

## planning division

### MEMORANDUM



To: Mayor Smith and Council members  
Through: Kari Kent, Deputy City Manager  
Christine Zielonka, Development & Sustainability Dept Director *cyj*  
John D. Wesley, Planning Director *JDW*  
From: Gordon Sheffield, Zoning Administrator *GS*  
Date: February 2, 2010  
Subject: Off-track Betting Facilities (OTB)

Planning staff is seeking Council direction with regard to Off-track Betting facilities. According to the Arizona State Department of Racing webpage, such facilities are presently in place in several Valley cities, including Phoenix, Tempe, Chandler, Scottsdale, Goodyear, and Glendale. Attached to this memo is a narrative provided by Turf Paradise that explains from their viewpoint how OTB works.

The present zoning ordinance does not directly address the question of what is the appropriate zoning district for placement of an OTB. Such facilities require an OTB license from the State, and one of the requirements for the license is evidence that the OTB is authorized by the local jurisdiction (municipal or county, as applicable). Final authority to grant the license rests with the State Department of Racing.

Available zoning options are as follows:

- 1) Zoning Ord §§11-6-2(D)4 and 11-6-3(D) authorize "Commercial Recreation/Entertainment" uses in the C-3 district "by-right", and in the C-2 district with approval of a Council Use Permit. Typical uses under this land use classification are bars, night clubs and pool halls. Without any further Council direction, the Zoning Administrator can interpret OTB as a Commercial Recreation/Entertainment use.
- 2) Because OTB is not listed directly as a land use, Council can direct staff to amend the Zoning Ordinance. OTB could be considered as a use similar to Commercial Recreation/Entertainment (permitted in C-3, or C-2 w/CUP), or other zoning options could be developed for this specific activity. Staff would develop ordinance language based on Council direction for a possible amendment to the zoning ordinance. The draft amendment would be routed to the Planning and Zoning Board for recommendation and back to Council for consideration and possible adoption.
- 3) Again, because OTB is not directly listed as a permitted activity, this land use can be prohibited under the present zoning ordinance. Uses not listed directly by the zoning ordinance are either interpreted to be "akin" to another use, or are prohibited. Council could direct staff to consider OTB a prohibited activity under the Zoning Ordinance.

## Introduction

Turf Paradise would like to provide the following information in order to give a better understanding of what Off-track Betting is and how it works. In 1991 the Arizona State Legislature passed a bill allowing Off-track betting. In essence, what this did was allow any licensed permittee (a racetrack licensed by the Arizona Racing Commission) to simulcast its racing signal along with selected racing signals from across the country to specifically approved locations throughout the state for wagering purposes.

There are two major components of Off-track Betting that we will try to explain in further detail. They are:

1. Simulcasting
2. Tote (wagering)

**Simulcasting:** Simply put, simulcasting is the transmission of the live video signal from the racetrack to the Off-track Betting location. It is done very much the same way a person receives satellite TV. When the horse races are run, they are transmitted via television cameras to a video control room, which sends the signal to a satellite uplink truck. The satellite uplink truck then sends the live signal to a remote satellite which bounces the live signal back down to the receiving locations. Please see the diagram provided. To ensure security, the signal is encrypted and can only be viewed with specifically authorized satellite decoders. All races wagered on are live.

**Tote:** This is the wagering aspect of horse racing. All the money wagered on a race is sent to our tote company's main frame computer where it is calculated and returned back to the winning bettors. The way it works at an Off-track Betting site is when a person wants to place a wager on a race, he/she will go up to the window and tell the teller what they want to bet and how much. At that point, the teller will issue that person a ticket for the wager through their betting terminal. The data from the terminal is then transmitted via modem to modem connection, for security, to the tote main frame computer. After the race has been run and been declared official, the tote company will send the winning results back to the Off-track Betting site through the modem to modem connection so that all winning wagers can be redeemed. The tote company records all wagering transactions at the site under a separate account for tax records and auditing purposes.

## Operations

OTB sites allow Arizona horseplayers the convenience of watching and wagering on our live and simulcast races without having to come all the way to the track. Since Turf Paradise is only licensed to conduct horse racing, that is all we are allowed to offer the Off-track Betting sites to wager on. Therefore, no other forms of gambling will be offered by Turf Paradise at an Off-Track Betting site other than Pari-Mutuel wagering on horse racing. In the past, Turf Paradise was not allowed to operate after 7:30PM due to an Arizona Statute that prohibited competition between horse and dog tracks in the same county. However, due to the recent closure of Phoenix Greyhound Park there no longer is

any competition from a Dog Track in the same county so Turf Paradise is allowed to operate up until 2:00AM although we have never gone that late. The hours of operation for an Off-track Betting site are typically:

- 11:30 AM to 6:30PM on Mondays & Tuesdays
- 11:30AM to 9:30 PM.on Wednesdays & Thursdays
- 11:30 to 11:30PM on Fridays & Saturdays
- 11:30AM to 10:00PM on Sundays

On special days such as the Breeders' Cup and the Kentucky Derby, the Off-track Betting site may open earlier.

An Off-Track Betting site is subject to announced and unannounced on site inspections from the Arizona Department of Racing as well as audits from both the Arizona Department of Racing and Turf Paradise.

### **Staffing and Licensing**

An Off-track Betting site has one site supervisor and as many as four tellers that will be employed by Turf Paradise. These people are usually hired from the immediate area and trained by the Turf Paradise mutuel staff. All persons associated with the Off-track Betting site are required to be licensed by the Arizona Department of Racing. This includes:

- All Turf Paradise Personnel.
- Owners with a 10% or greater interest in the site.
- One additional member of the sites working staff.

For an individual to get licensed by the Arizona Department of Racing they must be fingerprinted and have gone through an abbreviated background check. No person with a felony will be permitted to have an A.D.O.R. license.

### **Takeout and Taxes**

The money wagered at an Off-track Betting site is subject to both a takeout rate and taxes. The takeout rate is a percentage of every bet that is returned back to the track. That amount is set by law. From the takeout, half is returned back to the horsemen in the form of purses. The rest is retained by the track which we call the commission. The commission is subject to town/city sales tax.

### **Demographics**

In 2003, a demographic study was done to show the type of patrons that frequent our Off-Track betting locations. That study showed that the majority of our patrons are business

men and retirees. It also showed that many of our patrons are visitors from out of state and that many of them came to Arizona primarily because of Turf Paradise.

- 56.9% of our patrons that come from another state or country list Turf Paradise as an influential decision in coming to Arizona.
- 46.8% of our patrons are 61 years of age or older, 36.3% of our patrons are between the ages of 41 – 60.
- Gender stats: 66.5% Male - 33.5% Female.
- 29.7% of our patrons are from out of state.

Also, Turf Paradise had been consistently ranked the third most popular sporting attraction in the state ahead of the Phoenix Suns and the Arizona Cardinals as recognized by the Arizona Book of List through 2008 which was the last year that category was listed. This shows that Turf Paradise is a legitimate sporting attraction with a respectable customer base.

## **Conclusion**

Off-track Betting is designed to improve the business of the racetrack by increasing wagering. It will also improve the business of the site by increasing the number of patrons. The types of patrons that we attract are local business men and retirees.

Turf Paradise has been operating Off-track Betting sites for over fourteen years and we have been very successful doing it. In those fourteen years we have not had one serious problem. We feel so strongly about maintaining this good reputation that if a site itself becomes a problem we voluntarily remove the Off-track Betting because we do not want to be associated with a bad element. Off-track Betting is an extension of our business and it is important to Turf Paradise to be a good neighbor in the community.