

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 800

(Senator Hayes)(By Request - Baltimore City
Administration) and Senator Carter

Budget and Taxation

Maryland Stadium Authority's Pimlico Race Course Study Workgroup

This bill establishes the Workgroup to Study the Implementation of Phase 2 of the Maryland Stadium Authority's Pimlico Race Course Study, staffed by the Maryland Stadium Authority (MSA). The workgroup must report its findings and recommendations to the Governor and the General Assembly by December 1, 2019. The Mayor and City Council of Baltimore City must report to the General Assembly on the total amount of funding available from tax increment financing for infrastructure improvements related to construction of the Pimlico Race Course facility by December 1, 2019. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase by \$56,900 in FY 2020 only, as discussed below. Revenues are not affected.

Local Effect: None. Baltimore City can participate on the workgroup and report as required on financing.

Small Business Effect: None.

Analysis

Bill Summary: The workgroup must (1) consult with the horsemen, breeders, and neighborhoods surrounding the Pimlico Race Course; (2) assess the economic impact of the implementation of Phase 2 of MSA's Pimlico Race Course Study on Baltimore City, Baltimore County, the Baltimore region, and the State; (3) study the feasibility of various

financing options for the implementation of Phase 2 of MSA’s Pimlico Race Course Study; and (4) make recommendations regarding financing Phase 2 of MSA’s Pimlico Race Course Study.

Background: In March 2016, the Maryland Racing Commission (MRC) requested a study to examine the ability of the Pimlico Race Course to continue as the permanent home of the Preakness Stakes. Phase 1 of the study, administered by MSA, was completed in February 2017. Key findings included (1) Pimlico’s physical condition presents significant challenges that threaten its continued existence and the success of the Preakness Stakes and (2) despite its physical condition, there do not appear to be situational factors such as location, accessibility, the surrounding neighborhood, etc. that would negatively affect Pimlico’s ability to remain the long-term home of the Preakness. The Phase I study proposed an extensive renovation of the existing facility, estimated to cost between \$248 million and \$321 million.

In February 2018, MSA entered into a memorandum of understanding with the Department of Labor, Licensing, and Regulation and MRC to manage Phase 2 of the Pimlico Race Course Study. The study was intended to identify an optimal Preakness Stakes venue and evaluate and incorporate potential nonracing development on the Pimlico site that would support its year-round use. MSA collaborated with the Maryland Jockey Club (MJC) and The Stronach Group (TSG) to develop a detailed development strategy (the Preakness Program) considered to be ideal for hosting the Preakness Stakes. Public feedback was gathered electronically, and an open meeting was held at Pimlico in June 2018. The final report was released December 13, 2018.

Phase 2 Report – Key Recommendations

Racing Facilities: The report made several recommendations related to the racing facilities, specifically to:

- demolish and remove all existing structures on the site, including the tracks, infield, grandstand, clubhouse, equestrian barns, and associated infrastructure;
- rotate (by 35 degrees clockwise) the tracks to accommodate nonracing land use around the perimeter of the site;
- construct new tracks and infield, adjusting the distance of the dirt track from 1 mile to 15/16 mile and maintaining a 7/8 mile turf track;
- construct a multi-use clubhouse with track view dining, clubs, lounges, suites, rooftop and balcony spaces, administrative offices, a racing history center/museum, café, off-track betting, and required service and support;
- construct a plaza, referred to as the “Palio” (modeled after the famous Palio di Siena horse races held in the Piazza del Campo in Siena, Italy); and

- make site and infrastructure improvements, including roadways and on- and off-site utilities, vehicle and pedestrian tunnels, pedestrian bridges at track crossings, and hardscaped plazas.

Year-round Use of Racing Facilities: The study identified the following year-round uses of the racing facilities:

- infield: athletic, entertainment, and leisure purposes;
- multi-use clubhouse: racing history center/museum with café, off-track betting/sports book, conferences/meetings/banquets/social and civic events, and eSports and nontraditional sporting/competition events such as drone racing; and
- the Palio: host outdoor public concerts, performing arts, festivals, and markets.

Nonracing Land Use: The study recommended expanding the LifeBridge Medical Campus and dividing the site into four districts around the track:

- Gateway District (Northeast): commercial and mixed-use development, which may include a hotel and structured parking;
- District One (Northwest): residential and commercial mixed use, which may include additional equestrian/racing facilities, civic improvements, and structured parking;
- District Two (Southwest): neighborhood commercial use, which may include a grocery store and/or retail; and
- District Three (South/Southeast): mixed residential, which may include a combination of senior living, townhouses, row houses, and/or multifamily apartments.

Costs and Economic Impacts of Redevelopment under the Study

The minimum cost of redevelopment is estimated at \$424 million, which does not include any development beyond demolishing and rebuilding the racing facilities. The study considered two less expensive options that would involve upgrading the existing facilities but concluded that a full-scale rebuild “was deemed the land-use scenario that best serves” to keep the Preakness and encourage investment in the nonracing development of the site and surrounding community.

The study estimates the post-redevelopment economic impact of the Preakness Stakes at (1) \$58.9 million in direct, indirect, and induced spending that supports 620 full- and part-time jobs and (2) approximately \$5 million in local and State tax revenues.

Timeline for Construction

The study estimates construction of the racing facilities to last approximately three years, with the Preakness Stakes being held at the *existing* course for the last time in 2021 and returning to the *new* Pimlico course in 2024.

Financing to Be Determined

Finally, the study recommends that key stakeholders, including MJC, TSG, the State, and the city agree to execute a formal agreement to enter into future negotiations regarding financing.

State Expenditures: General fund expenditures increase by \$56,915 in fiscal 2020, which reflects the need for consulting services to assist MSA with the various study requirements of the bill. Expense reimbursements for workgroup members are assumed to be minimal and absorbable with existing resources.

Additional Information

Prior Introductions: None.

Cross File: HB 1190 (Delegate Glenn, *et al.*) (By Request - Baltimore City Administration) - Ways and Means.

Information Source(s): Baltimore City; Maryland Stadium Authority; Department of Legislative Services

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md/jrb

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