



CITY OF LONG BEACH

GRAND PRIX

August 8, 2017
City Council Meeting



Background
Formula One
IndyCar



Background on Formula One



- Formula One is the highest class of single-seat auto racing that is sanctioned by the Fédération Internationale de l'Automobile (FIA).
- Formula One cars are the fastest road course racing cars in the world.
- While Europe is the sport's traditional base, and hosts about half of each year's races, the sport's scope has expanded significantly and an increasing number of Grands Prix are held on other continents.
- There were 21 Formula One races held in the 2016 season held at locations such as Austin (Texas), Melbourne (Australia), Singapore, Sochi (Russia), Montreal (Canada) and many others.

<http://www.statsf1.com/en/2016.aspx>

<http://www.f1mix.com/circuits/>

image: <https://www.thoughtco.com/formula1-car-as-carbon-fiber-cake-1347093>



Background on IndyCar



- Founded in 1994, INDYCAR serves as the sanctioning body for the Verizon IndyCar Series.
- The Grand Prix Association of Long Beach (GPALB) currently operates and promotes the existing IndyCar event for the Long Beach Grand Prix. It has conducted street races in Long Beach for the past 42 years.
- The current Long Beach Grand Prix event is the largest street race in North America and second largest event on the Verizon IndyCar Series calendar behind the Indianapolis 500.
- ABC and NBCSN provide comprehensive live, high-definition television coverage of the Verizon IndyCar Series in the United States, while ESPN International oversees race coverage to 212 countries.
- The Verizon IndyCar series has 17 events on the 2017 schedule at locations including Long Beach (CA), Indianapolis (IN), St. Petersburg (FL), Birmingham (AL), Toronto (Canada).

Sources: <http://www.indycar.com/Fan-Info/INDYCAR-101/What-Is-INDYCAR>, <http://www.indycar.com/Schedule>
Image: <http://keywordteam.net/gallery/150328.html>



Proposals RFP Process

Request for Proposal Process



- RFP CM17-011 was released on October 5, 2016 by the City of Long Beach Purchasing Department.
- Responses were originally due on October 28, 2016. The due date was subsequently extended to November 28, 2016.
- Responses were received from Grand Prix Associates Long Beach and World Automobile Championship of California.
- Subsequently, two rounds of clarification questions were issued to each proposer on May 18, 2017 and June 12, 2017.
- Each proposer submitted clarification responses.

Review Process



- The two responses were reviewed by Economic and Property Development staff
- The City engaged KPMG Corporate Finance, LLC and their sub-consultant Apex Circuit Design Ltd. to assist with the due diligence and analysis for the selection process
- Interviews were scheduled with the proposers with a panel consisting of City staff and outside specialists in economic development and special events

KPMG/Apex Study



- KPMG's contract provided for the review of technical qualifications, assessment of technical reasonableness and achievability, commentary on economic data, assessment of financial capacity, review of financial data and assessment of commercial viability
- KPMG provided a Report on its findings, which is attached to the Council Letter
- EPD also consulted with City Public Works and Planning staff on the impacts of any changes or improvements to City infrastructure



Interview Panel



The Interview Panel consisted of :

- City staff from Economic and Property Development, Public Works, and Long Beach Police and Fire Departments
- A member of the City's Economic Development Commission
- City of Los Angeles Mayor's Office for Special Events



Findings
KPMG

KPMG/Apex Scope of Work



KPMG/Apex Team

The KPMG/Apex team was made up of professionals from KPMG Corporate Finance, LLC and Apex Circuit Design Ltd.

Scope of Work

- Review of technical qualifications, references, referenced engagements
- Assessment of technical proposal for reasonableness and achievability
- Comment and review of economic data and sensitivity analysis provided in proposals
- Assessment of financial capability of proposer teams
- Review of financial plan and financial data in proposals
- Assessment of commercial viability and review of risks allocated between the parties

RFP Evaluation Criteria



The review team provided commentary on bids against City's stated evaluation criteria:

- Demonstrated competence
- Experience in performance of comparable engagements
- Expertise and availability of key personnel
- Financial stability
- Conformance with the terms of the RFP
- Extent of increase to revenues/economic impacts
- Extent that negative impacts to business/residents are minimized
- Innovative marketing plan/planned activities
- Support from sanctioning body (Formula One/IndyCar)

Summary

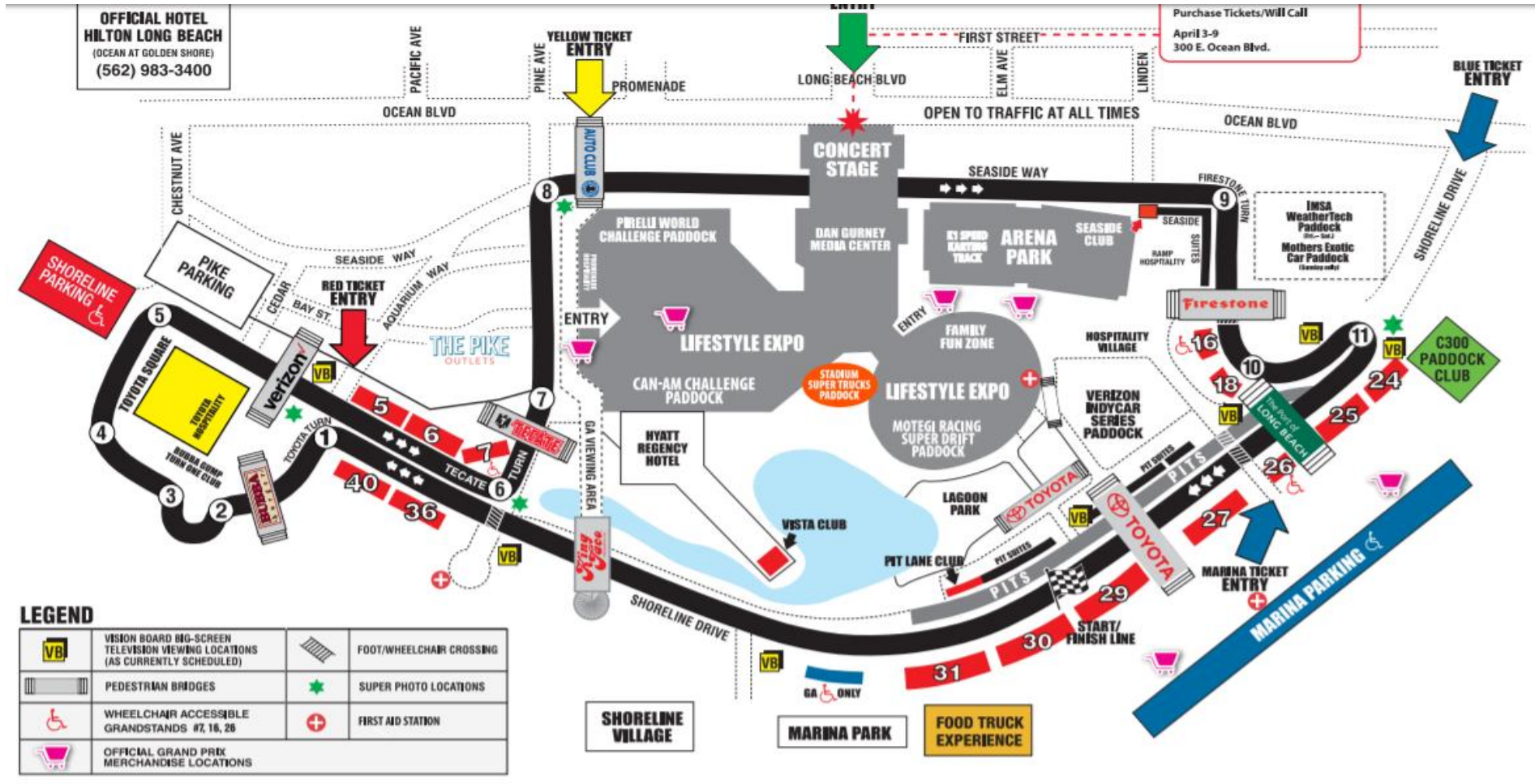


Category	GPALB	WACC
Race format	<ul style="list-style-type: none"> IndyCar 	<ul style="list-style-type: none"> Formula One
Proposed event duration	<ul style="list-style-type: none"> 10 ½ days 	<ul style="list-style-type: none"> One weekend
Earliest event	<ul style="list-style-type: none"> 2019 	<ul style="list-style-type: none"> 2020
Proposed upgrades to circuit	<ul style="list-style-type: none"> No anticipated changes 	<ul style="list-style-type: none"> Upgrades necessary to meet Formula One standards
Coastal Commission Approval	<ul style="list-style-type: none"> Approval for 4 years 	<ul style="list-style-type: none"> Not yet approved
Circuit License	<ul style="list-style-type: none"> Circuit License Grade 2 	<ul style="list-style-type: none"> Requires Circuit License Grade 1 - to be approved after circuit constructed
Sanctioning body approval	<ul style="list-style-type: none"> Approved 	<ul style="list-style-type: none"> To be negotiated after finalization of contract with the City
Economic impacts stated	<ul style="list-style-type: none"> \$40m in economic impacts although unsubstantiated - based on 1997 report no longer available 	<ul style="list-style-type: none"> \$100m in economic impacts although WACC did not perform a detailed economic impact study specifically for the City of Long Beach
Proposed set up / take down schedule	<ul style="list-style-type: none"> Provided detailed construction schedule starting almost 60 days prior to the event Removal of safety systems within 24 hours of race activities in certain locations with complete removal 17 days after the event 	<ul style="list-style-type: none"> Will limit overall construction and tear down period to 60 days (45 days prior to the event and 15 days following the event) Further, after the first year, every effort will made to reduce the initial construction time to 30 days from 35 days

Renderings of Current Track Configurations (IndyCar)



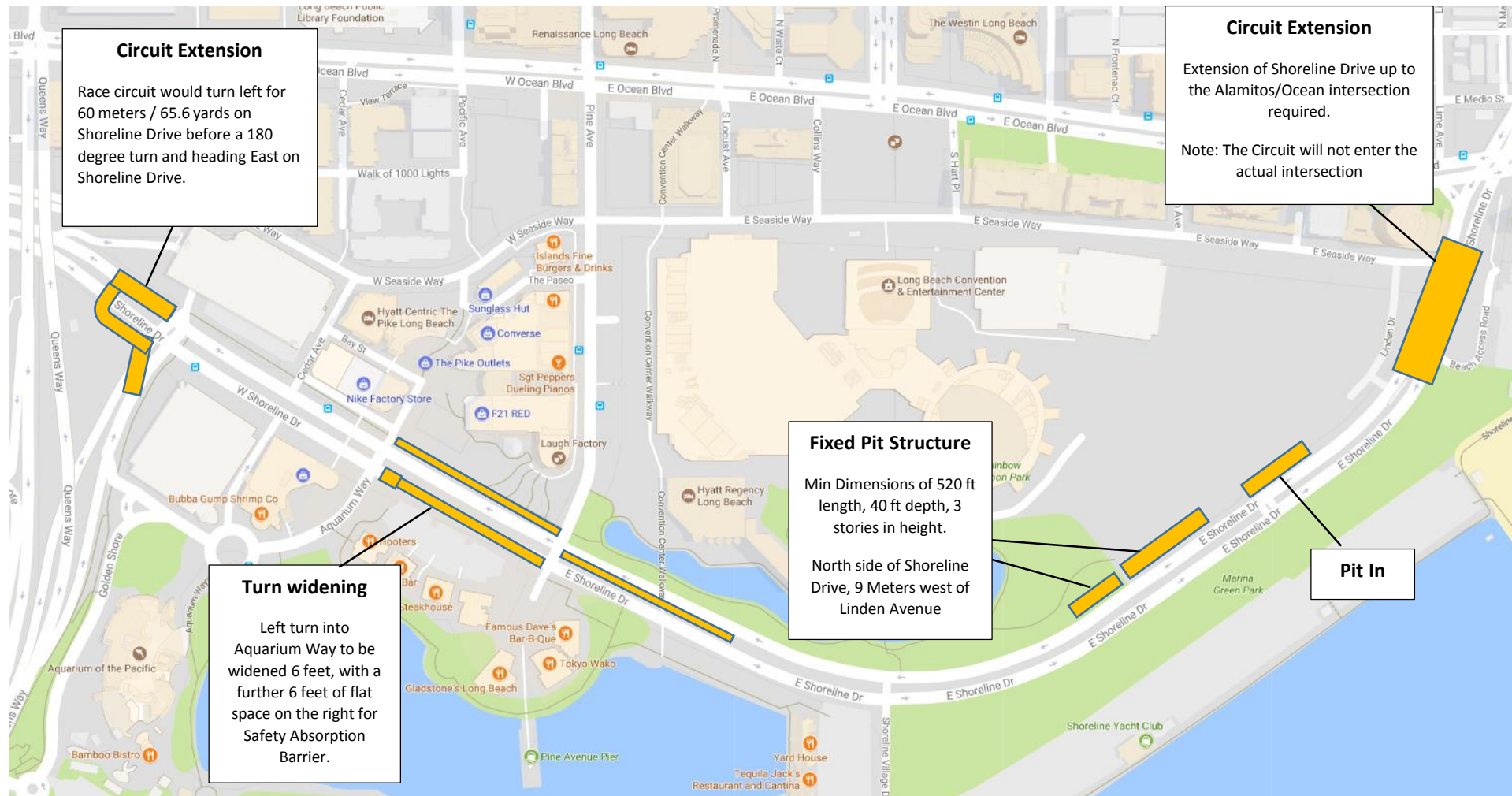
GPALB – Current IndyCar Circuit



Renderings of Proposed Track Configurations (Formula One)



WACC Approximation (not to scale) of location of circuit upgrades based on understanding of information provided by proposer (previous slide)



Key Considerations



GPALB

- Stated can organize and promote an event in 2019
- Existing permits and licensing in place
- No change to existing circuit
- Economic benefits are unsubstantiated

WACC

- Unable to organize and promote an event until 2020 at the earliest
- Course upgrades may require CEQA review, Coastal Commission approval could require an estimated 24 months, and sanctioning from governing body will not occur until after selection is made
- Understanding of the City's possible financial liability is unknown
- Economic benefits are unsubstantiated
- Pit structures may limit long-term redevelopment of area and loss of parking spaces in Elephant Lot

Terms & Conditions
Current Agreement
Proposed Agreement

Proposed Lease Terms



- Five-year initial term with one five-year option to extend the term.
- All physical improvements to the track will be the responsibility of the promoter.
- Minimum of 14 cars will participate in the race.
- The race will be held annually in April, unless a change is approved by the City Manager.
- The promoter will submit a schedule of planned events for race week to the City Manager for approval.
- The promoter will reduce current set up/take down times as agreed to by the parties.
- The promoter will take responsibility to alleviate the negative physical impacts of the race on the city's streets, sidewalks and infrastructure (including tire marks on pavement and sidewalks and slurry sealing streets) to be specified in the agreement.
- The parties will agree on the promotional package to be provided to the City.
- The promoter will provide an outreach program for disadvantaged youth during the term of the agreement.
- The promoter will pay a Race Fee, Administrative Cost Reimbursement, Extraordinary Cost Reimbursement and Lost Revenues to the City.
- The City will have no responsibility for out-of-pocket expenses associated with the Grand Prix race and associated events.
- The Promoter will provide the City with an Economic Impact Study periodically to quantify the benefits of the race to the City.

Next Steps



- Execute an ENA for up to 90 days
- Negotiate terms
- Final contract will come back to City Council for approval