

City Council – Action Request Form

Date: March 15, 2021

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager

Council Action Requested:

Resolution Approving a New Lease Agreement with Winston-Salem Speedway, Inc. for Bowman Gray Stadium (East Ward)

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Travel and Tourism

Strategic Plan Action Item: No

Key Work Item: Yes



Summary of Information:

With work underway on the Bowman Gray Stadium improvements project, City staff are working with officials with Winston-Salem Speedway, Inc. and Winston-Salem State University on updating their respective lease agreements with the City to reflect the impact of the project on their operations and events.

In December 2011, the City entered into a lease agreement with Winston-Salem Speedway Inc. (WSSI) for use of Bowman Gray Stadium for racing events and other racing-related activities. The current term of the lease is 20 years and is scheduled to expire in August 2031. Under the agreement, WSSI is granted use of the stadium from March 1 of each calendar year through August 31. In general, the agreement establishes the City’s and WSSI’s responsibilities for stadium maintenance, operations, and event management. In addition, the agreement includes provisions related to signage (temporary and permanent), the scoreboard, concessions, broadcast rights, parking, capital improvements, and other facility uses.

In May 2013, the Mayor and City Council approved the sale of Bowman Gray Stadium and surrounding property (approximately 92 acres) to Winston-Salem State University. At a joint

Committee Action:

Committee	Finance 3/15/2021	Action	Approval
For	Unanimous	Against	

Remarks:

announcement by the University and the City in November 2018, Chancellor Elwood Robinson announced that Winston-Salem State University no longer would pursue purchase of Bowman Gray Stadium. Mayor Joines and City staff presented a proposed plan in which the City would invest \$9 million in improvements to the stadium site and facilities. In April 2019, the Mayor and City Council approved the appropriation of resources to meet \$33.09 million in emerging capital needs, including improvements to Bowman Gray Stadium. Improvements would include replacement of concession stands and restrooms, re-grading the football field, resurfacing the race track, utilities upgrades, facility repairs, and aesthetic improvements that better identify the stadium as the home of Rams football. The Mayor and City Council recently awarded the construction contract for the Bowman Gray Stadium improvements project, and work commenced in November.

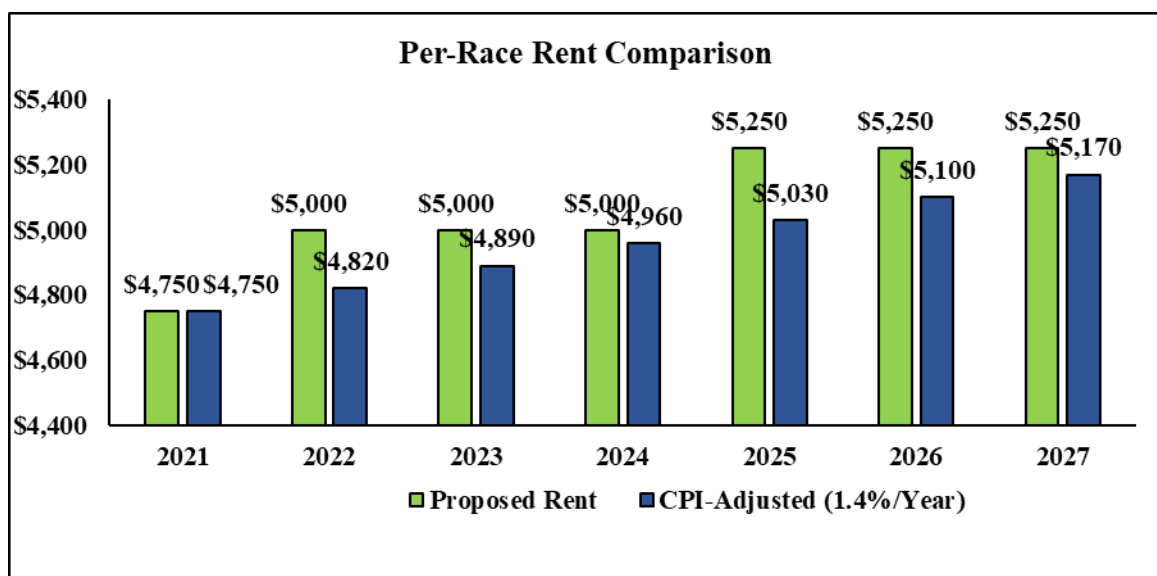
As a result of the planned improvements to the stadium, in particular on the concourse, racetrack, and field, City staff have worked with WSSI management on updating the lease agreement to reflect the impact of the project and address other changes that have occurred since the agreement went into effect in 2011, including the recent impact of the novel coronavirus pandemic on the cancellation of the 2020 racing season. The following are proposed changes for an updated agreement:

- Provides a new 30-year lease that expires in December 2050.
- Adjusts the rental rate schedule to carry over 2020 rates to the 2021 season. (Under the current agreement, the rent per race night is scheduled to increase from \$4,750 to \$5,000. With this proposed change, the rent for the 2021 season would remain at \$4,750.)
- Accounts for the new storage building that the City built in 2018 using capital improvement funds provided for in the agreement.
- Allows the use of independent security providers, in addition to Winston-Salem police officers and Forsyth County deputies to ensure sufficient staffing for security within the stadium. City staff and WSSI management would work together to determine the appropriate level of law enforcement required for the events.
- Clarifies and extends WSSI's current broadcast rights to include social media, digital broadcasts, and e-commerce.
- Restores funding for the capital improvements fund at \$60,000 but defers the availability to March 2031. (The City utilized the remaining capital improvement funds to construct the new storage building.)
- Updates the exhibits designating WSSI's use of space on the concourse to reflect the new spaces created as a result of the Bowman Gray Stadium improvements project.
- Provides for equal sharing of parking revenues for racing-related events (net of parking expenses) if the City exercises its right to charge for parking for those events.
- Updates titles for City representatives noted in the agreement and provides for other technical revisions to the language of the agreement.

The attached resolution recommends that the Mayor and City Council approve a new 30-year lease agreement with Winston-Salem Speedway, Inc. for Bowman Gray Stadium. If approved, City staff will present an action item for consideration and approval by the Mayor and City Council in February. Because the City would enter into a new long-term lease with WSSI, the City would have to conduct an upset bid process according to G.S. 160A-269 prior to executing the agreement.

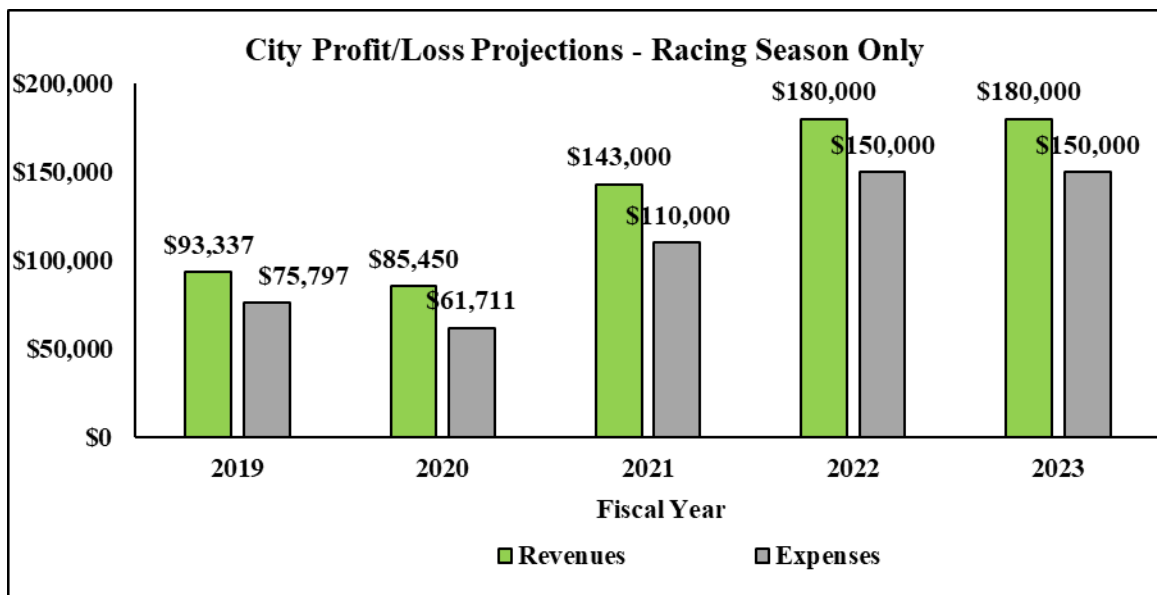
At the Commission’s meeting on January 19, Commission Members raised a number of questions and concerns about the proposed term of the new lease agreement, rent schedule, and potential for other revenue-generating opportunities. The following are additional considerations for the Commission’s review and discussion:

1. The City receives 100% of all revenues generated from the sale of concessions (both food and beverages) at all WSSI events. This is both unique and significant. Every other promoter/track operator of weekly racing in the United States retains their concession revenue and without this revenue their businesses would not be sustainable.
2. Years ago, WSSI agreed to forgo the commission on beer sales promised by the City, when WSSI agreed to have beer sold at its events, in exchange for the City funding all non-concession staffing that the City provides for each racing event.
3. The current rental rate for the use of the stadium is \$3,500.00 per event, not including reimbursable expenses. WSSI was scheduled to have its rental payment increased from \$4,750.00 per event to \$5,000.00 per event in 2021. This increase has been requested to be delayed for one year due to the pandemic. Automatic rent increases, which historically exceed the CPI, are built into the contract every three years. The following chart compares the proposed per-race rent under the new lease agreement to a projected CPI-adjusted rent based on the current rate of inflation (1.4%).



- WSSI directly pays for all of the staffing needs that it determines is necessary to conduct its events professionally. WSSI pays the expense of ticket sellers, ticket takers, all security, fire and rescue, staffing necessary to conduct the actual racing activities, staffing necessary to manage the press, staffing necessary to manage sponsor activities, staffing necessary to communicate with the race fans through the PA system and scoreboard and staffing for program sales. For events at other City-owned public assembly facilities, some of these expenses are borne by the City and reimbursed by the promoter (e.g., ticket sellers and ticket takers).

The following chart provides the City’s actual and projected revenues and expenses for racing season. The City is projected to realize net income totaling \$30,000 over the next few years. These numbers do not include the revenues and expenses for WSSU’s football season, Field House operations, and other facility management expenses.



- Although WSSI and WSSU business models are significantly different, the City attempts to treat both organizations similarly whenever possible. WSSU has a 30-year lease. WSSI is currently operating with a 20-year lease. The City recognizes that stability in facility users is of tremendous value.
- The current lease agreement specifies that WSSI does not have naming rights for Bowman Gray Stadium. The City has that right. A number of years ago the City engaged a consultant to determine if Bowman Gray Stadium naming rights were feasible. The consultant determined there was not adequate value to pursue this possibility. Additionally, there are legal restrictions to consider before pursuing a name change. The original donor who made the construction of Bowman Gray Stadium possible was the Bowman Gray family.
- Racing is a very expensive sport. For example, a Modified race car will spend \$20,000 for an engine, \$20,000 for a car, \$600 per event night for tires and a significant amount for safety equipment such as a race suit, gloves, boots, and a restraint device. WSSI racing depends on WSSI’s ability to attract race cars for competition. Purses needs to be large enough that when

combined with car sponsorships a competitor's racing activities are generally funded. WSSI depends on large crowds to fund purses and attract sponsors for both race cars and WSSI.

8. One of NASCAR's senior marketing officers attended a WSSI racing event and was amazed at the number of sponsors that each racecar displayed and commented that this was far different than other weekly racing events where most racecars displayed no sponsors. This is a direct result of WSSI's business philosophy of reasonably priced family entertainment that results in well attended events.
9. WSSI has been an active community partner with WSSU's School of Motorsports Management and Forsyth Tech's School of Race Car Technology. WSSI management has participated regularly in WSSU's School of Motorsports Management as a speaker and has provided a Modified Show Car for display at numerous WSSU events. WSSI management also has served for many years on the Forsyth Tech School of Race Car Technology Advisory Board. WSSI has accepted and managed interns from both programs during its racing season.

Because the proposed agreement is a new long-term lease with WSSI, the City will have to conduct an upset bid process according to G.S. 160A-269 prior to executing the agreement. Under the provisions of G.S. 160A-269, the City Clerk shall cause a notice of proposed lease containing a general description of the property, the amount and terms of the lease and a notice that within ten days any person may raise the bid by not less than ten percent of the first \$1,000 and five percent of the remainder, to be published, and without further authorization of the City Council, shall re-advertise the lease offer at the increased bid. This procedure shall be repeated until no further qualifying bids are received, at which time the City Council may accept the lease offer and lease the property to the highest bidder or reject any and all offers. In the event that no upset bid is received, the property will be leased to WSSI without further City Council action. If raised bids are received, City Council confirmation is required.

At its meeting on February 15, 2021, the Public Assembly Facilities Commission adopted a resolution recommending approval of the new lease agreement by the Mayor and City Council. In addition to the new lease with WSSI, City staff will present any proposed changes to Winston-Salem State University's lease agreement to the Public Assembly Facilities Commission for its review and recommendation in the coming months. Staff also will provide an information item outlining these changes to the Mayor and City Council prior to bringing an action item for their consideration and approval.