

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 1049 Motorsports Entertainment Complexes

SPONSOR(S): Finance & Tax Subcommittee, Economic Affairs Committee, Santiago and others

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Subcommittee	14 Y, 3 N	Pewitt	Langston
2) Economic Affairs Committee	12 Y, 6 N, As CS	Collins	Creamer
3) Appropriations Committee			

SUMMARY ANALYSIS

The bill amends section 288.1171, F.S. to create additional requirements for certification of a motorsports entertainment complex by the Department of Economic Opportunity (DEO).

Upon certification, the bill directs the Department of Revenue (DOR) to annually distribute \$2 million to the certified applicant, to be used for construction, reconstruction, expansion, or renovation of a motorsports entertainment complex, paying debt service on bonds issued for that purpose, construction, reconstruction, expansion, or renovation of transportation or other infrastructure improvements necessary for the motorsports entertainment complex, and paying for advertising of the motorsports entertainment complex or of the county or municipality where the complex is located. The annual payments are not to last more than 30 years.

It also amends section 218.64, F.S., to provide that some of the restrictions under s. 288.1171 do not apply for applicants certified to receive local funding from the half-cent sales tax.

The bill amends section 212.094, F.S. to create a sales tax exemption on building materials used to construct an eligible motorsports entertainment complex. Requirements for eligibility include ordinances passed by involved local governments committing to a combined 10% reduction of their portion of the local government half-cent sales tax, and expenditures towards the project of at least \$250 million over a 48 month period. The exemption is capped at \$3 million per eligible applicant.

The bill also amends section 288.1162, F.S. to allow an applicant which has previously been certified as a new or retained professional sports franchise facility to receive a second certification enabling the applicant to receive an additional \$2 million per year in sales tax refunds. The additional refunds are not to last more than 30 years.

The bill also allows boards of county commissioners to negotiate the terms and conditions of a lease or license associated with a commercial development ancillary to a professional sports franchise facility.

The Revenue Estimating Conference (REC) has not adopted an estimate of the impact of this bill. Based on REC estimates of similar bills, staff estimates that the bill can be expected to have a -\$4 million annual impact on state general revenues, possibly beginning in fiscal year 2013-2014.

The bill has an effective date of July 1, 2013.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current situation

Professional Sports in Florida

Currently, there are nine major professional sports teams based in Florida covering each of the major professional sports leagues; the National Football League (NFL), Major League Baseball (MLB), National Basketball Association (NBA), and National Hockey League (NHL). The oldest major professional sports franchise in the state is the Miami Dolphins (NFL). The Dolphins franchise began play in 1966. The newest major professional sports team in the state is the Tampa Bay Rays (MLB) baseball franchise. The Rays franchise began play in 1998. The Miami Marlins (MLB), Tampa Bay Buccaneers (NFL), Jacksonville Jaguars (NFL), Orlando Magic (NBA), Miami Heat (NBA), Tampa Bay Lightning (NHL), and Florida Panthers (NHL) are all based within the state as well. MLB's Spring Training Grapefruit League is also based in Florida, with 15 teams claiming the state as their second home for preseason training and exhibition games.¹

State Incentives for Professional Sports Teams

Section 288.1162, F.S., provides the procedure by which professional sports franchises in Florida may be certified to receive state funding for the purpose of paying for the acquisition, construction, reconstruction, or renovation of a facility for a new or retained professional sports franchise. Local governments, non-profit, and for-profit entities may apply to the program.

DEO is responsible for screening and certifying applicants for state funding. Applicants qualifying as new professional sports franchises may not have been based in Florida prior to April 1, 1987. Applicants qualifying as retained professional sports franchises must have had a league-authorized location in the state on or before December 31, 1976, and be continuously based at that location. The number of certified professional sports franchises, both new and retained, is limited to eight.

For both new and retained franchises, DEO must verify that:

- A local government is responsible for the construction, management, or operation of the professional sports franchise facility, or holds title to the property where the facility is located;
- The applicant has a verified copy of a signed agreement to use the facility with a new professional sports franchise for at least 10 years, or for 20 years in the case of a retained franchise;
- The applicant has a verified copy of the approval by the governing body of the NFL, MLB, NHL, or NBA authorizing the location;
- The applicant has projections demonstrating a paid attendance of over 300,000 annually;
- The applicant has an independent analysis demonstrating that the amount of sales taxes generated by the use or operation of the franchise's facility will generate \$2 million annually;
- The city or county where the franchise's facility is located has certified by resolution after a public hearing that the application serves a public purpose; and
- The applicant has demonstrated that it will provide financial or other commitments of more than one-half of the costs incurred for the improvement or development of the franchise's facility.

Any applicant certified pursuant to this section may receive monthly payments from the state of \$166,667 for not more than 30 years, for an annual payment totaling \$2,000,004. DOR disburses the payments, which are taken out of sales tax revenues.

¹ Department of Economic Opportunity, *Professional Sports Franchises* (January 8, 2013).

Payments may only be used for the purpose of paying for the acquisition, construction, reconstruction, or renovation of the facility; reimbursing associated costs for such activities; paying or pledging payments of debt service on bonds issued for such activities; funding debt service reserve funds, arbitrage rebate obligations, or other amounts payable with respect to bonds issued for such activities; or refinancing the bonds. The state may only pursue recovery of funds if the Auditor General finds that the distributions were not expended as required by statute.

No facility may be certified more than once, and no sports franchise can be the basis for more than one certification unless the previous certification was withdrawn by the facility or invalidated by DEO before any funds were disbursed under s. 212.20(6)(d), F.S.

As of March 13, 2013, there were eight certified professional sports franchise facilities in Florida. The facilities and the payment distribution for each, as provided by DOR, are listed below:

Facility Name	Certified Entity	Franchise	First Payment	Total to Date
Sun Life Stadium	Dolphin Stadium/South Florida Stadium Corp.	Florida Marlins	06/94	\$39,500,079
Everbank Field	City of Jacksonville	Jacksonville Jaguars	06/94	\$37,666,742
Tropicana Field	City of St. Petersburg	Tampa Bay Rays	06/95	\$35,500,071
Tampa Bay Times Forum	Tampa Sports Authority	Tampa Bay Lightning	09/95	\$35,166,737
BB&T Center	Broward County	Florida Panthers	08/96	\$33,333,400
Raymond James Stadium	Hillsborough County	Tampa Bay Buccaneers	01/97	\$32,500,065
American Airlines Arena	BPL, LTD	Miami Heat	03/98	\$30,000,060
Amway Center	City of Orlando	Orlando Magic	02/08	\$10,333,354

Local Incentives for Professional Sports Teams

Half-Cent Sales Tax Rebate

Part VI of Chapter 218, Florida Statutes, creates a revenue sharing program called the local government half-cent sales tax. Section 212.20(6)(d)2., F.S. provides that 8.814% of net state sales tax proceeds collected in each county be deposited into the Local Government Half-Cent Sales Tax Clearing Trust Fund. The funds are then distributed to the counties based on a formula accounting for the populations of incorporated and unincorporated areas of the county.

Revenues from this program must be expended on countywide or municipality-wide programs or tax relief. Subject to a majority vote of the county commission and a majority vote of the city commissions of municipalities making up at least 50% of the county population, up to \$2 million annually may be used to fund an certified new or retained professional sports franchise, a spring training franchise certified under 288.11621, F.S., or a motorsport entertainment complex certified under 288.1171, F.S. All restrictions and certification requirements from those sections apply to the use of half-cent sales tax revenues, except the cap of 8 certifications and the prohibition on multiple certifications for one applicant.

As of April 8, 2013, no local governments have opted to provide funding under this section.

Professional Motorsports Facilities in Florida

The National Association of Stock Car Auto Racing (NASCAR) SPRINT Cup Series is stock car racing's premier level of professional competition, and attracted over 3.5 million in attendance to 36 official races at 23 motorsports facilities in 2012. NASCAR was founded in Daytona Beach in 1947², and the governing body of professional stock car racing has maintained its headquarters there ever since. Daytona International Speedway (Volusia County) and Homestead-Miami Speedway (Miami-Dade County) are the only motorsports facilities within the state that host NASCAR SPRINT Cup Series events, and attracted over 330,000³ spectators to 3 official NASCAR SPRINT Cup Series races in 2012.

The Daytona International Speedway was constructed in 1959 and is located on 480 acres in the City of Daytona Beach. The facility has approximately 147,000 grandstand suites and close to 100 luxury suites. As reported in December, 2007 by the Washington Economic Group, the annual regional economic impact of Daytona International Speedway is an estimated \$1.9 billion. Nearly 32,000 jobs and over \$856 million in labor income are generated by the track's operations annually per the report.

Homestead-Miami Speedway, owned by the City of Homestead, was constructed in 1995 and is located on 600 acres. It seats approximately 70,000 and has 66 hospitality suites. The economic impact of the speedway, as estimated by Sport Management Research Institute, is approximately \$248 million each year. The report estimates approximately 2500 jobs and \$100 million in labor income are generated through the track's operations each year.

Motorsports Entertainment Complexes

Section 288.1171, F.S., details the process to receive certification as a motorsports entertainment complex. DEO serves as the agency to screen applicants for this certification. In order to certify an applicant, the department must determine that:

- A unit of local government owns the complex or the land on which the complex sits, and
- The municipality or county in which the complex is located has certified by resolution after a public hearing that the applicant serves a public purpose.

A motorsport entertainment complex which has previously been certified under this section may not be certified again. Any funds received as a result of this certification may be spent on:

- Construction, reconstruction, expansion, or renovation of a motorsports entertainment complex
- Paying debt service on bonds issued for that purpose
- Construction, reconstruction, expansion, or renovation of transportation or other infrastructure improvements necessary for the motorsports entertainment complex
- Paying for advertising of the motorsports entertainment complex or of the county or municipality where the complex is located

As of April 8, 2013, no complexes have been certified under this section.

Proposed Changes

Motorsports Entertainment Complexes

The bill amends the provisions of section 288.1171, F.S., which deals with certification as a motorsports entertainment complex. It revises the definition of "motorsports entertainment complex" to require a minimum of 50,000 fixed seats in the facility. It also adds the following requirements as part of the certification process:

- The applicant must have a study projecting paid annual attendance of at least 100,000.

² NASCAR, *About NASCAR*, January 1, 2013; available at: http://www.nascar.com/en_us/news-media/articles/about-nascar.html (last visited on April 8, 2013)

³ Jayski's Silly Season Site, an ESPN Partner, *NASCAR SPRINT Cup Race Track Seating Capacity and Attendance Chart*; available at: <http://www.jayski.com/pages/tracks-seating.htm> (last visited on April 9, 2013)

- The applicant must have a study projecting that at least \$2 million per year in sales tax revenue will be generated.
- The applicant must be capable of providing, or has the necessary commitments to provide, the total costs incurred or related to the improvement and development of the complex.
- The cost for the project must exceed \$250 million.

The bill authorizes DEO to certify no more than one applicant pursuant to this section. It also changes the agency with auditing authority from the DOR to the Auditor General.

Upon certification, the bill directs the DOR to distribute \$166,667 monthly (\$2 million annually) to the certified applicant for a period of 30 years. Authorized uses of revenues under the current Half-Cent Sales Tax Rebate are retained for this new distribution.

The bill also amends the provisions of section 218.64, F.S., to provide that the restrictions on the number of certified facilities and the number of times a facility may be certified do not apply to certifications for local government funding from the half-cent sales tax.

In addition, the bill amends section 212.094, F.S. to provide a sales tax exemption for building materials used in the construction, reconstruction, expansion, or renovation of a certified motorsports facility complex. The amount that may be refunded to a single applicant is capped at a total of \$3 million.

To receive a refund an owner of a certified motorsports entertainment complex must first submit an application to DEO prior to commencement of construction of the project. The applicant must provide a description of the project, an affidavit certifying that all the information contained in the application is true, and copies of ordinances passed by the governing boards of the county and any municipality where the project is located committing to the local government funding provision of the bill. Only projects with a total cost of at least \$250 million incurred over a 48 month period are eligible under the requirements imposed in the bill.

DOR will reduce the combined local government half-cent sales tax distribution of each unit of local government that passed ordinances committing to the funding provision by an amount equal to 10% of the sales tax refund granted to an eligible motorsports entertainment complex. An amount equal to such reduction will then be transferred to the General Revenue Fund. Reductions will be prorated over a 12-month period.

Professional Sports Franchise Facilities

The bill would allow any applicant which has previously received a certification as a new or retained professional sports franchise facility under section 288.1162 to receive an additional certification for the purpose of acquiring, constructing, reconstructing, or renovating a facility if:

- The cost of the renovation exceeds \$80 million.
- The franchise has existed for at least 15 years.
- The franchise has at least 15 years left on a signed agreement to use the facility.
- The applicant has an independent analysis projecting that the facility will generate at least \$4 million in sales tax revenues each year.
- The applicant has an independent study from an engineering firm detailing the nature and projected costs of a renovation.
- The facility is located in a county that operates under a government consolidated with that of one or more municipalities in the county.

DEO is authorized to certify no more than one applicant under the new subsection created in the bill. The bill amends section 220.12, F.S. to require DOR to distribute \$166,667 monthly to any applicant who applies for and is granted a second certification by DEO. This distribution would be in addition to any funds associated with a previous certification enabling an eligible professional sports franchise facility to receive as much as \$4 million per year.

The bill also allows boards of county commissioners to negotiate the terms and conditions of a lease or license associated with a commercial development ancillary to a professional sports franchise facility. Eligible commercial developments must be located on property that is part of or contiguous to the professional sports franchise facility.

The bill has an effective date of July 1, 2013.

B. SECTION DIRECTORY:

Section 1: Amends section 125.35, F.S., to provide that authorization granted to boards of county commissioners to negotiate the terms and conditions of a lease or license associated with professional sports franchise facilities is also extended to certain ancillary commercial developments.

Section 2: Amends section 212.094, F.S., to create a tax exemption for building materials used for the purpose of constructing a certified motorsports entertainment complex.

Section 3: Amends section 212.20, F.S., to provide for a monthly distribution to applicants certified as a motorsports entertainment complex, and a monthly distribution to applicants receiving an additional certification as a new or retained professional sports franchise.

Section 4: Amends section 218.64, F.S., to provide that certain restrictions in section 288.1171 do not apply under this chapter.

Section 5: Amends section 288.1162, F.S., to create requirements for previously certified professional sports franchise facilities to receive an additional certification.

Section 6: Amends section 288.1171, F.S., to create additional certification requirements for a motorsports entertainment complex.

Section 7: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference (REC) has not adopted an estimate of the impact of this bill. Based on REC estimates of similar bills, staff estimates that the bill can be expected to have a -\$4 million annual impact on state general revenues, possibly beginning in fiscal year 2013-2014.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local governments who choose to pass ordinances in support of the sales tax exemption on building materials associated with motorsports entertainment complex projects will see their combined share of local government half-cent sales tax revenues reduced by an amount equal to 10% of the granted refund. Based on the cap imposed in the bill, the maximum combined amount of half-cent sales tax revenues forfeited by local governments would be \$300,000. Such reductions would be pro-rated over a 12-month period.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The provisions of the bill may encourage motorsports entertainment complexes and professional sports franchise facilities to undertake major renovations, which could have positive impacts on the construction sector. Additionally, such renovations could have a positive impact on ticket sales and other sales associated with sporting and other events.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On April 16, 2013, the bill was amended in a meeting of the Economic Affairs Committee. The amendments are as follows:

- Sales tax exemption for building materials used in the construction of a motorsports entertainment complex.
- Authorization granted to boards of county commissioners to negotiate terms and conditions associated with leased or licensed commercial developments ancillary to professional sports facilities.
- Requiring that a motorsports entertainment complex must show that it has provided or is capable of providing all the costs related to the project in order to be certified by DEO.
- Adding a provision which would allow a certified professional sports franchise facility to receive a 2nd certification, upon meeting certain requirements, entitling it to another \$2 million in sales tax refunds annually.

The analysis has been updated to reflect these changes.