

Maryland Stadium Authority Report
on the Pimlico and Laurel Park Racing Facilities Redevelopment
as Required by HB 897 / Ch. 61, Sec. 3(a), 2022 (MSAR #14166)



Submitted to:

Senate Budget and Taxation Committee
Sen. Guy Guzzone, Chair

House Appropriations Committee
Del. Benjamin S. Barnes, Chair

House Ways and Means Committee
Del. Vanessa E. Atterbeary, Chair

September 30, 2022

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Section 1 - General Background and Purpose of Report

A. Section 3(a) of Chapter 61 (“Chapter 61”), Act of 2022 requires the Maryland Stadium Authority (MSA) to provide two reports on or before September 30, 2022, and January 1, 2023 in accordance with § 2-1257 of the State Government Article, to the State Budget and Taxation Committee, the House Appropriations Committee, and the House Ways and Means Committee on the progress of the Pimlico Racing Facility (“Pimlico”) Redevelopment Plan and Laurel Park Racing Facility (“Laurel Park”) Redevelopment Plan under Chapter 590 of the Acts of 2020 (“Chapter 590” and together with Chapter 61, the “Legislation”). Section 3(b) of Chapter 61 requires that each report shall:

- Describe the efforts by interested parties and the MSA to reduce the overall project costs.
- Report on the cost and schedule for the Laurel Park racing facility site based upon the programmatic desires of current ownership.
- Report on the cost and schedule for Laurel Park based on the implementation of recommendations in the report required under Chapter 61 Section 3(f) from the mile thoroughbred licensees, the Maryland Thoroughbred Horsemen’s Association (“MTHA”), and the Maryland Horse Breeders Association.

B. Chapter 61 Section 3(d) sets forth that it is the intent of the General Assembly for MSA to proceed with the following services:

- Design, architecture, engineering and permitting at the Pimlico site.
- Testing and evaluation of the existing racing surfaces at the Laurel Park site, including geophysical borings as needed.
- After considering the ongoing racing operations at the Pimlico racing facility site during construction, and in consultation with the Pimlico racing licensee, demolition of the Pimlico Old Grandstand on an expedited basis.

C. This report is intended to satisfy the September 30, 2022 report submission.

For purposes of this report, the Maryland Jockey Club (“MJC”) includes The Maryland Jockey Club Of Baltimore City, Inc., Maryland Jockey Club, Inc., Laurel Racing Assoc., Inc., Laurel Racing Association Limited Partnership, The Stronach Group, and 1/ST Group.

Section 2 – Agreements/Requirements Status Updates

Section 2.1 Agreements and Requirements for Bond Issuance at Pimlico

The legislation identifies several agreements and reporting requirements that must be finalized before MSA may issue bonds and/or proceed with construction related activities for the Pimlico project. Below is a summary of MSA’s understanding of the status of these agreements and requirements:

- Agreement 1 - Memorandum of Understanding (“MOU”) by and among LifeBridge Health, Inc. (“LifeBridge”), the Baltimore Development Corporation, and MJC required by Chapter 590.
 - The parties entered into a MOU, which was fully executed, and effective April 18, 2022.
 - Status: Completed

- Agreement 2 – MJC Land Conveyance
 - The terms of the legislation assumes MJC conveyance of the Pimlico Racing Facility to the City of Baltimore. This is still the expectation, however, this process and the terms of the agreement have not yet been finalized.
 - Status: Open
- Agreement 3 - LifeBridge Land Conveyance
 - It is MSA’s understanding that LifeBridge remains amenable to an agreement that would convey a portion of property currently owned by LifeBridge to the fee owner of the Pimlico property. The conveyance is necessary for rotation of the track surfaces and general redevelopment of Pimlico. The City of Baltimore (the “City”) has taken the lead on the conveyance negotiations with LifeBridge. MSA’s design consultants have commenced boundary survey efforts that will assist in the identification of necessary land transfer requirements.
 - Status: Open
- Agreement 4 - Pimlico Development Agreement (MJC / City / MSA)
 - This agreement is required to outline the roles, responsibilities, and requirements for each party during the actual redevelopment process. MSA developed and shared a first draft of the Development Agreement with MJC and the City on May 25, 2022, and received MJC’s preliminary comments on August 16, 2022. While the parties will continue to work towards an agreement, we currently remain far apart on the terms. The two biggest areas of disagreement are: (1) MJC’s request for full approval rights on all programming, scheduling, and budgeting decisions and (2) the construction related restrictions surrounding the Preakness during redevelopment. Follow-up negotiation meetings between the parties began in September.
 - Status: Open
- Agreement 5 - Pimlico Long Term Operating Agreement
 - Work on this agreement has not yet commenced.
 - Status: Open
- Agreement 6 - Pimlico Lease Agreement Associated with Preakness
 - Work on this agreement has not yet commenced.
 - Status: Open
- Agreement 7 - MJC Covenants and Restriction with LifeBridge
 - MSA understands that MJC wanted the covenants and restrictions and LifeBridge was willing to consider them, but only in an agreement separate from the MOU.
 - Status: Open
- Agreement 8 - MJC Covenants and Restrictions with City of Baltimore
 - MSA understands that MJC shared a voluminous 94-page document with the City outlining their desired covenants and restrictions associated with the use and redevelopment of the (to be subdivided) parcels surrounding the redeveloped Pimlico Racing Facility. No agreement has been reached to date.
 - Status: Open
- Requirement 8 - Racing Commission Track Safety Report
 - The Racing Commission has formed a committee to work on the report, but has not yet completed it.
 - Status: Open

As documented above, resolution has been achieved on only one of the prerequisite agreements and requirements for moving forward with bond issuance and construction operations. Finalizing these agreements should be prioritized, as the inability to satisfy these prerequisites

will prevent the project from moving forward. Due to the disparity between MSA and MJC and the disparity between the City and MJC on major business terms of the primary agreements and the history of actions, inactions and changes by MJC outlined in the report, MSA does not recommend entering design as directed under HB897 in September 2022 until the Pimlico Development Agreement, the MJC Covenants and Restrictions Agreement with the City, and the MJC Covenants and Restrictions Agreement with LifeBridge are finalized.

Section 2.2 Agreements and Requirements for Bond Issuance at Pimlico

Similar agreements will be required prior to proceeding with construction related services at Laurel Park but are not highlighted within this report given the uncertainties surrounding the advancement of the Laurel Park Racing Facility redevelopment at this time.

Section 3 - Programming and Design Updates

Section 3.1 - Pimlico

Section 3.1.1 MJC program confirmation status

Following the enactment of Chapter 590, MSA conducted an extended procurement process for design services that concluded with its engagement of Ayers Saint Gross (“ASG”) for Pimlico in February of 2021. Internal kick-off and planning meetings with ASG commenced on March 1, 2021. MSA spent considerable time and effort working in conjunction with representatives from MJC and MTHA to confirm the program requirements for the redeveloped Pimlico Racing Facility. The efforts resulted in numerous conceptual plans with a finalized baseline MJC concept program agreed upon in late 2021 (the “2021 Pimlico Program”). This program served as the basis for the third party cost estimates generated early 2022 and shared with leadership in the spring of 2022.

The first programming workshop for the Pimlico Racing Facility was conducted on April 16, 2021. Over the course of the next eight months, MSA and its consultants worked in conjunction with representatives from MJC and MTHA to identify their programmatic needs and desires and generated multiple concept level plans for a redeveloped Pimlico Racing Facility. MSA worked with third party cost estimating consultant Rider Levett Bucknall (“RLB”) to generate program level estimates for each of the concept plans. Throughout the process, MJC identified a number of programming desires that differed from the original concept plan that had served as the basis for Chapter 590. These changes included but were not limited to:

- Increase in the overall gross square footage associated with the new clubhouse structure.
- Increase in track distance from 7/8 mile to 1 mile.
- Addition of an elevated superdeck structure within the infield to accommodate Preakness overlay desires.

Chapter 61 cleared the path for advancing design efforts to proceed on Pimlico and MSA has continued to engage with MJC representatives. However, before advancing design efforts, MSA requested that MJC confirm its agreement to the 2021 Pimlico Program. MJC’s responses were piecemeal and staggered, with final comments not received by MSA until September 9, 2022. Though many of the 2021 Pimlico Program Requirements were confirmed, MJC’s comments do result in some changes to the 2021 Pimlico Program. MJC’s updated programming requirements for the key project components are summarized below:

- Track surfaces, configurations and race distances remain unchanged from the 2021 Pimlico Program (but, as noted above, the 2021 Pimlico Program for the track dimensions were increased from the concepts that had served as the basis for Chapter 590).
- Pimlico overlay requirements have increased from the 2021 Pimlico Program. From a capital investment perspective, the impacts to the general utility infrastructure needs will be nominal; however, the space allocation required to accommodate the increased demands could impact site layout and the available land for future development parcels.
- The overall clubhouse square footage demands remain unchanged from the 2021 Pimlico Program (but, as noted above, the 2021 Pimlico Program Requirements for the clubhouse square footage were increased from the concepts that had served as the basis for Chapter 590).
- The desired infield superstructure has been eliminated from the program. The updated program identifies a canopy system to be located adjacent to the new clubhouse that will provide coverage for MJC's Preakness overlay.

MSA intends to work with its design consultants to update the baseline programming and concept documents to reflect MJC's most recent comments and requests. MSA will then request that RLB update its estimate to reflect both the changes in program and the changes in market conditions since their last estimate. These efforts will be completed in advance of MSA's next report submission.

With the exception of specific design tasks identified elsewhere within this report, MSA and its design consultants have not proceeded with any ongoing design services for Pimlico.

Section 3.1.2 Old Grandstand Demolition Status Update

Chapter 61 Section 3(d) sets forth that it is the intent of the General Assembly for MSA to proceed with demolition of the Pimlico Old Grandstand (the "Grandstand") on an expedited basis after considering the ongoing racing operations at the Pimlico racing facility site during construction, and in consultation with the Pimlico racing licensee.

Though hazardous material surveying was always anticipated within the design consultants' scope of services, the desire to expedite the demolition of the Grandstand resulted in a shift in the timeline for performing the services. On May 24, 2022, MSA's Board approved modifying the existing design consultant's agreement to enable the hazardous material surveying and reporting process to proceed with respect to the Grandstand. The onsite inspection and surveying were completed in early July 2022 with the associated report of findings provided to MSA on August 16, 2022. The survey findings will serve as the basis for future abatement services scope of work at the time abatement and demolition services are procured. Completed work was limited to the Grandstand. Hazardous material surveying and reporting for the remaining clubhouse sections, backstretch facilities, and miscellaneous structures will be completed at a later date. MSA believes that proceeding with this work will leave a false impression that the project is proceeding as planned. MSA will reevaluate its position if meaningful progress is made on the agreements and requirements described in Section 2 above.

Section 3.1.3 Schedule Update

MSA previously reported that construction activities at Pimlico would commence no sooner than later summer 2023. Based on the prolonged program confirmation process, current agreement execution status, and level of design effort still required prior to advancing to the construction phase, this timetable is no longer realistic. It seems doubtful that Pimlico will be able to transition to construction until the program, funding and operational structure for Laurel Park have been identified.

MSA will develop a revised schedule following resolution of the outstanding items addressed elsewhere in this report.

Section 3.2 Laurel Park

Section 3.2.1 MJC Program Confirmation Status

Following enactment of Chapter 590, MSA spent considerable time and effort working in conjunction with representatives from MJC and MTHA to identify programmatic needs and develop conceptual plans for Laurel Park. Throughout the extended programming effort, the requirements and desires of both parties continued to fluctuate. This has resulted in the development of numerous conceptual plans and estimates. A finalized baseline MJC concept program was agreed upon by the parties in late 2021. This program and the associated concept plans served as the basis for the third party cost estimates generated in early 2022 that were then shared with leadership in the spring of 2022. At that time, Laurel Park was projected to be more than \$150 million over budget based on revenue projections and schedule assumptions.

The finalized program was significantly different from the original concept plan that served as the basis for Chapter 590, with the estimated cost to complete the work far exceeding those of the previous concept plan. The changes to the Laurel Park program included but were not limited to:

- The need for a complete replacement and reconfiguration of the main tracks, inclusive of subbase materials, as opposed to the limited impact that was previously assumed to accommodate a new synthetic surface within the existing footprint. While MJC felt that a partial replacement was possible, MSA, its design consultants, and MTHA felt strongly that complete replacement was necessary to accommodate programming desires and the safety of the athletes that use the facilities. The estimates shared by MSA in spring 2022 reflected a complete replacement. MJC opposed MSA's position until August 17, 2022. All parties are now in concurrence that total track replacement is required.
- The addition of a separate synthetic training surface in addition to modifications at the main track. The addition of the fourth training surface was identified as necessary to accommodate the increased volume of horses that will be utilizing the facility for daily training.
- A backstretch expansion beyond Laurel Park's existing footprint to accommodate the increased population and programming demands. The expansion was also identified as a potential solution to aid in project phasing and transition. The use of an undeveloped parcel of land on the eastern side of Brock Bridge Road was identified.
- The addition of a tunnel or bridge to connect the Brock Bridge Road parcel to the existing Laurel Park footprint.
- An inability to renovate, repurpose, or reuse any of the existing backstretch facilities based upon their existing conditions. The prior concept assumed a renovation or

repurposing of a number of the existing facilities; however, the Facilities Condition Assessment performed by the design team determined that reuse would not be a viable option for nearly all of the facilities. Though not preferred by MTHA, the more recently installed tent barns presented the possibility for reuse in the event the clubhouse was not to be relocated.

- Increased the gross square footage of the new clubhouse facility.
- A relocation of the clubhouse facility to the opposite side of the track.

MJC representatives have confirmed that their baseline programming needs identified through the programming efforts in 2021 remain unchanged. Additionally, MJC indicated that their desire is to sell Laurel Park and receive compensation for the venue, adding a significant acquisition amount to the already over budget facility

Approximately eight months have passed since the most recent program estimate was generated. MSA has re-engaged RLB to perform an update to account for market and schedule related impacts. These efforts will be completed in advance of the MSA's next report submission.

Section 3.2.2 Secondary program development efforts (MTHA)

MTHA identified a task force committee of industry representatives to work with MSA and its design consultants for the identification of the racing industry's programmatic requirements in the event of a change in ownership or operating control of Laurel Park.

Following a June 14, 2022, introductory kick-off meeting, the committee participated in a number of focused bi-weekly workshop sessions to identify a program that would satisfy the needs of the racing industry in the event of a change in the ownership or operational structure. The initial workshops focused on the following key programming components:

- Track and training surfaces
- Backstretch needs
- Clubhouse / jockey quarters

The programming needs identified by the task force generally aligned with those previously included within the baseline MJC program with the following key components highlighted:

- Complete track replacement, inclusive of subbase materials is required.
- A three surface (dirt, turf, and synthetic) configuration for the main racetrack location is required. Generally, the track distances, widths, and configurations remain unchanged from prior programming efforts with the only exception being the location of the dirt chute.
- An additional synthetic training surface is required to accommodate the volume of equine athletes that will be training at the facility on a regular basis. The minimum distance of the additional training surface is to be $\frac{5}{8}$ mile with flexibility on the orientation.
- Backstretch capable of accommodating 1,600 stalls with opportunities for future expansion beyond initial stall count.
- Reconfigured barn layouts desired to ensure increased storage volume and general flexibility to accommodate varied training outfit sizing.
- Increased round pen quantities from prior programming concepts.
- Increased backstretch parking capacity from prior programming concept.

- Increased trailer parking capacity from prior programming concept.
- Location of redeveloped clubhouse to remain in its existing location rather than relocating the clubhouse to the opposite side of the track to provide as much area as possible for the backstretch facilities.
- General clubhouse and jockey quarter square footage sizing demands have increased based upon the capacity desires and functional uses identified. The clubhouse places a greater focus on race-day needs and less focus on off-racing functionality. There is a desire to provide options to modify the non-conditioned square footage to conditioned square footage to accommodate crowds during cold weather training / racing seasons.
- MTHA confirmed that they objected to the reuse of the existing tent barn structures as part of the long-term plans for the facility.

The design consultants generated two preliminary concept options based upon the task forces' outlined desires. Given the demands of the program, both preliminary concepts extended beyond the current footprint of racing facilities and required utilization of the Brock Bridge Road parcel. A final workshop to review the concepts was held on September 12, 2022, with general agreement on one of the presented concepts. The design team is making minor adjustments to the generally agreed upon concept base to reflect final comments from the task force. A third party estimate will be generated based upon the finalized concept; however, MSA does not anticipate the MTHA programming model will result in any measurable reduction in the cost of the work. On the contrary, it is likely that the desired programming changes and market impact will result in an increase to the estimated cost to complete the design and construction of Laurel Park.

Section 3.2.3 Testing and Evaluation of the Existing Track Surfaces

Based upon the track configuration changes identified during the programming effort and the ongoing track safety issues encountered at the facility, MSA and its design consultants felt that a complete track replacement would be necessary to ensure the safety of the athletes utilizing the facilities. MTHA agreed with this assessment while MJC previously believed that partial track replacement options might be viable. Prior estimates assumed a complete track and subbase replacement.

At the conclusion of the previous programming effort, MSA and its design consultants generated a geotechnical plan to investigate the existing subsurface conditions at Laurel Park. Given the known track failures, MSA's consultants requested "hold harmless" language be agreed upon prior to proceeding with any investigative work. This information was shared with MJC representatives but placed on hold pending further direction.

Chapter 61 directed MSA to proceed with testing and evaluation of the existing racing surfaces at Laurel Park, inclusive of geophysical borings if needed. Based upon this directive, MSA requested updated proposals from its consultants and recirculated the requested hold harmless language for review by all parties. In response, representatives from MTHA again expressed concerns that the existing tracks at Laurel Park continued to be problematic despite recent corrective efforts, further indicating that anything short of a complete track replacement would not be acceptable. MTHA also highlighted the negative and costly disruptions that boring operations would have on the training and racing operations at the facility. This topic was further discussed by all stakeholders, with MJC acknowledging agreement with MTHA's stance on a complete track replacement and the unnecessary cost and operations burden that boring operations would have.

Based on the agreement between the parties that a complete track replacement would be necessary and to eliminate the hardships that boring operations would have on facility operations, it was determined that proceeding with boring work at this time would not be in the best interest of the project. It is likely that some level of subsurface investigation will be required at a later stage of design, but the extent of such investigation would be significantly reduced which would enable it to be coordinated around standard track shutdown periods.

Section 3.2.4 Efforts to identify programming requirements / potential cost savings and current update

As outlined in prior sections of this report, MSA has confirmed that MJC's programming needs remain unchanged in the event they are to continue to own and operate Laurel Park. MSA has also been working with the racing industry representatives to identify their programmatic needs in the event of a change in the current owner or operator structure. We are working to finalize updates to the alternative program and will share with a third party cost estimator so that they can provide current market estimates for each option. MSA anticipates that the overall project cost estimate will result in an increase, as opposed to a savings, when compared to prior estimates given current market trends.

Section 3.2.5 Schedule Updates

MSA cannot proceed with a schedule for development until there is resolution on the owner/operator arrangement and associated program for Laurel Park.

Section 3.3 Transition

Previous estimates included a \$16 million dollar allowance to accommodate transition needs. The allowance was derived based upon a combination of MJC historical cost data and MSA scheduling assumptions. A final phasing and transition plan cannot be determined until there is resolution on the redevelopment plan for both Pimlico and Laurel. MSA continues to include a \$16 million dollar allowance for transition related needs in its estimates.

Section 3.4 Housing

Previous estimates included a \$20 million dollar allowance to address housing needs at Laurel Park. While MSA is not directly involved in the redeveloped housing plans, we have set aside the requested space allocations to accommodate housing needs based upon conversations with MJC. It should be noted that DHCD, in order to help this complicated project and in offering additional state support, advocated a proposal at a cost of \$54 million and paid for on the operational side. The operational cost of this proposal has not been agreed to by MJC and MTHA. At this time, MSA will continue to include a \$20 million dollar allowance for housing related needs in its estimates.

Section 4 - Budget and Funding Status Update

The enactment of Chapter 590 authorized MSA to issue up to \$375 million in bonds to finance the design and construction of redeveloped facilities at Pimlico and Laurel Park.

During the past two years, interest rates have increased significantly and that will impact the amount of bond proceeds available for construction. With the prospect of interest rates

continuing to increase through the end of the year, the amount of bond proceeds available for construction could continue to decline. During the same period, the rate of inflation has resulted in significant increases to labor and material costs associated with design and construction. Together with the expanded programmatic desires for the facilities, these factors will increase the previously reported \$150 million budget shortfall and will be identified in the final report.

It is reasonable to assume that the projected budget shortfall will continue to grow as time continues to pass as a result of the prolonged agreement negotiations and the protracted programming confirmation process.

Debt Services Financial Information

Date	Estimated True Interest Cost	Estimated Par Value	Estimated Debt Service
12/13/2019	2.24%	\$369,385,714.00	\$17,000,000.00
2/24/2021	2.95%	\$328,405,000.00	\$17,000,000.00
2/11/2022	2.90%	\$311,075,000.00	\$17,000,000.00
6/23/2022	4.18%	\$284,340,000.00	\$17,000,000.00
Future Potential	5.00%	\$261,300,000	\$17,000,000.00
	5.50%	\$247,035,000	\$17,000,000.00
	6.00%	\$233,960,000	\$17,000,000.00

Section 5 - Next Steps

MSA will continue to work with our project partners over the coming months. In accordance with the requirements of the legislation, MSA will submit a final report updating the General Assembly on the project status no later than January 1, 2023.