

Circuit of the Northwest

SELECTED INFORMATION

SEPTEMBER 2018

Submitted To:
Kitsap Public Facilities District



Circuit of the Northwest



Table of Contents

Executive Summary	Section 1
Executive Summary - Presentation	Section 2
Feasibility Study	Section 3
Estimated Operating Results	Section 4
Economic Impact Analysis	Section 5
Community Benefits Analysis.....	Section 7

Circuit of the Northwest

EXECUTIVE SUMMARY

SEPTEMBER 2018

Submitted To:
Kitsap Public Facilities District





Consultants to the Motorsports Industry

September 24, 2018

Mr. Mike Walton
Executive Director
Kitsap Public Facilities District
9230 Bay Shore Dr NW, Suite 101
Silverdale, WA 98383

Dear Mr. Walton:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The purpose of the engagement is to prepare a Feasibility Study in regard to the proposed development of a multi-purpose motorsports and entertainment facility, Circuit of the Northwest ("CNW") in the Kitsap County, Washington area.

The facility is planned to be located on an approximately 250.0-acre parcel of land on WA-3 in Bremerton, WA. It is located across from Bremerton National Airport. The multi-purpose venue will feature various racing circuits, including: (a) road course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.) There facility will also include a: (b) kart track; (c) motocross track; and (d) skid pad / autocross. With public involvement the support amenities will be possible. May include: control tower, buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.), garages / condos, and spectator parking areas. There will also be a Club House for members. There may be potential development of a Motorsports Business Technology Park will include multiple buildings for education and commercial development.

This facility will be a source of pride for the entire northwest Washington region. Many of the events scheduled at the facility have local and regional significance, as well as strong corporate interest, which, together, provide a solid contribution to the area's economic growth.

As would be expected of a facility of this magnitude, the indirect economic effects experienced by related businesses and industries are positive. New sources of revenue and employment opportunities occur in areas such as: construction, advertising, dining, off-premises catering, hotels, car rentals, and tourist attractions. This type of economic multiplier not only enhances the performance of existing business and industry, but also creates new markets and developments that will stimulate economic performance.

Sincerely,

A handwritten signature in dark ink that reads "Timothy W. Frost". The signature is written in a cursive, flowing style.

FROST MOTORSPORTS, LLC

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P: 847-853-0294 | F: 847-853-8763 | www.frostmotorsports.com

Table of Contents

Executive Summary	Page 2
Limiting Conditions	Page 13

Executive Summary

Executive Summary

Introduction:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The purpose of the engagement is to prepare a feasibility study regarding the proposed development of Circuit of the Northwest in the Kitsap County, Washington area.

Throughout the study period several themes evolved and developed into common developmental threads as follows:

- The unique location of the site. It is known as the “Natural Side of Puget Sound.” It offers a favorable combination of small town community with easy access to Seattle’s urban culture and commerce;
- The demographics of the metro area. It is in Bremerton, 30 miles (via ferry) from downtown Seattle, Washington. This Seattle – Tacoma – Bellevue, WA MSA is the 15th largest marketplace in the United States. It has a skilled labor pool with a desirable economic profile;
- The boutique position of the motorsports and entertainment industries requires specialized, knowledgeable management and marketing expertise;
- Further, the highly entrepreneurial nature of the motorsports and entertainment businesses creates an operating climate where financial results vary widely from venue to venue.

The following highlights our findings.

The Facility:

Circuit of the Northwest is planned to be a full-featured facility covering all aspects of the motorsports and technology spectrums. The facility will feature various racing venues. It is envisioned that it will complement the existing tourism and educational attractions in the Bremerton area.

Multi purpose motorsports and entertainment facility including the following:

- Road Course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.)
- Kart track
- Motocross Track
- Skid pad / autocross

Other entertainment and resort facilities:

- Buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.),
- Garages / Condos,
- Club House
- Retail/ commercial / technology park development.

It is expected that management might partner with experienced motorsports entities to access their knowledge base and engineering skills. It is anticipated that the facility will become the “home track” for sports car clubs / drivers in the Seattle marketplace. This will enhance the facilities reputation.

The design philosophy is multi-functional which will allow for simultaneous usage of different configurations. Safety is a primary concern and importance, so there will be adequate runoff areas and barriers. It is anticipated that the facility designed will be built to state-of-the art specifications.

The track was designed by German architecture and engineering firm, Herman Tilke GmbH & Co. They are recognized as the world’s leading designer for racetrack and test facilities. Tilke is one of the most experienced companies when it comes to planning and construction management pertaining to major projects within the automotive industry and motorsports sector.

Facility Design

Proposed Layout of CNW – (Kitsap County, WA):



Market Analysis:

The area for this type of project is large. There are approximately 11,232,000 people within a 300-mile radius. The Seattle – Tacoma – Bellevue MSA is the 15 largest MSA in the US.

There is a substantial market for motorsports in the Kitsap County, Washington area. There are very few local venues but are not at the high level of design as the proposed facility. Users typically have to drive long distances to use other state-of-the-art tracks. It is not uncommon for drivers to travel up to six hours one way to get to a facility for a long weekend (two – three days) of activities at the race track.

Some of the activities for cars and motorcycles that typically take place at a venue of this type include:

- Sanctioned racing events (professional & sportsman)
- driving / riding schools
- garage rentals
- track rentals
- club events
- Motocross

The state of Washington has 24 tracks – (1) 3 - road courses; (2) 6 - drag strips; and (3) 15 - oval track (7 – dirt / 8 – paved).

The Kitsap County area will receive extensive media exposure. There could be televised events. This facility will complement Kitsap's existing position as a solid part of the area's tourism and entertainment destination. The initial development of Circuit of the Northwest could serve as the anchor for future development. All of these factors will create the critical mass resulting in the area becoming a sports / recreation / entertainment destination.

Management Analysis:

The Circuit of the Northwest will be owned by Circuit of the Northwest, LLC executive Brian Nilsen and investors.

Circuit of the Northwest should be managed and marketed by a board of advisors and management team that is highly skilled and experienced in all aspects of business.

In addition, local community leaders will offer a local political and financial network as well as a marketing force that will be out in the community on a daily basis promoting the facility and its events.

The operational aspects of a motorsports and entertainment facility are also very important. The talent pool with the proper skill set includes both individuals and firms experienced in running multi-purpose racing and resort venues. It is recommended that the Circuit of the Northwest engage professional management if they proceed with the project.

Circuit of the Northwest is working with The Joel Cohen Group, LLC on various aspects of the project. They have substantial experience in working with motorsports entertainment properties.

Here is info on various individuals associated with this project:

Brian Nilsen - General Manager/Owner - Brothers Powersports - full-service dealership. Additional experience as general manager - MotoWest LLC - motocross facility.

Joel Cohen – Chairman – The Joel Cohen Group, LLC - operated and officiated over 1,000 motorsports races, concerts and community events. Extensive experience selling sponsorships and negotiating media contracts.

Andy Vertrees - Chief Operating Officer – The Joel Cohen Group, LLC - recognized as a national leader in the planning, design, development and scheduling of motorsports facilities. Recipient of the Auto Racing Promoter of the Year award for successfully operating one of the top tracks in the country.

Andrew Gerdorf – Professional Engineer – Extensive experience in providing advanced engineering and development services for the implementation of racing facilities and their systems.

Racing Analysis:

The road racing market is very healthy. Car counts are up, new series have appeared, a number of brand-new road courses are open and existing road courses are spending money to upgrade their facilities while their schedules are booked solid. Industry executives indicate that professional and grassroots racing programs are growing in numbers.

For amateur road racing, there are no official metrics that can measure all of the elements that encompass road racing, the number of events, variety of venues and spectators and drivers going to these courses, interest in road racing appears at an all-time high. At the amateur level, participation continues to be strong. Since they are not dependent on corporate marketing budgets, as long as they are employed, they will keep racing.

One issue facing amateur car clubs is how to open events to accommodate all who wish to participate and provide adequate track time. New courses around the country have been built to meet this demand. In addition, there are a few new organizations being formed to serve vintage, club and pro racing.

The key to the future for road racing is maintaining balance. By providing a platform that drivers can compete at various levels and allowing manufacturers and sponsors a place to showcase their products and technology, the growth of road racing will continue.

Technical Analysis:

The following represents preliminary cost information provided by management.

**Circuit of the Northwest
Estimated Cost**

Description		Total
Direct Costs		\$28,600,000
Indirect Costs		5,000,000
Total		\$33,600,000

Source: *Circuit of the Northwest, LLC*

Note: (1) Direct costs represent land, tracks, infrastructure, and related equipment. (2) Indirect costs represent architecture fees, engineering, planning, permitting, taxes, and contingency funds.

Financial Analysis:

Venue Operations

This is a statement of estimated operating results from the first year of operation through year five of operation. This estimated statement presents a net operating income amount before income taxes, depreciation, amortization, and debt service. It should be noted that this analysis also assumes that various entities host activities at Circuit of the Northwest throughout the projection period.

Circuit of the Northwest Financial Highlights					
Period	Year 1	Year 2	Year 3	Year 4	Year 5
Stage	Start-Up	Start-Up	Stabilized	Stabilized	Stabilized
Revenue (1)					
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues	1,299,600	1,332,090	1,365,392	1,399,527	1,434,515
Other Revenue	296,700	456,176	623,441	639,027	655,003
Total	\$2,600,700	\$3,330,994	\$4,097,227	\$4,199,658	\$4,304,650
Expenses (2)					
Operations	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Total	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Operating Income (3)					
Total	\$640,470	\$1,244,728	\$1,878,378	\$1,925,513	\$1,870,069

Notes: (1) Revenue is derived from track rental, driving education, member dues, advertising and concessions. (2) Expenses are derived from facility expense, marketing, general and administrative. (3) Operating income is defined as earnings (revenues minus expenses) before depreciation, interest, and income taxes.

Economic Impact:

The development of the Circuit of the Northwest will have an impact on both Kitsap County, where it will be located, and on the Washington economy in which it operates.

The impact of the facility will extend far beyond the operations of the Circuit of the Northwest. They extend into other parts of Kitsap County in the form of jobs for the residents and new revenues for the area. They extend into other parts of Washington in the form of increased business for supplies and services at local firms. These expenditures have an even greater impact as the increased business spreads to other firms in a multiplier effect.

The project will also have an effect at locations in the vicinity of the Circuit of the Northwest. By attracting a large number of spectators, firms locate in the vicinity to better serve spectators. A facility of this type can stimulate additional investment in the area.

The economic impact model incorporated the initial spending injections attributable to the Circuit of the Northwest and produced an overall economic impact analysis with the following elements: 1) the construction phase for the facility; 2) the ongoing operations of the facility; 3) visitor spending associated with the facility; and 4) taxes collected by governmental entities

The following presents the highlights of the economic impact of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Total	
Description	Total
Total economic activity	\$51,747,000
Total earnings	\$20,358,000
Total jobs created - FTE - (Total)	419
Total visitor spending	\$2,340,000
Total hotel nights	9,000
Taxes	\$7,336,000

Community Benefits:

It is public/private facility that, through its diversity of motorsports and entertainment offerings, allows the community to recognize the economic benefits of a larger facility without having its existing resources overwhelmed. It is not a race track but a diversified facility that offers event venues for:

Motocross

- Motocross
- Autocross
- Vehicle skills training
- Karting
- Automobile and motorcycle research and development
- High speed driving training
- Emergency Response Training
- Education & Internships
- Community based Concerts
- Shows
- Festivals
- Fairs

With the philosophy of offering smaller events every weekend and a few mid-sized events of up to 30,000 spectators, CNW offers the economic benefit of a national championship event or larger motorsport event. Through our experience with mid-sized sports-event based facilities, the community can expect to see the following:

Creation of new economic opportunities that do not cannibalize existing businesses. The key benefit is that CNW will bring in new spending to the community.

The multi-venue concept of the facility acts differently than a traditional motor club facility. Events for car clubs, manufacturers, national club racing, and sanctioned events all will have a direct impact to the local economy. Hotels, restaurants, service providers, and existing tourist attractions are all expected to see substantial economic benefits.

Educational and training activities will have a place at the facility. Activities will include:

- STEM opportunities for schools;
- Internship opportunities in motorsports as well as business operations and food service; and
- Advanced young driver skills training (automobile & motorcycle).

Motorsports have also provided invaluable and safe training locations for emergency response organizations (police, fire, ambulance, etc). Examples include:

- High speed pursuit, spin, cross over, and reduced friction training;
- Large event injury/casualty training and coordination;
- Firearm training;
- Critical incident response;
- Confined space training;
- Active shooter response training;
- Chemical response and containment;
- Ambulance training; and
- Advanced accident response and extraction training.

The private nature of the facility is beneficial to the community through, not only its economic impact and training opportunities, but also its increase in the community assessed valuation/property tax.

Conclusion:

Based upon the research, analysis and fieldwork conducted, Frost Motorsports, LLC concludes that the development of Circuit of the Northwest is justified, and development costs are reasonable, considering the scope and market for which it is designed to accommodate.

Limiting Conditions

1. The conclusions reached are based upon our present knowledge of the motorsports industry, including competitive facilities in the facility's market area, as of the completion of our fieldwork.
2. As in all studies of this type, the annual operating results are based upon competent and efficient management and assume no significant change in the competitive position of the development in the immediate area from that set forth in our study.
3. It is understood that our study will be prepared primarily for your use and guidance in reviewing the project in relation to its costs and for possible use in obtaining financing, or in negotiating a lease, or a management contract. However, our report and the material submitted may not be used in any prospectus or printed material used in connection with the sale of real estate, securities or participation interests to the public without our prior written consent.
4. The scope of our study and report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.
5. We have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork.
6. Our liability with respect to this report is limited to the total fees as set forth in the proposal and engagement letter.
7. Any disputes or claims regarding the report or services provided under the terms of the proposal shall be submitted for settlement by arbitration under the American Arbitration Association whose decision shall be final and binding.



The image is an aerial photograph of a large, irregularly shaped plot of land, outlined in red. The land is divided into several distinct zones, each labeled with text. At the top left, there is a 'PARKING / EVENT AREA'. Below it, towards the center left, is a 'CONVENTION CENTER' and a 'PIT BUILDING'. Further down on the left is a 'PADDOCK AREA'. In the center, there is a 'KART AREA' and a 'MOTOCROSS AREA'. To the right of the center is a 'RSTC AREA'. At the bottom right, there is a 'WETLAND' area. At the top right, there is a 'GARAGE EXTENSION AREA' and a 'CLUB / GARAGE AREA'. A scale bar at the bottom right indicates distances of 0, 250 ft, and 500 ft. A north arrow is located at the bottom right corner.

Circuit of the Northwest Market and Feasibility Study Executive Summary

Circuit of the Northwest
Kitsap County, WA

Frost Motorsports, LLC
September 2018

Overview

- What is the proposed Project?
 - Circuit of the Northwest is designed to be a state-of-art motorsports complex.
 - It will incorporate designs and features of the legendary and leading tracks around the world.
 - The layout will have a combination of technical and flowing design that will challenge participants of all levels.
 - Will utilize the natural terrain to provide elevation change and flow.
 - It will be designed to exceed the safety standards of the international entities that govern the rules and track specifications.
 - Safety will be the key component underlying all aspects of the facility.
 - The project will be developed in phases to allow for marketplace and industry acceptance.
 - The complex is designed to be efficiently operated along with a commercial model to meet the financial aspects of the development.
 - Working with community stakeholders to meet the demands of a collaborative partnership.

The Facility

Circuit of the Northwest is planned to be a full-featured facility covering all aspects of the motorsports and technology spectrums. The facility will feature various racing venues. It is envisioned that it will complement the existing tourism and educational attractions in the Bremerton area.

Multi purpose motorsports and entertainment facility including the following:

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Management Analysis

The Circuit of the Northwest will be owned by Circuit of the Northwest, LLC executive Brian Nilsen and investors.

Circuit of the Northwest should be managed and marketed by a board of advisors and management team that is highly skilled and experienced in all aspects of business.

In addition, local community leaders will offer a local political and financial network as well as a marketing force that will be out in the community on a daily basis promoting the facility and its events.

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Community Benefits

- It is public/private facility that, through its diversity of motorsports and entertainment offerings, allows the community to recognize the economic benefits of a larger facility without having its existing resources overwhelmed.
- Creation of new economic opportunities that do not cannibalize existing businesses. The key benefit is that CNW will bring in new spending to the community.
- It is expected that CNW will be available to the local community for up to 150 days (41% of year). This will include activities at all the various venues of CNW. Whether it is a concert, show, festival, motorsport event, or community training event, CNW will be a place that the community has access to and can enjoy.



Summary

- What are the preliminary recommendations? Throughout the preliminary analysis several themes evolved and developed into common developmental threads as follows:
 - The unique location of the site. It is in Kitsap County, Washington. This Seattle / Tacoma marketplace is one of the fastest growing in the United States.
 - The boutique position of the motorsports and entertainment industries requires specialized, knowledgeable management and marketing expertise.
 - Further, the highly entrepreneurial nature of the motorsports and entertainment businesses creates an operating climate where financial results vary widely from venue to venue.
 - The Kitsap County area will receive extensive media exposure. This facility will complement its existing position as an anchor for tourism and entertainment destination travels.
 - There are several opportunities for the facility to benefit the local community. They include: educational partnerships being established to work with area schools and colleges, intern programs for students, driver education, military training, and defensive driving programs for police, fire and emergency personnel. The hotels could serve as a training center for hospitality based careers.

Summary

- What are the preliminary recommendations? (cont'd)
 - There is the opportunity to host events that offer fundraising opportunities to charitable and / or benevolent organizations.
 - The facility can assist officials in serving as goodwill ambassadors to visiting dignitaries, media and corporate decision makers. The venue will encourage media exposure and new business development.
 - Working with other officials and creating alliances with other racing facilities will facilitate joint advertising and promotion, media exposure and public relations, facility enhancements, sponsorships, driver education and exposure.
 - The operational aspects of a motorsports and entertainment facility is also very important. The talent pool with the proper skill set includes both individuals and firms experienced in running multi-purpose venues. It is recommended that the facility engage professional management.
 - The local community leaders will offer a local political and financial network as well as a marketing force that will be out in the community on a daily basis promoting the facility and its events.

Circuit of the Northwest



Circuit of the Northwest

FEASIBILITY STUDY

September 2018

Submitted To:
Kitsap Public Facilities District





September 24, 2018

Mr. Mike Walton
Executive Director
Kitsap Public Facilities District
9230 Bay Shore Dr NW, Suite 101
Silverdale, WA 98383

Dear Mr. Walton:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The purpose of the engagement is to prepare a feasibility study regarding the proposed development of multi-purpose motorsports and entertainment facility, Circuit of the Northwest ("CNW") in the Kitsap County, Washington area.

The facility is planned to be located on an approximately 250.0-acre parcel of land on WA-3 in Bremerton, WA. It is located across from Bremerton National Airport. The multi-purpose venue will feature various racing circuits, including: (a) road course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.) There facility will also include a: (b) kart track; (c) motocross track; and (d) skid pad / autocross. With public involvement the support amenities will be possible. May include: control tower, buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.), garages / condos, and spectator parking areas. There will also be a Club House for members. There may be potential development of a Motorsports Business Technology Park will include multiple buildings for education and commercial development.

This facility will be a source of pride for the entire northwest Washington region. Many of the events scheduled at the facility have local and regional significance, as well as strong corporate interest, which, together, provide a solid contribution to the area's economic growth.

As would be expected of a facility of this magnitude, the indirect economic effects experienced by related businesses and industries are positive. New sources of revenue and employment opportunities occur in areas such as: construction, advertising, dining, off-premises catering, hotels, car rentals, and tourist attractions. This type of economic multiplier not only enhances the performance of existing business and industry, but also creates new markets and developments that will stimulate economic performance.

Sincerely,

Frost Motorsports, LLC

Table of Contents

Project Description.....	Page 1
Executive Summary.....	Page 3
Market Analysis.....	Page 13
Management Analysis.....	Page 63
Technical Analysis.....	Page 67
Financial Analysis.....	Page 71
Limiting Conditions.....	Page 75
Qualifications.....	Page 76

Project Description

Background and Objectives:

This report was prepared for Kitsap Public Facilities District by Frost Motorsports, LLC. It details the results of our research and analysis of the proposed Circuit of the Northwest. The objectives of this study were to study:

- The potential development of a motorsports and entertainment facility. The racing circuits feature: road course, kart track, motocross and autocross / skid pad. There will also be a various building for race support, club house, garages / condos and Technology Park for retail space and R & D facilities.

Approach:

Frost Motorsports, LLC in conducting research and analysis of the proposed Circuit of the Northwest, performed the following work steps.

- Researched the Kitsap County, Washington and Northwest Washington area, including prospective site.
- Interviewed motorsports and entertainment participants and potential users to obtain information about their respective events, facility usage and requirements and related factors.
- Researched and surveyed comparable motorsports facilities in the United States and Canada.
- Identified and quantified the potential target markets and market niches and recommended appropriate facility needs to attract those markets.
- Researched and reviewed estimates of costs, revenues and expenses associated with the proposed Circuit of the Northwest.
- Researched and identified the economic impact for the development of the proposed Circuit of the Northwest.

Conditions of the Study:

This report is to be used in an analysis of the proposed Circuit of the Northwest. It is not intended for any other purpose. This report may not be referred to or included in any prospectus, or as part of any offering or representation made in connection with the sale of securities to the public, without our written consent.

Although we believe that the information and assumptions set forth in this report constitute a reasonable basis for estimates, the achievement of any estimate may be affected by economic conditions and the occurrence of other future events

cannot be anticipated. Therefore, the actual results achieved will vary from the estimates and such variations may be material.

The terms of the engagement are that we have no responsibility to update this report or to revise the estimates because of events occurring subsequent to the date of this report.

Executive Summary

Introduction:

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The following highlights our findings.

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- Road Course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.)
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It is expected that management might partner with experienced motorsports entities to access their knowledge base and engineering skills. It is anticipated that the facility will become the “home track” for sports car clubs / drivers in the Seattle marketplace. This will enhance the facilities reputation.

The design philosophy is multi-functional which will allow for simultaneous usage of different configurations. Safety is a primary concern and importance, so there will be adequate runoff areas and barriers. It is anticipated that the facility designed will be built to state-of-the art specifications.

The track was designed by German architecture and engineering firm, Herman Tilke GmbH & Co. They are recognized as the world’s leading designer for racetrack and test facilities. Tilke is one of the most experienced companies when it comes to planning and construction management pertaining to major projects within the automotive industry and motorsports sector.

Facility Design

Proposed Layout of CNW – (Kitsap County, WA):



Market Analysis:

The area for this type of project is large. There are approximately 11,232,000 people within a 300-mile radius. The Seattle – Tacoma – Bellevue MSA is the 15 largest MSA in the US.

There is a substantial market for motorsports in the Kitsap County, Washington area. There are very few local venues but are not at the high level of design as the proposed facility. Users typically have to drive long distances to use other state-of-the-art tracks. It is not uncommon for drivers to travel up to six hours one way to get to a facility for a long weekend (two – three days) of activities at the race track.

Some of the activities for cars and motorcycles that typically take place at a venue of this type include:

- Sanctioned racing events (professional & sportsman)
- driving / riding schools
- garage rentals
- track rentals
- club events
- Motocross

The state of Washington has 24 tracks – (1) 3 - road courses; (2) 6 - drag strips; and (3) 15 - oval track (7 – dirt / 8 – paved).

The Kitsap County area will receive extensive media exposure. There could be televised events. This facility will complement Kitsap's existing position as a solid part of the area's tourism and entertainment destination. The initial development of Circuit of the Northwest could serve as the anchor for future development. All of these factors will create the critical mass resulting in the area becoming a sports / recreation / entertainment destination.

Management Analysis:

The Circuit of the Northwest will be owned by Circuit of the Northwest, LLC executive Brian Nilsen and investors.

Circuit of the Northwest should be managed and marketed by a board of advisors and management team that is highly skilled and experienced in all aspects of business.

In addition, local community leaders will offer a local political and financial network as well as a marketing force that will be out in the community on a daily basis promoting the facility and its events.

The operational aspects of a motorsports and entertainment facility are also very important. The talent pool with the proper skill set includes both individuals and firms experienced in running multi-purpose racing and resort venues. It is recommended that the Circuit of the Northwest engage professional management if they proceed with the project.

Circuit of the Northwest is working with The Joel Cohen Group, LLC on various aspects of the project. They have substantial experience in working with motorsports entertainment properties.

Here is info on various individuals associated with this project:

Brian Nilsen - General Manager/Owner - Brothers Powersports - full-service dealership. Additional experience as general manager - MotoWest LLC - motocross facility.

Joel Cohen – Chairman – The Joel Cohen Group, LLC - operated and officiated over 1,000 motorsports races, concerts and community events. Extensive experience selling sponsorships and negotiating media contracts.

Andy Vertrees - Chief Operating Officer – The Joel Cohen Group, LLC - recognized as a national leader in the planning, design, development and scheduling of motorsports facilities. Recipient of the Auto Racing Promoter of the Year award for successfully operating one of the top tracks in the country.

Andrew Gerdorf – Professional Engineer – Extensive experience in providing advanced engineering and development services for the implementation of racing facilities and their systems.

Racing Analysis:

The road racing market is very healthy. Car counts are up, new series have appeared, a number of brand-new road courses are open and existing road courses are spending money to upgrade their facilities while their schedules are booked solid. Industry executives indicate that professional and grassroots racing programs are growing in numbers.

For amateur road racing, there are no official metrics that can measure all of the elements that encompass road racing, the number of events, variety of venues and spectators and drivers going to these courses, interest in road racing appears at an all-time high. At the amateur level, participation continues to be strong. Since they are not dependent on corporate marketing budgets, as long as they are employed, they will keep racing.

One issue facing amateur car clubs is how to open events to accommodate all who wish to participate and provide adequate track time. New courses around the country have been built to meet this demand. In addition, there are a few new organizations being formed to serve vintage, club and pro racing.

The key to the future for road racing is maintaining balance. By providing a platform that drivers can compete at various levels and allowing manufacturers and sponsors a place to showcase their products and technology, the growth of road racing will continue.

Technical Analysis:

The following represents preliminary cost information provided by management.

**Circuit of the Northwest
Estimated Cost**

Circuit of the Northwest Estimated Cost	
Description	Total
Direct Costs	\$28,600,000
Indirect Costs	5,000,000
Total	\$33,600,000

Source: *Circuit of the Northwest, LLC*

Note: (1) Direct costs represent land, tracks, infrastructure, and related equipment. (2) Indirect costs represent architecture fees, engineering, planning, permitting, taxes, and contingency funds.

Financial Analysis:

Venue Operations

This is a statement of estimated operating results from the first year of operation through year five of operation. This estimated statement presents a net operating income amount before income taxes, depreciation, amortization, and debt service. It should be noted that this analysis also assumes that various entities host activities at Circuit of the Northwest throughout the projection period.

Circuit of the Northwest Financial Highlights					
Period	Year 1	Year 2	Year 3	Year 4	Year 5
Stage	Start-Up	Start-Up	Stabilized	Stabilized	Stabilized
Revenue (1)					
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues	1,299,600	1,332,090	1,365,392	1,399,527	1,434,515
Other Revenue	296,700	456,176	623,441	639,027	655,003
Total	\$2,600,700	\$3,330,994	\$4,097,227	\$4,199,658	\$4,304,650
Expenses (2)					
Operations	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Total	\$1,960,431	\$2,086,265	\$1,053,252	\$2,274,146	\$2,434,581
Operating Income (3)					
Total	\$640,470	\$1,244,728	\$1,878,378	\$1,925,513	\$1,870,069

Notes: (1) Revenue is derived from track rental, driving education, member dues, advertising and concessions. (2) Expenses are derived from facility expense, marketing, general and administrative. (3) Operating income is defined as earnings (revenues minus expenses) before depreciation, interest, and income taxes.

Community Benefits:

It is public/private facility that, through its diversity of motorsports and entertainment offerings, allows the community to recognize the economic benefits of a larger facility without having its existing resources overwhelmed. It is not a race track but a diversified facility that offers event venues for:

Motocross

- Motocross
- Autocross
- Vehicle skills training
- Karting
- Automobile and motorcycle research and development
- High speed driving training
- Emergency Response Training
- Education & Internships
- Community based Concerts
- Shows
- Festivals
- Fairs

With the philosophy of offering smaller events every weekend and a few mid-sized events of up to 30,000 spectators, CNW offers the economic benefit of a national championship event or larger motorsport event. Through our experience with mid-sized sports-event based facilities, the community can expect to see the following:

Creation of new economic opportunities that do not cannibalize existing businesses. The key benefit is that CNW will bring in new spending to the community.

The multi-venue concept of the facility acts differently than a traditional motor club facility. Events for car clubs, manufacturers, national club racing, and sanctioned events all will have a direct impact to the local economy. Hotels, restaurants, service providers, and existing tourist attractions are all expected to see substantial economic benefits.

It is expected that CNW will be available to the local community for up to 150 days (41% of year). This will include activities at all the various venues of CNW. Whether it is a concert, show, festival, motorsport event, or community training event, CNW will be a place that the community has access to and can enjoy.

Educational and training activities will have a place at the facility. Activities will include:

- STEM opportunities for schools;
- Internship opportunities in motorsports as well as business operations and food service; and
- Advanced young driver skills training (automobile & motorcycle).

Motorsports have also provided invaluable and safe training locations for emergency response organizations (police, fire, ambulance, etc). Examples include:

- High speed pursuit, spin, cross over, and reduced friction training;
- Large event injury/casualty training and coordination;
- Firearm training;
- Critical incident response;
- Confined space training;
- Active shooter response training;
- Chemical response and containment;
- Ambulance training; and
- Advanced accident response and extraction training.

The private nature of the facility is beneficial to the community through, not only its economic impact and training opportunities, but also its increase in the community assessed valuation/property tax.

Conclusion:

Based upon the research, analysis and fieldwork conducted, Frost Motorsports, LLC concludes that the development of Circuit of the Northwest is justified, and development costs are reasonable, considering the scope and market for which it is designed to accommodate.

Market Analysis

Introduction:

Like any product or service, Circuit of the Northwest will be offered to consumers in the marketplace. The level of demand for motorsports events and related activities is dependent on several factors – location, climate, demographic and economic trends and community resources.

Location:

The site is located on the southwest side of Bremerton, in Kitsap County, Washington. It is about 8 miles from downtown Bremerton.

Kitsap County's natural beauty, rural character and central location in the heart of Puget Sound make it a great place to live, work and play. The unique communities each offer picture-perfect views and abundant recreational opportunities. All within an easy and scenic commute to Seattle's bright lights and big city attractions via the Washington State Ferry system. It also has great schools, top-notch healthcare, and an intelligent well educated workforce.

Size:

The site is approximately 250.0 acres.

Management has entered into long term lease agreement with municipal officials for usage of the land.

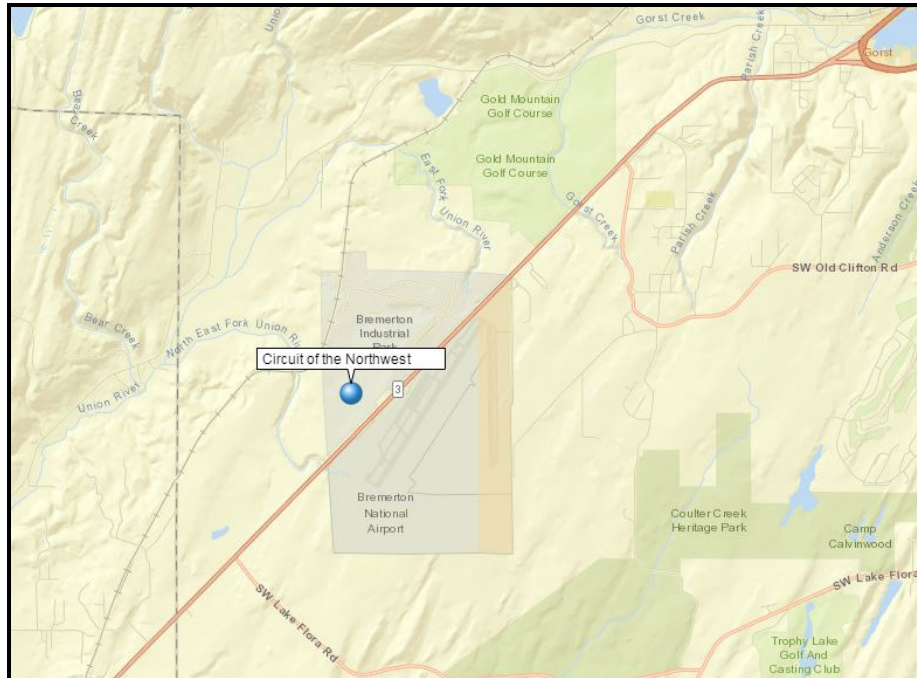
Accessibility:

The site fronts on the north side of WA-3 across from the Bremerton National Airport.

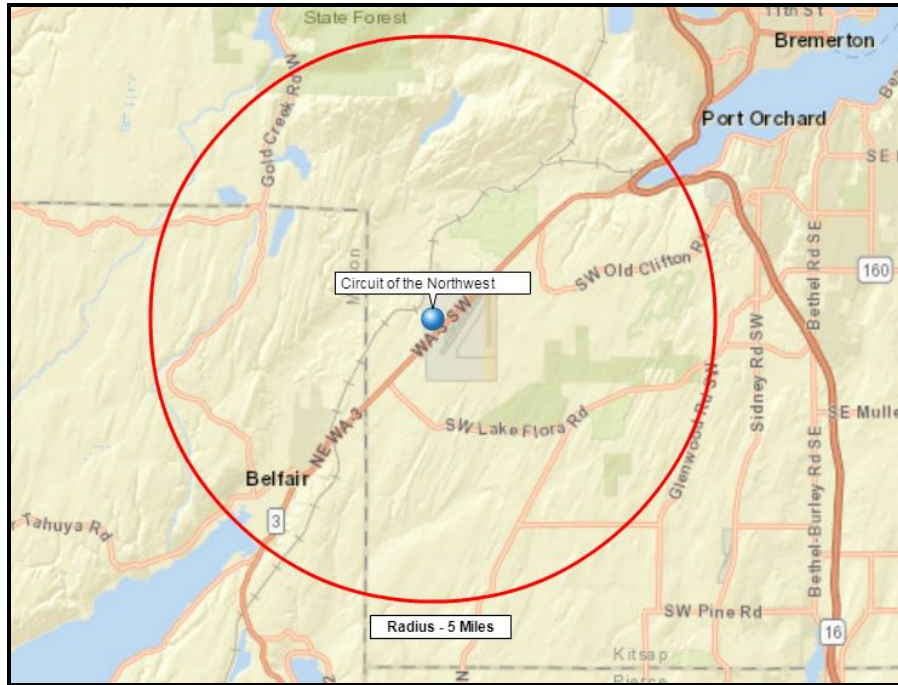
Preliminary analysis has indicated that these roads in their current configuration will provide adequate ingress and egress for the proposed schedule of events, based on current road configuration.

It would be recommended that management work with traffic engineers and local government officials to develop a traffic management plan.

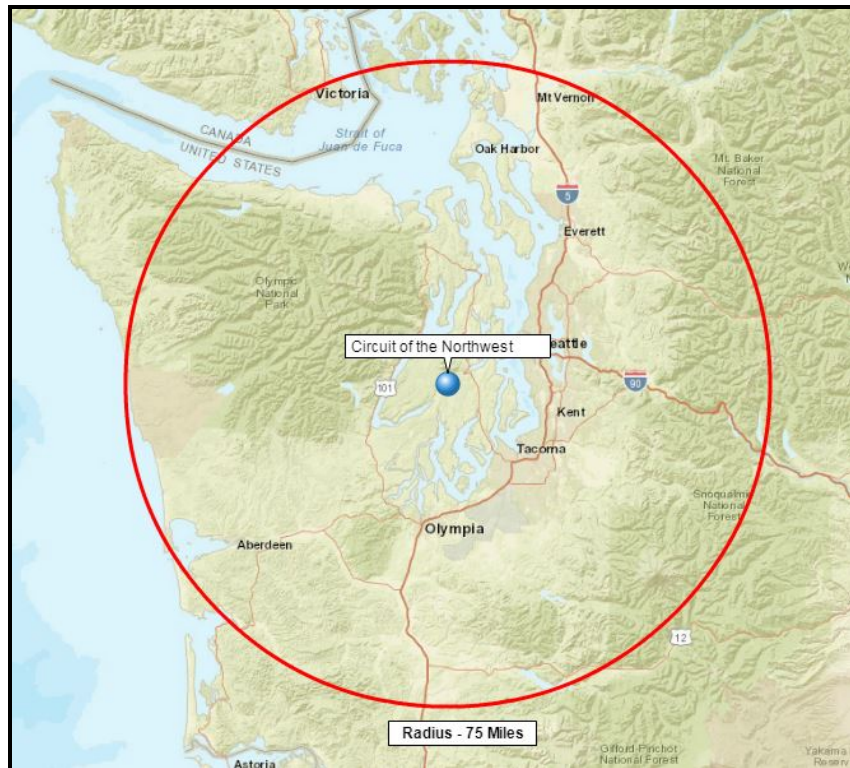
Site Map



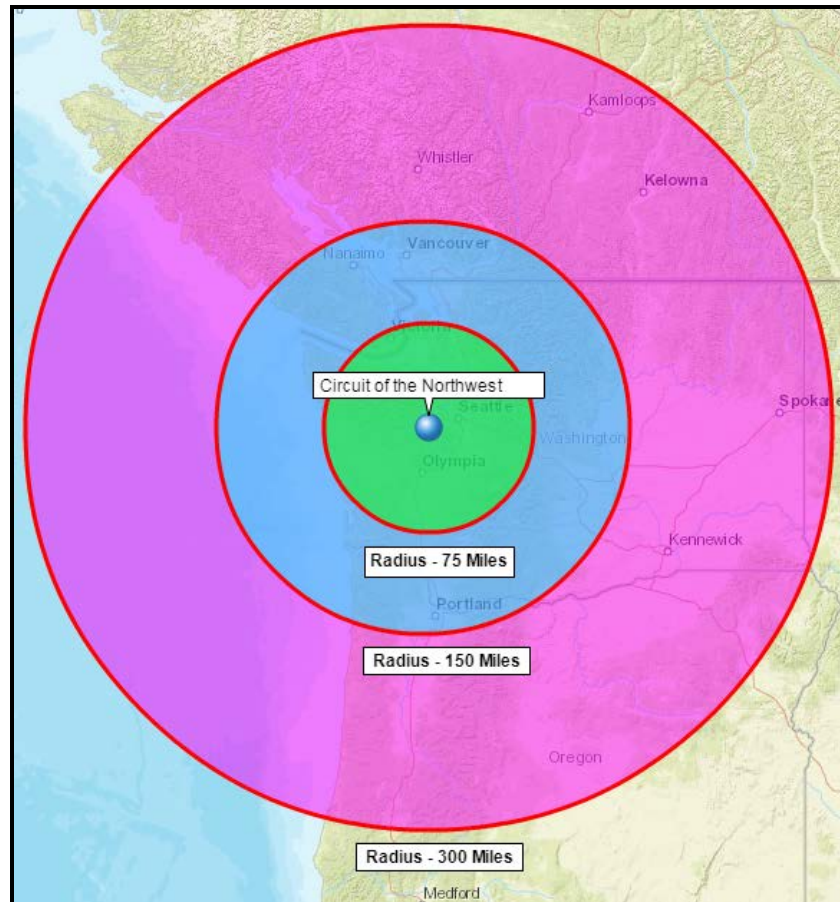
Area Map



Regional Map



Market Area Map



Aerial View



Visibility:

The site has north side frontage on WA-3.

This gives excellent exposure to the parcel.

The traffic count for various intersections near the facility provides insights about the visibility that the facility and its sponsors receive. A traffic count is defined as the two-way average daily traffic that passes a location.

The following represents traffic counts for various areas near the facility.

**Circuit of the Northwest
Traffic Profile**

Street	Cross Street	Traffic Count (Estimated)
WA - 3	Lake Flora Road	16,654
Lake Flora Road	East of WA-3	2,720
Old Belfair Valley Rd	North of 3 rd Street	3,823

Source: Kitsapgov.com

Parking:

The site will have various parking areas within the 250.0-acre site. There will be paddock areas for the participants and other areas for spectators. Each acre of parking accommodates about 360 people (based on 109 cars per acre at 3.3 people per car.) Additional land for parking may be available in adjacent parcels.

Proximity to Support Amenities:

There are several existing hotels and restaurants in downtown Bremerton. These hotels vary from limited service to full service, with prices primarily targeted at lower to mid-range leisure travelers. These brands include: Hampton Inn, Fairfield Inn, Comfort Inn, Baymont and others.

Surrounding Land Uses:

Many of the adjacent parcels to the west and south are rural and used for forestry purposes. To the north, there is limited commercial development. Across the street is Bremerton National Airport which has various aviation related usage.

Noise Impact and Zoning Compliance:

The impact of noise is not expected to be an issue.

Bremerton Motorsports Park and Bremerton Raceway currently host similar activity to which this facility will be used for. Bremerton National Airport has its own special rules which are typically overseen by the FAA.

Management has indicated that a sound analysis was performed by Greenbush Group, Inc. It was submitted to municipal officials as part of the site plan review application.

It is expected that participants and vehicles would utilize mufflers and meet noise compliance guidelines as outlined by their respective sanctioning bodies. Design of the facility and its landscaping will also seek to minimize these impacts on the surrounding area.

Zoning Compliance:

Preliminary research had indicated that the proposed race track would operate under a special use permit with respect to zoning.

Currently, track operations are a permitted activity.

Due to similar operations at the existing venues, Circuit of the Northwest will probably fall under those categories.

Climate:

Weather attributes significantly affect the level of activity for the motorsports industry. In northern climates, activity is generally confined to those months of good weather, typically March / April to October / November. In Bremerton, the activity period is expected extend to ten months from February through November.

The table below presents weather data for the Kitsap County, Washington area:

**Circuit of the Northwest
Temperatures and Precipitation**

Description	Avg – High	Avg – Low	Avg – Temp	Precipitation
January	47.0	36.0	41.5	8.89
February	49.0	35.0	42.0	6.22
March	54.0	38.0	46.0	5.95
April	59.0	41.0	50.0	3.57
May	65.0	46.0	55.5	2.46
June	70.0	51.0	60.0	1.69
July	76.0	54.0	65.0	0.86
August	77.0	55.0	66.0	1.03
September	71.0	50.0	61.5	1.55
October	60.0	44.0	52.0	4.89
November	51.0	39.0	45.0	9.39
December	45.0	34.0	39.5	10.07

Source: Weather.com

Demographic and Economic Analysis

Introduction:

Based on fieldwork conducted in the area, along with in-house data sources, various types of economic and demographic data were evaluated to determine economic trends.

Demographics:

Population

The City of Bremerton had an estimated population of 37,729 in 2010 according to the US Census. The latest population 2016 estimate is 40,500.

Kitsap County had a population of approximately 251,133 in 2010.

The Seattle-Tacoma-Bellevue WA Metro Statistical Area ("MSA") had a population of approximately 3,439,809 in 2010. The latest population 2017 estimate is 3,867,046. This is a growth rate of 12.42%. It is the 15th largest MSA in the US.

The population within 300 miles of the site is 11,232,000.

The State of Washington had a population of 6,725,000 in 2010. The latest population 2017 estimate is 7,405,000. This is a growth rate of 10.1%. This state population was ranked 13th in the US. The United States had a population of 325,700,000 in 2017, an increase of 5.5% from 308,700,000 in 2010.

Area Business and Related Economic Trends

One indicator of future motorsports and commercial visitation demand are those trends showing the number and type of area businesses, as well as their economic strength and growth potential.

The following is a review of the various factors and trends that will impact the area's demand.

Workforce Characteristics:

Circuit of the Northwest Employment Profile

Industry	Country
Agriculture	9.5%
Construction	1.9%
Manufacturing	1.5%
Wholesale Trade	0.0%
Retail Trade	3.9%
Transportation	2.3%
Information	5.4%
Finance	11.7%
Professional	1.8%
Education	13.1%
Arts and Entertain	8.2%
Other Service (Health, etc.)	0.6%
Public Admin	4.2%
Total:	100.0%

Source: US Census

In addition to the various industry sectors that compose the economy, there are several colleges in the area. They include: Olympic College, and others.

The existing economy along with these academic institutions provides an adequate supply of trained or trainable labor pool from which the management of Circuit of the Northwest can draw upon. If necessary, they should also be able to provide the necessary training programs in-house.

The table below reports the market area's population, business and employment information.

**Circuit of the Northwest
Population and Employment Analysis – 2010**

Category	County	State	Country
Population	251,133	6,725,000	328,700,000
Businesses – (nonfarm)	5,795	186,164	7,354,043
Employees – (nonfarm)	59,446	2,685,355	113,425,965

Source: US Census

Major Businesses and Industries:

The type and size of major businesses and industries within a market area provide an indication of the potential for commercial transient visitation. For example, nationally oriented firms tend to attract more visitors than locally owned companies serving nearby areas. Labor-intensive and financial activities are more likely to create overnight visitation than are highly mechanized firms employing a few people.

The table below sets out Kitsap County Washington's largest employers and Companies based upon published statistics.

Circuit of the Northwest	
Largest Area Employers and Companies – Kitsap County, Washington	
Employer / Sector	Employees
Naval Base – Defense	33,800
Washington State - Public	2,100
Harrison Medical – Healthcare	2,000
Kitsap County – Public	1,112
Central Kitsap School – Education	990
Port Madison Enterprises – Leisure	962
South Kitsap School – Education	808
Haselwood Auto Group – Retail	710
Fred Meyer - Retail	574
North Kitsap School	523
Bainbridge School	505
Bremerton School	499

Source: Kitsap Economic Development Alliance

Economic and Demographic Data:

The following data was compiled for the target market area of the proposed site of Circuit of the Northwest.

Circuit of the Northwest Basic Demographic Data			
Description	County	State	Country
Total Population	251,133	6,725,000	325,719,178
Male Percent of Population	51.1%	50.0%	49.2%
Female Percent of Population	48.9%	50.0%	50.8%
Average Household Size	2.55	2.57	2.64
Total Number of Households	98,250	2,696,606	135,697,926
Total Number of Housing Units	112,667	3,103,117	42,079,550
Median Value of Housing	\$262,400	\$269,300	\$184,700
Median Household Income	\$65,017	\$62,848	\$55,322

Source: US Census

Transportation:

The Bremerton area has a modern diversified transportation system.

There are several primary highways in the area.

Kitsap County is connected to the eastern shore of Puget Sound by Washington State Ferries routes, including the Seattle-Bremerton Ferry, Southworth to West Seattle via Vashon Island, Bainbridge Island to Downtown Seattle, and from Kingston to Edmonds, Washington.

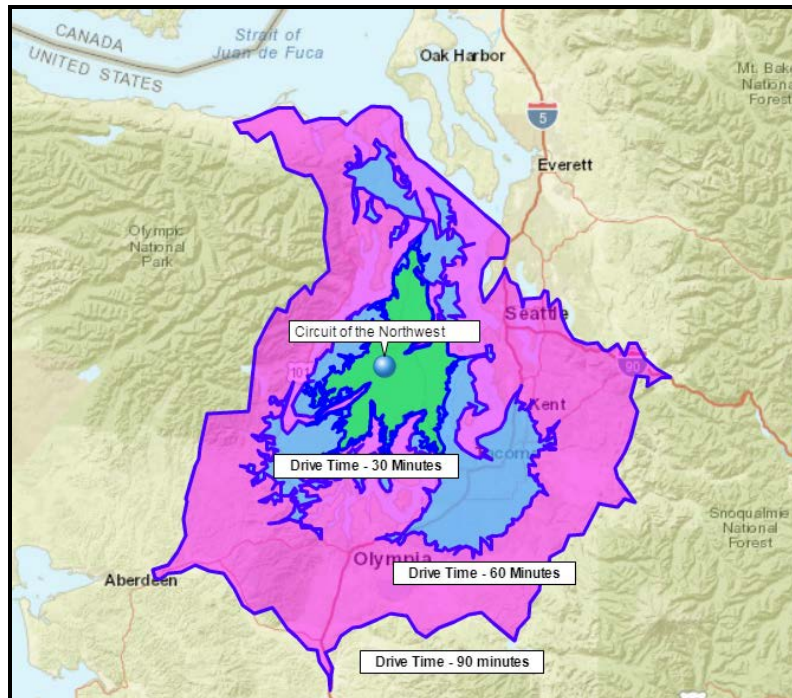
State Route 16 runs north – south on the west side of Puget Sound. It connects to Interstate 5 in Tacoma. It is the main highway that runs on the east side of Puget Sound down from Canada.

International air service for the region is Seattle-Tacoma (Sea-Tac) Airport. It is the busiest airport in the Northwest. It is approximately 57 miles from Bremerton via Tacoma.

Bremerton National Airport is located across WA-3 from the proposed site. It is owned by the Port of Bremerton. The airport covers 1,729 acres with an elevation of 444 feet. It's one runway is 6,000 feet long. Annually the airport has about 66,000 aircraft operations, an average of 181 per day.

The airport's location across from Circuit of the Northwest is an important asset. The ability for track participants and club members to fly in – cross the road to the garage and be on-site to drive their cars is highly desirable. It could increase flight traffic at the airport and use of ground-based flight services. This locational feature would make Circuit of the Northwest one of a select few in the country.

The following map represents driving time to regional locations within the market area:

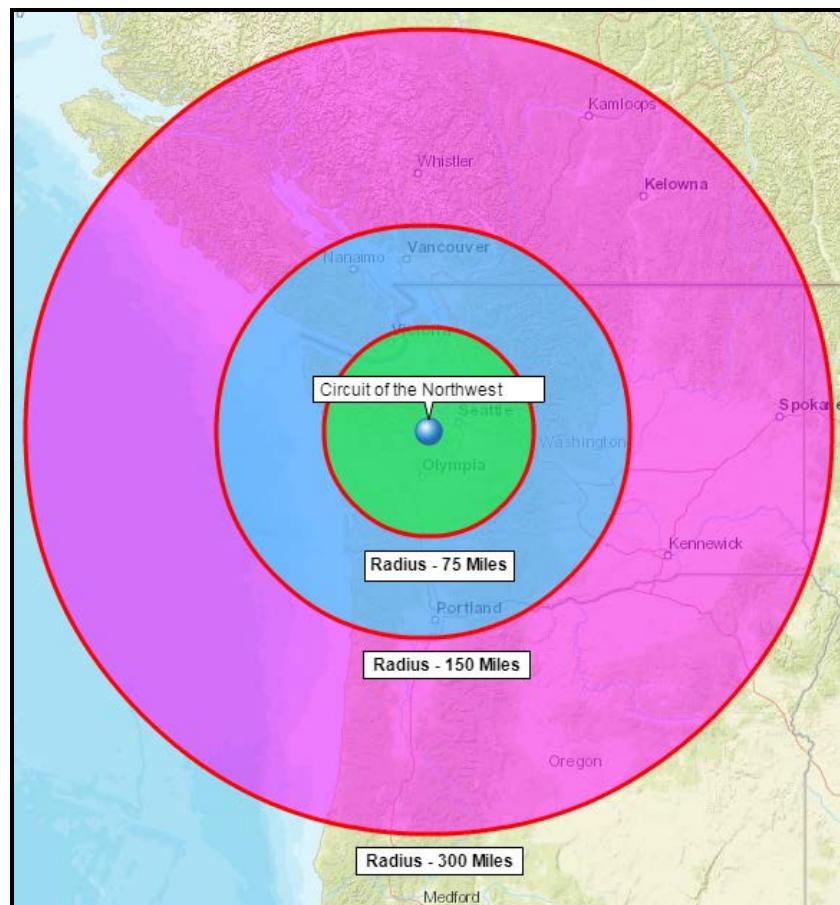


The following table represents driving times to various destinations from the market area.

Circuit of the Northwest
Travel Distances and Times to Selected Destinations

Market Area	MSA Population	Distance (miles)	Travel Time (hours)
Seattle, WA	5,790,000	30	1:21
Portland, OR	2,424,955	171	2:37
Vancouver, BC	2,463,431	207	3:32
Spokane, WA	545,000	323	4:54
San Francisco, CA	8,700,000	806	12:34

Source: Google Maps, US Census



The following presents selected data of the various market areas:

**Circuit of the Northwest
Selected Information**

Description	Kitsap County	Washington	United States
Demographics			
Population	251,133	6,725,000	321,418,820
Pop Density	659	178	91
Pop Change	12.1%	13.0%	12.8%
Median Age	39.4	35.7	37.4
Cost of Living			
Overall Index	124.0	121.0	100.0
Food / Groceries	104.4	103.8	100.0
Utilities	95.0	88.0	100.0
Miscellaneous	108.0	103.0	100.0
Quality of Life			
Violent Crime	36.8	31.0	31.1
Property Crime	37.6	50.0	38.1

Source: US Census / Sperlings

Spectator and Participant Analysis

Introduction:

One indicator of visitation demand is trends showing data on consumer behavior for various activities. This will give information on economic strength and market potential for various types of entertainment attractions.

Sports and Leisure Event Attendance / Participation:

Surveys have been conducted to measure the number of adults in a specified activity to attend / participate in an event.

The following represents data from the United States:

Circuit of the Northwest Sports and Leisure Event Attendance / Participation – Country		
Consumer Behavior	Number of Adults	% of US Pop
Attended Auto Racing Event (NASCAR)	5,759,000	2.5%
Attended Motorcycle Racing Event	1,543,000	0.7%
Attended Auto Show	19,346,000	7.3%
Attended Country Music Performance	11,266,000	4.9%
Attended Music Performance	26,536,000	11.6%
Attended Rock Music Performance	25,176,000	11.0%
Attend Sports Event	68,788,000	30.6%

Source: US Census Bureau – Statistical Abstract

Arts, Sports and Recreation Industry Expenditures:

Surveys have been conducted to measure the amount spent by the arts, sports, and recreation industry expenditures. This sector includes spectator sports and race tracks.

The following represents data from the United States:

**Circuit of the Northwest
Art, Sports, and Recreational Industry Expenditures – Country**

Description	# of Businesses	Revenue (mill)	Payroll (mill)	Employees
Arts and Entertainment	124,279,000	\$193,016,000	\$62,343,000	2,069,000
Spectator Sports	4,416,000	\$31,824,000	\$15,438,000	127,000
Race Tracks	718,000	\$7,201,000	\$1,397,000	50,700

Source: US Census Bureau – Statistical Abstract

Facility Analysis – Comparable and Competitive:

Introduction

The purpose of this section of the report is to evaluate the demand for the proposed facility. Our approach involves analyzing comparable and competitive operations. Our data, methodologies and conclusions will follow.

Comparable Facilities – Entertainment, Events and State Fairs

Area Entertainment Venue Locations:

Circuit of the Northwest will be competing against existing venues for the disposable income of the population. The new facility and the sport of auto racing will attract new spectators and racers, but target marketing will be critical to the long-term success of the facility.

The following represents information on regional area sporting venues:

**Circuit of the Northwest
Area Sporting Venues**

Facility Name	State	Team	Capacity
Husky Stadium - Seattle	WA	WA Huskies	71,900
CenturyLink Field – Seattle	WA	Seattle Seahawks	67,000
Safeco Field – Seattle	WA	Seattle Mariners	47,116
Martin Stadium – Pullman	WA	WSU Cougars	33,522
Joe Albi Stadium – Spokane	WA	Spokane Shine	28,646
Tacoma Dome – Tacoma	WA	Various	23,000

Source: World Stadiums

Area Entertainment – Special Events:

In addition to the existing entertainment and sporting venues, the region hosts specialty fairs and festivals. Some of the largest include:

Circuit of the Northwest Area Fairs

Facility Name	State	Location	Attendance
Kitsap County Fair	WA	Bremerton	80,000
Anacortes Arts Festival	WA	Anacortes	80,000
Anacortes Waterfront Festival	WA	Anacortes	10,000
Sixth Street Fair	WA	Bellevue	35,000
BAM Arts Fair	WA	Bellevue	300,000
Ski to Sea Festival	WA	Bellingham	70,000
Camas Days	WA	Camas	12,000
Chewelah Chataqua	WA	Chewelah	40,000
Taste of Edmonds	WA	Edmonds	75,000
Edmonds Waterfront Festival	WA	Edmonds	15,000
Everett Sausage Festival	WA	Everett	20,000
Issaquah Salmon Days	WA	Issaquah	150,000
Kent Cornucopia Days	WA	Kent	150,000
Lake Stevens Aquafest	WA	Lake Stevens	30,000
Mercer Island Summer Celeb	WA	Mercer Island	25,000
Moses Lake Spring Fest	WA	Moses Lake	20,000
Skagit Valley Tulip Fest	WA	Mount Vernon	350,000
Capital Lake Fair	WA	Olympia	205,000
Olympia Harbor Days	WA	Olympia	50,000
Dungeness Crab Festival	WA	Port Angeles	20,000
Juan De Fuca Festival	WA	Port Angeles	14,000
Rhododendron Festival	WA	Port Townsend	25,000
Wooden Boat Festival	WA	Port Townsend	30,000
Meeker Days Festival	WA	Puyallup	100,000
Oktoberfest Northwest	WA	Puyallup	28,000
Bite of Seattle	WA	Seattle	400,000
Bumbershoot Music Festival	WA	Seattle	125,000
Capitol Hill Bloc Party	WA	Seattle	28,000
Northwest Folklife Festival	WA	Seattle	230,000
Sequim Lavender Festival	WA	Sequim	25,000
Tacoma Airshow	WA	Tacoma	125,000
Taste of Tacoma	WA	Tacoma	225,000
Washington State Apple Fest	WA	Wenatchee	100,000
Washington State Fair	WA	Puyallup	1,065,000

Source: Venues Today – Fairs and Festivals

The development of Circuit of the Northwest may offer an alternative site to attract these events or capture some of their visitors.

The following table represents driving times to these destinations from the Kitsap County, Washington:

**Circuit of the Northwest
Travel Distances and Times to Selected Destinations**

Market Area	Population	Distance (miles)	Travel Time (hours)
Seattle, WA	5,790,000	25.0	1:21
Portland, OR	2,424,955	170.0	2:36
Vancouver, BC	2,463,431	270.0	3:30
Richland, WA	55,000	247.0	4:00
Spokane, WA	545,000	323.0	4:57

Source: Google Maps, U. S. Census

Visitor / Participant Profile for Motorsports Events:

According to recent surveys, the following tables present demographics and related information regarding attendees of motorsports events.

**Circuit of the Northwest
Motorsports Profile – Spectators / Participants**

	Market Area	Professional Road	Drag	Oval
Gender	Male – 51% Female – 49%	Male – 78% Female – 22%	Male – 66% Female – 34%	Male – 62% Female – 38%
Age	38.5	25-49 Years	18-54 Years	25-34 Years
Income	\$69,171	\$50,000 - \$60,000	\$30,000 - \$40,000	\$20,000 - \$40,000
Occupation	Technical / Manufacturing	White Collar	Blue Collar	Technical / Skilled
Marital Status	Married – 54 %	Married – 70%	Married – 52%	Married – 64%
Residence	Own – 67%	Own – 80%	Own – 76%	Own – 72%
Education	High School – 94%	High School – 90%	High School – 50%	High School – 88%
	Moto – Road	Amateur Moto - Cross	ATV	Karting
Gender	Male – 98% Female – 2%	Male – 84% Female – 16%	Male – 75% Female – 25%	Male – 79% Female – 21%
Age	31-40 Years	25-50 Years	35-45 Years	22-35 Years
Income	\$65,000 - \$70,000	\$50,000 - \$75,000	\$40,000 - \$60,000	\$40,000 - \$65,000
Occupation	Professional / Technical	Technical / Skilled	Blue Collar	Professional / Self Employed
Marital Status	Married – 52 %	Married – 40%	Married – 50%	Married – 75%
Residence	Own – 75%	Own – 72%	Own – 75%	Own – 75%
Education	High School – 87%	High School – 76%	High School – 62%	High School – 75%

Source: Various sanctioning bodies (SCCA, NHRA, Nascar, AMA, WKA, City-Data.com industry research.

Motorsports – Road Racing – Sports Car Racers

Here are additional demographic characteristics of road racing participants.

**Circuit of the Northwest
Motorsports – Profile – Sports Car**

Description	Amount
Male	90.0%
Male 25 – 39	21.0%
Male 40 - 59	34.0%
HHI over \$125,000	45.0%
Bachelor's Degree or Advanced	62.0%
Interested in Road Racing	42.0%

Source: SportsCar.com

Motorsports Profile - Racers:

There are many types of users that might be active at Circuit of the Northwest.

One primary target user group is the recreational racer market. From the top level of the sport to grassroots ranks, numbers are strengthening, and slowly new racers are materializing on the track and in the marketplace.

The primary activities would be road racing related, many racers are interested in other types of competition (karting, autocross). The following represents data on this group:

**Circuit of the Northwest
Motorsports – Profile – Racers in the United States**

Description	Number	Percent
Drag Racing	155,000	34.5 %
Oval Track	137,000	30.5 %
Autocross	86,000	19.2 %
Karting	41,000	9.0 %
Road Racing	15,000	3.3 %
Other	11,000	2.3 %
Off Road and Rally	6,000	1.2 %
Total:	451,000	100.0 %

Source: Performance Racing Industry / Motorsport Research Associates / Motorsports Industry Association

Overview:

The users of Circuit of the Northwest will include race teams, sanctioning bodies, racing schools, speed shops, car clubs and manufacturers. Their relationship with the facility will be interrelated. For example, a sanctioning body may officiate an event featuring several manufacturers, or a car owner may participate in a session rented by another car club.

There will also be a significant amount of testing at the facility. Speed shops, drivers and teams will use the venues to test products or setups. In addition, manufacturers may introduce vehicles to the media and dealer groups.

The facility will also offer benefits to the local community. They include educational partnerships being established to work with elementary schools with “race to read” programs, junior racing leagues, driver education, and defensive driving programs for police, fire and emergency personnel.

These entities may enter into agreements of varying lengths with Circuit of the Northwest. For example, a sanctioning body may rent the track for a week to conduct a national championship event; a racing school may rent one of the tracks for four days several times during a year; and a car club may rent the track for a two-day weekend event. Meanwhile other users can simultaneously drive on the other circuit, such as the autocross / skid pad.

To evaluate these trends and to estimate the demand for the proposed facility, we reviewed information on various areas of the motorsports industry.

Sanctioning Bodies:

There are various organizations that would possibly operate events or practices at Circuit of the Northwest.

The following represents a list of organizations that operated events at comparable facilities within the market area of the proposed facility:

Circuit of the Northwest Sanctioning Bodies / Race Series			
Name	Abbreviation	Location	Type
Road Course			
MotoAmerica	MA	Costa Mesa, CA	Motorcycles
International Motor Sports Association	IMSA	Daytona Beach, FL	Sports Car
Sports Car Club of America	SCCA	Topeka, KS	Sports Car
SportsCar Vintage Racing Association	SVRA	Dallas, TX	Vintage
IndyCar	IndyCar	Indianapolis, IN	Open Wheel

Source: National Speedway Directory

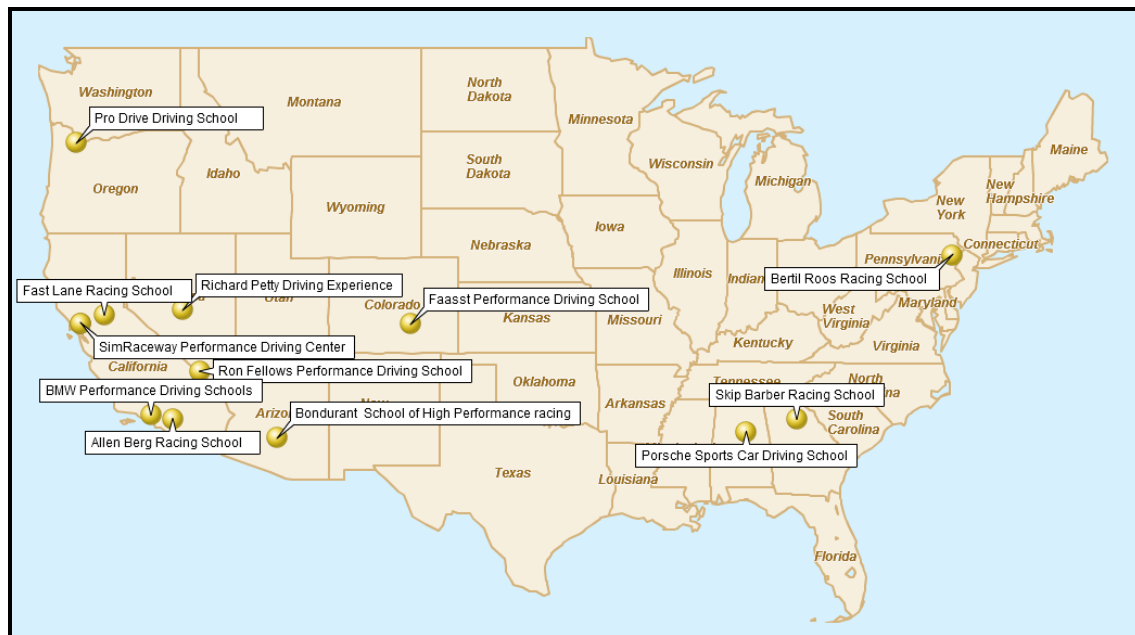
Racing Schools:

There are various organizations that operate racing schools on race tracks. These racing schools can be based primarily at one facility and/or travel from facility to facility. Typically, these racing schools' contract with a facility for a specific number of days per year for exclusive use. Race tracks can host a variety of racing schools.

The following represents a list of racing schools and their respective activities that conduct events at comparable facilities within the market area of the proposed facility:

Circuit of the Northwest Driving Schools				
Number	Name	City	State	Type
High Performance - National				
1	Bondurant School of High Performance racing	Chandler	AZ	Sports cars, open wheel, karting, corporate
2	Skip Barber Racing School	Braselton	GA	Sportscars, open wheel, corporate, racing series
3	Ron Fellows Performance Driving School	Pahrump	NV	Sports cars
4	SimRaceway Performance Driving Center	Sonoma	CA	Sports cars, open wheel, karting, corporate
5	Richard Petty Driving Experience	Charlotte	NC	Stock cars, sports cars
High Performance / Racing - Regional				
6	Pro Drive Driving School	Portland	OR	Sports cars, open wheel
7	Allen Berg Racing School	Fontana	CA	Open wheel
8	Fast Lane Racing School	Willow Springs	CA	Sports cars
9	Bertil Roos Racing School	Pocono	PA	Open wheel
10	Faasst Performance Driving School	Pueblo	CO	Sports cars
Manufacturer Programs				
11	BMW Performance Driving Schools	La Quinta	CA	Sports cars
12	Porsche Sports Car Driving School	Leeds	AL	Sports cars
13	Audi Driving Experience	Sonoma	CA	Sports cars
14	Bridgestone Racing Academy	Pontypool	ONT	Sports cars, open wheel, karting, corporate

Source: Industry Research



Speed Shops and Car Clubs:

There are various speed shops that rent race tracks. The membership of clubs is based on enthusiasts whose focus is based on a certain manufacturer or model.

Speed shops will participate in track rentals and autocross at Circuit of the Northwest. They will use it for testing and client entertainment.

Car and motorcycle clubs will be an activity at Circuit of the Northwest. Clubs frequently rent time at race track facilities for their members to engage in performance driving / riding or educational activities.

The club activities at the Circuit of the Northwest will be open to all makes and models. In addition, drivers and riders from all skill levels are encouraged to participate.

The following represents a list of car clubs who support various events at motorsports facilities:

Circuit of the Northwest Car Clubs

Name	Type
Bremerton Sports Car Club	Autocross
NW Region – SCCA	Sports Car
Intl Conference of Sports Car Clubs	Sports Car
West Washington Sports Car Council	Sports Car
Porsche Club of America – Pacific NW Region	Sports Car
Audi Club – Northwest	Sports Car
Ferrari Club of America – Northwest Region	Sports Car
BMW CCA – Puget Sound Region	Sports Car
SOVREN – Society of Vintage Racing Enthusiasts - PNW	Vintage

Source: Industry Research

Uses:

Circuit of the Northwest is designed to host a broad range of uses.

The following represents a list of potential uses at the proposed facility:

Circuit of the Northwest Potential Uses for the Facility	
Name	Type
Driver and Motorsports Personnel Training	
New drivers / teens	Training
Law enforcement	Training
Advancement / street driving skills	Training
Adverse weather skills	Training
Car control clinics / defensive driving skills	Training
Motorsports track driving	Training
Race car driving training	Training
Autocross training	Training
Motorcycle control training	Training
Motorcycle race training	Training
Cornerworker / track safety personnel training	Training
Emergency personnel training	Training
Certifications	
Racing certifications / licensing	Certification
Teen driver insurance certifications	Certification
Law enforcement advanced certifications	Certification
Historic racing certifications / licensing	Certification
Driving instructor certifications / licensing	Certification
Track safety personnel certification / licensing	Certification
Emergency personnel training	Certification
Racing Events	
Sports car club races	Racing
Marquee car club races	Racing
Historic / vintage races	Racing
Motorcycle races	Racing
Charity races and displays	Racing
Testing	
Motor vehicle testing	Testing
Tire testing	Testing
Component testing	Testing
Race car testing	Testing
Manufacturer testing	Testing
Race car / driver timing	Testing
Entertainment	
Motion picture scenes	Entertainment
Advertising photography	Entertainment
Vehicle display	Entertainment

Source: Industry Research

Motorsports Facility Supply Analysis – Existing Supply

There are many types of facilities that accommodate auto racing. In the United States there are approximately 1,348 facilities. These facilities include: oval tracks – dirt and paved - (75%), drag strips (20%) and road courses (5%). Each year there are approximately 6,000 racing events on over 200 schedules sanctioned by approximately 65 racing organizations. The number of events and length of an individual race track's season is dependent on its location and weather. Road courses and drag strips tend to hold more events than oval tracks.

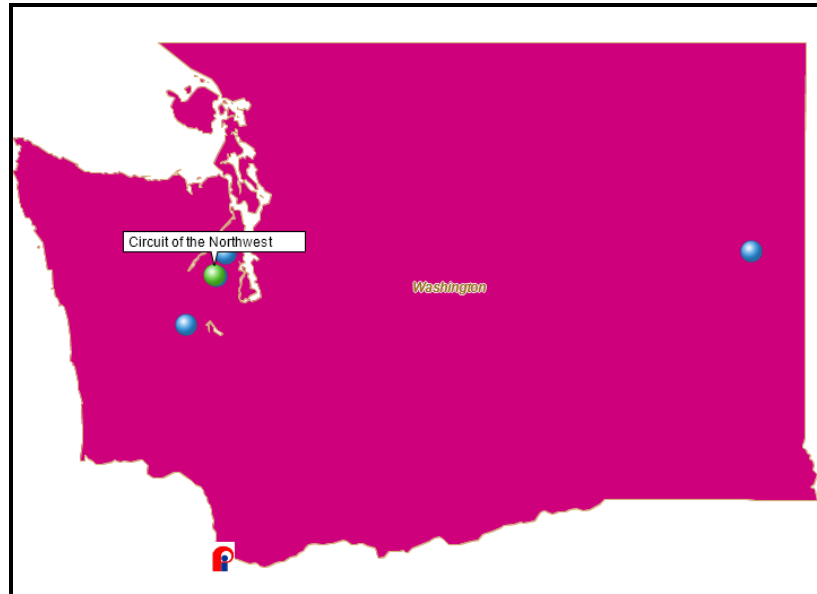
Data presented by the National Speedway Directory, that Washington has a total of 24 motorsports facilities. This includes: 3 – road courses, 6 - drag strips, and 15 - oval tracks (7 dirt and 8 paved),

This following presents analysis on track and population data.

Circuit of the Northwest Facility Supply				
Year	Road	Drag	Oval	Total
Washington				
2014	2	2	10	14
2015	6	2	11	19
2016	3	6	15	24
2017	3	6	15	24
2018	3	6	15	24
United States				
2014	104	277	886	1,267
2015	143	279	907	1,329
2016	153	278	915	1,348
2017	153	278	915	1,348
2018	153	279	908	1,339

Source: National Speedway Directory

Circuit of the Northwest Road Courses - Washington



Sanctioning Body Event Schedules – Spectator Events

The following table presents an overview of the number of race dates for each of the spectator events that could be held at the proposed facility, based on discussions with the management of Circuit of the Northwest.

Circuit of the Northwest Sanctioning Body Schedule Analysis					
Event/Series	Number of Race Dates - 2018	Number of Race Dates - 2017	Number of Race Dates – 2016	Number of Race Dates - 2015	Number of Race Dates – 2014
Road / Oval					
IndyCar	17	17	17	17	17
IMSA	12	12	12	12	12

Summary

As the schedules indicate, each series has a large schedule with a few areas hosting more than one race annually. Each year, series tend to add or subtract races from their schedule depending on various factors (promoter, cost, sponsorship, media, venue, market area, etc.) Officials have indicated that they like to race at new venues in new markets because it allows them to meet the demand for extra races and provide additional development time for drivers and teams to race.

Future Supply – Regional

Research conducted regarding the future supply of motorsports facilities has not revealed any competitive facilities that are under construction that would be comparable to Circuit of the Northwest with plans to enter the market soon.

Future Supply – National

The development of race tracks, with an emphasis on spectator events has slowed down over the last few years. Newer oval track facilities were constructed over five years ago. There have been only a few drag strips constructed in the last few years. There have been several road courses constructed in the last few years. This is about the only segments in track construction which has shown growth. The demand has been from grass roots sports car rental activities.

Conclusion

Based on an analysis of the schedules of these premier sanctioning bodies, it does not appear that there is significant competition for the road course motorsports dollar in the Kitsap County, Washington market. For many of the spectators and participants, they travel to other markets to drive or compete. When considering spectator events, many of the sanctioning bodies consider new facilities based on the newness of the facility, desire of a typical race fan, sponsor and driver to attend and race at a well-designed facility in a premier location.

Existing Supply – Selected Comparable Facilities

Introduction

The purpose of this section of the report is to evaluate the demand for the proposed facility. Our approach involves analyzing comparable and competitive operations. Our data, methodologies and conclusions follow.

Racing Facilities

Based on our research and fieldwork, we have identified multiple comparable existing venues. These facilities are considerable comparable based on an analysis of their track design, location, and calendar of events, capacity, facilities, area demographics and site amenities.

As part of our analysis, we have researched information on comparable road course facilities.

Permanent Facilities – Comparable

We performed additional research and a review of existing facilities. For these venues, we reviewed information on their track design, location, and calendar of events, capacity, facilities, area demographics and site amenities.

Based on this analysis and other factors, we determined the following as comparable venues.

Circuit of the Northwest Comparable Facilities

Name	Location	Notes
Complete Tracks		
Utah Motorsports Campus	Tooele, UT	Road course - 4.50 miles
New Jersey Mtrspts Park	Millville, NJ	Road course – 2.25 / 1.90 miles
Public Tracks		
The Ridge	Shelton, WA	Road course – 2.70 miles
Portland Intl Raceway	Alton, VA	Road course – 1.96 miles
Road Atlanta	Braselton, GA	Road course – 2.54 miles
Virginia Intl Raceway	Alton, VA	Road course – 4.27 / 3.27 miles
Sonoma Raceway	Sonoma, CA	Road course – 2.52 miles
Private Tracks		
Vancouver Islnd Circuit	Vancouver, BC	Road course – 1.42 miles
Area 27	Oliver, BC	Road course – 3.00 miles
Atlanta Motorsports Park	Dawsonville, GA	Road course – 2.00 miles
Autobahn Country Club	Joliet, IL	Road course – 2.20 / 1.50 miles
Monticello Motor Club	Monticello, NY	Road course – 4.10 miles
The Thermal Club	Thermal, CA	Road course – 4.50 miles
Spring Mtn Mtrspts Park	Pahrump, NV	Road course – 3.47 / 2.40 miles
Kart Tracks		
GoPro MotorPlex	Concord, NC	Kart track - 0.70 miles
New Castle Mtrspts Park	New Castle, IN	Kart track – 1.00 miles
Adams Motorsports Park	Riverside, CA	Kart track – 0.75 miles
F1 Boston Outdoors	East Bridgewater, MA	Kart track – 1.40 miles
Anderson Race Park	Palmetto, FL	Kart track – 1.00 miles
Training Center		
Bob Bondurant School	Chandler, AZ	Sports car, open wheel
Skip Barber Racing School	Millville, NJ	Open wheel
BMW Performance Center	Greenville, SC	Sports car
Porsche Design Center	Irvine, CA / Atlanta, GA	Sports car
BSI Training Center	Summit Point, WV	Stock car

Source: Industry research.

Comparable Tracks – Location



Local Venues:

We have also included information on an existing drag strip and motocross track in the area. This provides an indication that there are existing racers and teams that may be able to participate at the proposed facility.

1) Bremerton Motorsports Park

Location:	Bremerton, WA
Target Market:	Seattle-Tacoma-Bellevue, WA MSA
Market Population:	2,500,000
Date Opened:	Opened in 1990.
Facilities:	0.250 drag strip
Surface:	Asphalt
Seating Capacity:	Grandstands
Event Schedule:	
Name of Series:	NHRA
Type of Event:	ET Brackets, Cars, Trucks, Bikes / SLM
Ticket Prices:	\$10 - \$25
Racing Day:	Saturday / Sunday
Practice Day:	Friday

Comments: The facility operates on an old runway at Bremerton National Airport. It does not operate a consistent schedule.

1) MotoWest MX Track

Location:	Bremerton, WA
Target Market:	Seattle-Tacoma-Bellevue, WA MSA
Market Population:	2,500,000

Comments: The facility is under development in the market area.

Comparison of Proposed Facility versus Comparable Facilities:

Upon our review of the facilities, we have compared each against the proposed venue.

Circuit of the Northwest Comparative Evaluation			
Criteria	CNW	The Ridge	Atlanta
Physical Characteristics			
Access	Superior	Superior	Inferior
Parking	Superior	Inferior	Inferior
Impact on surrounding land	Superior	Inferior	Inferior
Land cost	Superior	Inferior	Inferior
Land acquisition	Superior	Inferior	Superior
Market Characteristics			
Local market	Superior	Superior	Inferior
Regional market	Superior	Inferior	Superior
Proximately to support services	Superior	Superior	Inferior
Image and visibility	Superior	Inferior	Inferior
Financial Feasibility			
Total cost	Superior	Superior	Inferior
Funding	Superior	Inferior	Superior
Economic benefits	Superior	Inferior	Inferior
Spin-off development	Superior	Inferior	Inferior

An analysis was performed comparing the utilization of Circuit of the Northwest versus other facilities. These facilities were considered comparable to Circuit of the Northwest due to their facilities, market area, amenities, and type of events hosted.

Due to the similar location, the Ridge could be used a similar amount to Circuit of the Northwest. Atlanta Motorsports Park has a superior winter climate but is subject to a hot summer.

The following characteristics were observed of the comparable facilities.

These facilities host the same types of racing that is anticipated to be held at Circuit of the Northwest.

The developmental concept will be a crucial factor in the future of the facility. The discriminate nature of spectators and participants and their preference for a particular track should not be overlooked. The design of the facility will make it one of the most diverse venues in the region.

Motorsports Facilities – Country Clubs - Membership / Non-Membership Based:

Membership modeled racetracks are most similar to golf country clubs. An initiation fee is paid to the racetrack and monthly dues are subsequently paid to maintain the membership. Like a country club, most racetrack members have unlimited access to the racetrack. Although unlimited access this is not always the case in motorsports, members normally receive many extra privileges of membership.

Many of these racetracks offer unique combinations of clubhouses, paved racetracks, rental garages, dining, nearby lodging and other amenities for their members and guests.

There are no initiation fees or monthly dues with Non-Membership modeled racetracks. Membership may have its privileges, but a successful racetrack is determined by racetrack amenities, racetrack design (which must be fair and challenging), and the surface of the racetrack.

Motorsports Industry
Road Course – Membership Based

Road Courses	City	State
Aspen Motorsports Park	Aspen	CO
Atlanta Motorsports Park	Dawsonville	GA
Autobahn Country Club	Chicago	IL
Carolina Motorsports Park	Kershaw	SC
Chuckwalla Valley Raceway	Desert Center	CA
Eagles Canyon Raceway	Slidell	TX
Harris Hill Road	San Marcos	TX
Inde Motorsports Ranch	Wilcox	AZ
Lime Rock	Lakeville	CT
M1 Concourse	Pontiac	MI
Monticello Motor Club	Monticello	NY
MSR Houston	Angerton	TX
New Jersey Motorsport Park	Millville	NJ
Palm Beach Driving Club	Jupiter	FL
Putnam Park	Cloverdale	IN
Spring Mountain	Pahrump	NV
Texas Motorsport Ranch	Cresson	TX
Thermal Club	Palm Springs	CA
Valley Motorsports Park	Tamworth	NH
Virginia International Raceway	Alton	VA

Source: Industry Research



Motorsport Facilities – Country Clubs

Location		Aspen Motorsports Park	Atlanta Motorsports Park	Autobahn	Inde Motorsports Ranch	LimeRock Drivers Club (LimeRock Park)	Monticello Motor Club	Palm Beach Driving Club (PBRC)	Spring Mountain Motor Resort	Motorspor Ranch	Valley Motorsports Park	Virginia International Raceway	The Thermal Club
		Woody Creek, CO	Atlanta, GA	Joliet, IL	Wilcox, AZ	Lakeville, CT	Monticello, NY	Jupiter, FL	Pahrump, NV	Cresson, TX	Tamworth, NH	Alton, VA	Thermal, CA
No. of Members Max.		26	90	400	145	300	340	200	206	Unavaliab	Unavaliab	Unavaliab	Unavaliab
No. of Members					200	750							
Built/Opened	1963		2010	2005	2009	1957		1965	2004	1995	Under Construction	1957	2008
Initiation Fee													
Corporate Member		\$80,000	\$112,000		\$120,000		\$185,000	\$145,000	\$125,000	\$12,000	\$60,000	\$4,000	
Social Family	\$75,000	\$45,000	\$35,000		\$32,500			\$125,000	\$45,000		\$40,000		
Single Associate		\$20,000			\$60,000	\$110,000	\$185,000			\$3,400		\$3,000	\$85,000
Associate/ Senior		\$10,000				\$55,000	\$130,000						
						\$27,500	\$85,000						
						\$16,500	\$45,000						
Annual Dues													
Corporate Member		\$3,600	\$20,000		\$12,000		\$18,200	\$14,750	\$15,000	\$1,080	\$3,000	\$6,000	
Social Family		\$0	\$5,000		\$5,000			\$6,000	\$5,000		\$1,800		
Single Associate		\$1,800			\$6,500	\$7,260	\$18,200			\$900		\$3,200	\$19,200
Senior		\$2,400				\$3,630	\$12,500						
						\$3,630	\$4,900						
						\$3,630	\$4,100						
Track Distance	1.10	2.00	3.56	2	2.75	1.53	4.00	2.03	3.50	3.10	3.30	3.27	4.50
Number/Tracks	1	3	9 and 15 Turn	2	2	1	2	1	3	2	2	3	3
Track Shape	8 Turn	16turn	Planned Club House with Swimming Pool	21Turn	Casitas, garages, locker rooms & showers, private airport	7Turn	22Turns	11 Turn + Drag	18Turns	16Turns	18 turns	17Turns	20+Turns
Amenities	Business/conference center, resort pool, car storage,garages	Buy's Equity in Acre Property	Business/conference center, resort pool, car storage,garages	VIP pass to events	VIP pass to events	Spa, luxury suites, helipad, fitness center, valet service, exotics fleet, bar/lounge, restaurant, pro shop.	Year-round, 24-hour track availability, concierge, overnight accommodation, bar/lounge, dining.	Clubhouse with swimming pool, fitness center, observation deck, time.	Meeting rooms, showers, skid pad.	Minimal at this time.	Lodge (27 Rooms), 18 Pit lane rooms, 12 villas, 30 garages	Members no longer required to purchase lot and construct residential unit w garage. 300 lots	Members no longer required to purchase lot and construct residential unit w garage. 300 lots
Notes	Include 40,000 ToyotaRacer	350 Total Acres	Owned by Skip Barber			Plans in place to build trackside luxury condos and an on-site tuning center.	Multimillion-dollar clubhouse and pavilion slated for completion in 2010.	Points of Note: The Corvette Z06 and the C6 Z51 are the exclusive cars of the driving school.	Trackside villas offered on some of the 304 acres; near Texas Motor Speedway; 300 garages.	Long time to gain gov. approvals due to opposition.	VA Motorsport Technology Park	BMW Contract	

Motorsports Facilities - Car Condos:

Like a traditional condominium, a car condo is real estate where the owner owns or leases the unit where the car is stored. The common areas of the car condo building are jointly owned by all the tenants and the car condo owner pays a monthly maintenance fee for their use.

Many Car Condos are allowing usage of the units for more than just storage. In fact, some allow for a mixture of business, pleasure and car storage. Some folks customize their "garage" so that they can have parties and watch football. Others are running their business which caters to servicing the stored vehicles.

Car condo developers are marketing their projects to the following demographic:

- A classic car owner who wishes to store his/her vehicle in an optimum environment.
- A person who has a secondary residence in a popular vacation destination (e.g. South Florida, Las Vegas, Scottsdale) and wishes to keep a car year-round at that destination.
- A resident of an urban area (e.g. New York City) where parking a car is extremely expensive and where the car owner wishes a property interest in return for the large monthly parking outlay.

Car condos range in price based on location, size, features and services. Some people take a regular storage facility and store their vehicle while others offer sizes ranging from 800 to 10,000 square feet.

High-end luxury car condos are based more on a country club approach and serve their members. Some are centered on racing, R&D, motorsports and philanthropic pursuits. The idea of mixing high-end and vintage automobiles with fund raising is popular.

As with any country club the members need a club house which can serve as a venue for charitable, political, and corporate functions. These facilities offer their owners amenities such as round-the-clock security, automobile-related businesses and concierge services.

**Circuit of the Northwest
Car Condos**

Name	Location	Website	Number of Units	Price Range	Note:
Iron Gate Motor Condos	Naperville, IL	www.ironгатemotorcondos.com	72 Units – Current 160 Units – Planned.	\$129,000 – 20' x 40' – (smallest unit)	Opened in 2014. Site - 45 acres. Unit sizes ranges from 20' x 40' to 40' to 40'.
AutoMotorPlex	Chanhassen, MN	www.automotorplex.com	120 units – Current.	13' x 24' to 40' x 40' Range from \$40,000 to \$500,000	Opened in 2007. All sold out. Community clubhouse.
Stone Gate Motor Plaza	Kansas City, KS	www.stoneгатemotorplaza.com	56 units – Current. 120 Units – Planned.	10' x 20' to 40' x 40' Range from \$100,000 to \$250,000	Opened in 2014. 40 acres.
RoboVault	Ft. Lauderdale, FL	www.robovault.com	40 units – Planned.	Size: 10' x 20' Range from \$250,000.	Opened in 2016. Armored storage units.
Garage Unlimited	Monterey, CA	www.garage-unlimited-monterey.com	46 Units - Current	16' x 35' to 22.5' x 52.5' Range from: \$265,000 to \$625,000	Opened in 2016.
Garage Unlimited	Santa Cruz, CA	www.garage-unlimited-monterey.com	52 Units - Current	300 sq. ft. to 990 sq. ft. Range from \$150,000	Opened in 2012.
Club Auto Sport	San Jose, CA	www.clubautosport.net	50 Units - Current	800 sq. ft. to 2,500 sq. ft. Range from: \$225,000 to \$560,000	Opened in 2013.
The Shop	Seattle, WA	www.theshopclubs.com	Various	36,500 sq. ft. \$200 per month.	Opened in 2017.

The following is a list and map of various car-condos located in the United States:

**Circuit of the Northwest
Car Condos**

Name	Location	Type
Ultimate Garage Club	Denver, CO	Condos
AutoMotorPlex	Minneapolis, MN	Condos
StoneGate MotorPlaza	Kansas City, MO	Condos
Garages of Texas	Dallas, TX	Condos
Iron Gate Motor Condos	Naperville, IL	Condos
Autobahn Country Club	Joliet, TX	Condos and Track
Atlanta Motorsports Park	Dawsonville, GA	Condos and Track
The Stables Motor Condos	Duluth, GA	Condos

Source: Industry research.



Motorsports Facilities – Real Estate and Industrial Parks:

Real estate has an important role in the business of a racing related business. Current strategy for racing related real estate and facilities is controlled growth with flexibility. This will allow expansion opportunities to address the operational and information needs of the teams and its partners.

Race teams can either lease or build their own facilities. Leasing space can provide space and financial flexibility. Constructing a building is a financial and strategic commitment.

The current trend has been the development of a “campus environment”, multiple facilities in close proximity that house racing and merchandising operations, along with corporate headquarters. These buildings have space for business meetings, seminars and conferences. In addition, they have dining areas, gift shop, museum, and fitness center.

Size requirements can vary greatly. Based on research and discussions with industry personnel, the following information was obtained. Smaller start-up operations may require a 6,000 square foot facility that would house basic equipment. A one or two car team may require 60,000 square feet up to 200,000 square feet for a five car operation. The approximate per team space requirements: (a) Major – 30,000 – 40,000 square feet; (b) Intermediate – 20,000 – 30,000 square feet; and (c) Minor– 20,000 – 25,000 square feet.

Research has indicated there are approximately 6,500 professional race teams competing in the larger oval track, road course, and drag strip series. In addition, there are approximately 400,000 drivers competing at the amateur level, primarily at weekly race tracks.

The number of teams in the major racing series is approximately 2.5% (168 out of 6,500) of the professional race teams in the country. There are many factors (costs, equipment, personnel, experience, etc.) that can limit a team’s ability to compete in a major series.

All of these teams and their supporting business and suppliers may represent a potential tenant to racing related real estate.

During our research, we gathered information regarding industrial property at motorsports facilities.

Motorsports Industry Industrial Property			
Description	Location	Square Footage	Note:
Existing Facilities			
Infiniteon Raceway	Sonoma, CA	146,000 sq. ft.	Over 70 motorsports related businesses.
NJ Motorsports Park	Millville, NJ	400,000 sq. ft.	Industrial, warehouse, and office space.
Summit Point Raceway	Summit, WV	100,000 sq. ft.	Racing and education facilities.
Virginia Intl Raceway	Alton, VA	250,000 sq. ft.	Race teams, schools and testing facilities.

Source: Industry research

Management Analysis

Introduction:

The development and operation of Circuit of the Northwest is a complex task. The activities and skills of the personnel associated with this project are important.

Based on this premise, the individuals that should be considered by the facility to be on the advisory board and management teams are targeted to be successful racing and business leaders.

It is expected that a unique relationship with the local entertainment and leisure industries could provide a sizeable talent pool on which the Circuit of the Northwest can look to for expertise and assistance. Teamwork is the key to racing and that will carry on with the facilities operation.

The operational aspect of the running of a motorsports facility is also very important. The talent pool with the proper skill set includes both individuals and firms experienced in running multi-purpose venues. It is recommended that the Circuit of the Northwest engage professional management if they proceed with the project.

Race Track:

The facility will have both full-time and part-time employees at the facility.

The following represents information on typical positions at a race track facility:

Circuit of the Northwest Personnel Staffing

Position	Job Description
Facility	
Track / Operations Manager	Oversees “on-track” circuit related activities. Supervises all motorsports operations, rules, racing programs, liaison with sanctioning bodies. Runs facility crews.
Corner Workers	Work events for course activity
Emergency Medical Personnel	Work events for participant safety
Seasonal Staff	Assist in various event activities
Facility Manager	Oversees budgeting of facility and hiring of facility employees and outside services risk management
Seasonal Staff	Assist in various activities at facility
Sales and Marketing	
Sales Coordinator	Responsible for all marketing, advertising sales and promotion
General and Administrative	
General Manager	Oversees “off-track” business related activities. All day to day management decisions, annual budgeting and scheduling, department head hiring, promotions and sanctioning body relations
Sales Coordinator	Responsible for all track booking and other rental activities.

The facility will have employees who perform numerous activities.

The following represents the typical areas in which they will operate at a race track facility:

**Circuit of the Northwest
Managerial Activities**

Number	Item	Description
1	Management Operations	Management Operations entails proper procedures for accounting and finance. Objectives are to properly run these areas in accordance with professional business practices.
2	Human Resources	The area of human resources encompasses salaried personnel and consultants, contracted firms, temporary event staffing and volunteers, and race management. Human resources objectives include identifying and, where appropriate within operation budgets, engaging individuals and entities with strong backgrounds in event management, customer service and similar operations.
3	Marketing / Promotion	The area of Marketing and Promotion entails all areas of revenue generation and community awareness from Public Relations through merchandising.
4	Racetrack Preparation	Racetrack Preparation entails all requirements needs to construct and operate a proper racetrack facility.
5	Racetrack Operation	The area of Racetrack Operations encompasses those provisions required in the operation of the overall race and event.
6	Safety	Safety forms and integral part of track development and operations.
7	Racetrack Media	Facilities for Media are required as part of the overall racetrack requirements.
8	Venue Preparations	Venue Preparation comprises items required in addition to the racetrack in the overall operation of the event.
9	Parking and Traffic	Parking and Traffic issues comprise a major portion of operational considerations, both internally and with the city.
10	Public Facilities	Public Facilities comprise operational requirements and facilities needed to insure a positive consumer experience at the event.
11	Vending	Vending comprises all third party sales in conjunction with the event as well as the sale of track items.
12	Permitting and Approvals	Permitting and Approvals as defined herein denote items specified with the track's contract with the City or other bodies obligated as part of the permitting and approval process.

Technical Analysis

Introduction:

The proposed Circuit of the Northwest will be a full featured facility focusing on road course racing. It is also designed to be a destination that could serve as the anchor for development of tourism and entertainment attractions in the area.

The primary activities at the facility will feature both spectator and participant based racing with sports cars, and motorcycles. In addition, the spectator events could be for both regional and national based series.

Facility Specifications:

The final/actual design and costs are subject to various factors including, but not limited to engineering, architectural and sanctioning body specifications. The design philosophy is multi-functional which will allow for simultaneous usage of different configurations. Safety is a primary concern and importance, so there will adequate runoff areas and barriers. It is anticipated that the facility designed will be built to state of the art as detailed by the Federation Internationale de l'Automobile (FIA) standards.

Circuit of the Northwest Road Course - Facility Specifications

Description	Note
Road Course	
Length	0.66 – 2.50 miles
Racing Surface	Asphalt
Turns	14

In addition, there will be a kart track, motocross track, skid pad and auto cross area.

Development Costs:

In addition to the increase in sanctioned motorsports events and their attendance, the number of motorsports facilities that have been recently constructed or proposed appears to be on the decline. Facilities that host national races sanctioned by IndyCar and IMSA tend to cost more than regional facilities. Discussions with various sanctioning bodies and track owners indicated that numerous new facilities that have been built may be economically challenged. Our research and fieldwork revealed several racing facilities capable of hosting similar events as the proposed facility.

Circuit of the Northwest New and Recent Construction					
Name	Date	Location	Type	Length	Cost
CNW	2019/20	Bremerton, WA	Road	0.125 – 2.500	\$33.6
Recent Construction					
Autobahn Country Club	2005	Joliet, IL	Road	3.0	\$15.0
Atlanta Mtr Park	2014	Dawsonville, GA	Road	3.00	\$20.0

Although construction costs and surfaces can vary between venues, these facilities represent well designed tracks with “fan-friendly amenities” that are representative of what spectators and sanctioning bodies expect in the current motorsports environment. The racing surface can vary between facilities and is largely dependent on the “regional preference” of the spectators, drivers, race teams and sanctioning bodies. Many variables (land, construction materials and labor costs) can differ greatly in each location. Discussion with various sources indicated that the estimated construction period for this type of facility would be approximately eighteen months.

The following represents the estimated costs of Circuit of the Northwest, based on preliminary information provided by management.

**Circuit of the Northwest
Estimated Development Costs**

Description	Budget Amounts	Notes
Direct Costs		
Road Course & Facilities	\$10,087,382	
Parking/Paddock Asphalt	5,053,348	
Buildings & Facilities	7,260,000	
Entry and Landscaping	600,000	
Site Work and Utilities	5,236,990	
Miscellaneous Costs	455,500	
Total Direct Costs:	\$28,693,220	
Indirect Costs		
Design & Construct Admin	1,677,676	
Sales Tax (goods only)	1,244,485	
Land Use Permitting	312,368	
Admin Costs	247,254	
Contingency	1,450,279	
Total Indirect Costs:	4,932,062	
Total Costs:	\$33,625,282	
Total Costs: (Rounded)	\$33,600,000	

Source: Circuit of the Northwest

The facility is planned to be located on a total site area of 250.0 acres. It will be leased from the municipal authorities.

Financial Analysis

Introduction:

These financial assumptions present, to the best of our knowledge and belief, Circuit of the Northwest's expected financial position and results of operations. This information is designed to assist management in developing the motorsports facility and should not be considered a presentation of expected future results.

These estimates are based on data from comparable facilities, surveys and interviews with track owners and sanctioning bodies, motorsports industry analysts, financing documents for similar projects, and market and demographic research presented in this report.

Accordingly, these projections may not be used for any other purposes. Furthermore, even if Circuit of the Northwest obtains investor capital and financing to construct the motorsports facility, achieves its projected revenues and incurs the projected levels of operating costs, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Nature of Operations:

Circuit of the Northwest is planned to be a full featured facility covering all aspects of the motorsports spectrum. The motorsports facility is located on a 250.0-acre parcel of land in Kitsap County, Washington. It will feature a road course, which can be divided into a separate circuit configuration. Additional venues include a kart track, skid pad, and auto cross. Support amenities will include a control tower, buildings (tech inspection, restrooms, showers, concession areas, office, etc.), competitor paddock, technology park, and spectator parking areas.

Estimated Operating Results - Overview

Introduction:

In order to prepare and review estimated operating results, several assumptions must be made. As in all studies of this nature, where comparable data is difficult to acquire, some assumptions are based on interviews with individuals knowledgeable about certain aspects of operations.

The statement of estimated annual operating results for Circuit of the Northwest has been developed for a ten-year period. The estimated results are not only based on interviews with those knowledgeable about the industry, data provided by those individuals, the general economic conditions of the area surrounding the proposed site and demographic data for the area, but also on the assumption that there is competent and efficient management in place. This not only means that after operations are underway that management personnel are efficiently controlling expenses, maintaining the quality of the operation, managing key marketing functions and relationships, but also that the pre-opening development was handled in a competent and efficient manner. The importance of effectively executing the pre-opening development plan has a significant effect on the ongoing operation and, therefore, on the estimated operating results.

Financial Highlights:

This is a statement of estimated operating results from the first year of operation through year five of operation. This estimated statement presents a net operating income amount before income taxes, depreciation, amortization, and debt service. It should be noted that this analysis also assumes that various entities host activities at Circuit of the Northwest throughout the projection period.

Circuit of the Northwest Financial Highlights					
Period	Year 1	Year 2	Year 3	Year 4	Year 5
Stage	Start-Up	Start-Up	Stabilized	Stabilized	Stabilized
Revenue (1)					
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues	1,299,600	1,332,090	1,365,392	1,399,527	1,434,515
Other Revenue	296,700	456,176	623,441	639,027	655,003
Total	\$2,600,700	\$3,330,994	\$4,097,227	\$4,199,658	\$4,304,650
Expenses (2)					
Operations	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Total	\$1,960,431	\$2,086,265	\$1,053,252	\$2,274,146	\$2,434,581
Operating Income (3)					
Total	\$640,470	\$1,244,728	\$1,878,378	\$1,925,513	\$1,870,069

Notes: (1) Revenue is derived from track rental, driving education, member dues, advertising and concessions. (2) Expenses are derived from facility expense, marketing, general and administrative. (3) Operating income is defined as earnings (revenues minus expenses) before depreciation, interest, and income taxes.

Limiting Conditions

1. The conclusions reached are based upon our present knowledge of the motorsports industry, including competitive facilities in the facility's market area, as of the completion of our fieldwork.
2. As in all studies of this type, the annual operating results are based upon competent and efficient management and assume no significant change in the competitive position of the development in the immediate area from that set forth in our study.
3. It is understood that our study will be prepared primarily for your use and guidance in reviewing the project in relation to its costs and for possible use in obtaining financing, or in negotiating a lease, or a management contract. However, our report and the material submitted may not be used in any prospectus or printed material used in connection with the sale of real estate, securities or participation interests to the public without our prior written consent.
4. The scope of our study and report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.
5. We have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork.
6. Our liability with respect to this report is limited to the total fees as set forth in the proposal and engagement letter.
7. Any disputes or claims regarding the report or services provided under the terms of the proposal shall be submitted for settlement by arbitration under the American Arbitration Association whose decision shall be final and binding.

Qualifications

Frost Motorsports, LLC, and its strategic partners provide expert analysis and innovative financial solutions to the motorsports industry.

Its President, Tim Frost is an economic and financial consultant with over twenty years of experience with a broad range of industries. He has performed feasibility studies, market demand studies, economic impact analysis, valuation and financial consulting of motorsports facilities and motorsports industry participants. He has authored articles on various valuation issues and spoken at local and national seminars. He has also testified and been qualified as an expert witness in U.S. District Court, arbitrations and depositions. In addition, he is a lecturer in the Masters of Arts in Sports Administration Program at the School of Continuing Studies of Northwestern University. Mr. Frost is also the Publisher of National Speedway Directory, an information source for the motorsports industry and developer of The Track Guide mobile app. In addition, he is the host of the annual Race Track Business Conference. He is also on the Governing Body of the annual Global Sports Management Summit.

Background

Frost currently consults with track owners, sanctioning bodies, team owners, drivers and other motorsports participants on various topics. Before starting his own firm, Frost was a manager with the Valuation Services Group of BDO Seidman, LLP in Chicago, Illinois. Prior to BDO, he worked in the valuation groups of international accounting firms.

Education

Frost received his Masters of Business Administration with a concentration in Finance from the University System of New Hampshire – Plymouth State University in Plymouth, New Hampshire. Prior to this, he received his Bachelors of Arts in Economics from DePauw University in Greencastle, Indiana.

Affiliations

North Carolina Motorsports Association
Specialty Equipment Manufacturers Association

Circuit of the Northwest

ESTIMATED OPERATING RESULTS

September 2018

Submitted To:
Kitsap Public Facilities District





September 24, 2018

Mr. Mike Walton
Executive Director
Kitsap Public Facilities District
9230 Bay Shore Dr NW, Suite 101
Silverdale, WA 98383

Dear Mr. Walton:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The intent of this analysis is to provide Kitsap Public Facilities District with a preliminary understanding of the estimated financial performance of Circuit of the Northwest.

This analysis considered a review of information provided by Circuit of the Northwest management, market conditions, industry trends, and other factors.

Although we believe that the information and assumptions set forth in this analysis to constitute a reasonable basis for estimates, the achievement of any estimate may be affected by economic conditions and the occurrence of other future events cannot be anticipated. Therefore, the actual results achieved will vary from the estimates and such variations may be material.

Sincerely,

A handwritten signature in dark ink that reads "Timothy W. Frost". The signature is written in a cursive, flowing style.

FROST MOTORSPORTS, LLC

Frost Motorsports, LLC | 2504 Lake Avenue | Wilmette, IL 60091
P: 847-853-0294 | F: 847-853-8763 | www.frostmotorsports.com

Table of Contents

Project Description.....	Page 1
Company Overview.....	Page 2
Estimated Operating Results - Overview.....	Page 4
Estimated Operating Results - Revenues.....	Page 7
Estimated Operating Results – Expenses.....	Page 15
Estimated Construction Costs.....	Page 18
Limiting Conditions.....	Page 23
Appendix.....	Page 24



Project Description

Background and Objectives:

This report was prepared for Kitsap Public Facilities District by Frost Motorsports, LLC. It details the results of our research and analysis of Circuit of the Northwest. The objectives of this study were to analyze:

- The financial performance and operations of Circuit of the Northwest and other motorsports facilities.

Scope of Work:

Frost Motorsports, LLC in conducting research and analysis of Circuit of the Northwest, performed the following work steps.

- We reviewed certain documents provided by Circuit of the Northwest management and accessed through external sources, including the following: development plans; marketing materials, and real estate development information (construction cost, project budget, etc.).
- Researched industry information on motorsports facilities.

Conditions of the Study:

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible and they are believed to be reliable. This study is based on estimates, assumptions and other information developed by us from our independent research effort, general knowledge of the industry, and consultation with the client and the clients' representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent, and representatives or any other data source used in preparing or presenting this study.

Company Overview

Circuit of the Northwest

The Facility:

Circuit of the Northwest is planned to be a full-featured facility covering all aspects of the motorsports and technology spectrums. The facility will feature various racing venues. It is envisioned that it will complement the existing tourism and educational attractions in the Bremerton area.

Multipurpose motorsports and entertainment facility including the following:

- Road Course – 2.36 miles – 14 turns – 100 ft. elevation (with variations configurations ranging from .66 mile – 2.66 miles)
- Kart track
- Motocross Track
- Skid pad / autocross

Other entertainment and resort facilities:

- Buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.),
- Garages / Condos,
- Club House
- Retail/ commercial / technology park development.

It is expected that management might partner with experienced motorsports entities to access their knowledge base and engineering skills. It is anticipated that the facility will become the “home track” for sports car clubs / drivers in the Seattle marketplace. This will enhance the facilities reputation.

The design philosophy is multi-functional which will allow for simultaneous usage of different configurations. Safety is a primary concern and importance, so there will be adequate runoff areas and barriers. It is anticipated that the facility designed will be built to state-of-the art specifications.

Facility Design

Proposed Layout of CNW – (Kitsap County, WA):



Estimated Operating Results - Overview

Introduction:

These financial assumptions present, to the best of our knowledge and belief, Circuit of the Northwest's expected financial position and results of operations. This information is designed to assist management in developing the motorsports facility and should not be considered a presentation of expected future results.

These estimates are based on data from comparable facilities, surveys and interviews with track owners and sanctioning bodies, motorsports industry analysts, financing documents for similar projects, and market and demographic research presented in this report.

Accordingly, these projections may not be used for any other purposes. Furthermore, even if Circuit of the Northwest obtains investor capital and financing to construct the motorsports facility, achieves its projected revenues and incurs the projected levels of operating costs, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Nature of Operations:

Circuit of the Northwest is planned to be a full featured facility covering all aspects of the motorsports spectrum. The motorsports facility is located on a 250.0 acre parcel of land along WA-3 in Bremerton, Kitsap County, Washington. It will feature a 2.66 mile road course, which can be divided into separate configurations. Additional venues include: (a) kart track; (b) motocross track; and (c) skid pad / autocross. Support amenities for the racing may include a control tower, buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.), garages / condos, and spectator parking areas. There will also be a Club House for members. There may be potential development of a Motorsports Business Technology Park will include multiple buildings for education and commercial development.

Operating Results:

Estimated Operating Results: The statement of estimated annual operating results for the facility is expressed in current dollars. This is a statement of estimated operating results from the first year of operation through year five of operation. This estimated statement would present a net operating income amount before income taxes, interest, real estate taxes, depreciation, amortization, and debt service.

The following presents a summary of the estimated operating results:

**Circuit of the Northwest
Financial Highlights**

Period	Year 1	Year 2	Year 3	Year 4	Year 5
Stage	Start-Up	Start-Up	Stabilized	Stabilized	Stabilized
Revenue (1)					
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues	1,299,600	1,332,090	1,365,392	1,399,527	1,434,515
Other Revenue	296,700	456,176	623,441	639,027	655,003
Total	\$2,600,700	\$3,330,994	\$4,097,227	\$4,199,658	\$4,304,650
Expenses (2)					
Operations	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Total	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Operating Income (3)					
Total	\$640,470	\$1,244,728	\$1,878,378	\$1,925,513	\$1,870,069

Notes: (1) Revenue is derived from track rental, driving education, member dues, advertising and concessions. (2) Expenses are derived from facility expense, marketing, general and administrative. (3) Operating income is defined as earnings (revenues minus expenses) before depreciation, interest, and income taxes.

Revenues:

Revenues have been based on assumptions regarding the number of track rental days, rental rate, event schedule, spectators, admission prices, concessions, advertising, member related revenue (initiation fees and dues) and other revenue sources as presented below.

Management assumptions used in projecting these items are presented in the following:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues	1,299,600	1,332,090	1,365,392	1,399,527	1,434,515
Other Revenue	296,700	456,176	623,441	639,027	655,003
Total	\$2,600,700	\$3,330,994	\$4,097,227	\$4,199,658	\$4,304,650

The following presents additional detail on the facilities operation:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Track Operations					
Road Course	\$600,000	\$922,500	\$1,260,750	\$1,292,269	\$1,324,575
Kart Track	253,750	390,141	533,192	546,522	560,185
Autocross	45,000	69,188	94,556	96,920	99,343
Motocross	105,788	160,899	219,896	225,393	231,028
Total	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Member Dues					
Corporate	\$179,100	\$183,578	\$188,167	\$192,871	\$197,693
Founders	114,000	116,850	119,771	122,766	125,835
Charter Platinum	177,000	181,425	185,961	190,610	195,375
Charter Silver	592,500	607,313	622,495	638,058	654,009
Charter Bronze	237,000	242,925	248,998	255,223	261,604
Charter Karting	45,000	46,125	47,278	48,460	49,672
Total	\$1,299,600	\$1,332,090	\$1,365,392	\$1,399,527	\$1,434,515
Other Revenue					
Garage Storage	\$210,000	\$322,875	\$441,263	\$452,294	\$463,601
Dlx Car Storage	22,500	34,594	47,278	48,460	49,672
Auto Storage	45,000	69,188	94,556	96,920	99,343
Service Center	19,200	29,520	40,344	41,353	42,386
Total	\$296,700	\$456,176	\$623,441	\$639,027	\$655,003

Track Operations – Details:

The number of events and rental rates are projected as follows:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Track Operations	\$1,004,538	\$1,542,728	\$2,108,394	\$2,161,104	\$2,215,132
Rental Income – Road Course					
Rental Rate – Daily	\$15,000	\$15,375	\$15,759	\$16,153	\$16,557
Number of Days	40	40	80	80	80
Total	\$600,000	\$922,500	\$1,260,750	\$1,292,269	\$1,324,575
Rental Income – Kart Track					
Rental Rate – Daily	\$3,500	\$3,588	\$3,677	\$3,769	\$3,863
Number of Days	73	109	145	145	145
Total	\$253,750	\$390,141	\$533,192	\$546,522	\$560,185
Rental Income – Autocross					
Rental Rate – Daily	\$1,500	\$1,538	\$1,576	\$1,615	\$1,656
Number of Days	30	60	60	60	60
Total	\$285,600	\$308,700	\$352,800	\$380,730	\$410,571
Rental Income – Motocross					
Rental Rate - Daily	\$2,275	\$2,332	\$2,390	\$2,450	\$2,511
Number of Days	47	69	92	92	92
Total	\$105,788	\$160,899	\$219,896	\$225,393	\$231,028

Events:

The number of events for the facility is projected as follows:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Event Days - Total					
Rental Days	189	298	377	377	377
Event Days - Per Track					
Road Course	40	60	80	80	80
Kart Track	73	109	145	145	145
Autocross	30	60	60	60	60
Motocross	47	69	92	92	92

Rental Rates:

The rental rates are projected as follows:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Rates					
Road Course	\$15,000	\$15,375	\$15,759	\$16,153	\$16,557
Kart Track	\$3,500	\$3,588	\$3,677	\$3,769	\$3,863
Autocross	\$1,500	\$1,538	\$1,576	\$1,615	\$1,656
Motocross	\$2,275	\$2,332	\$2,390	\$2,450	\$2,511
Annual Change %	0.0%	2.5%	2.5%	2.5%	2.5%

Membership:

A portion of the activity at Circuit of the Northwest may be membership-based. The membership system is unique for the motorsports industry. Activities at golf clubs parallel the motorsports activities with respect to the amount of time commitment by the member, the related social activities in which the member participates, and the outdoor environment in which the activities occur.

Despite the difference in sporting activity, an analysis of golf activity provides an insight. The following presents information on the industry.

Circuit of the Northwest Golf Industry Overview	
Description	Amount
Number of Golfers	Core - 12.8 million / Occasional 14.6 million
Average Rounds Per Year	Core - 37 / Occasional - 7
Percent of Rounds Played	Core - 91% / Occasional - 9%
Gender	Male 80% / Female - 20%
Number of Courses	16,057
Type of Course	Public - 73% / Private - 27%
Green Fees (Public)	High - \$100 / Median - \$34 / Low - \$20

Source: National Golf Foundation

There are going to be various categories of memberships that may be offered to individuals to use the facility. Each membership category offers a different level of benefits to members. An individual may elect to obtain a facility membership, which entitles the member to driving privileges on the facility, but not on the other circuits. There will also be memberships to car clubs and corporations that will allow them to hold a limited number of group events on the facility, etc.

It may be expected there will be a large number of individual members. Many auto dealerships are expected to reserve individual memberships. The auto industry dealerships may purchase groups of memberships and later distribute these memberships to individuals as a part of customer or sales staff incentive programs. Many members will be corporations or car clubs and associations.

Membership Dues – Details:

The revenue from membership initiation fees and annual dues are projected as follows:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Member Dues					
Corporate	\$179,100	\$183,578	\$188,167	\$192,871	\$197,693
Founders	114,000	116,850	119,771	122,766	125,835
Charter Platinum	177,000	181,425	185,961	190,610	195,375
Charter Silver	592,500	607,313	622,495	638,058	654,009
Charter Bronze	237,000	242,925	248,998	255,223	261,604
Charter Karting	45,000	46,125	47,278	48,460	49,672
Total	\$1,299,600	\$1,332,090	\$1,365,392	\$1,399,527	\$1,434,515

The following presents details on the various types of membership:

Circuit of the Northwest Membership Information			
Description	Initiation Fee	Dues – Member (Annual / Monthly)	Number of Members / Change %
Corporate	\$205,000	\$11,940 / \$995	15 / 2.5%
Founders	\$62,000	\$1,140	200 / 2.5%
Charter Platinum	\$62,000	\$3,540 / \$295	50 / 2.5%
Charter Silver	\$45,000	\$4,740 / \$395	125 / 2.5%
Charter Bronze	\$37,000	\$4,740 / \$395	50 / 2.5%
Charter Kart	\$3,000	\$900 / \$75	50 / 2.5%

Other Revenue - Details:

The revenue from storage garages and service center fees are projected as follows:

Circuit of the Northwest Revenue					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Other Revenue					
Garage Storage	\$210,000	\$322,875	\$441,263	\$452,294	\$463,601
Deluxe Car Storage	22,500	34,594	47,278	48,460	49,672
Autominium Storage	45,000	69,188	94,556	96,920	99,343
Service Center	19,200	29,520	40,344	41,353	42,386
Total	\$296,700	\$456,176	\$623,441	\$639,027	\$655,003

The following presents data on revenue from short-term usage / storage:

Circuit of the Northwest Other Revenue Information – (Year 3 – Stabilized)		
Description	Unit Rates – (Monthly / Daily)	Number of Units / Change %
Garage Storage	\$17,500 / \$350	50 / 2.5%
Deluxe Car Storage	\$1,875 / \$750	3 / 2.5%
Autominium Storage	\$3,750 / \$1,250	3 / 2.5%
Service Center	\$3,200 / \$3,200	1 / 2.5%

Operating Expenses:

Facilities expenses are forecasted based on the salaries and benefits of management and staff as required managing and maintaining the complex. Salary and benefits are forecasted to increase by 2.5% per year. The related facilities expenses as listed are forecasted to increase 2.5% per year. The beginning expense amounts were determined based on discussions with industry professionals, analysis of motorsports facilities and economic statistics.

The following presents overview on the operations expenses:

Circuit of the Northwest Financial Highlights					
Period	Year 1	Year 2	Year 3	Year 4	Year 5
Stage	Start-Up	Start-Up	Stabilized	Stabilized	Stabilized
Expenses (2)					
Operations	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581
Total	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581

Notes: (1) Expenses are derived from facility expense, marketing, general and administrative.

The following presents additional detail on the operating expenses:

Circuit of the Northwest Financial Highlights					
Description	Year 1	Year 2	Year 3	Year 4	Year 5
Operations Expense					
Salaries & Wages	\$1,085,000	\$1,112,125	\$1,139,928	\$1,168,426	\$1,197,637
Employee Benefits	249,550	255,789	262,183	268,738	275,457
Payroll Taxes	130,200	133,455	136,791	140,211	143,716
Utilities, Telephone & Internet	22,000	22,550	23,114	23,692	24,284
Office Supplies & Postage	35,000	35,875	36,772	37,691	38,633
Sales & Marketing	100,454	154,273	210,839	216,110	221,513
Repairs & Maintenance	75,000	76,875	78,797	80,767	82,786
Equipment Rental	35,000	35,875	36,772	37,691	38,633
Professional Fees	15,000	15,375	15,759	16,153	16,557
Licenses & Permits	12,500	12,813	13,133	13,461	13,798
Legal, Accounting & Tax Returns	25,000	25,625	26,266	26,922	27,595
Insurance	45,000	46,125	47,278	48,460	49,672
Other Expenses	75,000	76,875	78,797	80,767	82,786
Lease Payments	5,500	5,500	7,000	7,000	110,757
Total	\$1,960,431	\$2,086,265	\$2,218,849	\$2,274,146	\$2,434,581

Salaries and Wages:

The following represents the details on the salaries and benefits for staff of the facility.

Circuit of the Northwest Personnel Staffing		
Position	Employees	Total Annual Salary
Salaries Expense		
General Manager, Sls Mgr	2	\$360,000
Marketing Manager	1	95,000
Motocross/Karting Staff	8	220,000
Maintenance Staff	5	125,000
Operations	2	90,000
Customer Service	1	50,000
Accountant (AP/AR)	2	85,000
Administrative Assistant	2	60,000
Total:		\$1,085,000
Benefits and Tax Rates		
Employee Benefits Rate		23%
Employee Tax Rate		12%

Estimated Construction Cost:

Introduction:

The proposed Circuit of the Northwest will be a full featured facility focusing on road course racing. It is also designed to be a destination that could serve as the anchor for development of tourism and entertainment attractions in the area.

The primary activities at the facility will feature both spectator and participant based racing with sports cars, and motorcycles. In addition, the spectator events could be for both regional and national based series.

Facility Specifications:

The final/actual design and costs are subject to various factors including, but not limited to engineering, architectural and sanctioning body specifications. The design philosophy is multi-functional which will allow for simultaneous usage of different configurations. Safety is a primary concern and importance, so there will adequate runoff areas and barriers. It is anticipated that the facility designed will be built to state of the art as detailed by the Federation Internationale de l'Automobile (FIA) standards.

Circuit of the Northwest Road Course - Facility Specifications

Description		Note
Road Course		
Length		0.66 – 2.50 miles
Racing Surface		Asphalt
Turns		14

In addition, there will be a kart track, motocross track, skid pad and auto cross area.

The track was designed by German architecture and engineering firm, Herman Tilke GmbH & Co. They are recognized as the world's leading designer for racetrack and test facilities.

Although construction costs and surfaces can vary between venues, most facilities represent well designed tracks with “fan-friendly amenities” that are representative of what spectators and sanctioning bodies expect in the current motorsports environment. The racing surface can vary between facilities and is largely dependent on the “regional preference” of the spectators, drivers, race teams and sanctioning bodies. Many variables (land, construction materials and labor costs) can differ greatly in each location. Discussion with various sources indicated that the estimated construction period for this type of facility would be approximately eighteen months.

The following represents the estimated costs of Circuit of the Northwest, based on preliminary information provided by management.

**Circuit of the Northwest
Estimated Development Costs**

Description	Budget Amounts	Notes
Direct Costs		
Road Course & Facilities	\$10,087,382	
Parking/Paddock Asphalt	5,053,348	
Buildings & Facilities	7,260,000	
Entry and Landscaping	600,000	
Site Work and Utilities	5,236,990	
Miscellaneous Costs	455,500	
Total Direct Costs:	\$28,693,220	
Indirect Costs		
Design & Construct Admin	1,677,676	
Sales Tax (goods only)	1,244,485	
Land Use Permitting	312,368	
Admin Costs	247,254	
Contingency	1,450,279	
Total Indirect Costs:	4,932,062	
Total Costs:	\$33,625,282	
Total Costs: (Rounded)	\$33,600,000	

Source: Circuit of the Northwest

The facility is planned to be located on a total site area of 250.0 acres. It will be leased from the municipal authorities.

The following represents the detailed estimated costs of Circuit of the Northwest, based on preliminary information provided by management.

Circuit of the Northwest						
Estimated Development Costs						
	Description	Total Conceptual Project				Comments
		Qty	Unit	Cost	ESTIMATE	
1	Land Use Permitting					
	Land Use Permit				\$ 1,742	
	Traffic Study				\$ 6,250	
	Hydrogeology Study				\$ 109,566	
	Sound Study				\$ 10,950	
	Wet Land Analysis				\$ 6,160	
	Civil and Land Surveying				\$ 98,500	
	Fisheries Assessment				\$ 3,000	
	Red Book Study				\$ 71,200	
	Land Use Consultant (Art Castle)				\$ 5,000	
2	Road Course & Facilities					
	Road Course Pavement	25,252	ton	\$ 190	\$ 4,797,880	Tilke layout
	Road Course Stone Base	23,479	ton	\$ 38	\$ 892,202	
	Security Fencing (6')	17,500	lf	\$ 28	\$ 490,000	
	Crowd Control Fencing (4')	4,300	lf	\$ 16	\$ 68,800	
	Triple Beam Guard Rail	28,100	lf	\$ 55	\$ 1,545,500	
	Tire Barrier	1,500	lf	\$ 100	\$ 150,000	
	FIA Kerb	2,500	lf	\$ 30	\$ 75,000	Allowance (design to be determined)
	Moveable Barriers	2,000	lf	\$ 45	\$ 90,000	
	Barrier Wall	1,000	lf	\$ 130	\$ 130,000	
	Scoring System	1	ls		\$ -	By Others
	Fueling Station (race facilities by sponsor)	1	ls	\$ 35,000	\$ 35,000	per previous estimate
	Hillside Hardscape Seating	4,000	seat	\$ 30	\$ 120,000	Tiered wall seating
	Underdrain	33,000	lf	\$ 6.00	\$ 198,000	
	Soil Stabilization	1	ls	\$ 200,000	\$ 200,000	Allowance (as required by conditions)
	Motocross Course	1	ls	\$ 400,000	\$ 400,000	Allowance
	Skid Pad/Skills Area	1	ls	\$ 895,000	\$ 895,000	Allowance

3	Parking / Paddock Asphalt					
	Paddock/Garage Asphalt	22,886	ton	\$ 90	\$ 2,059,740	
	Paddock/Garage Stone Base	29,260	ton	\$ 38	\$ 1,111,880	
	Car Parking Asphalt	13,580	ton	\$ 90	\$ 1,222,200	
	Car Parking Stone Base	17,356	ton	\$ 38	\$ 659,528	
4	Buildings & Facilities					
	Gate House	2,000	sf	\$ 110	\$ 220,000	
	Competitor Garages	12,000	sf	\$ 70	\$ 840,000	
	Race Control	3,000	sf	\$ 70	\$ 210,000	
	Hospitality/Clubhouse	25,000	ea	\$ 170	\$ 4,250,000	
	Maintenance Facilities					included in garages
	First Aid / Medical Building					included in garages
	Tech Services					included in garages
	Concessions					included in clubhouse/garages
	Restrooms					included in garages
	Car/Transport Tunnel	1	ea	\$ 480,000	\$ 480,000	
	Karting Buildings	3,000	sf	\$ 70	\$ 210,000	
	Karting Track	1	ls	\$1,050,000	\$ 1,050,000	
5	Entry and Landscaping					
	Entry Gates/Hospitality Area	1	ls	\$ 100,000	\$ 100,000	Allowance (design to be determined)
	Landscaping (race venue only)	1	ls	\$ 200,000	\$ 200,000	Allowance (design to be determined)
	Access Improvements	1	ls	\$ 300,000	\$ 300,000	Per previous doc
6	Sitework and Utilities					
	Earthwork	150,000	cy	\$ 5	\$ 750,000	Allowance (design to be determined)
	Unsuitable Soil	2,500	cy	\$ 20	\$ 50,000	Allowance
	Seeding	3,200,000	sf	\$ 0.06	\$ 192,000	
	Erosion Control	1	ls	\$ 80,000	\$ 80,000	
	Access Road Asphalt (25FT Width)	10,752	ton	\$ 90	\$ 967,680	
	Access Road stone base	13,745	ton	\$ 38	\$ 522,310	
	Gas, Electric, and Telephone By Utility	1	ls	\$ -	\$ -	
	Water - 6" C900	10,000	lf	\$ 50	\$ 500,000	
	Water - Hydrant	25	ea	\$ 3,200	\$ 80,000	
	Storm Sewer	1	ls	\$1,450,000	\$ 1,450,000	
	Site Lighting (parking and paddock only)	1	ls	\$ 165,000	\$ 165,000	
	Emergency (E) Power	1	ls	\$ 80,000	\$ 80,000	
	Clearing	80	ac	\$ 5,000	\$ 400,000	
7	Misc Costs					
	City Fees	1	ls	\$ 5,000	\$ 5,000	
	R/W Fees	1	ls	\$ 7,500	\$ 7,500	

	Monitoring Well Relocation	1	ls	\$ 20,000	\$ 20,000	
	Geotech	1	ls	\$ 100,000	\$ 100,000	
	Wetland Buffer Plan	1	ls	\$ 10,000	\$ 10,000	
	Revise Noise Study	1	ls	\$ 10,000	\$ 10,000	
	Traffic Impact Analysis	1	ls	\$ 10,000	\$ 10,000	
	Construction Surveying	1	ls	\$ 180,000	\$ 180,000	
	Road Course Conceptuals/Layout	1	ls	\$ 78,000	\$ 78,000	
	Market Demand Study	1	ls	\$ 35,000	\$ 35,000	
	Subtotal				\$29,005,588	
	Contingency 5%				\$ 1,450,279	
	Subtotal W/ Contingency				\$30,455,867	
	Program Integration Manager	1	ls	\$ 140,000	\$ 140,000	Directs entire project
	Const. Administration (3%)	1	ls	\$ 913,676	\$ 913,676	Management team during construction
	Civil Engineering Plans (Track & Local Eng)	1	ls	\$ 350,000	\$ 350,000	
	Architectural (5% on buildings only)	1	ls	\$ 274,000	\$ 274,000	Includes landscape design
	Sales Tax (Goods Only)	1	ls	\$1,244,485	\$ 1,244,485	
8	Current Administrative Costs					
	Legal Fees				\$ 8,847	
	Professional Fees				\$ 124,766	
	Marketing				\$ 26,590	
	Office Supplies, Postage, Printing				\$ 38,360	
	Accounting and Bookkeeping				\$ 19,897	
	Computer/Website				\$ 12,174	
	Contributions				\$ 1,150	
	Signs				\$ 635	
	Telephone				\$ 14,835	
	TOTAL		Grand Total		\$33,625,282	
Source: Circuit of the Northwest						

Limiting Conditions

1. The conclusions reached are based upon our present knowledge of the motorsports industry, including competitive facilities in the proposed facility's market area, as of the completion of our fieldwork.
2. As in all studies of this type, the estimated annual operating results are based upon competent and efficient management and assume no significant change in the competitive position of the development in the immediate area from that set forth in our study.
3. It is understood that our market study will be prepared primarily for your use and guidance in determining the feasibility of the project in relation to its costs and for possible use in obtaining financing, or in negotiating a lease, or a management contract. However, our report and the material submitted may not be used in any prospectus or printed material used in connection with the sale of real estate, securities or participation interests to the public without our prior written consent.
4. The scope of our study and report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.
5. We have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork.
6. Our liability with respect to this report is limited to the total fees as set forth in the proposal and engagement letter.
7. Any disputes or claims regarding the report or services provided under the terms of the proposal shall be submitted for settlement by arbitration under the American Arbitration Association whose decision shall be final and binding.

Circuit of the Northwest

ECONOMIC IMPACT ANALYSIS

SEPTEMBER 2018

Submitted To:
Kitsap Public Facilities District





Consultants to the Motorsports Industry

September 24, 2018

Mr. Mike Walton
Executive Director
Kitsap Public Facilities District
9230 Bay Shore Dr NW, Suite 101
Silverdale, WA 98383

Dear Mr. Walton:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The purpose of the engagement is to prepare an Economic Impact Analysis in regards to the proposed development of a multi-purpose motorsports and entertainment facility, Circuit of the Northwest ("CNW") in the Kitsap County, Washington area.

The facility is planned to be located on an approximately 250.0-acre parcel of land on WA-3 in Bremerton, WA. It is located across from Bremerton National Airport. The multi-purpose venue will feature various racing circuits, including: (a) road course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.) There facility will also include a: (b) kart track; (c) motocross track; and (d) skid pad / autocross. With public involvement the support amenities will be possible. May include: control tower, buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.), garages / condos, and spectator parking areas. There will also be a Club House for members. There may be potential development of a Motorsports Business Technology Park will include multiple buildings for education and commercial development.

This facility will be a source of pride for the entire northwest Washington region. Many of the events scheduled at the facility have local and regional significance, as well as strong corporate interest, which, together, provide a solid contribution to the area's economic growth.

As would be expected of a facility of this magnitude, the indirect economic effects experienced by related businesses and industries are positive. New sources of revenue and employment opportunities occur in areas such as: construction, advertising, dining, off-premises catering, hotels, car rentals, and tourist attractions. This type of economic multiplier not only enhances the performance of existing business and industry, but also creates new markets and developments that will stimulate economic performance.

Sincerely,

A handwritten signature in dark ink that reads "Timothy W. Frost". The signature is written in a cursive, flowing style.

FROST MOTORSPORTS, LLC

Frost Motorsports, LLC | 2504 Lake Avenue | Wilmette, IL 60091
P: 847-853-0294 | F: 847-853-8763 | www.frostmotorsports.com

Table of Contents

Economic Analysis.....	Page 1
Limiting Conditions	Page 12

Economic Analysis

Introduction:

The development of the Circuit of the Northwest will have an impact on both Kitsap County, where it will be located, and on the Washington economy in which it operates.

The impact of the facility will extend far beyond the operations of the Circuit of the Northwest. They extend into other parts of Kitsap County in the form of jobs for the residents and new revenues for the area. They extend into other parts of Washington in the form of increased business for supplies and services at local firms. These expenditures have an even greater impact as the increased business spreads to other firms in a multiplier effect.

The project will also have an effect at locations in the vicinity of the Circuit of the Northwest. By attracting a large number of spectators, firms locate in the vicinity to better serve spectators. A facility of this type can stimulate additional investment in the area.

The economic impact model incorporated the initial spending injections attributable to the Circuit of the Northwest and produced an overall economic impact analysis with the following elements: 1) the construction phase for the facility; 2) the ongoing operations of the facility; 3) visitor spending associated with the facility; and 4) taxes collected by governmental entities.

In presenting the economic impact, they are categorized into three general groups:

Direct Impact: Measures the employment and spending impact of the facility itself and its related developments.

Induced Impact: Measures the local economic activities outside of the facility created as a result of visitation to the facility.

Indirect Impact: Measures the “multiplier impact” resulting from successive rounds of additional spending caused by the direct and induced impact.

The following presents the economic impact of Circuit of the Northwest:
(This total data includes the impact from the construction period and the initial year of track operation and visitor spending related to the facility.)

**Circuit of the Northwest
Economic Impact – Total**

Description	Construction	Operations	Visitor Spending	Total
Total economic activity	\$44,796,000	\$3,516,000	\$3,435,000	\$51,747,000
Total earnings	\$17,202,000	\$1,913,000	\$1,243,000	\$20,358,000
Total jobs created - FTE - (Direct)	199	62	42	303
Total jobs created - FTE (Induced / Indirect)	97	11	8	116
Total jobs created - FTE – (Total)	296	73	50	419
Taxes	\$5,930,000	\$772,000	\$634,000	\$7,336,000

Construction of Circuit of the Northwest:

The construction stage covers the building of the multi-purpose facility (race circuits, entertainment venues, and resort amenities). Local firms are expected to be involved in the project.

Although these construction and other expenditures are one-time injections into the local economy needed for the work, they have indirect impact as the wages and materials purchased are spent and re-spent in the economy. The total jobs created during the construction phase are temporary jobs that are associated with the building of the project.

The following presents the economic impact of construction of the Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Construction	
Description	Total
Total estimated construction spending	\$33,600,000
Total economic activity	\$44,796,000
Total earnings	\$17,202,000
Total jobs created – FTE – (Direct)	199
Total jobs created – FTE – (Induced / Indirect)	97
Total jobs created – FTE – (Total)	296

Operation of Circuit of the Northwest:

The ongoing economic impact of the Circuit of the Northwest is attributable to three items: 1) the employment of local residents; 2) the direct expenditures by the facility for goods and support services; and 3) the multiplier effect of all these initial expenditures. Again, the important concept is the local share in capturing these expenditures.

At full operation, the facility will have employees, whose wages accrue to local residents.

In addition, each year operating expenses go to local area firms. These cover such expenses as business support services, utilities, supplies, and advertising.

These two sources of direct impact produce additional indirect impact as the initial wages and expenditures work their way through the local economy.

The following presents the economic impact of operations of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Operations – Annual	
Description	Total
Total estimated operations expense	\$2,200,000
Total economic activity	\$3,516,000
Total earnings	\$1,913,000
Total jobs created – FTE – (Direct)	62
Total jobs created – FTE – (Induced / Indirect)	11
Total jobs created – FTE – (Total)	73

Visitor Spending of Circuit of the Northwest:

Another economic impact of Circuit of the Northwest results from spending by spectators, sponsors, drivers, teams and officials.

Attracting these groups induces off-site expenditures. A portion of these is from outside the area, resulting in additional room nights for hotel operators.

The following presents details of attendance and hotel nights of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Total Number of Visitors	
Description	Total
Local	10,000
Outside Kitsap County	15,000
Total	25,000
Number of Room Nights	
Description	Total
Local	0
Outside Kitsap County	9,000
Total	9,000

The facility is estimated to trigger additional spending at other local sites each year. This induced spending is primarily for lodging, retail purchases, and food and beverages.

The following presents details of visitor spending of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Visitor - Daily Spending	
Description	Total
Retail	\$30
Food and Beverage	\$75
Lodging	\$125
Total	\$230
Total Spending	
Description	Total
Retail	\$270,000
Food and Beverage	\$1,425,000
Lodging	\$1,125,000
Total	\$2,820,000

The following presents the economic impact of non-local visitor spending of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Visitor Spending	
Description	Total
Total estimated visitor spending	\$2,340,000
Total economic activity	\$3,435,000
Total earnings	\$1,243,000
Total jobs created – FTE – (Direct)	42
Total jobs created – FTE – (Induced / Indirect)	8
Total jobs created – FTE – (Total)	50

Annual Recurring Economic Impact of Circuit of the Northwest:

When Circuit of the Northwest is operating, the total recurring economic impact of race track operations and non-local visitor spending generates economic activity, which is captured in the local economy with additional hotel and restaurant establishments. This activity supports a number of jobs with annual earnings.

The following presents the economic impact of recurring operations of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Operations and Visitor Spending	
Description	Total
Total economic activity	\$6,951,000
Total earnings	\$3,156,000
Total jobs created – FTE – (Direct)	104
Total jobs created – FTE – (Induced / Indirect)	18
Total jobs created – FTE – (Total)	122

Tax Revenue:

Taxes measure the changes in revenues to government as a result of changes in economic activity or an economic event.

Federal taxes are comprised primarily of corporate income, excise, and personal income, and social security. The state / local taxes are comprised primarily of sales, corporate income, personal income, property and social security, property, sales and hotel taxes. It should be noted that this analysis does not reflect the potential operation of the Circuit of the Northwest by a tax-exempt organization. The construction taxes primarily reflect the sales tax associated with building materials and supplies.

The following presents the tax revenues of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Tax Revenues	
Description	Total
Construction	\$5,930,000
Operations	\$772,000
Visitor Spending	\$634,000
Total	\$7,336,000

Methodology:

This study makes extensive use of the Implan input-output economic modeling system. Implan is a widely used, nationally recognized, economic impact model.

Implan estimates changes in total local economic activity caused by some economic change in the area. An example of an economic change might be a new business moving into the local area. This new business makes local purchases of goods and services. These new purchases of goods and services cause changes in the overall level of economic activity in the local area. Implan provides estimates of this new level of overall economic activity.

Implan provides estimates of additional economic activity associated with the original economic activity. As an example, when a one local business purchases goods at another second local business, the first business is helping support the second. Implan estimates all levels of economic activity supported by the first business.

The concept of direct and indirect impact is widely used in this study. Direct impacts are those related to initial spending in the economy. In the previous example, the first business purchasing goods and services is making a direct expenditure to the second business. The second business needs to purchase goods and services to produce the product the first business purchases, this and succeeding rounds of purchases, are known as the indirect impact.

Multipliers:

Input-output models are used to estimate multipliers. Multipliers used in this study are related to the local economy, and its unique structure and trade flows. As a result, the multipliers shown below may be different than in other published studies. In general, the multipliers used here to calculate indirect effects are conservative.

There are two types of multipliers associated with the Implan model. These are the Type I and Type III. The Type I multiplier takes into account the direct and indirect spending. Again, direct spending is spending by the first business affecting the economy. Indirect spending is spending by all other businesses selling goods and services to the first business.

The Type III multiplier takes into account spending by households employed by the first and all other subsequent business on goods and services required to run a household. These multipliers can become quite high. In an effort to remain conservative, this study uses only the Type I multipliers and direct estimation of household expenditures.

Report Tables:

The tables presented in this report summarize the economic impacts of the project and take the form of direct and indirect impacts on four different economic measures. The measures are total industry output, employee compensation, other income, and employment.

The first measure is total industry output. This represents the value of production of goods and services by businesses in the local economy. Total industry output, or TIO as it is commonly called, generally is equivalent to total business sales plus what is placed business place into (or removed from) inventory. This is an overall measure of how a local economy is affected. The second measure is employee compensation. This represents total payroll costs including wages and salaries paid to workers plus benefits such as health insurance. This is measure of how the employees of the businesses producing the total industry output share in the fortunes of those businesses.

The third measure is total other income. Other income includes income generated by self-employed individuals, corporate profits, and items such as dividends, interest, and rents earned by either individuals or corporations.

Lastly, the fourth measure is total employment. Total employment represents annual average full-time and part-time employees working for the business producing the total industry output. These employees earn the employee compensation as well as a portion of total other income.

Data Sources:

The International Association of Convention & Visitors Bureaus publishes the Convention Income Survey Report. This report surveys and interviews convention and visitors bureaus throughout the United States and Canada.

Assumptions:

This study utilized data and statistics from the Expact 2004 – Convention Expenditure and Impact Study. For example, visitors who traveled more than 150 miles were assumed to spend \$230 with 2.5 persons per room per night. In addition, discussions with management, analysis of historical and prospective financial information, and industry and economic statistics were utilized.

Limiting Conditions

1. The conclusions reached are based upon our present knowledge of the motorsports industry, including competitive facilities in the facility's market area, as of the completion of our fieldwork.
2. As in all studies of this type, the annual operating results are based upon competent and efficient management and assume no significant change in the competitive position of the development in the immediate area from that set forth in our study.
3. It is understood that our study will be prepared primarily for your use and guidance in reviewing the project in relation to its costs and for possible use in obtaining financing, or in negotiating a lease, or a management contract. However, our report and the material submitted may not be used in any prospectus or printed material used in connection with the sale of real estate, securities or participation interests to the public without our prior written consent.
4. The scope of our study and report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.
5. We have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork.
6. Our liability with respect to this report is limited to the total fees as set forth in the proposal and engagement letter.
7. Any disputes or claims regarding the report or services provided under the terms of the proposal shall be submitted for settlement by arbitration under the American Arbitration Association whose decision shall be final and binding.

Circuit of the Northwest

COMMUNITY BENEFITS ANALYSIS

SEPTEMBER 2018

Submitted To:
Kitsap Public Facilities District





September 24, 2018

Mr. Mike Walton
Executive Director
Kitsap Public Facilities District
9230 Bay Shore Dr NW, Suite 101
Silverdale, WA 98383

Dear Mr. Walton:

Frost Motorsports, LLC has been engaged by Kitsap Public Facilities District to provide consulting services. The purpose of the engagement is to prepare a Community Benefits Analysis in regard to the proposed development of a multi-purpose motorsports and entertainment facility, Circuit of the Northwest ("CNW") in the Kitsap County, Washington area.

The facility is planned to be located on an approximately 250.0-acre parcel of land on WA-3 in Bremerton, WA. It is located across from Bremerton National Airport. The multi-purpose venue will feature various racing circuits, including: (a) road course – 2.36 miles - 14 turns – 100 ft. elevation (with various configurations ranging from - .66 mile – 2.66 miles.) There facility will also include a: (b) kart track; (c) motocross track; and (d) skid pad / autocross. With public involvement the support amenities will be possible. May include: control tower, buildings (tech inspection, car prep, restrooms, showers, concession areas, office, etc.), garages / condos, and spectator parking areas. There will also be a Club House for members. There may be potential development of a Motorsports Business Technology Park will include multiple buildings for education and commercial development.

This facility will be a source of pride for the entire northwest Washington region. Many of the events scheduled at the facility have local and regional significance, as well as strong corporate interest, which, together, provide a solid contribution to the area's economic growth.

As would be expected of a facility of this magnitude, the indirect economic effects experienced by related businesses and industries are positive. New sources of revenue and employment opportunities occur in areas such as: construction, advertising, dining, off-premises catering, hotels, car rentals, and tourist attractions. This type of economic multiplier not only enhances the performance of existing business and industry, but also creates new markets and developments that will stimulate economic performance.

Sincerely,

A handwritten signature in dark ink that reads "Timothy W. Frost". The signature is written in a cursive, flowing style.

FROST MOTORSPORTS, LLC

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Table of Contents

Community Benefits Analysis – Qualitative	Page 2
Community Benefits Analysis – Quantitative.....	Page 5
Limiting Conditions	Page 6

Community Benefits Analysis

Introduction:

This project is planned to be a partnership between the Port of Bremerton and the Kitsap Public Facilities District, supporting the construction of the Circuit of the Northwest multi-use motorsports facility. There are several areas in which each entity may be involved, either separately or in concert. The goal is to create a mutually-reinforcing relationship between quality-of-life amenities and economic development.

This analysis identifies, and where possible quantifies, the potential economic benefits of a potential development of the facility. This may include:

- Creating and offering incremental opportunities for residents and businesses by improving amenities and quality of life in the area;
- Increasing tourism in the Kitsap County area and thus increasing spending by attracting out-of-town visitors for various activities.

This analysis discusses a qualitative analysis of the facility's operation on the area's quality of life and its connection with economic development. In addition, there is a quantitative analysis of these benefits,

Qualitative Analysis:

Project Impact:

The impact of the project will be experienced by the entire community. As is the case in Public Private Partnerships, the use of the incentives to spur development is beneficial to the entire community not just the few that spend time at the facility. The project not only provides space for public events, but it produces taxes from the facility and all ancillary businesses impacted by the project. The economic impact calculations show the tremendously positive economic impact that the project will have on the community. It is in keeping with the planning intent for the area and is a fitting use for the property. Employment and training opportunities will be produced in new businesses and areas that have not seen these opportunities until now. Economic development is critical to a community's quality of life, and vice versa. An area with a high quality of life will attract residents, businesses, and tourists, which will further expand its economy.

Corporate Responsibility, Environmental, and Growth Management:

The management of Circuit of the Northwest understands that it must provide leadership and opportunities in the community. It has an obligation to develop the site with the minimal environmental impact and to use the public investment in the development of increased taxes, jobs, and services to benefit the community. It will be the local community that realizes the economic benefits of the project.

Community Benefits:

The venue is a public/private facility that, through its diversity of motorsports and entertainment offerings, allows the community to recognize the economic benefits of a larger facility without having its existing resources overwhelmed. It is not a race track but a diversified facility that offers event venues for:

- Motocross
- Autocross
- Vehicle skills training
- Karting
- Automobile and motorcycle research and development
- High speed driving training
- Emergency Response Training
- Education & Internships
- Community based Concerts
- Car Shows
- Fairs
- Festivals

The facility will be designed and developed with public usage as an integral component of the partnership. Whether it is a concert, show, festival, motorsport event, or community training event, Circuit of the Northwest will be a place that the community has access to and can enjoy.

The public will be able to participate in motorsports activities, fairs, festivals, concerts, together with driving and safety training events. It is anticipated that approximately 150 event days a year will be available for public usage. The facility is planned to always have some access for the public. The facility will have areas that act as a park setting with hiking and mountain bike trails available to the public at all times.

Events such as Motor-less Monday (recreational cycling, walking, running), summer outdoor movie and dining events, summer concerts series, car shows, vintage car exhibits, and trade shows are planned to be part of the venue programming schedule.

Fundraisers such as Draft and Drums, fun rides, challenge runs, and school events can be held there. Proceeds from these events can benefit local organizations such as the PTSD Foundation, Kitsap Mental Health, Battered Women Shelter, and any other charitable organizations.

It is anticipated a local advisory board will work with fundraising and event groups as they request time and the opportunity to utilize the facility.

The venue has the ability to host smaller events and mid-sized events. There may be the opportunity to host a national championship event for club based organizations. Through our experience with mid-sized sports-event based facilities, the community can expect to see the following:

- Creation of new economic opportunities that complement existing businesses. The key benefit is that the venue will bring in new spending to the community.

Events for car clubs, manufacturers, national club racing, and sanctioned events all will have a direct impact to the local economy. Hotels, restaurants, service providers, and existing tourist attractions are all expected to see economic benefits.

Educational and training activities will have a place at the facility. Activities will include:

- STEM opportunities for schools;
- Internship opportunities in motorsports as well as business operations and food service; and
- Advanced young driver skills training (automobile & motorcycle).

Motorsports have also provided invaluable and safe training locations for emergency response organizations (police, fire, ambulance, etc). Examples include:

- High speed pursuit, spin, cross over, and reduced friction training;
- Large event injury/casualty training and coordination;
- Firearm training;
- Critical incident response;
- Confined space training;
- Active shooter response training;
- Chemical response and containment;
- Ambulance training; and
- Advanced accident response and extraction training.
- Fire Department Certification Training
- Possibility for a Kitsap County Transit Authority Certification program

The construction and operation of the facility is beneficial to the community through, not only its economic impact and training opportunities, but also its increase in the community assessed valuation/property tax.

Quantitative Analysis:

Economic Impact:

The development of the Circuit of the Northwest will have an impact on both Kitsap County, where it will be located, and on the Washington economy in which it operates.

The impact of the facility will extend far beyond the operations of the Circuit of the Northwest. They extend into other parts of Kitsap County in the form of jobs for the residents and new revenues for the area. They extend into other parts of Washington in the form of increased business for supplies and services at local firms. These expenditures have an even greater impact as the increased business spreads to other firms in a multiplier effect.

The project will also have an effect at locations in the vicinity of the Circuit of the Northwest. By attracting a large number of spectators, firms locate in the vicinity to better serve spectators. A facility of this type can stimulate additional investment in the area.

The economic impact model incorporated the initial spending injections attributable to the Circuit of the Northwest and produced an overall economic impact analysis with the following elements: 1) the construction phase for the facility; 2) the ongoing operations of the facility; 3) visitor spending associated with the facility; and 4) taxes collected by governmental entities

The following presents the highlights of the economic impact of Circuit of the Northwest:

Circuit of the Northwest Economic Impact – Total	
Description	Total
Total economic activity	\$51,747,000
Total earnings	\$20,358,000
Total jobs created - FTE - (Total)	419
Total visitor spending	\$2,340,000
Total hotel nights	9,000
Taxes	\$7,336,000

Limiting Conditions

1. The conclusions reached are based upon our present knowledge of the motorsports industry, including competitive facilities in the facility's market area, as of the completion of our fieldwork.
2. As in all studies of this type, the annual operating results are based upon competent and efficient management and assume no significant change in the competitive position of the development in the immediate area from that set forth in our study.
3. It is understood that our study will be prepared primarily for your use and guidance in reviewing the project in relation to its costs and for possible use in obtaining financing, or in negotiating a lease, or a management contract. However, our report and the material submitted may not be used in any prospectus or printed material used in connection with the sale of real estate, securities or participation interests to the public without our prior written consent.
4. The scope of our study and report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.
5. We have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork.
6. Our liability with respect to this report is limited to the total fees as set forth in the proposal and engagement letter.
7. Any disputes or claims regarding the report or services provided under the terms of the proposal shall be submitted for settlement by arbitration under the American Arbitration Association whose decision shall be final and binding.

Circuit of the Northwest

