

FOR CONSIDERATION

April 26, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Town of Dix (Schuyler County) – Watkins Glen International Racetrack Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a Grant and to Take Related Actions

I. Project Summary

Grantee: Schuyler County Partnership for Economic Development (“SCOPED”)

Beneficiary
Company: Watkins Glen International (“WGI”)

ESD* Investment: A working capital grant of up to \$250,000 to be used for a portion of advertising and promotion costs.

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: 2790 County Route 16, Town of Dix, Schuyler County

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Marketing, advertising, and promotions related to the Indy Racing League event in the Town of Dix.

ESD Incentive Offer Accepted: January 6, 2010

Project Completion: January 2011

Number of Employees at Project Location:
 Initial employment at time of ESD Incentive Offer: 69*
 Current employment level: 69*
 Minimum employment through January 1, 2015: 69*
 *Including 31 full-time contract employees

Grantee Contact: Mr. Kelsey Jones, Executive Director
 2 North Franklin Street
 Watkins Glen, NY 14891
 Phone: (607) 535-4341
 Fax: (607) 535-7221

Beneficiary Contact: Mr. Michael Printup, President
 Watkins Glen International
 2 North Franklin Street
 Watkins Glen, New York 14891
 Phone: (607) 535-2486 Ext. 202
 Fax: (607) 535-2931

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: W965

Project Team:	Origination	Joseph Roman
	Project Management	Javier Roman-Morales
	Affirmative Action	Denise Ross
	Finance	Jonevan Hornsby
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Advertising/Promotions	\$1,750,604
Entertainment	78,681
Operations	349,113
Equipment Rental	142,398
Site Set-up	<u>355,510</u>

Total Project Costs \$2,676,306

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$250,000	9%
SCOPED	50,000	2%
Watkins Glen International	<u>2,376,306</u>	<u>89%</u>
Total Project Financing	<u>\$2,676,306</u>	<u>100%</u>

III. Project Description

A. Background

The Schuyler County Partnership for Economic Development was formed in 1998 as a public/private partnership with the mission to optimize the process of economic development by creating an in-depth partnership with public and private organizations giving focus to expanding income and employment opportunities in the county.

The history of car racing in the Village of Watkins Glen (the “Village”) started in 1948 on a course of asphalt, cement and dirt roads in and around the Village. In 1956 a 2.3 mile permanent circuit (the “track”) was built and international competition began in 1958 with the running of a Formula Libre race. Expanded in 1971, the track brought a wide variety of competition including the Can-Am, Trans-Am, Six Hours, Formula 5000 and CART Indy Car series. As a result of financial difficulties and bankruptcy, the track was closed in 1981. In early 1983, Corning Enterprises purchased the track and partnered with International Speedway Corporation to form Watkins Glen International. In July 1984, the track was renovated and reopened. In 1997, International Speedway Corporation became sole owner of the historic road course, exercising a stock option buy-out.

Watkins Glen International hosts five racing events each year with the largest being the NASCAR CUP series followed by the Indy Racing League (“IRL”). The IRL is the only open wheel event in New York State with an economic impact of nearly \$40 million in the region. This event attracts over 200,000 fans annually and over 7 million television viewers nationally. Losing any of the five events would result in millions of dollars in losses to the Village and local businesses that depend on the influx of car racing fans. In the past seven years, WGI has invested over \$28 million to upgrade the track to compete with other states. In December 2010, WGI announced additional improvements to the grandstands, bleachers, bathrooms and campground area.

In 2010, SCOPED approached ESD with a plan to promote and advertise the IRL racing event to attract additional fans in New York, Pennsylvania, Ohio and Canada and help retain the event in the Town of Dix. ESD agreed that this was an important project for the area and offered a \$250,000 working capital grant which SCOPED accepted in February 2010. ESD’s assistance will help retain 38 full-time employees and 31 full-time contract employees.

Previous financial assistance includes a \$500,000 capital grant to Watkins Glen International for track infrastructure improvements that was approved in March 2006. The project was completed and the funds were fully disbursed in August 2006. In addition, the Town of Dix has received three legislative-sponsored grants totaling \$4,900,000 since 1999 for infrastructure projects that support the race track and local area.

B. The Project

From July 2-4, 2010, the IRL event in the Town of Dix attracted twenty-five national and international competitors including Mario Andretti (United States), Helio Castroneves (Brazil),

Scott Dixon (New Zealand), Dario Franchitti (Scotland), and Paul Tracy (Canada). The winner of the IRL 2010 was Will Power (United States) earning him the Cameron Argetsinger Memorial Trophy. The event was covered by 170 members of the media for 80 outlets including ESPN.com, SPEED Channel, Indianapolis Star, ABC/ESPN, Associated Press, and The Toronto Sun. For this event, WGI invested over \$2.3 million to reach out to additional racing fans and tourists from the Northeast, Canada and other countries. The IRL 2010 event included advertisements and promotions with combined marketing strategies to attract motor sports enthusiasts from all over the world. The project also included related site set-up, portable equipment rental, and entertainment. The five racing events WGI hosts are crucial to the tourism industry in the Finger Lake area with an economic impact of \$270 million per year.

C. Financial Terms and Conditions

1. SCOPED and/or WGI will demonstrate no material adverse change in its financial condition prior to disbursement.
2. SCOPED and/or WGI will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after SCOPED's acceptance of ESD's offer. Equity is defined as cash injected into the project by SCOPED and/or WGI or by investors, and should be auditable through SCOPED and/or WGI financial statements or SCOPED and/or WGI accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
3. International Speedway Corporation will guarantee the grant repayment obligation in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. Prior to disbursement, the Watkins Glen International must employ at least the number of Full-time Permanent Employees and Full-time Contract Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the WGI's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by WGI to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on WGI's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by WGI to other employees with comparable rank and duties.

A Full-time Contract Employee is a full-time private sector employee (or self-employed person) who is not on the WGI's payroll but who works exclusively for the WGI at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks, providing services that would otherwise be provided by a Full-time Permanent Employee. The position held by a Full-time Contract Employee must be a year-round position.

5. Up to \$250,000 will be disbursed to the Grantee in a lump sum payment, for working

capital purposes, upon completion of the project substantially as described in these materials, documentation of project expenditures of approximately \$2,590,000, documentation of the employment of at least 38 Full-time Employees and 31 Full-time Contract Employees at the Project Location, submission of documentation verifying the disbursement of a \$50,000 grant from Schuyler County Partnership for Economic Development to Watkins Glen International, and documentation regarding an additional commitment of \$200,000 from Schuyler County Partnership for Economic Development to Watkins Glen International for the project, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after February 2, 2010 to be considered eligible project costs. All disbursements must be requested by April 1, 2013.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$250,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
7. In consideration for the making of the Grant, WGI will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, WGI and/or International Speedway Corporation shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The WGI's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	69*
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A	B
Reporting Date	Employment Goals
February 1, 2012	69*
February 1, 2013	69*
February 1, 2014	69*
February 1, 2015	69*

*Including 31 Full-time Contract Employees

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.
As a result of this project, the WGI will maintain its employment level of 69 Full-time Permanent Employees including 31 Full-time Contract Employees.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.
ESD's assistance helped to reduce costs and make the project feasible in New York.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$6,697,085;
- Fiscal cost to NYS government is estimated at \$250,000;
- Project cost to NYS government per direct job is \$722;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$644
- Ratio of project fiscal benefits to costs to NYS government is 26.79:1;
- Fiscal benefits to all governments (state and local) are estimated at \$11,177,329;
- Fiscal cost to all governments is \$250,000;
- All government cost per direct job is \$722;
- All government cost per total job is \$644;
- The fiscal benefit to cost ratio for all governments is 44.71:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$51,049,126, or \$131,519 per job (direct and indirect);
- The economic benefit to cost ratio is 204.20:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 0.21 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.
No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the project does not constitute an action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Grantee is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Cost-Benefit Analysis

April 26, 2011

Town of Dix (Schuyler County) – Watkins Glen International Racetrack Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Watkins Glen International Racetrack Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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