

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

January 1, 2023

## Table of Contents

1. General Background and Purpose of Report Summary
2. Agreements/Requirements Status Updates
  - 2.1. Agreements and Requirements for Bond Issuance for Pimlico
    - Agreement 1 (LifeBridge / TSG MOU)
    - Agreement 2 (MJC Land Conveyance)
    - Agreement 3 (LifeBridge Land Conveyance)
    - Agreement 4 (Pimlico Development Agreement)
    - Agreement 5 (Pimlico Long Term Operating Agreement)
    - Agreement 6 (Pimlico Lease Agreement Associated with Preakness)
    - Agreement 7 (TSG desired covenants and restrictions with LifeBridge)
    - Agreement 8 (TSG desired covenants and restriction with City of Baltimore)
    - Requirement 9 (Racing Commission Track Safety Report)
  - 2.2. Agreements and Requirements for Bond Issuance for Laurel Park
3. Programming and Design Updates
  - 3.1. Pimlico
    - 3.1.1. Program confirmation status
    - 3.1.2. Old grandstand demolition status update
    - 3.1.3. Schedule update
  - 3.2. Laurel Park
    - 3.2.1. MJC program confirmation status
    - 3.2.2. Secondary program development efforts (MTHA)
      - 3.2.2.1. Continued efforts to reduce MTHA programming requirements and cost savings
      - 3.2.2.2. Alternative concept that maintains year round operations at both facilities
    - 3.2.3. Testing and valuation of the existing track surfaces status update
    - 3.2.4. Schedule Update
  - 3.3. Transition
  - 3.4. Housing
4. Budget and Funding Status Update
5. Next Steps

### Exhibit A - MEDCO Update

## **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 January 1, 2023 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 (“BDC”), 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. Follow-up negotiation meetings commenced in September and the parties have continued to hold negotiation meetings and shared proposed agreement terms and language, however, the agreement is not finalized. The two biggest areas of disagreement are: (1) MJC’s request for approval rights on the design of the venue and (2) the construction related restrictions surrounding the Preakness during redevelopment.
  - 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 in September, 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. The document remains under City review.
  - 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 until the MJC Land Conveyance, 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 Laurel*

No change in status from the September 30, 2022 report.

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  $\frac{7}{8}$  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.
- Based upon desired configuration, the overall clubhouse square footage increases from the 2021 Pimlico Program.
- 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 has shared the updated programming desires with its design consultants who have reviewed the requested changes and provided the following comments / analysis:

- The requested overlay requirements do not fit within the footprint identified in the originally planned location. Accommodating all of the desired stall counts and backstretch amenities would likely require utilization of the majority of the future development parcel located at the corner of Winner Road and Northern Parkway. MSA has updated the program to account for the cost of a permanent Preakness Barn structure and the temporary infrastructure connections to support the desired minimum overlay configuration. Impacts associated with the use of the future development parcel have not been reviewed by BDC.
- MJC's desire to reconfigure the clubhouse footprint results in an increase to its overall size. The MJC configuration desire increases both the conditioned and non-conditioned square footage.
- While adding canopy structures can be accommodated, the scale of the proposed canopy structure will require further evaluation to determine feasibility. Breaking the canopies into smaller sections would provide more flexibility.

MSA has worked with RLB to update the cost estimate to reflect both the requested changes to the program and the changes in market conditions since their last estimate.

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*

No change in status from the September 30, 2022 report.

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*

No change in status from the September 30, 2022 report.

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 2021 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

MSA re-engaged RLB to update the previous estimate to account for market and schedule related impacts.

### [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 completed minor adjustments to the generally agreed upon concept to reflect final comments from the task force meeting.

RLB has generated an estimate based upon the finalized concept. As anticipated, the desired programming changes and market impacts result in an increase to the estimated cost to complete the design and construction of Laurel Park when compared to the MJC owner / operator model. Beyond the market conditions changes, a majority of the cost increase is the result of an increase in the size of the Laurel Park Clubhouse Facility in order to accommodate the MTHA racing industry desires.

### *Section 3.2.2.1 Continued Efforts to Reduce MTHA Programming Requirements and Cost Savings.*

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

continued to work with the racing industry representatives to reduce their programmatic needs from the efforts identified in Section 3.2.2 that were completed in October, 2022. Working with MTHA representatives, the design team generated multiple alternative program concepts, as described in Section 3.2.2.2, which were shared with RLB for estimate generation.

#### *Section 3.2.2.2 Alternative Concept that Maintains Year Round Operations at Both Facilities*

MTHA's Secondary Program (outlined in Section 3.2.2) exceeds that of the MJC program and does not assist in reducing the budget shortfall. In early November, MTHA approached MSA with a desire to discuss an additional alternative scenario that would result in year round training and racing operations at both the Laurel Park Racing Facility and Pimlico Racing Facility.

The proposed concept would eliminate the use of the Brock Bridge Road parcel in the redevelopment of Laurel Park resulting in a decrease to the previously programmed backstretch footprint (and overall stall counts) at the facility. Eliminating the Brock Bridge Road parcel significantly reduces the required grading and utility distribution efforts onsite and eliminates costs associated with tunneling between the two parcels. Elimination of the Brock Bridge Road parcel also reduces the cost of site acquisition, which has not been included in any of the project cost summaries presented to-date by MSA and is not included in this report.

Under the proposed alternative program concept, MTHA also agreed to the elimination of the synthetic training gallop and the elimination of the synthetic surface at the main oval track location. While the existing turf and dirt tracks would still require complete replacement, the reconstructed tracks would maintain their current width and general footprint. In addition to potential cost savings associated with the actual track construction, these concessions would also eliminate the need for an infield access tunnel, which presents a cost savings.

The alternative program scenario would limit improvements to the Laurel Park Clubhouse. The concept proposes demolition of approximately two hundred and thirty seven thousand square feet of the existing clubhouse. No major structural or architectural improvements would be performed on the portion of the clubhouse that would remain; however, there are a number of code compliance issues that would need to be addressed. Future improvements would likely be needed to ensure the long-term viability of the clubhouse.

Though MTHA agreed to a reduction in the overall programmed stall counts, limiting the backstretch redevelopment to the existing site prohibits the ability to meet the desired counts for the entire equine population at a single facility. For this reason, the alternative concept requires year round training and racing at the Pimlico Racing Facility to be maintained.

The proposed alternative concept maximizes use of the Laurel Park site to accommodate ~1,040 race stalls / ~1,150 total stalls in addition to the other required backstretch amenities. To ensure efficiencies of scale and maintain the current equine population, MTHA identified the need to provide a minimum of 400 racing / receiving stalls at the Pimlico Racing Facility. Year round operations will also require inclusion of a permanent jockey's quarters, paddock, walking ring, and other backstretch components.

Based upon the discussions during the initial workshop session, MSA's design consultants generated two potential concepts for year round operations at the Pimlico Racing Facility. Concept Option #1 is more traditional and utilizes the area adjacent to Winner Avenue while the

Concept Option #2 presents a more unique approach by utilizing the infield to accommodate the year round backstretch facilities required for facility operations.

MSA and its design consultants shared the alternative concepts during a second workshop session where the benefits and drawbacks of each scenario were discussed. Option 1 would provide ~430 total year round stalls at Pimlico. This concept would result in a reduction in size to the future development parcels along Northern Parkway while maintaining an open infield to maximize future potential uses and Preakness patron capacities. Option 2 would provide ~446 total stalls. This option maximizes the size of future development parcels along Northern Parkway and consolidates equine operations to a centralized, secure location but would consume the majority of the infield green space, which limits potential future uses and reduces the available Preakness patron capacities.

Following the workshop sessions, the design team advanced the level of detail on the preliminary design concepts and shared the updated programming plan with RLB so that they could generate estimates for the program.

Under this scenario, the cost associated with the redevelopment of Laurel Park Redevelopment decreases and the Pimlico Racing Facility increases. As indicated in Section 4, the combined overall cost of the entire project including Laurel and Pimlico decreases.

The long term operating costs would vary under this scenario; however, costs associated with the acquisition of the Brock Bridge Road parcel would no longer apply.

### *Section 3.2.3 Testing and Evaluation of the Existing Track Surfaces*

No change in status from the September 30, 2022 report.

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 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. Based upon the schedule uncertainties, all current estimates are based on today's cost with no escalation.

#### *Section 3.3 Transition*

No change in status from the September 30, 2022 report.

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. The alternative concept outlined in Section 3.2.2.2 above would require additional housing accommodations at the Pimlico Racing Facility. It is understood that the required housing needs could be accommodated within some of the future development planning along W. Belvedere Avenue.

### **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. During the same period, the rate of inflation and general market volatility has resulted in significant increases to labor and material costs associated with design and construction. MSA previously reported a \$150 million budget shortfall based on the MJC owner/operator scenario developed at the end of 2021.

To-date, MSA has worked with MJC and MTHA representatives to generate a number of different Program Concepts. Program level estimates have been generated by RLB for each of the proposed concepts. It should be noted that each of the concepts results in a budget shortfall.

Due to the schedule uncertainty at this time, MSA has estimated the cost associated with the redevelopment utilizing a projected timeline for completion of the work in the event that all required agreements are finalized by the spring of 2023. Utilizing the current market cost estimates, MSA has applied a 5% escalation rate to future years to determine the estimated budget deficiencies identified below.

Based upon information known at this time, MSA estimates the total project budget deficiency to fall in the range of \$160M and \$350M with the Alternative Concept Plans being the least expensive.

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***

<b>Date</b>	<b>Estimated True Interest Cost</b>	<b>Estimated Par Value</b>	<b>Estimated Proceeds Plus Available Cash</b>	<b>Available Debt Service</b>
12/13/2019	2.24%	\$369,385,714	\$423,364,178	\$17,000,000
2/24/2021	2.95%	\$328,405,000	\$382,364,178	\$17,000,000
2/11/2022	2.90%	\$311,075,000	\$414,294,584	\$17,000,000
6/23/2022	4.18%	\$284,340,000	\$336,959,933	\$17,000,000
9/19/2022	4.32%	\$261,300,000	\$336,618,335	\$17,000,000
10/31/2022	4.67%	\$261,300,000	\$325,281,620	\$17,000,000
12/12/2022	4.20%	\$261,300,000	\$340,238,594	\$17,000,000
Future Potential	5.00%	\$261,300,000	\$314,908,752	\$17,000,000
Future Potential	5.50%	\$247,035,000	\$300,649,489	\$17,000,000
Future Potential	6.00%	\$233,960,000	\$287,562,289	\$17,000,000

**Section 5 - Next Steps**

MSA will continue to work with our project partners to resolve outstanding agreements and will look for direction from the legislature on a desired path forward regarding programming, funding and long-term ownership and operations for both facilities.

## **Exhibit A – MEDCO Update**

MEDCO continues to review information relative to the market value of the land, facilities, and business operations as well as the various options available relative to financing, funding for improvements, and potential acquisition. Ultimately, guidance from the Governor and legislature is deemed necessary in determining the most desirable course of action and the best options available in pursuit of that chosen course of action.