

## **WoodbineLive!: Financial Incentives to Support a Tourism/Entertainment Attraction “Transformative Project”**

<b>Date:</b>	June 25, 2008
<b>To:</b>	Economic Development Committee
<b>From:</b>	Sue Corke, Deputy City Manager Joseph P. Pennachetti, Deputy City Manager & Chief Financial Officer
<b>Wards:</b>	Ward 2
<b>Reference Number:</b>	P:/2008/Cluster A/EDCT/ECON DEV/ed0807-036 (AFS #8087)

### **SUMMARY**

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At its July 15 and 16, 2007 meeting, Council approved Official Plan and Zoning amendments to permit a proposed development by WoodbineLive! (Woodbine Live). Woodbine Live is a partnership created between Woodbine Entertainment Group, a not-for-profit corporation without share capital and Cordish Company, a privately owned integrated commercial services and property development company based in Baltimore, Maryland, to build a multi-faceted tourism destination project comprising entertainment, retail, hotel, office and residential components.

The project consists of a “Live District” incorporating a live performance venue, a pedestrian-friendly street layout, outdoor amenity areas, restaurants, bars, night clubs and a hotel, a large format retail district and a district incorporating office and residential components.

Council directed staff to report back on a possible request for incentives by the developer. In late September 2007 Woodbine Live submitted a request to the City for financial incentives required to proceed with the project with a present value (PV), by their calculation, of \$86.6 million for Phase 1A.

The proposed project, when completed, will benefit the city and the local area with:

- over \$1 billion in construction value;
- over 6 million square feet of built space;

- three Priority Neighbourhoods (Jane-Finch, Rexdale-Jamestown and Weston-Mt.-Dennis) are in close proximity to the area of the proposed development;
- economic and corresponding social development benefits from the 9,400 new jobs and 4,700 person-years of construction employment;
- Woodbine Live having undertaken to give local residents preferred consideration for jobs, and initiatives underway to make training available to those in need;
- the City's finances projected to benefit over the next 20 years from an estimated increase in taxes with a present value of \$76.3 million in the first phase; and
- several key investments in transit currently under consideration for this area - significant new development on the Woodbine lands will act as a catalyst to improving local transit, helping to create the critical mass necessary and leading to important regional linkages.

At its meeting of May 26 and 27, 2008 Council adopted the City-Wide Community Improvement Plan (CIP) to implement a City-Wide Financial Incentives Program in the form of Development Grants funded from a portion of the Municipal Tax Increment by way of a tax increment equivalent grant (TIEG), and further directed staff to report back on the steps that may be necessary to accommodate the Woodbine Live proposal to establish a major tourism/entertainment complex in North West Etobicoke, and to prepare a separate CIP schedule if necessary. A category for Transformative Projects was included in the incentive program with the expectation that a select number of very large and unique projects such as Woodbine Live may come forward that allow the City to achieve multiple goals and that have the desired effect of transforming an area's potential.

A cross-divisional staff team reviewed the Woodbine Live proposal and a third party analysis was conducted on behalf of the City by Hunden Strategic Partners (HSP), a US firm experienced in evaluating similar projects and incentive proposals on behalf of state and local governments. HSP concentrated on the first phase (Phase 1A) of the project as this is the phase for which enhanced incentives are being considered. A summary of the HSP findings is included as Attachment 2.

This report concludes that the Woodbine Live proposal:

- supports the goals of the Agenda for Prosperity;
- supports the fiscal, economic and social development objectives of a "Transformative Project" according to the criteria in the in the City-Wide Financial Incentives Program; and
- recommends Council approve, subject to implementation of an amended CIP, an incentive package beyond the standard TIEG program.

Staff recommends amendments to the Community Improvement Plan be considered at the September meeting of Council. The CIP amendment is required to provide the legal framework for granting the incentives for a "Transformative Project".

## RECOMMENDATIONS

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### **The Deputy City Manager of Citizen Focused Services A and the Deputy City Manager and Chief Financial Officer recommend that City Council:**

1. Approve the Woodbine Live Project as a “Transformative Project” eligible to receive the Development Grants offered pursuant to the City-Wide Community Improvement Plan for Brownfield Remediation and Development of Prescribed Employment Uses, known as the “Imagination, Manufacturing, Innovation and Technology Financial Incentives Program,” subject to the large format retail, parking and residential components of the development being ineligible to receive Development Grants.
2. Approve, subject to the implementation of an amended CIP under the Planning Act, the provision of increased financial incentives for the entertainment/retail, live venue, outdoor amenity and hotel portion of the Woodbine Live Phase 1A development as shown in Attachment 1 Map 1, but not the large format retail or parking components of the development, subject to the following terms:
  - a) Development Grants in the form of Tax Increment Equivalent Grants (TIEG) be made under the same provisions as the existing policy referred to in Recommendation 1 above, with a modification of the percentage of the taxes to be granted back to Woodbine Live as follows: 90% in each of the first 5 years, then declining 5% from that level each year from year 6 through year 20, as set out in Schedule 1 of Attachment 3, in this report;
  - b) to be eligible to receive the proposed enhanced Development Grants, the eligible uses must be substantially constructed within five years from the date the amendment to the CIP providing for increased grants comes into effect (this status to be referred to as “the completed project”), and in accordance with the other requirements contained in the CIP definition of Transformative Projects;
  - c) a maximum gross floor area of 1.28 million square feet will be eligible to receive enhanced Development Grants;
  - d) total Development Grants for retail stores may not exceed 40% of the total Development Grant payable for the completed project, based on grants payable for retail stores and other uses being apportioned according to their gross floor areas;
  - e) should retail stores comprise more than 40% of the total GFA of the completed project in any given year then the most recently completed retail store GFA in excess of 40% of the total GFA will not be eligible for Development Grants in that year;

- f) the outdoor amenity space and live venue to be approved in the site plan for the development must be included within the completed project;
  - g) a local hiring program must be undertaken by Woodbine Live with respect to initial hiring for Phase 1A, to provide unemployed and underemployed residents of the local area, including Priority Neighbourhoods in the north-west quadrant of the City, preferred consideration for job opportunities; and
  - h) a local training plan will be created, with the assistance of the Province if possible, to improve the ability of local residents to qualify for the above-noted jobs.
3. Direct staff to bring forward an amendment to the City-Wide CIP to the September 10, 2008 Planning & Growth Management Committee meeting, to provide for the financial incentives outlined in Recommendation 2;
  4. Direct staff to assess and report on the need to adjust the approved schedule of Development Grants should the Province make a direct contribution to Phase 1A, with the understanding that indirect contributions by the Province, such as infrastructure improvements, would not necessitate such an adjustment;
  5. Approve the exemption of the financial incentives outlined in Recommendation 2 from the \$50 million level of commitment that would trigger a review of the CIP's and Financial Incentives Program, as directed by Council on May 26 and 27, 2008;
  6. Require that the payment in lieu of parkland for Phase 1A shall be payable prior to the issuance of the first building permit for Phase 2 or on the date which is 2 years from the date of issuance of the first Phase 1A building permit, whichever is sooner, said payment to be secured through a letter of credit. The Subdivision Agreement for Phase 1A and the appropriate development agreement for Phase 2 shall contain clauses to that effect, to the satisfaction of the General Manager of Parks, Forestry and Recreation in consultation with the City Solicitor. City staff shall explore and report back to City Council on what elements of the public amenities in Phase 1A could be deeded to the City as equivalent to parkland for the purpose of reducing the payment in lieu of parkland;
  7. Advise Woodbine Live that adoption of this report does not commit the City to any enhanced incentive (TIEG) with respect to any other development phases that may be planned for this site.

## **FINANCIAL IMPACT**

Under the City's Financial Incentive Program, staff recommend that the Woodbine Live proposal qualifies as a Transformative Project and would be eligible for a Tax Increment Equivalent Grant (TIEG) totalling 60% of taxes over a ten-year period, the value of

which staff estimate to be \$55.4 million nominal (\$41.7 million present value) based on the proponent's preliminary Phase 1A development plans. However, Woodbine Live has indicated that Phase 1A is not viable nor will they proceed unless they are granted greater and longer tax incentives, as well as relief from the City's Development Charges on the entertainment/retail, live venue, hotel and outdoor amenity components. An independent consultant retained to review the Woodbine Live proposal confirms the need for significant financial incentives to provide adequate returns for this Phase, and consequently for the project to proceed.

The TIEG represents forgone revenue that, but for the development, would not occur. The City is not put at risk because the grants are funded from a reduction in future new taxes that would not otherwise have been received without construction of the project.

To proceed, Woodbine Live is requesting a TEIG at a level of 90% in years 1-5, 80% in years 6-10, 70% in years 11-15, and 60% in years 16-20. Woodbine Live projects their request to result in the City foregoing \$147.3 million in property tax over 20 years (\$78.8 million present value). On the basis of the TIEG request, Woodbine Live estimates the City will realize a positive financial impact from the portion of taxes not granted back, and additional new property taxes from the parts of the development not eligible for relief totalling \$132.7 million (\$62.9 million present value) over the 20 years.

However, staff remain concerned that the proposed TIEG percentage levels remains high (60% or greater) over twenty years, whereas the City's recently approved TIEG program provides a declining grant level over 10 years. The City recognizes that the greatest risk to the developer is in the early years, and that is why the proposed assistance is during this period. Once a project is completed, the risks to the developer decrease, and the declining grant level reflects a sharing of risk. For these reasons, staff recommend providing a TIEG at 90% over the first five years, followed by a declining grant level over the final 15 years. At this level the City will forego \$120.4 million in municipal property taxes (\$71.2 million present value), or a present value of \$7.6 million less than requested.

In summary, the City is expected to derive, in present value terms, \$76.3 million in additional property tax revenue while foregoing collection of \$71.2 million in property taxes.

It is also important to note that the Province will realize even greater direct benefits from education property taxes estimated at \$179.1 million over 20 years (\$96.8 million present value). Column I of Chart 1 below summarizes Woodbine Live's request for financial incentives.

**Chart 1 – Estimated Financial Incentives and Property Tax Revenues**

			COLUMN I		COLUMN II	
			CORDISH PROPOSAL		STAFF RECOMMENDATION	
ESTIMATED INCENTIVES PROVIDED			Nominal	PV	Nominal	PV
Taxes Foregone by City	Phase 1A Eligible	Retail/Entertainment, Live Venue, Hotel (1.277 m ft2)	\$ 147,342,337	\$ 78,775,548	\$ 120,409,010	\$ 71,198,461
			CORDISH PROPOSAL		STAFF RECOMMENDATION	
ESTIMATED PROPERTY TAX			Nominal	PV	Nominal	PV
Taxes Retained by City (Total over 20 Years)	Phase 1A Eligible	Retail/Entertainment, Live Venue, Hotel (1.277 m ft2)	\$ 52,565,728	\$ 22,367,745	\$ 90,930,622	\$ 35,728,622
	Phase 1A Non Eligible	Big Box (637,450 ft2), Parking Garages (1.015 m ft2)	\$ 80,147,073	\$ 40,550,334	\$ 80,147,073	\$ 40,550,334
Total Taxes Retained by City			\$ 132,712,801	\$ 62,918,079	\$ 171,077,694	\$ 76,278,956
			CORDISH PROPOSAL		STAFF RECOMMENDATION	
PROVINCIAL PROPERTY TAX			Nominal	PV	Nominal	PV
New Education Property Tax			\$ 179,111,590	\$ 96,822,476	\$ 179,111,590	\$ 96,822,476

In addition to this, the other orders of government will stand to gain significant revenue from their sales taxes and education development charges pertaining to the development. The increase in visitors is projected to increase gaming revenues of which the Province receives the majority while the City benefits to a lesser extent through the provincial sharing formula. Over a 20 year period the City stands to receive an additional \$75.5 million in slot revenues, based on the expectation that the additional visitors to Woodbine Live will have a spill-over effect on the existing gaming (slots) facility operated at Woodbine by Ontario Lottery and Gaming Corporation.

Woodbine Live is also asking for relief from the City's Development Charges (DC) on the same development components for which they are seeking tax relief, with a current DC obligation estimated at \$7.8 million. The City's current Development Charges by-law does not contemplate any waiver of DC's, however the new DC by-law currently in preparation will propose consideration of exempting development eligible for a TIEG from DC's. If approved, this would have the effect of granting the exemption from DC's sought by Woodbine Live.

## DECISION HISTORY

At its meeting of July 15 and 16, 2007, City Council adopted the report entitled "555 Rexdale Boulevard - Official Plan, Zoning and Subdivision Applications Final Report". Council approved Official Plan and Zoning for this project while instructing staff to report on, among other items, any request for incentives by the applicant.

<http://www.toronto.ca/legdocs/mmis/2007/cc/minutes/2007-07-16-cc11-mn.pdf>

At its meeting of May 26 and 27, 2008, Council adopted a report entitled “Stimulating Economic Growth: Toronto’s Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program”. Council approved a program of Tax Incremental Equivalent Grants (TIEG) and the corresponding Community Improvement Plan (CIP) to permit the granting of incentives to projects including those of a “transformative” nature. To qualify for this designation, projects are to be reviewed by Council.

<http://www.toronto.ca/legdocs/mmis/2008/cc/minutes/2008-05-26-cc21-mn.pdf>

## **ISSUE BACKGROUND**

### **The Proponents**

The Ontario Jockey Club purchased the property bounded by Highways 427 and 27, Rexdale Boulevard on the north and the CP rail corridor on the south, in the 1950’s, establishing one of North America’s premier horse racing facilities in the current location. Now known as Woodbine Entertainment Group (WEG), this non-profit corporation has been actively seeking developers to work with them to develop their vacant land for over 20 years. In 2006 they entered into a partnership with the Cordish Company to form Woodbine Live, a mixed use project that seeks to create a major tourist destination with a mix of entertainment, live performance and retail venues.

With income from horse racing wagering in decline, WEG has known for some time that the organization must diversify to survive. An initiative such as Woodbine Live is necessary for WEG to support its horse racing operations and maintain and grow employment at the Woodbine site.

The introduction of slots in 2000 has provided a measure of diversification and has improved the financial performance of WEG, including a commission for the use of the space from the Ontario Lottery and Gaming Corporation. This income has actually declined from a high of \$146.7 million in 2003 to \$141.2 million in 2006, the last year reported. WEG is mandated to pay one-half of commissions from the slots as purses for horse races, so that it directly benefits from only half of the commissions received. The cost of renovating a substantial part of both their Woodbine and Mohawk Racetracks to accommodate the slots was an expensive undertaking, requiring WEG to issue a ten-year bond in 2001 in the amount of \$120.6 million. WEG’s net income has fallen 24 percent from 2001 to 2006.

The undeveloped property owned by WEG consists of the parking lots and vacant land in the north and west portions of the property, immediately adjacent to the racetrack. If WEG is forced to sell that remaining property to improve its financial status, it would lose control of the property, which almost certainly would be developed in some manner not conducive to an adjacent tourist attraction. Just as importantly, the cash infusion would be temporary and only delay the on-set of further financial difficulties. Woodbine Live offers WEG an attractive alternative.

WEG currently employs more than 3,000 people, who would be affected by a continued decline in WEG financial performance. According to HSP, the best opportunity for WEG to further diversify its operation is to use their surplus property for the use that best enhances their current operations, which will be achieved through the Woodbine Live development proposal. Woodbine Racetrack is a symbol of horseracing excellence in Ontario and Canada, annually hosting the most popular horse race in Canada and oldest in North America, the Queen's Plate. To add to its prestige, Woodbine is also known as the location of the first, and to date the only, Breeder's Cup held outside the United States, held at Woodbine in 1996.

While their primary mandate relates to the horseracing industry, it is also important to recognize the exemplary contribution WEG makes to the local community. WEG is an accredited participant in "Imagine Canada", contributing 3% of annual gross sales to charity including specific initiatives targeted at improving the quality of life in Rexdale. Their breakfast program for public school children is of particular note, but over 20 local organizations and 100 more throughout the GTA have benefited from WEG contributions over the past 5 years.

The Cordish Company (Cordish) is a privately held corporation based in Baltimore, Maryland, specializing in real property development and entertainment management. The firm is internationally recognized as a developer of large-scale urban revitalization projects and entertainment districts; Cordish advertises having been awarded more Urban Land Institute Awards for Excellence than any other developer in the world. Many of the company's developments involve public/private partnerships and are of unique significance to the cities in which they are located.

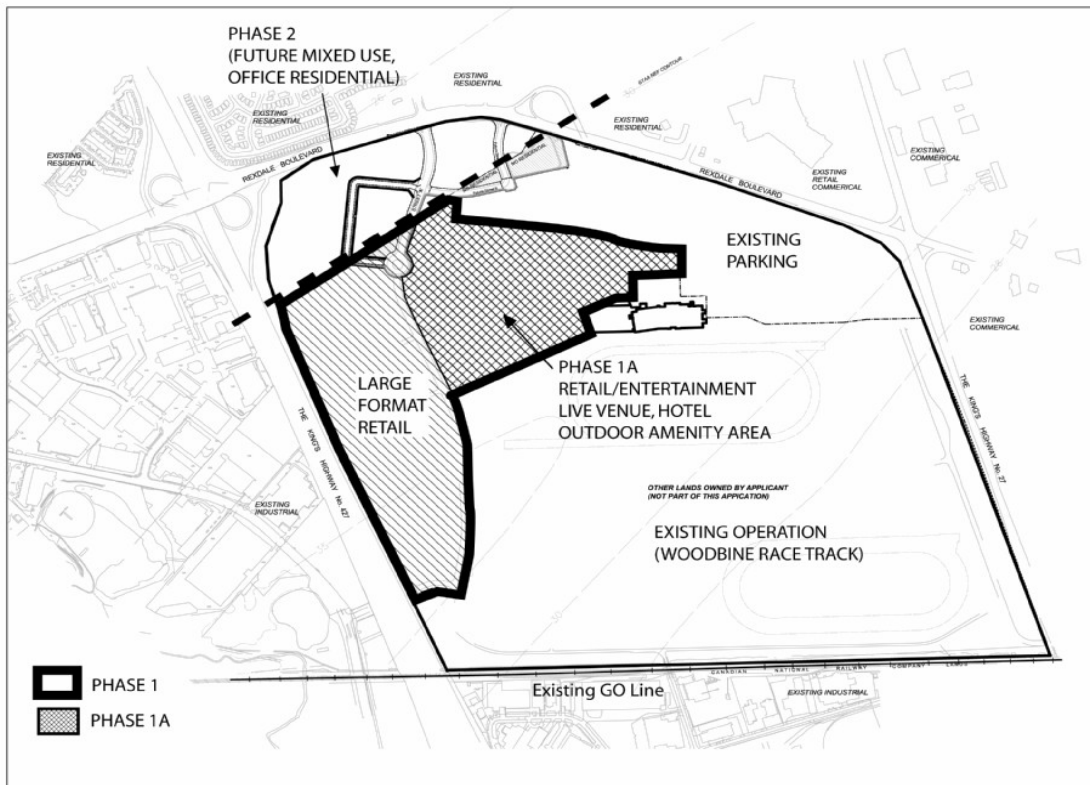
Cordish also includes a range of entertainment businesses: restaurants, music, film and private ventures. The restaurant and live music subsidiary creates, owns and manages a variety of restaurant, lounge and live music venues in over thirty markets throughout North America and includes some well recognized brands. The media distribution subsidiary has distributed numerous Academy Award-nominated films, including an Academy Award winner. Examples of Cordish projects are described Attachment 2 to this report.

### **Proposed Development Project**

The Woodbine Live project will create a mixed-use entertainment, retail and hotel complex on 180 acres of land owned by WEG at Rexdale Boulevard and Highway 427. The lands currently consist of parking areas and vacant land. The project consists of several development phases as described in Attachment 4.



Map 1



### **Phase 1A - Entertainment and Lifestyle District (115 Acres)**

With a budget of \$707 million, the Entertainment and Lifestyle District (Live District) is the cornerstone of the Woodbine Live development. It is designed to attract tourist traffic, thereby adding value to the existing attraction (Woodbine Racetrack and Slots) and supporting amenities that will make viable subsequent phases of the development.

The Live District concept has been refined by Cordish in a number of projects developed in the United States. They have partnered with major attractions including a baseball stadium, a car racing track, waterfront locations and convention facilities. Typical components include live entertainment venues and programming, restaurants, bars/nightlife, themed and traditional retail and public amenities including a skating rink, all in an outdoor setting.

In the case of Woodbine Live, the proposed large format retail component will capitalize on the additional tourist traffic, but, along with the project's parking component, is not included in the request for financial incentives.

### **Phase 1A Summary**

<b>Type of Use</b>	<b>GFA (Square Feet)</b>
Entertainment/Specialty Retail	835,355
Live Entertainment Venue	131,745
Hotel (450 rooms)	<u>310,384</u>
Sub-total (1A - TIEG request)	1,277,484
Large Format Retail	637,450
Parking/Garages	<u>1,015,000</u>
Total Phase 1	<u><u>2,929,934</u></u>

## **Phase 2 – Mixed Use - Office/Residential/Ancillary Retail (65 Acres)**

The office component (also referred to as Phase 1B in some reports) will be approximately 1.5 million square feet and is proposed to be developed commencing in 2010. It lies immediately west of the Live District linked by the main pedestrian thoroughfare. This component would not be viable without the Live District as demonstrated by past office proposals approved by the former City of Etobicoke that were never built. Woodbine Live would provide a completely new (and transformative) environment, thereby facilitating new office development.

Woodbine Live proposes approximately 2500 residential units to be located in the northwest corner of the property. This is the only part of the property now owned by WEG that is not within the 30 NEF noise profile (where residential development is prohibited) created by the flight paths from Pearson International Airport

The financial incentives being recommended in this report are limited to Phase 1A . The intent is to not commit the City to incentives on subsequent phases of the project, except those that would normally be available to qualifying components of a Transformative Project. In the case of office development, a 60% TIEG over 10 years would be available to qualifying office development.

## **Comments:**

In March, 2008 the City hired Hunden Strategic Partners (HSP), a US firm experienced in evaluating similar projects and incentive proposals on behalf of state and local governments. A summary of their report is included as Attachment 2. The full report is available from the City's Economic Development Division. The report seeks to answer the questions:

- Are the incentives requested by Woodbine Live justifiable by industry standards?
- Are they necessary for the project to proceed?
- Will the City benefit to an extent sufficient to warrant providing the incentives?
- What is unique about the project that would warrant enhanced incentives without creating a precedent?

The HSP report has confirmed that this project, if built, will generate a variety of benefits for the City. These include fiscal (property taxes, fees, additional slot revenues), economic (employment, construction impacts, spin-off spending including infrastructure) and social development impacts. The development is in proximity to the Rexdale-Jamestown, Jane-Finch and Weston-Mt. Dennis Priority Neighbourhoods which stand to benefit greatly from the jobs and other spending the project will bring to the area.

## **Fiscal Benefits**

As described by HSP, fiscal impacts/benefits are the most commonly measured impacts when public funds, real or foregone, are committed to a project. These benefits rationalize the public's investment in a project. If the public 'invests' \$120.4 million in foregone revenues but still receives \$179.3 million in new additional revenues through incremental property taxes, development charges, application and permit fees and increased slot revenue over a 20-year period, this rationalizes the public's investment. Provincial and federal revenues include education taxes (portion of property tax), income taxes, OHIP premiums and Employee Health Tax, EI and CPP contributions, sales taxes and any other taxes on activities occurring onsite, such as gaming taxes or gaming revenue.

HSP reviewed the models and assumptions presented by Cordish, as well as analysis by other firms that made projections of impact for the project, and verified the assumptions as reasonable. They did modify the assumption regarding additional slot revenue that would accrue to the City with increased visitation to the site to a 20% increase resulting from the increased traffic outlined in the Tourism section below.

Fiscal benefits are described more fully in the Financial Implications section of this report.

## **Economic Benefits**

**Employment Benefits** - Both direct and indirect employment will be generated by the project. Woodbine Live has projected that 6,400 new jobs (fulltime equivalents) would be created in Phase 1A with an additional 3,000 office jobs in Phase 1B. On-site economic activity will also generate indirect employment opportunities in the surrounding areas. Economic input-output models measure such economic activity and reveal how many new jobs are supported in the economy due to the project. A provincial tourism multiplier used by the consultant indicates indirect (spin-off) benefits at 1.76 times the direct benefit. Spending by the developer, by businesses locating in the development and by employees will take place in the local area will result in additional jobs and income available to residents.

Construction impacts are those generated by one-time construction activity to build the project. The \$707 million in construction costs for Phase 1A is expected to break down to 60 percent materials and 40 percent labour. The non-residential phases of the project are projected to create 2,800 person-years of construction employment and a further 1,600 person-years of employment in construction-related industries. The construction of Phase 2 will generate an additional 1,900 person-years of employment in the construction industry and 1,300 person-years of employment in industries which supply material and services to the construction industry.

Both Woodbine Entertainment Group and Cordish Company have a history of productive relationships with labour unions. The current racetrack and slots facility at Woodbine has

a workforce represented by 4 different unions. Regarding the Woodbine Live proposed development, both partners have been engaged in discussions with interested unions and have offered neutrality agreements including the provision of cardchecks to potential employees of the hotel. WEG has a policy of hiring locally for its existing 3000 (approx.) employment positions and regularly holds job fairs in concert with local agencies.

**Tourism Benefits** - Development of Woodbine Live will allow the City to capitalize on the tourism potential of the existing Woodbine Racetrack by adding live entertainment venues, restaurants and speciality retail stores in a unique pedestrian-friendly environment that will, according to Woodbine Live's estimates, increase annual visitors from 6 million to 15 million as well as encouraging existing Woodbine visitors to spend more time in the City. The hotel component of Woodbine Live, which is expected to primarily serve this attraction, will attract more visitors to Woodbine and will encourage more patrons to spend the night in Toronto. The local area will become more attractive to a wider range of tourists, conferences, conventions, and trade shows, which will benefit the existing concentration of hotels and conference facilities in the airport area.

**Infrastructure Benefits** - Like many low density suburban neighbourhoods, North Etobicoke has traditionally been poorly served by transit. Combined with Humber College, the proposed development creates a critical mass of potential transit users that will encourage an integrated approach to the City's planned transit initiatives, particularly the Finch and Eglinton LRT lines and the Province's rapid transit plans for servicing Pearson International Airport. It should be noted that the rail link between downtown and the airport passes along the southern edge of the Woodbine Racetrack property.

**Green Development** - Under the City's criteria for granting financial incentives, projects must meet the City's green-building standards. A full description of planned environmental initiatives for this project is contained in the June 22, 2007 report from City Planning, on the Woodbine Live application. A link to the Planning report can be found in the "Decision History" section of this report.

### **Social Benefits**

Social benefits resulting from transformative projects are extremely important. These can include increased disposable income, greater local pride and morale, stabilized neighbourhoods, reduced crime and enhanced opportunities jobs and training for youth and unemployed/underemployed individuals in adjacent low income neighbourhoods. The North Etobicoke Employment Strategy Working Group has been established to evaluate the needs of the employer and local job seekers. This group is in the process of analysing training and job-readiness needs and will recommend initiatives to improve access for local residents to new employment opportunities generated by the Woodbine Live development. Humber College, community representatives, labour and many of the local employment support agencies in the area are participating in this working group.

## Industry Norms and Comparable Projects

HSP has reviewed comparable projects in the US, many of which were developed by Cordish in partnership with local governments. Based on that analysis, HSP projects the return on equity for Woodbine Live to be significantly lower than industry standards. HSP estimates the target range of profitability for real estate developers at 18-22% return on equity. The analysis of Phase 1A shows that the return on equity for this project is extremely low without incentives and even with incentives it is lower than industry norms.

<b>Return on Equity</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 15</b>	<b>Year 20</b>
<b>w/o TIEG</b>	<b>-0.3%</b>	<b>0.3</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>3.2</b>	<b>5.0</b>	<b>7.0</b>
<b>w/ TIEG</b>	<b>2.5</b>	<b>3.1</b>	<b>3.9</b>	<b>4.2</b>	<b>4.3</b>	<b>6.2</b>	<b>8.0</b>	<b>10%</b>

A review of comparable projects by HSP concludes that, consistent with the above, the Woodbine Live request for incentives is significantly less than the percentage of incentives to total cost of comparable projects in the US. The average incentive for selected projects surveyed by HSP is 30% of the project value. A summary of these findings are listed in Attachment 2 (Table 1-12 of the HSP report).

The type of incentive provided for the comparable developments ranged greatly between the projects, from one developer only receiving tax increment financing, to grants of land and structures, to public investment in infrastructure, and to financing supported by municipal bonds. The incentives that local, regional and state governments gave to various developments ranged from a low of 13 percent of the cost of the project to a high of 50 percent. The City's proposed TIEG incentive to Woodbine Live has a present value of \$71.2 million which is approximately 10 percent of the project cost. According to HSP the incentive appears to be conservative and significantly lower than Cordish and other developers would have received on past projects of similar scope and size in the US.

In addition, the incentives other public agencies provide are often in the form of upfront development funds used to build the project. This modifies the risk profile of the project to make it more feasible for the private sector. In this case, the City is not contributing any upfront funds and is therefore not at risk. In fact, the City stands to gain tax, slot revenues and permit and fee revenues once the project is built.

The risk to the City is actually greater if the project does not proceed and Woodbine Racetrack continues its slow decline. The City will forego additional tax revenues, slot revenues, development charges and will lose opportunities to develop local employment programs in Priority Neighbourhoods. The City will also lose the opportunity for a new tourist attraction.

According to HSP, Woodbine Live meets the industry-accepted definition of a “Transformative Project” based on its size, unique characteristics and location. Further, HSP concludes that, given the lack of financial risk by the City, the potential benefits to the local and regional economies, and the likely negative impacts if the project was not to proceed, the City is clearly justified in supporting the project at the level of incentives requested.

### **The City-wide Incentive Program**

The City’s recently-approved program of financial incentives is designed to promote and stimulate private sector initiatives which will create employment and generate an improved municipal tax base in ways which are consistent with the City’s economic development strategy and other policies. The introduction of 6,400 new jobs (considerably more when construction jobs and subsequent phases of the development are included) creates significant potential to improve employment opportunities in the immediate area.

This proposal represents significant transformative potential in terms of its positive impact upon local employment opportunities, economic spin-offs to the surrounding and regional communities, and its ability to attract more tourists. It is, therefore, a worthy recipient of the City’s new financial incentives program.

### **Advancing the Prosperity Agenda through “Transformative Projects”**

Toronto’s Agenda for Prosperity identifies sector development and expansion as a priority action. Toronto’s stated objective is to maintain and grow employment and investment in key established economic clusters including financial services, business and professional services, bio-medical, screen-based industries, information technology, tourism, creative industries, aerospace, automotive, environmental, food and beverage processing and other manufacturing industries. The continuing growth of these sectors is crucial to the City being able to enhance its international position and reputation.

The Agenda for Prosperity recommends actions be taken to:

*"Strengthen the City's tourism infrastructure. Develop policies, including sustainable financial models to ensure that unique and new attractions, including major international events and local events, are being developed / taking place in Toronto at all times."*

On rare occasions, projects of a truly significant magnitude may come forward that allow the City to quickly achieve a number of its planning and economic development objectives and have the desired effect of transforming the functioning, image and growth potential of a district. Projects such as a new research and development centre, office campus or a major tourism complex integrating a range of uses, would have this type of impact.

Council has recognized that “Transformative Projects” should be assessed on their own merits and within the context of industry and economic conditions, and that projects of this magnitude, while producing substantial economic benefits, may also be eligible to receive an enhanced TIEG and may require the development of conditions specific to the proposed development. Accordingly, Council authorized staff to evaluate “Transformative Project” proposals that demonstrate the following attributes (relevant information for Woodbine Live appears in italics):

- A minimum investment of \$250 million;
  - *Woodbine Live Phase 1A represents an investment of \$707 million*
- A minimum of 750,000 square feet of new space that will be constructed and occupied within a 5 year time period
  - *1,915,000 sq. ft. in Phase 1A, excluding parking structure*
- The creation of over 2,500 jobs
  - *Phase 1A is estimated to create 6,400 jobs*
- It will occupy a minimum of 10 acres
  - *Phase 1A will occupy 115 acres*
- The ability to link the project to regional transit initiatives
  - *Metrolinx confirms this is the case and notes the necessity of a regional hub in the vicinity of Woodbine Live. They have discussed with Woodbine Live how this can occur*
- The provision of amenities that will be accessible to the public
  - *The Woodbine Live business model is based on attracting as many people as possible. Design is based on attractive outdoor space such as a canal, skating, public squares and pedestrian-friendly avenues*
- The ability to act as an anchor within its district and stimulate collateral new investment
  - *The HSP report describes in Ch.4, pages1-3, how this type of project creates synergies with adjacent uses, creating a “1+1=3” result*
- The co-location of activities will have a region-wide (GTA) impact creating new wealth in the community
  - *HSP estimates that 22.5 % of revenues will come from residents living within a 20 minute drive (15 KM), 1.7% of revenues will come from employees, 60.7% of revenues will come from visitors living 21-60 minutes away from the attraction, with the remainder (15.1 %) coming from tourists travelling more than an hour to reach Woodbine Live*



- The need for financial incentives in order for the development to be economically viable (the “but for” argument)
  - *The HSP report concludes that “the returns are not compelling for the private sector, however they are positive enough for closely-held corporations like Cordish with long-term holding perspectives to move forward. However this is only true if the requested level of incentives is provided. Without the incentives, no company in the industry would participate in such a project due to the high level of risk and low level of reward”*

### **North Etobicoke: No Longer a Healthy Economy**

In addition to meeting the eligibility criteria for a “Transformative Project” as described above, there are other compelling circumstances that substantiate the City’s support for this project.

The North Etobicoke area (often referred to as Rexdale, but actually encompassing a larger area) has traditionally had a solid manufacturing base. In recent years, the trend for manufacturing to locate in the 905 area combined with an influx of logistics operations has resulted in a loss of 7,400 jobs in the area between 2001 and 2006. Higher unemployment has led to more poverty. This has been exacerbated by an influx of new immigrants, with accompanying difficulties relating to finding employment. Studies obtained by the North Etobicoke Employment Growth Strategy Working Group indicate, for instance, a higher than average number of working-age individuals with little or no English language capability.

The net result is that the north-west area is now one of the poorer parts of the City. It is home to 3 of the 13 Priority Neighbourhoods in the City of Toronto.

For purposes of restoring and supporting strong and safe neighbourhoods, the City of Toronto uses a number of measures to identify those communities most lacking in neighbourhood services and facilities as well specific indicators of vitality where these services and facilities will play a critical role in improving outcomes. In considering the area surrounding the proposed Woodbine Live development, a review of both the existing facilities and services, and the 2006 Census economic, education and demographic indicators presents an overview of the social profile of this area.

**Population Declining and a High Percentage of Youth** - The area is located in the northwest corner of Toronto (bounded by the north and west city limits, Eglinton Avenue to the south, and Black Creek to the east) and comprises 14 separate neighbourhoods. The area is home to 256,755 residents (about 10% of the city's population), and contains three of the City's thirteen Priority Areas (Weston-Mt. Dennis, Rexdale-Jamestown and Jane-Finch, which encompass 8 separate neighbourhoods). The area has experienced moderate levels of population growth between 1996 and 2001, but has recently experienced a decline of about 10,680 people (or -2.2%) between 2001 and 2006. Ten of the fourteen

neighbourhoods in this area (the exceptions being Humber-Summit, Kipling-Rexdale, Willowridge-MartinGrove-Richview, Humber Heights-Westmount), have higher proportions of youth population than the overall city (13.5% for the area vs. 12.7% for the city). As of 2006, there were 34,740 youth living in the area, about 11% of the city's youth population, aged 15-24.

**Many Lone-Parent Families** - In terms of family composition, one in four families in this area is single-led. Thirteen percent of all lone parent families in Toronto live in this area, reflecting a much higher proportion of lone parent families compared to the overall city (25.6% vs. 20.3%), with no significant change since 2001.

**Lower Rates of Higher Education** - Residents in this area have much lower rates of education attainment. Almost one in five residents (20.5%) between the ages of 25 and 64, do not have any education certificate, diploma or degree. The city rate is much lower at 12.4%.

**Higher Rates of Unemployment & Local Employment on the Decline** - In terms of unemployment, the area has a higher unemployment rate for residents age 25+ at 7.2%, as compared to 6.2% for the city (according to the 2006 Census). Unemployment rates for youth (aged 15-24) are the same as that of the overall city (around 16.5%). According to the City of Toronto Planning Division's employment survey (which measures jobs within the community), the area experienced a net loss of nearly 7,000 jobs (or -6.1%) between 2001 and 2007 - the only sectors not experiencing decline were the institutional and retail sectors which saw increases in total employment of 2,040 and 870, respectively.

**Low Income Prevalence** - The percentage of families that are below the after-tax Low-Income Cut-Off (LICO) is 18%, or close to 11,800 families as compared to the city rate of 15.1%. Average family income in 2005 was \$68,550, compared to \$96,602 for the city as a whole.

**High Risk Areas Nearby & Associated At-Risk Youth** - Three of the city's 13 priority areas are in this redevelopment area (Weston-Mt. Dennis, Rexdale-Jamestown and Jane-Finch). A number of youth social indicators related to increased school completions were identified for these priority areas. The three priority areas showed poorer results compared to the city overall in terms of: a higher number of public high school drop outs (in particular Weston-Mt. Dennis), a lower number of public school applications to universities (although rates were higher for colleges), and a lower number of public school students passing the grade 10 literacy test.

**Community Assets** - Access to services can be measured in part, by examining the presence of human services and the geographic proximity of those that may require such services. In the case of available youth services (i.e. recreation, cultural opportunities, leadership development, educational and employment supports), the Woodbine redevelopment area has high numbers of youth, but fewer youth services within close proximity. Public transit in this area is available only via surface bus routes (four TTC

bus routes provide direct access to the Woodbine site), thus making access to such services more difficult for those without access to private automobiles.

When it approved the TIEG program in principle, Council also directed staff to consider whether an additional incentive could be made available for eligible investment in the thirteen priority neighbourhoods.

It was anticipated that many of the developments that take advantage of the incentives will locate in Employment Districts, many of which are near priority neighbourhoods. In addition, most of the priority neighbourhoods are close to employment areas.

The requirement that recipients of incentives provide preferred access to jobs for local residents through such activities as job fairs, mentoring programs or other initiatives such as Partnerships to Advance Youth Employment (PAYE) or Youth Employment Partnerships (YEP) will also support job opportunities and access to the mainstream business community for residents in the priority neighbourhoods. This is intended to build positive relationships and lasting connections between Toronto residents and the business community as outlined in the Agenda for Prosperity.

### **Consultation with the Province**

Consultation with the Province has been ongoing since the request for incentives was received by the City. Woodbine Live has taken the position that they intend to make a request of the Province but only after discussions with the City are complete. As a result, the Province has had little of substance to which they might respond, however comment to date has been very favourable.

The Ministry of Tourism has been designated as the lead ministry for the project. City staff has made presentations to representatives of other ministries as well, including Transport, Finance, Economic Development, Training, Colleges and Universities and Public Infrastructure Renewal. The Ministry of Training, Colleges and Universities has been an active participant to date in the Employment Strategy Study and by their estimate have invested some \$13 million in training initiatives in the Rexdale and Etobicoke areas since Woodbine Live was announced.

### **Conclusion**

The proposed development provides a unique opportunity for the City to achieve many economic, social and fiscal benefits (even after consideration of the proposed financial incentives). The project will be transformative and it will allow Woodbine Entertainment to continue contributing to the economy of the area. There are no other viable development proposals for the site and there have been none for many years.

A review by an independent consultant concludes that the return on investment for the project would be too low, without the requested level of incentives, for any developer to undertake. The consultant indicates that even with the proposed level of incentives the return on investment is low by industry standards. Comparable projects in the US attract a much higher level of incentive

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## SIGNATURES

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Sue Corke  
Deputy City Manager

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Joseph P. Pennachetti  
Deputy City Manager & Chief Financial Officer

### List of Attachments:

- Attachment No. 1: [Map](#)
- Attachment No. 2: [Hunden Strategic Partners Report](#)
- Attachment No. 3: [Schedule 1](#)
- Attachment No. 4: [Summary of Project Scope & Data](#)