
REPORT OF THE MARYLAND THOROUGHBRED RACETRACK OPERATING AUTHORITY

In fulfillment of requirements of SB720 and §10-1002 of the
Economic Development Article

Maryland Thoroughbred Racetrack Operating Authority
JANUARY 5, 2024

January 5, 2024

The Honorable Guy Guzzone
Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Ben Barnes
Appropriations Committee
121 House Office Building
Annapolis, MD 21401

The Honorable Vanessa E. Atterbeary
Ways and Means Committee
131 House Office Building
Annapolis, MD 21401

Re: Report Required by SB720 and §10-1002 of the Economic Development Article (MSAR #14988)

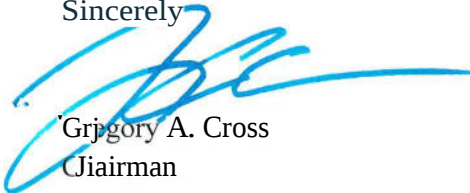
Dear Chairman Guzzone, Chairman Barnes and Chairwoman Atterbeary:

The Maryland Thoroughbred Racetrack Operating Authority, established in 2023 under §10-1002 of the Economic Development Article, is pleased to submit its initial report containing recommendations for the future of horseracing in Maryland. The Authority has met regularly since convening in August 2023, conducting research and receiving testimony from a wide variety of stakeholders.

The recommendations contained in this report represent the Authority's consensus on the steps needed to return Maryland to a best-in-class location for thoroughbred horseracing, and were unanimously approved by an e-mail poll conducted on Jan. 4, with a ratification vote scheduled for the next meeting. The Authority believes the plan outlined in the report will maintain and grow an industry that contributes \$2 billion yearly to the economy of Maryland and will protect the health and safety of horses and jockeys. Additionally, the Authority has concluded that a new path for Maryland racing will align the interests of the State of Maryland with all segments of the horse industry and will produce significant economic development benefits for the City of Baltimore.

I and members of the Authority remain ready to answer any questions you may have as you review initial findings.

Sincerely



Gregory A. Cross
Chairman

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Executive Summary

Introduction and Topline Findings

The Maryland Thoroughbred Racetrack Operating Authority (the Authority) was established in 2023 to return the state of Maryland to a best-in-class location for thoroughbred horse racing.

The formation of the Authority followed a significant commitment to racing facilities made by the Maryland General Assembly in 2020 through the Racing and Community Development Act (RCDA) Chapter 590, which envisioned major improvements to Pimlico and Laurel Park funded with bond proceeds. The improvements, premised on a consolidation of horse racing at Laurel Park and renovations at Pimlico to host only the Preakness and a limited number of racing days, have yet to take place, with cost estimates greatly exceeding available resources.

The Authority has been working since its creation to meet twin objectives mandated by the 2023 legislation: reimagining the State's horse racing infrastructure to better align with the budget contemplated by the RCDA and conducting a review of Maryland horse racing operations in order to recommend the best path forward for the deployment of the State's industry investment.

Based on analysis and review since August 2023, the Authority is releasing the following topline findings:

- A new model, **Pimlico Plus**, with racing centered in Baltimore and supported by the construction of a new training facility elsewhere, is the recommended path forward. The **Pimlico Plus** model can be undertaken at a cost significantly below previous two-track estimates and within the range of General Assembly allocations contemplated in Chapter 590.
- Under **Pimlico Plus**, Pimlico can be rebuilt as a best-in-class facility to serve as the hub of the Maryland racing industry and as a source of year-round economic activity that includes a hotel, event space, development parcels and parking that can be shared with the neighboring community.
- The combination of a rebuilt Pimlico augmented by an industry-run training center will place Maryland's \$2 billion-per-year horse industry on solid footing and position it to thrive into the 21st century.
- Maryland should fundamentally change the operating model for racing, including the promotion and operation of Maryland's premier thoroughbred races, the Preakness Stakes and the Black-Eyed Susan Stakes, to one that mirrors that in use by the New York Racing Association (NYRA). Facilities would be owned by the State and leased to a professional not-for-profit operator. This structure will better align operations with the needs of the horse racing industry and the State's significant financial investments.

The **Pimlico Plus** investment and changes will come at an ideal time for the horse racing industry as it repositions itself to maximize all available revenue streams, attract younger audiences and focus on equine health and safety, allowing Maryland to remain an industry leader

in the 21st century. It will also align Maryland with the Triple Crown venues in Kentucky and New York, which have undertaken or are undertaking similar investments.

The Maryland Thoroughbred Racetrack Operating Authority and the Scope of its Year-One Review

The Authority is composed of appointees of the governor and legislative leaders and representatives of horse industry organizations, the Maryland Stadium Authority, the Maryland Economic Development Corporation and areas surrounding Pimlico, Laurel Park and the Bowie Race Course Training Center.

The Authority convened for the first time in August 2023, and has met regularly since in furtherance of its mission: to make recommendations that it views to be in the best interest of Maryland racing and the State's citizens, and to develop new and existing racing and training facilities in coordination with other State entities.

Via presentations at public meetings and in fact-finding and outreach discussions, the Authority and its leaders and members have gathered information from: the Maryland Stadium Authority; 1/ST/The Stronach Group (which is the parent company of the Maryland Jockey Club and the owner of the Preakness Stakes); the Maryland Thoroughbred Horsemen's Association; the Maryland Horse Breeders Association; the federal Horseracing Integrity and Safety Authority; the Fair Hill Training Center in Cecil County; Tapeta Footings Inc., the Maryland-based manufacturer of a widely used synthetic racing track surface; and others.

The Authority retained two primary consultants: Populous, the leading global design firm for equine facilities, which reviewed a programmatic footprint for Pimlico and the feasibility of acquiring potential training facility locations; and Crossroads Consultants Inc., which reviewed comparable racing operations and comparable racing operating models for Maryland vis-a-vis other racing states.

This report, which was required by the General Assembly to be submitted by a revised date of Jan. 5, 2024, is based on those presentations, interviews, consultant conclusions and subsequent deliberations.

Specifically, the General Assembly sought information in three main areas: an update on the progress of the Pimlico and Laurel Park racing facility redevelopment plans under Chapter 590 of the Acts of the General Assembly of 2020; an evaluation of the feasibility of at least two alternative thoroughbred training facilities in the State; and a review of best practices for thoroughbred racing industry operating models and recommendations for operating models in the State.

Update on Redevelopment Planning and Feasibility

Under Chapter 590 of the Acts of the General Assembly of 2020 (the Racing and Community Development Act, or RCDA), the state authorized up to \$375 million in bonding authority and the use of accumulated Racetrack Facilities Renewal Account (RFRA) funds for major necessary

improvements at Pimlico and Laurel Park undertaken by the Maryland Stadium Authority, under a concept in which Maryland racing would be centered at Laurel Park and Pimlico would then be used as a Preakness-only facility with other ancillary redevelopment benefits.

After many iterations, an agreed-upon program was finalized in late 2021 and estimates were generated. The estimates were significantly over the available bonding capacity for the project.

The General Assembly called for additional input and studies in 2022, and that year, the Maryland Thoroughbred Horsemen's Association, the Maryland Horse Breeders Association, and others proposed an alternative scenario that would maintain year-round training and racing at both facilities. The alternative programming effort resulted in a revised concept plan for Laurel Park and two different Pimlico concept scenarios. In total, six scenarios have been analyzed by the Maryland Stadium Authority (MSA) since the adoption of Chapter 590, and all of them significantly exceeded available project funding.

Additionally, federal tax consequences identified and analyzed since the adoption of Chapter 590 make public investment at privately owned facilities not feasible. Therefore, the authorized concept of centering Maryland racing at Laurel Park and reconstructing Pimlico as a Preakness-only venue, given the needs of all parties and other constraints, is neither practical nor affordable.

Introduction of New Pimlico Plus Program

The Authority embarked on an exploration of a different model – shifting from a so-called “two-track solution” that redeveloped Laurel Park and Pimlico to a **Pimlico Plus** concept that centers Maryland thoroughbred racing at its historic home in northern Baltimore with the construction of a new track, new state-of-the-art right-sized clubhouse, stables for approximately 700 horses, event space and a hotel built by a private partner. Public entities would be involved in constructing structured parking needed for the project and workforce housing in the Park Heights community.

The second component of the **Pimlico Plus** model involves the acquisition and development of a training location, with barns and stables for approximately 650 horses and track facilities, discussed in greater detail below. Together, the combined stabling at Pimlico and the new training center will replace the 1,400 stalls at Laurel Park and Pimlico combined that are currently in use for Maryland racing.

The **Pimlico Plus** model has significant economic development benefits for both Baltimore and the community that will house the new training center. These include the creation of jobs and year-round economic activity at both locations, with between 140 and 160 racing days at Pimlico; workforce housing to be constructed in the Park Heights community near the Pimlico site to serve track workers; the creation of a 1,000-seat event space and new hotel at Pimlico; potential for partnerships with workforce development and higher education programs to prepare for jobs and careers in the racing and hospitality industries; and the creation of development parcels adjoining the newly redeveloped Pimlico racetrack.

Analysis by consultants shows that execution of a Pimlico-centered plan costs significantly less than options previously studied and is affordable within the range of the financial commitment made by the State via the RCDA in 2020.

Information on Proposed Training Facility

A training facility for the thoroughbred industry to complement the **Pimlico Plus** model would have the capacity for a full track, barns for approximately 650 horses, dormitory housing, and would meet related horse health and safety needs.

Working with its consultant, Populous, the Authority identified eight potential locations within a 50-mile radius of Pimlico to be examined for suitability. Those are: Bowie Race Track (Bowie), Fair Hill Training Center (Elkton), Laurel Park (Laurel), Mitchell Farm (Aberdeen), U.S. Naval Academy Dairy Farm (Gambrills), Rosecroft Raceway (Fort Washington), Maryland State Fairgrounds (Timonium), and Shamrock Farm (Woodbine).

The eight sites were reviewed extensively and ranked on a scoring mechanism that evaluated nine criteria: location, natural resources (and impact on permitting/mitigation), topography, transportation and access, utility infrastructure, jurisdictional approvals, size, acquisition cost, and relative cost of development.

Based on those criteria and scoring, the three top-ranking sites are Shamrock Farm, Mitchell Farm and Bowie Race Track, and it is the recommendation and conclusion of the Authority that those three locations move to a next stage for final consideration and subsequent acquisition. The Authority, however, will continue to evaluate and consider additional suitable properties if and when they become known.

Information on Operating Models

Crossroads Consulting was tasked with examining operating models in other states, metrics including races, purses, handle, thoroughbred development funds, and general overviews of an oversight entity. Crossroad examined models in California, Delaware, Kentucky, New York, Virginia and West Virginia.

Maryland differs from most states because racetracks are not paired with onsite gaming facilities to supplement operations. The absence of gaming creates financial pressures on a for-profit operator which leads to operational decisions that the Authority has concluded are not in the best interests of Maryland racing or the State. Crossroads highlighted the Del Mar track in California and Belmont in New York as similar prominent racetracks without onsite gaming operations as examples of alternative successful operating models for Maryland.

- Del Mar is owned by the State of California, overseen by an authority, and operated by a nonprofit consisting of the horsemen and does not have onsite gaming.
- Belmont, along with Aqueduct and Saratoga, is owned by the State of New York and operated by a nonprofit (NYRA) as a business.

The Authority concluded that, given the level of State investment required to rehabilitate and sustain the industry, a public ownership structure for the tracks and subsequent lease of them to a nonprofit entity led by Maryland industry professionals, is the best path forward.

In furtherance of these conclusions, the Authority has also engaged in negotiations with 1/ST/The Stronach Group which, subject to legislative approval of the recommendations contained in this report and final documentation, has resulted in the framework for an agreement in principle pursuant to which:

- 1/ST/The Stronach Group will transfer ownership of Pimlico to the State of Maryland as part of the redevelopment plan;
- 1/ST/The Stronach Group will transfer control of all day-to-day Maryland thoroughbred racing to a new not-for-profit operating entity created by the Authority as of January 1, 2025;
- The Authority will operate the Preakness Stakes and the Black-Eyed Susan Stakes through a licensing agreement with 1/ST/The Stronach Group; and
- The Authority will use the Laurel Park racing complex as a transition facility while Pimlico and the newly envisioned training facility are constructed, after which all racing at Laurel Park will end and the property will be redeveloped.

MARYLAND THOROUGHBRED RACETRACK OPERATING AUTHORITY

REPORT TO THE MARYLAND GENERAL ASSEMBLY **JANUARY 2024**

Legislative History

The Maryland Thoroughbred Racetrack Operating Authority (the Authority) was established through an act of the Maryland General Assembly (SB 720) in 2023.

Per statute, the mission and purpose of the Authority are to maintain the state of Maryland as a best-in-class location for thoroughbred horse racing, via recommendations it finds to be in the best interest of racing and the development of new and existing racing and training facilities in coordination with other state entities.

Additionally, under the statute, the Authority may assume management and oversight of day-to-day thoroughbred horse racing operations if it is determined to be in the best interests of the state of Maryland. Such management would come only after an executive order or determination of the Maryland Racing Commission, subject to the review of the General Assembly's Legislative Policy Committee.

Property and/or contractual obligations can be acquired in coordination with the Maryland Economic Development Corporation.

The creation of the Authority in 2023 was the most recent legislative step in a continuing effort by the State to support the equine industry in Maryland and is intended to be a mechanism to identify a path forward after years of unsuccessful efforts.

Prior to SB720, the Maryland General Assembly authorized significant investment in facilities related to thoroughbred horse racing. In 2020, the General Assembly adopted Chapter 590, the Racing and Community Development Act (RCDA), which authorized the Maryland Stadium Authority to issue 30-year bonds and draw upon funds allocated to the Racetrack Facilities Renewal Account (RFRA) for financing, planning, design, construction, and related expenses for racing facilities at both Pimlico and Laurel Park. These bonds were intended to support improvements to clubhouses, racetracks, stables, barns, and more.

In 2022, the Assembly took steps to untangle emergent challenges with language in HB 897 (Economic Development - Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities). As authorized by that bill, the Maryland Economic Development Corporation (MEDCO) conducted a preliminary evaluation of the feasibility of an acquisition of the Laurel Park racing facility site by a government or nonprofit entity.

Plan development led by the MSA, taking into account the needs and desires of all stakeholders, led to cost estimates at both facilities far exceeding the authorized bonding capacity. As a result, those investments have yet to be undertaken.

An initial obligation of the Authority was to provide a report to the General Assembly that addresses:

- a. A review of the feasibility of least two alternative thoroughbred training facilities in the State;
- b. A review of best practices for thoroughbred racing industry operating models and recommendations for operating models in the State; and
- c. The progress of the Pimlico and Laurel Park racing facility redevelopment plans under Chapter 590 of the Acts of the General Assembly of 2020.

Authority Investigation

In June 2023, Governor Wes Moore and General Assembly leaders named members to the Authority, and appointed Gregory A. Cross, an attorney from Venable with experience in racing industry issues, as chair. The governor's selections were subject to Maryland Senate advice and consent, and by statute included nominees from the Maryland Thoroughbred Horsemen's Association and the Maryland Horse Breeders Association. Designees from the Maryland Stadium Authority and the Maryland Economic Development Corporation are also Authority voting members.

The Authority first convened on August 3, 2023, and held several multi-hour meetings and solicited presentations and testimony from relevant stakeholders.

In meetings and presentations, those providing valuable information and insight to Authority members included:

- The Maryland Stadium Authority, which reviewed cost estimates and programmatic details of previously planned improvements to Pimlico racecourse and Laurel Park;
- The 1/ST/The Stronach Group, which is the parent company of the Maryland Jockey Club and the owner of the Preakness Stakes, Pimlico and Laurel Park, reviewing its operations of facilities and events;
- Maryland Thoroughbred Horsemen's Association, which reviewed industry economic trends and operating needs;
- Maryland Horse Breeders Association, which reviewed equine industry costs and trends;
- Leadership of the Horseracing Integrity and Safety Authority, a private authority established by Congress that is providing rules and guidance on track safety, doping, and jockey safety;

- Representatives of the Fair Hill Training Center in Cecil County; and of Tapeta Footings Inc., the Maryland-based manufacturer of a widely used synthetic racetrack surface; and
- A representative of the New York Racing Association who described the association's organizational structure and ongoing facility improvements.

Together, these individuals and groups provided a comprehensive overview of all aspects of the thoroughbred racing industry in Maryland and nationwide, including operational needs, trends and safety considerations.

To assist in its analysis, research and recommendations, the Authority retained:

- Populous, a global firm with a background in equestrian, racing and sports design that had previously been selected by the Maryland Stadium Authority to redefine the built environment at the Pimlico and Laurel Park racing facilities, with a focus on integration into their surrounding communities. Populous evaluated training facility locations and revised the design concept for Pimlico.
- Crossroads Consulting Services, which has experience in the sports and entertainment industry and is familiar with the Maryland market. Crossroads has served as on-call economic advisor to Maryland Stadium Authority for more than a decade – performing cost-benefit analyses and economic and market studies of facilities including racetracks. Crossroads reviewed thoroughbred racing industry operating models throughout the United States to serve as a basis for recommended changes to Maryland's operating model.

In addition, Authority leadership engaged in productive discussions with 1/ST/The Stronach Group about mutually recognized challenges presented by the current operating model and facilities in Maryland.

Additionally, the Authority reviewed prior agreements with the communities surrounding Pimlico, and the chair and executive director began discussions with the local legislative and community leaders surrounding Park Heights and adjacent areas concerning the need for and value of a comprehensive racing-centered redevelopment plan for Baltimore.

The Authority's initial work has been undertaken amid a time of crisis and reflection in the horse racing industry. The issue of racing-related deaths of thoroughbred horses has been in the spotlight in recent years, with a number of high-profile fatalities raising concerns about the safety of the sport.

Significant steps toward broad national standards and data collection for horse health are being taken by the Horseracing Integrity and Safety Authority (HISA), created through an act of Congress in 2020. HISA is committed to a robust data analytics effort to analyze the factors that contribute to horse fatalities, including gait and stride biometrics, track and weather data. HISA has established a Blue-Ribbon Commission to work toward the ultimate introduction of synthetic surface options. The HISA executive director met with the Authority to provide background on its work.

Maryland has historically been a leader in equine health and safety, and the **Pimlico Plus** plan positions Maryland to continue in this leadership role. Under the RCDA, an Equine Health, Safety and Research Center had been studied and scoped for inclusion as part of a Laurel Park facility redevelopment. Those services, in line with what HISA has proposed – including biometric analysis, imaging and the availability of triaging veterinarian care – will be included as part of the **Pimlico Plus** plan and will be present at both the rebuilt Pimlico and the proposed training center discussed below.

National Jockey Club data shows significantly reduced injury rates for horses that race and train on synthetic tracks. The Pimlico redevelopment will be designed to allow for the installation of a synthetic track surface, as may be recommended nationally by the HISA Blue Ribbon Commission.

Progress of Pimlico and Laurel Redevelopment Plans

Legislative language: Report on the progress of the Pimlico and Laurel Park racing facility redevelopment plans under Chapter 590 of the Acts of the General Assembly of 2020.

The MSA has diligently pursued the design of the program contemplated by the 2020 RCDA, navigating the competing (and sometimes conflicting) desires of 1/ST/The Stronach Group (which via the Maryland Jockey Club owns both Pimlico and Laurel Park) and horse industry groups.

After discussions and a series of iterations, an agreed-upon program was finalized in late 2021, with estimates generated for the desired components. The estimates were significantly over the available bonding capacity for the project and were shared with legislative leaders in early 2022.

In November 2022, the Maryland Thoroughbred Horsemen's Association expressed a desire to analyze an alternative program scenario that would maintain year-round training and racing at both facilities.

The alternative programming effort resulted in a revised concept plan for Laurel Park and two different Pimlico concept scenarios. Estimates were generated for these concepts. These additional scenarios still far exceeded available project funding.

In total, over a two-year period in 2021 and 2022, six different scenarios were developed and analyzed, with cost estimates produced. They exceed available funds by a range of \$126 million to \$311 million. A review of the cost estimate of each scenario can be found in the presentation given by the MSA to the Authority on Sept. 8, 2023, which is available on the Maryland Stadium Authority [website](#).

An additional issue complicates any public investment at either Pimlico or Laurel Park under the current ownership structure. Under Section 118 of the Federal Tax Code, expenditures made by a government unit to construct improvements at a facility owned by a for-profit entity will constitute taxable income to that entity. Tax advisors have concluded that MSA expenditures at either racetrack may be treated as taxable income to any private owner.

In short, thorough analysis and evaluation have demonstrated that the original scope of MSA investments authorized by Chapter 590 are not economically feasible, even as the objectives remain as important as ever.

Therefore, the Authority is recommending a new way forward.

Discussion of Pimlico Plus Alternative Recommendations

The new direction is built on the preeminence of the Preakness – one of the world’s great sporting events – along with the undeniable investment needs at Pimlico and the opportunity to leverage state commitment in the RCDA to build world-class, safe and vibrant racing facilities. The Authority undertook an analysis of a revised concept consisting of two broad components:

1. The redevelopment of the Pimlico site under a new public ownership structure, creating a new primary racing venue in Maryland and stable facilities for 700 horses, along with a state-of-the-art equine diagnostic health facility with space for veterinary services, a right-sized clubhouse with event space that is reconfigurable for large events, a privately funded hotel, garages and development parcels.
2. The construction of a new equine training facility with 650 stable spaces and equine diagnostic and health components, on property in reasonable proximity to Pimlico that would also be acquired and developed under a non-private ownership structure.

This concept, which the Authority has dubbed **Pimlico Plus**, has been fully explored by the design consultant Populous. The consulting firm has determined that the components that have been scoped and designed by the Maryland Stadium Authority – including a clubhouse, terraced seating, jockey facilities, broadcasting, mutuels/money room, racing administration, media facilities, and spaces to accommodate daily live racing patrons – can all be incorporated at the Pimlico site. A copy of the Populous report is available on the Maryland Racing Commission/Authority [website](#).

The Authority believes that this alternative plan, which rotates the axis of the Pimlico racetrack, offers an unrivaled opportunity to create the best-in-class facilities needed as a platform to make Maryland racing sustainable and successful in the 21st century, and it does so within the economic framework approved by the General Assembly.

Following a **Pimlico Plus** strategy will create major opportunities for the equine industry, the State of Maryland, Baltimore, Park Heights, and the community that is chosen for the training center location:

- **Maintain and Expand Economic Impact of Horse Industry:** Research shows that the overall economic impact of the state’s horse industry now totals \$2.06 billion. Twenty-five percent of the state’s agricultural land - some 705,000 acres - is devoted to the support of horses, meaning that the horse industry is a key driver maintaining Maryland’s threatened but cherished green spaces. The number of direct and indirect jobs associated with the industry is 28,000, and industry participants spend \$1 billion annually on goods and services. Within the broader equine industry, the racing sector has the largest

economic impact, estimated at \$572 million, with 37,183 thoroughbreds in the state. The **Pimlico Plus** strategy recommended by the Authority will preserve this vital industry and create conditions for future sustainability and growth.

- **Full-year Economic Activity at Pimlico:** A reconstructed Pimlico course would host approximately 140 to 160 live racing days per year, the number believed to be needed in Maryland to ensure future viability of the racing industry. Racing and daily training will provide year-round economic activity, entertainment and jobs for the Park Heights community.
- **The Triple Crown:** The Preakness Stakes, the second leg of the Triple Crown, is one of the most-viewed and most-anticipated sporting events in the United States and a showpiece for Maryland and Baltimore. Sadly, the facilities at Pimlico no longer match the reputation of the event and lag behind other Triple Crown hosts that are each currently investing hundreds of millions of dollars in their facilities. The **Pimlico Plus** plan will responsibly elevate Pimlico facilities to serve as an appropriate home for the second leg of the Triple Crown.
- **Workforce Housing Investment:** With horses and track facilities in need of daily care, training and maintenance, nearby affordable housing for track workers such as riders, hot-walkers and grooms is vital. In the **Pimlico Plus** plan, housing would be constructed in Baltimore neighborhoods through an investment of funds (targeted at \$10 million-\$20 million) in partnership with the Maryland Department of Housing and Community Development.
- **Onsite Hotel:** The plan envisions a hotel to be constructed through a private investment partnership, a model that has proved successful at racing venues in other states.
- **Event Space:** The **Pimlico Plus** plan will create convertible space in the clubhouse, of sufficient size to host seated events for up to 1,000 guests.
- **Grandstand:** A right-sized grandstand would be constructed with overlays that could be activated for the Preakness and other large events.
- **Parking Facilities:** Two structured parking facilities would be constructed as part of the project. One would be as part of the privately constructed hotel. A second garage developed in conjunction with MEDCO could be used daily by patients and staff at Sinai Hospital, which is adjacent to the racecourse, and be available as event parking for the Preakness and for daily racing, festivals and large events with adjacent tunnel access to the Pimlico infield. MEDCO will explore financing options to include public/private partnership alternatives and potential application of its real estate development, construction, and project management expertise for the proposed garage projects.
- **Workforce Training Partnerships:** Daily racing, hotel operations and event space functions provide an opportunity for jobs and training for students and job seekers at all levels. For example, a potential partnership among hotel operators, event space operators, track management and the Morgan State University Hospitality Management Program

would provide training and jobs for those seeking careers in the global hospitality industry.

- **Community:** The build-out of these components would take place in recognition of the Pimlico Redevelopment Community Compact. Community interests surrounding Pimlico Race Course are integrally entwined with the future of the 140-acre site, and any redevelopment should take community needs and interests into account.
- **Horse Health:** The Authority spent considerable time discussing issues surrounding horse health and is committed to creating facilities that provide the safest equine environment. It has been widely reported that track surface is a cause of horse breakdowns, which can be minimized using synthetic track surfaces – built upon a uniform and well-drained base surface topped by a synthetic layer that is resistant to water pooling and other weather and wear factors. One of Maryland’s peer Triple Crown tracks, Belmont, is including a transition to a synthetic surface as part of a \$455 million improvement to racing facilities and preparing its main track for potential conversion to the Tapeta surface. HISA is expected to issue its track surface recommendations in early 2024, and the Pimlico track redesign will be built to allow for the installation of a synthetic surface. Pimlico will also include important diagnostic and data collection capabilities to comply with HISA standards, and the opportunity to add an equine therapeutic center.

The consultant study estimates the cost of the Pimlico portion of construction to be \$279 million, plus contingencies and soft costs.

Feasibility of New/Replacement Training Facilities in Maryland

Legislative language: Report on the feasibility of establishing at least two alternative thoroughbred training facilities in the State.

To execute the model described above, a companion training facility is needed to accommodate the 700-800 horses that currently reside at the Maryland racetracks but cannot be stabled at Pimlico because of site limitations.

The Authority has determined that such a training facility should be constructed at a new location. The training facility should have capacity for a full track with required stabling spaces and veterinary facilities to meet related horse health and safety needs.

Working with its consultant, Populous, the Authority developed size, location and accessibility criteria and identified eight potential locations to be examined for suitability. Those are: Bowie Race Track (Bowie), Fair Hill Training Center (Elkton), Laurel Park (Laurel), Mitchell Farm (Aberdeen), U.S. Naval Academy Dairy Farm (Gambrills), Rosecroft Raceway (Fort Washington), Maryland State Fairgrounds (Timonium), and Shamrock Farm (Woodbine).¹

¹ During the Authority investigation of possible sites, the Authority learned through industry sources that Shamrock Farm, which is currently owned by the family of Authority member Tom Rooney, may be for sale. Those members leading the search reached out to Mr. Rooney about its availability, and he confirmed that a sale may be possible.

As discussed in the Populous report, eight sites were reviewed extensively and ranked on a scoring mechanism that graded nine criteria: location, natural resources (and impact on permitting/mitigation), topography, transportation and access, utility infrastructure, jurisdictional approvals, size, acquisition cost, and relative cost of development. Laurel Park, which currently hosts training and racing activity, was determined not to be a suitable location for the **Pimlico Plus** training center because of costs involved with acquisition, demolition and reconstruction as well as environmental factors. State-of-the-art equine health facilities are also contemplated as part of the training center program.

It is the recommendation of the Authority that the three top-scoring sites on that grading system – Shamrock Farm, Mitchell Farm and Bowie Race Course – move to final consideration and toward acquisition. The consultant study estimates that development costs of the top three potential sites, exclusive of site acquisition costs, will range from \$113 million to \$116 million, plus contingencies and soft costs.

In total, the 2020 Racing Community Development Act authorized a State investment of \$375 million plus accumulated RFRA funds. The aggregate total investment contemplated by the **Pimlico Plus** plan falls within the allocated funds.

Assessment of and Recommendations for the Organization of Thoroughbred Racing and Training Operations in Maryland

Legislative language: a review of best practices for thoroughbred racing industry operating models and recommendations for operating models in the State.

Maryland racing enjoys a storied past, but the general contours of the industry have been largely unchanged for decades. The status quo of racing in Maryland centers on a private, for-profit entity, 1/ST/The Stronach Group, which is the parent company of the Maryland Jockey Club. The Stronach Group (or its predecessors) purchased the assets of the Maryland Jockey Club in two stages, with a minority interest acquired in 2002 and a majority interest purchased in 2007. Assets include the two major racing facilities in Maryland – Pimlico and Laurel Park - and the Preakness Stakes Triple Crown race.

As discussed above, the physical plants of both tracks are in dire need of investment, with clubhouse and grandstand areas that are both unnecessarily large and failing. At Pimlico, no significant renovations have been made to the clubhouse since construction in 1960, and according to the Crossroads report, “the overall conditions of Pimlico threatens its continued existence and the success of the Preakness Stakes.” At Laurel Park, roofs, HVAC, plumbing, and electrical systems are failing, and backstretch barns, stalls and housing fall well below applicable standards.

Mr. Rooney immediately recused himself from the Authority’s consideration of the site and has had no involvement in the Authority’s inclusion of Shamrock as a potential training facility location. If a decision is made to move forward with Shamrock Farm as a training center location, a third-party appraisal process will be used to substantiate a purchase price.

1/ST/The Stronach Group indicated in response to questions that it will not undertake private capital investments in its physical holdings without a corresponding return on investment, which, given the cost of needed renovations, current industry conditions and the available revenue streams in Maryland, will not materialize, in the Authority's view.

Ownership of Maryland Jockey Club facilities by 1/ST/The Stronach Group has coincided with a precarious trajectory for thoroughbred racing in Maryland. Thoroughbred racing has experienced a decline in attendance that was exacerbated by the pandemic. As a result, live on-track wagering accounted for just 2.1 percent of the total \$542 million handle at Maryland tracks in 2022, with the remainder coming from export broadcast wagering (88.2 percent) and simulcast wagering (9.8 percent).

Other metrics have held steady. There has been a modest 7.2% increase in total races in the prior 10-year period, and a 9.4% increase in race days.

In the early to mid-2000s, partly in response to a decline in the horse racing industry, the Maryland General Assembly debated and then approved a video-lottery terminal gaming program that was eventually approved by voters as a constitutional amendment. One of the available licenses was for a geographic area that included Laurel Park, with the intention that video gaming at Laurel would provide revenue to support the horse industry. But the Maryland Jockey Club did not submit a valid application for the license, depriving the industry of a significant revenue source for future operations.

Via statute, some gaming revenues do supplement purses and other revenues supplement track operating repairs. Under an agreement that was negotiated in 2011, the horsemen and breeders agreed to allocate certain non-gaming revenues to the track operators, effectively purchasing additional racing days via a subsidy (commonly referred to as the "Ten-Year Agreement").

Maryland, because of video lottery funding contributions, has done a good job relative to its peers of maintaining purses at reasonable levels and preserving race days, which directly support strong racing and breeding industries that contribute to significant economic impacts and the preservation of green space.

The original Ten-Year Agreement between industry groups and track owners expired but has been extended through December 31, 2024.

This history has led Maryland horsemen and breeders to raise valid concerns about the sustainability of Maryland racing operations in a for-profit ownership model.

All stakeholders agree that a future operating model must allow for safe facilities, industry stability, the right number of racing days, and the development of new revenue streams.

Maryland Jockey Club, the Maryland Thoroughbred Horsemen's Association and the Maryland Horse Breeders Association have been involved in discussions about alternative structures.

With no direct video lottery gaming and capital needs that will almost certainly be met with public funds only, a consensus has developed that Maryland would best be served by a different ownership and operating structure.

Consultant Crossroads reviewed track operations in all states with significant racing operations, including California, Delaware, Florida, Kentucky, New York, Virginia and West Virginia. This group contains a mix of public, private and not-for-profit entities, and all but a few rely on onsite gaming revenues to succeed. The detailed findings of Crossroads are available on the Maryland Racing Commission/Authority [website](#).

In examining the landscape, the Del Mar track in California and Belmont in New York are similar prominent racetracks without onsite gaming operations and offer examples of alternative operating models for Maryland.

- Del Mar is owned by the State of California and is leased to and operated by a nonprofit consisting of the horsemen and does not have onsite gaming.
- Belmont is owned by the State of New York and operated by a nonprofit (the New York Racing Association, or NYRA) that operates as a business.

The Authority believes that NYRA offers the best model for Maryland moving forward because it recognizes and provides accountability for the scope of public investment necessary to right the industry, and preserves and advances the broader State economic interests that do not manifest in an ROI to a private for-profit operator. It also functions as a business, led by professionals.

Under this approach, Pimlico and the training center would be owned by the State and leased to a not-for-profit operator to be created by the Authority (similar to NYRA).

This structure would justify the significant investments contemplated by the State and maximize benefits to the industry at large without the competing profit objectives of a private operator.

Next Steps

The initial work of the Authority has demonstrated that expenditures authorized by the Racing Community Development Act of 2020 can achieve the intended goal of the Authority and the legislation – creating best-in-class racing facilities and adequate training facilities to provide Maryland with a sustainable horse racing industry into the 21st century and the continued accrual of agricultural, open space and other benefits.

The Authority's review has also shown that a revised operating model, with not-for-profit ownership and management of facilities, is the best vehicle for undertaking these improvements and managing racing operations in Maryland going forward.

To make progress toward these objectives, the Authority, subject to approval of its recommendations by the General Assembly and Governor, will seek to:

- Finalize an agreement with 1/ST/The Stronach Group to transfer control of day-to-day Maryland racing and acquire title to Pimlico.
- Finalize a licensing agreement with 1/ST/The Stronach Group to operate and promote the Preakness Stakes and the Black-Eyed Susan Stakes.
- Develop a detailed transition plan for Maryland racing to move from a for-profit model to a public/not-for-profit model by January 1, 2025.
- Seek approval to assume control of Maryland horse racing and to fund the Authority recommendations.
- Take all necessary steps to finalize a decision for the acquisition of property for a training location.
- Engage a design consultant to develop detailed plans for the Pimlico site and the training location and launch the permitting process.
- Identify or create a not-for-profit operator for Maryland racing, in consultation with all necessary Maryland officials and industry professionals.
- Maintain Laurel Park as a transitional facility for live racing and training during the expected four-year construction and transition period needed to develop Pimlico as a premier racing hub.