



Item 5-B Horsepark Ad-Hoc Committee Report

Background:

In December 2020, the 22nd District Agricultural Association (22nd DAA) announced a pause of equestrian uses at Horsepark. As reported at the January board meeting, and captured again in this Committee's written report of March 9, there were a series of events that led to this decision. Correspondingly at the January board meeting, the Horsepark Ad-hoc Committee was appointed to work with staff and the community and to hold a public workshop to allow the community to express their thoughts and interests regarding Horsepark in order to allow a fuller and further discussion about regulatory requirements, fundraising interests, etc. The workshop was held on January 29, 2021.

Direction received from the board meeting in February was to gather additional information and provide regular updates to the board, including a better understanding of the range of cost estimates, ongoing operational costs associated with the 22nd DAA continuing to operate Horsepark, historic profit and loss of Horsepark operations and past capital investments/improvements, estimated costs for needed future capital investments/improvements including deferred maintenance, consideration for the potential changes in requirements associated with Regional Water Quality Control Board (RWQCB) permits, and to explore funding opportunities.

In addition to the written Committee Report presented at the March board meeting, the board received a copy of staff's letter to the San Diego Regional Water Quality Control Board (SD Reg. Board) and, subsequently at the April board meeting, the SD Reg. Board's response confirming that in order to have coverage under the Waiver permit, the 22nd DAA must continue implementation of the waste management measures identified in the Waiver. If the storm water management measures/best management practices required by the Waiver are not being implemented, the 22nd DAA would not be covered by the Waiver. Additionally, the response confirmed that the 22nd DAA will need to enroll Horsepark in the Industrial General Permit (IGP) for Medium CAFOs (150 – no more than 499 horses). Estimates for compliance with the IGP at this level is \$3 - \$4 million for the Waiver plus IGP.

At the May Board Meeting, staff updated the Board on the Time Scheduled Order (TSO) and assumptions that staff and consultants thought, at a minimum, would need to be included in a TSO. Regional Water Quality Control Board staff is working on the response as there are varying regulatory requirements to be considered. The Committee also presented an overview of the three potential operating scenarios going forward: 22nd DAA Operation, Public-Private Partnership (P3), and Operator.

Over the course of these past few months, the Committee has also provided relevant background and understanding on CAFOs, the 22nd DAA's Waiver Application process during 2019-2020, the range of potential costs of storm water improvements, considerations for potential capital improvements, and the history of the acquisition of Horsepark.

As a reminder, the 22nd DAA's 1985 Master Plan and Environmental Impact Report (EIR) identified the need to mitigate parking impacts through the acquisition of an off-site parcel that could be used for parking during the Fair. Horsepark, then called Showpark, came available for purchase in 1991 and was ultimately acquired by April 1996 for \$4.9 million funded by the Race Track Authority/Race Track Leasing Commission (RTA/RTLCL). In 2005, the 22nd DAA went before the California Coastal Commission to permit, after the fact, essentially all of the structures on the site. The permit also included plumbing all wash racks and the existing restroom to sewer, relocation of the existing water tower, and the provision of a buffer between the facility and the wetland resources of the San Dieguito River.

Process and Approach:

Recently, the Committee and staff met to review the historic financials and discuss the three options listed below in order to present a recommendation to the full Board at the June meeting.

Considerations of the Three Potential Operating Scenarios

22nd DAA Operation - definition, pros, and cons:

The DAA would resume full operation of Horsepark including the capital and ongoing investment necessary to meet the SD Reg Board requirements.

PROS

- If the funding was immediately available, has the potential to be the fastest way to resuming equestrian activities
- 22nd DAA maintains 100% control of property throughout the year
- 22nd DAA retains the flexibility to add one-off events in addition to equestrian activities (i.e. Christmas tree farms, SDG&E Red Flag Warning laydown, etc.)
- Through 22nd DAA management of it, would not compete with the main campus for event bookings
- Provides cash flow throughout the year

CONS

- \$3-4 million capital immediately available in order to negotiate a TSO with the SD Reg Board
- Requires ongoing investment into facilities beyond the water quality improvements - NI averages \$250,000 per year prior to capital improvements
- Net Income does not necessarily reflect the true investment – no previous allocation of overhead, management, etc.
- Responsible for maintaining compliance including future upgrades, changes in permit requirements, etc.
 - Added monthly expenses for inspections and reporting
 - Added monthly expenses for compliance i.e. BMPs such as fiber roll, silt fencing, coconut mats, etc.
- Lack of subject-matter expertise including BMPs
- Resumption of activity could be delayed through the civil servant hiring process as several positions would need to be added to current staffing levels with an emphasis on equestrian knowledge and experience
- Management of multiple horse show agreements and multiple trainer/boarder agreements

Public Private Partnership (P3):

An arrangement between government and private entities to share responsibility for a project or service delivery. In this case, the 22nd DAA would remain actively involved in overseeing the project and the private entity may be responsible for project design, construction, finance and/or operations of the project.

PROS

- Depending on the structure of the relationships
 - 22nd DAA *could* maintain 100% control of property throughout the year
 - 22nd DAA *could* retain the flexibility to add one-off events in addition to equestrian activities (i.e. Christmas tree farms, SDG&E Red Flag Warning laydown, etc.)
 - *May* not compete with the main campus for event bookings
 - *Could* provide cash flow throughout the year
- If done properly, results in long-term, mutually beneficial partnership
- Can bring about community involvement

CONS

- Can take many forms and therefore, lengthiest means to resuming equestrian activity
 - Need to determine what 22nd DAA is looking for in partnership(s) (fundraising, project design, construction, operation, management, etc.)
- Lack of in-house subject-matter expertise including legal framework to establish
- 22nd DAA retains responsibility for maintaining compliance including future upgrades, changes in permit requirements, etc.
- Depending on the structure of the relationships, 22nd DAA may retain responsibility for:
 - Added monthly expenses for inspections and reporting
 - Added monthly expenses for compliance i.e. BMPs such as fiber roll, silt fencing, coconut mats, etc.

Operator via RFP:

Through an open bidding process, an individual or business would enter into contract with the 22nd DAA to invest in, manage, and operate Horsepark pursuant to the contract and criteria established by the 22nd DAA.

PROS

- 22nd DAA maintains ownership but transfers risk to a third party
 - DAA requires compliance, but is not responsible for the expenses related to it
- Selected Operator is responsible for
 - Capital improvements necessary to comply with SD Reg Board
 - All reporting and associated costs
- Guarantees net income to 22nd DAA if a minimum rental fee is established
 - Depending on structure of payment arrangements, could provide cash flow throughout the year or an annual payment
- 22nd DAA manages one, single-source agreement

CONS

- 22nd DAA loses 100% control of property throughout the year
 - Would need to require full use of it for fair time parking (reason it was purchased)
- Depending on the RFP components
 - *Could* require use of property for evacuations
 - Potential conflict with 22nd DAA main campus for booking events
- Award of contract can be protested and, therefore, delay resumption of equestrian activities

A power point presentation has been prepared to supplement information provided in this report.

Recommendation

At this time, the Committee recommends that the Board direct staff to prepare a Request for Proposal (RFP) to solicit operators for operation of equestrian uses at Horsepark as this option is deemed the most efficient way to return to equestrian activities.

Environmental/Coastal Commission Review:

None at this time.

Fiscal Impact:

The complete fiscal impact of water quality improvements, capital improvements, and ongoing operational expenses are unknown at this time.