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# Board of Supervisors Memorandum

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April 8, 2014

## **Southern Arizona Motorsports Raceway Attraction Lease**

### Introduction

The successful bidder for the proposed Motorsports Raceway Attraction, to be located on a 400 acre site south of the Pima County Fairgrounds, has reached agreement on the terms of a ground lease, subject to the approval of the Pima County Board of Supervisors.

After many internal meetings, a public hearing, a lease auction process, and discussions with the County Administrator's office as well as the Board of Supervisors, Pima County's Real Property and Economic Development and Tourism Departments have reached an agreement on the terms of a ground lease with Southern Arizona Motorsports Raceway Attraction LLC ("SAR"), subject to approval of the Pima County Board of Supervisors. A summary of the ground lease is set forth in Exhibit One.

The approval of the ground lease will allow SAR to seek investors for the project, which requires a minimum initial capital investment of \$15 million, and an expected total capital investment of \$67 million. The design and construction are to be completed in time for opening of this new public attraction no later than spring, 2017.

### The Project

The Motorsports Raceway Attraction will be designed to bring major American Road Racing to Southern Arizona. The approximately 2.8 mile road course (see Exhibit Two) will be designed to meet Federation Internationale de l'Automobile (FIA) regulations for a Grade 2 License (defined in Exhibit Three), which is essential to accommodating sanctioned road racing in the United States. The raceway is expected to attract professional racing organizations such as IndyCar, TUDOR United SportsCar Championship Racing, Super Bikes, Historic Racing and many other sanctioned events. Each event is projected to draw between 15,000 and 50,000 spectators, depending on the type of event.

The raceway will promote "*Community*" interaction through involvement with the greater Southeast Regional Park neighborhood, which will be included in the programming of events and the possibility of recreational opportunities. The raceway will also promote "*Innovative*" working relations with the University of Arizona, the Vail School District (particularly Andrada Polytechnic High School), and other regional educational institutions to promote high tech educational experiences for the community's youth.

The Honorable Chairman and Members, Pima County Board of Supervisors  
Re: **Southern Arizona Motorsports Raceway Attraction Lease**  
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The motorsports industry is pioneering innovations in *"Green Technologies."* With our nation's changing priorities, the raceway has the opportunity to be a model for new technologies by implementing sound land management strategies, sustainable design solutions, carbon neutral strategies, promotion of hybrid technologies and leadership as an environmental steward.

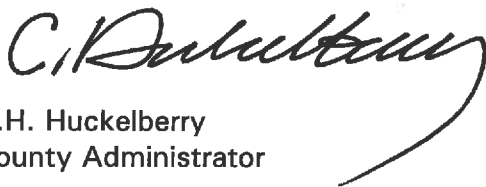
The Motorsports Raceway Attraction will be designed to accommodate other new *"Pima County Attractions"* including the proposed Arizona International MotorSports Museum, a new Racing School, a Motorsports Drivers' Facility with garages, and a Commercial Simulator Facility.

According to SAR's business plan, over the initial 10 years of operation the Motorsports Raceway Attraction's *"Economic Impact"* to the region will be substantial. The Motorsports Raceway Attraction's anticipated \$67 million investment is projected to generate revenues of \$264 million (95 percent of which will come from outside of Pima County) allowing the Motorsports Raceway Attraction to create more than 150 full time high paying jobs and 285 part time jobs every year. Over that same period of time the Motorsports Raceway Attraction is projected to generate \$343 million in hotel stays, \$247 million in local dining and \$368 million in local shopping, for a total infusion of \$957 million to the local economy. The total economic impact of the Motorsports Raceway Attraction over ten years is projected to be approximately \$1.2 billion.

#### Recommendation

I recommend approval of the ground lease to SAR so that the developers of this project can proceed to raise the capital necessary to make it a reality. There are no County funds allocated to this project, and the lease requires a payment and performance bond to ensure completion of the project.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/dr – April 2, 2014

Exhibits

# EXHIBIT 1

## EXHIBIT ONE

### COUNTY ADMINISTRATOR/BOARD OF SUPERVISORS SUMMARY

#### LEASE OF UNIMPROVED LAND

#### FOR RACEWAY WITHIN SOUTHEAST REGIONAL PARK

**LOCATION: 11900 SOUTH HARRISON ROAD, TUCSON, AZ. 85747**

#### The Project

The project (working name is the "Southern Arizona Raceway or SAR") is the leasing of property owned by Pima County, Arizona (the "**County**") by the Southern Arizona Raceway LLC, for the design, development, construction, operation and maintenance of a **Fédération Internationale de l'Automobile (FIA)** Grade 2 Licensed automotive raceway facility or similar public racing facility (the "**Facility**"). The property to be leased is located at an approximately four hundred acre site within the Southeast Regional Park, located at 11900 South Harrison Road, Tucson, AZ, 85747, near I-10 and Harrison Road (the "**Site**"). Racetrack and accompanying facilities footprint will be approximately 270 acres with the balance being utilized as a buffer zone and maintenance access.

The Lessee will be required to build the Facility entirely at its own expense, and operate, insure, repair and maintain the Facility, also at its own expense, for the term of the lease. The Facility must be operated as a public facility, with public access and reasonable use rates, and Lessee must provide agreed-upon public programs and benefits.

#### The Lease

##### **Terms**

The initial term of the Lease will be up to eighteen (18) months for design and commencement of construction, thus allowing sufficient time to finalize the investors. Upon commencement of construction the term will be extended to twenty-five (25) years, with one twenty-five (25) year option to renew, provided that Tenant is not then in material default .

Tenant may contract with other entities for their implementation. Arizona International Motor Sports Museum, Inc., an Arizona non-profit corporation ("**AIMSM**"), will develop the Arizona International Motor Sports Museum.

## SAR Agreement Highlights

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#### Capital Investment

The Lessee will be required to build the Facility entirely at its own expense. The minimum capital investment in the construction of Phase One of the Raceway and all related facilities, in an amount not less than Fifteen Million Dollars (\$15,000,000.00). Full capital investment is projected to be \$67 million.

#### Rent Payment

- Prior to opening - \$100 per year. Once operating, the annual rent will be *the greater of (i) two percent (2%) of gross revenues, or (ii) \$137,700.00 (the "Minimum Rent")* with an adjustment every five years based on COLA on the Minimum Rent.
- When the Rent payable hereunder exceeds the Annual Minimum Rent, projected to be in year three, landlord shall create a special revenue fund for capital improvements (the **"Special Revenue Fund"**) for the development of the Arizona International Motor Sports Museum, Inc., an Arizona non-profit corporation (**"AIMSM"**) **AIMSM's** the development of the Museum is for the benefit of the public. Conditions will apply:
  - 1) Disbursement of funds shall be subject to review and approval of Landlord
  - 2) In no event shall the disbursement to AIMSM exceed any amounts in the Special Revenue Fund
  - 3) If the museum is not built within eight years, the excess funds will be transferred to Pima County
  - 4) No funds in the Special Revenue Fund shall be used for any other purposes

#### Sound Abatement

Tenant shall take all necessary steps to ensure that the sound generated by operation of the Raceway does not constitute a nuisance and shall not exceed existing sound levels in the Park or at the Fairgrounds.

# EXHIBIT 2





**ANDY ANDERSON, LLC, ARCHITECTURE & PLANNING**  
 MASTER PLAN ARCHITECT

**MORRIS DESIGN**  
 PLANNING & LANDSCAPE ARCHITECTURE

*Southern Arizona Raceway*

# EXHIBIT 3



### **EXHIBIT THREE**



The Fédération Internationale de l'Automobile (FIA) is the governing body for world motor sports and the federation of the world's leading motoring organizations. It administers the rules and regulations for all international four-wheel motor sport including the FIA Formula One World Championship, FIA World Rally Championship, FIA World Touring Car Championship and FIA World Endurance Championship.

A Grade FIA License allows certain types of motorized vehicles to race as defined by the FIA. It also defines the design and safety features that the developer must comply with during the design and construction of such a facility. Some of those cars are single-seater, and historic racing cars.

The racing venue will consist of a championship paved road course that has been purposely designed to attract sanctioned professional racing event that require licensing by the FIA. Some of those sanctioning bodies will include the IndyCar (IRL), American Le Mans Series, Historic and Classic Car Racing, and the Sports Car Club of America