

# FORMULA 1™ SAN DIEGO GRAND PRIX

## San Diego Grand Prix Circuit

March 2, 2014

## San Diego, California

11<sup>th</sup> United States F1 venue



### Circuit Details

Lap Length	3.182 miles (5.121 km)
Race Length	60 laps
Start Time	1200 local (2000 GMT)
1 <sup>st</sup> Year Cost	\$120m-\$160m
1 <sup>st</sup> Year Benefit	\$200m-\$250m
First Race	2014
Preferred Date	March 2

### Dimensions

Turn	Corners	Radius (m)	Maximum Width	Entry (m)	Exit (m)
1	Right onto 1 <sup>st</sup> Avenue	20	23	14	
2	Left onto Market Street	20	11	22	
3	Left kink over tram lines	50	23	23	
4	Right onto Harbor Drive	15	13	13	
5	Right briefly onto Pacific Drive	18	15	15	
6	Left onto car park	20	TBD	TBD	
7	120-degree right hander	60	TBD	TBD	
8	Shallow left hander	130	TBD	TBD	
9	Broadway Hairpin	10	15	15	
10	Right-hand flick off Pacific Drive	46	15	TBD	
11	Left-hand hairpin onto G Street	16 < 35	TBD	TBD < 15	
12	Right-hand onto 4 <sup>th</sup> Avenue	15	17	15	
13	Left-hand onto J Street	12	15	15	
14	Right-hand onto 10 <sup>th</sup> Avenue	13	12	13	
15	Left curve past Petco Park	61	10	16 > 12	
16	Right curve at Park Blvd	50	TBD	TBD	
17	Right-hand onto start-finish	52	15	18	

Straights	Length (m)	Width (m)
SF-1 After start-finish line	400	18
1-2 1 <sup>st</sup> Avenue	273	12
2-3 Market Street	340	22
4-5 Harbor Drive	266	9
7-8-9 Shallow left hander	254	TBD
9-10 Pacific Drive	215	15
10-11 Turn 10 to Turn 11	70	TBD
11-12 G Street	940	15
12-13 4th Avenue	342	15
13-14 J Street	500	9 then 11 then 12
14-15 10th Avenue	120	12
16-17 Park Avenue	233	15
17-SF Before start-finish line	338	20 > 18



THE BEST OF BOTH WORLDS



# FORMULA 1™ IN SAN DIEGO THE BEST OF BOTH WORLDS



## Foreword – Executive Summary

### 1 – Why San Diego needs FORMULA 1™

- Putting San Diego on the world map
- Experience of other host cities
- San Diego as host city
- PETCO Park
- Convention Center
- Estimated economic impact

### 2 – Why FORMULA 1™ needs San Diego

- Primetime television
- Southern California car market
- Location, location, location
- Increasing Mexican participation
- Proximity to Los Angeles
- Climate
- Previous big event experience
- FORMULA 1™ Paddock Club
- Concorde Agreement
- F1™ in the US – Recent history

### 3 – FORMULA 1™ in a greener America

- United States fan interest
- Premiere entertainment event

### 4 – Finance

- Event budget
- Business model and ticket pricing
- Title sponsorship
- Other revenues

### 5 – Spectators, Accommodation & Transportation

- Accommodation
- Transport and parking

### 6– San Diego Grand Prix Circuit layout

- Circuit dimensions
- Changes to current roads
- Rail line
- Residents & businesses within track
- Noise
- Safety
- Drainage

### 7 – Other questions

- Time of year and time of day
- GP2™ Series
- Star Mazda
- Concours d'elegance
- Historic Grand Prix
- Mario Andretti demonstration
- Grand Prix block party
- F1 Rocks™
- After Party
- Mardi Gras
- Austin 2012
- New Jersey 2013
- Plan B – Coronado Island

### 8 – Projects that directly affect FORMULA 1™ in San Diego

- New San Diego Chargers stadium
- Convention Center expansion
- E4 Ballpark Village
- San Diego Airport expansion
- California economy

### 9 – Legacy

### 10 – GranDiego Management, LLC Bios

### 11 – References

#### Exhibits and Appendices:

1. San Diego Grand Prix Race Circuit
2. Event Schedule
3. Project Timeline and Major Milestones
4. 12-Year Financial Forecasts for Event

## GRANDIEGO MANAGEMENT, LLC EXECUTIVE SUMMARY

How can San Diego use its existing facilities and resources to attract more visitors, to raise its visibility in the United States and worldwide, and to bring more revenues to the City and its surrounding communities?

The FORMULA 1™ World Championship is one of the most widely watched sporting series in the world, attracting a world-wide audience of hundreds of millions viewers for each of the 20 race weekends held annually. A FORMULA 1™ race could bring up to 150,000 visitors over the four days of each event, plus three days of global TV, radio and print exposure for San Diego, showcasing downtown and the waterfront, the most TV-friendly neighborhood in the city for ten years annually, beginning in 2014.

Up to half a billion global viewers<sup>[2]</sup> will get the chance to see the best that San Diego has to offer (including the valuable European primetime audience). City residents and visitors will experience a premier entertainment event, including rock concerts in PETCO Park, a “block party” in the Gaslamp Quarter, and other attractions to maximize the entertainment value and appeal of the City.

Based on the experience of other cities which have hosted FORMULA 1™ events, we estimate that the economic impact to the City and surrounding communities will be well in excess of \$200 million annually.

San Diego has some unique advantages as a host city for FORMULA 1™ – beautiful climate and surroundings, proximity to Hollywood, Mexico and other major population centers, a useful public transportation system, the Southern California car market and pre-existing facilities which with some modifications will allow the costs of the event to be kept much lower than usual.

City streets will be improved and upgrade to serve as the race track. The Convention Center will be the hub of the event, housing garages, the pits, the Paddock Club, press and administrative facilities. The drivers, teams, and spectators will stay in existing downtown hotels, within walking distance of the track and Convention Center.

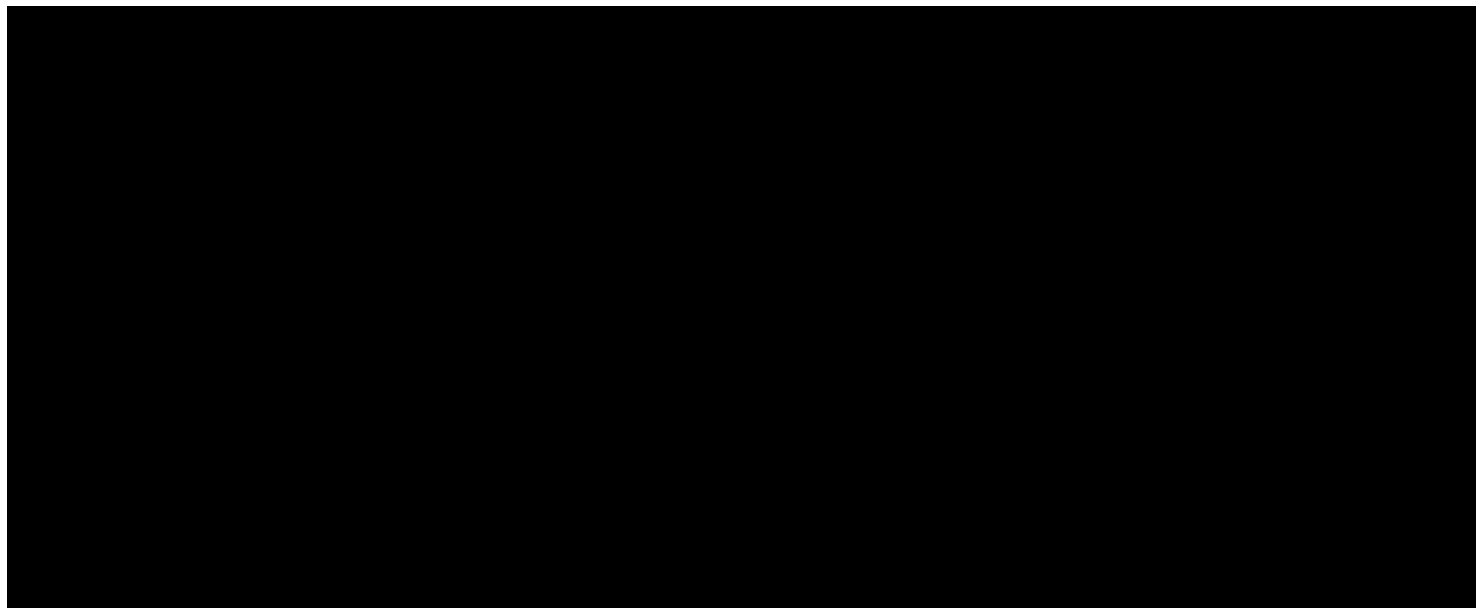
Despite these advantages, the costs of upgrading the current facilities, promoting the race and acquiring the rights to host the event will be substantial – almost \$100 million in the first year and around \$40 million in subsequent years. Nonetheless the annual economic benefits to the City and surrounding communities are expected to far outweigh these costs.

This project is being organized by GranDiego Management LLC, based in San Diego, whose members have substantial experience and familiarity with FORMULA 1™.

We look forward to discussing the details of our plans with you.



## 1 – WHY SAN DIEGO NEEDS FORMULA 1™



Despite its obvious advantages – location, climate, modern infrastructure, diverse community, cultural institutions, major facilities, proximity to Mexico - San Diego would appear to be struggling.

Major attractions and tourist-oriented industries (Comic-Con, the cruise industry, golf tournaments, air-, sail- and power-boat racing) are leaving. There is a significant possibility that the NFL San Diego Chargers will re-locate to another city. Downtown streets need repair. Meanwhile, the City is just recovering from a difficult budgetary crisis. How can the City use its existing facilities and resources to attract more visitors, to raise its visibility in the United States and worldwide, and to bring more revenues to the City and its surrounding communities?

The FORMULA 1™ World Championship is one of the most widely watched sporting series in the world, attracting a world-wide audience in the hundreds of millions of viewers for each of the 20 race weekends held annually. A FORMULA 1™ race can bring up to 150,000 visitors, a majority of which will come from outside San Diego County, and three days of global TV, radio and print exposure for San Diego annually, showcasing downtown and the waterfront, the most TV-friendly neighborhood in the city.

FORMULA 1™ is a world-wide business appealing to a world-wide audience and sponsored by multi-national corporations whose names are instantly recognizable here and abroad, such as Red Bull, Mercedes, Virgin, and GE. Because FORMULA 1™ was born in Europe and developed there, the core audience is in Western Europe, and a San Diego Grand Prix would be broadcast live in European prime time to reach those audiences. In addition to events in Europe, FORMULA 1™ races are now held in Asia (Japan, Malaysia, India, Singapore, China and Korea) and the Middle East (Bahrain, Abu Dhabi).

The proposed FORMULA 1™ event will be held annually over a 10-year period 2014-2023. Although the Summer Olympics and the FIFA™ World Cup draw a bigger global TV audience, both those events occur only once every 4 years. Even if San Diego were to fund and put together a bid for the Olympics (estimated at around US\$15 billion), and its bid was consequently successful, it cannot be a host city before 2020, and it cannot be a venue city in the FIFA™ World Cup before 2026.

Only the Summer Olympics and the FIFA™ World Cup draw a bigger global audience than the FORMULA 1™ World Championship, but both those events occur only once every 4 years. Even if San Diego were to fund and put together a bid for the Olympics (estimated at around US\$15 billion), it cannot be a host city before 2020, and it cannot be a venue city in the FIFA™ World Cup before 2026. Conversely, FORMULA 1™ will bring three days of global TV, radio and print exposure on an annual basis, for a fraction what such publicity would cost the City and across the most TV-friendly neighborhood in the city, beginning in 2014.

San Diego has another unique advantage which will facilitate this event. The cost of preparing a dedicated facility for FORMULA 1™ is enormous. As much as \$250million<sup>[1]</sup> is being spent to build a new track near Austin, Texas, specifically to hold FORMULA 1™. By contrast, much of the facilities needed to host FORMULA 1™ already exist in downtown San Diego. By sheer good fortune, those facilities exist in the most aesthetically pleasing area of the city, and the FORMULA 1™ track layout will go past the Convention Center, Seaport Village, the USS Midway, PETCO Park and the Gaslamp Quarter, beaming all those areas around the world on live television.

## PUTTING SAN DIEGO ON THE WORLD MAP

Up to half a billion global viewers<sup>[2]</sup> will get the chance to see the best that San Diego has to offer (including the valuable European primetime audience).

As an example, a Comperio Research analysis of the 2009 Australian Grand Prix<sup>[35]</sup> analyzed television broadcasts of the 2009 Australian Grand Prix across a sample size of 82 countries including the key markets of China, New Zealand, the United Kingdom and the USA. In total, these countries generated 444 television broadcast hours with extensive coverage across free-to-air television and a combined television audience of over 270 million.

For city residents and visitors, the city itself will be a three-day spring break party. We will use the closure of roads in the Gaslamp Quarter to our advantage, culminating in a Saturday block party the night before the race, including an F1 Rocks™ show at PETCO Park. Previous F1 Rocks™ shows in Singapore, Milan and Sao Paulo featured the Black Eyed Peas, Usher and Eminem, amongst others. While the track infrastructure (grandstands, barriers) is removed after the weekend, several roads would remain closed for the annual Mardi Gras festival that runs through downtown, ensuring a week in which San Diego is the hottest ticket in California.

## THE EXPERIENCE OF OTHER HOST CITIES

When Adelaide won the right to host the FORMULA 1™ Australian Grand Prix back in 1985, many regular F1™ journalists confessed to needing to look for it on a map, as it had no previous distinction in terms of global appeal. The city hosted the race for ten years before it moved to Melbourne, but it was one of the most popular dates on the calendar. Melbourne has used FORMULA 1™ to underline its status as its country's sporting capital, additionally hosting the Australian Open tennis tournament, World Motorcycle Championship and the Melbourne Cricket Ground, the biggest sports stadium in the country.

Similarly, the landlocked Republic of San Marino is largely obscure in global affairs, but it had one special distinction in that it gave its name to a FORMULA 1™ race in neighbouring Italy from 1981-2006. This single event became the most famous thing ever to happen in San Marino, even when it wasn't happening in San Marino at all. Also, the 2004 FORMULA 1™ Bahrain Grand Prix was the first major global event to happen in that country, the beginning a massive increase in global attention in the region, culminating in the addition of the FORMULA 1™ Abu Dhabi Grand Prix in 2009.

## SAN DIEGO AS A HOST CITY

Of all the cities in America, San Diego makes the most sense to host a FORMULA 1™ race over the next decade, economically, politically and logistically.

With nearly 12,000 high standard hotel rooms within walking distance of the track layout, fans will certainly have a lot of local accommodation options, not to mention the 150 restaurants, nightclubs, lounges and 80 shops and boutiques in the Gaslamp Quarter<sup>[51]</sup>, which the circuit will pass through. The fact that the neighborhood features more than 90 buildings of historic significance<sup>[51]</sup> means that San Diego will be a unique venue, impossible to confuse with any other on the F1™ calendar, or indeed any other potential venue in the U.S.

Up to half a billion global viewers<sup>[2]</sup> will get the chance to see the best that San Diego has to offer (including the valuable European primetime audience). For city residents and visitors, the city itself will be a three-day entertainment event and celebration. We will use the closure of roads in the Gaslamp Quarter to our advantage, culminating in a Saturday block party the night before the race. A premier rock show, under the name F1 Rocks™

show, will be held at PETCO Park. Previous F1 Rocks™ shows in Singapore, Milan and Sao Paulo featured such performers as Paul McCartney, Lady Gaga, Beyonce, the Black Eyed Peas, Usher and Eminem, amongst others. While the track infrastructure (grandstands, barriers) is removed after the weekend, several roads would remain closed for the annual Mardi Gras festival that runs through downtown, ensuring a week in which San Diego is the hottest ticket in California.

It would be a weekend that no other city in the United States could offer, and it would showcase San Diego as the premier city in southern California while establishing it alongside other F1™ venues such as Melbourne, Shanghai, Milan, Barcelona, Monte-Carlo, Montreal and Abu Dhabi, while bringing a windfall of millions of dollars in tourism revenue to the whole San Diego area, particularly the Gaslamp Quarter, Seaport Village, Downtown and the East Village.

## PETCO PARK

PETCO Park is essentially unused in the month of March but will play a key role in the FORMULA 1™ weekend. Much of the FORMULA 1™ circuit winds around the footprint of PETCO Park.

Through F1 Rocks™, the series of concerts that follow the series around in a support event role, we can bring a crowd of up to 45,000 on consecutive nights at a time of year when the facility is otherwise empty – compare this with the Padres' average attendance of 25,617<sup>[4]</sup>. We hope to open sections of the stadium as part of a general admission race ticket, given the wide variety of amenities, convenient space for merchandising, as well as excellent views of the track. This facility is 70% owned by the San Diego government and 30% owned by the San Diego Padres, with revenue split 30-70 in the opposite direction during the MLB offseason.

## CONVENTION CENTER

The Convention City will be the epicenter of the event. With relatively minor modifications, this 1.1-million square foot (103,000 square metre) facility is big enough to host FORMULA 1™ today, including garages, paddock facilities, media center, Paddock Club, and administrative offices.

As a result, we have the potential to deliver the event at up to 1/3<sup>rd</sup> of the normal cost of constructing a brand new pit/paddock area. For example, the brand new structure built for the 2011 FORMULA 1™ British Grand Prix had a price tag of £27million<sup>[3]</sup> (\$43 million). As the 2012 Olympic Games prove, the trend is now away from expensive new facilities and more toward using existing ones.

A FORMULA 1™ race will require repaving the entire track layout which covers many downtown streets, and the cost of repaving has been factored into the budget featured within this proposal. As the City of San Diego already has a budget to cover road improvements, those funds can be re-directed. In the case of J Street, the road requires work at present for the purpose of normal road traffic. Additionally, the final corner of the proposed racetrack is a section of road that is proposed but is not yet built.

## ESTIMATED ECONOMIC IMPACT

According to the Comperio Research analysis of the 2009 Australian Grand Prix<sup>[35]</sup>, the TV advertising value of that event to Melbourne (a race in a very poor global TV timeslot) was estimated to be A\$35.6m (US\$34.4m). Our quoted budget to promote the 2014 race is US\$5m, meaning that if the tourism office provided us with 100% of our promotions budget, they would theoretically make \$29.4m back in free TV advertising for the city alone – and that doesn't account for the fact that our race would be in the best global timeslot on the entire F1™ calendar. The tourism budget would not need to be released until 2013.

Comic-Con is currently the largest event held at the Convention Center in terms of economic impact, while a 2010 report valuing it at \$163million<sup>[53]</sup> annually. According to confidential documents that have been seen by GranDiego Management, the presence of a FORMULA 1™ race in San Diego should be worth **at least** \$200m-\$300m to the local economy, counting only the spending of those travelling from **outside** a 60-mile radius of the city, and not

including spending from those within San Diego County. These documents are backed up by press reports suggesting that a FORMULA 1™ race generates the same effect as staging a Super Bowl every year<sup>[39]</sup>.

To generate that \$200m-\$300m number, we would be aiming for 100,000 people to visit San Diego and spend \$2,000-\$3,000 per head throughout their entire time there (that covers everything - airport taxes, hotel, dining, transport, race tickets and so forth). That is not unreasonable bearing in mind that an Ernst & Young report into the 2011 Australian GP showed a total of 123,787 unique attendees, of which 1,500 were credentialed F1™ personnel<sup>[35]</sup>. It adds that 37,323 people attended the race from outside the state of Victoria, and 11,740 were from outside the country – key numbers when estimating the economic value to the city.

It is our firm belief that a San Diego Grand Prix can draw a much higher out-of-town number, for many reasons. Firstly, Melbourne is a city of 4 million people, in a state (Victoria) of 5.5 million people. Therefore, the host city comprises nearly 73% of the total population of the state in which it sits, and consequently will have a harder time drawing significant numbers from other locales within the state.

Secondly, San Diego, while in itself being the 2<sup>nd</sup>-largest city in the state of California, sits only 120 miles away from the epicenter of the Los Angeles metropolitan area – home to 17.8 million people. This means one of the highest income demographics in the United States sits next door to San Diego County, and it wouldn't be unreasonable to expect a significant number of tourists from that one metro area alone, given its proximity – and that's before we consider the California population of 37.2 million, 68% more than the entire population of Australia.

Last but not least, we would look to capitalize on downtown residents who have a view of the racetrack, by encouraging them to invite out of town friends to watch the event. Although the organizer would not gain any ticket revenue from them, their presence in the city would further swell the economic effect the race generates. A total of 46,603 people live in the 92101 zip code<sup>[5]</sup>, and again, it isn't unreasonable to suggest this number could be augmented by as much as 50%, given the proximity/view of the racetrack, plus the additional events taking place.

Expanding on the Ernst & Young report into Melbourne 2011, on average general admission ticket holders attended for 3.5 days out of the four-day race weekend. Grandstand ticket holders attended 3.0 days, whereas corporate only attended for 2.2 days<sup>[36]</sup>. In order to encourage fans to show up earlier (and thus, spend more money in downtown), we would suggest Thursday and Friday grandstand seating should be treated as general admission, thus encouraging fans to show up early and get better seats. The total attendance over the four days in Melbourne in 2011 was 298,187. Ideally, we'd aim for this four-day number to be in excess of 300,000 – obviously the higher this number is, the higher the economic benefit within downtown.

We anticipate 100,000 to 150,000 visitors will come to San Diego annually for each of the 10 years of FORMULA 1™ events, and using the Melbourne 2011 report numbers – which themselves would be a conservative estimate given the geographic isolation of that city, up to 40% of the total crowd would need hotel accommodations. At an average of 2 people per room, staying for 3.5 days on average (as the Ernst & Young report suggested was the average), that could mean up to 70,000 room nights would be generated over the course of the four-day event, based upon 100,000 visitors. If the crowd reached 150,000, we could theoretically reach 105,000 room nights.

Those numbers are before we consider the impact of having Los Angeles on our doorstep, and also before we consider our intention to market the event as a 7-day excursion.



## 2 – WHY FORMULA 1™ NEEDS SAN DIEGO



### PRIMETIME TELEVISION

FORMULA 1™ has long sought an opening race of the season that will bring in high global TV ratings. Although the traditional opening race in Melbourne, Australia in mid-March has always been popular, it takes place in the middle of the European nighttime, severely harming its ratings.

An opening race at 12pm on March 2, 2014 in San Diego would be one week before US daylight savings time, and would be a TV primetime event in Europe (8pm in the UK/Ireland, 9pm CET) – maximizing the ratings for FORMULA 1™ in one of the most desirable locations in the world, while giving San Diego the highest possible global TV audience to promote the city over three days. It would also give FORMULA 1™ the option of a longer calendar and more races, as the opener would be two weeks earlier than is the current norm – and FORMULA 1™ is forever trying to accommodate more and more races on its calendar (there are 20 races on the 2012 schedule).

Southern California is the sort of glamorous location that FORMULA 1™ has so craved, particularly in the United States. Being able to attract Hollywood A-listers and so forth has been the exclusive domain of the Monaco Grand Prix in recent times (given that it happens at the same time as the Cannes Film Festival if nothing else). We can easily attract that sort of clientele to this Grand Prix.

Monaco is also the epicenter for FORMULA 1™ business deals, with all the top sponsors and powerbrokers present. The sport has arguably never had a more glamorous location for a United States race that it will have in San Diego, and I expect it to latch onto this accordingly to generate more US investment.



## SOUTHERN CALIFORNIA CAR MARKET

With all this, let us not forget that Ferrari and Mercedes-Benz, who supply 50% of the current FORMULA 1™ grid with engines in addition to running their own teams, do a significant amount of their global business in southern California alone. Ferrari reported a 20% increase in sales in North America in 2010, compared with the previous year<sup>[6]</sup>, despite their FORMULA 1™ team not racing in the USA since 2007.

Red Bull's engines are supplied by Renault, who have an alliance with Nissan. In 2011 the Red Bull cars have carried prominent branding for Infiniti, Nissan's luxury brand that originally began operations in North America, so clearly there is a need for the major players in FORMULA 1™ to promote well-known products in this region.

Southern California is the home of also extreme sport, as the annual X Games prove. It is fairly well-known that Red Bull seek to promote their product via "extreme" sports, and clearly they consider FORMULA 1™ to be exactly that as they own two of the teams – one of which is the current World Champion. On August 23, 2011<sup>[10]</sup>, Hollywood star Tom Cruise drove a Red Bull F1™ car at Willow Springs Raceway in California, showing the company's prowess when it comes to promoting their brand through F1™ in the United States.

They also value San Diego as a locale for major events involving sport. On New Year's Eve 2011, snowmobiler Levi LaVallee and motocross rider Robbie Maddison broke the world records for longest snowmobile and bike jumps simultaneously when they jumped across the Convention Center harbor front in Red Bull's New Year No Limits event, broadcast live on ESPN.

## LOCATION, LOCATION, LOCATION

San Diego is ideally located to host a FORMULA 1™ event and, in particular, the opening event of the FORMULA 1™ season.

The majority of the demographic in 92101 (where the racetrack would be) are males aged 18-35, and with the average income of \$69,416<sup>[5]</sup> being over 50% higher than the national average (and nearly 20% higher than the state average), it hits the critical ABC1 demographic. However, even this pales into insignificance compared to the nearby neighborhoods of Coronado (99% higher than the national average), and La Jolla (269% higher). The urban renewal that has taken place in 92101 is shown by the construction of 6,193<sup>[5]</sup> new domiciles between 2000 and 2004 – only just less than the number built in the 20 years previous to that combined (6,644).

This fits in exactly with the typical demographic within FORMULA 1™, both in terms of a host city, and in terms of its likely fanbase – and that's before we consider the thousands of tourists the race is likely to attract, who will bring in much of the revenue that will make the race worthwhile.

The notion of San Diego being too geographically isolated is false. Although all the teams are based in Europe, the 2012 calendar begins in Australia (12,500miles / 20,000km) from the UK. The teams then have to turn back 5,000 miles (8,000kms) in the *opposite direction* to make it to the Malaysian race, one week later.

FORMULA 1™'s entire operations are flown in and out of locations by a fleet of Boeing 747s. These can easily be sent from Europe to LAX airport, or, subject to logistics, San Diego Airport or Halsey Field, both of which are a matter of minutes from the pitlane. This is a 5,000 mile (8,000km) flight from London (the same as Melbourne-Kuala Lumpur). From there, it then becomes only an 8,000mile (13,000km) flight to Melbourne for round two, continuing in the direction the teams were headed.

## INCREASING MEXICAN PARTICIPATION IN F1™

The increasing presence Telmex as a sponsor in FORMULA 1™ with the Sauber F1 Team, has coincided with the promotion of Sergio Perez to a race drive, the first Mexican in F1 since 1981.

With countryman Esteban Gutierrez likely to graduate to F1 by 2013 at the latest, there will be an influx of interest (and therefore, money) from the Mexican market, which is the 13<sup>th</sup> largest economy in the world – but there are no F1™-standard facilities within Mexico, in addition to its ongoing problems concerning drug warfare and security.

San Diego is only 20 miles away from 1.5 million Mexicans in Tijuana, we are perfectly positioned to capitalize on the newfound interest south of the border. 35%<sup>[5]</sup> of the foreign population of 92101 alone is Mexican. Therefore, it is in the sport's best interests to make San Diego work. FORMULA 1™ previously raced in Mexico from 1963-70 and 1986-92 on a track in Mexico City. In October 2004, the sport announced its intention to return to Mexico on a purpose built (Tilke GmbH) track to be built in Cancun in 2006<sup>[7]</sup>, but it did not come to fruition. However, it showed the sport's keenness to tap into the Mexican market even prior to Carlos Slim's involvement, and there is much unconfirmed talk that Tilke GmbH continue to plan for a future Mexican GP, if they can find the right venue.

## PROXIMITY TO LOS ANGELES

The economic effect of the event only counts the spending of those travelling from outside a 60-mile radius of the city, and doesn't include spending from those within San Diego County.

San Diego, while in itself being the 2<sup>nd</sup>-largest city in the state of California, sits only 120 miles away from the epicenter of the Los Angeles metropolitan area – home to 17.8 million people. This means one of the highest income demographics in the United States sits next door to San Diego County, and it wouldn't be unreasonable to expect a significant number of tourists from that one metro area alone, given its proximity – and that's before we consider the California population of 37.2 million. This would be a win for F1™ and for San Diego.

## CLIMATE

San Diego's climate is defined as a semi-arid warm steppe climate (Koppen climate classification BSh)<sup>[16]</sup>. It therefore has the same climate classification as much of Spain and Portugal and the French Cote d'Azur<sup>[17]</sup> – where FORMULA 1™ teams prefer to conduct their winter testing in order to avoid inclement weather.

Typically the races held in March/April are close to the equator and/or in the southern hemisphere, in order to increase the chances of good weather. We can therefore offer something unusual – a northern hemisphere race at the beginning of March with a high probability of good weather. On March 4, the average high temperature is 66°F (19°C), with a record high of 78°F (26°C) as recently as 2007. The average low is 53°F (12°C). This compares with an average high of 69°F (21°C) in Austin on November 18, the date of the 2012 US Grand Prix.

The summer months, counter-intuitively, may have less “TV-friendly” weather than a March date, due to the cloud base that drifts in from the Pacific Ocean, known as the marine layer. In the 53 years that records have been kept, March has a 70% average probability of sunshine, compared to 59% in May, 58% in June and 69% in July<sup>[19]</sup>.

## PREVIOUS BIG EVENT EXPERIENCE

The Torrey Pines South Course, located just outside of San Diego, was the host for the 2008 U.S. Open golf championship, won by Tiger Woods. It was the first course in southern California to host the event for sixty years. According to a report by San Diego State University, the economic impact of the event was estimated at around \$142million<sup>[27]</sup>.

San Diego is a previous host of the America's Cup in 1988, 1992 and 1995, during which time the trophy itself resided at the San Diego Yacht Club. It was one of only three host cities for the event since 1987. In November 2011, San Diego Bay will play host to an America's Cup World Series event<sup>[26]</sup>, a precursor to the main America's Cup event in 2013, which will be in San Francisco.

The bay also played host to the Red Bull Air Race in recent years, which drew 160,000 on either sides of San Diego Bay over the course of the weekend in May 2008<sup>[34]</sup>.

## FORMULA 1™ PADDOCK CLUB

The San Diego Convention Center would play host to the world's largest FORMULA 1™ Paddock Club, the ultra-VIP zone for hospitality guests where business-to-business networking and entertainment take place. The

potentially-huge size of the Paddock Club in San Diego could see twice the normal number of sales for that weekend, which will result in substantially increased revenue for the Paddock Club organization (an affiliate of Formula One Management).

### **SAN DIEGO FITS UNDER THE CONCORDE AGREEMENT**

The Concorde Agreement is the confidential agreement between the FORMULA 1™ teams, the motorsport governing body the FIA (Federation Internationale de l'Automobile) and Formula One Administration (which runs the sport of FORMULA 1™ specifically, and is part of the same group as Formula One Management).

This agreement governs a lot of factors concerning such things as prize money, logistics, and critically for us, the structure of the race schedule. It is understood that under the current Concorde Agreement, teams' approval must be sought if there are more than 17 races on the calendar (there are currently 20 scheduled for 2012). However, events in Europe and the U.S. receive preferential treatment, and given the appeal of San Diego and the Southern California market, swift approval is anticipated.

### **FORMULA 1™ IN THE UNITED STATES – RECENT HISTORY**

FORMULA 1™ has struggled to maintain a foothold in the United States ever since the loss of the US Grand Prix at Watkins Glen in 1980, and especially after losing the Long Beach Grand Prix from the schedule after 1983.

Since then, races have been held on street circuits in Detroit, Dallas and Phoenix, and even at the Indianapolis Motor Speedway. They have failed for a variety of reasons – inadequate facilities in Detroit, financial fraud in Dallas, ambivalence in Phoenix and a relatively incompatible business model in Indianapolis (not withstanding its world-famous venue). The problems that brought down those races are unlikely to be encountered in San Diego.

A purpose-built facility is being constructed in Austin Texas to host a FORMULA 1™ event with an estimated cost in excess of \$250,000,000. Happily, San Diego has far more appeal and a far better demographic for fans, sponsors and for the FORMULA 1™ teams. As a season-opener, teams would have an entire week to do PR in southern California, making use of the incredible opportunities currently unavailable in cities such as San Francisco and Hollywood, before arriving into a city that is packed with the young professional demographic that sponsors are so looking for, and has a most "European" flavour to it.



### 3 – FORMULA 1™ IN A GREENER AMERICA

The San Diego F1™ event will receive a boost from new rules that apply to races starting in 2013. Teams will be required to use smaller 1.6-litre, V6 turbocharged engines, expected to deliver the same performance as current engines with a 35% reduction in fuel consumption. The new engines must be robust, as the teams will be restricted to only 5 engines per driver in the entire 2013 season, with a further reduction to 4 engines in 2014 and beyond.

Where better to showcase the cutting edge of green technology than in southern California, a state that has been continually pushing for greener engineering in the automotive industry? This attention to the environment also ties in with “The Green Build”, a \$1billion project to improve San Diego International Airport and attain Energy and Environmental Design (LEED) silver certification<sup>[18]</sup>. The marriage and timing is perfect, and will surely bring a knock-on effect for the car industry and, ultimately, the environment in California.

#### UNITED STATES FAN INTEREST

A common (and incorrect) preconception among the sporting fraternity is that America is uninterested in F1™.

We are truly fortunate in America to have many great professional sporting series: the NFL, MLB, NBA and NHL, and, in motorsports, NASCAR. Less visible are other forms of motorsport – Indycar, Grand Am, ALMS, lower formulae of racing, plus numerous amateur racing organizations (SCCA, NASA, others) holding events nationwide.

No American driver has won a Grand Prix since Mario Andretti won the 1978 Dutch Grand Prix (the same year in which he became the most recent American world champion). There are no American FORMULA 1™ teams, and there has not been a race in the United States since 2007, just as there wasn't from 1992-1999.



However, because FORMULA 1™ is the highest and best form of motorsport, when FORMULA 1™ returned to the United States in 2000 after an 8-year absence, more than 200,000 fans filled the seats on race day, the largest crowd for a FORMULA 1™ race in the sport's history. The enthusiasm extended beyond race day – in 2007, the qualifying session on Saturday (the day before the race) attracted a crowd of 75,000, a higher number than attended Pole Day for the Indianapolis 500 at the same venue<sup>[24]</sup>. It would not be a stretch to imagine that the projected 100,000 seats for the San Diego Grand Prix will sell out very quickly.

The appeal of FORMULA 1™ in this country is not merely sporting. The critically-acclaimed movie documentary “Senna”, about 1988, 1990 and 1991 FORMULA 1™ world champion Ayrton Senna, was the recipient of the Sundance Film Festival World Cinema Audience Award for a Documentary, and the Los Angeles Film Festival Audience Award for Best International Feature. It is now on limited release across the United States. Academy Award-winning director Ron Howard is also working on a new FORMULA 1™ movie at the time of writing.

Finally, because the San Diego Grand Prix is proposed for 2014, there is ample opportunity to promote the event locally, nationally and internationally. In addition to conventional methods, we would hold a FORMULA 1™ “roadshow” demonstration in November 2013, when the teams will be in the U.S. for the Austin Grand Prix. Several F1™ teams currently organize demonstration runs through public streets in major cities around the world, and on July 7 2004, an estimated 500,000 people<sup>[25]</sup> crammed into central London to see a demonstration by several F1™ teams through iconic locations such as Regent Street and Piccadilly Circus.



This would be a fantastic economic event for downtown San Diego, as the setup costs are miniscule compared to hosting an actual race. However, it could only realistically happen if we are planning to host a FORMULA 1™ race, it could be factored into the budget for the first year, with the economic effect mildly offsetting costs.

#### **A PREMIERE ENTERTAINMENT EVENT FOR FANS AND FAMILIES**

A FORMULA 1™ event is the perfect venue for first-class business-to-business marketing, networking and entertaining.

In addition to the F1™ race and supporting races, there will also be rock concerts, downtown block parties, an all-electric vehicle celebrity race featuring well-know professional drivers from other series, movie stars, etc.

By attracting F1™ fans to the region for up to seven days, they will be able to see existing attractions such as SeaWorld, San Diego Zoo, LEGOLAND, the USS Midway, Balboa Park, Old Town San Diego and Cabrillo National Monument, as well as places like Coronado, La Jolla, Del Mar, Mission Bay and Pacific Beach, making it arguably the most attractive race on the calendar for families.

Some may choose to combine their visit with a cruise, giving a critical boost to the San Diego cruise line industry.

## 4 – FINANCE

The goal of GranDiego Management is to put on FORMULA 1™ events in San Diego using private investment capital with profitability while complying with all applicable City, Country and California requirements.

### EVENT BUDGET (See Appendix for full details)

One of San Diego's significant advantages when compared to other potential venues for FORMULA 1™ is that so much of the required facilities already exist and can be easily modified to host the event.

Nonetheless, the projected budget for the SDGP leading up to the first race is substantial – nearly \$100million will need to be spent before hosting the first race. In subsequent years the costs should be substantially reduced as the required engineering and construction work will have been completed. Our estimated budget for years 2-5 averages \$33million annually.

The San Diego Grand Prix project requires a total investment of \$411m between 2012 and 2023, and generates \$517m in revenue – a return on investment of 25.7% over the course of the project, most of which comes in the final year. The project will require approximately \$100 million of investment before it begins to generate revenue in 2014, and would reach break-even after the 2018 event. Our projections reflect the revenue/costs of the event organizer, do not assume any public funding, and do not include the potential economic effect to the City of San Diego and the region as a whole.

Among many cost items in the budget, a substantial sanctioning fee must be paid to Formula One Management for the rights to host a FORMULA 1™ event. This fee is negotiated for each event location, typically for a 10-year contract.. We have been aggressive in our assumptions regarding how much such fees will be for San Diego, based on published reports of fees negotiated for other FORMULA 1™ events previously held in the U.S.

### FORMULA 1™ BUSINESS MODEL AND TICKET PRICING

Like the Olympics and soccer's World Cup, FORMULA 1™ retains much of the direct revenue that is generated by each race: television rights, trackside signage, Paddock Club revenue and so forth. Additionally, FORMULA 1™ charges the organizers an annual sanctioning fee for the right to hold the race.

For the organizer, the main revenue streams in descending order of magnitude are ticket sales, event title sponsorship, then the F1™ Rocks concerts, followed by other sundries such as program sales.

FORMULA 1™ events are perceived as the pinnacle of motorsport with the top drivers competing in cars incorporating state-of-the-art technology and design. To see a premium event, F1™ fans are used to paying premium prices. For example, the cost of a three-day pit grandstand pass at the Singapore Grand Prix (\$1,067)<sup>[8]</sup>, the Japanese Grand Prix (\$911)<sup>[8]</sup>, the Abu Dhabi Grand Prix (\$1,300)<sup>[8]</sup> or the Brazilian Grand Prix (\$1,117)<sup>[8]</sup>.

Ticket prices for the San Diego FORMULA 1™ event will seem like an extraordinary bargain by comparison. Our ticket prices must take into account the local market and the cost of other local events, such as the IndyCar Long Beach Grand Prix, which is held a month later. Three-day reserved seating at that event is \$130 for adults, while three-day general admission is \$70. Reserved seating for Sunday alone is \$70. Meanwhile the least expensive single ticket for a San Diego Chargers gam is \$61.50.

Given the premium nature of FORMULA 1™ added to the need to recoup some of the outlay for hosting the event, we have used projected our average three-day ticket price at \$300. That also compares favorably to the proposed average ticket price of \$360 for the 2013 FORMULA 1™ event in New Jersey.

With 100,000 spectators coming for the weekend, that would bring in \$30 million in gross ticket revenue. A 45,000-seat sellout for F1™ Rocks at \$50 average price at PETCO Park would bring in an extra \$2.25 million per night (not including concessions); as most of these revenues will go to the City of San Diego and to the Padres, we have only



assumed a small portion of these revenues in our projections. An additional option is to only offer concert tickets to those with F1™ race tickets.

That therefore means that to attend all three days of the race, plus the three F1 Rocks™ concerts, a fan will have spent up to \$450 for admission, which is substantially less than other events on the F1 calendar. The fact that admission to everything at the San Diego Grand Prix would be less than half that of other events on the calendar, coupled with the existing appeal of the city, would mean that international travelers would be considerably more likely to choose San Diego as a “fly-away” race to attend.

Moreover, we very much want the San Diego event to sellout even it means charging lower-than-average ticket prices for a FORMULA 1™ event, to make the event affordable and to fill the grandstands.

### **TITLE SPONSORSHIP**

According to media reports, the value of title sponsorship appears to fluctuate. Telecoms firm SingTel are reported to have paid US\$14m to be the title sponsor of the 2009 Singapore Grand Prix<sup>[37]</sup>, whereas in Bahrain, airline Gulf Air are reported to have spent US\$6m to put their name to the Bahrain Grand Prix<sup>[38]</sup>.

### **OTHER REVENUES**

These are as reflected in our project budget.

## 5 – SPECTATORS, ACCOMMODATION & TRANSPORTATION

### ACCOMMODATION

According to official Convention Center literature, there are 11,789 high quality hotel rooms within an approximate 1-mile (1.6km) radius of the circuit – in other words, walking distance – and this does not include availability on the opposite side of the bay in Coronado, which is connected via road bridge and water taxi. Of these nearly 12,000 rooms, 1,362 are at the San Diego Marriott Hotel & Marina, and 1,190 are at the Hilton San Diego Bayfront. Both are of an expected standard for F1™ personnel, and critically, they are located at opposite ends of the pitlane. When combined with the fact that the airport is less than 4 miles (6.5km) from the paddock, this will probably be the most convenient race of the season for all F1™ personnel involved.

The Embassy Suites (337 rooms) at Harbor Drive and Pacific Drive would have all of its access roads taken up by the track layout, and this could cause a problem. A total of 2,097 hotel rooms are contained within the track layout, including the prestigious 511-room Omni San Diego, which would have spectacular views of the start-finish lines from the windows.

According to a 2010 news report<sup>[14]</sup>, hotel occupancy across San Diego fell in 2008 and 2009, but in the first half of 2010 it rose 6%, to 65.4%. That compares with 2006 and 2007 when occupancy sat in the low 70s. However, the average daily rate dropped from \$125.64 in the first half of '09, down to \$117.96 in the corresponding period in 2010. Given that the race is estimated to be worth \$200m-\$300m to the local economy, a significant amount of that will be hotel occupancy, pushing up both the local occupancy rate in 92101, as well as raising the average daily rate of occupancy. Average daily rates are projected to rise to \$133 in 2011<sup>[15]</sup>. San Diego's hotel occupancy is in line with the national average<sup>[15]</sup>, but below "gateway" cities such as Chicago and New York.

### TRANSPORT AND PARKING

International access for the race will be facilitated by British Airways' decision to resume direct service from London Heathrow to San Diego beginning on June 1, 2011, and the presence of FORMULA 1™ may spur more international air traffic for San Diego Airport. Aside from that, Los Angeles International Airport is the obvious entry point for foreign visitors flying direct.

The paddock is approximately 4 miles (6.4km) from the airport. The proposed track layout does not infringe on San Diego Airport access, and does not impact on the traffic flow on or off Interstate 5, State Route 163 and State Route 94, the three main arteries that connect the region to downtown San Diego.

Aside from the obvious closure of the roads that form the track layout, the only major impact is to trolley and rail access. Fortunately, the main Santa Fe rail/trolley depot is very close to the northernmost end of the racetrack and is not affected by the event. Additionally, the Orange Line trolley route connects it to the eastern end of the racetrack adjacent to PETCO Park, with a stop at the 12<sup>th</sup> Ave/Imperial Transit Center. The only difference would be that the trolleys will be unable to stop at the Seaport Village, Convention Center and Gaslamp Quarter stops for the duration of the event.

That wouldn't appear to be too much of a problem, given that everything else is accessible using the Blue/Orange Lines. Additional trolley services are normally in operation on San Diego Chargers gamedays, to take fans from the downtown area to Qualcomm Stadium. I would propose reversing this service, so that FORMULA 1™ racefans use the Qualcomm parking areas and use the trolley to access the track. With Qualcomm able to accommodate 71,294 people for an NFL game, compared to an estimated 100,000 for a FORMULA 1™ weekend, that would potentially mean that over 70% of the required car parking for the event could be kept out of the downtown area – as it is, only 9% of people in 92101 use the trolley to commute to work, so changing the trolley service should have a minimal impact.

With the F1™ Rocks and Grand Prix Block Party events taking place in downtown that weekend, it would be wise to ensure later-than-usual running of the trolley service, to avoid people leaving early. Also, those with a valid ticket for the event could be given free public transit access for the duration of the event (adding an additional \$5-\$10 to the ticket price), to further discourage traffic congestion in a neighborhood that will already have major disruption from hosting the race in the first place.

While the impact of closing/diverting part of the railway line is yet to be evaluated, what is clear is that the main Amtrak/Coaster service to San Diego is not affected by the event, so normal passenger numbers for both Amtrak and the trolley outside of 92101 will not be negatively impacted.

As for F1™ personnel, road access to the paddock would be via the Cesar E. Chavez Parkway exit of Interstate 5, and then along East Harbor Drive. F1™ driver parking will be on Marina Park Way (next to where the FOM Village and TV Compounds would be located), and we would hope to accommodate the rest in the vast underground parking beneath the Convention Center itself, and the 2,000-space<sup>[20]</sup> Port of San Diego parking garage adjacent to the Hilton Bayfront hotel. If that is not possible, the newly opened Harbor Drive Pedestrian Bridge at the corner of Harbor Drive and Convention Way will connect personnel to overflow parking at Imperial Avenue and Park Boulevard. As previously mentioned, the huge amount of hotel rooms available at opposite ends of the paddock may mean that F1™ personnel parking demand is lower than at other events.

Given the proximity of the harbour, it is also likely that there will be a lot of water traffic in the bay over the weekend, with some people choosing to stay in Coronado and sail across to the paddock.



6 – SAN DIEGO GRAND PRIX CIRCUIT LAYOUT



CIRCUIT DIMENSIONS

The track is 3.182 miles (5.121km) long. That puts it within the ideal length for Allsport’s trackside advertising requirements (between 4.5-5.5km). It would be 48 metres longer than the Singapore street circuit, but 182 metres shorter than the Melbourne street circuit and 398 metres shorter than the Valencia street circuit, so it fits in perfectly.

According to Google Earth, it would appear that the optimum track width is around 15 metres, according to track widths at circuits designed by Tilke GmbH, exceeding the widths of the fastest sections at older venues such as Silverstone, Monza and Suzuka. The vast majority of the roads we require either match or exceed that width. A few will require the removal of the concrete divider in the middle, and J Street would need to be widened by 2 metres – but as FORMULA 1™ would require resurfacing of the entire track, that shouldn’t be much of an added expense if, as would be assumed, it is done simultaneously.

Some corners on this layout will be surprisingly quick – the last corner radius of 52 metres is approximately the same as the current 130R profile on the Suzuka Circuit, albeit with a shorter approach meaning that the actual speed is reduced. Other corners, such as the Broadway Hairpin (10 metre radius at turn 9) will probably need to be opened out slightly.

Turn	Corners	Radius (m)	Maximum Width	
			Entry (m)	Exit (m)
1	Right onto 1 <sup>st</sup> Avenue	20	23	14
2	Left onto Market Street	20	11	22
3	Left kink over tram lines	50	23	23
4	Right onto Harbor Drive	15	13	13
5	Right briefly onto Pacific Drive	18	15	15
6	Left onto car park	20	TBD	TBD
7	120-degree right hander	60	TBD	TBD
8	Shallow left hander	130	TBD	TBD
9	Broadway Hairpin	10	15	15
10	Right-hand flick off Pacific Drive	46	15	TBD
11	Left-hand hairpin onto G Street	16 < 35	TBD	TBD < 15
12	Right-hander onto 4 <sup>th</sup> Avenue	15	17	15
13	Left-hander onto J Street	12	15	15
14	Right-hander onto 10 <sup>th</sup> Avenue	13	12	13
15	Left curve past Petco Park	61	10	16 > 12
16	Right curve at Park Blvd	50	TBD	TBD
17	Right-hander onto start-finish	52	15	18

There are 5 overtaking spots on the track. In order, they are turn 1 (4<sup>th</sup> gear previous corner, 750 metre straight, braking into a 2<sup>nd</sup> gear corner), Broadway Hairpin turn 9 (slowest corner on the track), turn 11 (fast right-hand flick before immediate braking into a left-hand hairpin), Rock Bottom corner turn 12 (950 metre straight into 2<sup>nd</sup> gear right) and turn 14 (500 metre straight into 2<sup>nd</sup> gear right). I have worked to profile the layout in such a way as to reduce the repetition of 90-degree corners, traditionally a problem on US street tracks. At the same time, I've taken runoff into consideration, and nothing has been designed without the intention for it to work in reality – in order that it be approved for the FIA Grade 1 safety licence which is necessary to host FORMULA 1™.

	Straights	Length (m)	Width (m)
<b>SF-1</b>	After start-finish line	400	18
<b>1-2</b>	1 <sup>st</sup> Avenue	273	12
<b>2-3</b>	Market Street	340	22
<b>4-5</b>	Harbor Drive	266	9
<b>7-8-9</b>	Shallow left hander	254	TBD
<b>9-10</b>	Pacific Drive	215	15
<b>10-11</b>	Turn 10 to Turn 11	70	TBD
<b>11-12</b>	G Street	940	15
<b>12-13</b>	4th Avenue	342	15
<b>13-14</b>	J Street	500	9 then 11 then 12
<b>14-15</b>	10th Avenue	120	12
<b>16-17</b>	Park Avenue	233	15
<b>17-SF</b>	Before start-finish line	338	20 > 18

The table to the left shows the lengths and widths of the CURRENT roads that we would require for the track. The section of J Street that connects turn 13 to turn 14 is currently of inadequate width, so it is shown in red.

Most of the pitlane profile already exists right outside the Convention Center – and by coincidence it is the correct width for FORMULA 1™, while the building itself is 160 metres longer than the average F1™ pit building.

The pit garages will have the reigning champions at the exit of the pitlane, and the team that finished last in the previous year's Constructors' Championship at the entry. The reason for this – a reversal of standard F1™ procedure – is because the FORMULA 1™ Paddock Club would be based near the exit of the pitlane and, therefore, should have the best view of the top teams.

The offset between the start line and the finish line is approximately 171 metres. The finish line must be placed parallel to the entry to the pitlane, as that is where the electronic timing and scoring beams are always located, but the start line positioning is not so hindered.

### CHANGES TO CURRENT ROADS

The entire layout will need to be resurfaced, with particular care being taken where the tram and rail lines cross the track. These must not cause the cars to be unsettled, as they are located at the exit of turn 1, the entrance to turn 3 and the entrance to the fast turn 17, as well as the less critical G Street straight.

Tram lines exist along the current Singapore street circuit, so clearly this can be done with a little care. Meanwhile, concrete central dividers will have to be removed on Harbor Drive, Market Street, Pacific Drive and on Park Avenue. While this is unlikely to cause too much objection, it will mean cutting down several trees in order to make the road wide enough. Similarly, trees will have to be felled and/or relocated along J Street in order that the road meet F1™ standard. That said, it is my intention that we replace as much foliage as possible with removable plants/trees in giant pots – a similar approach to that found on the Monaco street circuit.

A key element in gaining local support will be making sure we are as unintrusive as possible into the scenery. We must endeavour to plant as many trees as are felled, in keeping with the environmentally-friendly nature of post-2013 FORMULA 1™. For the same reason – as well as making the city look as attractive as possible on global television – I would strongly suggest the concrete walls are painted in an appropriate colour to match the scenery.

At the Convention Center, leaving aside the building itself, the pedestrian curb would have to be the same level as the road, and the wall that separates it from Harbor Drive would need to be altered in such a way as it could carry the standard F1™ pitwall paraphernalia. The entry will have to be reprofiled in order to allow cars to safely approach at over 120mph and still brake for the speed limit line (which limits the cars to 62mph in the pits).

There are several places around the lap that will need standing roadside furniture such as light poles, railroad crossing barriers et al to be moved back, in order to facilitate a wide a racetrack as possible – turn 1 is a particular



candidate for this. Lowering some curbs will also make it easier to use them as apices on the completed track, and it will be necessary in order for the track to continue onto and off areas currently used for parking.

The most noticeable change we will make to the street layout in the city will be the addition of a 68-metre section of tarmac connecting the southern end of Park Boulevard with the east end of Harbor Drive, outside PETCO Park. Because it doesn't currently exist, we can profile this in whatever form we need it, and we will not need to remove any foliage in order to do it. Again, this appears to be a development that is already in the pipeline for normal road traffic, giving us further economies of scale.

Behind the Convention Center, parking areas for F1™ personnel and the media will be on the harbour front, with overflow parking available via a pedestrian bridge across Harbor Drive and a multi-storey structure next to the Hilton hotel. The harbour-side parking will need to be resurfaced, as will the area in which we would place the FOM Village and the TV Compound. Joe's Crab Shack restaurant sits on the same piece of land as this, and their business must not be compromised as a result.

## **RAIL LINE**

A section of freight rail line currently passes right through downtown San Diego, and is owned by the San Diego and Imperial Valley Railroad.

An ideal scenario would see this line and its corresponding depot rerouted around the San Diego CBD, thus providing additional legacy through the reduced traffic disruption in future years, and giving a whole new area in the east village in which to build a new San Diego Chargers stadium (see section 6).

However, the most likely scenario would see freight rail use the outermost of the three lines that run parallel to Harbor Drive, allowing the maximum space to construct grandstands without disruption. Should the race hold a 10-year deal with FOM, then it may be more economically viable to build semi-permanent stands, leave them in place and potentially attempt to reuse them for other events throughout the year.

Regardless, the freight line would have to be closed during daylight hours from Thursday-Sunday of the race weekend. Providing compensation for this could prove costly – alternatively, freight could be moved by road and/or boat instead during these hours.

## **RESIDENTS & BUSINESSES WITHIN TRACK OUTLINE**

From 4.00am until as late as 7.00pm during the race weekend, the track must be closed to all public access. That means entrapping those buildings within the circuit outline.

Several temporary pedestrian bridges must be constructed around the track, some of which should have a shallow enough slope for golf carts to successfully negotiate.

It is yet to be established exactly what complaints we would receive from the local community. From the perspective of local businesses I don't see it being a massive problem as it is my intention to essentially create a three-day block party, using the road closures to our advantage. However, the needs of the residents all have to be taken into consideration, especially given how many residential car parking spaces would be cut off by the track layout. A worst-case financial scenario would involve building a permanent underpass.

These people will obviously need to be compensated accordingly, and one option to be suggested is that, rather like in Monaco, residents sub-let their condominiums on race weekend – although this will impact on ticket revenue and may prove unpopular with the local hoteliers.

Key numbers to be established are the precise number of people whose domiciles would be encircled by the racetrack (I would expect not less than 1,500), and also the shift patterns of those who work at businesses within the track – with particular emphasis on the hotel industry.

**NOISE**

On a related note, there's no covering this one up – FORMULA 1™ cars are loud. A single FORMULA 1™ engine creates 128 decibels of noise, which in perfectly still conditions can be heard up to six miles away<sup>[50]</sup>.

Two dozen, unsilenced 2.4-liter V8 engines revving to 18,000rpm simultaneously at the start of a Grand Prix would obviously increase that number further (although not in a linear manner, as decibels are measured logarithmically). While on the one hand this could be a problem, the sound of FORMULA 1™ engines is regularly cited as part of the sport's appeal, and in San Diego the engine noise will reflect spectacularly off the tall buildings, creating a cauldron of sound only currently experienced at the Monaco GP, and further enhancing the event for those who attend it.

**SAFETY**

The end of the two west-to-east straights on the circuit both have marginal runoff relative to their approach speeds (likely to be in the region of 185mph / 300kph). This may mean that the city has to pay to reprofile the intersections of 4<sup>th</sup> Avenue & G Street, and 10<sup>th</sup> Avenue & J Street, cutting the width of the pedestrian sidewalks and mildly angling the roads in order to create optimum runoff.

**DRAINAGE**

Drainage could be a particular issue along J Street, as the current guttering appears to run perpendicular to the direction the cars would be running. However, with the current road surface in need of repair just to accommodate normal traffic, this may be fortunate timing.

## 7 – OTHER QUESTIONS

**TIME OF YEAR & TIME OF DAY**

Hosting the opening race of the FORMULA 1™ season will be hugely benefit to the sport itself, given the convenient time zone for accommodating global (particularly European) TV ratings.

Looking at the local community, an early March date is timed perfectly, as the NFL season will have concluded only a matter of weeks earlier, but the MLB season will not begin until April. San Diego does not have an NBA or NHL franchise, and both the NCAA Division I college basketball tournament and the Major League Soccer season begin in mid-March, so there will be no sporting event in the region that will draw attention away from the FORMULA 1™ event if it is held at the beginning of March.

The only potential problem could be the NASCAR Sprint Cup, which currently hosts races in Phoenix and Las Vegas around that date. However, a potential clash could be averted if they hold their race in primetime on Saturday evening. FOX, who currently hold the broadcast rights to those races, are likely to be the US broadcaster for the San Diego Grand Prix, so they would be as keen to avoid clashing dates as ourselves.

Some road closures that are necessary for the FORMULA 1™ race can be extended into the following week, when San Diego holds its annual Mardi Gras festival. We also wouldn't infringe on a likely surge in collegiate visitors to the city for their annual Spring Break, which would be a mid-March affair. In essence, we would help bridge the gap in city revenue between the end of the NFL season and the beginning of the MLB season.

As for the time of day, we believe the race should start at 12.00pm local time because firstly the sun will be directly above the city at that time, which minimizes the problems caused by the taller buildings casting shadows across the circuit. Also, it will maximize the global TV audience (12pm PT, 3pm ET, 8pm in the UK, 9pm across Europe, around the same start time as the UEFA Champions League soccer final). US daylight savings time begins on March 9 in 2014, so if the race is held a week later, that means a 7pm start in the UK / 8pm in Europe.



It also means that the race is likely to be over by 2pm local time, giving an extra few hours to get all of the roads open again in time for the Monday rush hour commute.

### **SUPPORT RACES – GP2™ SERIES**

The GP2™ Series is to FORMULA 1™ what the NASCAR Nationwide Series is to the Sprint Cup, or the Indy Lights series is to the IndyCar Series. In the 2011 F1™ season, 12 of the competing drivers graduated to F1™ through the GP2™ Series, with Lewis Hamilton winning both the GP2™ title (2006) and the F1™ world title (2008).

Up until the end of 2011, GP2™ was split into two series, the Main Series (supporting F1™ races throughout Europe), and the GP2™ Asia Series (doing the same in that continent). For the 2012 season the two series will merge and potentially expand, so it is reasonable to expect Formula One Management to ask us to accommodate the GP2™ Series as well (they own the series' commercial rights). Americans Scott Speed and Alexander Rossi have raced GP2™ cars, as well as Mexican drivers Sergio Perez and Esteban Gutierrez.

### **SUPPORT RACES – STAR MAZDA**

The Star Mazda series is an entry-level series for young American drivers, and currently boasts an impressive entry list of 32 drivers. It is considered the third-tier of American open-wheel motorsport, behind the Indy Lights series and the IZOD IndyCar Series.

Star Mazda is a one-make spec series, with 260hp Mazda rotary engines, and in the past has seen such drivers as IndyCar race winners Marco Andretti and Graham Rahal, as well as Scott Speed, the last American to have raced in FORMULA 1™ back in 2006-07. The current series champion, Indiana's Conor Daly, has just signed up for a dual program of Indy Lights and the GP3 Series™, which is also the third-tier in the road to FORMULA 1™, so by bringing Star Mazda to the schedule, we could be watching America's F1™ drivers of tomorrow.

### **SUPPORT RACES – HISTORIC GRAND PRIX**

As the name suggests, the Historic Grand Prix is a series that involves classic FORMULA 1™ machinery dating from the late 1960s and the early 1980s. For 2011 the series has a 6-race schedule, including in support to the Canadian Grand Prix in Montreal. The type of machinery on display will be fantastic for any gearhead, with Ford V8s mixing it up with Ferrari and Alfa Romeo V12s, creating a unique sound between the buildings of downtown San Diego – and every car has a litany of Grand Prix anecdotes attached.

### **SUPPORT RACES – CONCOURS D'ELEGANCE**

A parade of locally owned supercars would be a great way to get the local community involved and make everyone feel like it is THEIR event, not a foreign event happening in their neighborhood – it is also extremely cheap to do. We can invite gearheads from all over San Diego County to submit applications to drive their cars in a display on race morning, giving them the thrill of driving the FORMULA 1™ track (albeit not at full speed!). It is possible that some of them could be invited to take part in the FORMULA 1™ Drivers Parade, further increasing the local involvement. A further parade could take place down the California coastline the weekend before the race, similar to the Olympic Torch relay, announcing the arrival of the event into San Diego.

One other note concerning the support bill is that the support race paddock is NOT open to the public. The reason for this is that support race paddock access is offered as part of the FORMULA 1™ Paddock Club package. The Concours d'Elegance would not be considered part of this.

### GRAND PRIX BLOCK PARTY

Shutting roads that lead to the Gaslamp Quarter may be seen as completely untenable to the local economy. It would be my intention to turn it to our advantage, by turning Saturday night into a Grand Prix block party in similar fashion to a New Years Eve celebration, or to the Surfers' Paradise IndyCar race in years past. This should mollify any objectors on the route of the track itself, increase revenues for the neighborhood, while increasing the attractiveness of the three-day event overall. We will dovetail this event with the F1 Rocks™ show at PETCO Park to make for a race weekend that arguably is the best in the FORMULA 1™ calendar.

### F1 ROCKS™

F1 Rocks™ is a recently developed series of concerts that run on Grand Prix weekends, to give fans more afternoon/evening entertainment options. It would give us a big event to utilize PETCO Park, which would be effectively ring-fenced by the racetrack during a Grand Prix weekend, is normally empty in February and March each year, and is 70% owned by the city of San Diego.



World famous bands and acts are hired, and venue sizes have ranged from 7,000 to 25,000. A recent addition has been the After Party, an exclusive event that is aimed at entertaining clients and sponsors. F1 Rocks™ does not run at every race, but San Diego will be an ideal location for such an event.

The first F1 Rocks™ event was in Singapore in 2009, where the bill included Beyonce, Black Eyed Peas and No Doubt. Since then it was in Sao Paulo, Brazil which was headlined by Eminem; Valencia, Spain in 2011 with David Guetta, and DJs in a bill aimed at the local Spanish dance scene. At the 2011 Abu Dhabi Grand Prix, it was Paul McCartney, while at the 2011 Indian Grand Prix the headliner was Lady Gaga. Ticket prices are \$34.49 for general admission, and \$57.49 for the front section.

The model for ticket prices changes from event to event. For instance, the 2011 Bahrain event would have been free to all Grand Prix ticket holders, before the event (and indeed, the race) was canceled. Ticket pricing is dependent on the race organizers. The entrance fees are split between F1 Rocks™, and the promoters.

The promotion of the event is handled by a local promoter to handle the logistics, but they are supplied a framework by F1 Rocks™ to work to. F1 Rocks™ handle the recording, TV and broadcasting. Formula One Management retains the TV rights, but that doesn't mean that San Diego would not benefit from them – MTV India signed on to broadcast the F1™ Rocks event for their national Grand Prix in October 2011<sup>[38]</sup>. Some events have been sponsored, so far by LG (Sao Paulo and Singapore), and by Vladivar in India. We already have made initial contact with personnel involved with logistics at F1 Rocks™.

They would require a good time frame to work on sponsorship and to book the big-name acts. They also added that when the time is right, they would be glad to advise more. They see no problems if we have a good plan. Confidential agreements have to be signed before we go any further, and we agreed we would have to do that both ways when the time was right.

For San Diego we would aim for acts that appeal to California, for instance the Foo Fighters, Lenny Kravitz and/or Blink-182. Rodrigo Y Gabriela are a great Mexican act and would highlight the proximity of the Mexican market.

## F1 ROCKS™ AFTER PARTY

These are the packages and prices for the Italian Grand Prix F1 Rocks™ After Party

### Prices (US\$ prices approximate)

€200.00 (US\$275) Admission plus VIP access with open bar

€2000 (US\$2750) VIP table of 8 including 6 bottles

€3000 (US\$4135) VIP table of 10 with prime position including 8 bottles

€5000 (US\$6900) Unlimited VIP table of 12 with best position

The After Party includes DJs and dancing, and plenty of drinking (!) It is also filled with VIPs, often drivers and celebrities from the Grand Prix. At the Italian Grand Prix, FORMULA 1™ driver Sakon Yamamoto was one of the guest DJs.

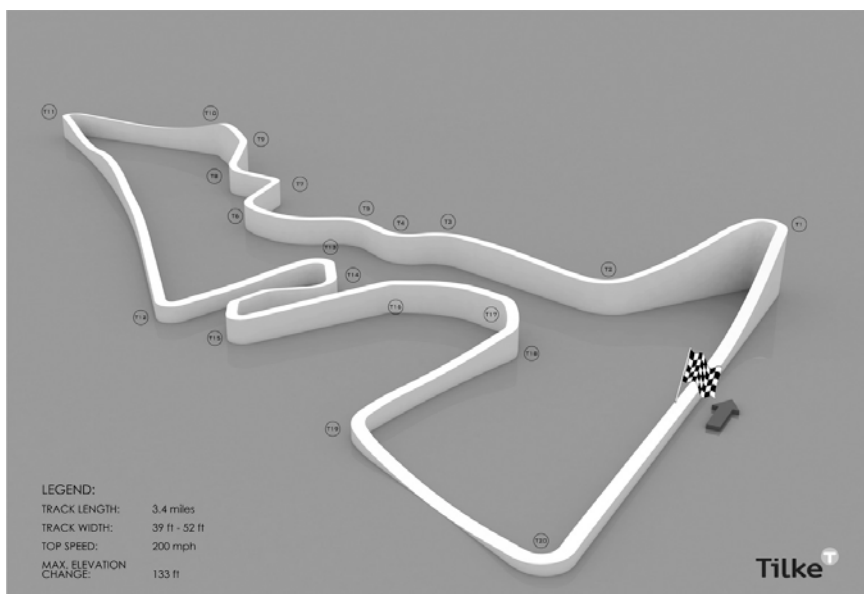
## MARDI GRAS

San Diego's Gaslamp Quarter hosts its annual Mardi Gras parade in the second week of March, which will involve the closure of several streets. Because of the timing of the race on the first weekend of the month, many residents will already be familiar with road closures at that time of year, and I believe they will be less resistant to closing roads for FORMULA 1™. It is even possible that some of the grandstands used for FORMULA 1™ could remain in place for the parade, which would expand the Mardi Gras event further.

## OTHER U.S. VENUES – AUSTIN 2012

A purpose-built facility is currently being built in Austin, TX, with the intention of hosting the FORMULA 1™ United States Grand Prix in November 18, 2012. Taken at face value, it would appear that San Diego has therefore missed its opportunity, but on further review, it is the total opposite.

According to media reports, the cost of this facility will be \$250million<sup>[1]</sup>, possibly as much as \$185million more expensive than the San Diego layout. Let me state right away that I believe it is in our best interests that Austin succeeds with their project and brings F1™ to a state-of-the-art facility in the USA where it belongs. We believe that our two projects will not overlap, because the only common component would be the participants.



Their race will be on a flowing road course in the countryside. Our race would be on a street circuit in the middle of California's second-biggest city. Their race would be held in the middle of November at the end of the season, whereas our race would be the season-opener. Fans would not be left trying to decide between identical events – they would have the best of both worlds to choose from (and in many cases, will choose to attend both given the gap between them on the calendar).

Much has been said about the inability of a country to host more than one race per season. This is clearly nonsense – Italy held two races from 1981-2006, Germany held two races from 1995-2006, and Spain has been hosting two races a season since 2008. The United States itself remains the only country to have hosted three races in the same season, when Long Beach, Detroit and Las Vegas were all host cities in 1982.



The best examples are the two races in Malaysia and Singapore. One is a track purpose built for FORMULA 1™ by Tilke GmbH (as is Austin), whereas the other is a street race around a densely populated downtown district (as is San Diego). They co-exist at opposite ends of the schedule, despite only being 165 miles (266km) apart on the map. In short, we would work with a successful Austin circuit to give FORMULA 1™ a foothold in the USA.

Thus, for now it is essential that we do not interfere with the Austin project. Firstly because we risk being ostracized by the motorsport community if we scupper an otherwise workable plan, secondly because we believe a successful Austin race will compliment a successful San Diego race and vice versa, and lastly because in the event of the failure of Austin to complete the circuit, it could increase our bargaining position.



New Jersey will play host to the FORMULA 1™ Grand Prix of America beginning in June 2013, on a temporary circuit laid out at the Port Imperial Ferry Terminal in Weehawken, directly across the Hudson river from Manhattan. The track design is shown above.

The announcement of the race was made in October 2011, and featured noted businessman Leo Hindery, NASCAR business legend Humpy Wheeler and New Jersey governor Chris Christie, along with the mayors of Weehawken and West New York. The track has been designed by Tilke GmbH, and the average ticket price was quoted by Hindery at \$360.

At 3.2-miles, the layout is longer than the San Diego layout, and in the announcement Governor Christie declared “expect upwards of 100,000 to attend”, and added that the FORMULA 1™ race would “prove that the New Jersey (economic) comeback has begun”, with the economic impact being “a significant one”. Hindery added that the race will be entirely privately funded, with “not a dollar of subsidy, direct or indirect”.

With no parking facilities at the venue, all 100,000 are expected to reach the circuit by public transport, with the ferry terminal meaning that the venue is only 8 minutes from Manhattan.





### PLAN B – CORONADO ISLAND

It may prove financially unfeasible to create a track within downtown San Diego – but it may be possible to relocate the plan to Coronado Island, directly across San Diego Bay from downtown.

The Naval Air Station North Island, also known as Halsey Field, is operated by the US Navy, the largest employer within San Diego (55,300 employees)<sup>[54]</sup>. It encompasses 2,000 acres at the northern end of Coronado Island, and it is clearly large enough to accommodate an F1™ standard layout, and potentially far more grandstand seats and corporate suites than the downtown layout.

While the city of San Diego will not benefit as much from the extensive global TV coverage, that is of no financial significance to the event organizer – in fact, it may even be more financially viable. There is already a precedent for racing on the base, as it plays host to the annual Coronado Speed Festival historic event. In the Google Earth image above, the 1.77-mile historic track is shown on the base, with the proposed 3.1-mile FORMULA 1™ street circuit also displayed in downtown, as a point of reference. It is clear to see how much space there is to work with.

The principal drawback to the Coronado plan over the downtown plan is the lack of a pit/paddock building. However, if the Navy could be convinced of the project's merits, they could potentially build a facility that can be used for Navy purposes when not used for the racetrack. The historic layout clearly involves the closure of one of the runways. That, combined with the presence of a “civilian” crowd, means the base is already experienced with the type of disruption a FORMULA 1™ race would bring to its regular operations.

Access to a Coronado track would be much more difficult than a downtown layout, with the principal road route being the Coronado Bridge (shown in the SE corner of the image). With only 5 combined lanes, this could prove a major bottleneck, something that may be eased by the extensive use of water taxis across the bay from downtown. For obvious reasons, the base should be able to easily accommodate helicopter traffic.

Most intriguingly, a race in Coronado would potentially mean the city of San Diego having to pay a title sponsorship fee in order for the race to be called “San Diego Grand Prix”, while still leaving room for a corporate title sponsor. All the other economic arguments for the event apply regardless of whether it is in downtown or on Coronado Island.



## 8 – PROJECTS THAT DIRECTLY AFFECT FORMULA 1™ IN SAN DIEGO

### NEW SAN DIEGO CHARGERS STADIUM



This success of the FORMULA 1™ project in San Diego could hinge on what happens concerning the San Diego Chargers' attempts to build a new, Super Bowl standard stadium – with an area of land around 14<sup>th</sup> Street and K Street being among the candidate sites (pictured above).

This site does not affect the FORMULA 1™ track layout, and if it should be built, the amount of car parking spaces created will actually help increase East Village revenues from the FORMULA 1™ race. That does not mean that we will not be affected by it politically.

We understand that the NFL and the Chargers have been lobbying the city for a new stadium for some time, with the lingering threat that the team will relocate to Los Angeles if it does not happen soon. Various media sources have quoted the cost of the stadium alone to be between \$800 million and \$1 billion, with the possibility of hosting the Super Bowl only every decade or so.

Because of this, we believe the city of San Diego will have to listen seriously to the FORMULA 1™ plan, and support it on the basis that it will bring exponentially more global exposure to a city that is crying out for it – but at the fraction of the cost that they are being bullied into spending by the NFL and the Chargers.

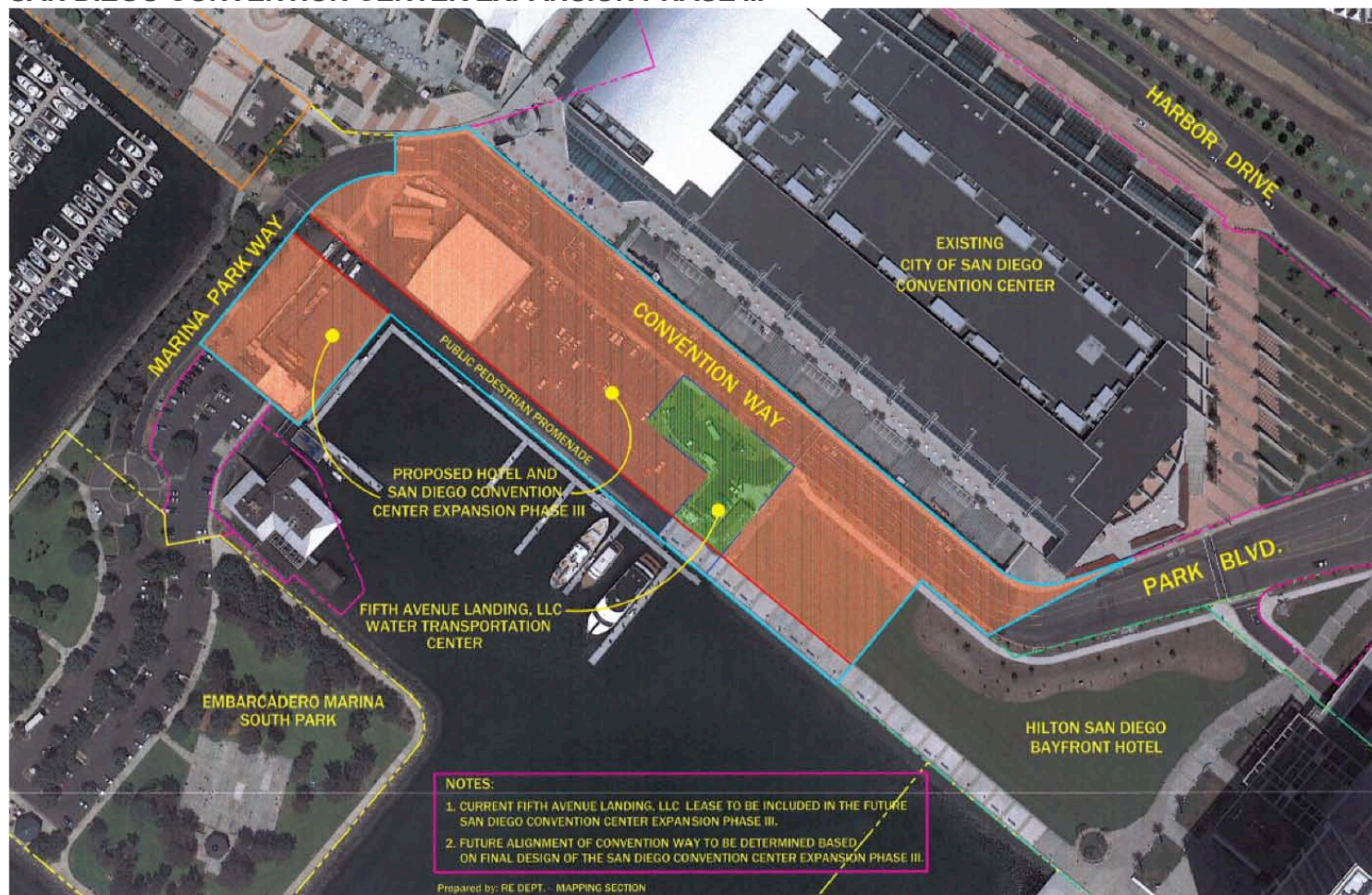


At worst, our project could be used to leverage the stadium project, while at best, having studied the cost-benefit of the NFL for months/years, we may be seen as a white knight, able to deliver sporting prestige at a fraction of the cost. It at least means that getting 100,000 people in and out of downtown San Diego has already been considered viable, which only helps our position.

According to a report from NBC San Diego “The city and Chargers hope to put a stadium measure on the ballot in November 2012”. That essentially means we have until then to bring local politicians around to our way of thinking, and given the financial state in California right now, that shouldn’t be a tough sell.

A further boost to both the Chargers and to the San Diego Grand Prix came on September 27, 2011, when California governor Jerry Brown signed the AB900 bill protecting major building projects from legal and environment challenges, assuming they are environmentally friendly and create jobs<sup>[33]</sup>.

### SAN DIEGO CONVENTION CENTER EXPANSION PHASE III



Changes to the Convention Center have a big effect on the ability of the city to host a FORMULA 1™ race. It would appear that the current plans include an expansion out into the harbour (shown in the diagram above, reproduced from their own website), which would mean the proposed FORMULA 1™ Paddock, the FOM Village, TV Compound and F1™ Personnel parking would all be displaced from their current positions. This isn’t a disaster, but developments need to be watched with interest – if the Convention Center is incompatible with the needs of F1™, San Diego simply cannot host a race in downtown.

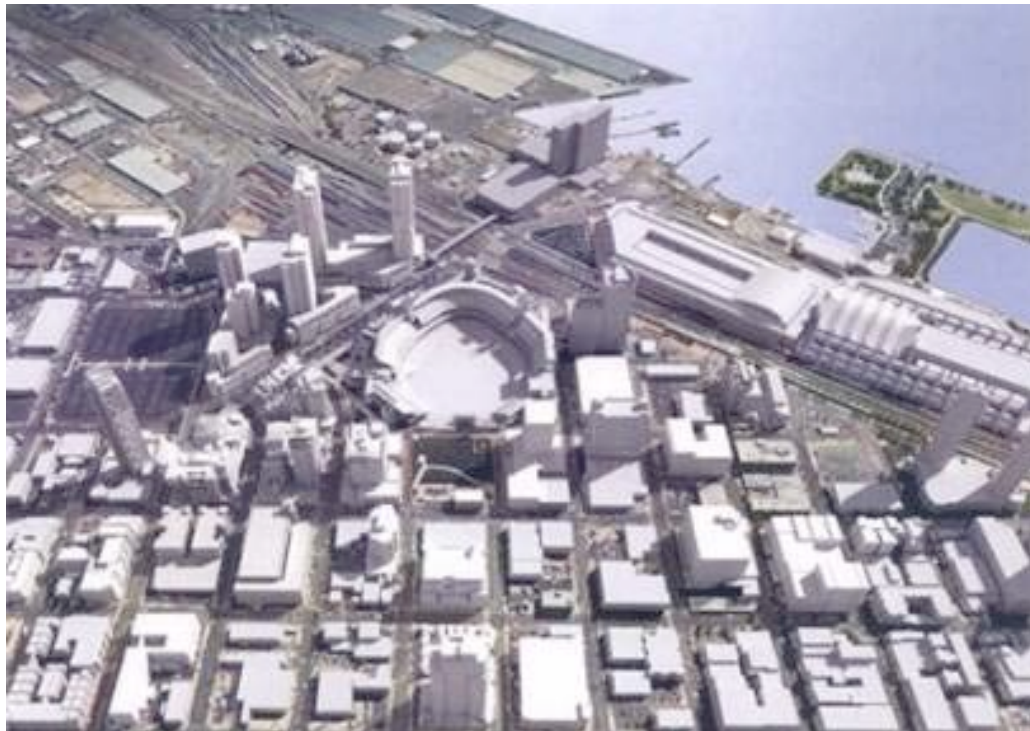
In a July 2011 interview<sup>[23]</sup>, Centre City Development Corporation board chairman Kim John Kilkenny said “In my opinion, it would be exceedingly difficult to identify any significant funds for the phase III Convention Center (expansion)”. When asked how the development could therefore take place, he simply replied “Don’t know”.

My hope is that we will come in with this project at just the right time, when budgets are already being discussed and the future direction of the Convention Center is being decided – clearly there is a movement to enhance the facility, we will simply need to point out the relatively minor improvements needed for FORMULA 1™.

#### E4 BALLPARK VILLAGE

E4 Ballpark Village<sup>[21]</sup> is a proposed hotel development from JMI Realty that according to the Centre City Development Corporation has been approved, albeit without a definite completion date as yet.

The proposed turn 16 lies on the same land as the hotel development (the towers pictured to the above-left of PETCO Park). While that doesn't affect the possibility of running the race, it would affect potential revenue, as that is where grandstands could currently be constructed. The addition of more high-rise hotels with a track view will further impact our ticket revenue, for obvious reasons.



#### SAN DIEGO INTERNATIONAL AIRPORT EXPANSION

The main airport is located only 4 miles (6.4km) away from the proposed pit and paddock area for the FORMULA 1™ race. This is obviously extremely convenient, although the airport itself is relatively small – according to a 2004 report<sup>[11]</sup>, it ranked 29<sup>th</sup> in passenger enplanements across the US.

At the time of writing, the airport is currently undergoing major renovations to Terminal 2, originally built in 1979. Included are 10 new gates (raising the airport's total to 55), a dual-level arrival/departure road, and an expansion of the concession facilities which will see the revenue generated jump from \$3million prior to expansion up to \$8million when complete. Around 17 million passengers currently use the airport, but that is expected to double over the next 20 years<sup>[29]</sup>.

They key element is that the current renovation and expansion is due to be completed in 2013 – the year before San Diego possibly hosts its first FORMULA 1™ race. It will therefore present a much more modern entrance to the city, and will be able to handle a higher capacity than at present, obviously a major consideration when it comes to hosting the race<sup>[30]</sup>.

#### CALIFORNIA ECONOMY

In June 2011 the State of California opted to eliminate the redevelopment budget that would have been a significant contributor to the proposed new San Diego Chargers stadium, as well as the redevelopment of the San Diego Convention Center (see below)<sup>[22]</sup>.

While several city mayors, notably including San Diego mayor Jerry Sanders, are supporting lawsuits to block this elimination, it obviously will have a major effect on our plans as the Convention Center renovation would be key to attracting FORMULA 1™. Conversely, the lack of government support could make it more attractive for private investors who are looking for extraneous concessions in return.



## 9 – LEGACY

Given FOM's tendency to include a 10% escalator fee in every successive year of a contract, we have to assume that the FORMULA 1™ event in San Diego will have a finite life of around 10 years (a not-untypical contract length, and tying in with the Convention Center's leasehold on the harbour section expiring on June 30, 2024), so it is crucial that nothing that is built/alterd for the needs of F1™ that becomes a white elephant in the future.



I don't believe this will be the case. For a start, many streets in downtown San Diego need resurfacing, and this is just the spur needed in order to do it. Secondly, the Convention Center is in need of renovation, and if it were to host the world's biggest annually-occurring sporting event, it will have had a high standard of renovation (possibly involving the sale of naming rights), while bringing itself massive global kudos far beyond any other event it can possibly hold. This should drive more business toward the loss-making building, while ensuring it holds on to what it already has.

The race should also give the local economy an injection of cash that will continue to spur the urban renewal eastwards from downtown, in a way that will not become possible through an NFL stadium until many years later – at a significantly escalated cost from that which will be needed to host FORMULA 1™.

However, I believe the biggest legacy will be putting San Diego in the worldwide spotlight for arguably the first time in the city's history – and certainly the first time since the urban renewal of the East Village in the past decade. To put the city on global television in a perfect time slot over three days at a time of year when nothing else is happening in southern California might be worth the cost of the race alone.

Several F1™ locations have used the presence of a race to bring themselves to wider global attention, the most notable examples being Adelaide (Australian GP host from 1985-95 despite only being the 5<sup>th</sup> largest city in the country), Bahrain (their first international sporting event was F1™ in 2004), Abu Dhabi (built the world's most expensive racetrack at over \$1bn), and even Singapore (a race around its downtown streets showcases its Marina Bay area as among the best in the world). Melbourne's innovative use of a city-wide brand logo, encompassing such as events as FORMULA 1™, MotoGP and the Australian Open tennis tournament, may be the template for the city of San Diego to follow as it builds an international reputation.

This is a city and state that doesn't have the money for the Olympic Games or the FIFA™ World Cup, and a city which a recent Forbes magazine article described as the 5<sup>th</sup>-most depressed sports city in the United States. It has just tentatively approved \$4.1 billion of city redevelopment over the next 40 years (with \$2.6bn going to the downtown area)<sup>[32]</sup>, so FORMULA 1™ might be coming along at just the right time – and even after it is gone, the city's worldwide profile will have been exponentially raised.

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