

## **Baltimore Grand Prix in jeopardy**

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BALTIMORE -- Officials threatened Monday to terminate the city's five-year contract with organizers of the Baltimore Grand Prix if the group doesn't restructure and pay its debts to the city and vendors.

A recent economic analysis showed that the event has potential for growth after its first year, said Kaliope Parthemos, deputy mayor for economic and neighborhood development, in a statement obtained by The Associated Press. But Parthemos said Baltimore Racing Development must restructure itself immediately "to make that a reality."

"BRD must also work immediately to pay debts owed to the City and taxes owed to the City and State by December 31, 2011, aggressively work to repay any debts to vendors, and present a restructured company and management team, or the City will terminate its contract with BRD," Parthemos said in the statement.

BRD organized the three-day Labor Day weekend event and owes the city more than \$1.5 million for services it provided, parking, admissions and amusement tax revenues, and a race event fee, she said. The city is asking to be reimbursed for \$750,000 in city services. That's \$250,000 more than a fee cap in the contract because it includes required services that BRD was supposed to provide.

The city said the racing group is already speaking to the state Comptroller's Office, which collects taxes for local jurisdictions, about a payment plan for the \$487,971 in taxes owed to the city. No tax abatements will be made, the city said.

The Mayor's Office of Economic and Neighborhood Development held a \$250,000 check for the race event fee it received from BRD on Sept. 4, with the understanding that race officials needed to restructure cash reserves. But the group still has not made the payment.

"It makes sense. Our structure could be improved," said Jay Davidson, the former CEO who is still involved with BRD. "There's probably too much democracy in our boardroom. I think what they're looking for is someone who can come in and be one voice with authority."

The group is interviewing CEO candidates and he believes it will pay its debts, he said. The group faced significant startup costs in the first year, from buying barriers for the course to paying for lawyers and consultants to navigate its negotiations with the city, Davidson said. The group did well with ticket sales, hospitality and local sponsors, but it will need to do better attracting national sponsors in the future, he said.

Organizers knew they would have debt in the first year, but they ended up with more than they anticipated, Davidson said. He believes the organization owes about \$1.8 million to vendors. BRD is facing lawsuits from investors and vendors.

However, the event did show that it could ultimately be profitable, Davidson said. It drew about 160,000 spectators over three days to the 2-mile, 13-turn course on city streets that ran past the Inner Harbor and around Oriole Park at Camden Yards. The IndyCar and the American Le Mans series headlined the event that also featured races from three other leagues. IndyCar has already announced plans to return next Labor Day.

An economic analysis commissioned by the city's tourism bureau said the event generated \$27.6 million from spending by out-of-town spectators, vendors and race organizers and had a total economic impact of nearly \$47 million.

"We certainly understand the position that the mayor is taking and we are still hopeful that those conditions can be met," said Terry Angstadt, president of IndyCar's commercial division. "We are very hopeful that restructuring will happen."

The tough part is usually selling tickets and hospitality and BRD did that well, Angstadt said. But there are other costs that can erode a business.

The frustrating thing to Grand Prix booster and City Councilman William Cole is that the group is facing these problems despite the event exceeding attendance expectations and the racing series that participated and many spectators want to come back next year. That points to structural problems BRD has to figure out, he said.

"The big stumbling block is the company itself," Cole said. "We can't fix that. It's not the city's job. If they're not capable of doing it, they need to find someone who can."