal attendance is 450,000 fairgoers, based a 25% statewide penetration rate.
- An idealized site for a state fairgrounds would have the following location and physical attributes:
 - 300,000 population within 30 miles of site
 - minimum of 1,500 motel rooms within 5 miles
 - no more than 25,000 sq. ft. of competing exhibition space within 30 miles
 - 450 usable acres
 - direct access to primary highway or interstate with 2 interchanges serving the site and visibility from and frontage along primary routes
 - regular boundaries, structural soils, level topography
 - site amenities such as trees and water features
 - appropriately sized utility systems
 - compatible surrounding land use and land available for expansion
- Principal components and amenities of an idealized fairground model for Nebraska based on planning principles, peer fair facilities and attendance potential include:
 - 75 acre fair zone
 - parking -- 130 acres public parking and 25 acres service parking
 - 815,000 sq. ft. of buildings including a 6,000 seat arena, 150,000 sq. ft. exhibition space, 200,000 sq. ft. livestock space, 500 horse stalls, 3,000 seat grandstand for dirt events, 1 mile racetrack with 4,000 grandstand seats
 - 13 acre midway
 - site features: tower (i.e. focal element), water feature, events lawn, gateway entrances
 - 1,000 space RV park
- The cost estimate for the hypothetical ideal state fair model at an undeveloped location is \$175 million excluding land acquisition cost. Major cost components include \$27 million for site development, \$91 million for buildings, \$30 million for racetrack facilities, and \$27 million for contingency and soft costs.
- Absent intergovernmental transfers (principally lottery revenues) the State Fair's operating deficit in 2006 is \$2.2 million using 2006 as a benchmark. All areas of operations (state fair, racing and simulcast racing, and off season property rentals) excluding simulcast racing operate at a loss. The inclusion of lottery revenues results in an operating surplus of in 2006 of \$943,000.

- The Nebraska State Fair lags peer fairgrounds in income realized in off-season utilization of fairground facilities and in revenue per state fair attendee.
- At a stabilized level of operations, the combined fair, non fair, and racing of the hypothetical model achieve \$13 million in operating revenues and \$1 million in net operating income. Including non-operating revenues (i.e. lottery) the net operating income increases to \$4.2 million before contribution to replacement reserve and \$2.5 million after a \$1.75 million contribution (1% of project cost) to replacement reserve.
- Overall, the existing state fairgrounds compares favorably to the idealized model achieving a ranking of 80% (40 out of 50 possible points) on the site criteria evaluation. Many of the design elements and core components of the idealized fairgrounds are present. Significant discrepancies of the existing fairgrounds and the idealized model include:
 - site is only 250 acres and opportunity for expansion is limited
 - lack of modern exhibition space and condition of existing buildings
 - proximity of competing exhibition and arena facilities
 - insufficient parking to accommodate current and target peak fair attendance. Current parking space is roughly only half of recommended 15,000 stalls and opportunity for expansion is limited
 - state Fair Park has only 20% of the recommended 1,000 RV spaces and expansion is not feasible.
 - lack of site features
- The total cost of all suggested improvements to conform State Fair Park to the model functionally and structurally is estimated at \$30.75 million. Major cost components include the following :
 - \$22.6 million in new construction and renovation. This includes renovating 100,00 sq. ft of existing exhibition space, and constructing a modern 80,000 sq. ft. exhibition building and a new maintenance building
 - \$2.67 million renovation of existing grandstand
 - \$3.5 million infrastructure allocation and utility connections supporting expanded midway, events lawn and RV operations
 - \$1.55 million for site amenities – entrance/ticket facilities, focal element, landscaping, etc.
- With identified improvements to facilities and programming, and based on market analysis and peer fair comparison, potential attendance at the state fair absent parking constraints could reach 488,000. Parking constraints result in realizable attendance of 430,000.
- Based on anticipated attendance and higher per capita spending, the fair event would achieve an operating profit of \$1.8 million. Increased non-fair event use of the fairgrounds and increased realizable rental rates achieves a net operating profit of 989,000 for non-fair events. After subtracting administrative expense, the net operating profit potential for the combined fair and non-fair activities is \$589,000. Potential net operating cash flow of all state fair, non fair and racing components of

operations and non-operating revenues, after deduction for depreciation and replacement reserve is estimated at \$2.5 million. Cash flow projections do not include costs of debt service to finance identified improvements.

Comparison to Previous Study Recommendations

The table on pages 12 and 13 of this report provides a comparison between the HOK/ERA State Fair Modeling Study and previous assessments of investments needed to upgrade the fair's facilities and improve financial performance. As identified in the Historical Overview in this report, these assessments include the 2000 Sinclair Hille Master Plan and the 2004 Partnering Committee Report. Cost estimates shown in the Arena Task Force column are extracted from tables produced in support of the Events Facilities Task Force planning project and largely arrived at by applying an inflation factor to components of State Fair Park improvements identified in previous studies.

Although individual elements vary, all four studies are relatively consistent in estimates of capital investments (new construction & renovation) needed to upgrade primarily building facilities. The HOK/ERA, Sinclair Hille, and Partnering Committee studies each identify a capital improvement program in the range of \$25 million. The slightly higher figure, \$32 million) identified in the Arena Task Force column is due to an inflation factor added to previously identified building needs and a \$30 / sq. ft. assessment for building enhancement to extend life expectancy. All studies have consistently identified an urgent need to construct a modern exhibition building of approximately 80,000 square feet. There is also consistency in recommendations to renovate other key feature expo buildings on the site, including the 4-H Building and the Industrial Arts building, although HOK/ERA includes upgrading the Industrial Arts Building as a discretionary feature. All also identify a need for some manner of enhancement of site features, with gateway entry features appearing to be a common recommendation.

The most significant discrepancies that explain the variation in costs arrived at in the four assessments appear in allowance for infrastructure needs and costs related to racetrack and grandstand replacement and renovation. The Partnering Committee recommendations included expanding the existing 5/8th mile track to one mile and replacing the existing grandstand at a cost of \$10 million. This is inflated under the Arena Task Force study to \$11.5 million. While the Sinclair Hille master plan did not include race facility upgrade or replacement within its recommended capital improvement program, it did identify this as a potential future need. In contrast, HOK/ERA does not recommend investment in new racetrack facilities as live racing operations are not a significant net revenue source, and are potentially a revenue liability, for overall fair operations. HOK/ERA recommends retaining existing facilities, even with an inadequate 5/8th mile track, primarily to enable revenue-generating simulcast operations to continue. However, a 1 mile track and grandstands is included as a component of the HOK/ERA's idealized state fair model and alone accounts for nearly \$27 million of the cost difference between the ideal fairgrounds (\$30 million, 1 mile track with new grandstand) and recommended improvements to the existing state fairgrounds (\$2.67 million to renovate existing grandstand and utilize existing 5/8 mile track).

There is a need to reconcile significant variations in cost of infrastructure improvements needed. The Sinclair Hille study concluded that infrastructure was adequate and identified only a \$480,000 upgrade to electrical service facilities. Similarly, HOK/ERA assumes

adequate infrastructure and merely allocates \$2 million for unspecified infrastructure needs. In contrast, the Partnering Committee identified an urgent need for \$10 million investment in infrastructure over 10 years, or an average of \$500,000 annually. The most serious deficiencies were found to lie in condition of the streets, sidewalks and other pedestrian facilities. The \$10 million is based on engineer estimates of infrastructure replacement value. The assumption of infrastructure replacement does not appear to arise from an actual assessment of the adequacy of sewer, water or other infrastructure systems. Again, the Arena Task Force estimate of \$11.3 million is arrived at by applying an inflation factor to the \$10 million Partnering Committee infrastructure needs estimate.

The Arena Task Force also includes cost elements not directly identified in the three other studies. The Sinclair Hille study calls for the removal of 27 buildings and the Partnering Committee also suggests replacing the 4-H and Industrial Arts buildings with a modern 75,000 sq. ft. multipurpose building. An allocation for demolition and removal of obsolete buildings is not separately identified by either the Sinclair Hille or the Partnering Committee but these costs are added to the Arena Task Force cost estimates. While HOK/ERA does not recommend continued use of the Industrial Arts Building, it does not provide for its removal but includes renovation of the building as a discretionary item. Likewise, work previous to the Arena Task Force did not indicate a separate allocation for site grading that might be associated with other identified improvements. The Arena Task Force estimate includes a separate allocation for this cost.

The Arena Task Force also includes \$5.5 million cost estimate for new parking. Both the Sinclair Hille and Partnering Committee did identify some expansion of parking but associated these with other improvements and included the costs in those items. HOK/ERA concludes ability to expand parking is limited and instead assumes a need for shuttling from off-site locations to facilitate peak day visitors.

Comparison of Recommendations and Estimates of Cost of State Fair Park Improvements

	Sinclair-Hille (2000)	Partnering Committee Action Plan (2004)	Arena Task Force (2006)	HOK/ERA (2007)
Total	\$27 million	\$48.25 million	\$68.7 million	\$30.76 million
Grading	No costs separately identified. Uncertain whether grading included in costs associated with other identified improvements		\$450,000	
Demolition	No costs separately identified. Plan calls for removal of 27 existing buildings	No costs separately identified. Uncertain whether demolition / removal included in costs of new construction replacing existing facilities	\$850,000 Costs estimate for demolition assumed from master plan and master plan updates	
Infrastructure Streets, sidewalks, utilities	\$480,000 <u>\$480,000</u> – electrical upgrade	\$10 mil. \$500,000 / year over 20 yrs. Specific items not identified. Figure based on engineer visual assessment only	\$11.35 mil Cost update from previous infrastructure need elements	\$3.52 mil <u>\$2 mil</u> – Infrastructure allocation (\$25,000 / sq. ft) <u>\$1.52 mil</u> – infrastructure upgrades / utility connects associated with events lawn, expanded midway, RV campground
Treatment Lagoon			\$120,000	
Parking	No costs separately identified for new parking. Additional parking added in conjunction with other activities and included in costs associate with new entry pavilion (see Landscaping / Amenities category below)	No separately identified parking. Some expanded parking contemplated in costs in conjunction with new 14 th street entrance (see Landscaping / Amenities category below)	\$5,5 mil	\$180,000 Provision of off-site parking & shuttle service

	Sinclair-Hille Master Plan (2000)	Partnering Committee Action Plan (2004)	Arena Task Force (2006)	HOK/ERA State Fair Model Comparison (2007)
Buildings New construction & renovation/upgrade existing buildings	<p>\$23.7 mil</p> <p><u>\$10.2 mil</u> – construct 6 new buildings: 3 horse barns, livestock barn, maintenance facility, visitor pavilion</p> <p><u>\$13.5 mill</u> – Renovate / upgrade 19 buildings, including:</p> <p>4-H -- \$4.19 mill Industrial Arts-- \$4.36 mil Expo Bldg -- \$1.34 mil Admin. Bldg -- \$2.26 mil All others -- \$1.38 mil</p>	<p>\$25.55 mil</p> <p><u>\$11.25 mil</u> – construct new 75,000 sq. ft. exhibit / multiuse facility (replace 4-H & Industrial Arts Bldg.)</p> <p><u>\$4.3 mil</u> – construct new Livestock/Horse Arena</p>	<p>\$32.5 mil</p> <p>Cost update from previous identified building needs. \$30 / sq. ft. for building betterments to extend life expectancy.</p>	<p>\$22.58 -- \$28.78 mil –</p> <p><u>\$1 mil</u> – construct new maintenance building</p> <p><u>\$13.552 mil</u> –Construct new 80,000 sq. ft. exhibition facility</p> <p><u>\$5.128 mil</u> – renovate other exhibition buildings (excluding Industrial Arts)</p> <p>[<u>\$6.1 mil</u> -- Renovate Industrial Arts (optional)]</p> <p><u>\$935,000</u> – Renovate livestock buildings</p> <p><u>\$865,000</u> – Renovate Equine Facilities</p> <p><u>\$1.2 mil</u> – Renovate Coliseum/Ice Box and Open Air Auditorium</p>
Race Track & Grand Stand	<p>No action included in master plan but evaluation for renovation, reuse or replacement suggested for future site improvement</p>	<p>\$10 mil</p> <p>Replace race track and construct new (smaller) grandstand</p>	<p>\$11.5 mil</p> <p>Cost update from previous identified race facility improvement</p>	<p>\$2.67 mil</p> <p>Renovate existing grandstand (no track expansion)</p>
Landscaping/Amenities/Site Features	<p>\$2.8 mil</p> <p><u>\$453,000</u> – Arboretum Park</p> <p><u>\$453,600</u> – Festival Main Street</p> <p><u>1.9 mil.</u> – Entry Plaza & East Parking lot</p>	<p>\$2.7 mil</p> <p>New 14th Street Entry Plaza (includes adjacent parking area)</p>		<p>\$1.55 mil</p> <p>tower/focal element, ticket booths, landscaping, gateways, misc. aesthetic improvements.</p>
Soft Costs			\$7 mil	

