

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: April 6, 2009

SUBJECT: Magna Entertainment Corporation (MEC) Chapter 11 Bankruptcy Filing with respect to MEC-owned Golden Gate Fields racetrack

REPORT BY: Beth Pollard, City Administrator

STAFF RECOMMENDATION

1. Receive presentation of information from Robert Hartman, General Manager, Golden Gate Fields.
2. City staff will continue to monitor the bankruptcy proceedings, including exploring any potential impacts or opportunities for the City resulting from the ownership transition.

BACKGROUND

The owner of Golden Gate Fields and other racetracks, Magna Entertainment Corporation (MEC), filed for Chapter 11 bankruptcy protection on March 5, 2009. Racing operations are currently continuing at Golden Gate Fields in Albany while MEC assets are in transition. MEC has proposed a restructuring plan in which its primary creditor and shareholder, Magna International Developments, Inc. (MID), would acquire Golden Gate Fields and certain other tracks and assets.

However, it is possible that the tracks and other assets could be individually or collectively purchased by another entity not affiliated with MID or MEC. The sale of the MEC assets, to MID or to another entity, is currently expected to occur in July.

The local Golden Gate Fields management is keeping the City of Albany apprised of the status of its operations and the bankruptcy process and City officials are also independently monitoring the bankruptcy activities to anticipate potential local issues or impacts. There is no indication that the City will not receive the property taxes and wager taxes the track is required to pay, or that the Schools will be affected during the period of the foreclosure proceedings.

Robert Hartman, General Manager of Golden Gate Fields, offered to brief the City Council about the bankruptcy; he will be present at the meeting of April 6, 2009.

DISCUSSION

There have been a variety of statements and conjectures made about the future of the Golden Gate Fields property and racing operations in conjunction with the bankruptcy proceedings. The statements range from ceasing racing to pursuing development to continuing operations as currently underway. Until ownership of the property is settled in or around July 2009, there is likely to be much speculation and uncertainty. However, it is in the City's financial interest for the revenue stream from racing operations not to be disrupted by the bankruptcy or change in ownership.

The Waterfront District zoning of the racetrack property (known as Measure C), requires, among other provisions, voter approval for changes in permitted land use. The City is in the midst of a waterfront visioning process (called "Voices to Vision"), being conducted by Fern Tiger Associates, to engage the community in discussions about the future of the waterfront – including the Golden Gate Fields property. It is relevant for potential buyers to be aware of both of these local issues.

Staff will continue to monitor the bankruptcy proceedings, with particular attention to any issues, impacts or opportunities that affect the City of Albany. Of particular note is whether there are opportunities to complement the City's "Voices to Vision" efforts as a result of this ownership transition.

Golden Gate Fields has posted information about the Chapter 11 filing on its website www.goldengatefields.com. Filings to the U.S. Securities & Exchange Commission can be found at www.sec.gov (CIK #0001093273), and information from meetings of the California Horse Racing Board can be found at www.chrb.ca.gov. The City of Albany cannot guarantee the veracity of information posted on these sites.

SUSTAINABILITY IMPACT

None from the presentation.

FINANCIAL IMPACT

The City's current fiscal year projection of revenue from racing operations is approximately \$400,000.