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Majority owners don't plan to sell Portland Meadows

Portland Business Journal - by [Andy Giegerich](#) Business Journal staff writer

When Magna Entertainment announced last month it would sell its share of Portland Meadows, horse racing enthusiasts and developers took note.

Some feared it would eliminate horse racing in Oregon, while investors saw an economic development gold mine sitting on the prime 110-acre North Portland property.

Both reactions were misplaced.

Magna Entertainment Corp. said this week that it wants to sell its operating license and the 22 percent of the track property it owns to an operator that would continue to hold events at Meadows.

The other property owners say their 78 percent isn't for sale, said Jack McConnell, an NAI Norris Beggs & Simpson commercial real estate broker who has previously worked with the owners.

That's not to say horse racing will continue unfettered on the site. Magna could face challenges selling the property to an operator that's similarly well-capitalized and experienced.

Magna, the Aurora, Ontario-based racetrack operator, could leave Oregon because the state may not let it operate the "Instant Racing" wagering system that Magna claims would enhance its revenue.

Magna and other track operators are increasingly relying on other revenue means than racing itself as they face more competition from casinos and lotteries.

Dwayne Yuzik, general manager of Magna's Oregon Racing division, said the company has drawn interest from potential buyers of all ilks.

"I think somebody will want to continue [Meadows] as a racing operation moving forward," he said. "There has been interest from racing entities in it. And there was some dialogue with local horsemen and businesspeople in the area involved with the industry."

Meadows occupies what's conceivably much-desired commercial property near the Interstate 5



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Magna Entertainment, which operates horse racing at Portland Meadows, lost \$100,000 last year.

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Bridge. The land is mostly zoned industrially; part of it is considered an "employment" zone that could accommodate several uses.

"It's always been potentially the best redevelopment site in the region," said Steve Pfeiffer, the **Perkins Coie LLP** partner who formerly represented the Portland Meadows property owners. "It used to be on the edge of the region; now, with Clark County growing, it's right in the middle. It's relatively underdeveloped, and what little development exists on the site has long since passed its useful life."

Multnomah County assesses the land at more than \$30 million. When a portion of the property sold two years ago, it fetched \$7.50 a square foot, compared with \$4 or \$5 per square foot that most other industrial sites generate.

A 29-acre parcel adjacent to Portland Meadows recently sold for close to \$8 million.

Portland officials have maintained the property could provide many potential jobs and a bustling tax base. The city even expanded the Interstate urban renewal district in 2002 to include the Meadows property.

At one point, the **Portland Development Commission** had even discussed redevelopment options with the property owners, but could not reach a consensus.

"It's obviously a really interesting opportunity, but there's no interest in it from any of the property owners," said Kate Deane, the PDC's project manager for the Interstate urban renewal area. "That doesn't mean there won't be soon, but it would be something they'd have to initiate."

If the land ever does become available, city planners could push to keep at least part of it industrially zoned. The planning bureau simply doesn't like losing industrially zoned lands, said Chris Caruso, the department's North district liaison.

A production facility on the spot would make further sense because it's close to the freeway, she said.

Still, such issues may not matter if Magna and the state work out their gambling device-related differences. The state believes that the "Electronic 1-2-3 with Pick N" instant racing machines, which essentially allow wagerers to bet on old horse races, more closely resemble casino devices than pari-mutuel betting tools that require more skill to master.

Attorney General Hardy Myers issued a "notice of intent to deny application" memo to the **Oregon Racing Commission** when the commission approved Meadows' 2007-2008 racing season. Magna immediately announced that the move would force it to sell its track share and operating agreement.

While Myers spokeswoman Jan Margosian said the issue is far from settled, Magna's senior counsel Bill Ford said the company believes the state will feverishly battle his company on the matter.

Magna had invested \$1.7 million in the machines, according to the **Thoroughbred Times** industry newspaper.

Magna said Portland Meadows incurred a pretax loss of \$100,000 last year.

"Our No. 1 priority is to get the Instant Racing machines at Portland Meadows," Ford said. "That's what would make racing viable there. Without Instant Racing, it's pretty tough to make it profitable."

Even so, Ford said he's not sure whether Magna would rescind its sale plans if Myers allowed the track to operate Instant Racing machines.

"We'd have to run some economic analyses before deciding that," he said.

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