

State of California

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**MEMORANDUM**

**Date:** December 11, 2019

**To:** Board of Directors  
California Exposition & State Fair

**From:** Rick K. Pickering, Chief Executive Officer  
California Exposition & State Fair

**Subject:** Request by Rock & Brews of the Pacific to Amend Terms of the Revenue Generating Agreement

**BACKGROUND**

The Board approved a Letter of Understanding (LOU) with R&B at the Board Meeting of June 3, 2016. The following is the timeline of Board actions related to the R&B Revenue Generating Agreement:

March 15, 2017	Effective Date of the signed Revenue Generating Agreement between Cal Expo and R&B.
April 15, 2017	Agreed upon date which Due Diligence period is to conclude.
May 15, 2017	New date which Due Diligence is to conclude as a result of a 30 day extension provided to R&B per their request.
May 15, 2017	Due Diligence period expires.
June 15, 2017	R&B's obligation to pay \$2,500 a month begins 90 days from Effective Date, June 15, 2017.
July 15, 2017	As a result of the 30-day extension on the Due Diligence period, R&B's obligation to pay \$2,500 per month in rent now began July 15, 2017.
December 8, 2017	R&B requested and received approval from the Board to delay payment of \$12,500 per month until March 1, 2018.
March 1, 2018	R&B began its payments of \$12,500 per month. Due to delays in the planning and plan check process, R&B discontinued its payments in August of 2018.
December 14, 2018	R&B Requested and received approval of the Board to delay payment of rent until June 2019, and then pay additional rent each month to make up the past due rent amount.

## **STATUS UPDATE**

In mid-July of 2019, Rock & Brews notified Cal Expo that the State Fire Marshal's Office was requiring a sign-off by the City of Sacramento Fire Department, given that the Sacramento Fire Department would be the first-responders to the Rock & Brews facility in the event of a medical or fire emergency. This review was specific to fire sprinklers, fire panel, and routes of emergency access to the Rock & Brews facility. Rock & Brews believes that it should receive the City Fire Department sign off by December 13, 2019 and be under construction before the first of 2020.

Due to continued delays in the planning and design process, R&B is requesting that R&B be allowed to "defer" payment of the \$12,500/month in rent until such time as the facility is open to the public. Rock & Brews also proposes that it would pay an additional \$5,000/month to catch up on the back rent that has been accumulating. This would equate to roughly \$17,500/month.

R&B principals have undertaken several efforts to keep the project moving forward, yet it has taken much longer than expected to generate construction plans to remodel the existing older structure which will house the new R&B facility at Cal Expo. Several reiterations of planning documents have been reviewed, evaluated, resubmitted etc., over the past year.

Certain demolition work, site cleanup and landscaping has taken place. R&B hopes to finalize its Construction Permit by the end of 2019 and immediately move its construction crew onto the site. R&B hopes to have the facility open to the public in the Spring of 2020.

## **RECOMMENDATION**

Should the Board desire to approve R&B's request to defer rent until such time as the facility is open, and allow for the payment of back rent at \$5,000/month, it is respectfully recommended that the Board require a mechanism to guarantee payment of the deferred rent, such as a signed personal guarantee, or other appropriate financial instrument.