

SENATE BILL REPORT

SB 6040

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 27, 2007

Title: An act relating to authorizing the creation of a public speedway authority.

Brief Description: Providing for the creation of a public speedway authority.

Sponsors: Senators Hatfield, Zarelli, Hobbs and Delvin; by request of Lieutenant Governor.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/20/07, 2/27/07 [DPS-WM, DNP].
Ways & Means: 3/26/07.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6040 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; and Morton.

Minority Report: Do not pass.

Signed by Senator Schoesler, Ranking Minority Member.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Legislation is proposed to create a public speedway authority that includes a mechanism to finance the construction of a professional motorsport and multi-use recreation facility.

Summary of Bill: A professional motorsport entertainment and family recreation facility is a multi-faceted complex that includes a closed course speedway with seating for at least 83,000 attendees. It includes grandstands, control towers, and support services and facilities.

The facility would be owned by a public speedway authority (PSA) whose creation is initiated by a city or county that would serve as the host jurisdiction. The host jurisdiction is responsible for administering the environmental review and permitting of the project.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The host jurisdiction, together with up to three counties that have a combined population of at least 400,000, may pass resolutions to form a public speedway authority that would work with a prospective lessee to design, construct, and operate the motorsport facility. The lessee must be a subsidiary or affiliate of a corporation that owns or operates at least ten professional motorsports facilities and conducts at least 50 nationally recognized motorsport events in the year that the lease agreement becomes effective.

The board of directors of the PSA consists of seven members—two members appointed by the Governor, and the remaining members appointed by the host jurisdiction and involved counties. The PSA would be responsible to acquire the site, approve the financial plan including the sale of bonds to finance the construction of the facility, and develop an agreement that provides for construction and operation of the facility.

A host jurisdiction agreement is to be developed between the public speedway authority, the lessee and the host jurisdiction to determine: (1) which entity will be responsible for construction of public infrastructure improvements off-site and on-site; (2) public access and use of the facility for community, charitable, recreation and other purposes; and (3) which entity will assume financial responsibility for the additional incremental cost of public services to operate the facility during major motorsport event weekends.

Once the project design and final budget have been approved, the PSA and lessee are to enter into a development agreement whereby the lessee undertakes and controls the development of the facility.

There are several major components involved in financing construction of the project:

- 1) In the development agreement, the lessee must provide \$180 million towards the cost of the project and is to assume responsibility for cost overruns.
- 2) The PSA is authorized to impose a sales tax of 0.048 percent within the authority's area, which the Department of Revenue must deduct the proceeds from the amount of tax that would otherwise be collected under sales and use tax laws. These revenues would be remitted to the PSA. This tax would continue until the bonds are retired, or 25 years after the tax was first imposed, whichever occurs first.
- 3) The PSA has exclusive authority to impose an admissions tax of 5 percent. The authority may apply the proceeds in either of two ways: 80 percent towards the cost of the facility including bond payments; and 20 percent to the host jurisdiction for any public purpose; or provide all the proceeds to the host jurisdiction for off-site public infrastructure improvements necessary for the operation of the facility.
- 4) Revenue from the lease of the facility may be pledged along with revenues from the sales tax and the admissions tax to pay off bonds issued by the authority.
- 5) The sales tax on the construction of the facility may be deferred for up to five years after completion of construction and then is to be paid in ten equal annual installments. There is no interest or penalties charged on the deferred taxes.

Urban governmental services such as storm water and sanitary sewer services may be provided to the PSA facility if it is at least partially located within an urban growth area. There is an exemption from scenic highways laws for signage on a 4.9 mile segment of State Route 3, south of Bremerton.

The Department of Ecology is to adopt rules within 180 days that provides that this facility be exempt from noise rules to the same extent as existing motor vehicle racing event facilities. There is an exemption from the forest land compensation tax for land as long as it is not covered by an impervious surface, from leasehold excise taxes and property taxes, and restrictions on conversion to non-forestry uses is waived. The PSA is authorized to enter into agreements to make payments in lieu of property taxes to fire districts and other taxing jurisdictions.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Agriculture & Rural Economic Development): The public speedway authority is required to make annual payments in lieu of property taxes to any host jurisdiction, fire protection district, regional fire protection service, emergency medical service district, urban emergency medical service district or other taxing district in an amount equal to the property taxes that would be payable if the property were not owned by a municipal corporation.

An additional provision was added that the state sales tax credit constitutes the entire state contribution for the facility and that the state will not make any additional contributions based on revised cost or revenue estimates, cost overruns, unforeseen circumstances, or any other reason.

The public speedway authority may apply the proceeds from the admissions tax as provided in the host jurisdiction agreement and delete the two options that were in the original bill that are described in item 3 above.

The development agreement is required to support one or more land conservation projects that are in addition to any offsite mitigation projects or activities required as a condition of permitting the facility. The value must be at least \$1 million and the lessee is to work with a nonprofit land trust or other conservation organization to identify and implement the projects.

Clarification is provided that the responsibilities of state agencies to carry out permitting and regulatory approval processes are not affected.

Two sections that dealt with annexation by a city of territory outside of the urban growth area of the city were deleted.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony: (Agriculture & Rural Economic Development)

PRO: The International Speedway Corporation will put up \$180 million toward the facility. The rest of the funds will come from new economic activity that the track will generate from out-of-state visitors and an admissions tax. The funding assumptions were reviewed by the Office of Financial Management to assure that they were conservative. The preference is to build in Kitsap County, but the bill is not site specific. The track will be used two or three weekends a year for NASCAR events. The traffic will be managed by experienced people and

would be similar to a Mariner or Seahawks game. The track will employ 50 full time employees and up to 2,500 employees on a given weekend. The building will be "LEED certified Green" buildings; all storm water will be retained on the site; and \$100 million will be used to preserve wetlands and greenspace. The project will comply with environmental laws. Of the 900 acre site, about 300 will be used for the racetrack. Parking will be on grass fields. The land is zoned as industrial. NASCAR has 70 million fans in the United States. The project will be significant, like hosting a Superbowl every year. A fraction of the increase in state revenue will be used to fund payment of the bonds used for a portion of the construct costs. The project will be in public ownership.

CON: There is opposition to use of tax money for any for-profit sports franchise. NASCAR is very profitable and includes revenue from TV and advertising. The International Speedway Corporation (ISC) wants to only pay \$20,000 in taxes per year and wants to deprive the county of \$3 million in revenue. There are concerns about traffic, wildlife, and water quality. The environmental impacts haven't been evaluated. There is concern about leapfrog development. The area is now served by only three traffic lanes. The Berk report doesn't include service costs. There is concern that the track, as a municipal corporation, will not have to pay property taxes and without an amendment, fire service will not be provided.

Persons Testifying (Agriculture & Rural Economic Development): PRO: Lieutenant Governor Brad Owen; Grant Lynch, Susan Schandel, Gerry Johnson, International Speedway Corporation; Silvia Klatman, Bremerton Chamber of Commerce; Clark Mather, Congressman Dick's Office; Tim Thompson, Thompson and Smitch Associates.

CON: Ray McGovern, Coalition for Healthy Economic Choices in Kitsap; Kaleen Cottingham, Futurewise; Jacob Metcalf, Young Democrats of Kitsap County; Raymond Bullock, citizen; Gordon Walgren, Washington Fire Chiefs; Eric Johnson, Washington Association of Counties.

Signed in, Unable to Testify & Submitted Written Testimony: PRO: Duke Schaub, Associated General Contractors; Roger Nance, Navy League.

CON: Mary Colborn, Helen Punchers, citizens.

Staff Summary of Public Testimony (Ways & Means): PRO: This proposal will create thousands of jobs during construction and provide a half billion dollars in economic impact per year. They will promote charities in the area. This will not cost the Washington taxpayers, but it will be paid for by out-of-state visitors and will actually create new revenue for the state. The proponents will put up \$180 million dollars and will cover all cost overruns. This proposal will be put to a vote of the people, and is not site specific. If this track is operating like in other areas, we could possibly reduce taxes such as property tax. The new bridge, the area around the Tacoma dome, and the infrastructure on the other side of the bridge will take care of the transportation issue. It is only for two weekends a year. This company has the best organization in the world to move traffic. We have listened to the general public and sponsors and have simplified the bill. It does not designate the location of the facility. The voters will be able to decide on a public vote, and give additional local control over the track. This will be the first "green" track in professional motor sports. The facility will be available for alternative fuel and solar car racing to promote alternative energies. We will be a good corporate citizen as we have been in all of our communities. The track in

Phoenix pumps \$473 million into our economy for just one race. The Arizona Tourism Office actually sponsored a race last year, because it means so much to the state. These races give exposure to Arizona that we could never do through other marketing methods. The economic analysis is extremely conservative for this proposal.

CON: As county commissioners, we need to ask the tough questions. The biggest unanswered question is the infrastructure needed to move all the people. There are only two-lane roads leading to the facility. We feel strongly that the admission tax not be a part of the proposal. We feel strongly that this stay in the county and instead it pits the city versus the county. The estimates assume 98 percent attendance which we are not sure can be guaranteed. The proponents have avoided the questions that we are asking. We have infrastructure that struggles to meet our current needs. Why would we allow another county who will only benefit vote to put this in our county? This proposal has sharply divided our community. We need to negotiate the infrastructure issues now. Companies only look at their bottom line, where government has to look at the whole package in terms of economic development. Economic development is more than just the big numbers. You need to look at costs and benefits. In Kitsap County, we do not get enough benefits for the costs. The Sustainable Energy and Economic Development Project, which could use this same land, could produce 2,000 primary jobs.

Persons Testifying (Ways & Means): Contact committee staff for list of names. There were 13 pro; 34 con.

Signed in, Unable to Testify & Submitted Written Testimony: Contact committee staff for list of names. There were 7 pro; 14 con.