

Board of Supervisors Memorandum

March 15, 2016

Amendment to Southern Arizona Raceway, LLC Ground Lease Agreement

Background

On April 8, 2014, the Board of Supervisors approved a Ground Lease Agreement with Southern Arizona Raceway, LLC (SAR) for development of the Southeast Regional Park Raceway on a 400-acre site south of the Pima County Fairgrounds. SAR's goal is to bring American Road Racing to southern Arizona, including the potential economic development benefits of new jobs, hotel stays, and dining and shopping.

Attached is a February 29, 2016 letter from SAR requesting a one-year extension of certain milestones within the Lease Agreement. The letter includes a status update on activities toward development of the Raceway, including securing investors for the project.

The County continues to support the efforts of SAR to bring American Road Racing to the region; but we believe a nine-month extension of lease milestones is reasonable and appropriate. If SAR is unable to commence construction of the Raceway by January 8, 2017, the County may terminate the lease and pursue other options for use of the property, including those related to economic development.

Recommendation

I recommend the Board of Supervisors approve Amendment 2 to the Ground Lease Agreement with Southern Arizona Raceway, LLC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Huckelberry".

C.H. Huckelberry
County Administrator

CHH/mjk – March 10, 2016

Attachments

c: Dr. John Moffatt, Director, Office of Strategic Planning
Tom Moulton, Director, Economic Development and Tourism

Southern Arizona Raceway, L.L.C.

4520 North Hacienda del Sol Road, Tucson, Arizona 85718

www.southernarizonaraceway.com

February 29, 2016

Mr. Tom Moulton, Executive Director
Pima County, Economic Development & Tourism
33 North Stone Avenue, Suite 830
Tucson, Arizona 85701

Dear Tom,

I am writing you to formally request that the Pima County Board of Supervisors extend the terms of our existing lease for one year beginning April 8 2016 through April 7, 2017.


Although we have made certain progress in promoting the Raceway and finding the required investors it will be necessary to extend our lease to bring this amazing project to fruition for the residence of Pima County.

I have attached a copy of the 2015 Southern Arizona Raceway Progress report for inclusion in this request for a lease extension.

Should you have further questions or need more information please do not hesitate to advise me.

Thank you for your consideration.

Best Regards,


Richard "Andy" Anderson, Co-Founder
Southern Arizona Raceway, L.L.C.
520-349-2015



Southern Arizona Raceway

2015 Progress Status updated

CURRENT STATUS

- Still searching for Investor commitments. Now focused outside of Pima County.
- Have met with Alan Levin and presented the 2015 Owner/Investor Plan. No Response.
- Members, by invitation, of the newly formed Smart Vehicles and Intelligent Transportation(SVIT) Committee comprised of PAG, Pima County, City of Tucson, U of A and others.
- Continuing to work with the University of Arizona Tech Park through our partnership with them, exploring SVIT companies interest in the Tech park & SAR.

CASA GRANDE RACEWAY

Dan Ericson continues to proceed with the project. SAR's best guess is that they will focus on the club track and income producing developments (housing, commercial, etc.).

NEW INVESTMENTS

EB5 the Green Card Fund continues to be interested. Best guess is that it will be later this year before we know if there is foreign investment interest. Introduced to Kyle Walker and Girish Patel, of the Green Card Fund, by David Goldstein.

New Opportunity – MILLER MOTOR SPORTS PARK

Geely International Corporation (China's largest automobile manufacturer, owns Volvo) and **Mitime Utah Investment, L.L.C.**, (headed by Alan Wilson, GM of Miller Motor Sports Park) are trying to buy the Raceway. They are in competition with **Center Point Management, L.L.C.**, (owned by Andrew Cartwright in Cheyenne, Wyoming). A Utah judge has thrown out Mitime's bid in favor of Center Point's. SAR has talked to both parties and both have expressed interest in SAR. Wilson asked that we wait until the deal is done (a final resolution on the sale issue) to talk to them. Meaning if we loose we may be interested in SAR. Cartwright asked for information about SAR. We have sent him the Owner/Investor Plan and have had three conversations with Cartwright.

PIMA COUNTY

Need a one year extension on our lease agreement to continue moving forward. No possibility of financing in the 1st 6 months of this year. (Tom, any chance we can modify the agreement to read it is in affect at \$100 per year until SAR receives financing or Pima County has another use for the property)?

CLICK & LEVIN

Jim and John both contacted us after the May roll out and both offered to help us find interested investors in the Project. We provided them with basic project information and talking points for the Raceway. So far zero from either of them. I sent them an email two weeks ago with this report attached except for the Click & Llevin comments. So far no response from either of them.

**PIMA COUNTY DEPARTMENT OF
ECONOMIC DEVELOPMENT & TOURISM**

PROJECT: Southeast Regional Park Raceway Lease

TENANT: Southern Arizona Raceway, LLC

CONTRACT NO: CTN ED 14-150

CONTRACT AMENDMENT NO: TWO (2)

1. **PARTIES.** The Second Amendment to Lease, for reference dated March 15th, 2016, is made and entered into by Pima County, a political subdivision of the State of Arizona (hereinafter referred to as "Landlord"), and Southern Arizona Raceway, LLC. (hereinafter referred to as "Tenant").
2. **MODIFICATION OF LEASE:** Landlord and Tenant hereby agree to modify the terms of the Lease as follows:

CHANGE: Article 4. TERM

4. TERM.

4.1. Design and Construction Period. The design and construction term of this Lease commences as of April 08, 2014 and runs until the earlier of:

- a) July 8, 2018, which is ~~Forty-two (42)~~ Fifty-one (51) months (the "Maximum Design and Construction Period") after the Effective Date, ~~(10-08-2017)~~ or
- b) Completion of construction of the first phase and the opening of the Raceway for operation.

In the event that either a) or b) below occur, this Lease will automatically terminate and will be of no further force or effect:

- a) Tenant has not commenced construction of the Raceway by January 8, 2017, within which is ~~twenty-four (24)~~ thirty-three months of after the Effective Date, ~~(04-08-2016)~~ or
- b) Tenant has not, subject to force majeure events, as defined in **Section 6.6**, or other circumstances beyond the control of Tenant, completed construction of the first phase of the Raceway ("**Phase One**") and opened the Raceway for operation within the Maximum Design and Construction Period

CHANGE: Article 5. RENT

5. RENT

5.2 Annual Rent. Commencing on the earlier of

- 1) The first day of the ~~sixth (6th)~~ fifteenth (15th) full month following opening of the Raceway, or
- 2) The first day of the ~~forty-eighth (48th)~~ fifty-seventh (57th) full month after the Effective Date (i.e. six (6) months following the Maximum Design and Construction Period) (the "**Rent Commencement Date**").

CHANGE: Article 6. CONSTRUCTION OF RACEWAY

6.6. Commencement of Construction. Construction of the Raceway will be deemed to have commenced when Tenant commences grading within the footprint of the Raceway. If Tenant fails to so commence construction within ~~twenty-four (24)~~ thirty-three (33) months ~~after of the~~ April 08, 2014 Effective Date (without regard to delays occasioned by "force majeure"), Landlord will have the right as its sole and exclusive remedy to declare this Lease automatically terminated pursuant to Section 4.1 by written notice to Tenant.

3. **REMAINING CONTRACT TERMS UNCHANGED.** All other provisions of the Lease, not specifically changed by this Amendment, shall remain in effect and be binding upon the parties.
4. **EFFECTIVE DATE OF AMENDMENT.** This Amendment is effective on the date it is signed by the Chair of the Pima County Board of Supervisors.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the parties have executed this Second Amendment to Lease as of the day, month, and year written below.

TENANT: Southern Arizona Raceway, LLC

Signature

Date

Name

Its

LANDLORD: Pima County, a political subdivision of the State of Arizona

Sharon Bronson, Chair, Board of Supervisors

Date

ATTEST:

Robin Brigode, Clerk of the Board

Date

APPROVED AS TO CONTENT:

Tom Moulton, Director, Economic Development
and Tourism

APPROVED AS TO FORM:

Tobin Rosen, Deputy County Attorney, Civil Division