

Oregon Senate Committee on Business and Transportation

March 23, 2015

SB 33 – Oregon State Fair Council



Gene Derfler
Chair

Craig Smith
Vice Chair

Vicki Berger

Loyal Burnes

Commissioner
Kevin Cameron

Jon Chandler

Leah Perkins-
Hagele

George
Jennings

Austin
McGuigan

Anna Peterson

Kerry
Tymchuk

Senator Arnie
Roblan

Linda Norris
Salem City
Manager

Michael
Paluszak CEO

Passage of Senate Bill 7 during the 2013 Legislative session created the unprecedented opportunity for the Oregon State Fair and Exposition Center (OSFEC) to transition from Oregon Parks and Recreation Department (OPRD) into a public corporation, and to survive going forward free from the unintended consequences of government constraints that have contributed to its financial and operation difficulties for decades. The newly formed Oregon State Fair Council is comprised of Oregon leaders representing diverse experiences, industries and interests traditionally represented in the Oregon State Fair activities. Their diversity includes private sector business, the nonprofit sector, economic development interests, the finance industry, the events and facility management industry, city and county elected officials, and more. Additionally, the Council enjoys the benefit of both legislative and municipal advisory members. As diverse as the Council's membership represents, they are united and committed to the common vision of a vibrant, healthy, and treasured Oregon State Fair and Exposition Center. One that cannot only survive, but will **thrive** for current and future generations of Oregonians to enjoy, participate in, utilize, partner with, and be proud of.

Since its formation the Council has worked diligently and closely with OPRD to successfully transition the OSFEC to the Council. The Council officially assumed stewardship of the OSFEC on January 1, 2015 with renewed enthusiasm, an entrepreneurial business mindset, and new management resulting from a nationwide recruitment and search. Clearly, this unique opportunity to succeed created by the Legislature is well on its way to being realized.

ORS 565.456 states:

(3) The mission and purposes of the council are:

(a) To conduct a state fair to be known as the Oregon State Fair for the education and entertainment of Oregon residents and for the promotion, preservation, growth and prosperity of the industries and interests traditionally represented in state fair activities such as agriculture, stock raising, horticulture, youth group involvement in agricultural, stock-raising and horticultural activities, viticulture, manufacturing, metal fabrication, technology and artistic, creative and cultural pursuits; and

(b) To promote Oregon tourism related to the Oregon State Fair and fairground properties and facilities, and promote and further the preservation, growth and prosperity of other industries and activities important to the state economy by conducting the Oregon State Fair and using fairground properties and facilities.

Oregon Senate Committee on Business and Transportation

March 23, 2015

SB 33 – Oregon State Fair Council

ORS 565.456 continued:

(4) *To help fulfill the council's mission and purposes, the council shall encourage residents in all parts of this state to participate in or attend the Oregon State Fair. The council may take any necessary or expedient actions to ensure that fairground properties and facilities are adequate and in good repair. The council shall operate the fairground properties and facilities as an exposition center, encourage the full utilization of the properties and facilities for revenue generation and make expenditures for the construction, repair, remodeling, maintenance, insurance and other needs of the fairground properties and facilities. Subject to any limitations established under this chapter, the council may take other actions the council deems necessary or expedient to ensure the financial viability of the Oregon State Fair and the exposition center or to promote the Oregon State Fair, Oregon tourism and other industries related to fairground business operations or fairground properties and facilities.*

Clearly, the Oregon State Fair is our flagship event. 2015 celebrates its 150th edition, which Huffington Post named one of the “Ten Best State Fairs in the United States.” In 2014 the State Fair saw new energy, renewed passion, significant growth, and continues to be one of the highlights of the year for Oregonians and visitors. The Council is committed to embracing purposeful change, fervently seeking to improve State Fair programs and experiences, and expanding opportunities to showcase “The Best of The Best of The Best” that Oregon produces, creates, represents, and has to offer. Although the State Fair is profitable and continues to be one of the best attended events in Oregon, there is much opportunity for growth, improvement and new ideas.

The Council’s biggest challenge, and also its greatest opportunity, is the year-round utilization and operation of the Expo Center. Making the Expo Center operations efficient and profitable is the focus of much of the Council’s ongoing efforts, and an extremely high priority for management, staff and business partners. We see possibilities where others see problems, we emphasize the cans not the can’ts, and we’re driven by the need to succeed. Failing is not an option, we won’t allow it...you won’t allow it...the people of Oregon won’t allow it.

SB 7 removed many of the business-model barriers that have caused the OSFEC to struggle and atrophy in the past. The unintended consequences of past efforts to make the OSFEC financially sustainable also hinder future likelihood for success. **Senate Bill 33 provides the Council the resources with which to address the most basic needs of deferred maintenance, business start-up, operations, marketing and risk management.**

SB 33 provides \$7,475,000 to begin to address the most critical repairs, deferred maintenance, and health and safety issues. Multi-millions of dollars of unaddressed routine and deferred maintenance have accumulated and compounded over the past several decades. Most of the facilities are in a state of disrepair, many are only marginally marketable as rental facilities, and some are barely usable due to health and safety concerns. In October of 2012 OPRD commissioned an assessment of State Fairgrounds buildings. The projected probable costs from that assessment (attached) ranged from \$9,375,589 to \$12,054,329, excluding design fees, permit fees, hazardous materials abatement expenses, and other costs. Additionally, in many cases these probable costs exclude roof structure damage, leaks, and other conditions caused by water intrusion, a significant and ongoing issue. Further, this assessment only considered buildings and structures, and does not include other attributes of the property such as paving, lawns, utility distribution systems, gates and fences, landscaping, etc. If factoring for inflation, the excluded costs, and attributes not considered the probable costs would easily be several times the costs shown.

SB 33 provides \$3,750,000 for start-up costs, State Fair and Expo Center operations, marketing, and program enhancements. By overwhelmingly passing SB 7, the Legislature charged the newly formed State Fair Council with starting a brand new business that is 150+ years old. Like any new business venture, in order to be successful the

Oregon Senate Committee on Business and Transportation

March 23, 2015

SB 33 – Oregon State Fair Council

Council will incur start-up costs for new phone systems, computer systems, e-mail accounts, establishing utility services, developing new web sites, office and maintenance equipment, furnishings, employee recruitment and training, re-branding, etc. Also like any new business start-up, sufficient operating capital is necessary to sustain and improve ongoing operations while attracting and developing new business growth. This is particularly true and important when marketing to the event industry that typically secures venues and services well in advance, with little or no immediate revenue to venues or service providers. Many events, particularly those which generate the most revenue and visitor spending, select venues at least a year to several years in advance. Even local consumer, business and private events book at least several months or further in advance. Additionally, past business models have inhibited, excluded or even prohibited actively marketing the facilities for year-round use, and pursuing facility sponsorship opportunities. Relying on repeat or walk-in business in today's competitive facilities market is simply not enough to generate the revenue needed to sustain ongoing operations, let alone provide for reinvestment in ongoing maintenance, facility improvement, and new and enhanced programming.

To accomplish its mission and purpose, the State Fair Council has adopted four tenets that form the foundation of its strategy for success, both for the State Fair and the Expo Center:

- **Increase Viability** by:
 - Creating an inventory of facilities, equipment, services, programs and events.
 - Assessing and prioritizing their advantages and limitations.
 - Seeking to build on successes and learn from experiences, good and bad.
 - Determining highest and best use of existing facilities, and identifying underutilized portions of the property.
 - Pursuing commercial events/uses on weekdays, consumer events/uses on weekends.
 - Creating and implementing a master capital improvement and development plan.
 - Considering and pursuing alternate uses of underutilized and underperforming portions of property.

 - **Improve Livability** by:
 - Providing more than just the most basic needs regarding the human experience, comforts and aesthetics.
 - Considering the multiplied benefits created by aesthetic enhancements and attention to detail such as landscaping, signage, fresh paint, and “the little touches” that create a sense of a complete place where people want to be.
 - Identifying and facilitating the needs of event producers and guests, making the venue more user friendly and more desired than other venues.
 - Learning from our competition – resorts, amusement parks, museums, convention centers and other venues.

 - **Enhance Memorability** by:
 - Recognizing that being more viable and more livable go a long way in creating a more memorable experience for event producers and their guests, however...
 - The single most important thing that enhances memorability is the human touch ... *GREAT CUSTOMER SERVICE!*
 - Customer service is not a product, a selling point, a feature, and isn't even tangible. It has to be the very essence of our organizational culture.
-

Oregon Senate Committee on Business and Transportation

March 23, 2015

SB 33 – Oregon State Fair Council

- People will not have much good to tell others or desire to return if they haven't been treated with respect, courtesy and friendliness.
- Great memories are what guests take away with them, build loyalty, and foster growth and a sense of ownership.
- **Exploit Marketability by:**
 - Aggressively and strategically “selling” our facilities and events, not just “take orders.”
 - Identifying who needs and wants the products, location and value we have vs. those of our competition.
 - Investing the highest percentage of time and effort attracting events with the highest net revenue.
 - Giving them the information and experiences they want, the way they want it. Packaging, presentation, personality and persistence are vital to making sales and creating loyalty.
 - Partnering with other amenities, attractions and businesses that complement ours in anticipation of clients other needs.

The State Fair Council thanks Senator Courtney for authoring SB 7 and his vision for a successful State Fair and Exposition Center, and the Legislature for your overwhelming support of our mission. We appreciate the importance of the task we have been given, as well as your confidence in the State Fair Council's ability to not just survive, but to thrive. We look forward to your continued support and participation in State Fair and Expo Center activities.

October 26, 2012

Steve Dockins, Senior Programs Manager
Oregon Parks and Recreation Department
725 Summer St. NE, Suite C
Salem, Oregon 97301-1266

Re: State Fairgrounds building assessments probable cost

Dear Mr. Dockins:

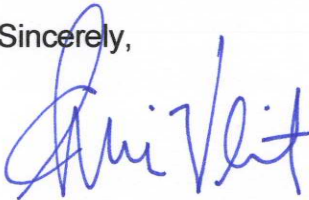
Attached with this letter is the probable construction cost estimate for each building showing the line item description of the observed issue and associated cost to repair. Some issues would require more analysis before a cost could be developed and some issues were requested to be excluded from cost estimating. Also, none of the roof membranes were evaluated however, some roof details were included where appropriate.

The estimates show a low range and high range of cost. The low range carries a 15% contingency and the high range carries a 35% contingency. The contingency means that the estimated cost could fluctuate higher or lower by the percentage noted. The exclusions noted in the lower left corner might also add another 15-20% to the range of costs.

This estimate is a refinement of the previous summary we gave you on October 12. I suggest you discard that one and use this one.

I hope this is helpful and if you have any questions, don't hesitate to contact me.

Sincerely,



Christopher K. Veit, AIA CSI CCS

OREGON STATE FAIRGROUNDS SUMMARY

1/1

Statement of Probable Cost

PROJECTED CONSTRUCTION COST RANGE				
BUILDING	LOW RANGE	HIGH RANGE	AREA-SF	AVE \$/SF
BUILDING #1, JACKMAN-LONG	\$2,158,503	\$2,775,218	54,120	\$45.58
BUILDING #3, COLUMBIA HALL	\$918,084	\$1,180,393	49,192	\$21.33
BUILDING #4, GARDEN BUILDING	\$11,267	\$14,487	6,048	\$2.13
BUILDING #9, 4-H EXHIBIT BUILDING	\$433,489	\$557,343	27,104	\$18.28
MAINTENANCE BUILDINGS O,P,Q Assume the demo subcontractor is the prime	\$26,016	\$33,449	8,618	\$3.45
MAINTENANCE BUILDING 'N'	\$153,695	\$197,607	4,100	\$42.84
BUILDING #15, FFA PAVILION	\$157,265	\$202,198	9,900	\$18.15
BUILDING #15, NORTH ELEMENT	\$38,591	\$49,617	3,990	\$11.05
BUILDING #17,4H/FFA BARN	\$381,233	\$490,157	67,536	\$6.45
BUILDING #18, BEEF BARN	\$87,125	\$112,018	24,840	\$4.01
BUILDING #20, FORSTER LIVESTOCK PAVILION	\$284,010	\$365,155	110,450	\$2.94
BUILDING #21, SHOW HORSE BARN-DEMO Assume the demo subcontractor is the prime	\$181,994	\$233,993	50,240	\$4.14
BUILDING #21, SHOW HORSE BARN-NEW	\$2,476,580	\$3,184,174	50,240	\$56.34
BUILDING #22, HORSE WARM-UP ARENA	\$23,943	\$30,784	31,000	\$0.88
BUILDING #23, HORSE SHOW STADIUM	\$1,347,423	\$1,732,401	57,721	\$26.68
BUILDING #33, CASCADE HALL	\$321,299	\$413,099	18,000	\$20.40
BUILDING #34, L.B. DAY AMPHITHEATRE	\$299,620	\$385,226	60,370	\$5.67
BUILDING #40, PAVILION	\$75,452	\$97,010	89,167	\$0.97
PROJECT TOTAL:	\$9,375,589	\$12,054,329		
Exclusions				
Design fees, permit fees, system development fees.				
Utility hookup charges, testing, BOLI fee.				
Hazardous materials abatement, moving expenses.				