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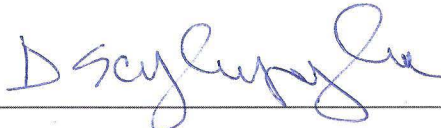
Nick Cochran, Randy Delostrino, Sonia Jimenez, Debbie Jo McCool, Tim Sullivan, Jamie Webb

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BUSINESS ADMINISTRATION

Name of Project Advisor:

Donald Sciglimpaglia, Ph.D.



NOV 30, 2016

Project Advisor

Signature

Date

Name of Second Reader:

Glen H. Brodowsky



DEC 1, 2016.

Project Second Reader

Signature

Date



**Del Mar Fairgrounds
Surfside Race Place
Concert Venue Marketing Analysis**

Prepared by
CSUSM FEMBA Cohort Class 2015 Entry



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Glossary of Acronyms

22 nd DAA	22nd District Agricultural Association
ADA	Americans with Disabilities Act of 1990
CEO	Chief Executive Officer
CSUSM	California State University San Marcos
EMT	Emergency Medical Technician
ESRI	Environmental Systems Research Institute
FEMBA	Fully-Employed Masters of Business Administration
GED	General Education Diploma
IRR	Internal Rate of Return
MBA	Masters of Business Administration
NAICS	North American Industry Classification System
NPV	Net Present Value
P&L	Profit and Loss
SE	Senior Experience
SWOTT	Strengths, Weaknesses, Opportunities, Threats, and Trends



Acknowledgment

The California State University San Marcos (CSUSM) Fully Employed Masters of Business Administration (FEMBA) team would like to thank Del Mar Fairgrounds CEO/General Manager Tim Fennell, all nine 22nd District Agricultural Association Board of Directors (22nd DAA), CFO Rita Walz, MBA Project Academic Advisor Professor Don Sciglimpaglia, PhD., and CSUSM Marketing Professor Glen Brodowsky, PhD., for allowing the team the opportunity to work on this project. The FEMBA team would like to recognize the CSUSM Senior Experience Team for their assistance in validating the financial models on this project.

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Respectfully,

CSUSM FEMBA Team

Nick Cochran, Randy Delostrino, Sonia Jimenez, Debbie Jo McCool, Tim Sullivan, Jamie Webb



Executive Summary

The Del Mar Fairgrounds, managed by the 22nd District Agricultural Association (22nd DAA), is a multi-use facility run with the vision of promoting agriculture, education, entertainment and recreation. It is a cultural hub which is home to popular events including the San Diego County Fair, the Del Mar Racetrack, Crossroads of the West Gun Shows, the Del Mar National Horse Show, and many others. In 1991, the Surfside Race Place was built to allow satellite wagering to take place at the Del Mar Fairgrounds and became the largest satellite wagering facility in California. At 90,000-square feet, the facility has the capacity for up to 5,000 people and boasts more than 1,000 TVs, outdoor patios, and casual dining.

For several years now, the Surfside Race Place has underperformed, suffering from flagging turnout with current attendance resting at only 300 to 400 customers per day, a fraction of the 2,700 that it once attracted. With the growth of internet wagering and the decline of the horse racing industry, the attendance numbers continue to fall with scant potential of rebounding. The 22nd DAA has begun to explore opportunities to repurpose the facility and capture new revenue. The consideration of this proposal comes at a critical time as the 22nd DAA is looking at updating its Master Plan and how they may better fit the needs of the community and the rapidly growing San Diego County Fair (Houck, 2016). A potential partner, Belly Up, is a local and well-known concert promoter has proposed that the Del Mar Fairgrounds construct a 1,900-seat concert venue, in which the Belly Up will book an estimated 60 to 80 shows per year, excluding the shows expected to be held by the annual fair.

The California State University, San Marcos (CSUSM) team of Fully Employed Masters of Business Administration (FEMBA) students, conducted a market feasibility study to accomplish four main objectives:

1. Perform a competitive analysis of concert venues in the region.
2. Conduct a series of customer analytics.
3. Scrutinize the assumptions underlying the current proposal, including the financial model, to convert the current setup of the Surfside Race Place property into a multi-use 1,900-seat concert venue.
4. Investigate promising complementary uses for the proposed venue.

Based on the research, the CSUSM FEMBA team was able to validate that it is feasible to book well beyond 60 to 80 concert shows per year in the proposed renovated facility. Also, the team validated Belly Up's statement that there is, in fact, a current gap in the number of music venues designed to seat 1,500 to 2,500 attendees in San Diego, California, particularly North County.

Based on the findings of this research, the team recommends that the Del Mar Fairgrounds proceed with repurposing the Surfside Race Place into a 1,900-seat concert venue and consider offering a series of onsite complimentary services to increase the 22nd DAA's revenue stream.



**SURFSIDE
RACE PLACE**

General Background

Figure 1. Del Mar Surfside Race Place Photo 2016. Surfside Race Place's front view of facility.



Source: Del Mar Surfside Race Place

The Surfside Race Place is located on the Del Mar Fairgrounds is 20 miles north of downtown San Diego, California, and 100 miles south of Los Angeles, California. Located in the city of Del Mar, which in Spanish means, "of the sea," the city has an estimated population of 4,311 as of 2014 (Del Mar Fairgrounds, 2016).

The 22nd DAA manages and operates the Del Mar Fairgrounds, its nearby equestrian facility, the Horse Park, and the Del Mar Golf Center, on behalf of the State of California. The Del Mar Fairgrounds is a self-supporting facility with no tax monies used for the

operation. Some of the fairgrounds revenue comes from admission, parking, and facility rental fees. The Fairgrounds, including its parking lots, occupies approximately 340 acres, while the Horse Park is approximately 65 acres (Del Mar Fairgrounds, 2016).

The Fairgrounds is governed by a nine-member board, each of whom is appointed by the Governor of California; each director serves a four-year term. The Board meets monthly, and are responsible for appointing a General Manager/CEO to manage the day-to-day operation of the facilities. Tim Fennell, Secretary/Treasurer for the Board, has been serving as the CEO/General Manager of the Del Mar Fairgrounds/Racetrack since 1993. Current Board members include; Lisa Barkett, Lee Haydu, Kathlyn Mead, Pierre Sleiman, Russ Penniman, Frederick Schenk, Stephen O. Shewmaker, Richard Valdez, and David Watson. Serving as President of the Board is Russ Penniman, and Vice President is Stephen O. Shewmaker. The 22nd DAA mission statement is to manage and promote a world-class, multi-use, public assembly facility with an emphasis on agriculture, education, entertainment and recreation in a fiscally sound and environmentally conscientious manner for the benefit of all (About Us - About the Del Mar Fairgrounds, 2016).

The 22nd DAA is also responsible for updating the Master Plan for the Fairgrounds. The current Master Plan on file was last updated in 2011. The Master Plan contains primary planning objectives and specific recommendations proposed to meet both near-term and long-term objectives. The 2011 Master Plan is relevant to this project as there may be other projects listed in the Master Plan that may complement this project. In particular, a long-term project referred to as a multi-level parking structure in the 2011 Master Plan would accommodate approximately 1,300 vehicles on a portion of the existing dirt lot (east parking lot) between Jimmy Durante Boulevard and Interstate-5 and would be adjacent to the Del Mar Surfside Race Place (LSA Associates, Inc., 2011).

Figure 2. Del Mar Fairgrounds Aerial Map. 2011 Master Plan long-term project Multi-level parking structure location, identified by red circle, near Jimmy Durante Boulevard.



Source: Del Mar Fairgrounds Master Plan 2011

Surfside Race Place History

The General Manager/CEO, Tim Fennell, and Board would like to evaluate other potential business ventures for the Surfside Race Place as it is drastically underutilized today. In 1991 the Surfside Race Place was constructed with approximately \$12 million in state funds. The facility was intended to provide enough space for 5,000 customers a day to enjoy and participate in satellite wagering for live horse races taking place in California, the United States, and other locations around the world (Tash, 22nd District Agricultural Association continues to seek new uses for struggling Surfside Race Place, 2015).

The current Surfside Race Place mission statement is to create a comfortable, entertaining and informative environment for guests by providing a great race, knowledgeable staff, and a clean facility to create the premier satellite wagering facility in California. By allowing gambling to take place, the current profile fits well in the portfolio of the Del Mar Racetrack. However, it limits the use of the facility and caters to a dwindling audience of satellite gambling customers and horse racing in general (Surfside Race Place at Del Mar, 2016).

The 90,000-square foot facility continues to operate as California's largest satellite wagering facility. It offers full-card thoroughbred racing from major racetracks around the country and provide wagering for some of the best races from around the world (Surfside Race Place at Del Mar, 2016). An article by churchilldowns.com, elaborated more on what race fans were able to view while at the Surfside Race Place and noted the following racetracks; Aqueduct, Arlington Park, Belmont Park, Calder, Cal Expo Harness, Churchill Downs, Delaware Park, Ellis Park, Fair Grounds, Golden Gate Fields, Gulfstream Park, Hastings, Hawthorne, Kentucky Downs,



Laurel, Los Alamitos, Meadowlands, Monmouth Park, Oaklawn, Pimlico, Remington, Santa Anita Park, Saratoga, Sunland Park, Turfway Park, Victoria Race Tracks, and Woodbine as events where they were able to participate in off-site wagering. This also included high-stakes races such as the Dubai World Cup. Grade 1 races are also offered including the Kentucky Derby, Preakness Stakes, and Belmont Stakes which combined form the Triple Crown, the most prestigious races in horseracing (Racing & Wagering, n.d.).

Some of the amenities available on-site at the Surfside Race Place include more than 1,000 video monitors where guests can watch live coverage of the races in a smoke-free setting offering San Diego County's only touch-screen video library. This video library offers guests an opportunity to view race replays for performance research. The facility also offers casual dining, access to the sports lounge, access to playing the California Lottery jackpot, and Bingo on Sundays.

The Southern California climate is considered Mediterranean-subtropical with warm, dry summers and mild, humid winters. With average annual temperatures of approximately 65°F, guests have an opportunity to enjoy Del Mar's excellent weather while dining on the Surfside patios accompanied by several video monitors. The facility is also available for private meetings or parties by booking through their event office (Surfside Race Place at Del Mar, 2016).

The facility also offers an exclusive membership "Saddle Club" that allows customers to enjoy a richer experience while at the Surfside Race Place. The membership provides regular Surfside attendees with complimentary wireless internet, and access to the many collegiate and professional football games and golf tournaments. Members also receive full-service and casual dining at designated times along with daily lunch specials (Surfside Race Place at Del Mar, 2016).

The Problem

Today, the facility's attendance and revenue continue to decline. With the increase of other types of internet gambling and entertainment options, management has decided to look at other revenue streams to add to their business model to revitalize the building and its use. In 2010, there were a reported 108,000 people who visited the Surfside Race Place. In 2015, attendance declined to 62,068 people, which is a 42 percent decline from 2010. Daily attendance is now down to approximately 300 to 400 customers. The decline in attendance has led to a decrease in net revenue from \$471,771 in 2010 to \$128,489 in 2014; about a 73 percent decline (Tash, 22nd District Agricultural Association continues to seek new uses for struggling Surfside Race Place, 2015).

For the past five years, the Board has explored other options to complement the Surfside Race Place facility. The Board recently discussed updating the 2011 Master Plan as stated in an article in the Del Mar Times dated August 18, 2016. According to Board member David Watson, "The



Master Plan created five years ago bears no resemblance whatsoever to current realities of the Fairgrounds.” “The plan could include renovating the satellite wagering facility, addressing long-range parking solutions and more,” as stated by Board member David Watson. Some of the long-term projects listed include building a 1,300-space parking structure and a permanent seasonal train platform, which could complement the live music venue project (LSA Associates, Inc., 2011).

With declined revenue in the satellite wagering market, an aging patron population, and the lack of a new stream of satellite wagering patrons, the Del Mar Board of Directors must look for other revenue streams for the facility.

Del Mar Fairgrounds SWOTT Analysis

The following is an assessment of the strengths, weaknesses, opportunities, threats, and trends associated with repurposing the Surfside Race Place facility into a 1,900-seat concert venue.

Strengths

- Ability to manage multiple events on-site
- Appealing to various demographics
- Comprehensive financial portfolio
- Del Mar Fairgrounds location and accessibility
- Economies of scale and scope
- Existing real estate available to build out and renovate existing buildings
- Experienced leadership to support and lead a new business venture
- Extensive employee resource pool to support extra events
- History of success with previous events
- On-site food and beverage facility
- Rebranding opportunities
- Strong community network, engagement and philanthropy

Weaknesses

- Lack of maneuverability associated with government oversight
- Logistical and scheduling challenges due to multiple uses
- Non-standard ticket sales processes
- Outdated facilities and Master Plan

Opportunities

- Creating relationships with community stakeholders
- Disposable income and consumer confidence rising



- Growth in organic marketing through social media platforms
- Leverage San Diego craft beer tourism
- Potential event sponsorships
- Shifting demographics
- Void in range of concert venue sizes

Threats

- Community advocacy groups
- Competing events and venues
- Competition from other forms of entertainment and recreation
- Decline/potential loss of demographic group seeking on-site satellite wagering services
- Economic downturn can cause decline in consumer discretionary spending
- Impact of construction on infrastructure, roadways, and increased traffic congestion
- Shifting regulatory conditions such as ADA requirements
- Technology updates and associated costs

Trends

- Ability to serve the community on emerging music genres, and multi-generational audience
- Increase in live music performances
- Industry shift towards multi-use facilities
- One-stop-shop experiences
- Promoters seeking new sources of revenue beyond ticket sales

Previously Submitted Proposals

The pressure has been on Del Mar Fairgrounds to repurpose its Surfside Race Place due to falling revenue which decreased by 83 percent from 2010 to 2014 (Tash, Fairgrounds continueus to ponder concert venue, 2015). The 22nd DAA has been receiving proposals from the community since at least 2013, some similar in nature (Mills, 2013). The following is a quick summary of past proposals submitted to the 22nd DAA, as recorded by news articles:

- Develop a 40,000-square foot entertainment complex complete with 20 bowling lanes, a video game room, a sports lounge and a large banquet hall that could also serve as a nightclub or performance venue. The proposal also included several outdoor seating areas situated around fire pits, putting greens, a bocce ball court, and a horseshoe area (Mills, 2013).



- Develop an ultra-modern, two-level cinema complex with five screens on the bottom level offering family and kid friendly titles along with five screens on the top floor where alcohol and food service is provided (Mills, 2013).
- Develop a micro-brewery and beer garden tentatively called the Equus Brewery and Garden. This alternative would involve the on-site food and beverage contractor Premier Food Services. The board will also reportedly consider the brewery option in conjunction with one of the two other proposals, which included an entertainment complex or an ultra-modern, two--level cinema complex (Mills, 2013).
- A request for proposal was issued seeking a partner to build a brewery. Premier Food Service proposed building a brewery with Blue Moon Brewing, which is owned by beer giant MillerCoors, LLC. The proposal required the brewer to pay the district at least \$1.5 million over five years to lease the brewery space. The district would spend up to \$1 million to build the project (Sifuentes, 2015).

Though the proposals were all appealing, they were declined by the Board for various reasons. The entertainment and cinema complex "were deemed inappropriate for the site," and essentially not complementary to the Del Mar Fairgrounds' mission (Kaplanek, 2015). The attempt to build a brewery failed because "no proposals materialized by the December deadline," according to Board of Directors Vice-President Stephen Shewmaker. He also shared that, "the idea may have been too ambitious for local breweries, many of whom are smaller startups" (Sifuentes, 2015).

In addition to the reasons previously listed, three Board members shared in a recent meeting with CSUSM FEMBA team its particular vision for the repurposed Surfside Race Place. Also noted was the importance of its activities being aligned with the current Surfside Race Place mission statement. They would like to keep a downsized version of the satellite wagering facility, at least initially, as it was the original intent of the facility and they would like to continue to offer services to their existing customers. Mr. Fennell shared during the meeting that developing a facility that has an emphasis on live music would allow them to engage in existing revenue activities that they have significant experience in, such as food and beverage, parking, and ticket sales. It appears that prior proposals neglected to enhance the overall Del Mar Fairgrounds experience and instead focused on one particular aspect (Fennell, Penniman, & Shewmaker, 2016).



METHODOLOGY



Problem Statement

Del Mar Fairgrounds Surfside Race Place was originally established to offer satellite wagering services. As internet wagering has increased in popularity, attendance rates continue to decline and in most recent years, attendance has fallen to 300 to 400 customers per day (Fennell, Penniman, & Shewmaker, 2016). For several years now, the 22nd DAA has begun to explore opportunities to repurpose the facility and capture new revenue. Several proposals have been submitted in the past, though none generated sufficient interest to move forward.

Recently, Belly Up submitted a proposal to the 22nd DAA that the Del Mar Fairgrounds repurpose the Surfside Race Place facility into a 1,900-seat music concert venue. The proposal also suggests a partnership between Del Mar Fairgrounds and Belly Up, in booking talent for an estimated 60 to 80 shows per year, not including the timeframe in which the annual county fair occurs.

Board members of the 22nd DAA requested that the CSUSM FEMBA team take the proposal submitted by Belly Up and validate its assumptions by which the proposal was made. The intent is for the CSUSM FEMBA student team to assess whether or not the proposal was feasible as it was presented. The CSUSM Senior Experience (SE) team worked in conjunction with the FEMBA team and developed a financial model to further assess the financial contents of the proposal.

Methodology of Research

A market feasibility team was comprised of six FEMBA students from CSUSM. The team conducted exploratory research to gather background information about the concert and event promotion industry both nationally and regionally. The team met weekly throughout the project to develop research questions, collect background information, collaborate, and analyze the findings. These meetings were used to formulate questions for primary research gathered through interviews and to connect with the CSUSM hybrid SE team members, who were responsible for developing a financial model for the project.

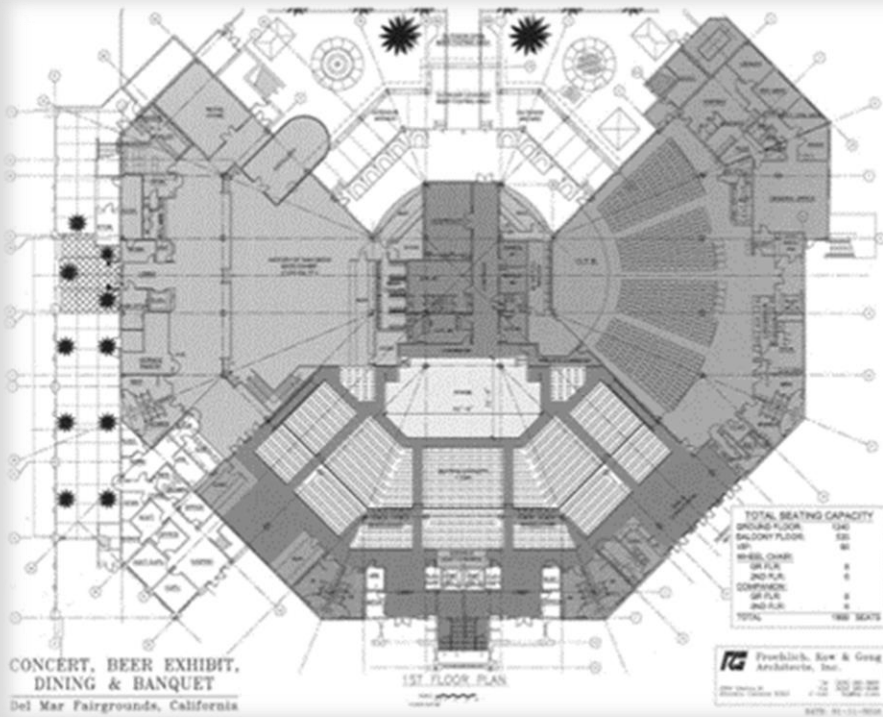
At the onset of the project, the FEMBA team met with Del Mar Fairgrounds CEO/General Manager Tim Fennell, 22nd DAA President Russ Penniman, and Board Vice-President Stephen O. Shewmaker, to obtain details surrounding the project. Subsequently, the two teams visited the existing Surfside Race Place on the Del Mar Fairgrounds to get a better understanding of the building size, location orientation, current uses, and to hear more about the vision for the facility. Mr. Tim Fennell also organized a meeting with the President of a local and live music venue, Mr. Chris Goldsmith at the Belly Up facility located in Solana Beach, California. Mr. Fennell arranged a meeting for the SE team to meet and interview Del Mar Fairgrounds food and beverage provider, Premier Food Services. Each interview session provided the teams with a



better understanding of the live concert and event promotion industry as well as the overall customers' experience.

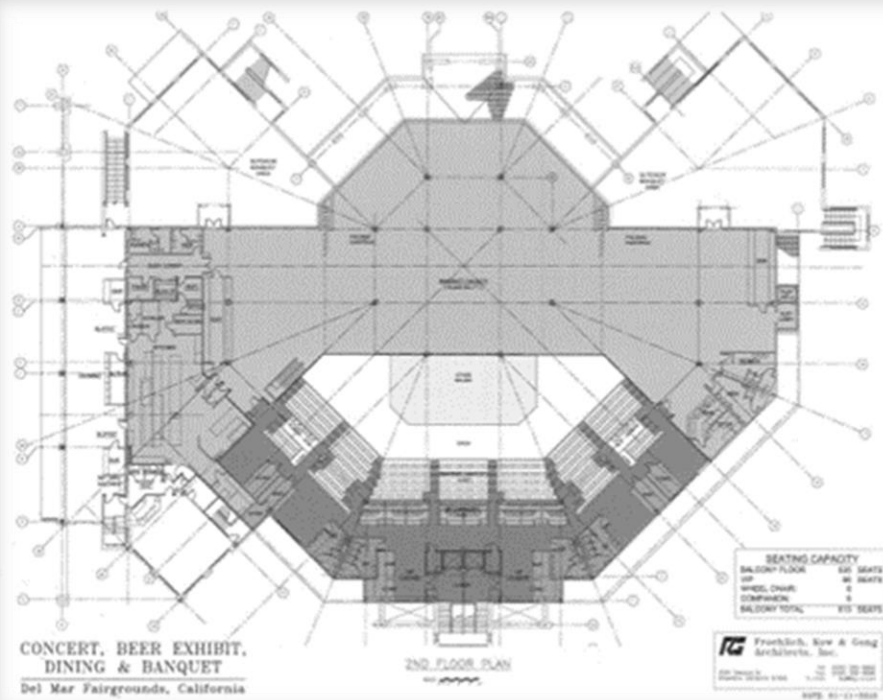
Secondary research consisted of collecting data through several databases available to the students using the CSUSM library system, the internet, the websites of competitive live music venues in the San Diego County region, local publications, and documents provided by Del Mar Fairgrounds management.

1st Floor



Source: Del Mar Surfside Race Place Proposal 2016

2nd Floor



Source: Del Mar Surfside Race Place Proposal 2016

PROPOSAL

Belly Up Entertainment - Surfside Race Place Makeover Proposal

Proposal Overview

Figure 3. Belly Up Tavern, Solana Beach, CA 2016 Photo. Venue's inside view.



Figure 4. Belly Up Tavern Photo. Venue's outside



Source: Belly Up Tavern Website 2016

Belly Up Tavern is an established concert venue in Solana Beach, California that seats up to 600 people. It is considered as San Diego's best live music venue with a first-class atmosphere and a unique Southern California feel (Belly Up, 2016). It is located off of Interstate-5 and is referred to as, "the best chance to see big names in a small intimate setting" (San Diego Tourism Authority, 2016). "Belly Up brings in new, up-and-coming artists as well as established legends in genres ranging from alternative rock, indie rock, rock, reggae, and hip-hop to blues, folk, jazz, Latin & more!" (Belly Up, 2016).

The Belly Up proposal noted that there is a current void in music and entertainment venues in North County San Diego. Particularly identified was the need for a 1,900-seating capacity concert venue. The closest designated concert venue competitors included the House of Blues in downtown San Diego with 1,400 seats, and Humphreys with 1,300 seats, which has a seasonal schedule, April through October. Both venues are approximately a 45 minutes' drive from the heart of North County" (Belly Up Entertainment, 2016).

The intent of the proposed venture is for the Del Mar Surfside Race Place music venue to complement the existing Belly Up concert venue and not compete with it, as it would allow for an opportunity to book shows that have outgrown the Belly Up venue of 600 seats. The proposal also offers Belly Up as the agent who would book the talent for this new venue, though talent booking responsibilities would not be exclusive (Belly Up Entertainment, 2016).

Proposal Details

Belly Up Management is proposing that Del Mar Fairgrounds transform its Surfside Race Place satellite wagering facility into a 1,900-seating capacity, multi-use, concert venue. "The design would include VIP Sections, easy load-in, and load-out for touring bands. It would be a one of a kind concert venue producing a cool, distinctive vibe, a place to be." The transformation would

require converting 65 percent of the existing building's square footage, developing two-thirds of the seating on the first floor and one-third of the seating in the balcony. "Shows expecting an audience of 1,200 or less would be provided more intimate surroundings by closing off the balcony. Reducing the footprint with a smaller audience would assist in controlling show expenses" (Belly Up Entertainment, 2016). The venue design would lend itself to educational presentations, seminars, sporting events, fundraising events, and catering activities (Belly Up Entertainment, 2016).

From local artists to more established artists such as Jimmy Buffet, Lady Gaga, and Red Hot Chili Peppers, Belly Up is known within San Diego County for booking premier artists at its venue. Their newly appointed President of Belly Entertainment, Mr. Chris Goldsmith, is also a seven-time Grammy award-winning producer. Though he and his relationships are instrumental in the booking of talented artists for Belly Up and potential Del Mar Fairgrounds with this new venture, he is confident that his well-developed team is prepared to continue current practices, should he ever part ways with Belly Up. "The table is set well for the next few years," he said (Goldsmith, 2016). Since the Del Mar Fairgrounds already appeals to various demographics, they have great flexibility in their potential target market for this venue.

Mr. Goldsmith has estimated that Belly Up can conservatively book 60 to 80 shows annually, outside of Del Mar Fairgrounds' 26-day annual San Diego County Fair. Without the 26 days of the fair, that leaves 329 days, nearly 49 weeks, available for booking events. Booking the proposed 80 shows is possible by having the Del Mar Fairgrounds facility available to one to two events per week, or four to eight shows per month. Currently, Belly Up books 26 to 30 shows per month, sometimes six to seven days a week, and sometimes up to two shows per evening (Belly Up, 2016). During his interview, Mr. Goldsmith relayed that, "Even at an easy 10 to 15 shows per month that is 100 to 180 shows per year; so really you could book any number within that range" (Goldsmith, 2016).

Impact on Del Mar Fairgrounds Surfside Race Place Business

The proposed venture would significantly and positively impact the Del Mar Fairgrounds business. In a previously released article, Mr. Fennell stated that Surfside Race Place currently gets about 300 to 400 attendees per day (Tash, Fairgrounds continue to ponder concert venue, 2015). The hours of operation vary each month based on their event schedule, and they typically close during live meets. The Surfside Race Place website also states that the facility is open Wednesday through Sunday in the daytime, and open Friday through Sunday evenings. In the month of October 2016, the Surfside Race Place Calendar stated they were open an average of five days per week (Surfside Race Place at Del Mar, 2016). At 300 to 400 attendees per day, that equates to approximately 1,500 to 2,000 current Surfside Race Place attendees per week.

Taking into consideration that not all shows are sold out, one show booked at 75 percent capacity, which is 1,425 attendees, still brings in nearly the same number of attendees that



Surfside Race Place is currently generating in a five-day timeframe. If at least two shows per week are booked at 75 percent capacity, totaling 2,850 attendees, they have nearly doubled the number of current Surfside Race Place attendees. Current attendance would likely be met or exceeded with this new proposal. However, it would happen in only a fraction of the time it currently takes. These additional customers are also likely to engage in the complementary activities/services made available to them at the venue and therefore generate additional revenues. Belly Up has proposed that assuming 80 shows can be booked annually, at 75 percent capacity, along with potential income streams from a beer garden, fair admission, ticket sales, parking revenue, and food/beverage sales, estimating Del Mar Fairgrounds will bring in \$3,088,933 in total profit (Belly Up Entertainment, 2016). Further revenues can be gained from daytime wagering operations as the renovated and repurposed Surfside Race Place would not interfere with the evening concert operations.

Mr. Goldsmith shared that Belly Up currently turn away many private events simply because Belly Up does not have the capacity beyond 600 seats at its current Solana Beach location. This proposal would create a venue where such events stay local and talent booked as opposed to being turned away. As previously noted, one music event per night could nearly replicate current attendance at Surfside Race Place that now is taking five days. Therefore, the facility will be available for additional shows, or alternative uses the remaining six days of the week. Since the proposed venue is indoors, the types of booked events throughout the year are unlimited.

Aside from the financial gains associated with this venture, the development of this new venue should likely bring considerable excitement to the North County San Diego community as it will fill a current void for an indoor concert venue of this size. Mr. Goldsmith shared that there is a current gap in the music venue chain that makes it difficult for artists to grow; the bigger the artist, the more seats they can fill (Goldsmith, 2016). Currently, there is a gap in the 1,400 to 3,000-seat capacity venues in San Diego. Del Mar Fairgrounds could essentially fill both of these deficiencies. This venture also creates several opportunities for new partnerships with local community members and the potential to develop travel packages for out-of-town attendees (Goldsmith, 2016).

Impact on Belly Up Business

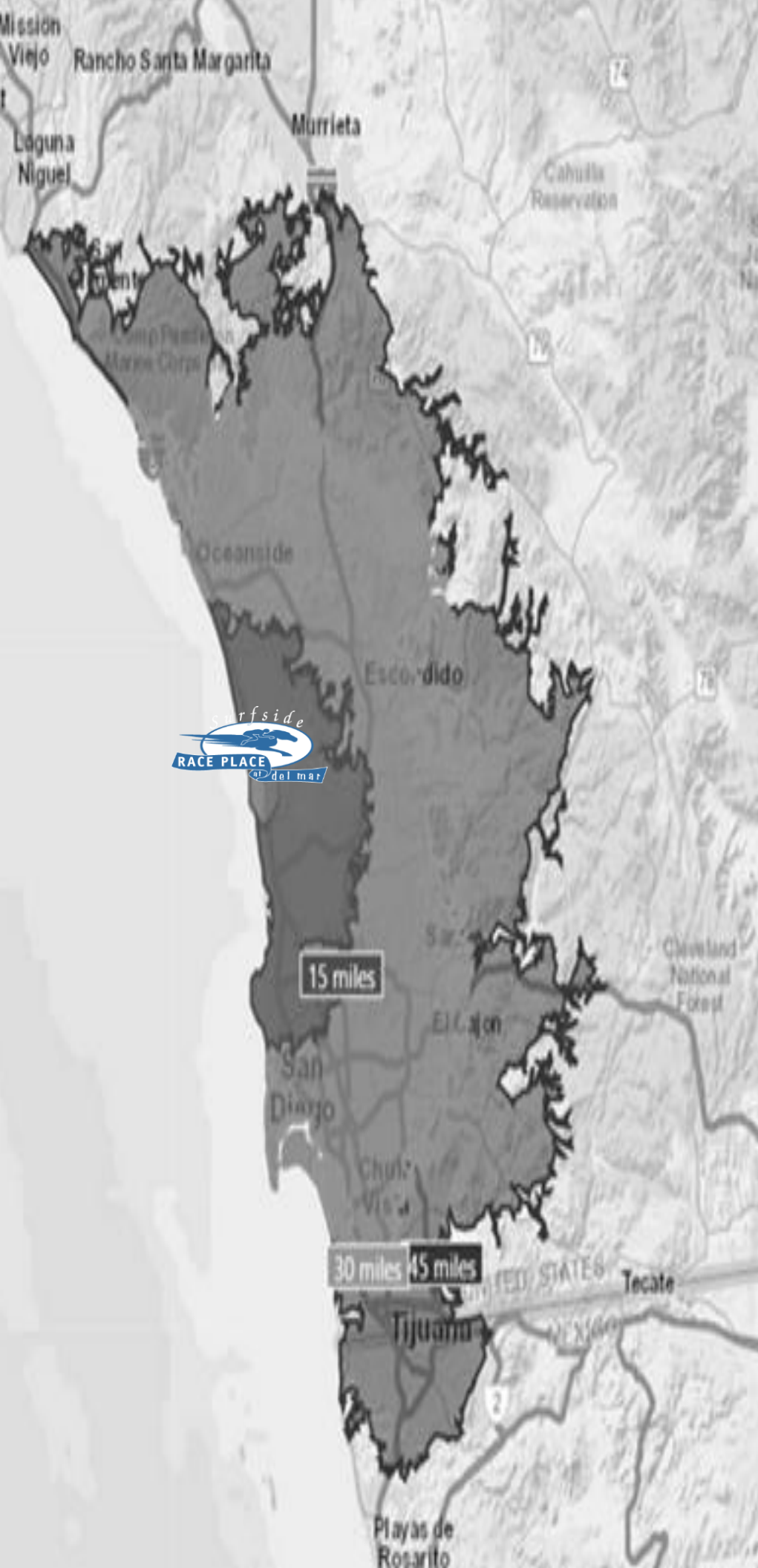
Belly Up has an opportunity to complement their Solana Beach venue through this proposed partnership; by booking talent for Del Mar, and referring clients to them for private events. Belly Up currently turns away 50 percent of their requests for private events due to their seating capacity. Repurposing the Surfside Race Place would allow for Belly Up to better serve their clients by offering them a local alternative, with a similar experience, especially in the winter months when Belly Up demand tends to surge (Goldsmith, 2016).

In recent news, Belly Up has continued to expand its footprint by engaging with Music Box, a three-level, 700 plus seating capacity live music venue, in a booking and marketing agreement



(Varga, 2016). The more booking and marketing ventures Belly Up embarks on, the more generated revenue. Such ventures will continue to build brand credibility for them as well as continue to build its list of partners, and essentially shorten its list of competitors.

This recent partnership, along with the proposed Del Mar Fairground's venture, will help contribute to the development of the San Diego live music scene, as it provides a platform for the growth of music artists, allowing them to play at larger venues as they grow musically and create a more substantial following. The strength of the partnership will allow booking retention and potentially an increase in the number of bookings for artists with large enough followers within San Diego County.



MARKET ANALYSIS

Demographics & Expected Demand

The typical music fan travels 43 miles to a concert, and some of the more dedicated or "die hard" fans, who account for 10 percent of ticket holders, travel as far as 100 miles (Ticketmaster, 2016). During an interview with Mr. Chris Goldsmith, he agreed with the statement that the average consumer would drive 45 miles to see a concert (Goldsmith, 2016). Given this information, the CSUSM FEMBA team looked at the potential demand of concert goers that live within 45 miles of the Del Mar Surfside Race Place. Figure 5 depicts the driving ranges from the Surfside Race Place as identified by the team.

The 45-mile range covers from as far north as Laguna Niguel, CA and as far south as into Mexico while covering areas up to Temecula, CA and as far east as El Cajon, CA. The 45-mile geographic range includes several roadways going east to west including; State Route 76, State Route 78, State Route 94, U.S. Route 56, U.S. Route 52, Interstate 8 and Interstate 805. The main roadways going north to south include Interstate 5 and Interstate 15. Also included in the region are several well-traveled arterial roads.

The demographics of the population explored were within 15, 30, and 45 miles of the Surfside Race Place facility. According to the ESRI the 2016 population within 15 miles range for 2016 is reported by ESRI as over 1.1 million, 30 miles range nearly 3.2 million, and for 45 miles as nearly 3.7 million.

Figure 5. ESRI, 2016 Map. Map depicting the driving range from Del Mar Surfside Race Place; red shaded 15-mile, green shaded 30-mile, blue shaded 45-mile

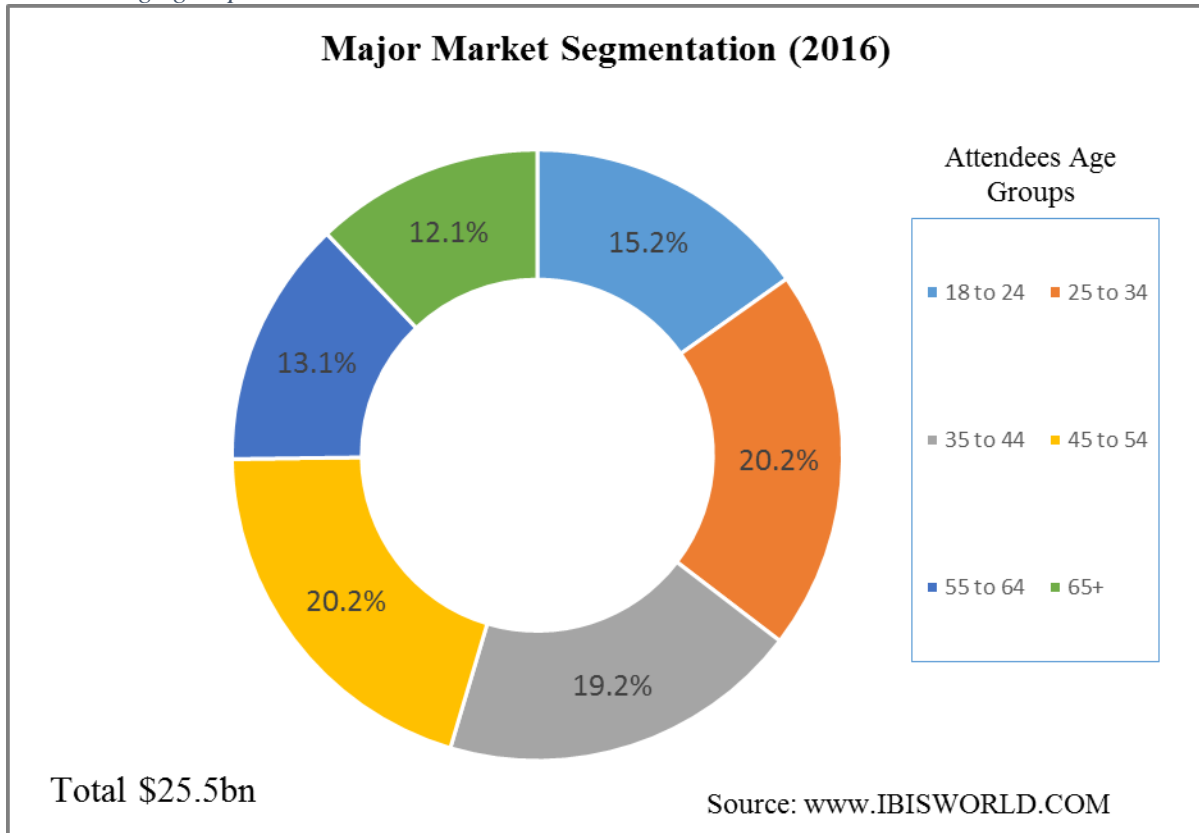


Source: ESRI Database 2016

Consumer Demographics

When evaluating the live concert industry on the national level, the major market segments are the 25 to 34 and 45 to 54 age groups with 20.2 percent each. The smallest segment includes those individuals aged 65 and older with 12.1 percent. When comparing the age group distribution against the 2012 U.S. Census Bureau, the major market segments contain more individuals in age groups 25 to 34, 45 to 54, and 55 to 64. The age group of 65 and over attendees contains a lower proportion percentage distribution than the 2012 U.S. Census Bureau (Topics, Population Economy, 2013).

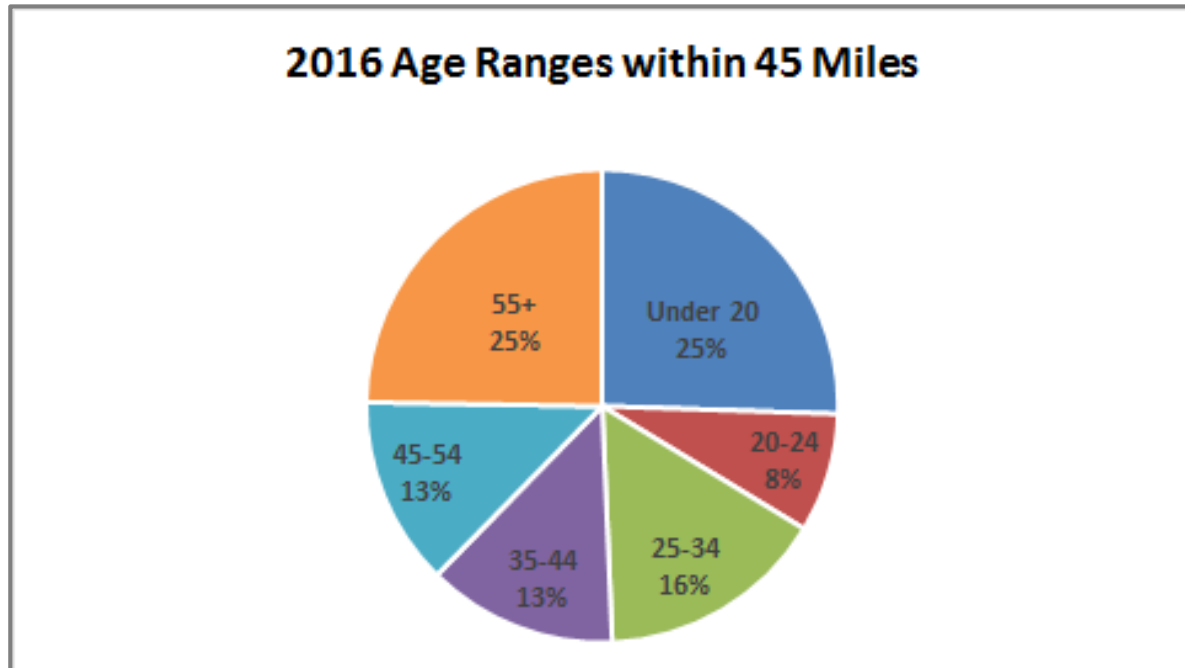
Figure 6. IBISWORLD, 2016 Doughnut Graph. Industry Report Major Market Segmentation based on attendees age group



Source: IBISWorld.com 2016

The age group distribution within the 45-mile range from the Del Mar Surfside Race Place is shown in Figure 7, an ESRI report. The data was not comparable in both reports for ages under 24, however, beginning with age group 25 to 34, the two data sources were compared. The percentage point was 20.8 less than the U.S. industry report for the same age group. For the age group 35 to 44 it was 32 percent less than the U.S. industry report. For age group 45 to 54 it was 35.7 percent less than the U.S. industry report, and for age group 55 and over it was relatively the same at 25 percent (IBISWorld Inc., 2016)(ESRI, 2016).

Figure 7. ESRI, 2016 Pie Chart. 2016 Demographic profile for age ranges within 45-mile driving distance from Del Mar Surfside Race Place



Source: ESRI Database 2016

According to the IBISWorld industry report, there are few major market segments. Concert attendees ages 18 to 24 are likely to attend all types of live performances. Approximately eight to ten percent of the population within 45 miles of the Del Mar Fairgrounds are ages 18 to 24.

About 60 percent of the concert and event promotion industry's customer base are ages 25 to 54. These consumers tend to spend more discretionary income on live events than any other demographic. This demographic segment is appealing to promoters as they can generate a significant portion of revenue from concert sales as well as merchandise. This demographic also attracts more funding from advertisers who wish to target this market segment.

Middle aged consumers who are in the 35 to 54 age group attend concerts at a far greater rate than the surrounding age groups according to a Billboard article published in 2015 (Peoples, 2015). The demographic segment who are within ages 25 to 54 and who live within the 45 miles of the Del Mar Fairgrounds equates to approximately 1.3 million people.

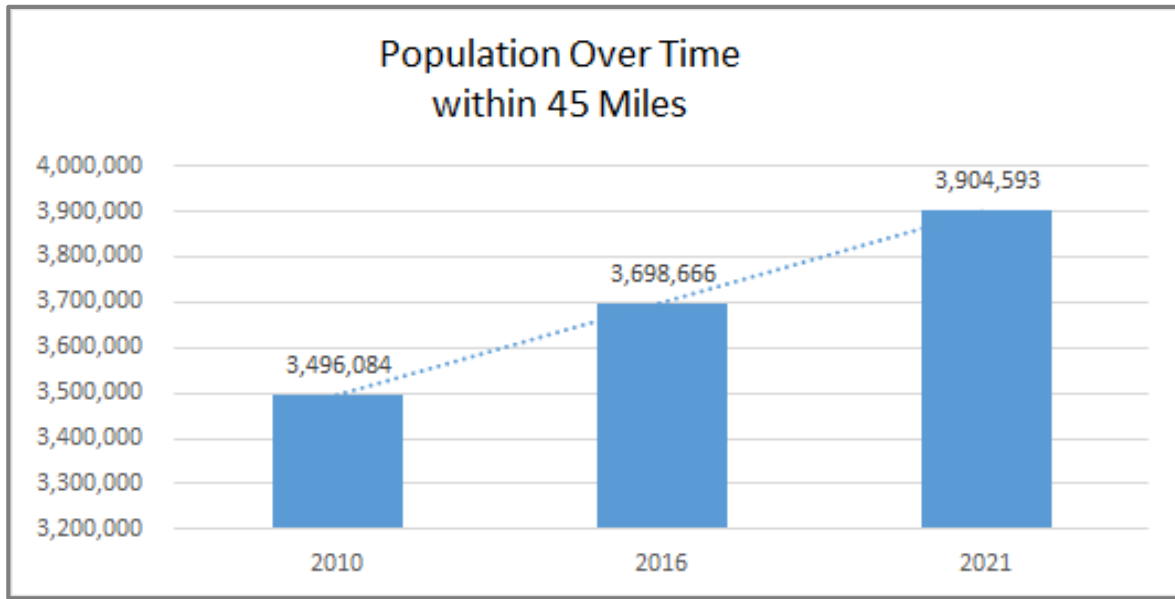
Consumers aged 55 and over are less likely to attend major concerts and festivals and more likely to attend theatrical and orchestral performances. This market segment attends concerts infrequently, and they do not exhibit a strong interest in concert associated merchandise. According to a Billboard article, people from this demographic have more potential to attend concerts as they have more time and more discretionary spending. Those who have attended live events recently said they attend more events now than they did 10 years ago (Peoples, 2015). The demographic segment of over age 55 currently is over 900 thousand individuals or



approximately 25 percent of the population within 45 miles of the Del Mar Fairgrounds (IBISWorld Inc., 2016).

The population distribution over time, within the 45-mile driving range from the Surfside Race Place as seen in Figure 8, changes from nearly 3.5 million in 2010 to nearly 3.7 million in 2016 and to nearly 4 million in 2021. The total expected change is to increase by 11.7 percent as shown in Figure 8.

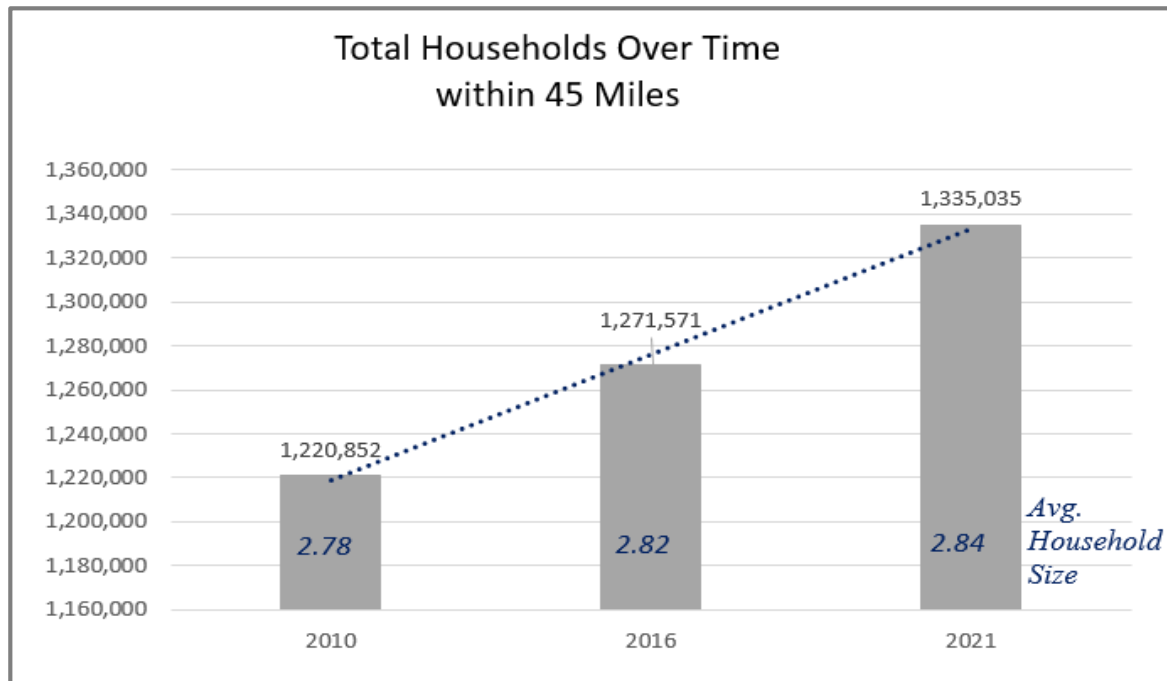
Figure 8. ESRI, 2016 Column Chart. Population distribution over time within 45-mile driving distance from Del Mar Surfside Race Place



Source: ESRI Database 2016

The total households over time within the 45-mile driving range from the Surfside Race Place increases from 1.2 million in 2010 to nearly 1.3 million in 2016 to over 1.3 million in 2021. The total expected change is to increase by 9.4 percent as shown below in Figure 9. With the population growth is expected to be approximately 11.7 percent, indicating the number of individuals within each household will grow to support the population growth.

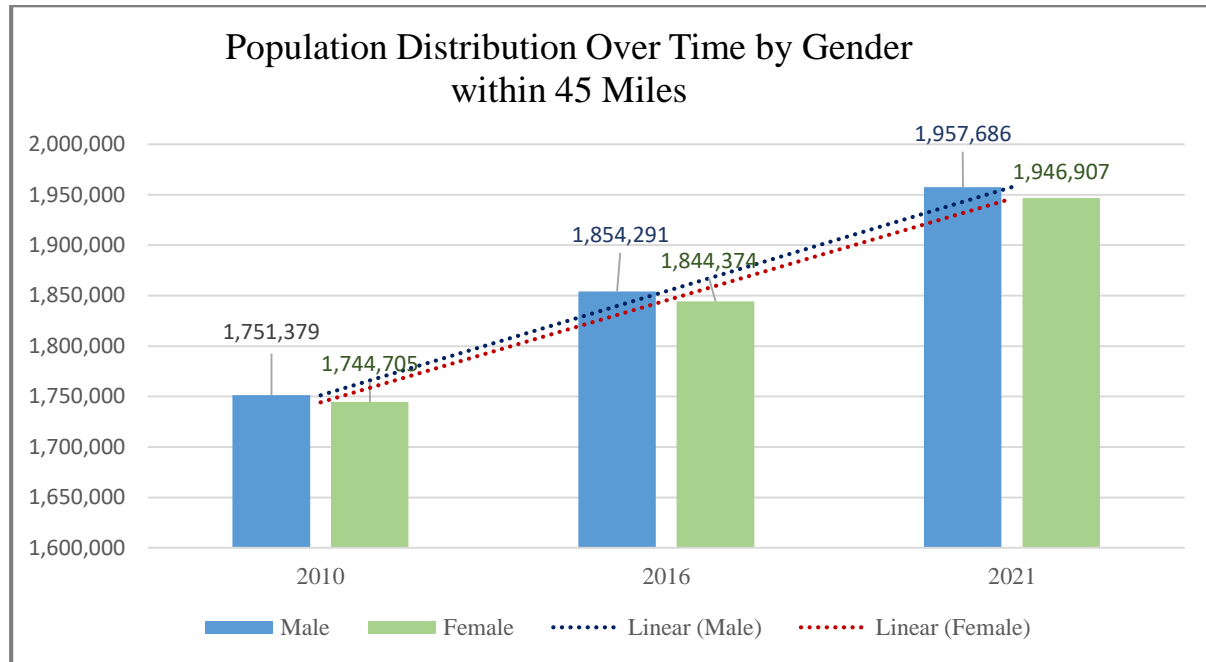
Figure 9. ESRI, 2016 Column Chart. Total households over time within 45-mile driving distance from Del Mar Surfside Race Place



Source: ESRI Database 2016

The population distribution over time by gender within the 45-mile driving range from the Del Mar Surfside Race Place changes within male population from over 1.7 million in 2010 to over 1.8 million in 2016 to over 1.9 million in 2021. The total expected male population change is to increase by 11.8 percent as shown in Figure 10 below. For the female population the total was over 1.7 million in 2010, over 1.8 million in 2016 to over 1.9 million in 2021. The total expected female population change is expected to increase by 11.6 percent. The gender distribution between the male and female groups remain similar when comparing the 2016 figures against the 2021 figures. The female population remains at 49.87 percent and the male population at 50.13 percent of the total population. This information should be useful in concert programming.

Figure 10. ESRI, 2016 Column Chart. Population distribution over time by gender within 45-mile driving distance from Del Mar Surfside Race Place

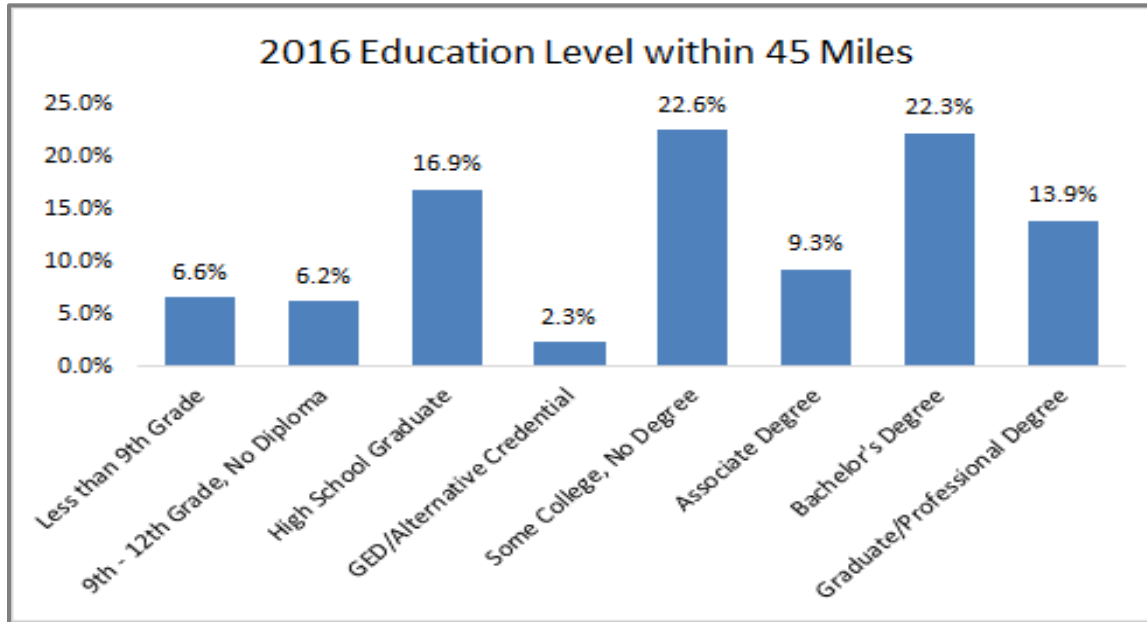


Source: ESRI Database 2016

Many characteristics have been found to be factors affecting the probability of an individual consumer to attend live music events. A study by Fisher and Preece on consumers demonstrated that both education and income among other factors correlate positively with live music consumption (Fernandez-Blanco, Perez-Villadoniga, & Prieto-Rodriguez, 2016). Another study by Montoro-Pons and Cuadrado-Garcia on consumers supported the finding where education is positively associated with live music consumption (Montoro-Pons, Cuadrado García, & Casasús-Estellés, 2013). IBIS World reports identified a direct correlation between discretionary income and individuals purchasing live concert tickets. The finding that high levels of income and discretionary income correspond to a higher probability of attendance at live music events is anticipated as a consumer with more money will be more willing to spend on luxury items and events. Meanwhile, the rationale for correlation between a consumer's level of educational attainment and live music attendance is the increased exposure to cultural events that comes with increasing educational attainment (IBISWorld Inc., 2016).

Approximately 13 percent of the population within 45 driving miles of the Del Mar Fairgrounds have an educational level less than a high school diploma. Approximately 42 percent have a high school diploma, general educational diploma (GED), or some college and about 45 percent have an education level of an associate's degree or higher. When looking at those individuals with some college education or higher the total percentage is 68.1 percent for the designated area. This equates to a population over 2.5 million in 2016 who live within the 45-mile driving range of the Del Mar Surfside Race Place who have a higher potential of earning and therefore additional discretionary spending to purchase tickets for a live concert experience.

Figure 11. ESRI, 2016 Column Chart. 2016 Education level within a 45-mile driving distance of Del Mar Surfside Race Place

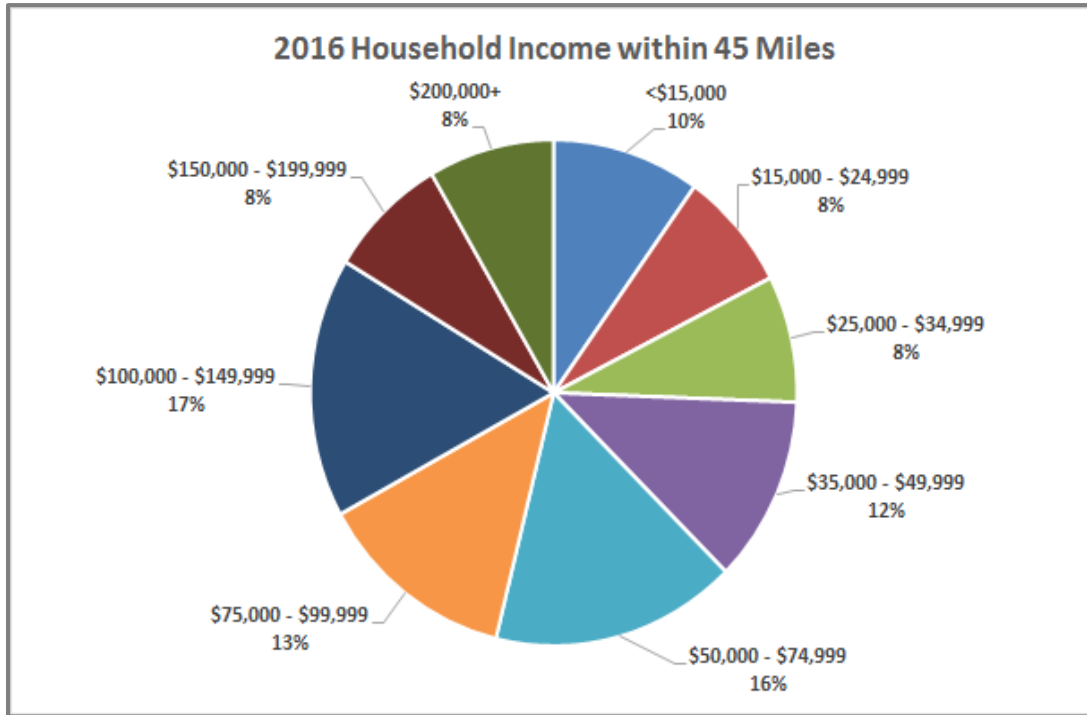


Source: ESRI Database 2016

In 2016, 33 percent of the population within 45 miles of the Del Mar Surfside Race Place have household incomes over \$100,000, 29 percent between \$50,000 to \$75,000, 20 percent between \$25,000 to \$50,000, and 18 percent under \$25,000 as represented in Figure 12. The disposable income distribution is very similar to the population distribution of the household incomes as shown in Figure 13. The relatively high proportion of consumers with any college education in the immediate area surrounding the Del Mar Surfside Race Place is beneficial to the cultural events that occur there, including the concert venue, as consumers with higher levels of educational attainment are more likely to attend live music events.

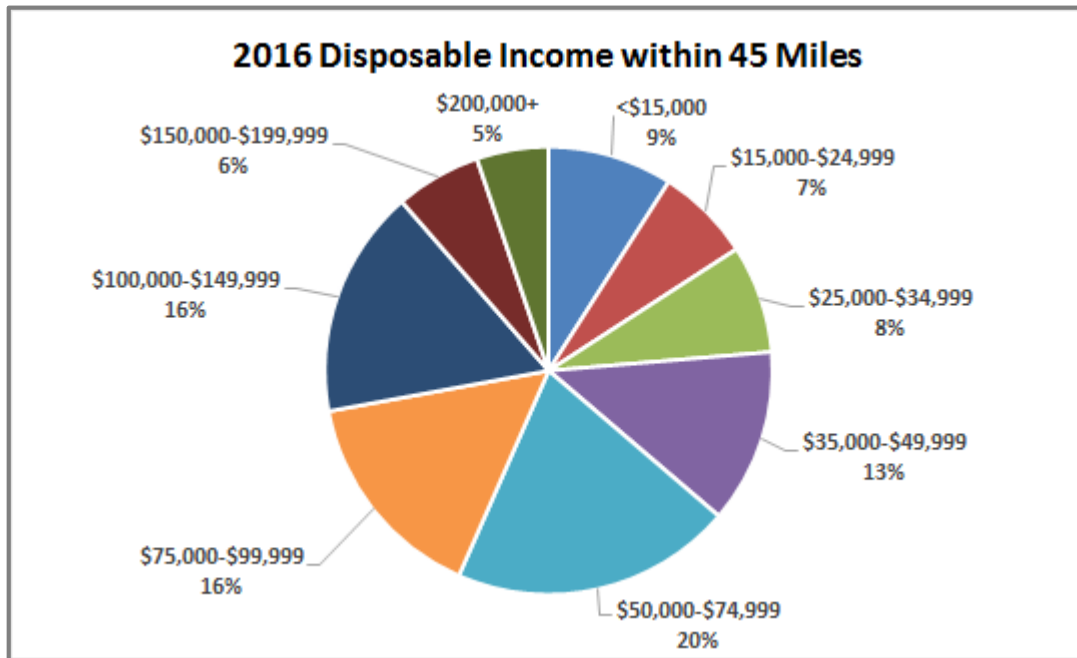
As mentioned previously by a study by Fisher and Preece, consumers demonstrated that both education and income among other factors correlate positively with live music consumption; the 45-mile driving range from the Del Mar Surfside Race Place has both of these characteristics. Del Mar Surfside Race Place has 68.1 percent of the population with some college or more and nearly 45 percent of the population have disposable incomes great than \$75,000. Both of these factors are strong market indicators for a live concert venue.

Figure 12. ESRI, 2016 Pie Chart. 2016 Household Income within 45-mile driving from Del Mar Surfside Race Place



Source: ESRI Database 2016

Figure 13. ESRI, 2016 Pie Chart. 2016 Disposable income within 45-mile driving distance from Del Mar Surfside Race Place



Source: ESRI Database 2016

According to Statista, the top favorite music genres in the United States in 2012 were reported from most favorite to least favorite. This list included Country, Classic Rock (the '60s to '80s), Pop, Top 40, Current hits, 80s to 90s hits, Alternative/Modern/Indie Rock, Oldies ('50s to '70s), Rap/Hip-hop, R&B, Soft/Adult Pop/Rock, and Hard Rock/Metal/Hardcore. Music preferences can tell you a lot about a person or a city. That's because music choices aren't just about music; they are about fashion, philosophy, and lifestyle, too. Even though this is based on a national average, this number is fluid and changes for those individuals who live in the region. The San Diego County area has a strong tourist market and attracts many individuals from other regions of California, the country, and the world.

When looking at the designated 45-mile range from the Del Mar Surfside Race Place, according to ESRI, on average, a person spends close to \$3,400 on entertainment/recreation a year. According to ESRI, on average, a person within 45-mile of the Del Mar Fairgrounds spends \$66.92 per ticket to attend theaters/operas/concerts.

“When it comes to live music, San Diego rocks it as a prime tour stop and home to impressive local talent. From the central city, up to North County and to the east, dozens of venues in all shapes and sizes host everything from acoustic folk and intimate shows to A-list rock-n-roll and big-production, elaborately choreographed pop. Not to mention, the city welcomes music festivals galore. In the San Diego region, there is an array of music genres” (San Diego Tourism Authority, 2016).

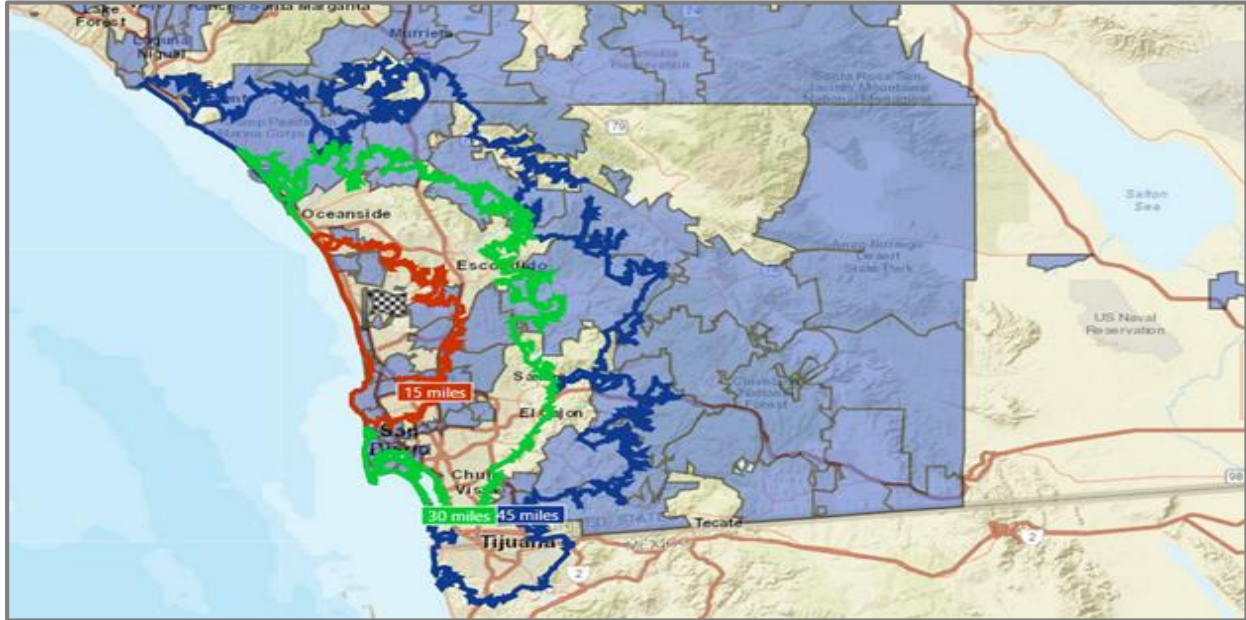
In particular, for the San Diego County area, ESRI software was used to look at the leisure activities and lifestyles of those individuals who have and would most likely attend a performance of country music, rock music or classical music/opera. Due to the limitation of the software the team was only able to extract data related to these three performance areas. All three maps located below depict the driving distances from Del Mar Surfside Race Place; red line marks the 15-mile radius, the green line marks the 30-mile radius, and dark blue line marks 45-mile radius. The shaded area on each map highlights the individuals who have attended a performance in the last 12 months and have a greater likelihood to attend more performances than the national average.

Observing the socio-economic characteristics (mainly age, education and sex/gender) are linked with the diversity of music consumption and how they can help identify different groups of music consumers (Fernandez-Blanco, Perez-Villadoniga, & Prieto-Rodriguez, 2016). Within this report the team has decided to show the population distribution of those individuals enjoying three different music genres.

In Figure 14, the blue highlighted area depicts the concentration of individuals who have attended a country music event within the last 12 months. The highlighted area represents over 124,000 individuals within the designated 45 miles. The map shows where those individuals live

within the 45-mile driving range from the Del Mar Surfside Race Place that would be most likely to attend country music performance.

Figure 14. ESRI, 2016 Map. Blue shaded area designates individuals who have attended a country music performance in the last 12 months



Source: ESRI Database 2016

In Figure 15, the green highlighted area is concentration of individuals who have attended a rock music performance. The highlighted area represents over 278,000 individuals within the designated 45-mile driving range.

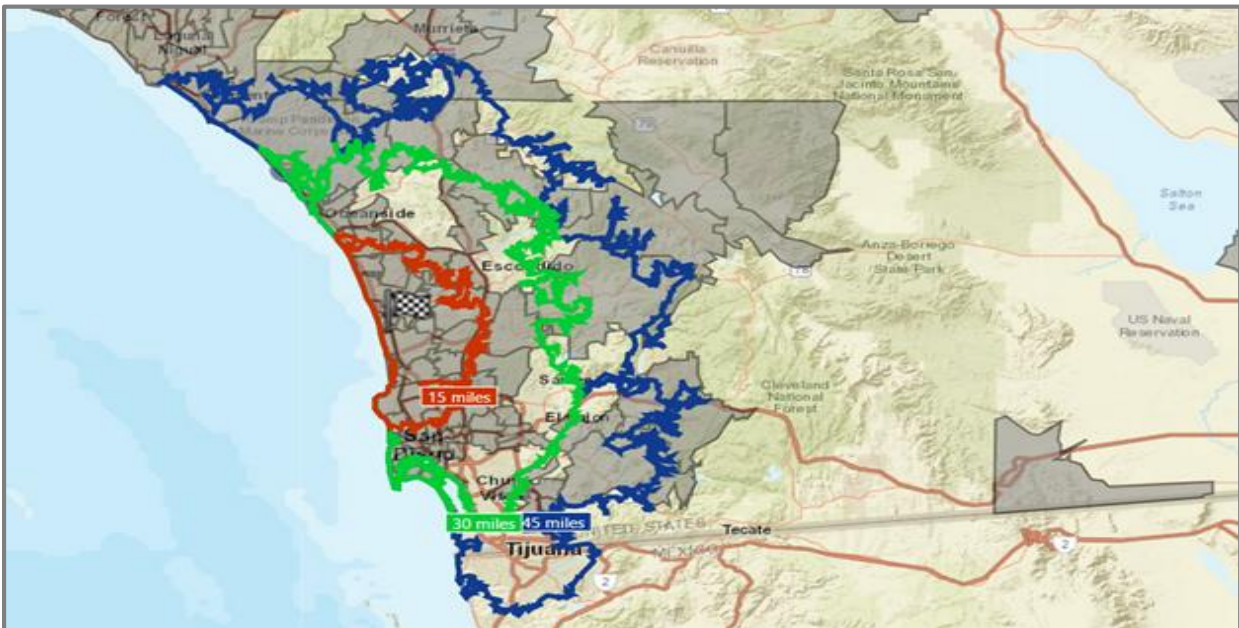
Figure 15. ESRI, 2016 Map. Green shaded area designates individuals who have attended a rock music performance in last 12 months.



Source: ESRI Database 2016

In Figure 16, the gray highlighted area represents individuals who have attended a classical music/opera performance in the last 12 months. The highlighted area represents nearly 133,000 individuals within the designated 45-mile driving range.

Figure 16. ESRI, 2016 Map. Gray shaded area designates individuals who have attended classical music/opera performance in last 12 months.



Source: ESRI Database 2016

Concert Industry

NAICS Code: 71133 Concert & Event Promotion in the US. (IBISWorld Inc., 2016)

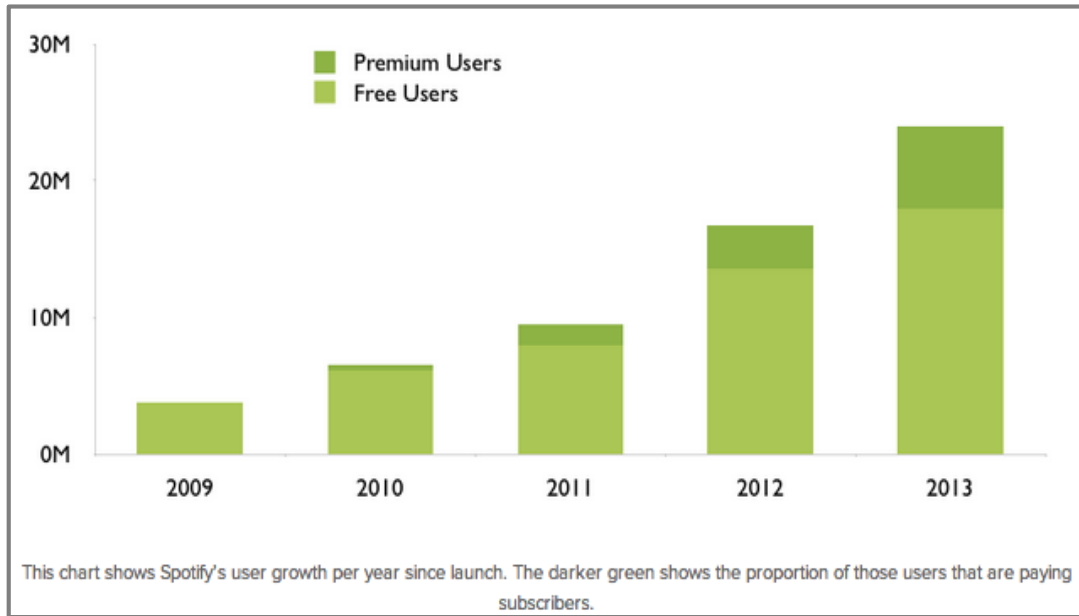
The industry for Concert and Event Promotion in the United States corresponds to NAICS code 71133. This industry is in the mature stage of the life cycle. However, it is dependent on many factors including location of venue, selection of music genres, and other factors that contribute to the customer experience. IBISWorld reports that both the revenue volatility of this market and the capital intensity are medium. Capital expenditures vary tremendously among promoters that own their venues versus operating under a long-term lease. Promoters that own venues will inherently have a higher level of capital investment due to recurring depreciation, maintenance, renovation, and utility costs. The industry spends an estimated \$0.32 on capital for every dollar spent on labor. With light regulation in this industry, it makes it feasible for new concert promoters to enter into this market. The barriers to entry classified as medium and decreasing and the competition level at medium. The industry's moderate barriers to entry reflect the low level of capital investment needed to start a small, local live event promotions business and the high level of capital investment required to launch a large-scale business. IBISWorld reports that barriers to entry are falling slowly due to increasing use of the internet and social media, advertising, and consumers' increasing ability to discover new music and live performances (IBISWorld Inc., 2016).

Table 1. IBISWorld Inc. 2016 Table. NAICS code 71133 industry markers

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Medium	Technology Change	Medium
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	Medium

Source: IBISWorld, Inc. 2016

Figure 17. MakeUseOf Column Chart. Spotify free vs Premium streaming subscription user growth preferences from 2009 to 2013

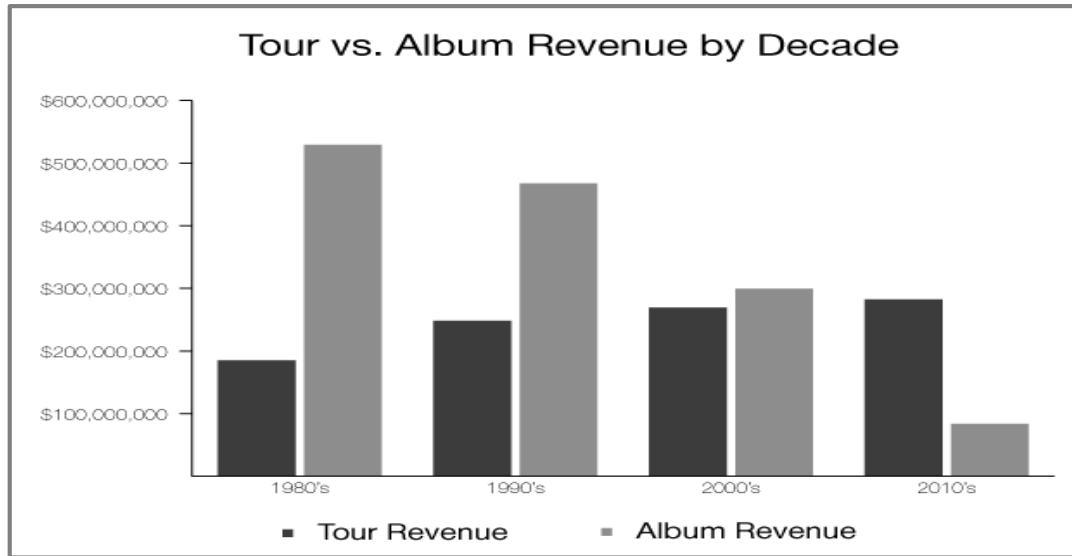


Source: MakeUseOf 2015

With physical and digital records sales declining, live music performances have become a major source of revenue for event promoters and artists. For instance, in May 2016 it was reported by Mark Mulligan, an independent analyst who focuses on the music business, that revenue from music downloads has been in decline since the peak of \$3.9 billion in 2012 (Keizer, 2016). However, according to "Make Use of" website iTunes sales are declining while Spotify, a subscription-based streaming service, is soaring. Spotify has grown from 10 million users in 2011 to more than 60 million users in 2015 with more users transitioning to premium users, where they can experience commercial free services (Guinness, 2015). With music user habits changing from downloading music to using streaming service has all contributed to the shift towards live performances preferences. Industry revenue is expected to grow at an annualized rate of 5.1 percent, with a projected increase of 0.9 percent in 2016. Many musicians' tours have now expanded in length and venues have increased in capacity. The Concert and Event Promotion industry have the strongest potential when the US economy is growing (IBISWorld Inc., 2016).

According to SeatSMART.com, a ticket processing agency, ticket sales from concert tours has continued to increase over the past four decades, while ticket sales for albums continued to decline; see chart below (Powell-Morse, 2015).

Figure 18. *Seatsmart 2015 Column Chart. Tour vs. Album Revenue by Decade 1980s, 1990s, 2000s, 2010s*

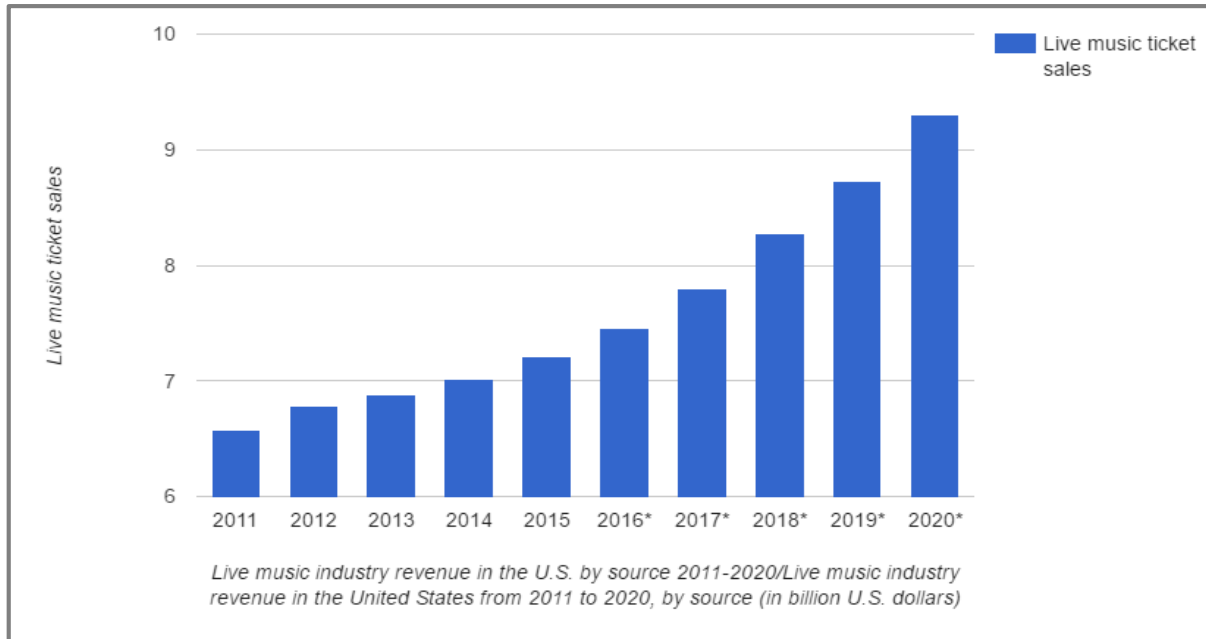


Source: *Seatsmart 2015*

In the Concert and Event Promotion industry, success is dependent on consumers' willingness to pay for and attend live events. A key external driver is the per capita disposable income. Since these industry products are discretionary, higher per capita disposable income results in higher demand. Per capita disposable income is expected to increase in 2016, which can lead to an increase in demand, leading to potential opportunity for the industry. Another key external driver is the time available to spend on leisure activities. The more leisure time people have, the more likely they are to attend a concert and other events. Time dedicated to leisure activities is expected to decline in 2016, which may be a potential threat to this industry (IBISWorld Inc., 2016).

The average concert ticket price has increased in the past few years, with the mean ticket price of \$74.25 in 2015. The price of an average ticket is partly driven by the increasing availability of major festivals that have prices greater than \$100.00 per ticket. With the growing number of music festivals, the market may potentially become saturated. Some other factors affecting ticket pricing include the artist's contract fee, the price of staging the event, and popularity of the artist. According to concerttour.net, approximately 65 to 90 percent of the concert ticket fee goes directly to the artist. Typically show expenses account for about 20 to 30 percent of the tickets face value, and about five percent of the ticket price goes to local, city, and state taxes. Service fees can sometimes reach 30 to 40 percent in addition to the ticket cost. Service charges typically include a facility, convenience, and order processing fees (Wells, 2016). Given the price factors of concert tickets, the lower the price of an event compared to another form of entertainment or activity, the higher the demand will be for a concert (IBISWorld Inc., 2016).

Figure 19. Live Music Industry Column Chart. Live music ticket sales vs. Live music industry revenue in the U.S. by source 2011 to 2020



Source: Indie Brew 2016

The industry's largest players have scaled back on large capacity shows and have focused on filling smaller venues. There is continual growth in music theaters, which typically has a capacity of 1,000 to 6,500 people, and club-level, which typically has a capacity of fewer than 1,000 people. Per-head ancillary spending also continues to grow. Events held at music theaters and club-level are more affordable to attend on average than events held at arenas and amphitheaters, making them more attractive to consumers. With the increase of web technologies, the barriers to entry into this industry have lowered now that it's easier for customers to learn about events, share their concert experiences, and purchase tickets. According to an online article in May 2016, 53 percent of fans hear about shows via online sites or email blasts (Wells, 2016).

Promoters can now more affordably reach potential customers and target specific demographics using social networking sites such as Facebook, Twitter, and Instagram (IBISWorld Inc., 2016). In October 2015, Investopedia reported that Facebook has over one billion users worldwide with 47 percent of the users being over the age of 35. Twitter has over 270 million users with 35 percent of the users between the age of 18 and 29. Instagram has over 200 million users with 53 percent being between the ages of 18 and 29 (Walton, 2015). The beauty of social media marketing is that it gives the promoter a direct link for customers to click on and purchase their tickets online. Live Analytics reported in 2014 that 68 percent of concert-goers bought a concert ticket online in the past 12 months, or almost seven in 10 concert attendees. Additionally, roughly one in five adults attended a concert in the previous 12 months, with the average number



of events attending equating to three. The websites that were visited to purchase these tickets included Ticketmaster, Live Nation, StubHub!, Google, Event/Venue Website, and Ticketronn (Live Analytics, 2014).

Ticket sales are a primary source of industry revenue, but its importance is declining. The key determinant of success in this industry is the ability to maximize alternate sources of income. Some alternative sources of revenue include marketing sponsorships, merchandise sales, artist services, and ancillary sales. There is an expected growth in ancillary revenue and corporate spending which should benefit industry profits (IBISWorld Inc., 2016).

Concert promoters are subject to various public safety regulations, maximum patron capacity regulations, Americans with Disabilities Act (ADA) accessibility requirements, and federal and state taxes. In some US states, establishments operating as a "place of amusement" must be licensed by the relevant state authority to collect an admission tax. Promoters are also often required to secure event permits or licenses. Other federal, state and local laws regulate a myriad of matters that include noise ordinances, sanitation requirements, labor laws, and more (IBISWorld Inc., 2016).

Competitive Venue Analysis





In determining market feasibility of an additional San Diego concert venue, it is important to understand the competitive landscape and identify what comparable venues currently exist in the San Diego market. San Diego music guru and President of Belly Up Entertainment, Mr. Chris Goldsmith, sat down with the CSUSM teams to discuss industry challenges, comparable venues, and operational aspects of a 1,900-seat capacity venue. Mr. Goldsmith has been the longtime talent manager for the Belly Up Tavern, and he is responsible for all entertainment activities and talent booking.

Mr. Goldsmith spoke about the need to have different sized venues throughout the region. The concept is straightforward: as bands gain success and grow their audiences, they eventually need to expand into larger venues. On the small end of the spectrum, countless bars and restaurants can accommodate from the most intimate settings to upwards of 100 to 200-person capacity relatively easily. Even the most amateur performers can reach capacity, and many of these venues will book talent six to seven nights a week. Mr. Goldsmith spoke about the process of bands graduating to larger size venues as their fan base increases. The Belly Up Tavern fits well within this model with their facility having the capacity to accommodate 600 customers, see Appendix F.

With a capacity of 1,900 people at the proposed Del Mar Fairgrounds venue, Mr. Goldsmith indicated that competitive venues would hold anywhere between 1,100 to 2,000 people, but only if they attract similar talent as the Del Mar Fairgrounds. Often, touring performers will only book

one show in San Diego as they expect to draw a crowd from around the county. With this in mind, Mr. Goldsmith identified four main venues that would be considered primary competitors to the proposed Del Mar Fairgrounds venue: Humphreys Concerts by the Bay in Point Loma, The Observatory North Park, Balboa Theatre in Downtown San Diego, and House of Blues also in Downtown San Diego (Goldsmith, 2016). These venues and their associated characteristics are identified below in Table 2.

Table 2. Music Venue San Diego Region Competitor Table. Competitive venues as identified by Belly Up President Chris Goldsmith October 2016

Primary Competitor Music Venues in San Diego Region							
Venue	Capacity	Modifiable Floor	I=Inside O=Outside B=Both	Season Duration	Parking Fee	Music Focus	Restaurant Availability
	1,339	No fixed seats	I	All year	Off-site-- \$10.00 to \$48.00	Theater performances, musicals, orchestra, various concerts	No adjacent-off-site options downtown
	1,500	Yes standing room unless event	I	All year	Off-site-- \$10.00 to \$48.00	Broad varieties including rock, jazz, hip-hop, indie, reggae	No adjacent-off-site options downtown
	1,400	No seated only	O	April to October	\$15.00	Rock, jazz, blues, comedy, folk and international music	Yes on-site
	1,200	Yes standing room unless event	I	All year	Validated Parking Lot	Hip-hop and indie rock	Yes on-site

Sources: Balboa Theatre, House of Blues, Humphreys Concerts by the bay, The Observatory North Park Websites 2016

Balboa Theatre

Located at 868 Fourth Avenue, San Diego, CA 92101



Source: Balboa Theatre Website 2016

Built in 1924, the Balboa Theatre first opened as a performing art center and theater. The City of San Diego acquired the theater in 1986, at which point it sat vacant for over 20 years until the \$26 million-dollar remodel project was completed. In its present-day condition, the theater's primary use continues as a performing arts center with a capacity of 1,334 seats (San Diego Theatres, 2016). Since the Balboa Theatre is located in the bustling heart of the downtown San Diego's Gaslamp Quarter, the venue can rely on the surrounding restaurants and nightlife

to provide before and after show activities. Alternatively, the venue does offer a concession area and full bar service for its guests.

It is important to note that the Balboa Theatre operates live music concerts as a secondary operation. Since Balboa Theatre is not a concert venue, Mr. Chris Goldsmith pointed out that the theater does not have in-house audio equipment for bands to utilize while performing. While the venue houses well over a hundred events per year, the theater typically operates only two to three concerts per month (San Diego Theatres, 2016).

House of Blues

Located at 1055 Fifth Ave, San Diego, CA 92101



Source: House of Blues Website 2016

Located in San Diego's Gaslamp Quarter is the popular music venue, House of Blues San Diego. It is owned and operated by the large, publicly traded Live Nation Entertainment. The House of Blues venue maintains an organic "music first" type of atmosphere. While Live Nation Entertainment operates 12 House of Blues venues across the country, their San Diego venue has a capacity of 1,500, comprised mostly of standing room general admission

and some premium seated areas (House of Blues, 2016). The booking agents focus and attract a wide variety of genres of music, possibly attributable to the fact that Live Nation Entertainment has a 19 percent market share in the concert and promotion market, according to the July 2016 IBISWorld report on Concert and Promotion Events in the U.S. (IBISWorld Inc., 2016).

Live Nation's experience and expertise shine through in how they operate their local venues. Most importantly, the House of Blues talent booking agents keep the venue busy through high-quality programming, averaging between 25 to 30 events per month (House of Blues , 2016). The operators have done well at finding ancillary revenue sources including a high margin souvenir shop, sponsorship opportunities, and renting the venue out for private events on off nights. Additionally, House of Blues operates a full restaurant and multiple bars to make the location a one-stop-shop for evening entertainment.

Humphreys Concerts by the Bay

Located at 2241 Shelter Island Drive, San Diego, CA 92106



Source: Humphreys Concerts by the Bay Website 2016

Opened in 1982, Humphreys Concerts by the Bay is a venue situated along the San Diego Bay at Shelter Island. With a 1,400-seat capacity and open area venue, it provides a first-class summer atmosphere but restricts the majority of performances to take place during the warmer months between April and October. The venue is unique in that the ownership group also operates the

adjoining Humphreys Restaurant and Humphreys Inn (Humphreys Concerts, 2016).

As published by USA Today, the Humphrey's Concerts by The Bay is on the list as one of the Top 10 live music venue in San Diego (Dillon, 2016). The venue caters to the more affluent San Diegans with its premium acts and ticket prices, paired with the ability to find a show paired with a waterfront view, dinner, and hotel accommodations all in one place (San Diego Tourism Authority, 2016). While the operators appear to schedule fewer shows, approximately 10 to 20 per month, the venue has tools in place to make significant ancillary revenue through the restaurant and hotel.

An interesting differentiator for Humphreys is their ability and focus on selling marketing sponsorship packages. As seen on their website, Humphreys concert series is presented by "Lexus," which is assumed to be an additional source of revenue for the venue.

The Observatory North Park

Located at 2891 University Avenue, San Diego, CA 92104



Source: The Observatory North Park Website 2016

Previously known as The North Park Theatre, The Observatory North Park established in the 1920's as an opera and dramatic theater. The theater was eventually transformed into a music venue but struggled to turn a profit until it was purchased and then remodeled in 2014. According to San Diego UpTown News, local restaurateurs David Cohen, Bobby Jones, and the Verant Group bought the theater in

2013 and joined forces with Casbah owner Tim Mays to begin hosting live music (Ogul, 2014).

As part of the remodel, all the seats were removed, leaving the standing room only venue with a capacity of approximately 1,100 attendees. While the venue retained much of its art-deco theme, the venue targets a younger demographic with a focus on hip-hop and indie rock genres. With standing-only types of shows, it's understandable that the venue has a lower average ticket price of around \$25 to \$30. While the Observatory North Park does find ancillary revenue through its in-house bar, it also operates the adjacent West Coast Tavern restaurant, which complements the evening shows well (Chute, 2015).

Ticket Revenue

When analyzing the venue event schedules, it would appear that the House of Blues and Observatory North Park make it a priority to program a larger number of monthly shows. As such, both venues regularly schedule lesser-known performers, but they manage to command ticket prices in the range of \$25 to \$35. Both of these venues operate with the majority of capacity going towards standing room only, further justifying the lower average ticket price and allowing them to have the ability to sell more tickets.

Alternatively, Humphrey's Concerts on the Bay premium atmosphere and assigned seating necessitates the venue to regularly sell tickets in the range of \$50 to \$150 depending on desired seat location (Ticketmaster, 2016). While the venue struggles to sustain a full schedule during the winter months due to the weather, the operators can maintain a reasonably busy summer schedule.

While the Balboa Theatre venue was tricky to gauge due to having fewer concert events, it does seem to charge higher ticket prices than other venues. One of the potential reasons there may be



fewer concerts scheduled may be the performers having to bring and set-up their sound systems. Less established bands may be unable to utilize Balboa Theatre because they would have to provide their own sound system, which many of them will not own. It is important to note that similar to the proposed Del Mar Surfside Race Place venue; The Balboa Theatre operates by a government entity. (San Diego Theatres, 2016) While it's difficult to determine if governmental policies and restrictions impact show schedules, it should be taken into account nonetheless.

Competitive Advantage

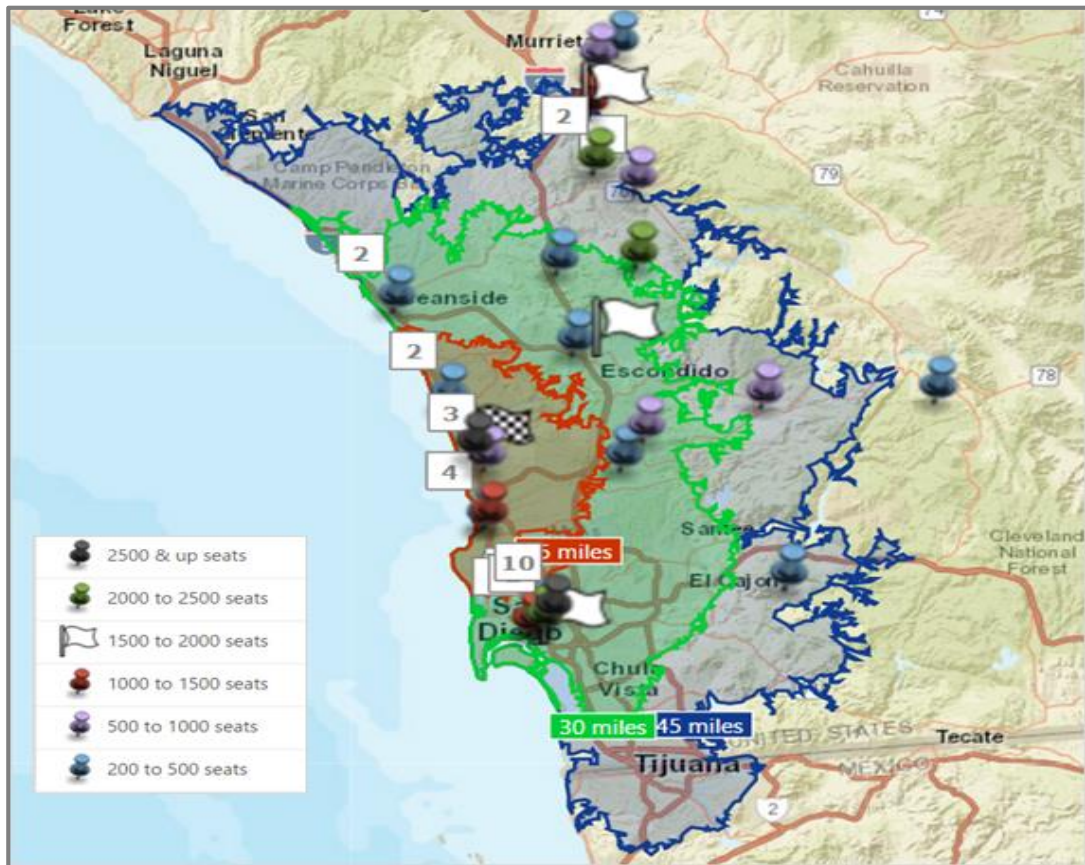
Each of these four venues noted in Table 2 operate with similarities and differences when compared to the proposed Del Mar Surfside Race Place venue. Located within a six-mile radius, each of these four competitors operates in a relatively similar geographic area around downtown and central San Diego. The Del Mar location should provide an excellent point of differentiation to attract both performers and guests who would prefer to stay in the North County San Diego region.

Another important competitive advantage for the proposed Del Mar venue is its ability to convert from a seated venue to a standing room only configuration. None of the other four competitors have the potential to execute such a conversion. Seated and standing room only concerts each provide a very different atmosphere. For example, most jazz or classical performances take place in a seated venue, while an electronic DJ or rock band may be more attracted to a site that is standing room only.

Discovered through analyzing these primary competitors is that each of the four venues identified by Mr. Chris Goldsmith either operates an in-house or have adjoining full-service restaurants. As concert goers plan their night around live music performance, it's likely that they will plan at least one meal, before or after the show. As such, it would be advisable for the Del Mar facility to further evaluate such a complementary use onsite or consider nearby venues.

Other Venues

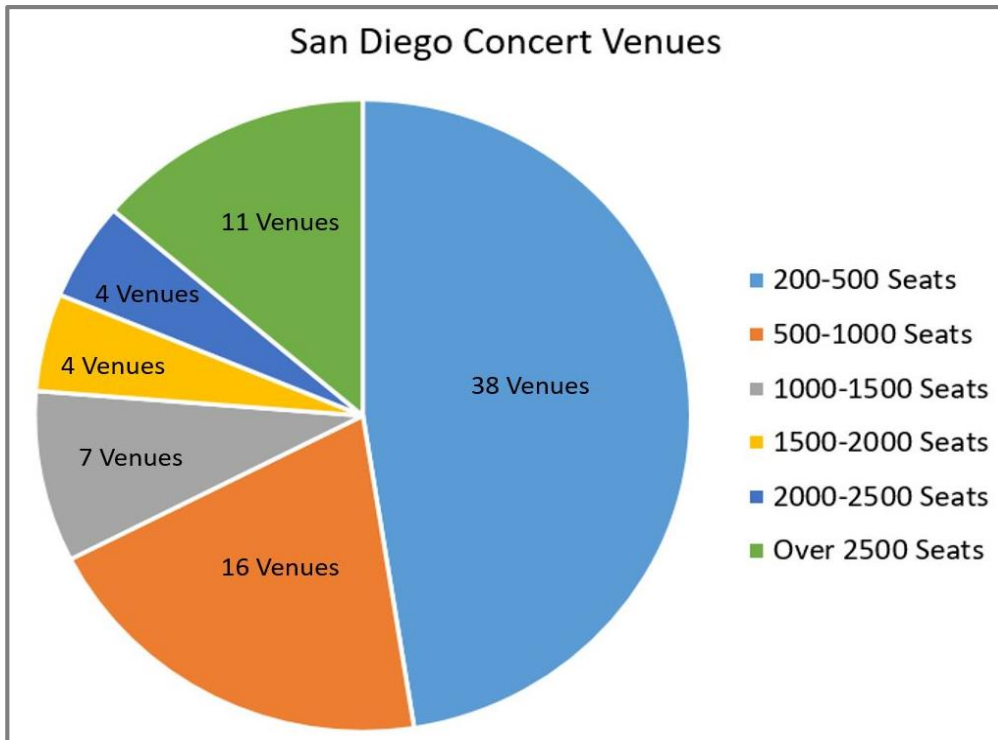
Figure 20. ESRI San Diego regional map 2016. Markers color-coded to identify similar seat-capacity concert venues



Source: ESRI Database 2016

To evaluate the competitive landscape, beyond the four live music venues first identified during the interview with Mr. Chris Goldsmith, the team did additional research focused on San Diego County concert venues with a minimum capacity of 200 guests. The San Diego Reader's publication provided an extensive listing resource for identifying live music venues which are current and active. Going back to Mr. Goldsmith's philosophy of bands "graduating" to larger venues, the goal was to catalog these venues based on size to help determine if a gap indeed exists for venues with a capacity in the range of 1,500 to 2,000 people (San Diego Reader, 2016). To be noted, this list includes venues who consider concerts to be a secondary source of revenue, such as a casino, that derives most of its income through gambling but also offers live music concerts as a supplemental customer experience. To see the complete list of venues in San Diego, see Appendix F.

Figure 21. Excel Pie Chart. San Diego Concert Venues separated by Seat Ranges



Source: Data compiled through internet information 2016

As shown in Figure 21, San Diego County has a large number of smaller venues with capacities in the range from 200 to 500 people. It is important to make note that this fits naturally into the competitive landscape as many bands can fill a venue with a capacity of fewer than 500 people. On the other hand, only a fraction of those music groups can successfully reach capacity at a venue with 1,500 seats or more.

Beyond the primary competitors identified by Mr. Chris Goldsmith (shown in Table 2), the Pie Chart in Figure 21 shows an additional 11 venues in the range of 1,000 to 2,500 seats. It's important to understand why these venues are unlikely to regularly compete with the proposed Del Mar Music Venue. As shown in Table 3, these venues hold concerts as an ancillary source of generating guests to the casinos or in the case of the performing arts centers, as a way to fill voids in the theatrical performance schedule.

At the casino venues, the events are primarily operated as free shows in which the casinos are willing to take a financial loss, knowing that the guests are likely to spend money gambling at their facility. At the theatres, they traditionally focus on performing arts shows, but sometimes use concerts as a supplemental income and event source. These theatres do not traditionally house the equipment for bands to perform live shows. In both cases, it is unlikely that these venues are able to attract, or will be willing to pay for the top musical talent that the proposed Del Mar Venue will be booking.

Table 3. Music Venue Table. Music Venue San Diego Region Similar Capacities between 1000 to 2499 seat excluding “Primary Competitor Venues” shown in Table 2

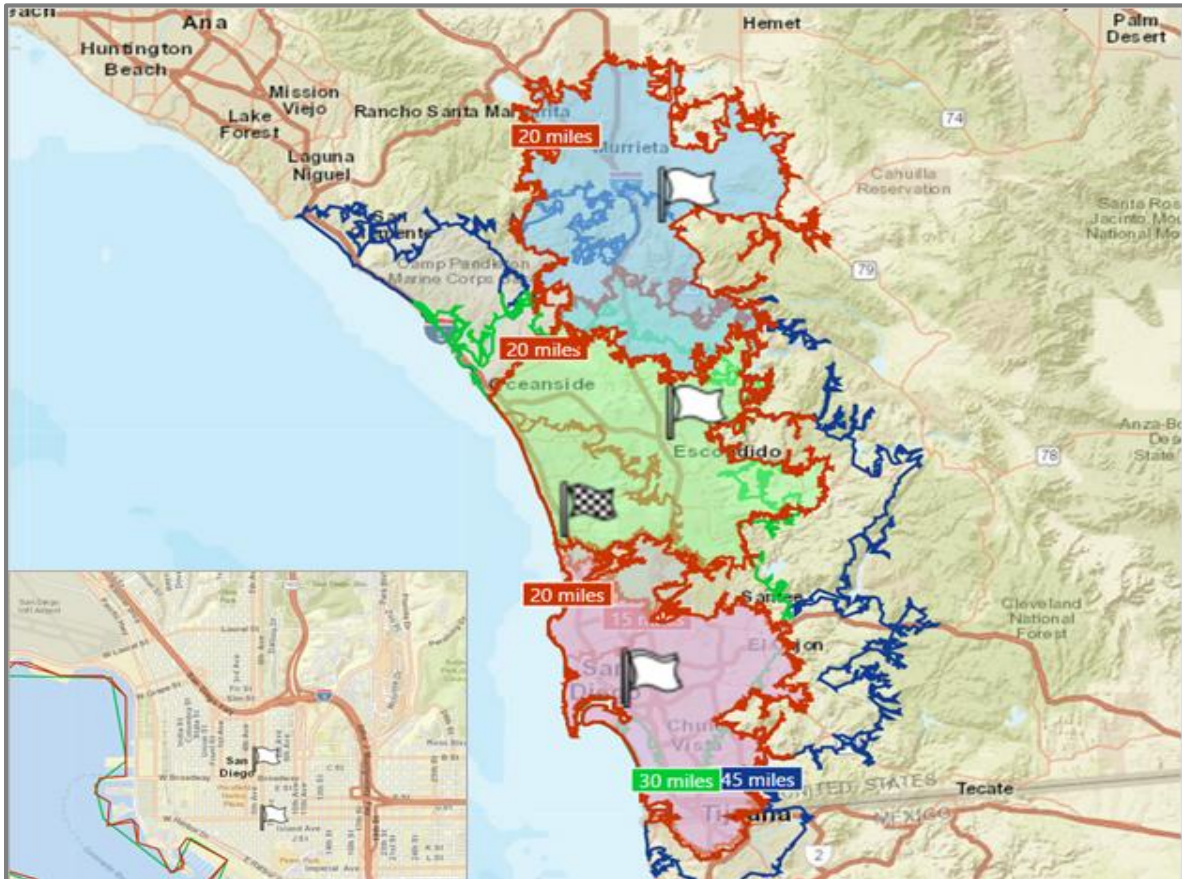
Music Venues in San Diego Region <i>Capacity Between 1000 to 2499 People</i>				
Venue	Capacity	Modifiable Floor	Indoor / Outdoor	Venue Focus
California Center for the Arts	1,523	No - fixed seats	Indoor	Theater performances, musicals, orchestra, various concerts
Grand Ballroom at Pechanga Casino	1,800	Yes - standing or seated	Indoor	Events center/conference area
Harrah’s Resort Southern California	2,200	Yes - standing or seating	Indoor	Events center, stand-up comedy, various concerts
Infinity at Pala Casino	2,000	No - seated only	Indoor	Events center, stand-up comedy, various concerts
Kona Kai Resort & Marina	1,100	Yes - seated or standing	Outdoor	Private events including weddings, corporate events, and concerts
Omnia Night Club	1,787	No - standing room only	Indoor	Club atmosphere - hip-hop, edm, dance music
Palomar Starlight at Pala Casino	2,420	Yes - seated or standing	Outdoor	Rock, jazz, blues, comedy, folk and international music
Bassmnt	1,000	No - standing room only	Indoor	Club atmosphere - hip-hop, edm, dance music
Pechanga Casino Theater	1,200	No - seated only	Indoor	Stand-up comedy, concerts, symphonies, musicals
San Diego Symphony Hall	2,231	No - seated only	Indoor	Theater performances, musicals, orchestra, various concerts
Spreckels	1,463	No – seated only	Indoor	Theater performances, musicals, orchestra, various concerts

Source: 2016 Data, Compiled through internet information

The proposed Del Mar venue also holds a competitive advantage over other venues with similar seats ranges due to its prime, beachside location. Mapped in the Exhibit 22, no other venue of such size are located in the coastal North County San Diego area. Due to the scarcity of usable

land and expensive real estate values, this market also provides an extremely high barrier of entry, which would provide competitive protection for the proposed Del Mar venue going forward.

Figure 22. ESRI, Map 2016. Music venues with a capacity of 1,500 to 2,000 seats, and showing 20-mile driving ranges away from each competitor site.



Source: ESRI Database 2016



**ALTERNATIVE
AND
COMPLIMENTARY
USES**



Vision

The Del Mar Fairgrounds wants to repurpose the Surfside Race Place, in a way which represents a concert-goer experience and the Del Mar Fairgrounds-goer experience. Mr. Fennell and the board shared during a group meeting they would like Del Mar Fairgrounds to become a venue where local San Diegans can go for an all-inclusive concert experience. The concert-goer can focus on making the trip to the Fairgrounds for all of their concert needs: parking, food, beverage, and live entertainment. Likewise, during times of the County Fair and races, the attendees can walk over to the renovated Surfside Race Place and continue their experience. While identifying the most suitable complementary services and activities that should be made available, it is important to note the objectives for the recommended renovated facility:

1. Maximize revenue,
2. Increase attendance year-round, and
3. Offer services that are in line with the 22nd DAA mission statement.

The centerpiece of the renovated facility is a 1,900-seat concert venue, which will occupy approximately 65 percent of the 90,000-square foot facility. Also, a 7,000-square foot space has been set aside on one side of the facility for a History of San Diego Beer Exhibit, and a similarly sized space on the opposite side of the facility for the remnants of the current Surfside Race Place operation. While the proposed concert venue will be profitable itself by hosting anywhere from 60 to 100 concerts per year, space will be severely underutilized if it remains un-booked during non-concert hours. The key to success for large concert venues is the ability to schedule as many events as possible. For the proposed facility, maximizing the utilization of the space will be a two-fold task: scheduling events for the main space, and determining the best way to utilize the complementary spaces surrounding it.

In efforts to maximize revenue and provide the best overall experience to concert attendees, the complementary services utilized should be based on identified customer needs, as "these additional services can also have an impact on when customers arrive at an event and how long they stay after an event" (LLF4, 2013). Research by Cornell University suggests the consideration of four strategies:

1. Reduce idle time by renting the arena for events other than its core functionality.
2. Extend the length of time of an event e.g. by offering pre-show or post-show events such as concerts or exhibitions.
3. Design the facility as multi-purpose as they can host different types of events.
4. Offload all non-revenue producing operations to a less expensive alternative; provides another method to increase the productive use of space.

Rather than selecting arbitrary complementary activities or services, it is in Del Mar Fairgrounds' best interest to engage a new CSUSM MBA team to conduct a Phase Two analysis.



The following are merely suggestions regarding alternative and complementary services/activities to generate healthy discussion amongst the Del Mar Fairgrounds Board.

Alternative Uses

There are several alternative uses for which the music venue space could be utilized in the future. Other multi-use facilities use their space for events such as trade shows, professional conferences, and workshops (LLF4, 2013). Belly Up has conveyed several times that it regularly turns away clients due to a lack of capacity and availability. The excess demand at Belly Up would provide an opportunity to bring in additional revenue generating events such as weddings, corporate events, etc. to the newly renovated Del Mar facility. Also, the Del Mar Fairgrounds would be able to continue leasing space for events such as Kaaboo and could include the repurposed Surfside Race Place, which is currently not leased for private events.

Other influential concert venues in the San Diego area have been able to maximize the utilization rate of their space in various ways. Humphreys Concerts by the Bay and The Observatory North Park frequently host live comedy events. The House of Blues makes their space available for rent to private parties and events. The Balboa Theater is often home to various types of live performances, and the California Center for the Arts often hosts private events including weddings, galas, fundraisers, and parties. Figure 23 shows how similar local venues have generated ancillary revenue to supplement ticket sales as well as what activities they host to maximize their utilization.

Additional alternate uses for music venue space include:

Award shows	Live theatre performances
Business meetings	Private parties
Comedy shows	Professional conferences
Conventions	Rehearsal spaces
Corporate fundraising events	Trade shows
Exhibits	Webinars
Festivals	Weddings
Film premieres	Workshops
Film screenings	

Figure 23. 2016 Competitive Table. Comparable venues and complementary uses.

Venue	Primary Function	Ancillary Revenue	Alternative Uses
Balboa Theater	Performing Arts	Food and beverage	None
Belly Up	Concert Venue	Onsite full bar; neighboring restaurants	Breakfast, luncheons, dinners, and matinees (great for non-profits). Parties celebrating: birthdays, weddings, anniversaries, holidays, company, post-convention, trade-shows, employee appreciation. Product launches, client entertainment, and charity fundraisers
California Center for the Arts	Performing Arts	Full-service dining	Museum exhibits, education programs, weddings and receptions, conferences, meetings, galas, fundraisers, and private receptions
House of Blues, San Diego	Concert Venue	Full-service dining	Corporate events, private concerts, social gatherings, weddings, receptions, and private dinners
Humphreys by the Bay	Concert Venue	Full-service dining, restaurant, and hotel.	None
Music Box		Full-service dining	Wedding receptions, rehearsal dinners, corporate events, holiday parties, bar/bat mitzvah's, birthday celebrations, brunch events, fundraisers, business meetings, music shows, videos, gala events, and more
Poway Center for the Performing Arts	Performing Arts	Food and water only	Art shows and facility rentals
San Diego Symphony Hall	Performing Arts	Food & Beverage	Family concerts and educational programming
The Casbah	Concert Venue	On-site full bar	None
The Observatory	Concert Venue	Food and beverage; neighboring restaurant	None

Source: Data collected 2016 from competitive sites.



Complementary Uses

Satellite Wagering

The original purpose of the Surfside Race Place was to provide a venue for attendees to engage in satellite wagering for live races in California (San Diego Union-Tribune March 10, 2015). Its mission statement is to create a comfortable, entertaining and informative environment for their guests by providing a quality race presentation, knowledgeable staff, and a clean facility to create the premier satellite wagering facility in California (Surfside Race Place at Del Mar, 2016).

The current proposal to develop the Surfside Race Place into a concert venue includes a downsized version of the satellite wagering operation that the facility is already accommodating in its present state. While the Del Mar Fairgrounds would like to repurpose the majority of the facility due to declining demand and attendance, the Board would also like to allocate some of the areas under the new design to continue serving the remaining consumer base of the Surfside Race Place. The current configuration dedicates the entire 90,000-square feet of the facility to satellite wagering while the proposal to develop a concert venue would leave an estimated 7,000-square feet for a redesigned satellite wagering setup, downsizing the space for this activity by approximately 92 percent.

Satellite wagering is the business of offering a space for consumers to view simulcast video feeds of thoroughbred horse races occurring across the globe and place bets throughout the racing season. According to IBIS World, demand for horse racing, in general, is in decline; the majority of the demand for thoroughbred horse racing comes from older males, aged 55 and older, and as these customers phase out, the industry has struggled to replace them with a younger demographic (IBIS World Inc., 2016). Younger generations are familiar with a wide array of gambling and entertainment activities. The internet has given young people access to digital media of all types, which fill many of their hours and compete with the thoroughbred racing industry for their leisure time. Movies, concerts, and many other forms of entertainment are also more widely available than they were to the generations that grew up going to horse races. Casinos are a growing industry and have proliferated in Southern California, offering consumers alternative gambling options. California customers can also participate in several different lotteries that provide them an outlet for their gambling activities. Consumers have gravitated to these competing alternatives to the detriment of the racing industry (IBIS World Inc., 2016).

This confluence of factors has led to the overall long-term decline in the thoroughbred racing industry evidenced by a 49 percent reduction in handle, the total annual amount wagered, since 1975 (Driving Sustainable Growth for Thoroughbred Racing and Breeding, 2011). Despite the shrinking size of the overall handle, there has been a growth in online wagering on horse races, the only legal form of online wagering. Advance deposit wagering, which includes online

wagering, accounted for 21 percent of all handle in 2010 and is expected to continue to grow. Total simulcasting, any wager by a customer who is not on track, accounts for over 85 percent of the handle (A closer look at why the horse racing industry needs innovation and a brief history of the sport., 2015). Although the horse racing industry as a whole is on the decline, satellite wagering facilities are positioned to continue to capture the remaining demand.

With the overall decline in the industry, several racetracks have shuttered their operations, but many satellite wagering facilities remain throughout California. According to the California Horse Racing Board, there are 29 non-racetrack affiliated satellite locations remaining in California. Four of the non-racetrack associated satellite locations are in San Diego County: the 58 Flat Sports Bar & Casino in Bonita, Ocean's 11 in Oceanside, Striders in San Diego, and the Viejas Casino & Turf Club in Alpine (Race Tracks, 2016). In addition to these 29 locations, there are ten more racing facilities throughout the state that offer satellite wagering both during their racing season and their offseason, Del Mar being the only place in San Diego County (Names and Locations of Racing and Training Facilities Regulated by the California Horse Racing Board, 2016). However, there are also 12 major casino operations located on various Native American reservations in San Diego County (A Guide to San Diego Casinos, 2016).

Conditions in the industry have been especially challenging over the past five years. According to IBIS World, the overall decline of the industry was exacerbated by the poor economic conditions during the Great Recession, which began in December 2007. Although many customers of the industry continue to spend money on horse race wagers even when their financial situation is deteriorating, demand for thoroughbred racing is dependent on consumer disposable income and the low employment levels and lack of disposable income hurt the industry. Thoroughbred racing is forecast to continue to decline in the next five years by IBIS World, but as economic conditions continue to improve and consumer confidence increases, industry revenue will decline at a slower rate. Growth in the U.S. economy will bring reduced unemployment levels and raise incomes and per capita disposable income. However, time spent on leisure and sports is forecast to decline, and the competition the industry faces from alternative gambling and entertainment options is expected to rise (IBISWorld Inc., 2016). The Surfside Race Place has experienced the slipping demand firsthand and operates at a fraction of their current capacity, with attendance resting at only a few hundred a day. The Del Mar Fairgrounds should not expect a major change in their present demand as the same customers will continue to want to place wagers. However, attendance at the proposed satellite wagering facility will likely continue to decline, albeit at a slower pace than the last five years.

Revenues for satellite wagering facilities include admissions fees, membership fees, wager revenue, food and beverage revenue, and parking fees. General admission for the Surfside Race Place is \$5, membership fees for the Saddle Club are \$10, and parking fees vary throughout the year. Costs of the proposed venue will include the costs to renovate the facility from the current 90,000-square foot configuration to the proposed 7,000-square foot space as well as the

operational costs such as employee wages and utility costs. Just like attendance figures, the revenues will likely not be affected by downsizing but the costs will probably reduce as the operation will have a higher space utilization with fewer employees and utility expenses serving such a large area.

Del Mar Fairgrounds would like to retain the satellite wagering facility, simply at a fraction of the scale. Although the horse racing industry is on the decline, the decline is expected to slow, and there will always be some customers who still want to watch a horse race. A satellite wagering facility will be able to capture the demand that remains when there are no live races occurring on the race track and whenever any horse race is occurring anywhere in the world. The satellite wagering facility is a good fit with the mission of Del Mar Fairgrounds as it promotes the equestrian aspect of agriculture and is also a long-time form of entertainment. It is also a good fit with the concert venue as it will bring in people at times of the day that would not interfere with concert operations and space could be utilized in support of the concert venue. Unfortunately, satellite wagering will only bring customers onto the Fairgrounds during a portion of the year, and a number of customers it brings in will most likely continue to decline in years to come. As horse racing in general continues to decline and online wagering continues to grow within that segment, there will be less demand for a satellite wagering facility. Despite the lack of growth opportunities for the facility, Del Mar Fairgrounds should continue to serve satellite wagering consumers until they can no longer remain profitable or determine a more attractive alternative.

History of Beer Museum

One proposal already receiving strong consideration from management is a History of Beer in San Diego museum. The Museum Industry, NAICS code 71211, is one focused on preserving and exhibiting objects of historical, cultural, and educational value and it plays an important cultural role. As stated by IBIS World, museum attendance is dependent on high levels of disposable income and consumer confidence; as unemployment rates go down and consumer confidence increases, they are more likely to show a willingness to spend money on cultural activities such as museum attendance. Because of this, the industry can be a fickle one, sensitive to changes in the economic climate, and it experienced a downturn during the recent recession, beginning in late 2007. However, with the return of more favorable conditions, the industry experienced a bounce back starting in 2011, and it has seen a trend of increasing attendance and donations. As the economy continues to recover during the next five years, IBIS World expects demand for the industry to remain relatively constant (IBISWorld Inc., 2016).

The most comparable venue with the proposed venue, regarding being a cultural hub, and having multiple facilities intended for public entertainment, is the California Center for the Arts. The California Center for the Arts has a 400-seat theater and a contemporary art museum. It has found success by surrounding itself with other cultural hubs that provide like forms of entertainment. To utilize the proposed facility's space to its greatest potential complementary

uses should be maximized in the adjoining areas at the Del Mar Fairgrounds as well as in the proposed concert venue.

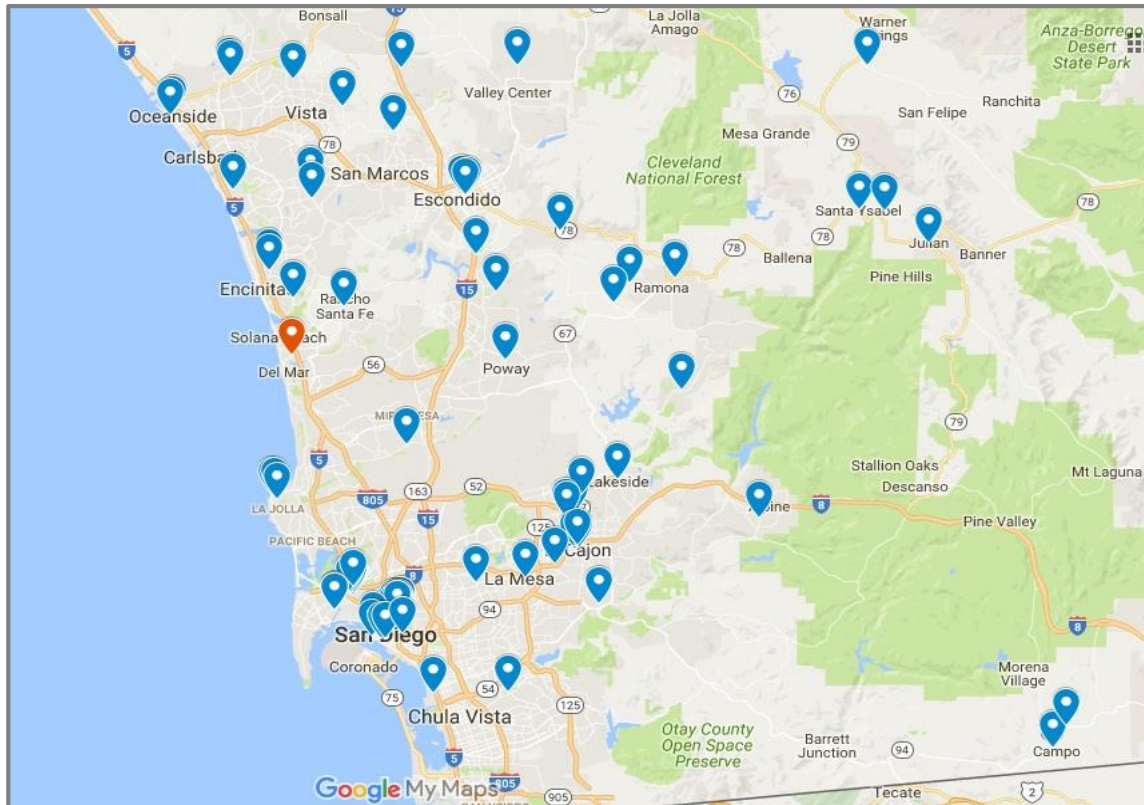
The San Diego Museum of Man and the associated museums in Balboa Park are the main entities in the museum industry in the San Diego region. The Museum of Man features rotating exhibits of cultural importance to San Diego and has been a vital part of the San Diego cultural landscape since Balboa Park's inception in the early 20th century. In addition to the well-known museums that are located in the Balboa Park, there are more than 90 museums throughout San Diego County focused on a wide array of topics (Explore San Diego Museums, 2016). A map of many of the most significant of these is displayed in Figure 25. Museums located across the country, including in Pittsburgh, Pennsylvania, and Austin, Texas are devoted specifically to the history of beer (Batz Jr., 2016).

Figure 24. Photo 2016. Brew: The Museum of Beer located in Pittsburgh, Pennsylvania



Source: Brew Website 2016

Figure 25. Google, 2016 Map. All museums in the San Diego County area

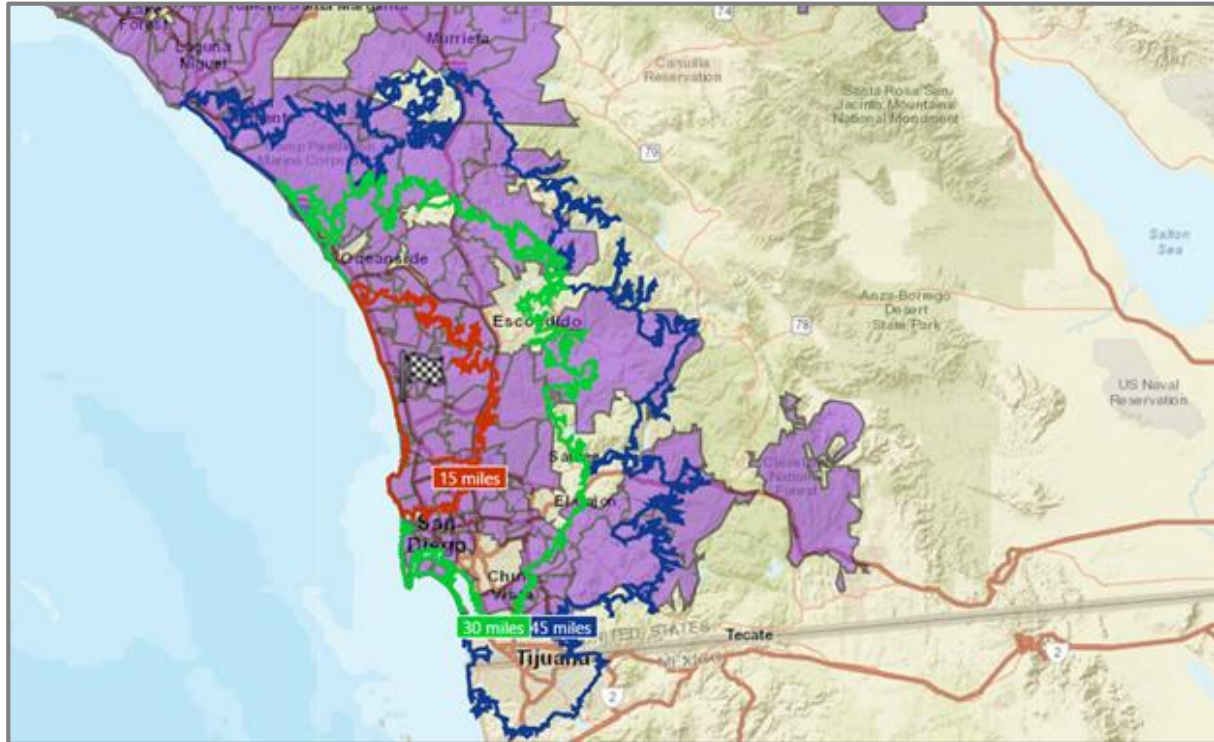


Source: Google Maps 2016

Success for museum attractions, such as the History of Beer in San Diego museum, is heavily dependent on the quality of the collection acquired and the attraction's proximity to tourist destinations (IBISWorld Inc., 2016). Venues with well-known collections and good reputations, such as the San Diego Museum of Man, experience the greatest demand as do those in close proximity to tourist destinations. The proposed museum would have this in its favor as it would be at the Del Mar Fairgrounds, a major destination for local tourism. The museum industry draws on the same base of consumers as theme parks, national parks, historic sites, and other sources of entertainment. The Del Mar Fairgrounds is already a leading source of entertainment in San Diego County, so the likely customers of the History of Beer in San Diego museum may be already attending multiple events hosted on the Del Mar grounds. While this could lead to some cannibalization of demand between these events, customers will also likely be willing to attend multiple events during one trip.

According to the Environmental Systems Research Institute, 390,169 individuals within the 45-mile driving range have gone to a museum in the last 12 months. This is a substantial base of customers that could be drawn to the new museum. Figure 26 shows census tracts in purple that have a relatively high proportion of individuals who have attended a museum in the last year and that the Del Mar Fairgrounds are located in an area with a high proportion of attendees.

Figure 26. ESRI, 2016 Map. Population within 45-mile driving distance from the Del Mar Surfside Race Place who have visited a museum in the last year.



Source: ESRI Database 2016

Potential revenue sources for a new museum could include admissions fees, membership dues, merchandising, and marketing sponsorships. Admission tickets range in cost around San Diego County but typically are around the \$13, which the San Diego Museum of Man charges (Museum of Man, 2016). Nationally in 2012, the median admission price was \$7 and 37 percent of museums provided free admission. Annual membership fees for the San Diego Museum of Man are currently \$45 for an adult, but the assortment of museums at Balboa Park offer many deals on admission and membership throughout the year.

In addition to admissions and membership revenue streams, merchandising could also provide additional income for the proposed museum operation. Merchandise can include coffee mugs, shirts, hats, artwork, and items of a similar nature. According to the IBISWorld Industry Report for the Museum Industry, admissions make-up 17.1 percent of revenue from patrons (i.e. not including government support), while memberships and merchandise contribute 5.1 percent and 6.8 percent respectively. In recent years, a trend among museums has been to pursue high-end restaurants and other opportunities on their properties in an attempt to increase their revenues from patrons.

Another major piece of the museum industry's revenue stream is marketing sponsorship opportunities; many exhibits are sponsored by local companies that have some relation to the

exhibit. For instance, the BEERology exhibit at the San Diego Museum of Man sponsored by many notable local breweries, restaurants, and the ride-sharing company Uber (Museum of Man, 2016). Corporate sponsors for the History of Beer Museum in Del Mar would need to be negotiated but could include local craft brewers, multinational brewers, and local restaurants to start, which could provide significant potential revenue. Private donations, which include revenues from corporate sponsors, account for 29.4 percent of industry revenue.

Del Mar Fairgrounds has already purchased most of the exhibit already used from a similar venue. Therefore, some of the capital expenditure required for the museum exhibit has already taken place. They should allocate a portion of the renovation cost for the museum section of the new venue. Besides the initial investment by the Del Mar Fairgrounds, the museum would also incur operating expenses such as utilities, maintenance, and wages. Museums of the proposed size typically employ between nine and ten people to fill a variety of roles including museum educators, curators, collection managers, registrar, museum vendors, security personnel, customer service, and tour guides.

The museum would preserve and showcase the history of beer and the development and resurgence of the brewing industry in San Diego. The idea of a beer museum to complement the proposed concert venue is valid, as it would provide both entertainment and educational value to the San Diego community and would highlight the local brewing industry. The museum would fit well with the other events at the Del Mar Fairground, as it would appeal to consumers with discretionary income that they are willing to spend on cultural activities, particularly ones related to agriculture and natural resources. During busy times at the Del Mar Fairgrounds, such as during the San Diego County Fair and the Del Mar Racing season, the museum could be a valuable addition to the suite of entertainment options and attract customers that might not otherwise have come. When the San Diego County Fair and Del Mar Racing season are not active, the museum will still attract customers from all over San Diego County and bring a steady source of revenue throughout the year.

Unfortunately, a museum is not as likely to meet the synergy of a concert venue; it seems unlikely that customers would want to visit a museum before attending a concert. However, this is a minor drawback and is outweighed by the future opportunities that it would provide the Del Mar Fairgrounds to be an alternative to San Diego County residents, especially North County residents, for their cultural and educational needs. This opportunity would be especially poignant if the Del Mar Fairgrounds were able to develop an array of museum venues similar to those of the Balboa Park offerings. Allowing people to bundle multiple museum visits into a single trip, and if they were able to secure a rotation of museum exhibits would continue to stimulate interest and keep the attention of the public.



Craft Beer

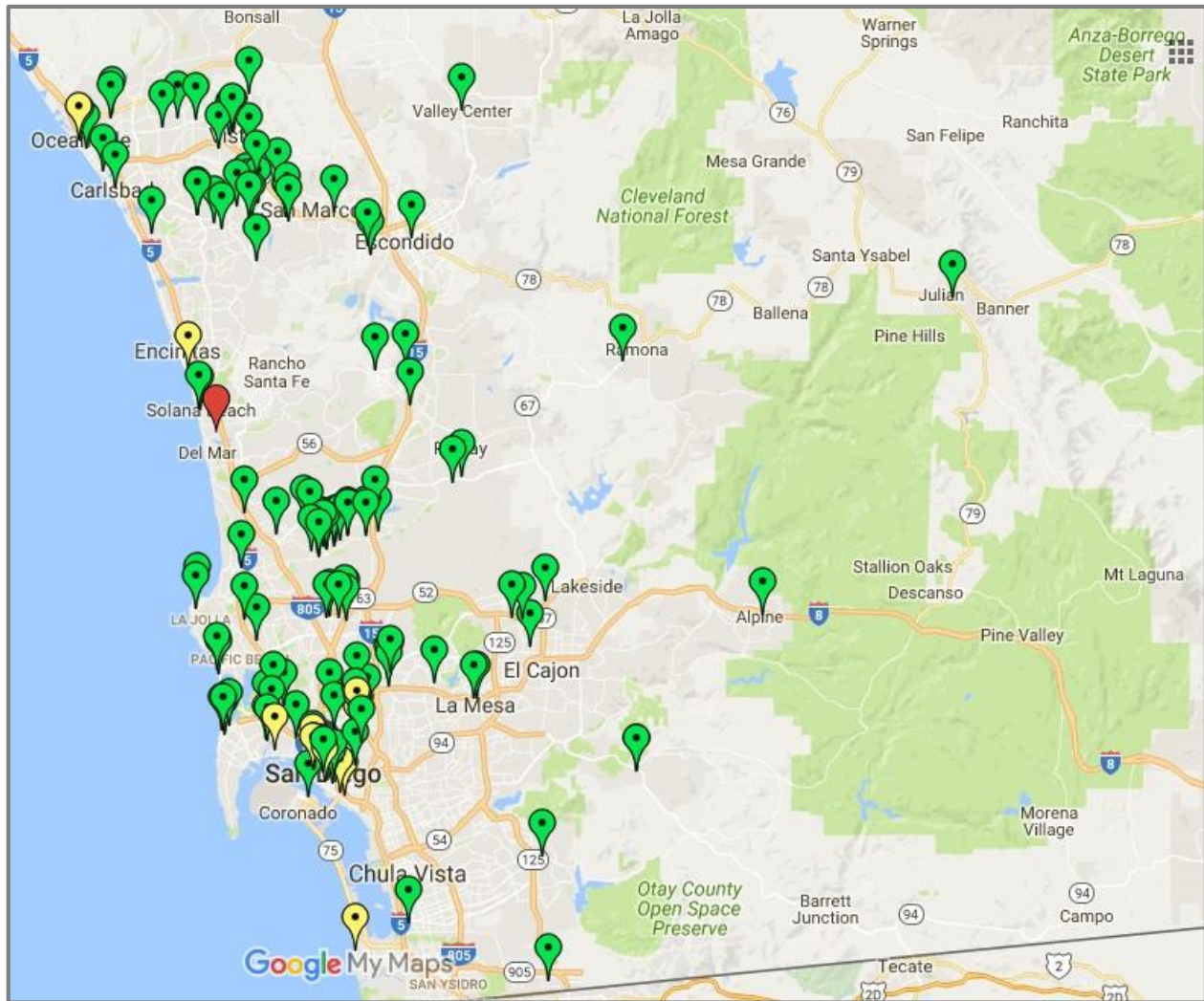
The Del Mar Fairgrounds has also considered the inclusion of a brewery in the redevelopment of the Surfside Race Place. Craft beer production has exploded in San Diego in the last decade and small local breweries and taprooms have proliferated at a staggering rate, particularly in North County. The Craft Beer Production industry, NAICS Code OD4302, includes microbrewers that produce less than six million barrels per year, of which there are now over 100 microbreweries in San Diego County.

According to IBIS World, craft beer was until recently, only attractive to a niche clientele of hobbyists and homebrewers, due to the enforcement of the three-tier distribution system which prevented alcohol producers from selling directly to consumers. This law gave the largest beer producers an advantage due to their volume and thus their ability to negotiate favorable distribution channels. With the Supreme Court ruling of *Granholm versus Heald* in 2005, alcohol producers can now bypass the three-tier distribution system, which has given the industry a boost in the decade following. Nationally, industry revenue has grown 400 percent since 2006, and at a 20.1 percent annualized rate since 2011, as shown by IBIS World. With the increased availability of craft beer, consumer preferences have shifted from the light and premium brand beers to the darker and more flavorful beers. Microbrewers have been able to brand themselves as having a greater attention to detail, a wider range of styles, better ingredients, a higher degree of expertise, and a higher level of overall freshness. Local consumers now perceive a quality difference is coming from their local brewers and many of the brands have been able to charge a premium for their product. In the coming years, growth in the industry is forecast by IBIS World to remain active (IBISWorld Inc., 2016).

The craft beer scene has surged ahead of expectations, especially in San Diego County. The region has become a craft beer hub, with over 100 microbreweries across the county and more microbreweries steadily emerging to take advantage of the trend in consumer preference in locally produced beer. Within the greater San Diego County region, three main hubs have become the center of development: The North County's *Hops Highway* along the California State Route 78 corridor stretching from Oceanside to Julian, the Mira Mesa cluster of breweries, and the Mission Bay and Downtown San Diego cluster. Breweries in San Diego are well distributed geographically, with breweries throughout the county. Along the Interstate-5 corridor, there are only two breweries on the 20-plus mile stretch between Torrey Pines and Carlsbad, and there are no breweries along the 10-mile stretch of the CA-56 corridor between Del Mar and Interstate-15. The current landscape leaves many affluent communities underserved by the craft beer industry. Figure 27 shows most of the breweries in San Diego and the underserved region around Del Mar.

To take advantage of the emerging demand for craft beer and the underserved communities surrounding Del Mar, the Fairgrounds should reconsider their attempt to attract the craft brewing industry to their grounds. In a recent meeting, Mr. Fennell shared that they learned that they cannot brew beer on-site, but they can showcase it (Fennell, Penniman, & Shewmaker, 2016).

Figure 27. Google, 2016 Maps. San Diego County Breweries



Source: Google Maps 2016

Beer Igniter

One approach to recruiting the craft beer movement to Del Mar is to create a space for beer innovation. San Diego County has many craft beer business startups every year, but they face enormous challenges in providing enough capital to quickly scale their production volume to the levels required to create economies of scale and become price competitive. The craft beer industry is capital intensive, and startups must invest in sophisticated and physically large equipment to make their operation work. Many startups fail because they are unable to raise the initial startup capital to invest in equipment and infrastructure. A business that invests in equipment and creates a space ready for use by a brewery operation would have many suitors willing to rent the space.

In 2015, 19 new craft breweries opened in San Diego, and many more were unable to raise the required capital as a start-up (San Diego Reader, 2016). The industry is expected to continue to grow in the near future as demand for the craft beer segment expands and local businesses emerge offering to cater to or support small craft brewers. HG Fenton, a local real estate developer, has focused on Brewery Igniter projects in the last two years. These projects are aimed at providing a turn-key, leasable space that is ready for brewers to move into and immediately begin operations on a scale they would otherwise be unable to achieve. In Miramar, a neighboring community to Del Mar, HG Fenton has developed an approximately 3,000-square foot property into two brewery spaces, and has leased the space to two local brewers, Pure Project Brewing and Amplified Ale Works (Anderson, 2015).

In response to the demand experienced by their first Brewery Igniter property, HG Fenton developed a trio of suites in El Cajon, another San Diego community, and has already signed leases with three more breweries (Craft by Brewery Igniter is Coming Soon & Miramar is Now Open, 2016). These three breweries are expected to open their doors in late 2016: J&L Eppig Brewing, Pariah Brewing Company, and San Diego Brewing Company (Hernandez, 2016). The most recent activity for the Brewery Igniter by HG Fenton has been a plan to expand into North County, in Carlsbad, with a two-brewery space (Rowe, 2015). Their proposal was unanimously supported by the Carlsbad Planning Commission, but will also require the approval of the Carlsbad City Council. HG Fenton has pioneered the business model of leasing space to small, unestablished brewers and the growth they have experienced in the last two years is an indicator of the potential for this concept.

For a business model, similar to that of the Beer Igniter, as pushed forward by HG Fenton, revenues would come entirely from rent paid by prospective brewers. Lease agreements would have to be determined based on current market conditions and would be dependent on end-user demand for craft beer which is forecast to continue to climb for the next five years by IBISWorld Report. Costs for space would include renovation of the current Surfside Race Place into a suitable brewery. Initial costs would be high and would include the acquisition of expensive brewing equipment. Investment in capital equipment makes up a significant portion of spending

in the industry, and Jacob McKean, the founder of the local brewery Modern Times, reported in 2012 that he needed \$1.25 million to start his business (McKean, 2012). While some of this may attribute to operating costs that would be incurred by the brewery in the for-lease concept, a ballpark figure of \$1 million is a fair estimate of the probable initial investment to prepare a space for a fully-fledged brewery operation. Future costs that could be incurred and would need consideration are the replacement of the equipment and the costs to keep pace with technological innovation. In addition to the specific costs of capital equipment and space renovation, there is also the risk of a tenant brewery defaulting on the financial obligations of the lease.

The Del Mar Fairgrounds had previously considered renting space to an established brewer and potential partner, Blue Moon Brewing. While resistance from the local brewing industry put a halt to the previous proposal, a proposal that highlights more of the local community would likely have local support. With the rapid continuing growth in San Diego of the craft beer industry, a brewery should be a consideration in the redevelopment of the Surfside Race Place. A brewery on the Del Mar Fairgrounds would be a strong complement to their current offerings. The brewery would bring consistent revenue year-round in the form of the lease payments made by the brewery. Year-round, the brewery would bring customers that would not have otherwise visited the Fairgrounds while also likely being attractive to the same customers who frequent the Del Mar Racetrack during race season and the San Diego County Fair. A drinking establishment would also complement the proposed concert venue; customers could come before a show to try a few beers, or stay after a day show to experience the local craft beer industry. The presence of one or two craft brewers on the Del Mar Fairgrounds could also prove to be of future benefit, by stimulating the development of the craft brewing industry on the underserved Interstate-5 and CA-56 corridors. The Del Mar Fairgrounds could become the local hub of craft brewing and attract even more attention to their current lineup of beer-related events, notably the San Diego International Beer Festival, San Diego Craft Beer Festival, and Del Mar Pizza and Beer Fest.

Restaurant

The typical concert-goer experience includes having a meal before and possibly even after the concert event takes place. If Del Mar Fairgrounds is serious about becoming a "one-stop-shop" experience, the Board should consider providing a restaurant on-site that would be open to the public, even when there are no scheduled concerts. Having a restaurant will allow race and county fair attendees to head over to the establishment afterward and provide customers opportunity to enjoy Del Mar's offerings.

The restaurant industry provides food to customers in various formats. Chain sit-down restaurants offer a consistent approach to high-quality service at a reasonable cost across multiple locations and have high profiles and customer awareness. Sit-down restaurants can be segmented according to their food offerings. Some of the most popular sets of food offerings include American restaurants, which offer burgers, steaks, sandwiches, salads, and fries; Italian-American restaurants which include pasta-based dishes and pizzas. Breakfast restaurants offer

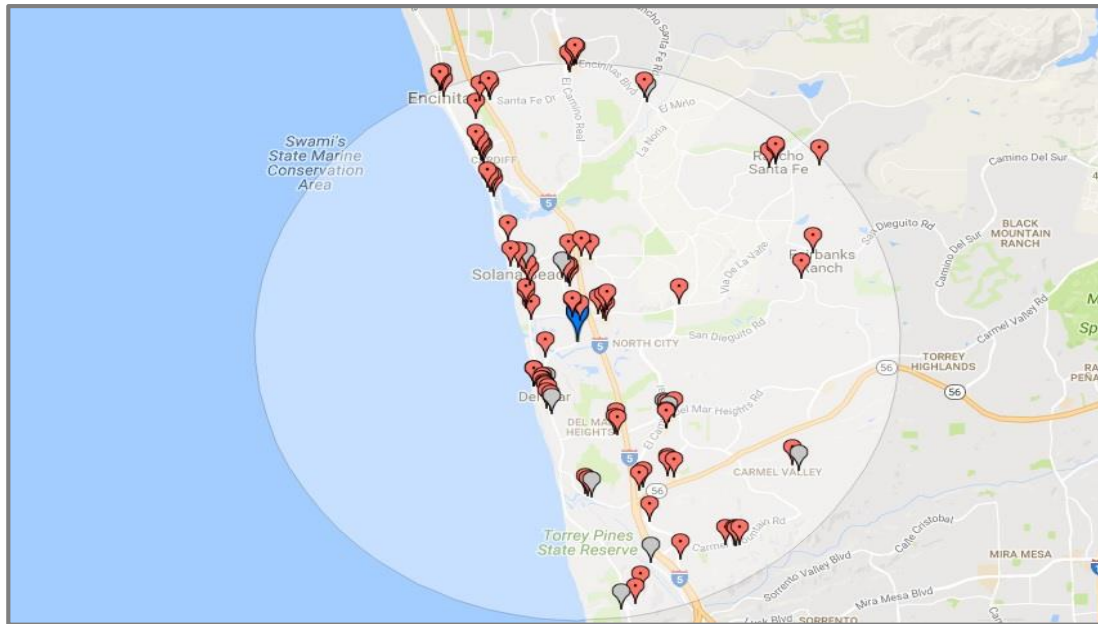
pancakes, waffles, omelets, along with lunch and dinner menus, and many other segments. Sit-down restaurants of all categories must compete against fast-food chains, more casual eat-in and take-out restaurants, grocers that provide consumers food they can cook themselves, and in recent years the emerging industry of meal delivery services that provide convenient gourmet options. Among these options, consumers have begun to trend towards valuing convenience and low price in their evaluation of the various competitors (IBISWorld Inc., 2016).

There has been a trend in the restaurant industry towards fast and casual restaurants that do not offer table service, however they do provide higher quality food, as stated by IBIS World. This trend in consumer preference is negatively impacting full-service establishments that offer sit-down meals. Full-service establishments are responding by investing in technologies that reduce the number of employees required to operate and are implementing other cost-cutting measures that will allow greater competition on price levels. Restaurants also have to keep up with growing consumer awareness of health issues, such as the impact of different ingredients and caloric inputs on their well-being, as well as health crazes such as gluten-free and organic diets. Restaurants are continually updating menus and making healthy offerings as a key component of their marketing and corporate image. According to IBIS World, changing consumer preferences is challenging for restaurants, and many have been unable to keep up. Acquisitions and consolidations continually transform the landscape of the restaurant industry, and many key players in the industry are changing their strategies (IBISWorld Inc., 2016).

The past five years has been a period of steady growth for the restaurant industry due to the changing economic conditions. Declining unemployment and rising per capita disposable income has boosted consumer confidence, and there has been an associated 2.4 percent yearly increase in consumer spending over this period according to IBIS World. With this change in disposable income, consumers are more willing to spend on luxury items/activities such as eating out, thus making more trips to sit-down restaurants. In 2015, for the first time, consumer spending on food at restaurants surpassed expenditures on groceries. Busy professionals have driven this trend, as they find themselves looking for food alternatives after working long hours (IBISWorld Inc., 2016).

In a 5-mile radius around the Del Mar Fairgrounds, there are 114 full-service restaurants that draw an annual total of \$126,011,677 in sales, equating to an average of \$1,105,366 in annual sales per establishment (Market Radius Report, 2016). This compares favorably to the 2,714 establishments throughout San Diego County that average \$897,643 in annual sales per establishment (US and Local Industry Market Reports, 2016). This shows that Del Mar is a good place to open a restaurant in San Diego County. Figure 28 shows the 114 full-service restaurants within 5 miles of the Del Mar Fairgrounds.

Figure 28. BizMiner, Map 2016. Restaurants within 5-mile of Del Mar Surfside Race Place



Source: Market Radius Report BizMiner 2016

In the next five years, demand for the restaurant industry is expected by IBIS World to continue to improve the economy. Unemployment is forecasted to continue to decrease, while income is forecasted to continue to increase, leading to greater spending on luxury goods, and likely sit-down restaurant spending. Consumer spending is forecast to increase 2.5 percent annually for the next five years. Also, demographic trends should contribute to continued growth:

- Baby-boomers dominate the age structure of the population, and they have access to more disposable income than any previous generation.
- Young adults, between the ages of 18 and 30 are tending to marry and have children later, allowing them to spend more of their money on restaurant expenditures.
- The sit-down restaurant industry is stable and mature and should offer modest but steady growth shortly (IBISWorld Inc., 2016).

Del Mar Fairgrounds should consider leasing a portion of the 90,000-square foot facility to a high-profile restaurant that can manage it privately. Preferably, the physical location of the restaurant should be situated where there is high visibility along the front of the facility, as opposed to being entirely enclosed within the Surfside Race Place. Del Mar Fairgrounds can also offer their current food and beverage provider an opportunity to develop a concept for a restaurant. A restaurant can also be combined with a craft beer concept and develop a venue similar to that of Stone Brewing World Bistro & Gardens in Escondido, which is in East North County and allow for attendees to embrace the local San Diego culture (Stone Brewing World Bistro and Gardens, 2016).

Several competing venues have also created a synergy with surrounding businesses and venues to help them maximize their exposure. Humphreys Concerts by the Bay located between Humphreys Restaurant, a premiere waterfront restaurant which is open for brunch and dinner, and Humphreys Half Moon Inn, a waterfront resort that draws visitors throughout the year. The House of Blues features the House of Blues Restaurant and Bar which brings a steady stream of customers and features its set of events. The Observatory North Park connected to the West Coast Tavern, a restaurant, and bar.

Retail/Merchandising

Attending a live music event is typically a memorable experience, however, attending a concert in the city of Del Mar, “where the surf meets the turf” is certain to be an experience of a lifetime for many (San Diego Tourism Authority, 2016). If the Del Mar Fairgrounds fulfills its vision to provide a "one-stop-shop" type of experience and essentially transform the Surfside Race Place into a complete concert campus, it will ensure a memorable experience. If Del Mar Fairgrounds gives its attendees an opportunity to purchase a tangible item, the memory of their experience is likely to last longer and remain associated with the facility. How wonderful would it be for concert attendees to be able to head into an on-site retail or merchandising store before or after their experience?

Most concerts offer artist merchandising or memorabilia for sale before or after an event, and a portion or all of the proceeds will go to the artist. Having a shop on-site would allow Del Mar Fairgrounds to sell items that are more relevant to local San Diego culture and the experience at Del Mar. Depending on the final complementary activities or services implemented, this shop could sell an assortment of souvenirs related to Del Mar, San Diego, Del Mar Fairgrounds, the History of Beer Museum, the San Diego craft beer scene, and much more. Since San Diego has become a city of many artistic talents, the shop can also showcase local artists and their work.

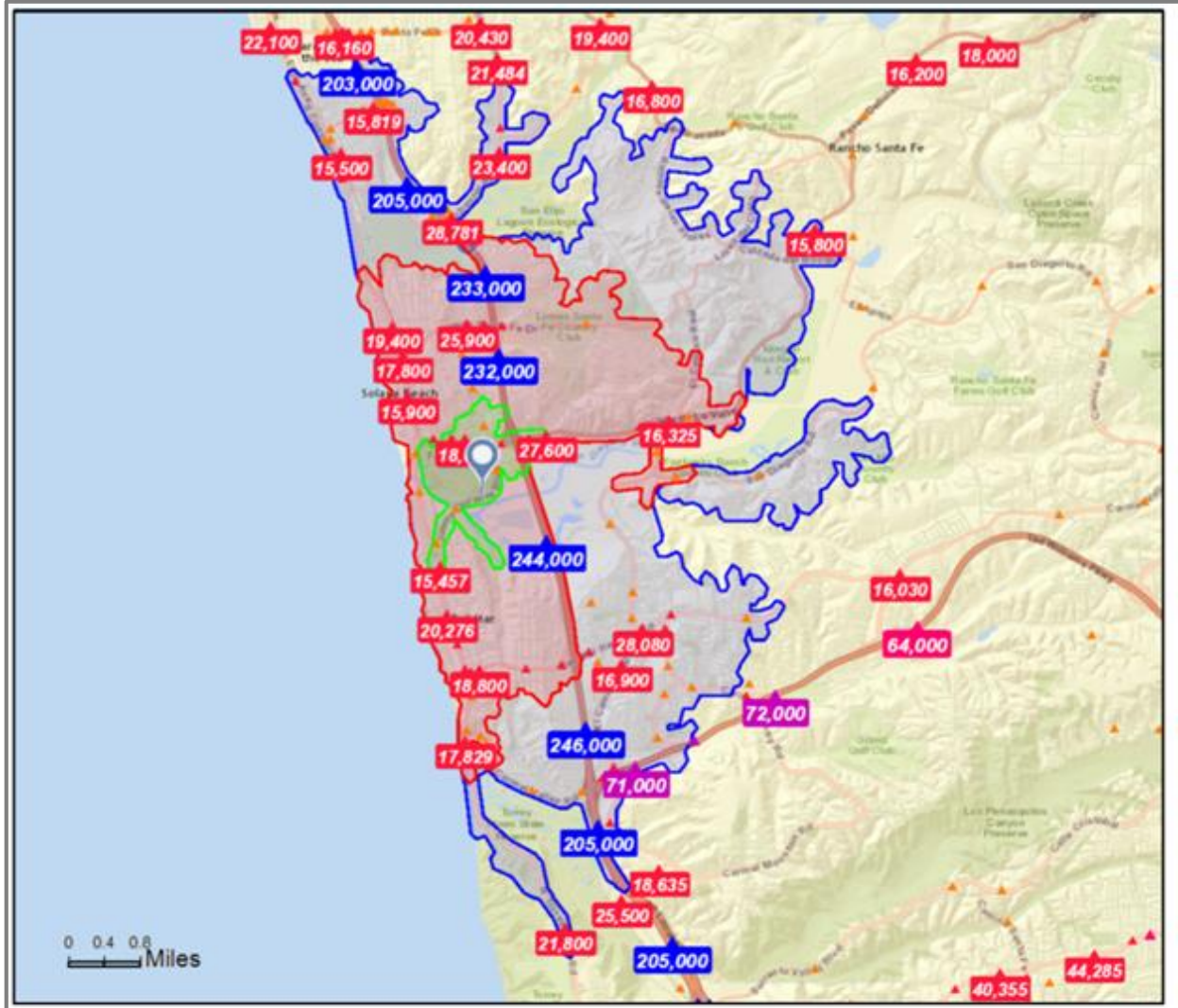
Advertising

Del Mar Fairgrounds currently hosts a series of events and appeals to all-ages, individuals, and families. A newly repurposed and high-traffic space would make Surfside Race Place ideal for advertising opportunities as brands often target 25 to 54-year-olds because they have discretionary income to spend (IBISWorld Inc., 2016).

Another factor to consider is the traffic flow past the Fairgrounds on a daily basis as a way to advertise to potential customers. On average between 232,000 to 244,000 vehicles pass the Del Mar Fairgrounds on Interstate-5 each day as reported by ESRI 2016 data. Having this high visibility to many commuters increases the advertising of the venue for customers. The advertising may be signage placed directly on the Del Mar Surfside Race Place or additional roadway signs. In Figure 29, the map indicates driving distances of one, three and five miles

from the Del Mar Fairgrounds. The purpose of the map is to demonstrate the average daily traffic volume on the roadways near the facility and visibility to those traveling in vehicles.

Figure 29. ESRI, Map 2016. 2260 Jimmy Durant Blvd., Del Mar, California, 92014 Latitude: 32.97238 with drive distances of 1, 3, and 5-mile radii Longitude: -117.25839 showing traffic pattern daily.



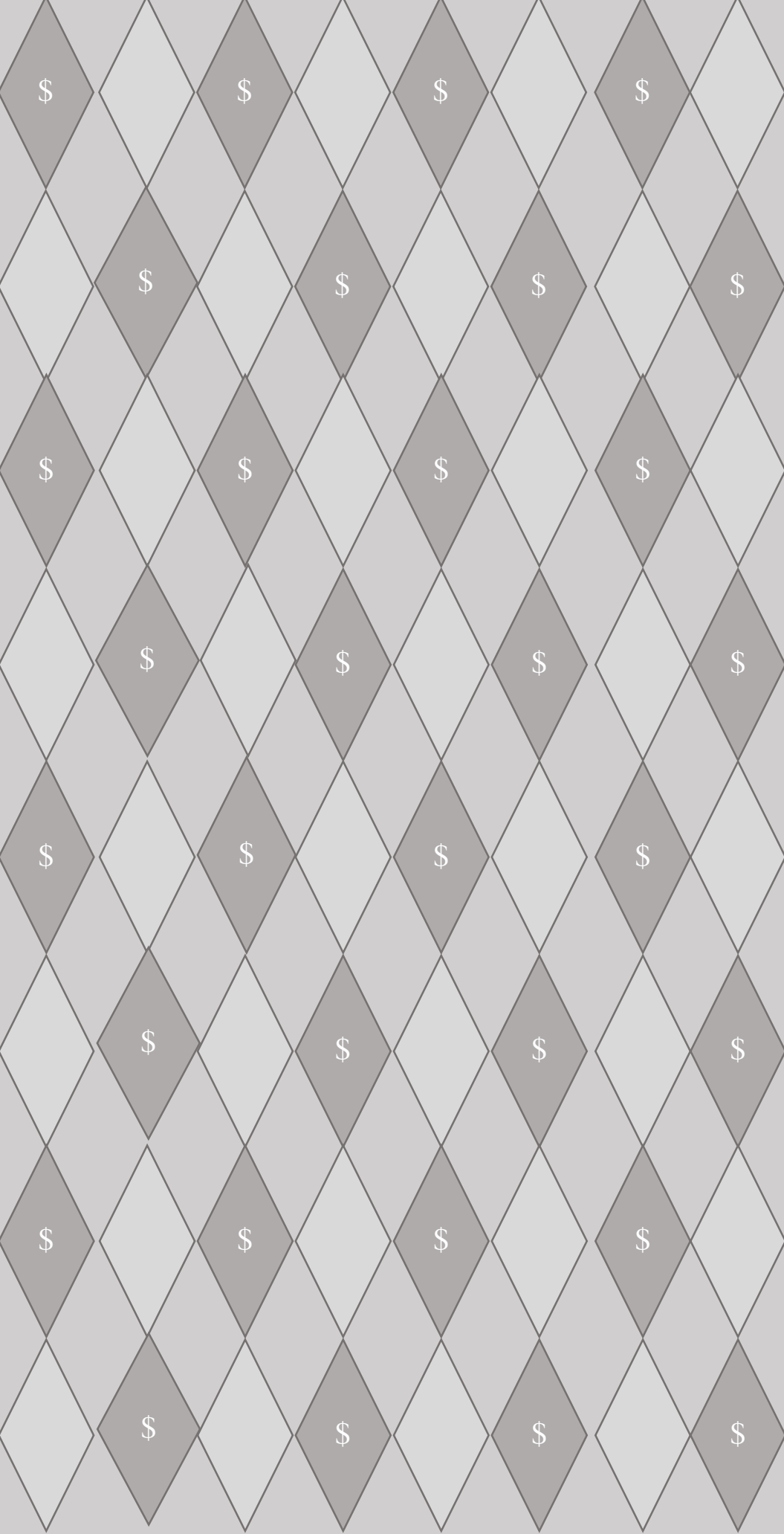
Source: ESRI Database 2016

Over the years, Belly Up has developed an excellent reputation amongst concert-goers based on the eclectic and unique experiences for those 21 years of age and up. There is a sense of authenticity the second you enter the venue, and you will not find much advertising throughout. During an interview, Chris Goldsmith stated that he advised against doing corporate sponsorships or high-level advertising, to avoid detracting from the overall experience. He shared that Belly Up does engage in advertising or sponsorship deals, but they try to do so in a subtle way. He shared that this was something that Mr. Fennell and the Board should decide on early.



Based on the overall experience and feel which Del Mar Fairgrounds Board of Directors wish to pursue they may want to consider advertising for the facility. If they choose to include advertising as a means of revenue, there are multiple ways of achieving it. Offering naming right opportunities for the entire venue, or for specific sections or locations within the venue. These would present opportunities for individuals or corporations the ability to sponsor individual artists or have corporate suites purchased, or even simple signage opportunities.

The possibilities for a revenue stream based on advertising are numerous. However, if Del Mar Fairgrounds chooses to include this revenue stream, they must do so carefully and avoid in detracting from the experiences of their attendees. Belly Up will be booking their talent but also referring customers to Del Mar Fairgrounds for private events that exceed Belly Up capacity or availability; it may be worthwhile for Del Mar to consider just how similar of an experience they would like to be in comparison to Belly Up.



FINANCIALS



Financial Model & Relevant Costs

The 22nd DAA provided the CSUSM Senior Experience (SE) team with a preliminary budget for the cost of renovating Surfside Race Place and transforming the facility into the proposed 1,900-seat concert venue. Based on the budget provided, the estimated cost to renovate the Surfside Race Place is approximately \$11 million dollars.

The 22nd DAA also provided the CSUSM SE team with a pro forma Profit and Loss (P&L) statement for the prospective concert venue. The pro forma P&L statement displays the potential net profits of the concert venue by detailing the expected concert revenues and expenses on a per-show basis. Additionally, the pro forma P&L statement included potential net profits from year-round food & beverage usage, as well as net profits from the continued activity of off-track betting. The team used both the preliminary budget and the pro forma P&L statement to calculate the profitability of the renovation project.

First, the team used the pro forma P&L statement as a guide to develop a financial model. The developed financial model consisted of the concert revenues on a per-show basis, the concert expenses on a per-show basis, the estimated annual profit for year-round food and beverage, the estimated annual profit for year round off-track betting, and the estimated number of shows that could be attended per year.

The team started by reviewing the pro forma P&L statement to identify any components or line items that may have been overlooked. The team identified that sponsorship revenue was missing and that it made more sense to consolidate various line items for labor expense into one sole line item. The team next analyzed the pro forma statement by breaking it down into three distinct sections: concert revenues, concert expenses, and other profitable activities, which include year-round food and beverage and off-track betting. In each section, the team dissected each line item and examined the pricing on a per-show basis to validate that the numbers used in the original model were reasonable. If the numbers in the original model were substantiated by objective evidence, then the team implemented those numbers into the newly developed financial model. Otherwise, the team used a verified number that had been thoroughly evaluated.

Expected Concert Revenue

Ticket Revenue

The CSUSM teams focused on the four previously identified concert venues throughout San Diego for purposes of competitive analysis. Those concert venues were Balboa Theater, House of Blues, Observatory, and Humphreys by the Bay. The Fairgrounds initially estimated a ticket price of \$40. Based on a review of competitor ticket prices completed by reviewing competitor websites and calling each venue to inquire about pricing, the team was able to calculate the average ticket price to be \$45 per ticket. Based on the initial assumption made by Mr. Fennell



that selling tickets to booked events will typically sell at 75 percent capacity, average show capacity would equate to 1,425 seats. To obtain average revenue per show the team multiplied \$45 per ticket by 1,425 seats, which results in **\$64,125 in ticket revenue** per show.

Parking Revenue

The Fairgrounds' general parking fees are \$10 per car (Surfside Race Place at Del Mar, 2016). With the increased popularity of public transportation, including rideshare services such as Uber and Lyft, the CSUSM SE team assumed that half of the concert attendees would take public transportation to and from events at the Fairgrounds and that there will be two concert attendees per paid vehicle parking fee. This means that if a show is booked at 75 percent capacity, of the 1,425 attendees, half will take public transportation, and then only 713 will drive to the show. Therefore, of the 713 attendees that will drive to the concert venue, two attendees are likely to commute together in each vehicle, meaning that a total of 356 vehicles will pay for onsite parking. Taking into account the average parking fee of \$10 per car and multiplying it by 356 cars, this will lead to Del Mar Fairgrounds generating **\$3,560 in parking revenue** per show.

User Fee Revenue

User fees are essentially facility fees that a venue charges the attendee for use of the space (T. Fennell, personal communication, November 10, 2016). Ticketmaster states that they simply collect facility fees on behalf of venues when they sell tickets. Ticketmaster also notes that each venue will set its own price and receives 100 percent of the money collected for those fees (Ticketmaster, 2016). Other comparable venues state that the user fee will differ based on the show. The Observatory charges between \$3 and \$5 for user fees if tickets are bought at the box office (Observatory North Park, 2016). Therefore, the team has concluded that an average user fees of \$4 per ticket would be sufficient for the model. To obtain average revenue per show the team multiplied \$4 per ticket by 1,425 attendees, which results in **\$5,700 in user fees revenue** per show.

Merchandise Revenue

According to Jeff Dorenfeld, Associate Professor of Music Business/Management at Berklee College of Music, a venue will typically receive 30 percent of a t-shirt sale. He also noted that a shirt at a concert will sell for \$30, then the venue will receive \$9 (Dorenfeld, 2007). Based on conversations with Mr. Tim Fennell, through his experience he does not estimate more than 10 percent of concert attendees buying merchandise (T. Fennell, personal communication, November 10, 2016). In this financial model, the team will assume that Del Mar will receive \$10 for every t-shirt that is sold. To obtain average revenue per show the team multiplied \$10 per ticket by 142.5 attendees, which results in **\$1,425 in merchandising revenue** per show.



Food and Beverage Revenue

The food and beverage revenue and expense line items are important components in the pro forma P&L statement. Premier Food Services staff shared their historical P&L statements from seven different events held at Del Mar Fairgrounds in 2015. These statements indicated total profit percentages, total revenues, total expenses, and total attendance numbers. With this information, the team was able to calculate the estimated food and beverage revenue and expense numbers for the financial model.

The team calculated an average revenue per attendee for each event by taking the gross revenue for each event and dividing by the total number of attendees for that event. Then the team took an average of all the revenue per attendee averages to calculate a total average revenue of \$33.19 per person (Appendix J). When calculating the profit per person for food and beverage, the team subtracted the average expense per person \$13.19 from the average revenue per person \$33.19 and calculated a profit of \$20.00 per person which is a profit margin of 60 percent. The team compared this profit margin to the industry profit margin of 50 percent and concluded that using a profit margin that results in 50 percent would be the best approach (IBISWorld Inc., 2016). Therefore, to obtain average revenue per show, instead of using \$33.19 per ticket, the team multiplied \$26.38 per ticket by 1,425 attendees, which results in **\$37,592 in food and beverage revenue** per show.

Sponsorship Revenue

The CSUSM SE team reviewed the audited financial statements for Live Nation and observed that sponsorship revenue was a major component of their revenues. Therefore, the team decided that it made sense to add a line item for sponsorship revenue into the proposed financial model for Del Mar. The team conferred with Mr. Fennell, and he stated that he does not foresee the proposed concert venue to carry an enormous amount of sponsorships. He suggested that there will be no sponsorship revenue in year one, but there is a potential for a small amount of sponsorship revenue starting in year two of operation. His assumption is that **\$25,000 per year in sponsorship revenue** is likely starting in year two and going forward (T. Fennell, personal communication, November 10, 2016).

Expected Concert Expense

Headliner Expense

The initial estimated expense for the headline artist provided by Belly Up in the pro forma P&L was an average of \$40,000 per show. Based on a review of Belly Up's scheduled performers, the team looked up each performer's fee on a celebrity talent website and the team was able to place each performer into different categories based on their specific per show fee. Next, the team counted the number of shows that were in each category and assigned a percentage weight for



that fee category. Then, the team multiplied the percent weight by the category fee amount. Finally, the team added up all of the weighted fee totals to calculate the average **headliner expense of \$43,000** per show.

Talent Buyer Flat Fee Expense

The talent buyer normally takes a flat fee as a percentage of the headliner expense. Based on industry guidance from Mr. Goldsmith, Belly Up, the talent buyer flat fee is an industry standard of 10 percent of the headliner expense (Goldsmith, 2016). To obtain average expense per show the team multiplied 10 percent by \$43,000 headliner expense, which results in a **talent buyer flat fee expense of \$4,300** per show.

Talent Buyer Percent of Gross Ticket Expense

Depending on how a contract is structured, the talent buyer will also take a percentage of the gross ticket revenue. Based on industry guidance from Mr. Goldsmith, Belly Up, the fee could be as high as 25 percent (Goldsmith, 2016). However, in this scenario the team will use an industry standard of 10 percent on gross ticket sales. To obtain average expense per show the team multiplied 10 percent by \$64,125 ticket revenue, which results in a **talent buyer percent of gross ticket expense of \$6,413** per show.

Credit Card Fee Expense

Value Penguin is a personal finance website that conducts in-depth research and analysis on various topics such as insurance, credit cards, and everyday spending to help consumers make better decisions when it comes to investing their time and money (Nasdaq, 2016). Value Penguin shows that the average credit card processing fee is about 2.23 percent (Value Penguin, 2016). The team applied 2.23 percent to the tickets sales in order to calculate credit card fees. To obtain average expense per show the team multiplied 2.23 percent by \$64,125 ticket revenue, which results in \$1,430 per show. However, after conferring with Mr. Fennell, he assumes that 90 percent of the attendees pay via credit card. Therefore, the team reduced the **credit card fee expense to \$1,287** from \$1,430 per show.

Table 4. Table. Average Credit Card Processing Fees

Average Credit Card Processing Fees*	
MasterCard	1.55% - 2.6%
Visa	1.43% - 2.4%
Discover	1.56% - 2.3%
American Express	2.5% - 3.5%

Source: Value Penguin Website October 2016

Ticket Printing Expense

Per the Ticketmaster website, ticket printing is approximately \$0.10 per ticket for printing less than 2,000 tickets (Ticketmaster, 2016). To obtain average expense per show the team multiplied \$0.10 by 1,425 ticket revenue, which results in a **ticket printing expense of \$143** per show.

Miscellaneous (Utilities, Administrative Costs) Expense

To obtain guidance on miscellaneous expenses, the team looked at the 22nd DAA audited financial statements and conducted a comparative analysis based on taking other expenses as a percentage of gross operating revenue; this equated to 3.43 percent. When the team looked at the pro forma P&L statement and completed the same comparative analysis for miscellaneous expenses, the percentage was roughly 2.84 percent. Therefore, the team decided to increase the **miscellaneous expense to \$6,000** from \$4,500 per show, which brings the comparative analysis percentage to 3.32 percent which appears to be more in line with the 22nd DAA audited financial statement (Appendix K).

Event Labor Expense

To calculate approximate event labor, the team grouped emergency medical technician (EMT), security, and stagehand labor. The presumption is that these workers would only be working on concert days and would only need to be at the venue for five hours. Based on hourly wages provided by the Bureau of Labor Statistics, an EMT makes \$15.38 per hour, a security supervisor makes \$15 per hour, security staff make \$12 per hour, and stagehands make \$20 per hour (Occupational Outlook Handbook: Advertising, Promotions, and Marketing Managers, 2015). The personnel needed to support an event would include two EMTs, one security supervisor, eight security staff, and ten stagehands. Taking their hourly wage into account, the average **event labor expense is \$1,709** per show.



Marketing Expense

According to the small business administration website, marketing expenses should be between three to five percent of revenue (Breesley, 2013). The team decided to use **\$5,000 per show for marketing expenses**, which represents 4 percent of revenue.

Food and Beverage Expense

Using the P&L statements from Premier Food Services, the team calculated an average expense revenue per attendee for each event by taking the gross expense for each event and dividing by the total number of attendees for that event. Next, the team took an average of all of the expenses per attendee, and calculated a total average food and beverage expense of \$13.19 per person (Appendix J). To obtain average expense per show the team multiplied \$13.19 per ticket by 1,425 attendees, which results in a total **food and beverage expense of \$18,796** per show.

Event Manager and Production Manager Expense

The Bureau of Labor Statistics states that an Event Manager and a Production Manager both make approximately \$60 per hour (Occupational Outlook Handbook: Advertising, Promotions, and Marketing Managers, 2015). Assuming that one of each is needed to help with the events, for an estimated time of eight hours for each show, the team will incur **\$960 in event manager and production manager expenses** per show for these two managers.

Year-Round Food and Beverage

Del Mar Fairgrounds provided expected net profit numbers for the year-round food and beverage component of the P&L statement. The team performed an analysis on these numbers to assess if they were reasonable enough to include in the model. Since the numbers that Del Mar Fairgrounds provided were net profit numbers, the team translated these numbers into gross revenue. The team grossed these numbers by dividing them by the profit margin percentage calculated from the Premier data; 60 percent. The team also grossed these numbers by dividing them by the industry profit margin percentage captured from IBIS World; 50 percent (IBISWorld Inc., 2016). From this exercise, the team was able to create a range of **gross revenues for year food and beverage ranging from \$687,500 to \$825,000**; see Table 5.



Table 5. Various Data Sources 2016 Table. Various Surfside Race Place target areas.

Area	Square Footage	Net Profit Provided by Del Mar	Grossed-up 60% based on Premier Data	Grossed-up 50% based on Industry Data
Mezzanine Banquet Room	14,000	\$62,500	\$104,167	\$125,000
Museum Bar Fair		\$65,000	\$108,333	\$130,000
Museum Bar Live Meet		\$35,000	\$58,333	\$70,000
Museum Bar Interim	7,000	\$100,000	\$166,667	\$200,000
Beer Garden Fair		\$65,000	\$108,333	\$130,000
Beer Garden Live Meet		\$35,000	\$58,333	\$70,000
Beer Garden Interim	7,000	\$50,000	\$83,333	\$100,000
		\$412,500	\$687,500	\$825,000

Source: 2016 Data provided by Del Mar Fairgrounds

Next, the team reviewed industry data from Reference USA. The team pulled data for restaurants in Del Mar, Solana Beach, Encinitas, and Cardiff by the Sea that have NAICS code 722410 for drinking places that serve alcoholic beverages. Thirty-six restaurants were pulled, sorted, and categorized based on square footage (IBISWorld Inc., 2016). For each square foot category, sales figures were calculated ranging from low to high; see Table 6.

Table 6. NAICS 722410 Restaurants 2016 Table. Location Sales Volume for restaurants located in Del Mar, Cardiff by the Sea, Encinitas, and Solana Beach.

Location Sales Volume					
Tier	Square Footage	Number of Restaurants	Low	Mid	High
A	1 - 1,499	3	\$231,000	\$303,667	\$449,000
B	1,500 - 2,499	9	\$241,000	\$337,778	\$578,000
C	2,500 - 4,999	7	\$58,000	\$520,000	\$1,155,000
D	5,000 - 9,999	8	\$337,000	\$1,195,375	\$3,367,000
E	10,000 - 19,999	2	\$337,000	\$890,000	\$1,443,000
F	20,000 - 39,999	4	\$730,000	\$1,434,750	\$2,806,000
G	40,000 - 99,999	2	\$1,684,000	\$2,245,000	\$2,806,000
H	100,000+	1	\$30,896,000	\$30,896,000	\$30,896,000

Source: Reference USA 2016, See Appendix Q

The team compared the total sales figures from the Fairgrounds' estimated year-round food and beverage to the most similar category from the Reference USA data based on square footage. Del Mar Fairgrounds' estimated year-round food and beverage gross revenue ranged between \$687,500 and \$825,000; see Table 5. The Fairgrounds' dedicated space for food and beverage covers between 7,000 to 14,000-square feet. Based on this analysis the team feels that the net profit numbers presented in the model are comparable to industry averages and are representative of comparable restaurants in the surrounding area.



Off-Track Betting

Based on the December 31, 2015 financial statements for the Surfside Race Place Facility, net operating income was \$39,417, down 81 percent from 2014 (Del Mar Fairgrounds, 2016). While Mr. Fennell expects to see an increase in the net operating income for Surfside Race Place due to an increase in foot traffic, he does not believe the increase will be significantly different from the 2015 year-end numbers (T. Fennell, personal communication, November 10, 2016). Based on these discussions, the team decided to use **\$45,000 per year from annual net operating income** for the satellite wagering facility.

Financial Analysis

The team multiplied the number of shows on an annual basis by the verified line item rates to calculate expected annual cash flows for 60 shows, 80 shows, and 100 shows. In addition, a projected gross profit margin was calculated for the range of shows as shown in Table 7 below.

Table 7. Concert Data 2016 Table. 22nd District Agricultural Association Surfside Race Place Renovation data for 60, 80, 100 shows per Year.

22nd District Agricultural Association Surfside Race Place Renovation			
Description	60 Shows p/Year	80 Shows p/Year	100 Shows p/Year
Concert Revenue	\$ 6,769,090	\$ 9,017,120	\$ 11,265,150
Less: Concert Expenses	\$ 5,302,604	\$ 7,106,367	\$ 8,882,959
Concert Net Profit	\$ 1,466,486	\$ 1,910,753	\$ 2,382,191
Add: Year-round Food and Beverage Net	\$ 457,500	\$ 457,500	\$ 457,500
Gross Profit	\$ 1,923,986	\$ 2,368,253	\$ 2,839,691
Gross Profit Margin	26.62%	25.00%	24.22%

Source: Summary of Financial Model 2016

Next, the team used the newly developed financial model to serve three purposes:

1. Calculate the Net Present Value.
2. Calculate the Payback Period of the initial investment.
3. Calculate the Internal Rate of Return.

The Net Present Value (NPV) method is the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of a projected investment or project (Gallo, A Refresher on Net Present Value, 2014).

The team estimated expected annual cash flows (i.e. net profits) and calculated the present value of those cash flows over 20 years. The team used 20 years because that was the expected period



of time that the 22nd DAA plans to capitalize the newly renovated Surfside Race Place. (T. Fennell, personal communication, November 10, 2016) The team was able to compare the present value of those cash flows to the present value of the initial estimated cost of all the renovations to see if the project will be profitable. If the difference, or the net, present value of the combined annual cash inflow amount was greater than the initial cash outflow cost of all the renovations, then the project should be accepted. If the net present value of those cash flows was less than the initial estimated cost of all the renovations, then the project should be rejected.

The second application for using the developed financial model was to calculate the payback period. Though it does not take into account time value of money, rather, the payback period measures how long it will take to recuperate the initial cost of the renovations. The payback period is calculated by simply taking the initial cash payout for the renovations and reducing that amount by the annual cash flows until that amount is reduced to zero. The year that the amount is reduced to zero is that year in which the payback period concludes (Gallo, A Refresher on Payback Method, 2016).

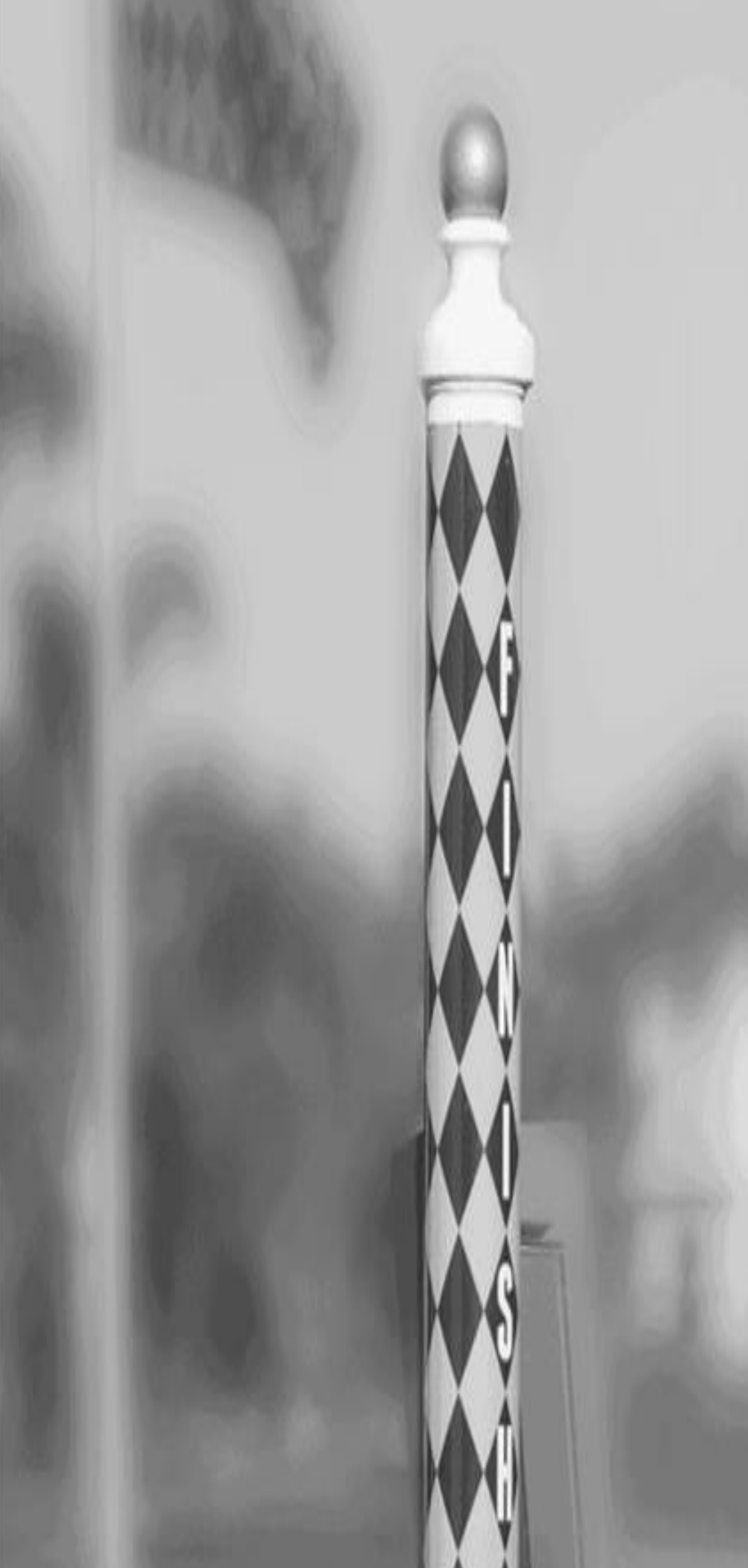
The third application for using the developed financial model was to calculate the internal rate of return (IRR). The IRR is calculated by taking the actual return rate that will be provided by the projected cash flows of the concert venue. The team then compared that rate of return with Del Mar's expected return. If the IRR is higher, it's a worthwhile investment (Gallo, A Refresher on Internal Rate of Return, 2016).

Based on the results of the financial model, the NPV of the cash flows will be greater than the \$11 million estimated cost to renovate the Surfside Race Place. The team generated a positive NPV of \$10,092,052 for the 60 shows per year, a positive NPV of \$14,967,829 for 80 shows per year, and a positive NPV of \$20,141,804 for 100 shows per year (Appendix N).

Based on a 60-show schedule, the payback period is estimated to be five to six years. Based on an 80-show schedule, the payback period is estimated to be four to five years. Lastly, based on a 100-show schedule, the payback period is estimated to be three to four years (Appendix O).

Based on the results of the financial model, the IRR calculated for 60 shows per year was 16.66 percent. The IRR calculated for 80 shows per year was 21.02 percent, and the IRR calculated for 100 shows per year was 25.49 percent (Appendix N).

Based on the market research compiled for competitive concert venues in San Diego, the team estimated how many concerts that can likely be held at the new concert venue on an annual basis. Based on a review of competitor schedules, the team felt that it is feasible to book 80 to 100 shows annually.



**CONCLUSION
AND
RECOMMENDATIONS**

Conclusion

The Del Mar Fairgrounds, managed by the 22nd DAA, is a cultural center with the vision of promoting agriculture, education, entertainment and recreation. The Board of Directors was presented with an opportunity to partner with a local successful concert venue Belly Up Tavern, for talent booking, should they choose to repurpose their current 90,000-square foot Surfside Race Place facility into a 1,900-seat live music venue.

After careful review and consideration by the CSUSM FEMBA team, the proposal appears to be in-line with Del Mar Fairgrounds' mission statement and adds a cultural element to those residing and visiting North County San Diego by repurposing a space to highlight music artists while showcasing the beautiful Del Mar vistas. The repurposed facility will also help fill the current void for live music venues that seat 1,500 to 2,500 attendees while allowing music artists the opportunity to grow their fan base, by hosting events at venues that increase gradually in capacity. The venue will be poised to take advantage of the growing amount of live shows that performers are increasingly reliant on to supplement their diminishing record revenues.

The CSUSM FEMBA team determined that the Del Mar Fairgrounds is surrounded by a population that is likely to attend live music events and confirmed that the proposed 60 to 80 shows booked per year are feasible. In fact, developing a budget around 80 to 100 shows booked per year would be more accurate; consider using 90 shows per year. After examining the financial model for 80 shows per year, ticket, food and beverage, and parking revenue, there is a potential to earn between \$9 to \$11 million in annual concert revenue, making Del Mar Fairgrounds' expected payback period of its capital investments in four to five years. The proposal to repurpose the Surfside Race Place is projected to experience immediate financial success and draw attendees from around San Diego County. Also, demand for the concert venue is expected to continue to grow in the next five years as consumer confidence and disposable income increase with projected economic growth.

In comparing the current practice of budgeting for an annual loss from the Surfside Race Place to the potential of profiting \$2.4 to \$2.8 million annually at 80 shows booked per year, it is the CSUSM FEMBA team's conclusion that Del Mar Fairgrounds should move forward with this proposal. It is also important to note that the financial model reviewed does not include the potential complementary services. Therefore, there is an opportunity for additional revenues beyond what was analyzed. For a clear depiction of how much revenue the entire redevelopment of Surfside Race Place would bring in, Del Mar Fairgrounds should consider engaging a new group of CSUSM FEMBA students for a Phase Two study to analyze which complementary services would meet the needs of the attendees visiting the 1,900-seat concert venue. This study should consider expected demand, expected revenues, expected costs, fit with the venue, and any potential concerns from the local community.



Recommendations

After conducting a marketing analysis and developing a financial model, the CSUSM FEMBA and Senior Experience Teams have the following recommendations as it pertains to Belly Up's proposal for Del Mar Fairgrounds to repurpose the Del Mar Fairgrounds Surfside Race Place:

Facility

- Consider dedicating a portion of the space to operate a year-round restaurant venue to generate supplemental income even when concert events are not scheduled. The restaurant space should be, at a minimum, visible upon arrival to the Del Mar Fairgrounds campus.
- Pursue repurposing the Del Mar Fairgrounds Surfside Race Place into a 1,900-seat live music concert venue, building site flexibility into the plans to allow for a variety of uses and multiple seating configurations; which may include structured seating, a standing venue, both or a variation.
- Update the Del Mar Fairgrounds Master Plan to include repurposing the Surfside Race Place.

Financial

- Consider using \$45 as the projected ticket sales price when developing the final capital budget.
- Develop a capital budget based on booking 90 concert events per year, since the team confirmed that it is feasible to book 80 to 100 shows per year.

Marketing

- Consider offering live music and other events targeted to all-age audiences, a documented gap experienced in the local live music venue industry.
- Evaluate potential advertising and sponsorship opportunities to generate supplemental income, while staying cognizant of the overall experience of attendees.
- Investigate potential local partners (hotels, airlines, and community partners) on developing concert experience packages to encourage out-of-area guests.
- Partner with Belly Up to book music talent at its newly repurposed Surfside Race Place venue.

Path Forward

- Engage CSUSM FEMBA students in a Phase Two study to analyze which complementary services work best with a 1,900-seat concert venue. This study should consider expected demand, expected revenues, expected costs, fit with the venue, and any potential opposition from the local community. Look at potential hotels or other community partners on developing concert experience packages to encourage out-of-area guests.

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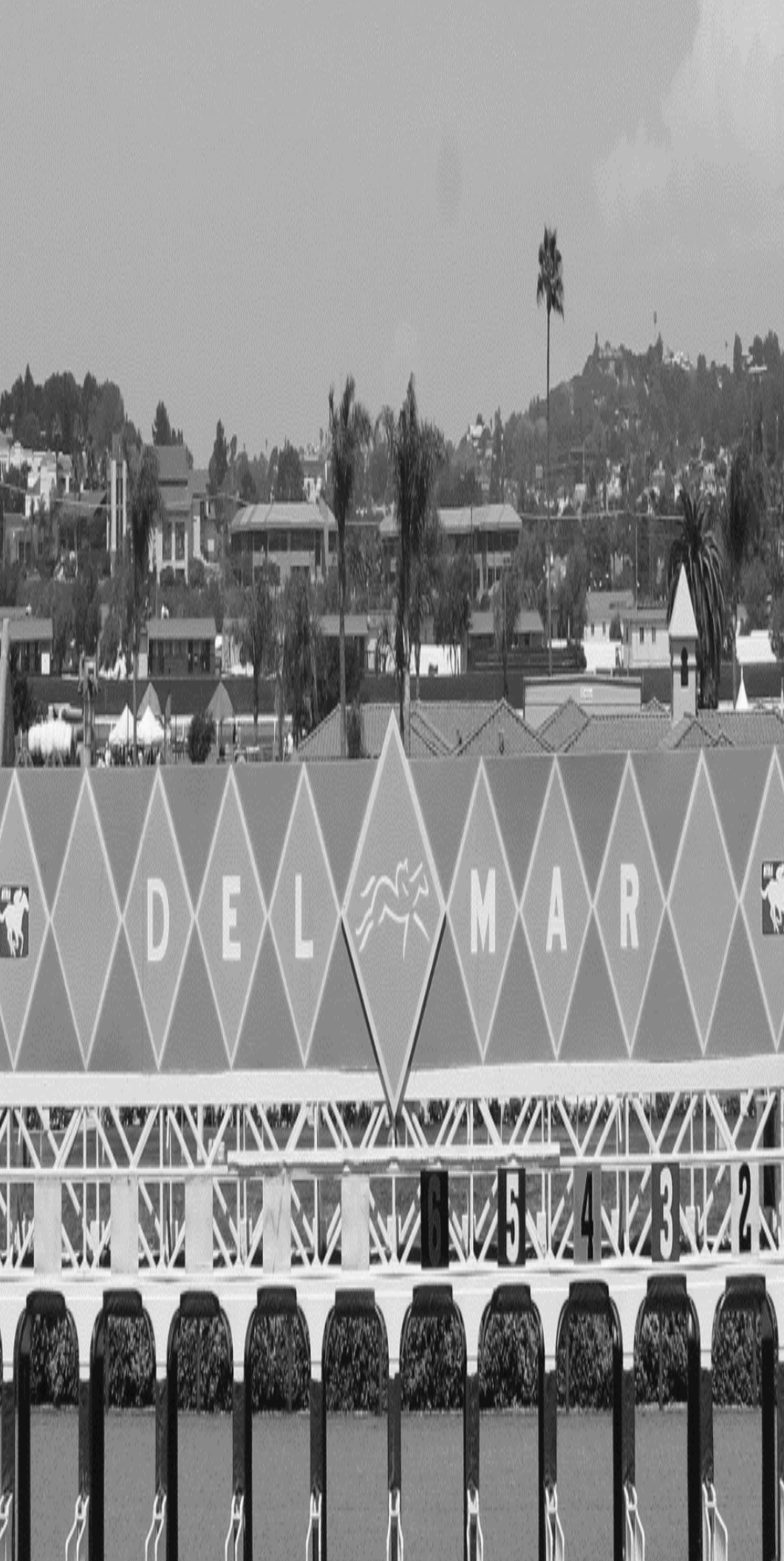
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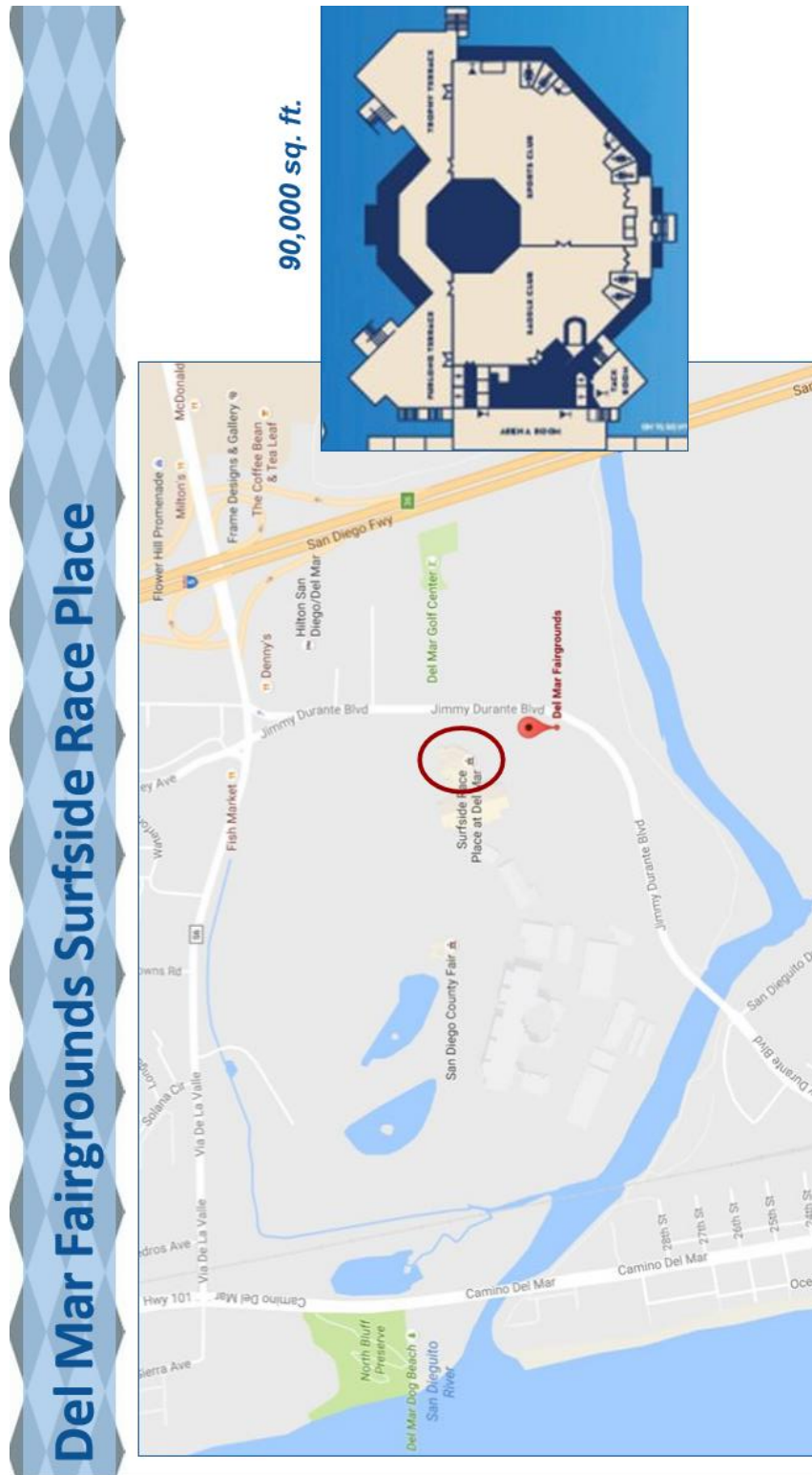


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APPENDICES

Appendix A – Map of Del Mar Fairgrounds/Surfside Race Place Site(s)





22nd District Agricultural Association - Board of Directors



Tim Fennell
CEO/General Manager,
Secretary/Treasurer Board



California Governor
Edmund G. Brown
Party: Democratic



Board President
Russ Penniman
(2003 -)

Party: Republican
Education:
BS – Engineering Management – United States
Naval Academy



Board Vice President
Stephen Shewmaker
(2012 -)

Party: Democrat
Education:
Graduate - Loyola Marymount University
Treasurer at the Don Diego Foundation



Director
Lisa Barkett
(2011 -)

Party: Democrat
Education:
JD – Pepperdine
University of Law
BA - USC Price School
of Public Policy



Director
Lee Haydu
(2015 -)

Party: Democrat
Education: Bachelors of
Science – Augusta College



Director
Kathlyn Mead
(2014 -)

Party: Democrat
Education: MBA –
University of
Southern California



Director
Pierre Sleiman
(2015 -)

Party: Without Party
Preference
Education: MBA –
University of
California



Director
Frederick Schenk
(2011 -)

Party: Democrat
Education:
JD, Law – University
of San Diego
BA – Communication
- UCLA



Director
Richard Valdez
(2016 -)

Party: Democrat
Education: Juris
Doctor degree
University of San
Diego School of Law



Director
David Watson
(2011 -)

Party: Democrat
Education:
JD – College of William & Mary –
Mashall Wythe Law School
Bachelor's Degree – Journalism –
University of Southern California



Appendix C – ESRI Demographic Profile



Demographic and Income Profile

2260 Jimmy Durante Blvd, Del Mar, California, 92014 2
 2260 Jimmy Durante Blvd, Del Mar, California, 92014
 Ring: 15 mile radius

Prepared by Esri
 Latitude: 32.97238
 Longitude: -117.25839

Summary	Census 2010	2016	2021			
Population	1,059,735	1,125,933	1,192,431			
Households	399,215	416,856	438,633			
Families	259,391	271,576	286,191			
Average Household Size	2.60	2.65	2.67			
Owner Occupied Housing Units	236,937	240,769	252,147			
Renter Occupied Housing Units	162,278	176,086	186,487			
Median Age	36.6	37.5	38.1			
Trends: 2016 - 2021 Annual Rate	Area	State	National			
Population	1.15%	0.87%	0.84%			
Households	1.02%	0.79%	0.79%			
Families	1.05%	0.79%	0.72%			
Owner HHs	0.93%	0.69%	0.73%			
Median Household Income	2.39%	2.73%	1.89%			
Households by Income	2016		2021			
	Number	Percent	Number	Percent		
<\$15,000	34,160	8.2%	36,870	8.4%		
\$15,000 - \$24,999	23,965	5.7%	21,930	5.0%		
\$25,000 - \$34,999	26,134	6.3%	24,714	5.6%		
\$35,000 - \$49,999	41,659	10.0%	38,752	8.8%		
\$50,000 - \$74,999	61,698	14.8%	49,385	11.3%		
\$75,000 - \$99,999	55,122	13.2%	61,120	13.9%		
\$100,000 - \$149,999	77,068	18.5%	92,554	21.1%		
\$150,000 - \$199,999	43,250	10.4%	51,985	11.9%		
\$200,000+	53,799	12.9%	61,322	14.0%		
Median Household Income	\$82,850		\$93,234			
Average Household Income	\$114,075		\$124,108			
Per Capita Income	\$42,698		\$46,090			
Population by Age	Census 2010		2016		2021	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	65,273	6.2%	64,860	5.8%	68,369	5.7%
5 - 9	64,857	6.1%	67,852	6.0%	68,236	5.7%
10 - 14	64,916	6.1%	68,957	6.1%	70,267	5.9%
15 - 19	69,358	6.5%	69,616	6.2%	70,364	5.9%
20 - 24	82,302	7.8%	81,244	7.2%	77,020	6.5%
25 - 34	158,946	15.0%	172,232	15.3%	187,044	15.7%
35 - 44	149,725	14.1%	151,707	13.5%	165,796	13.9%
45 - 54	153,327	14.5%	149,405	13.3%	146,152	12.3%
55 - 64	119,481	11.3%	137,482	12.2%	144,993	12.2%
65 - 74	65,966	6.2%	89,759	8.0%	109,666	9.2%
75 - 84	43,369	4.1%	46,926	4.2%	56,567	4.7%
85+	22,214	2.1%	25,893	2.3%	27,958	2.3%
Race and Ethnicity	Census 2010		2016		2021	
	Number	Percent	Number	Percent	Number	Percent
White Alone	733,120	69.2%	748,475	66.5%	766,741	64.3%
Black Alone	26,181	2.5%	28,430	2.5%	30,162	2.5%
American Indian Alone	5,251	0.5%	5,481	0.5%	5,715	0.5%
Asian Alone	164,687	15.5%	191,995	17.1%	219,197	18.4%
Pacific Islander Alone	3,356	0.3%	3,676	0.3%	3,959	0.3%
Some Other Race Alone	75,709	7.1%	87,294	7.8%	97,815	8.2%
Two or More Races	51,432	4.9%	60,582	5.4%	68,842	5.8%
Hispanic Origin (Any Race)	185,959	17.5%	215,769	19.2%	246,262	20.7%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.

October 01, 2016

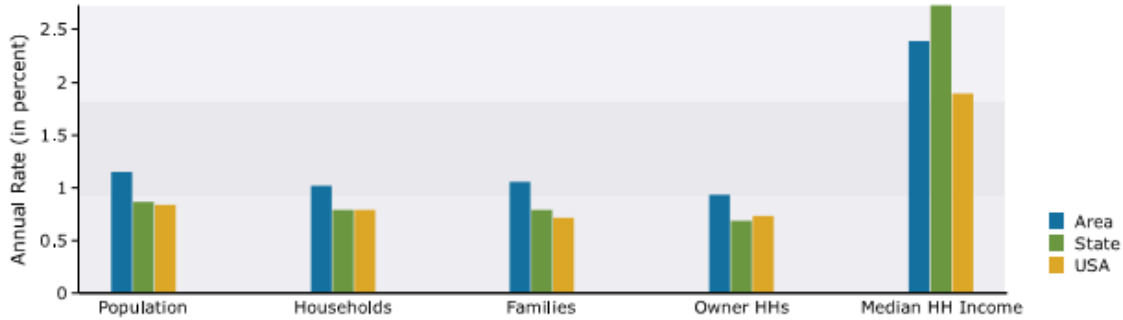


Demographic and Income Profile

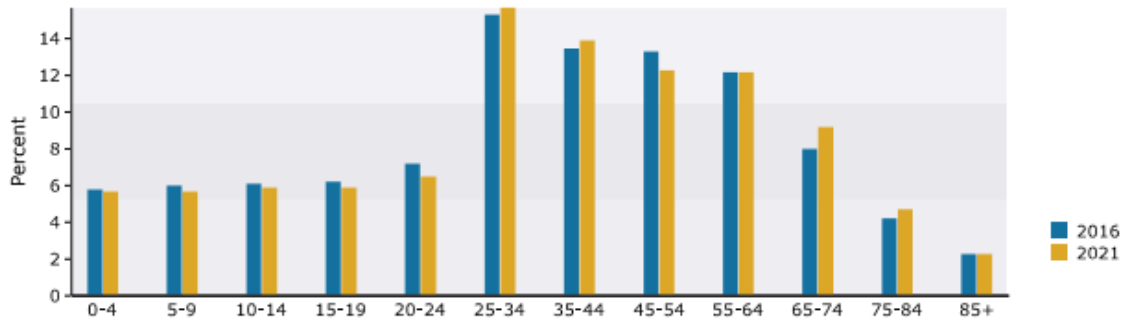
2260 Jimmy Durante Blvd, Del Mar, California, 92014 2
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Prepared by Esri
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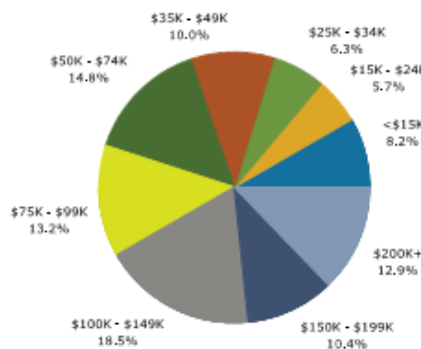
Trends 2016-2021



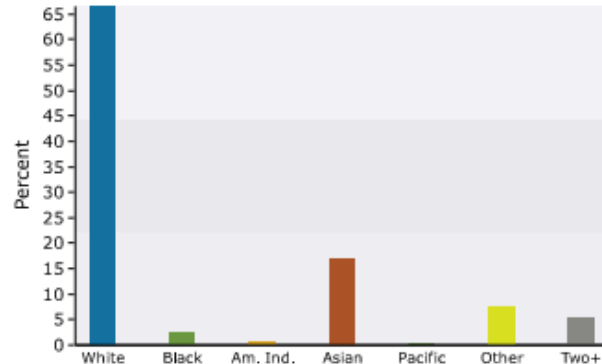
Population by Age



2016 Household Income



2016 Population by Race



2016 Percent Hispanic Origin: 19.2%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.



Demographic and Income Profile

2260 Jimmy Durante Blvd, Del Mar, California, 92014 2
 2260 Jimmy Durante Blvd, Del Mar, California, 92014
 Ring: 30 mile radius

Prepared by Esri
 Latitude: 32.97238
 Longitude: -117.25839

Summary	Census 2010	2016	2021			
Population	2,986,601	3,151,135	3,322,746			
Households	1,056,966	1,098,035	1,152,070			
Families	697,208	724,479	760,280			
Average Household Size	2.74	2.79	2.80			
Owner Occupied Housing Units	572,750	576,530	601,303			
Renter Occupied Housing Units	484,216	521,504	550,767			
Median Age	34.7	35.4	36.3			
Trends: 2016 - 2021 Annual Rate	Area	State	National			
Population	1.07%	0.87%	0.84%			
Households	0.97%	0.79%	0.79%			
Families	0.97%	0.79%	0.72%			
Owner HHS	0.84%	0.69%	0.73%			
Median Household Income	3.01%	2.73%	1.89%			
		2016	2021			
Households by Income	Number	Percent	Number	Percent		
<\$15,000	113,166	10.3%	124,908	10.8%		
\$15,000 - \$24,999	87,262	7.9%	81,425	7.1%		
\$25,000 - \$34,999	90,771	8.3%	87,357	7.6%		
\$35,000 - \$49,999	133,558	12.2%	129,966	11.3%		
\$50,000 - \$74,999	180,497	16.4%	147,093	12.8%		
\$75,000 - \$99,999	144,025	13.1%	162,872	14.1%		
\$100,000 - \$149,999	175,800	16.0%	213,900	18.6%		
\$150,000 - \$199,999	84,327	7.7%	102,502	8.9%		
\$200,000+	88,611	8.1%	102,031	8.9%		
Median Household Income	\$65,175		\$75,601			
Average Household Income	\$91,858		\$100,009			
Per Capita Income	\$32,808		\$35,434			
		Census 2010	2016	2021		
Population by Age	Number	Percent	Number	Percent	Number	Percent
0 - 4	196,162	6.6%	196,805	6.2%	207,490	6.2%
5 - 9	186,986	6.3%	194,626	6.2%	196,090	5.9%
10 - 14	191,200	6.4%	194,298	6.2%	198,912	6.0%
15 - 19	215,768	7.2%	205,403	6.5%	202,051	6.1%
20 - 24	259,422	8.7%	261,664	8.3%	246,936	7.4%
25 - 34	456,157	15.3%	505,084	16.0%	545,350	16.4%
35 - 44	406,674	13.6%	410,701	13.0%	455,600	13.7%
45 - 54	416,040	13.9%	400,293	12.7%	389,017	11.7%
55 - 64	317,938	10.6%	367,370	11.7%	386,974	11.6%
65 - 74	173,805	5.8%	233,466	7.4%	286,196	8.6%
75 - 84	113,562	3.8%	120,987	3.8%	143,217	4.3%
85+	52,885	1.8%	60,438	1.9%	64,913	2.0%
		Census 2010	2016	2021		
Race and Ethnicity	Number	Percent	Number	Percent	Number	Percent
White Alone	1,912,026	64.0%	1,950,304	61.9%	2,004,439	60.3%
Black Alone	153,365	5.1%	160,862	5.1%	166,445	5.0%
American Indian Alone	23,738	0.8%	24,209	0.8%	24,899	0.7%
Asian Alone	330,133	11.1%	376,861	12.0%	423,864	12.8%
Pacific Islander Alone	14,971	0.5%	15,922	0.5%	16,767	0.5%
Some Other Race Alone	398,250	13.3%	446,120	14.2%	488,950	14.7%
Two or More Races	154,118	5.2%	176,857	5.6%	197,382	5.9%
Hispanic Origin (Any Race)	935,610	31.3%	1,049,127	33.3%	1,165,601	35.1%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.

October 01, 2016

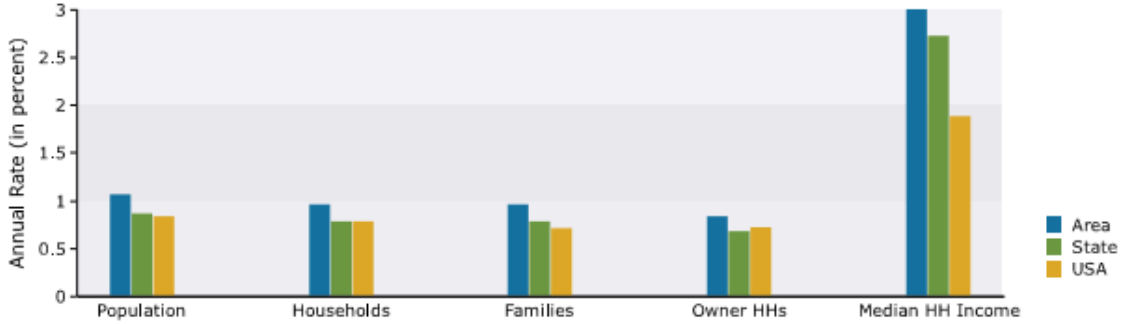


Demographic and Income Profile

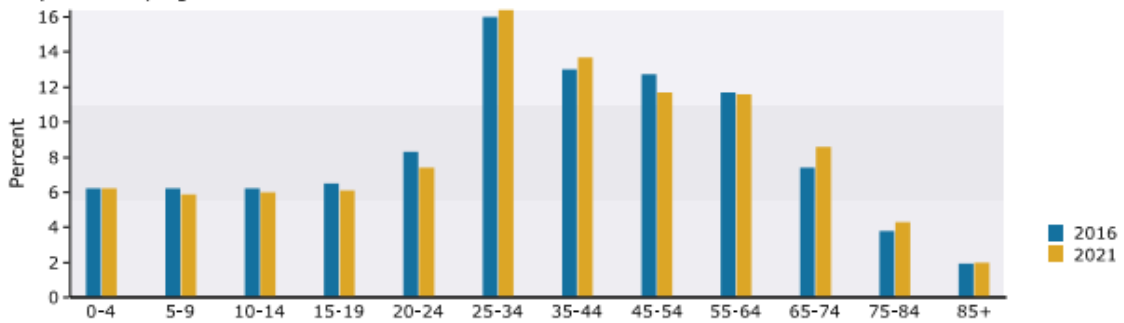
2260 Jimmy Durante Blvd, Del Mar, California, 92014 2
 2260 Jimmy Durante Blvd, Del Mar, California, 92014
 Ring: 30 mile radius

Prepared by Esri
 Latitude: 32.97238
 Longitude: -117.25839

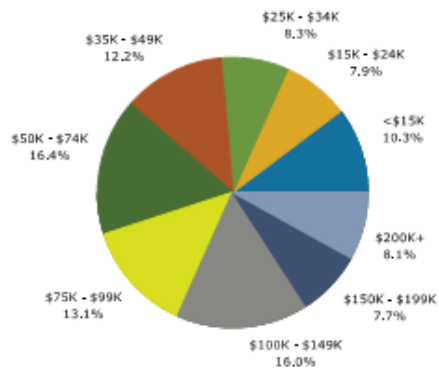
Trends 2016-2021



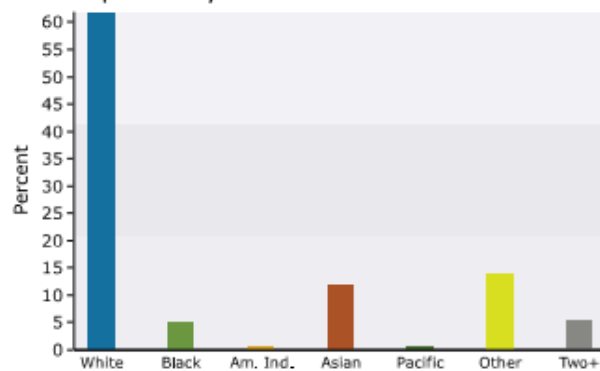
Population by Age



2016 Household Income



2016 Population by Race



2016 Percent Hispanic Origin: 33.3%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.



Demographic and Income Profile

2260 Jimmy Durante Blvd, Del Mar, California, 92014 2
 2260 Jimmy Durante Blvd, Del Mar, California, 92014
 Ring: 45 mile radius

Prepared by Esri
 Latitude: 32.97238
 Longitude: -117.25839

Summary	Census 2010	2016	2021			
Population	3,496,084	3,698,666	3,904,593			
Households	1,220,852	1,271,571	1,335,035			
Families	822,933	858,048	901,389			
Average Household Size	2.78	2.82	2.84			
Owner Occupied Housing Units	684,305	692,259	723,090			
Renter Occupied Housing Units	536,547	579,312	611,946			
Median Age	34.8	35.5	36.3			
Trends: 2016 - 2021 Annual Rate	Area	State	National			
Population	1.09%	0.87%	0.84%			
Households	0.98%	0.79%	0.79%			
Families	0.99%	0.79%	0.72%			
Owner HHs	0.88%	0.69%	0.73%			
Median Household Income	2.84%	2.73%	1.89%			
Households by Income	2016		2021			
	Number	Percent	Number	Percent		
<\$15,000	124,968	9.8%	137,814	10.3%		
\$15,000 - \$24,999	97,617	7.7%	90,850	6.8%		
\$25,000 - \$34,999	102,995	8.1%	99,111	7.4%		
\$35,000 - \$49,999	151,195	11.9%	146,542	11.0%		
\$50,000 - \$74,999	207,635	16.3%	167,935	12.6%		
\$75,000 - \$99,999	167,978	13.2%	189,475	14.2%		
\$100,000 - \$149,999	211,397	16.6%	257,364	19.3%		
\$150,000 - \$199,999	101,327	8.0%	123,430	9.2%		
\$200,000+	106,434	8.4%	122,489	9.2%		
Median Household Income	\$67,418		\$77,550			
Average Household Income	\$93,906		\$102,297			
Per Capita Income	\$33,068		\$35,720			
Population by Age	Census 2010		2016		2021	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	230,118	6.6%	232,221	6.3%	245,622	6.3%
5 - 9	224,379	6.4%	232,397	6.3%	235,030	6.0%
10 - 14	232,057	6.6%	234,732	6.3%	239,349	6.1%
15 - 19	257,866	7.4%	245,087	6.6%	240,643	6.2%
20 - 24	294,617	8.4%	301,173	8.1%	282,379	7.2%
25 - 34	517,444	14.8%	578,612	15.6%	633,154	16.2%
35 - 44	480,227	13.7%	482,338	13.0%	535,096	13.7%
45 - 54	493,353	14.1%	477,273	12.9%	460,953	11.8%
55 - 64	371,097	10.6%	432,055	11.7%	456,222	11.7%
65 - 74	204,216	5.8%	273,607	7.4%	335,172	8.6%
75 - 84	131,208	3.8%	140,604	3.8%	166,891	4.3%
85+	59,502	1.7%	68,567	1.9%	74,081	1.9%
Race and Ethnicity	Census 2010		2016		2021	
	Number	Percent	Number	Percent	Number	Percent
White Alone	2,282,875	65.3%	2,334,303	63.1%	2,400,051	61.5%
Black Alone	171,598	4.9%	181,492	4.9%	188,959	4.8%
American Indian Alone	29,346	0.8%	30,261	0.8%	31,276	0.8%
Asian Alone	366,082	10.5%	420,466	11.4%	475,705	12.2%
Pacific Islander Alone	16,504	0.5%	17,704	0.5%	18,767	0.5%
Some Other Race Alone	450,695	12.9%	507,527	13.7%	557,979	14.3%
Two or More Races	178,984	5.1%	206,912	5.6%	231,855	5.9%
Hispanic Origin (Any Race)	1,086,003	31.1%	1,225,535	33.1%	1,367,266	35.0%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.

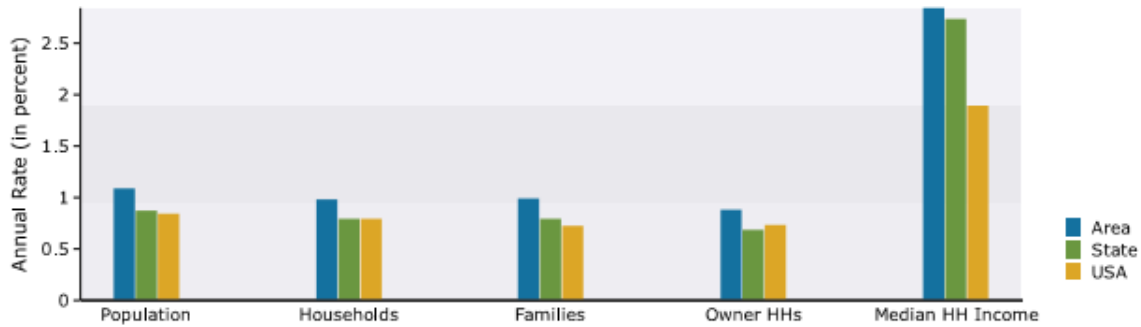


Demographic and Income Profile

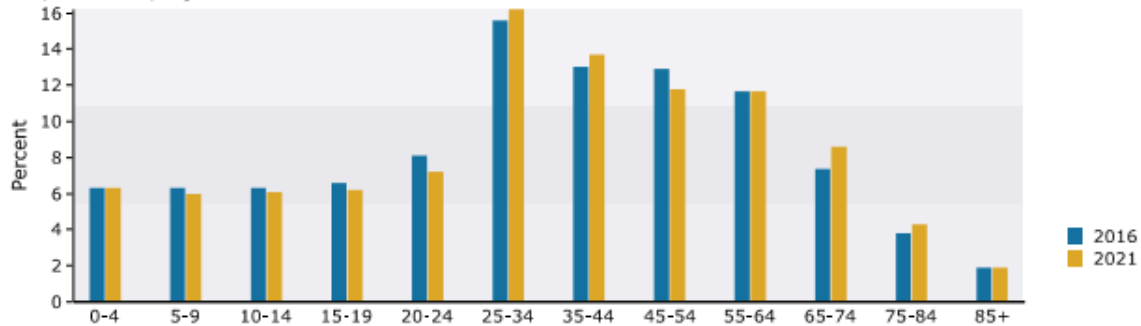
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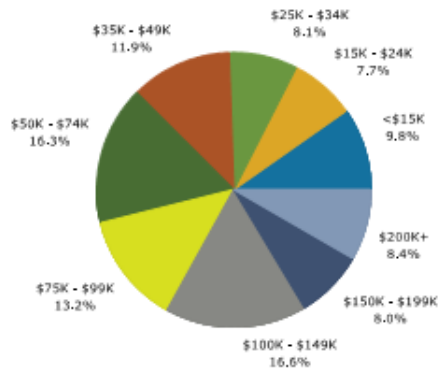
Trends 2016-2021



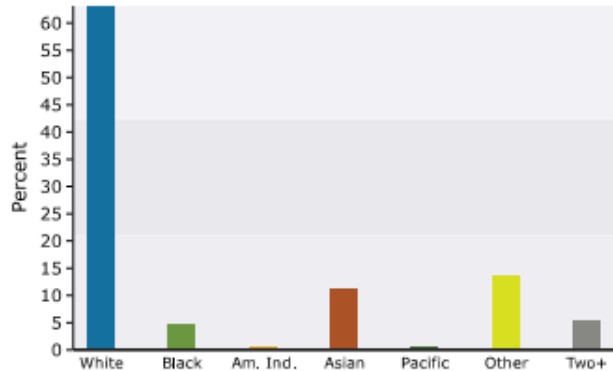
Population by Age



2016 Household Income



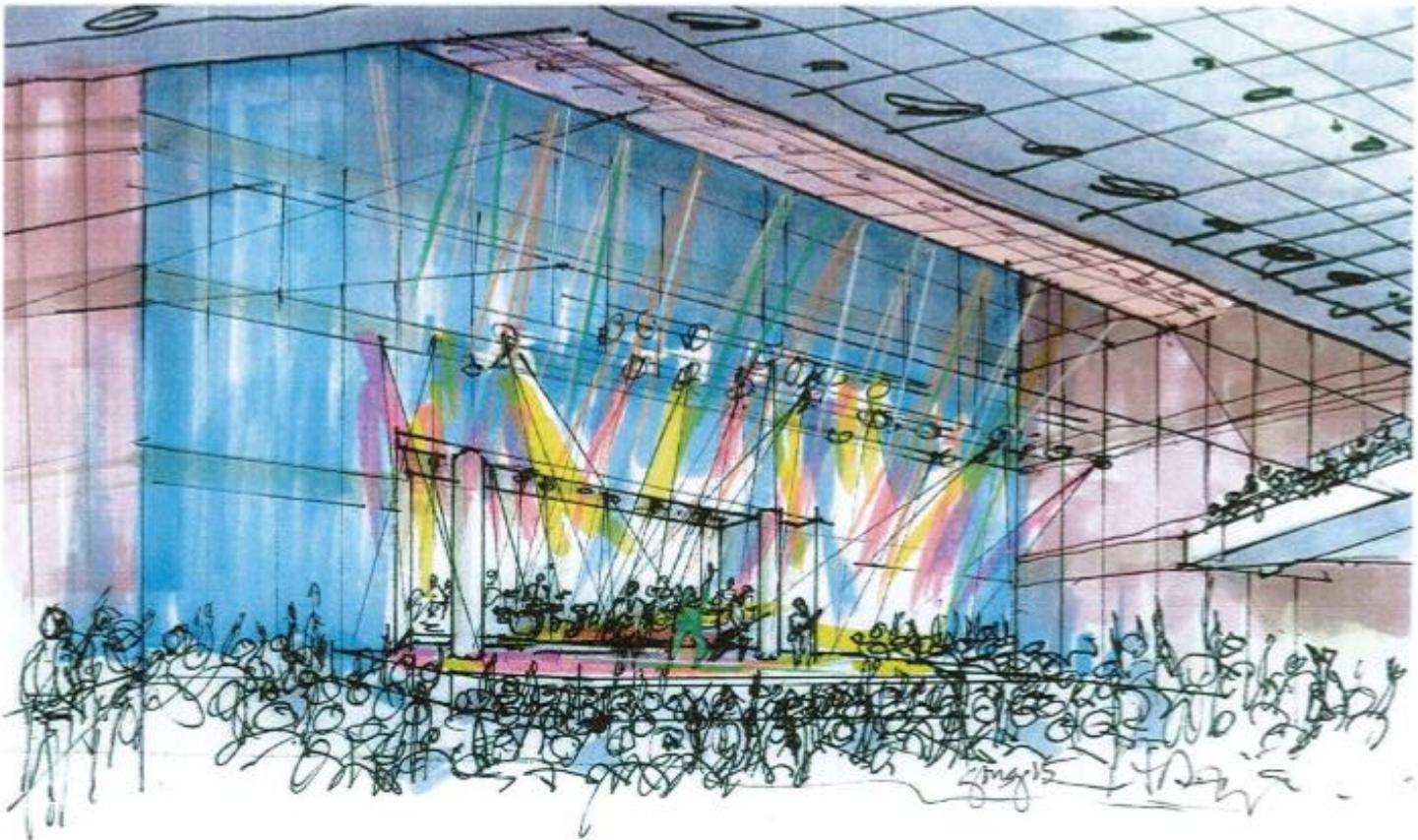
2016 Population by Race



2016 Percent Hispanic Origin: 33.1%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016 and 2021.

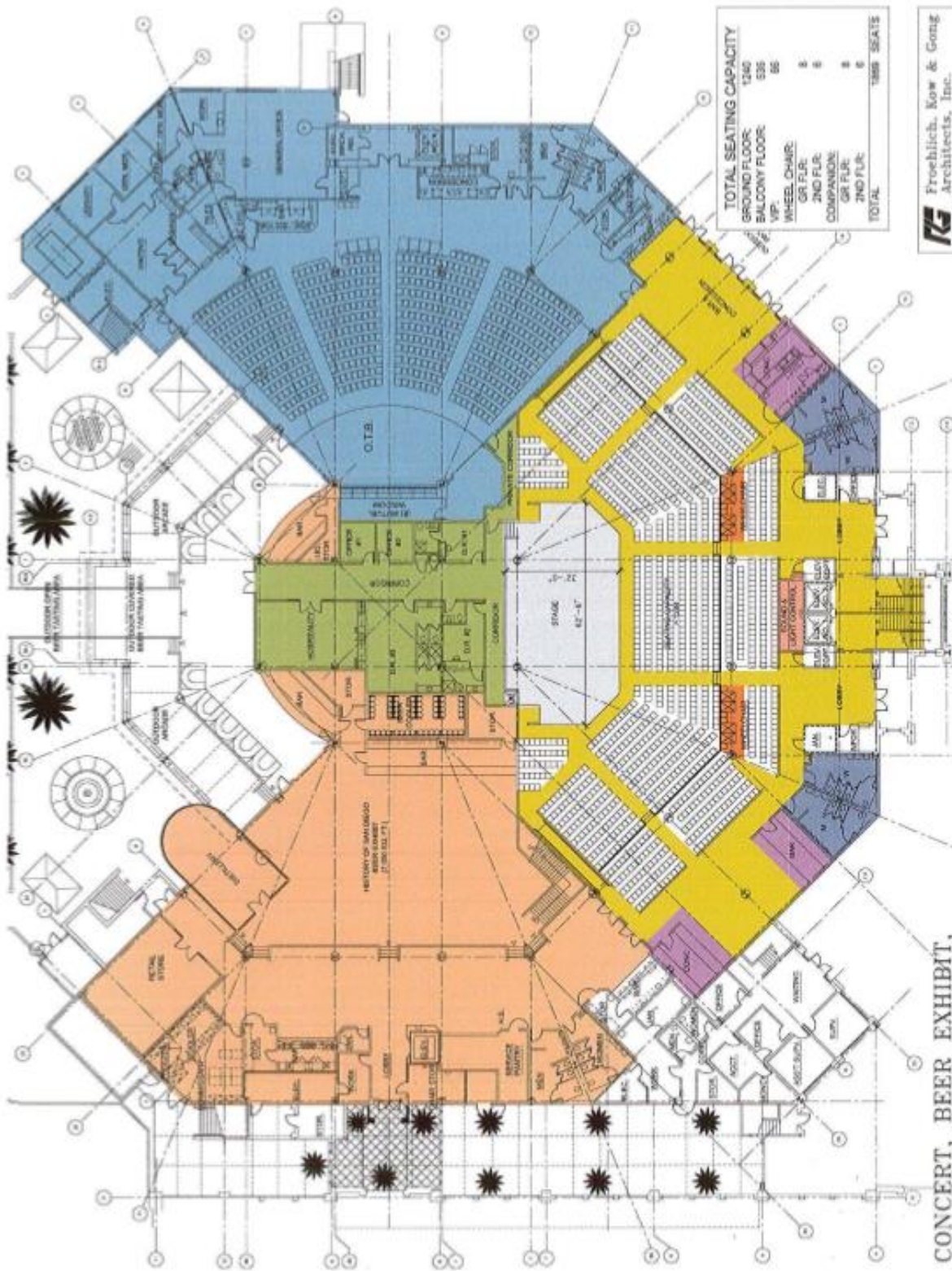
Appendix D – Belly Up Entertainment Proposal



**CONCERT, BEER EXHIBIT,
DINING & BANQUET**
Del Mar Fairgrounds, California

PERSPECTIVE SKETCH

	Froehlich, Kow & Gong Architects, Inc.	
	2000 University St. Oceanside, California 92057	Tel: (760) 231-8888 Fax: (760) 231-8336 E-mail: info@fkga.com
DATE: 01-11-2018		



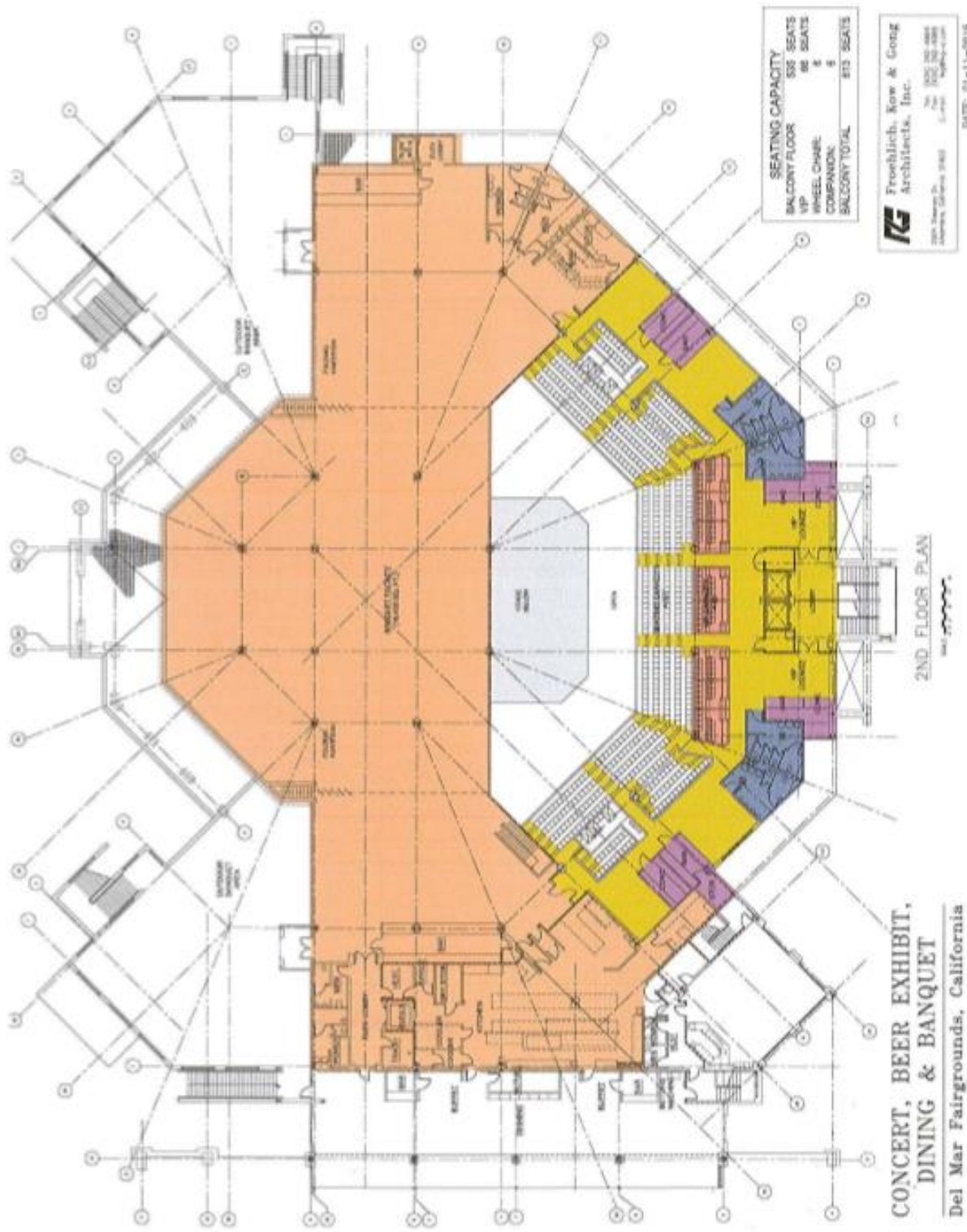
TOTAL SEATING CAPACITY

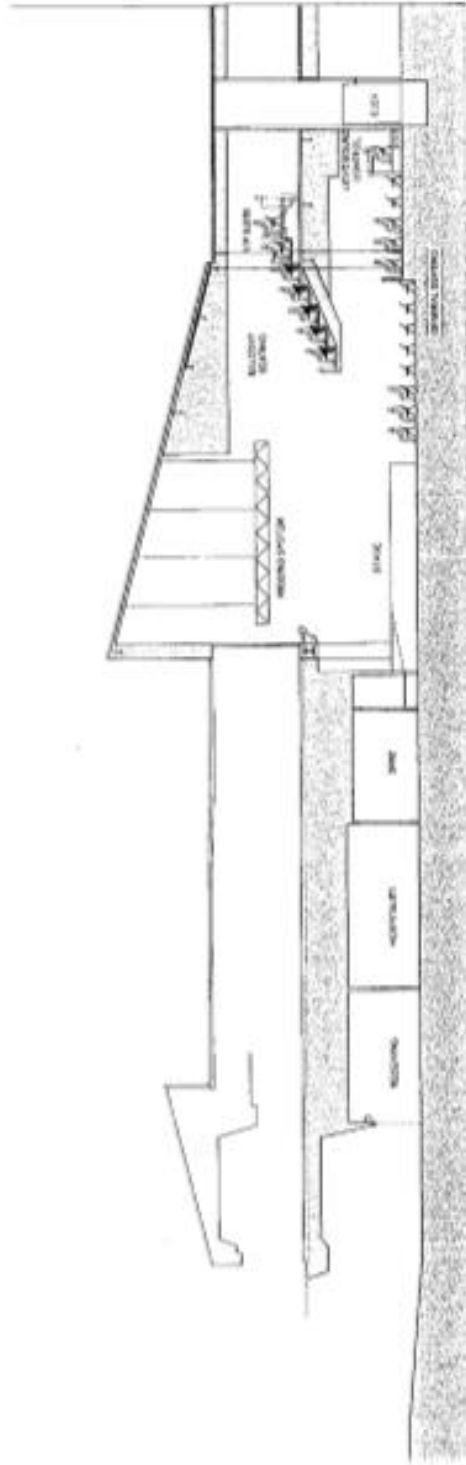
GROUND FLOOR	1246
BALCONY FLOOR	555
WHEEL CHAIRS	66
GR FUR	6
2ND FUR	6
COMPANION	6
GR FUR	6
2ND FUR	6
TOTAL	1896 SEATS

Fruehlich, Kow & Gong Architects, Inc.
 2024 Avenida de...
 San Diego, California 92108
 Tel: (619) 202-8888
 Fax: (619) 202-8888
 www.fkag.com

DATE: 01-11-2016

**CONCERT, BEER EXHIBIT,
 DINING & BANQUET**
 Del Mar Fairgrounds, California





RS Froehlich, Kow & Gooch
 Architects, Inc.
 2275 Camino del Rio South
 Suite 200
 San Diego, CA 92108
 Phone: (619) 594-8888
 Fax: (619) 594-8889
 www.fkga.com

DATE: 01-11-2018

SECTION
 1/11/18

**CONCERT, BEER EXHIBIT,
 DINING & BANQUET**
 Del Mar Fairgrounds, California

SURFSIDE RACEPLACE MAKEOVER

PROJECT DESCRIPTION

A 1900 seating capacity, multi-use concert venue located adjacent to the I-5 on the Del Mar Fairgrounds, located 25 minutes from downtown San Diego, 90 minutes from Los Angeles and 60 minutes from Orange County. The design would include, VIP Sections, easy load-in and load-out for touring bands. It would be a one of a kind concert venue producing a cool distinctive vibe, a place to be.

The existing satellite wagering facility is approximately 90 thousand sq. ft., built in 1992 as a state of the art satellite wagering facility. The conversion would be approximately 65% of the existing sq. footage with the seating capacity of up to 1900 seats, including a balcony. Approximately 2/3 of seating will be on the main floor and 1/3 of the seating in the balcony. The intent is to design for flexibility and cost savings. Shows expecting 1200 or less would be provided a more intimate setting by closing off the balcony. This also would help control show expenses.

There is a current void of music and entertainment venues in North County San Diego. There is a demand for a concert venue of this size. The closest competition would be the House of Blues in downtown San Diego (1400 seats) and Humphries (1300 seats) which has a seasonal schedule, April through October. Both are approximately a 45 minute drive from the heart of North County. The Belly UP concert venue in Solana Beach is a very successfully managed venue and a popular destination and has seating for 600.

It is the intent not to compete with the Belly Up but to compliment the Belly Up concert venue. The intent is not to compete with the community but to compliment the community. Shows that have outgrown the Belly Up can be booked at the "Belly UP 2" for lack of a better name. The venue could become an extension of the existing Belly UP.

It is estimated 80 shows could be booked annually. This would not include the 26 day annual county fair which would include this venue in their concert program. The venue would be designed in such a way that it would lend itself to educational presentations, seminars, sporting events, fundraising events and catering activities.

SSRP Theater Renovation

A. Goal:

1. Central San Diego entertainment destination
2. New special event spaces that compliment, not compete, with existing.
3. Exhibit & Education to match 22nd DAA mission statement

B. Combined effort & effect:

1. Tourism and Local interest
2. Crossover business with County Fair and Thoroughbred Races
 - a. Beer Festivals
 - b. Concerts and Comedy shows
3. Brewing Community meeting space

C. Focus:

1. Amenities

- a. Tours
- b. Exhibit/History
- c. Tasting Room
- d. Outdoor garden w/ bars, cabanas, games and regional food
- e. Private Party Space: Corporate & Personal
- f. Starting Point for Guided/Self Tours of San Diego brewing

D. Engagement:

1. Associations with Other Local Business

- a. Cucina Enoteca <http://www.cucinaenoteca.com/about>.
- b. Union Tap House <http://localunion101.com/>
- c. Culture Brewing www.culturingbrewingco.com
- d. Cinepolis Luxury Cinemas www.cinepolisusa.com
- e. Davanti Enoteca www.davantichicago.com
- f. Searsucker www.searsucker.com/Del-Mar
- g. Urban Plates www.urbanplates.com

2. In House Participation

- a. Create a permanent Exhibit in the Tasting area to tell history of beer making in San Diego
- b. Represent existing breweries in County with location maps, amenities and styles of beer available
- c. Continue our ongoing relationship year round with San Diego Brewer's Guild
- d. Participate in San Diego Beer Week <http://sdbw.org/events/>

- e. **Expand Flower and Garden show talents to help design amenities in the beer garden**
 - f. **Year round education for the home brewer**
 - 2. **Media**
 - a. **Marketing with local TV and Radio stations**
 - b. **Year round exposure for the Fairgrounds**
 - 3. **Merchandise**
 - a. **T-shirts, hoodies, glassware, growlers that promote location**
 - 4. **In House Operations**
 - a. **Utilize existing staff for maintenance**
 - b. **Signage and printed materials done in house**
 - 5. **Event Sales & Marketing**
 - a. **New/fresh space to sell for all types of personal and corporate occasions**
 - b. **Increase catering sales by expanding our locations**
 - 6. **Food and Beverage**
 - a. **Year round use of facility for convention, banquets and special events**
 - b. **History of San Diego Beer Exhibit used as concession area during concert events and interim special events.**

E. Scope of Work:

- 1. **Remove existing fencing and box office building**
- 2. **Redesign entry way to both museum bar and formal theater.**
- 3. **Create 1900+ seating venue utilizing existing GA first floor**
- 4. **Remodel Theater for use by Off Track Betting patrons.**
- 5. **Remodel the following areas for special event and banquet reception space:**
 - a. **Sports, Saddle Club, Arena Room, utilizing the existing restaurant kitchen to support food service**
 - b. **Repurpose west side of first floor to create an Exhibit Space that works as a bar, reception space and concessions during concerts.**
 - c. **Utilize the north outdoor area for an exclusive beer tasting, gaming and outdoor regional dining space.**
 - d. **Build fully working Distillery in garden for use and sale on property.**

SSRP Theater Renovation Food & Beverage Estimated Revenue Forecasting

	Time of Year	Per Person*	Event Days	Estimated Revenue	Total Event Estimated Revenue
Ticketed Entertainment	All Year	1437	60	\$ 20	\$ 1,724,400
Mezzanine Banquet Room	All Year		5	\$ 3,500	\$ 17,500
Museum BAR	Fair		26	\$ 5,000	\$ 130,000
	Live Meet		35	\$ 2,000	\$ 70,000
	Interim		50	\$ 2,000	\$ 100,000
Beer Garden	Fair		26	\$ 5,000	\$ 130,000
	Live Meet		35	\$ 2,000	\$ 70,000
	Interim		50	\$ 2,000	\$ 100,000
Off Track Betting	All Year		117	\$ 1,000	\$ 117,000
				Total Yearly Estimated Revenue	\$ 2,458,900

*Based on 60 events at 75% capacity (max capacity is 1917 people) Information provided by Belly Up

**22nd Dist. Agricultural Assoc.
SSRP Renovation
Profit/Loss Statement**

					1425
Concert Revenues					
	per show	X60	X80	X100	Notes
Ticket Revenue	\$57,000	\$3,420,000	\$4,560,000	\$5,700,000	Average ticket price \$40 x 1,425 (75%)
Parking	\$5,700	\$342,000	\$456,000	\$570,000	\$4 per ticket
User Fee	\$4,275	\$256,500	\$342,000	\$427,500	\$3 per ticket
Ticketing Fee (Ticket Master)	\$855	\$51,300	\$68,400	\$85,500	\$75 per ticket 80% advanced ticket sales
Merchandise	\$3,563	\$213,750	\$285,000	\$356,250	Net \$2.5 per person
F&B profit	\$21,375	\$1,282,500	\$1,710,000	\$2,137,500	Net to the District \$15 per person
Total Revenue	\$92,768	\$5,566,050	\$7,421,400	\$9,276,750	
Concert Expenses					
Headliner	\$40,000	\$2,400,000	\$3,200,000	\$4,000,000	
Talent Buyer Flat	\$4,000	\$240,000	\$320,000	\$400,000	
Talent Buyer % gross tickets	\$5,700	\$342,000	\$456,000	\$570,000	10% ticket revenue
Credit Card Fees	\$1,740	\$104,390	\$139,187	\$173,984	2.85% ticket revenue x 90%
Ticket printing	\$29	\$1,710	\$2,280	\$2,850	\$0.02 per ticket
Box Office Labor	\$650	\$39,000	\$52,000	\$65,000	1 sup, 4 sellers, 3 takers, 5 hours
Security	\$870	\$52,200	\$69,600	\$87,000	(1) Sup + (8) Peer x 5 hours
Medical	\$75	\$4,500	\$6,000	\$7,500	1 EMT @ \$15 x 5 hours
Misc.	\$4,500	\$270,000	\$360,000	\$450,000	Utilities, wear and tear, janitorial
Stagehands	\$1,000	\$60,000	\$80,000	\$100,000	
Marketing	\$1,000	\$60,000	\$80,000	\$100,000	
Event Staff	\$480	\$28,800	\$38,400	\$48,000	(1) Production mgr. & (1) Event mgr. @ \$30/hr. each
Total Expenses	\$60,043	\$3,602,600	\$4,803,467	\$6,004,334	
Net revenue for concerts	\$32,724	\$1,963,450	\$2,617,933	\$3,272,416	
Year Round F&B (net)					
Mezzanine Banquet Room		\$62,500	\$62,500	\$62,500	
Museum Bar Fair		\$65,000	\$65,000	\$65,000	
Museum Bar Live Meet		\$35,000	\$35,000	\$35,000	
Museum Bar Interim		\$100,000	\$100,000	\$100,000	
Beer Garden Fair		\$65,000	\$65,000	\$65,000	
Beer Garden Live Meet		\$35,000	\$35,000	\$35,000	
Beer Garden Interim		\$50,000	\$50,000	\$50,000	
OTB		\$58,500	\$58,500	\$58,500	
Total F&B year round		\$471,000	\$471,000	\$471,000	
Total Concert + Year round F&B profit		\$2,434,450	\$3,088,933	\$3,743,416	

Revised 2/2/16



**SSRP Theater Renovation
Food & Beverage Estimated Revenue Forecasting**

PHASE I

	Time of Year	Per Person*	Event Days	Estimated Revenue	Total Event Estimated Revenue
Ticketed Entertainment	All Year	1437	60	\$ 25	\$ 2,155,500
Museum BAR	Fair		26	\$ 5,000	\$ 130,000
	Live Meet		35	\$ 2,000	\$ 70,000
	Interim		50	\$ 2,000	\$ 100,000
Off Track Betting	All Year		117	\$ 1,000	\$ 117,000
Total Yearly Estimated Revenue:					\$ 2,572,500
Estimated Profit (50%):					\$ 1,286,250
Estimated Premier Profit (12.5% of 50%):					\$ 160,781

*Based on 60 events at 75% capacity (max capacity is 1917 people) Information provided by Belly Up

	Time of Year	Per Person*	Event Days	Estimated Revenue	Total Event Estimated Revenue
Ticketed Entertainment	All Year	1437	80	\$ 25	\$ 2,874,000
Museum BAR	Fair		26	\$ 5,000	\$ 130,000
	Live Meet		35	\$ 2,000	\$ 70,000
	Interim		50	\$ 2,000	\$ 100,000
Off Track Betting	All Year		117	\$ 1,000	\$ 117,000
Total Yearly Estimated Revenue:					\$ 3,291,000
Estimated Profit (50%):					\$ 1,645,500
Estimated Premier Profit (12.5% of 50%):					\$ 205,688

*Based on 80 events at 75% capacity (max capacity is 1917 people) Information provided by Belly Up



Appendix E – Interview – Chris Goldsmith, President of Belly Up Entertainment

Date: Wednesday, October 4, 2016, 5:30 p.m.
Location: 143 S Cedros Ave, Solana Beach, CA 92075
Attendees: Belly Up: Chris Goldsmith
Del Mar Fairgrounds: Tim Fennell
CSUSM FEMBA Team: Randy D., Sonia J., Debbie Jo M., Tim S.
CSUSM SE Team: Myka C., Erin H., Mike M., Nirath U., Tatiana V.

Proposed Business Venture with Del Mar

- 1. What is your vision of the proposed partnership between Belly Up & Del Mar Fairgrounds?**
 - a. Del Mar would complement Belly Up because it's essentially the next step up
 - b. As opposed to being direct competition for them
 - c. Talent is slightly different than Belly Up
 - d. Not the same pool of artists
 - 2. What marks success for you on this business venture?**
 - a. Making it a positive experience for as many as possible
 - 3. Do you agree that Del Mar has the ability to book 60-80 events per year? Do you feel that that number is conservative or aggressive?**
 - a. Yes, Belly Up currently programs 26-30 shows per month
 - b. Sometimes 6-7 per week
 - c. Conservative number
 - d. Even at an easy 10-15 shows per month (Fernandez-Blanco, Perez-Villadoniga, & Prieto-Rodriguez, 2016), that's 100-180 shows per year
 - e. So really you could take any number within that range
 - f. Can easily book 3-4 private events per month
 - g. Currently lose 50% of private event of inquiries
 - 4. What do you see that the surfside may offer concert goers than the belly up is able to offer at this time?**
 - a. There is currently a gap in the music-venue chain
 - b. Makes it difficult for artists to grow, obviously the bigger they get the more seats they can fill
 - c. Venues
 - i. 600 seats (Belly Up)
 - ii. 1100 seat
 - iii. 1400 seat
 - iv. Balboa theatre
 - v. GAP IN THIS SECTION
 - vi. 3-4,000 seats
 - vii. SD Civic
 - viii. Open air theatre
 - ix. ONLY one venue in North County
 - x. SOMA
 - xi. But specific to a punk rock demographic with no seats
 - 5. How would this venue complement what you do now?**
-

- a. Currently turn away a lot of private events simply because they don't have the capacity at 600 seats (Belly Up)
 - b. This would allow for more private events
 - c. This would also allow to better control demand
 - d. Sometimes it is extremely busy, such as in winter months for holiday events
 - e. Almost a bit seasonal
 - f. Trying to help manage the surges
- 6. What are keys to a venture like this succeeding?**
- a. Cultivating relationships with artists, buyers, and sellers
 - b. Buyers and sellers can secure advantageous rates but the artist still needs to be included
 - c. This is a HUGE Issue
- 7. What competitors or substitutes do you see?**
- a. House of Blues - 21 events booked in October
 - b. Balboa - 6 events booked in October
 - c. Costs \$25k to open doors and you have to bring in own lights
 - d. Humphreys- 15 booked in October
 - e. Cost \$20k to open the doors
 - f. North Park Observatory 23 events booked in October
 - g. Currently book talent at North Park Observatory

Market Demographics

- 8. Do you think there is an untapped market of concert goers? And if so, who?**
- a. Music scene is rapidly expanding as is:
 - b. Tourism
 - c. And north county
 - d. This venue can be for anyone
 - e. Belly Up does have its own unique vibe, but Del Mar already caters to a wide array of genres and demographics
- 9. What is the demographic of the market you plan to target/cater to?**
- a. For Tim to likely decide
 - b. Should be well thought out
 - c. Always a debate between all ages or 21+
- 10. What types of music artists and/or genres do you foresee booking at Del Mar?**
- a. Could be any genre
 - b. "Table is well set for next few years"
- 11. How far is your target customer coming from for your concerts? Will that change with the larger venue at the Fairgrounds?**
- a. 50% of tickets sold to south of North County residents
 - b. Referenced Ticket Master's 43-mile fact and Chris agrees with statement
 - c. Bands are exciting things and people will travel to see a band
 - d. Especially if they are not playing in Orange County
 - e. Seems to be artist driven and whether they are playing at any other local venues

Ticket Pricing

- 12. How is ticket pricing established for a Belly Up event?**
-

- a. Depends on artist
 - b. National average ticket price
 - c. National average seats sold
 - d. Depends on if any other local venues will also be booking this artist
 - i. If not, can charge more for tickets
 - e. Also depends on venue and type of presentation
 - i. Symphony hall is pricey and limited in type of configurations for concert
 - f. Offer fee based on selling x number of tickets
 - g. Use 75% sellout for purposes of budgeting for project
 - h. Some artists will sometimes ask venues to not publish poor attendance so that it doesn't damage their future booking record
 - i. Sometimes offer a discount for future gigs
 - i. See Pulse Star - industry database
 - i. Tim Fennell says he has copies at his office
 - j. Humphreys shows 81% booking
 - i. House of Blues 92%
 - ii. Chris knows this is not accurate
13. **Are you able to provide historical concert attendance demographics for Belly Up?**
- a. Wouldn't really apply
14. **Are you able to provide historical ticket sales data?**
- a. Wouldn't really apply

Additional/Complimentary Activities

15. **What complimentary services would you think would work well with a concert venue?**
- a. Restaurant
 - b. Private events
 - c. Craft beer
 - d. ShowTech
 - e. Local production company
 - f. They have a warehouse and do staging
 - g. Lobby that survives without the show
 - h. 7 days per week
 - i. Group sales
 - j. Mini-events
 - k. Corporate boxes
 - l. Ticket packages
16. **Do you think there is potential marketing revenues to be made through branding partnerships at this larger venue? I.E. Shows presented by Acura**
17. Some level of sponsorship without it being overt
18. Belly up has a lot of quiet/silent sponsorships
19. VIP levels
20. Would advise to not do things on a large scale because sometimes it takes away from the vibe of venue
- a. And artist may want to charge more



21. Belly up podcasts? Is this something you would consider doing at the surfside as well?

- a. Open to it
- b. Not currently a revenue source

Other

22. Where do you see the concert industry in 10 years? In San Diego?

- a. Discussed growth

23. If you were to leave the organization, is the talent model sustainable?

- a. Yes
- b. Team is trained to carry forward current practices

24. Reasons an artist like Jimmy Buffett plays at small locations or several locations?

- a. Charity
- b. Or simply because of a personal tie; used to live in Solana Beach
- c. Client allegedly paid \$2million to book Jimmy Buffet or Rolling Stones for wife's birthday

25. What Genre is underserved?

- a. All ages
- b. Though now they have North Park

26. Are casinos competition?

- a. Someone who doesn't know the music industry well enough would think so
- b. No, it is not competition
- c. Casino's book out of the norm artists
- d. Not so main-stream artists
- e. "Sunset" artists

Contact information:

Chris Goldsmith

Email- chris@bellyup.com (preferred)

Office - 760-635-3980



Appendix F – Live Music Venues in San Diego, California

Live Music Venues in San Diego, California
List compiled by CSUSM FEMBA and SE Team (October 2016)

Venue Name	General Location	Seated/ Standing/ Both	Seating Capacity	Primary Operation
AD Nightclub	Downtown	Standing	450	Bar
AMSD Concerts	National City	Seated	300	School
Auditorium at TSRI	La Jolla	Seated	352	Auditorium
Balboa Theater	Gaslamp	Seated	1335	Performing Arts
Bassmnt	Downtown	Standing	1000	Bar
Belly Up	Solana Beach	Both	600	Concert Venue
Boar Cross'n	Carlsbad	Standing	280	Concert Venue
Brick by Brick	Bay Park	Standing	400	Concert Venue
CalCoast Credit Union Open Air Theater	SDSU	Seated	4600	Concert Venue
California Center for the Arts	Escondido	Seated	1523 (Concert hall); 404 (Center theater)	Performing Arts
Civic Theater	Downtown	Seated	2967	
Conrad Prebys Music Center	La Jolla	Seated	400	University
Del Mar Fairgrounds	Del mar	Both	50000	Fairgrounds
Embarcadero Marina	Downtown	Standing	50000	Park
Fluxx	Downtown	Standing	900	Bar
Garfield Theatre	La Jolla	Both	500	Theater
Grand Ballroom at Pechanga Casino	Temecula	Seated	1800	Casino
Hard Rock Cafe	Downtown	Both	220	Restaurant
Hard Rock Hotel	Downtown	Both	696	Hotel
Harrah's Resort Southern California	Valley Center	Both	2200	Resort
Henry's Pub	Gaslamp	Both	257	Restaurant
Hilton Del Mar	Del Mar	Both	700 - Seated; 800 - Standing room only	Resort
House of Blues	Gaslamp	Both; Standing room - dance floor, Seating -		
Humphreys by the Bay	San Diego Bay	Balcony	1500	Concert Venue
Infinity at Pala Casino	Pala	Both	1400	Concert Venue
Irwin M Jacobs Qualcomm Hall	Sorrento Valley	Both	2000	Casino
Kaminski's BBQ & Sports Bar	Poway	Seated	534	Venue
Kona Kai Resort & Marina	Shelter Island	Seated	260	Restaurant
La Paloma	Encinitas	Both	1100	Resort
Lafayette Hotel, Swim Club & Bungalows	El Cajon	Seated	390	Theater
Loews Coronado Bay Resort	Coronado	Both	500	Hotel
Lorimar Vineyards and Winery	Coronado	Both	500	Resort
Lorimar Vineyards and Winery	Temecula	Both	300	Winery
Music Box	Little Italy (Downtown)	Both	300	Concert Venue



Del Mar Fairgrounds' Surfside Race Place

Omnia	Gaslamp	Both	1787	Bar
Onxy Room	Gaslamp	Both	300	Bar
Pala Events Center	Pala	Seated	1000	Casino
Palomar Starlight Theater at Pala Casino	Pala	Seated	2420	Casino
Pauma Casino	Valley Center	Seated	815	Casino
Pechanga Casino Theater	Temecula	Seated	1200	Casino
Petco Park	Downtown	Seated	42,445	Sports Park
Pine Hills Lodge	Julian	Both	200	Hotel
Point Loma Nazarene University	Point Loma	Seated	378	School
Port Pavilion on Broadway Pier	Water Front	Both	950	Private Events
Poway Center for the Performing Arts	Poway	Seated	809(Theatre)	Performing Arts
Poway Center for the Performing Arts	Poway	Seated	809	Concert Venue
Qualcomm Stadium	Mission Valley	Both	70000	Football
Ramona Mainstage	Ramona	standing	550	Concert Venue
San Diego Symphony Hall	Downtown	Seated	2231	
SDSU: San Diego State University (Viejas Arena)	College Height	Both	12400	Sporting Events
Sheryl and Harvey White Theatre	Balboa Park	Seated	250	Theater
Shiley Theatre at University of San Diego	Bay Park	Seated	600	Theater
Side Bar	Downtown	Standing	350	Club
Soda Bar	Normal Heights	Both	230	Bar
SOMA	Point Loma	Standing	2700 (mainstage), 500 (sidestage)	Concert Venue
Spin Nightclub	Mission Hills	Standing	800	Bar
Spreckels	Downtown	Seated	1463	
Spreckels Organ Pavilion	Balboa Park	Seated	2500	Theater
St. James by-the-Sea Episcopal Church	La Jolla	Seated	350	Church
Star Theatre	Oceanside	Seated	480	Theater
Stone Brewing Co.	Escondido	Both	350	Bar
Stone Brewing Liberty Station	Downtown	Both	400	Bar
Sunset Temple Theater	North Park	Both	350	Theater
Sycuan Casino	El Cajon	Seat	450	Casino
The Casbah	Little Italy (Downtown)	Standing	200+	Concert Venue
The Holding Company	Ocean Beach	Both	250	Concert Venue
The Irenic	North Park	Standing	400	Concert Venue
The Observatory	North Park	Standing (for all concerts)	1200	Concert Venue
The Pour House Music Hall	Oceanside	Both	289	Restaurant
The Topsy Crow	Gaslamp	Both	400	Bar
Thornton Winery	Temecula	Both	850	Winery
Tin Roof San Diego	Downtown	Both	500	Club/Bar
U-31	North Parth	Both	300	Bar/Club
UCSD Price Center	La Jolla	Both	1500	Student Center
Union Kitchen & Tap Gaslamp	Gaslamp	Both	360	Bar
Valley View Casino Center	Point Loma	Both	16100	Sporing Events
Waterfront Park	Downtown	Standing	3,800	Park
Welk Resort Theatre	Escondido	Seated	360	Resort
Whiskey Girl	Gaslamp	Both	300	Resturant
Wine Cave	Pala	Both	300	Casino
Winstons Beach Club	Ocean Beach	Standing	250	Bar
WorldBeat Cultural Center	Balboa Park	Standing	750	Education



Appendix G – 22nd DAA Surfside Race Place Profit & Loss Statement – Projection
by Belly Up

**22nd Dist. Agricultural Assoc.
SSRP Renovation
Profit/Loss Statement**

Concert Revenues	per show	X60	X80	X100	1425 Notes
Ticket Revenue	\$57,000	\$3,420,000	\$4,560,000	\$5,700,000	Average ticket price \$40 x 1,425 (75%)
Parking	\$5,700	\$342,000	\$456,000	\$570,000	\$4 per ticket
User Fee	\$4,275	\$256,500	\$342,000	\$427,500	\$3 per ticket
Ticketing Fee (Ticket Master)	\$855	\$51,300	\$68,400	\$85,500	\$7.75 per ticket 80% advanced ticket sales
Merchandise	\$3,563	\$213,750	\$285,000	\$356,250	Net \$2.5 per person
F&B profit	\$21,375	\$1,282,500	\$1,710,000	\$2,137,500	Net to the District \$15 per person
Total Revenue	\$92,768	\$5,566,050	\$7,421,400	\$9,276,750	
Concert Expenses					
Headliner	\$40,000	\$2,400,000	\$3,200,000	\$4,000,000	
Talent Buyer Flat	\$4,000	\$240,000	\$320,000	\$400,000	
Talent Buyer % gross tickets	\$5,700	\$342,000	\$456,000	\$570,000	10% ticket revenue
Credit Card Fees	\$1,740	\$104,390	\$139,187	\$173,984	2.85% ticket revenue x 90%
Ticket printing	\$29	\$1,710	\$2,280	\$2,850	\$0.02 per ticket
Box Office Labor	\$660	\$39,000	\$52,000	\$65,000	1 sup, 4 sellers, 3 takers, 5 hours
Security	\$870	\$52,200	\$69,600	\$87,000	(1) Sup + (8) Peer x 5 hours
Medical	\$75	\$4,500	\$6,000	\$7,500	1 EMT @ \$15 x 5 hours
Misc.	\$4,500	\$270,000	\$360,000	\$450,000	Utilities, wear and tear, janitorial
Stagehands	\$1,000	\$60,000	\$80,000	\$100,000	
Marketing	\$1,000	\$60,000	\$80,000	\$100,000	
Event Staff	\$480	\$28,800	\$38,400	\$48,000	(1) Production mgr. & (1) Event mgr. @ \$30/hr. each
Total Expenses	\$60,043	\$3,602,600	\$4,603,467	\$6,004,334	
Net revenue for concerts	\$32,724	\$1,963,450	\$2,617,933	\$3,272,416	
Year Round F&B (net)					
Mezzanine Banquet Room		\$62,500	\$62,500	\$62,500	
Museum Bar Fair		\$65,000	\$65,000	\$65,000	
Museum Bar Live Meet		\$35,000	\$35,000	\$35,000	
Museum Bar Interim		\$100,000	\$100,000	\$100,000	
Beer Garden Fair		\$65,000	\$65,000	\$65,000	
Beer Garden Live Meet		\$35,000	\$35,000	\$35,000	
Beer Garden Interim		\$50,000	\$50,000	\$50,000	
OTB		\$58,500	\$58,500	\$58,500	
Total F&B year round		\$471,000	\$471,000	\$471,000	
Total Concert + Year round F&B profit		\$2,434,450	\$3,088,933	\$3,743,416	

Revised 2/2/16

Appendix H – 22nd DAA Surfside Race Place Profit & Loss Statement – Senior Experience Model

22nd District Agricultural Association Surfside Race Place Concert Venue Profit & Loss Statement			
Per Show at 75% Capacity			
100	80	60	Number of Shows Booked per Year
CONCERT REVENUE			
Ticket Revenue	\$64,125	\$3,847,500	\$5,130,000
Parking	\$3,560	\$213,600	\$284,800
User + Ticketing Fee	\$5,700	\$342,000	\$456,000
Merchandise	\$1,425	\$85,500	\$114,000
Food and Beverage Revenue	\$47,296	\$2,837,745	\$3,783,660
Sponsorship	Cannot be calculated	\$25,000.00	\$25,000.00
Total Revenue	\$122,106	\$7,351,345	\$9,793,460
CONCERT EXPENSES			
Headliner	\$43,000	\$2,580,000	\$3,440,000
Talent Buyer Flat	\$4,300	\$258,000	\$344,000
Talent Buyer % Gross Tickets	\$6,413	\$384,750	\$513,000
Credit Card Fees	\$1,287	\$77,219	\$139,187
Ticket Printing	\$143	\$8,550	\$11,400
Box Office Labor	\$650	\$39,000	\$52,000
Miscellaneous	\$6,000	\$360,000	\$480,000
Event Labor	\$1,709	\$102,528	\$136,704
Marketing	\$5,000	\$300,000	\$400,000
Food and Beverage Expense	\$18,796	\$1,127,745	\$1,503,660
Event Manager/Production Manager	\$600	\$36,000	\$48,000
Total Expenses for Concerts	\$87,897	\$5,273,792	\$7,067,951
Net Revenue for Concerts	\$34,209	\$2,077,553	\$2,725,509
YEAR-ROUND FOOD AND BEVERAGE (NET)			
Mezzanine Banquet Room	\$62,500	\$62,500	\$62,500
Museum Bar Fair	\$65,000	\$65,000	\$65,000
Museum Bar Live Meet	\$35,000	\$35,000	\$35,000
Museum Bar Interim	\$100,000	\$100,000	\$100,000
Beer Garden Fair	\$65,000	\$65,000	\$65,000
Beer Garden Live Meet	\$35,000	\$35,000	\$35,000
Beer Garden Interim	\$50,000	\$50,000	\$50,000
Off-Track Betting (OTB)	\$45,000	\$45,000	\$45,000
Total Food and Beverage Year-Round (F&B)	\$457,500	\$457,500	\$457,500
TOTAL CONCERT + YEAR-ROUND FOOD AND BEVERAGE PROFIT	\$34,209	\$2,535,053	\$3,183,009
Gross Profit	\$34,209	\$2,535,053	\$3,183,009
Gross Profit Margin	28.02%	32.46%	31.05%
			30.40%
Capacity at 75% (1,900 x .75) = 1425			



Appendix I – 22nd DAA Surfside Race Place Profit & Loss Statement – Modified by FEMBA

22nd District Agricultural Association				
Surfside Race Place Concert Venue				
Profit & Loss Statement - Modified by FEMBA				
November 02, 2016				
	Per Show at 75% Capacity	Number of Shows Booked per Year		
		60	80	100
CONCERT REVENUE				
Ticket Revenue	\$64,125	\$3,847,500	\$5,130,000	\$6,412,500
Parking	\$3,560	\$213,600	\$284,800	\$356,000
User + Ticketing fee	\$5,700	\$342,000	\$456,000	\$570,000
Merchandise	\$1,425	\$85,500	\$114,000	\$142,500
Food and Beverage Revenue	\$37,592	\$2,255,490	\$3,007,320	\$3,759,150
Sponsorship	Cannot be calculated	\$25,000.00	\$25,000.00	\$25,000.00
Total Revenue	\$112,402	\$6,769,090	\$9,017,120	\$11,265,150
CONCERT EXPENSES				
Headliner	\$43,000	\$2,580,000	\$3,440,000	\$4,300,000
Talent Buyer Flat	\$4,300	\$258,000	\$344,000	\$430,000
Talent Buyer % Gross Tickets	\$6,413	\$384,750	\$513,000	\$641,250
Credit Card Fees	\$1,287	\$77,219	\$139,187	\$173,984
Ticket Printing	\$143	\$8,550	\$11,400	\$14,250
Box Office Labor	\$625	\$37,500	\$50,000	\$62,500
Miscellaneous	\$6,000	\$360,000	\$480,000	\$600,000
Event Labor	\$1,854	\$111,240	\$148,320	\$185,400
Marketing	\$5,000	\$300,000	\$400,000	\$500,000
Food and Beverage Expense	\$18,796	\$1,127,745	\$1,503,660	\$1,879,575
Event Manager/Production Manager	\$960	\$57,600	\$76,800	\$96,000
Total Expenses	\$88,377	\$5,302,604	\$7,106,367	\$8,882,959
Net Revenue for Concerts	\$24,025	\$1,466,486	\$1,910,753	\$2,382,191
YEAR-ROUND FOOD AND BEVERAGE (NET)				
Mezzanine Banquet Room		\$62,500	\$62,500	\$62,500
Museum Bar Fair		\$65,000	\$65,000	\$65,000
Museum Bar Live Meet		\$35,000	\$35,000	\$35,000
Museum Bar Interim		\$100,000	\$100,000	\$100,000
Beer Garden Fair		\$65,000	\$65,000	\$65,000
Beer Garden Live Meet		\$35,000	\$35,000	\$35,000
Beer Garden Interim		\$50,000	\$50,000	\$50,000
Off-Track Betting (OTB)		\$45,000	\$45,000	\$45,000
Total Year-round Food and Beverage Net		\$457,500	\$457,500	\$457,500
TOTAL CONCERT + YEAR-ROUND FOOD AND BEVERAGE				
Gross Profit	\$24,025	\$1,923,986	\$2,368,253	\$2,839,691
Gross Profit Margin	21.37%	26.62%	25.00%	24.22%
Capacity at 75% (1,900 x .75) =	1425			



Appendix J – Premier Food Services Data

Premier Food Services			
Food and Beverage Data from Seven Events in 2015			
Event	Total Revenue*	Total Attendance*	Total Revenue / Total Attendance
Beer Fest	\$324,700	5,995	\$54.16
Fair	\$4,523,435	60,000	\$75.39
Fred Hall	\$83,479	12,166	\$6.86
Good Guys	\$145,424	27,597	\$5.27
KSON	\$79,688	4,918	\$16.20
Spirit Fest	\$24,479	812	\$30.15
Wine Fest	\$35,729	806	\$44.33
Average Revenue per Person			\$33.19
Event	Total Expenses \$*	Total Attendance*	Total Expenses / Total Attendance
Beer Fest (2016)	\$142,449	5,995	\$23.76
Fair	\$1,825,356	60,000	\$30.42
Fred Hall	\$30,890	12,166	\$2.54
Good Guys	\$47,929	27,597	\$1.74
KSON	\$27,700	4,918	\$5.63
Spirit Fest	\$8,822	812	\$10.87
Wine Fest	\$14,021	806	\$17.40
Average Expense per Person			\$13.19
Event	Total Profit %		
Beer Fest	56.13%		
Fair	59.65%		
Fred Hall	63.00%		
Good Guys	67.04%		
KSON	65.24%		
Spirit Fest	63.96%		
Wine Fest	60.76%		
Average	62.25%		

*All descriptions with *star* means the data came from 22nd DAA financials documents received*



Appendix K – 22nd DAA Statement of Revenues

22nd District Agricultural Association and its Blended Component Units

Statement of Revenues, Expenses and Changes in Net Position Year Ended December 31, 2015

Operating revenues:	
Food and beverage (Note 8)	\$ 23,147,428
Concessions/carnivals	18,494,593
Admissions	10,360,591
Facility rentals	7,751,446
Satellite wagering	1,670,999
Parking	4,366,233
Leases/operating agreement	4,277,114
Surf and turf	1,538,296
Sponsorships	2,930,654
Other	3,222,553
Total operating revenues	77,759,907
Operating expenses:	
Payroll related and benefits (Note 10)	22,783,094
Food and beverage (Note 8)	16,493,460
Entertainment	9,133,859
Maintenance	8,708,489
Facilities and related supplies	2,572,945
Insurance	1,293,080
Depreciation (Note 6)	6,324,409
Professional services	5,334,884
Marketing	2,117,228
Other	2,669,754
Total operating expenses	77,431,202
Income from operations	328,705
Nonoperating revenues (expenses):	
Interest income	81,367
Interest expense	(1,295,897)
Bond issuance cost (Note 7)	(666,741)
Other	(4,134)
Total nonoperating revenues (expenses), net	(1,885,405)
Change in net position	(1,556,700)
Net position, beginning of year, as restated (Note 11)	71,944,197
Net position, end of year	\$ 70,387,497

See notes to financial statements.

$$\frac{\text{Other Expense}}{\text{Total Operating Revenue}} = \frac{\$ 2,669,754}{\$ 77,759,907} = \mathbf{3.43\%}$$



Appendix L –Internal Rate of Return and Net Present Value

Senior Experience Model (CSUSM Model)

CSUSM Senior Experience Team					
Calculations for Internal Rate of Return and Net Present Value					
NET PRESENT VALUE (NPV) FORMULA					
NPV =	$\frac{CF1}{(1+K)^1}$	+	$\frac{CF2}{(1+K)^2}$	+.....+	$\frac{CFn}{(1+K)^n} - C0$
INTERNAL RATE OF RETURN (IRR) FORMULA					
	$\frac{CF1}{(1+r)^1}$	+	$\frac{CF2}{(1+r)^2}$	+.....+	$\frac{CFn}{(1+r)^n} = C0$
60 Shows Per Year					
Calculating IRR			Calculating NPV		
CF0	-\$11,000,000		CF0	-\$11,000,000	
CF1	\$2,510,053		CF1	\$2,510,053	
	F1	1		F1	1
CF2	\$2,535,053		CF2	\$2,535,053	
	F2	19		F2	19
IRR	22.61%		NPV --> *I = 6.!:Using WACC & Bond-yield		
			NPV	\$16,798,439	
80 Shows Per Year					
Calculating IRR			Calculating NPV		
CF0	-\$11,000,000		CF0	-\$11,000,000	
CF1	\$3,158,009		CF1	\$3,158,009	
	F1	1		F1	1
CF2	\$3,183,009		CF2	\$3,183,009	
	F2	19		F2	19
IRR	28.70%		NPV --> I = 6.5!:Using WACC & Bond-yield		
			NPV	\$23,909,678	
100 Shows Per Year					
Calculating IRR			Calculating NPV		
CF0	-\$11,000,000		CF0	-\$11,000,000	
CF1	\$3,833,136		CF1	\$3,833,136	
	F1	1		F1	1
CF2	\$3,858,136		CF2	\$3,858,136	
	F2	19		F2	19
IRR	34.93%		NPV --> I = 6.5!:Using WACC & Bond-yield		
			NPV	\$31,319,116	



Appendix M – CSUSM Calculation of Payback Period – Senior Experience Model

CSUSM Senior Experience Team

Calculation of Payback Period for by Shows Booked per Year

Payback Period Phase 1 \$11,000,000

Calculating Payback Period					
			60 Shows	80 Shows	100 Shows
Last (-) cum. CF Period + Last (-) cum. CF	=	Last (-) cum. CF year	4	3	2
		Last (-) cum. CF	0.3490	0.4558	0.8576
		First CF after last (-) cum. CF			
		Years to Payback	4.35	3.46	2.86

Payback Period Booking 60 Shows per Year							
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows (CF)	Comments
0	-\$11,000,000	-	-	-	-\$11,000,000	-\$11,000,000	**No sponsorship in Year 1
1		\$7,326,345	\$5,273,792	\$457,500	\$2,510,053	-\$8,489,947	
2		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	-\$5,954,894	
3		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	-\$3,419,841	
4		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	-\$884,788	Payback Period
5		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$1,650,265	
6		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$4,185,318	
7		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$6,720,371	
8		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$9,255,424	
9		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$11,790,477	
10		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$14,325,530	
11		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$16,860,583	
12		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$19,395,636	
13		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$21,930,689	
14		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$24,465,742	
15		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$27,000,795	
16		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$29,535,848	
17		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$32,070,901	
18		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$34,605,954	
19		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$37,141,007	
20		\$7,351,345	\$5,273,792	\$457,500	\$2,535,053	\$39,676,060	



Del Mar Fairgrounds' Surfside Race Place

Payback Period Booking 80 Shows per Year							
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows (CF)	Comments
0	-\$11,000,000	-	-	-	-\$11,000,000	-\$11,000,000	**No sponsorship in Year 1
1		\$9,768,460	\$7,067,951	\$457,500	\$3,183,009	-\$7,816,991	
2		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	-\$4,633,982	
3		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	-\$1,450,973	Payback Period
4		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$1,732,036	
5		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$4,915,045	
6		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$8,098,054	
7		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$11,281,063	
8		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$14,464,072	
9		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$17,647,081	
10		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$20,830,090	
11		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$24,013,099	
12		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$27,196,108	
13		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$30,379,117	
14		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$33,562,126	
15		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$36,745,135	
16		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$39,928,144	
17		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$43,111,153	
18		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$46,294,162	
19		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$49,477,171	
20		\$9,793,460	\$7,067,951	\$457,500	\$3,183,009	\$52,660,180	

Payback Period Booking 100 Shows per Year							
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows (CF)	Comments
0	-\$11,000,000	-	-	-	-\$11,000,000	-\$11,000,000	**No sponsorship in Year 1
1		\$12,210,575	\$8,834,939	\$457,500	\$3,833,136	-\$7,166,864	
2		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	-\$3,308,728	Payback Period
3		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$549,408	
4		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$4,407,544	
5		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$8,265,680	
6		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$12,123,816	
7		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$15,981,952	
8		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$19,840,088	
9		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$23,698,224	
10		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$27,556,360	
11		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$31,414,496	
12		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$35,272,632	
13		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$39,130,768	
14		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$42,988,904	
15		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$46,847,040	
16		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$50,705,176	
17		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$54,563,312	
18		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$58,421,448	
19		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$62,279,584	
20		\$12,235,575	\$8,834,939	\$457,500	\$3,858,136	\$66,137,720	



Appendix N –Internal Rate of Return and Net Present Value

Modified by FEMBA (CSUSM Calculations)

CSUSM Senior Experience Team					
Calculations for Internal Rate of Return and Net Present Value - Adjusted					
NET PRESENT VALUE (NPV) FORMULA					
NPV =	$\frac{CF1}{(1+K)^1}$	+	$\frac{CF2}{(1+K)^2}$	+.....+	$\frac{CFn}{(1+K)^n} - C0$
INTERNAL RATE OF RETURN (IRR) FORMULA					
	$\frac{CF1}{(1+r)^1}$	+	$\frac{CF2}{(1+r)^2}$	+.....+	$\frac{CFn}{(1+r)^n} = C0$
60 Shows Per Year					
Calculating IRR			Calculating NPV		
CF0	-\$11,000,000		CF0	-\$11,000,000	
CF1	\$1,898,986		CF1	\$1,898,986	
	F1	1		F1	1
CF2	\$1,923,986		CF2	\$1,923,986	
	F2	19		F2	19
IRR	16.66%		NPV --> *I = 6.55% Using WACC & Bond-yield		
			NPV	\$16,798,439	
80 Shows Per Year					
Calculating IRR			Calculating NPV		
CF0	-\$11,000,000		CF0	-\$11,000,000	
CF1	\$2,343,253		CF1	\$2,343,253	
	F1	1		F1	1
CF2	\$2,368,253		CF2	\$2,368,253	
	F2	19		F2	19
IRR	21.02%		NPV --> I = 6.55% Using WACC & Bond-yield		
			NPV	\$14,967,829	



Appendix O – CSUSM Calculation of Payback Period – Modified by FEMBA

CSUSM Senior Experience Team								
Calculation of Payback Period by Shows Booked per Year								
Payback Period Phase 1:		\$11,000,000						
Calculating Payback Period								
				60 Shows	80 Shows	100 Shows		
Last (-) cum. CF Period	Last (-) cum. CF	= Last (-) cum. CF year		5	4	3		
	First CF after last (-) cum. CF	Last (-) cum. CF		0.7303	0.6553	0.8825		
				First CF after last (-) cum. CF				
				Years to Payback		5.73	4.66	3.88
Payback Period Booking 60 Shows per Year								
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows	Comments	
0	-\$11,000,000				-\$11,000,000	-\$11,000,000		
1		\$6,744,090	\$5,302,604	\$457,500	\$1,898,986	-\$9,101,014	**No sponsorship in Year 1	
2		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	-\$7,177,028		
3		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	-\$5,253,042		
4		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	-\$3,329,056		
5		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	-\$1,405,070	Payback Period	
6		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$518,916		
7		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$2,442,902		
8		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$4,366,888		
9		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$6,290,874		
10		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$8,214,860		
11		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$10,138,846		
12		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$12,062,832		
13		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$13,986,818		
14		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$15,910,804		
15		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$17,834,790		
16		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$19,758,776		
17		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$21,682,762		
18		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$23,606,748		
19		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$25,530,734		
20		\$6,769,090	\$5,302,604	\$457,500	\$1,923,986	\$27,454,720		



Del Mar Fairgrounds' Surfside Race Place

Payback Period Booking 80 Shows per Year							
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows (CF)	Comments
0	-\$11,000,000	-	-	-	-\$11,000,000	-\$11,000,000	
1		\$8,992,120	\$7,106,367	\$457,500	\$2,343,253	-\$8,656,747	**No sponsorship in Year 1
2		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	-\$6,288,494	
3		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	-\$3,920,241	
4		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	-\$1,551,988	Payback Period
5		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$816,265	
6		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$3,184,518	
7		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$5,552,771	
8		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$7,921,024	
9		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$10,289,277	
10		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$12,657,530	
11		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$15,025,783	
12		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$17,394,036	
13		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$19,762,289	
14		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$22,130,542	
15		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$24,498,795	
16		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$26,867,048	
17		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$29,235,301	
18		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$31,603,554	
19		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$33,971,807	
20		\$9,017,120	\$7,106,367	\$457,500	\$2,368,253	\$36,340,060	

Payback Period Booking 100 Shows per Year							
Period (Year)	Investment	Concert Revenue	Concert Expense	Year-Round F&B (Net)	Cash Flows (CF)	Cumulative Cash Flows (CF)	Comments
0	-\$11,000,000				-\$11,000,000	-\$11,000,000	
1		\$11,240,150	\$8,882,959	\$457,500	\$2,814,691	-\$8,185,309	**No sponsorship in Year 1
2		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	-\$5,345,618	
3		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	-\$2,505,927	Payback Period
4		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$333,764	
5		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$3,173,455	
6		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$6,013,146	
7		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$8,852,837	
8		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$11,692,528	
9		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$14,532,219	
10		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$17,371,910	
11		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$20,211,601	
12		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$23,051,292	
13		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$25,890,983	
14		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$28,730,674	
15		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$31,570,365	
16		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$34,410,056	
17		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$37,249,747	
18		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$40,089,438	
19		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$42,929,129	
20		\$11,265,150	\$8,882,959	\$457,500	\$2,839,691	\$45,768,820	



Appendix P – 22nd DAA Board Meeting Minutes from February 2016

22nd DAA Satellite Wagering
Operating Results
For the Twelve Months Ending December 31, 2015

	2015 Actual	2015 Budget	Budget Variance Fav/(Unfav)	2014 Actual	Variance Fav/(Unfav)
Revenue					
Track Commissions	\$561,243	\$609,000	(\$47,757)	\$665,750	(\$104,507)
Mini Satellite Revenue	76,267		76,267	83,164	(6,897)
Admissions	142,885	115,000	27,885	170,821	(27,936)
Account Wagering	521,991	550,000	(28,009)	538,691	(16,700)
Program Sales	195,650	175,000	20,650	220,947	(25,297)
Merchandise	5,934	6,000	(66)	6,505	(571)
Lottery	125,377	110,000	15,377	147,487	(22,110)
Other	173,579	215,000	(41,421)	218,157	(44,578)
	1,802,926	1,780,000	22,926	2,051,522	(248,596)
Expenses					
Salaries	1,009,207	1,007,998	(1,209)	1,035,175	25,968
Programs	176,958	161,000	(15,958)	199,441	22,483
Merchandise	2,812	4,500	1,688	4,691	1,879
Lottery	118,781	101,000	(17,781)	139,175	20,394
Supplies and Operations	455,751	463,120	7,369	462,386	6,635
	1,763,509	1,737,618	(25,891)	1,840,868	77,359
Net Operating Income	39,417	42,382	(2,965)	210,654	(171,237)



Appendix Q – Reference USA Restaurant Data

NAICS CODE : 722410 - Drinking Places Alcoholic Beverages				
LOCATION: Del Mar, Solana Beach, Cardiff by the Sea, Encinitas				
Company Name	City	Square Footage	Location Sales Volume	Tier
First Street Bar & Grill Inc	Encinitas	1 - 1,499	\$449,000	A
Pillbox Tavern	Solana Beach	1 - 1,499	\$231,000	A
Shanty	Cardiff By Sea	1 - 1,499	\$231,000	A
Betty's Pie Whole Saloon	Encinitas	1,500 - 2,499	\$241,000	B
Cardiff Beach Bar At Tower 13	Cardiff By Sea	1,500 - 2,499	\$347,000	B
Dukes Cardiff Office Cocktail	Cardiff By Sea	1,500 - 2,499	\$289,000	B
Kraken Bar & Restaurant	Cardiff By Sea	1,500 - 2,499	\$578,000	B
Maurizio's Trattoria Italiana	Encinitas	1,500 - 2,499	\$337,000	B
O'Hurley's Beach Bar	Encinitas	1,500 - 2,499	\$347,000	B
Saddle Bar	Solana Beach	1,500 - 2,499	\$347,000	B
Solace & The Moonlight Lounge	Encinitas	1,500 - 2,499	\$289,000	B
Utopia Style Lounge	Encinitas	1,500 - 2,499	\$265,000	B
Belly Up Tavern	Solana Beach	2,500 - 4,999	\$347,000	C
Daley Double Cocktail Lounge	Encinitas	2,500 - 4,999	\$866,000	C
Jimmy O's Sports Bar Rstrnt	Del Mar	2,500 - 4,999	\$1,155,000	C
Leroy & Lola's Body Lounge	Encinitas	2,500 - 4,999	\$289,000	C
Solana Beach Cafe Co	Solana Beach	2,500 - 4,999	\$58,000	C
Tidewater Tavern	Solana Beach	2,500 - 4,999	\$578,000	C
Wine Steals	Cardiff By Sea	2,500 - 4,999	\$347,000	C
20 Lounge-Cardiff	Cardiff By Sea	5,000 - 9,999	\$347,000	D
Beachside Bar & Grill	Encinitas	5,000 - 9,999	\$1,123,000	D
Buffalo Wild Wings Grill & Bar	Encinitas	5,000 - 9,999	\$2,806,000	D
Chili's Grill & Bar	Encinitas	5,000 - 9,999	\$3,367,000	D
Coastal Kitchen	Del Mar	5,000 - 9,999	\$674,000	D
Craftsman Tavern	Encinitas	5,000 - 9,999	\$347,000	D
Stratford Court Cafe	Del Mar	5,000 - 9,999	\$562,000	D
Sushi Lounge	Encinitas	5,000 - 9,999	\$337,000	D
D Street Bar & Grill	Encinitas	10,000 - 19,999	\$1,443,000	E
Tabu Sushi Bar & Grill	Del Mar	10,000 - 19,999	\$337,000	E
Burgers & Brew	Solana Beach	20,000 - 39,999	\$730,000	F
Islands Fine Burgers & Drinks	Encinitas	20,000 - 39,999	\$2,806,000	F
Pacific Q Billiards	Encinitas	20,000 - 39,999	\$744,000	F
Pizza Port-Solana Beach Brwry	Solana Beach	20,000 - 39,999	\$1,459,000	F
Lumberyard Tavern & Grill	Encinitas	40,000 - 99,999	\$1,684,000	G
Oggi's Pizza & Brewing	Encinitas	40,000 - 99,999	\$2,806,000	G
L'Auberge Del Mar	Del Mar	100,000+	\$30,896,000	H