



**Virginia Horse Racing Industry
Strategic Planning Committee
Report to the
Virginia Racing Commission**

December 2017

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President**

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December 4, 2017

Mr. D. G. Van Clief, Jr.
Chairman
Virginia Racing Commission
5707 Huntsman Road, Suite 201-B
Richmond, Virginia 23250

RE: Virginia Horse Industry Strategic Planning Committee; submission of
recommendations

Dear Chairman Van Clief:

In June 2017, the Virginia Racing Commission established a Strategic Planning Committee to create a clear, consensus-based plan to guide regulatory and industry stakeholders toward securing the future success of Virginia's horse racing industry.

Acting on behalf of Virginia's horse industry, the Virginia Equine Alliance (VEA) was pleased to step up and take ownership of this planning initiative. The VEA has worked with other industry stakeholders over four months (August to November 2017) to think through many issues. Our meetings were very well attended, lengthy, and collaborative.

On behalf of the Strategic Planning Committee, I am pleased to submit to the Commission this draft strategic plan for your consideration. This document presents the process we undertook, highlights key points of our deliberations, and lays out our recommendations. Additionally, this document contains all meeting materials.

We look forward to discussing with the Commission our recommendations.

Sincerely,

Debbie Easter
President
Virginia Equine Alliance



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Executive Summary

Authority and Directive

The Virginia Racing Commission in Summer 2017 expressed strong interest in the Commission collaborating with the Virginia horse industry to develop a strategic plan to build upon the industry's past years of success.

The Commission at its July 6, 2017, meeting appointed a 12-member Strategic Planning Committee, consisting of the following members (note: Ms. Easter serves in two capacities):

- Virginia Racing Commission
D.G. Van Clief, Jr., Charles Steger, David Lermond
- Virginia Equine Alliance
Debbie Easter, John (Jeb) Hannum
- Virginia Horsemen's Benevolent & Protective Association
Frank Petramalo, David Ross
- Virginia Thoroughbred Association
Debbie Easter, Brooke Royster
- Virginia Gold Cup Association
William Allison, Alfred Griffin

- Virginia Harness Horse Association
Scott Woogen, Iain Woolnough

Additionally, the Commission agreed that other committee members could be appointed or outside experts invited, if needed.

The Commission subsequently suggested that the strategic planning initiative be led by industry stakeholders. The VEA agreed to lead the strategic planning initiative, as it is the horse-racing industry's umbrella stakeholder organization and has certain staff in place to assist. The Commission remained engaged as a strategic partner. The Commission and VEA also worked to ensure that strategic planning be carried out not only with industry interests in mind, but importantly, with all horse-racing fans and Virginians in mind.

Facilitation Process

The VEA engaged a certified mediator to facilitate the strategic planning process. The committee met on five occasions: August 17, 2017; September 18, 2017; September 26, 2017; October 12, 2017; and November 21, 2017.

The committee worked collaboratively and collegially identifying issues and developing strategic initiatives to address them.

The committee worked on a consensus basis. The goal was to reach unanimity on all specific issues related to the strategic plan. All decision-making authority rested with the committee.

It was agreed that should the committee develop a consensus strategic plan, then committee members would agree to support the plan as submitted to the Commission for its consideration. In the event the Commission, upon review of the strategic plan, offers substantive amendments, the committee members agreed to reconvene as quickly as possible to review the Commission's proposed amendments and submit comment to the Commission for its consideration.

Materials were prepared for each meeting to guide the discussion. Minutes were taken for each meeting and approved for accuracy of content.

The final strategic plan recommendations are contained in this report. The recommendations are the consensus of the committee.

Summary of Recommendations

The committee agreed that the strategic plan should be a 5-year one (2018-2022).

The committee agreed to focus on three key industry components: racing and breeding, wagering, and agribusiness. It also agreed that it would be necessary to delve into a number of more particular elements: live racing, off-track wagering, advance deposit wagering, breeding, training, equine care facilities, and preservation of open-space lands and horse farms.

The Virginia Equine Alliance, the Virginia Horsemen's Benevolent and Protective Association, the Virginia Thoroughbred Association, the Virginia Harness Horse Association, and the Virginia Gold Cup Association are all in agreement on the industry's path forward.

This consensus strategic plan consists, in summary, of the following:

- **Maintain a Strong Industry Alliance**

The Virginia horse-racing industry, with its Thoroughbred, Standardbred, breeding, and steeplechase stakeholders – is diverse. This diversity should be among its strengths. The Virginia Equine Alliance (VEA) is the industry entity that brings together all stakeholders – in an all-for-one, one-for-all fashion – and forges common strategic approaches on regulatory compliance, marketing, and revenue generation and revenue sharing. It is imperative that the VEA remain strongly supported by its constituencies so that it can speak authoritatively on the industry's behalf to state regulators, lawmakers and other policy makers, and industry partners.

The VEA, VRC, and industry stakeholders must continue strengthening the alliance. All have resolved to do this.

- **Develop and Maintain a Recognizable Live Racing Product and Brand**

It is important that the Virginia horse-racing industry's "live racing product" be seen by all – everyone in Virginia and across the nation – as being strong in flat-track racing, harness racing, and jump racing.

Virginia's horse industry is as old as our Commonwealth and indeed our nation. Strategically developing, marketing, and continuously enhancing a recognized live racing product and brand is a shared responsibility among stakeholders.

Virginia's horse racing industry is currently not as competitive as it should be, especially in the Mid-Atlantic region (Maryland, West Virginia, Pennsylvania, Delaware).

It has been agreed that a market analysis, marketing study, and a brand-building initiative built from these studies are necessary. It also is agreed that VEA should lead these efforts.

- **Grow Industry Revenue**

It is important to increase the number of Satellite Wagering Facilities (SWFs) in Virginia, reaching the maximum 10 SWFs allowed under Virginia law.

Additionally, it is imperative that Virginia develop additional revenue sources, such as historical horse race (HHR) wagering (electronic wagering on anonymous races already run), which will substantially boost the horse-racing industry's revenue and which is critical to securing the long-term success of the horse-racing industry.

It also is important to further develop an Advance Deposit Wagering (ADW) kiosk system, especially in populated markets.

Last, the Virginia horse-racing industry and its regulators should seek to develop additional alternative revenue sources as the industry and wagering technologies evolve. The industry will have to work more closely with the Virginia Racing Commission and the Virginia General Assembly on industry revenue-generating matters.

- **Develop Regionally and Nationally Recognized Racing Venues**

Virginia's flat racing, harness racing, and steeplechase racing venues must be supported.

Supporting Colonial Downs – Virginia's only flat-track venue – in its current location and collaborating with potential new owners is a priority. Colonial Downs is currently closed. However, if it does not reopen by 2019, then the Virginia Horse Benevolent and Protective Association should resume due diligence on funding, designing, and constructing a new flat-track facility elsewhere in Virginia.

Supporting harness racing at the Shenandoah County Fairgrounds is a priority. The facility has certain infrastructure improvements that must be funded and marketing needs that must be addressed.

Virginia's four sanctioned steeplechase venues are amongst the top tier of steeplechase venues in America. They draw tens of thousands of fans and thus offer immediate opportunities to promote Virginia horse racing. The venues often have telecommunications challenges, which limit technology-based pari-mutuel wagering. Reviewing pari-mutuel wagering regulations and potentially revising them to make wagering easier should be considered.

- **Support Industry Incentives**

The Virginia Equine Alliance has been instrumental in helping to develop two new incentive programs – the expanded Virginia-bred Owners' Bonus program and the Virginia-certified incentives. These new programs, along with the existing Virginia Breeders Fund, were designed to incentivize breeders and owners to do business in Virginia.

Considerable investment has been made in the Virginia-bred Owners' Bonus program, and that investment is paying off. The Commission recently approved the Virginia-certified program, and interest shown in this new program suggests it will get off to a good start in 2018.

As long as these programs demonstrate success, the Virginia Racing Commission should continue supporting them. It is recommended that VEA develop standard metrics to track the programs' progress.

Recommendations

We commend the following Strategic Plan recommendations to the Virginia Racing Commission for its consideration.

Recommendation #1

Maintaining a Strong Virginia Horse Industry Alliance

The strategic planning committee – comprised of broad horse-racing industry stakeholders – agreed that the industry’s strength lies in its Thoroughbred, Standardbred, breeders, and steeplechase stakeholders’ diversity and their all-for-one, one-for-all alliance. The committee agreed that the 2014 establishment of the Virginia Equine Alliance (VEA) has been key to bringing together all industry stakeholders and helping develop an increasingly strong sense of unity and focus on improving all elements of the Virginia horse-racing industry.

The VEA has good, knowledgeable leadership, and also has broad, in-depth understanding of the industry’s existing revenue streams and revenue-generation potential.

The VEA also has an equally strong commitment to advancing the interests of flat-track, harness, and jump-racing constituents and the industry as a whole. In so doing, the VEA and all industry stakeholders must always bear in mind the concurrent interests of Virginia’s horse-racing fan base, as the money they wager drives the entire industry.

- **Virginia Equine Alliance should be strongly supported and should be the industry’s recognized voice.**

The committee reached quick and easy consensus that the VEA, as an industry coordinating entity, must remain strong and intact so that it can continue being the industry’s recognized regulatory compliance, marketing, and revenue-generation voice to the Virginia Racing Commission and to other in-state and out-of-state horse-racing industry parties.

It will be incumbent upon the VEA’s Thoroughbred, Standardbred, breeders, and steeplechase constituencies to support the VEA and its mission, and it will be important for the Virginia Racing Commission to continue recognizing the VEA as the industry’s strategic coordinating body so long as it remains viable and under knowledgeable, wise, and ethical leadership.

- **VEA and Virginia Horsemen’s Benevolent & Protective Association should collaborate on the future of flat-track racing.**

It will be important for the VEA and the Virginia Horsemen’s Benevolent & Protective Association (VHBPA) to collaborate as VHBPA engages with flat-track owners, potential owners, and potential developers of any new flat-track facilities.

- **Virginia Racing Commission should recognize VEA’s goal to support a diverse racing industry.**

It will be important for the Virginia Racing Commission to work diligently to continue ensuring fair treatment among all horse-racing stakeholders – flat racing, harness racing, steeplechase racing, and breeders. This should be a Commission priority.

Recommendation #2

Develop and Maintain a Recognizable Live Racing Product and Brand; Conduct Market Analysis and Marketing Study; Better Engage Public Policy Makers

Virginia’s horse industry is as old as our Commonwealth and indeed our nation. Strategically developing, marketing, and continuously enhancing a recognized “live racing product” and brand is a shared responsibility among all industry stakeholders.

It is important that the Virginia horse-racing industry’s live racing product be seen by all – everyone in Virginia and across the nation – as strong and viable in flat-track racing, harness racing, and steeplechase racing.

Today, Colonial Downs – Virginia’s only flat-track facility – is not operational. It is in the industry’s best interests that it become operational as soon as is practicable.

Harness racing has a long-term agreement with Shenandoah County Fairgrounds. In 2016 and 2017 there were five harness racing weekends annually. Industry stakeholders should support harness races at this venue for many years to come. Infrastructure upgrades and expanding the number of race days should be a priority for the future.

At present, there are four sanctioned steeplechase-racing venues in Virginia: Great Meadow (site of the Virginia Gold Cup races), Foxfield, Montpelier, and Middleburg. Steeplechase events at these venues continue to be successful and – with its audiences numbering tens of thousands – offer important opportunities to advance the interests of the horse-racing industry.

However, Virginia's horse-racing industry, broadly speaking, is currently not as competitive as it should be, especially in the Mid-Atlantic region (Maryland, West Virginia, Pennsylvania, and Delaware), where racetrack revenue is enhanced by alternative forms of gaming. This, in no small part, is due to limited revenue-generating opportunities that in turn do not foster more viable racing venues, larger purses, and other incentives.

- **The VEA should be the lead entity to spearhead Virginia horse racing brand development as well as market and marketing analyses and studies.**

The committee agreed that VEA, as the industry's agreed upon recognized industry voice, should lead the brand development and market and marketing initiatives. VEA will work with all industry stakeholders as these efforts are undertaken.

- **Virginia's horse-racing industry must develop and continuously enhance its brand.**

The committee generally agreed that Virginia's horse-racing industry currently has a weak brand (with the exception of the Virginia Gold Cup and the other steeplechase meets), and it acknowledged that it has not undertaken a formal market analysis or marketing study.

What is known about Virginia's horse-racing industry is confined mostly to the industry itself, and likely to its most die-hard fans. Its profile is mostly regional (Mid-Atlantic), certainly not national.

Historically, the Virginia horse-racing industry has not formally undertaken any specific brand-building initiative, market analysis, or marketing study. No significant funding for brand-building or marketing has ever been dedicated. For the most part, it has been the lack of any industry umbrella stakeholder organization (that is, until VEA was formed) to formally consider the need, mechanics, and funding of a branding and marketing initiative that has relegated such to a low priority.

Consequently, despite the horse industry's centuries-old place in Virginia, horse racing does not occupy a first-in-mind position among those things the average Virginian, much less non-Virginian, would associate with the Old Dominion, such as "Virginia is for Lovers," Skyline Drive, Virginia Beach, or the Chesapeake Bay. One can look at the Virginia wine industry and mark its growth and brand success over the past 25 years as a model for what can be done through a sustained marketing effort, and today Virginia is increasingly known for its wine industry. Virginians and tourists routinely make the Commonwealth's wineries a destination.

If Virginia horse racing ever wants to become as associated with Virginia as Kentucky horse racing is with the Blue Grass State, then a tremendous amount of work – sustained, continuously enhanced, and well-funded over many years – must be done.

The committee also acknowledged that whatever brand the Virginia horse-racing industry has is largely associated with Colonial Downs. The racing industry generally has been content to let the Commonwealth's only flat-track operation undertake marketing and to ride its coattails. This strategy prevents the industry (as represented by VEA) from offering any strategic marketing direction or having any say-so over how it is portrayed.

In developing a brand, the committee agreed, by consensus, that, on the whole, the horse's history in Virginia and majesty set a positive, natural position from which to start. Horse racing is often a family activity that should have broad appeal, beyond that associated with traditional race-goers, and further that the social and societal aspects of horse racing should be accentuated. However, the committee chose not to presuppose what marketing themes might emerge in a marketing study or dictate what themes should carry the day.

- **Virginia's horse-racing industry must conduct a market analysis and marketing study.**

The committee also reached consensus that there must be a market study to better understand the industry's current and potential audience, and especially how demographic trends (national and in Virginia) are likely to impact Virginia horse racing in the years ahead. Then, there must be carried out a marketing study on how to reach this market. It is possible the two may be combined.

While the committee intuitively has many insights and ideas, it was agreed that an objective consultant should be used to prepare a market analysis and marketing study. It also was agreed that the VEA should consult with the Virginia Tourism Corporation (the state's official tourism agency) for advice and possible support.

Moreover, the committee agreed, by consensus, that population centers are key markets that the horse-racing industry must reach. Indeed, it would be perilous for the industry to fail to target these fast-growing, generally wealthy, culturally diverse regions. Doing so, especially in the northern part of the state, would allow full advantage to be taken of the District of Columbia and Maryland media markets it shares as well as of its proximity to West Virginia, Pennsylvania, and Delaware markets and audiences.

- **Virginia’s horse-racing industry should more routinely engage public policy makers, especially the General Assembly.**

Virginia’s horse-racing industry is a regulated one. Industry stakeholders’ representatives work most directly with the Virginia Racing Commission, its regulatory body. However, the industry does not routinely, in organized fashion, engage General Assembly members.

The committee agreed, by consensus, that it is important for the General Assembly and other policy makers to become more and more knowledgeable about the Virginia horse-racing industry, its history, and its economic impact – and its potential for even greater economic impact.

Indeed, as a 2011 Weldon Cooper Center for Public Service (University of Virginia) study demonstrated, “the horse industry in Virginia has an annual economic impact of \$1.2 billion,” with more than 18,000 direct and indirect jobs in Northern Virginia and throughout the Shenandoah Valley. (See, “Virginia’s Horse Industry: Characteristics and Economic Contributions,” in *The Virginia News Letter*, by Terance J. Rephann. July 2011.)

It is likely most members of the General Assembly do not appreciate that Virginia’s horse industry has a \$1.2 billion economic impact. It also is not likely that most legislators have full appreciation for the challenges facing the industry – competition from other states, revenue declines, arguably constraining wagering laws, etc. – and thus how they might be helpful in meeting them.

Moreover, it is especially important for public policy makers to understand the extent to which Virginia’s horse-racing industry is interwoven with the Commonwealth’s robust agriculture and agribusiness sectors, and the extent to which maintaining working farms and open-space lands are critical to the industry’s future success.

The committee agreed, by consensus, that the VEA and its stakeholder constituents must more aggressively engage public policy makers, especially the General Assembly and its most relevant committees, to continue educating them about the Virginia horse-racing industry, its challenges, and especially its great potential.

Recommendation #3

Grow Industry Revenue

The committee reached quick and easy consensus that growing industry revenue is critical to the future success of the Virginia horse-racing industry.

In 2016, VEA, VHHA, the Breeders Fund, and VHBPA's combined net revenues from advance deposit wagering (ADW) and satellite wagering facilities (SWFs) totaled approximately \$5.8 million.

Projections for the next five years (2018 to 2022) suggest that the industry's combined ADW and SWF net proceeds will grow from approximately \$9.0 million to \$12.5 million in 2020 when the maximum of 10 SWFs allowed under current law are operational.

The committee agreed on the following revenue-growing principles and strategies.

- **Additional Satellite Wagering Facilities (SWFs) must be developed. SWF law should be reviewed.**

Satellite wagering facilities (SWFs) have been a staple of industry wagering – and thus industry, State, and local revenue – in the modern era of the Virginia horse-racing industry. It must continue.

Current Virginia law allows up to 10 SWFs, subject to voter approval via local referendum and other pertinent local ordinances, such as zoning.

Today, the number of SWFs is less than half of what is legally permitted. The committee reached easy consensus that SWFs must be developed to the extent allowed by law.

At present, increasing the number of SWFs in Virginia is the principal responsibility of the VEA. In the near- and medium-term, the committee agrees that the VEA must focus on increasing the number of SWFs in Virginia, eventually establishing the maximum 10 SWFs allowed. Should an unlimited infrastructure license be issued to another racetrack owner, the holder of the license will have sole rights to any remaining available SWFs.

In 2012, when Colonial Downs was operating and had 10 associated SWFs, overall handle generated was \$91.9 million. In November 2014, Colonial Downs and its associated SWFs ceased operations.

The VEA opened its first SWF in November 2016 (Henrico County) and its second SWF in January 2017 (City of Richmond). A third SWF opened in November 2017 (City of Chesapeake). A fourth has been granted a license to operate (Henry County). Total 2017 handle is projected to be approximately \$20 million. SWF handle is expected to peak at \$80 million in 2020, when the maximum of 10 SWFs allowed under current law are operational.

The committee agreed that it would be reasonable to project VEA-operated SWF net proceeds for the industry to grow over the next five years (2018 to 2022) from \$4.5 million to \$7.3 million. This assumes 10 SWFs in operation by 2020.

The committee also agrees that current Virginia law regarding SWFs presents certain hurdles for industry revenue growth – namely, the required local referendum and the 10 SWF facility cap. However, the committee further agrees that before seeking any General Assembly relief from these constraining elements, the VEA and industry must first establish 10 successful SWFs and demonstrate a market demand for more. If successful in removing these constraints, the VEA will increasingly need to recognize how the offsite wagering market is changing – from traditional free-standing facilities to partnerships with restaurants, sports bars, and other such establishments – and to more strategically, if not surgically, develop its relationships with the food and beverage retail industry and the hospitality industry. An initial step might be to seek to develop a relationship – and hopefully a partnership – with the Virginia Restaurant, Lodging & Travel Association as a way to more broadly reach restaurants, sports bars, and hotels across the state. Moreover, as VEA further develops its SWF growth strategy, it is likely that the VEA in due course will have to increase its SWF development staff.

- **Historical Horse Race (HHR) wagering and other alternative revenue-generating sources must be developed.**

Historical Horse Racing is a form of simulcast wagering that creates pari-mutuel pools from wagers on pre-recorded races held at licensed racetracks throughout the country. The committee reached consensus that it is imperative to develop additional revenue sources, such as HHR wagering, in Virginia as well as to further develop advance deposit wagering (ADW).

In today's economic environment, live racing is not self-sustaining. Thus, developing HHR, for example, is vitally important to securing the long-term future of flat-track racing in Virginia. HHR revenue, and other alternative revenue sources, is needed to substantially supplement a flat track's considerable operational costs and ensure purse levels that are competitive with neighboring states.

Indeed, to be clear, developing HHR in Virginia is the top priority for generating significant new revenue. HHR holds the most long-term promise to substantially boost the Virginia horse-racing industry's revenue bottom line so that all stakeholders – the Virginia Equine Alliance, the Virginia Horsemen's Benevolent & Protective Association, the Virginia

Thoroughbred Association, the Virginia Harness Horse Association, and the Virginia Gold Cup Association – financially benefit.

That said, the committee acknowledged that developing HHR is expensive – likely too expensive without a flat-track owner and operator taking the lead in developing the product and doing so in a mutually agreeable industry revenue-sharing partnership.

The committee put it simply and bluntly: if HHR is not developed in Virginia, it is doubtful that Virginia’s horse-racing industry will ever be competitive with Maryland, Pennsylvania, or Delaware; on the contrary, Virginia’s horse-racing industry, without HHR, will remain an also-ran.

- **Advance Deposit Wagering should be further developed.**

Advance Deposit Wagering (ADW) is electronic on-line wagering permitted in Virginia under the terms of the federal Interstate Horseracing Act. The committee agreed, by consensus, that further developing ADW – especially in key population centers – is very important. It is the VEA that should first work with existing ADW web site partners to develop additional opportunities.

However, the committee also noted that current Virginia law allows a flat-track owner with its own ADW system to not share its ADW revenue with the industry, and that this provision is a concern. The Virginia Racing Commission should strongly consider this when developing future economic policies for Virginia’s horse-racing industry.

- **Steeplechase pari-mutuel wagering should be made easier. A regulatory review should be undertaken.**

The committee strongly supports the four steeplechase-racing venues and events: Great Meadow, Foxfield, Montpelier, and Middleburg. These events are well-known, attract tens of thousands of fans, hold great local economic development value, and are important opportunities to advance horse-racing interests in Virginia.

Additionally, and importantly, these events are opportunities to promote, educate, and expand pari-mutuel wagering and thus increase revenues to the industry.

The committee acknowledges, however, that besides Great Meadow with its Virginia Gold Cup (the largest jump-racing event) and its International Gold Cup, other venues – Foxfield, Montpelier, and Middleburg – often have determined that the regulatory requirements for onsite pari-mutuel wagering permits at one- and two-day steeplechase events are too

burdensome for the anticipated benefits. In other words, it's not worth the effort. The committee finds this unfortunate.

The committee, therefore, believes that the VEA, in collaboration with Virginia Racing Commission, should review industry regulations and consider reforms to make it easier for steeplechase events to conduct pari-mutuel wagering.

Simply put, the committee believes expanding steeplechase pari-mutuel wagering could play an important role in boosting industry revenues.

- **Move increasingly toward technology-based wagering.**

While the committee believes strongly that the VEA and industry in the near- and medium-term must focus on increasing the number of SWFs in Virginia, it also agreed that the industry in the medium- and long-term must move toward wagering media that more fully utilize existing and emerging technologies, such as mobile apps and other computer-, kiosk-, and terminal-based online options.

The committee recognizes that nationally the horse-racing industry is changing. There are societal, cultural, market, and technological changes that are impacting how the industry must approach target audiences. Virginia's horse-racing industry is not immune to those changes.

Perhaps the most rapidly changing industry facet is wagering – how it is done, by whom, and in what settings.

Additionally, and related, the committee noted that there are wireless infrastructure challenges at certain jump-race venues (i.e., insufficient bandwidth) that must be addressed, which principally is a matter between the venue owners/operators and the wireless providers.

The Virginia horse-racing industry must deepen its knowledge of ever-evolving wagering technologies – and continuously stay abreast of it to be sure Virginia's wagering offerings remain competitive with neighboring states.

Recommendation #4

Developing Regionally and Nationally Recognized Racing Venues

Virginia's Colonial Downs is recognized as among the best turf tracks in the nation. The Shenandoah County Fairgrounds is the new home to Virginia harness racing. Great Meadow is home to Virginia's and possibly the nation's most recognized

steeplechase event. There also are other jump race venues, including Foxfield, Montpelier, and Middleburg, that draw large crowds for high-quality events.

At present, Virginia has a solid set of horse racing facilities on which to further build and strategically develop its industry.

Yet challenges exist and must be overcome.

Colonial Downs closed in 2014, due in part to an insufficiently developed Virginia horse-racing market and thus insufficient onsite and offsite operational and wagering revenues. Colonial Downs' closure significantly set back Virginia flat-track and harness racing. Virginia's Thoroughbred racing has migrated to other Mid-Atlantic venues. Whether Colonial Downs reopens remains to be seen; if not, the Virginia horse-racing industry may be forced to develop another flat track, most likely in another part of the Commonwealth.

Harness racing has been forced to develop at considerable expense a new venue at the Shenandoah County Fairgrounds, where it now has a 20-year lease but with infrastructure needs and new marketing challenges.

Great Meadow remains home to Virginia's largest horse-racing event. However, current telecommunications infrastructure at times limits its ability to take advantage of its wagering revenue-generating potential.

In all cases – flat-tracking racing, harness racing, and steeplechase – the audience demographics for these venues is changing. The horse-racing venues, like the horse-racing industry itself, must adapt. The facilities must be second-to-none in attractiveness, infrastructure, and amenities; the visitor experience must warrant steady repeats; and wagering must be easy if not effortless.

- **Colonial Downs, as a venue, should be strongly supported.**

As noted, Colonial Downs, located in New Kent County, is a nationally renowned turf track. It is Virginia's only flat track. Its 2014 closure set back Virginia horse racing.

History suggests that Colonial Downs' onsite revenue-generating challenges are due to location. Additionally, there have been challenging negotiations between Colonial Downs' owner and the industry on number of racing days and purse size.

If Colonial Downs is to reopen and thrive, Virginia's regulators and industry must collaborate closely with potential new owners.

The strategic planning committee agrees that Colonial Downs is an asset and all reasonable steps should be taken to make it viable in the market. Toward that end, as has been stated, it is imperative that alternative revenue sources, such as historical horse racing, be implemented in Virginia. Any initiative to establish alternative revenue sources will require collaboration between Colonial Downs' owners, VEA, VHBPA, VHHA, VTA, and regulatory engagement with the Virginia Racing Commission.

- **Due diligence on developing an alternative flat track venue should continue.**

While the committee strongly recommends that Colonial Downs be supported as the state's well-established flat-track venue, the committee believes prudence dictates that the industry be prepared to re-start due diligence on an alternative to Colonial Downs should it become apparent that facility will remain closed for the foreseeable future.

Toward that end, the committee agreed, by consensus, that if Colonial Downs is not operational by 2019, then VHBPA, in partnership with its constituencies, should take the lead role in reviewing and determining the status of Colonial Downs and its likelihood of reopening. If it is determined that Colonial Downs is not likely to reopen in the immediate future, then VHBPA should resume due diligence on potential new flat-track venues. In assessing potential new flat-track venues, VHBPA should include sites that have been previously considered as well as new potential sites. (In the meantime, the Virginia horse-racing industry will continue its partnership with certain out-of-state flat tracks to promote Virginia horse racing.)

- **Harness racing should be supported at Shenandoah County Fairgrounds.**

Harness racing has a long-term home – through 2026 – at Shenandoah County Fairgrounds. The VEA has invested considerable capital in the fairground facilities, and additional facility improvements will be needed. The VEA should support additional capital improvements.

Additionally, while there are currently five harness racing weekends at Shenandoah County Fairgrounds, the Virginia Harness Horse Association will continue collaborating with VEA and the Commission on the annual race schedule to determine how the harness horse market, audience, and revenues might best grow.

Last, the committee agrees it is necessary to continue promoting harness horse-racing events via the SWF network.

- **Steeplechase venues and meets offer the best opportunities to promote Virginia’s horse-racing industry. Expanding pari-mutuel wagering at jump-racing venues should be explored.**

Virginia’s steeplechase venues – Great Meadow, Foxfield, Montpelier, and Middleburg – offer renowned, well-attended events. Tens of thousands of fans attend jump-racing events. As such, these events offer immediate, not-to-be-missed opportunities to promote Virginia’s horse-racing industry.

These very popular, well-attended events also present opportunities to educate the public on pari-mutuel wagering and its benefits to the industry and Virginia economy.

As has been noted (see Recommendation #2), at present, only Great Meadow offers steeplechase pari-mutuel wagering. In order to capitalize upon these steeplechase events and the opportunities they present for educating the public on pari-mutuel wagering, the VEA should collaborate with Foxfield, Montpelier, and Middleburg to determine their interests in incorporating pari-mutuel wagering at their events.

Recommendation #5

Support Industry Incentives: Virginia Breeders Fund, Virginia-bred or –sired Owners’ Bonus program, and Virginia-certified program to increase the value of Virginia horses and help sustain and grow the agricultural enterprises across the Commonwealth.

There are three principal Virginia horse-racing industry incentives programs: Virginia-bred, Virginia-owned and Virginia-certified.

The committee agreed that these three incentives programs are working. However, evidence is mostly anecdotal, but undisputed.

- **Support the Virginia Breeders Fund.**

The Virginia Breeders Fund is funded from one percent of the wagering handle in Virginia. Its proceeds are used to award breeders and owners of Virginia-bred horses.

The committee agrees that growth in pari-mutuel wagering will benefit the Virginia Breeders Fund. Increasing pari-mutuel wagering is a central objective in this strategic plan.

The committee further agrees that the VEA should develop metrics to track the Virginia Breeders Fund's progress and to identify ways to improve it.

- **Support the Virginia-bred Owners' program to increase the number of Virginia-born horses and support horse farms across the Commonwealth.**

The Virginia-bred Owners' program is important to support the Commonwealth's breeders. Both breeders and owners may qualify for certain financial benefits. Within the past year approximately \$1 million has been invested in the owner's portion of the program.

The committee agrees that the Virginia-bred Owners' program warrants continued support.

The committee further agrees that the VEA should develop metrics to track the program's progress and to identify ways to improve it.

- **Support the Virginia-certified program to attract Thoroughbred horses to the Commonwealth.**

The Virginia-certified program is new. The Commission approved it in 2017. Its goal is to bring horses to Virginia for boarding and/or training before the end of their 2-year-old year. Incentives payments will commence in 2018, likely at approximately \$400,000 with project growth to some \$3 million by 2022.

The committee agrees that the Virginia-certified program should be supported.

The committee further agrees that the VEA should develop metrics to track the program's progress and to identify ways to improve it.

- **VEA should develop a business case for any additionally proposed incentives programs.**

The committee commends the VEA for its innovative thinking and planning, as is the case in developing Virginia-bred and Virginia-certified programs. The committee encourages VEA to monitor the progress of existing incentives programs and to stay abreast of other such programs in other states that have demonstrated success and have contributed to an expanded horse industry. The VEA should, as it has in the past, develop a business case for any additional such programs it might propose.

**Appendix A
Schedule for Action Items**

Recommendation	Party Responsible	When
Maintain Strong Industry Alliance; Support VEA Mission		
VEA and VHBPA collaborate on flat-track racing; flat-track owners, potential owners	VEA, VHBPA	2018
VRC support VEA and diverse racing industry	VRC	2018-2023
Develop, Maintain Live Racing Product, Brand; Market Study		
Embark on brand development initiative	VEA (lead)	2018
Conduct market analysis	VEA (lead)	2019
Conduct marketing study	VEA (lead)	2019
Develop, implement Gov't Relations plan	VEA	2018
Grow Industry Revenue		
SWF development – 10 sites	VEA	2019-2023
Assess VA law, potential changes	VEA	2020
Lobby / develop Historical Horse Racing	VEA	2018

Engage steeplechase venues re: pari-mutuel wagering	VEA, VGCA, VRC	2018
Steeplechase pari-mutuel wagering regulatory review	VGCA, VRC	2018
Assessment of technology-based wagering	VEA, VRC	2019

Develop Regionally, Nationally Recognized Racing Venues

Support Colonial Downs reopening; engage owners, potential owners	VEA (lead), VHBPA	2018
Due diligence on alternative flat-track venue development	VHBPA (lead), VEA VTA	2019
Support harness racing at Shenandoah County Fairgrounds; infrastructure investments	VEA, VHHA, VRC	2018-2023
Support steeplechase venues, meets	VGCA, VEA	2018-2023
Engage steeplechase venues re: pari-mutuel wagering	VEA, VGCA, VRC	2018

Support Industry Incentives

Support Virginia Breeders Fund	VTA, VHBPA, VRC	2018-2023
Support Virginia Bred Owners' program	VTA, VHBPA, VRC	2018-2023
Support Virginia Certified program	VTC, VHBPA, VRC	2018-2023