# Attachment 2

# Introduction, Report Layout and Executive Summary

## Subject of the Study

The City of Toronto has retained Hunden Strategic Partners (HSP) to conduct a study, the purpose of which is to evaluate the proposed project submitted to the city for Woodbine Live!, a mixed-use development comprised of entertainment, retail, hotel, commercial and residential components. The partners for the project are Woodbine Entertainment Group, the owners of the real property on which the project is to be constructed, and The Cordish Company, a real estate development firm. Woodbine Entertainment Group, a not-for-profit company established to foster and benefit the horse racing industry in Ontario, owns and manages several businesses related to horse racing, including Woodbine Racetrack, the site of the project. The Cordish Company has developed many mixed-use entertainment and retail projects, including Power Plant Live! in Baltimore, Fourth Street Live! in Louisville, the Kansas City Power and Light District, and the Hard Rock Hotel and Casinos in Hollywood and Tampa, Florida. The two partners have formed a general partnership, Woodbine Live! GP, and have received the proper zoning and plan amendments from the City of Toronto for the site.

By a letter dated September 26, 2007, Woodbine Live! requested from the City of Toronto certain incentives for the project, including a waiver of certain development fees normally charged by the city and through the Tax Increment Equivalent Grant (TIEG) a waiver of a major portion of the real estate taxes normally due to the city. The study will review the request for incentives, the basis for the request, and the underlying assumptions upon which Woodbine Live! relied to make the request. The study will also analyze the costs and benefits that would accrue to the city and the projected return on investment to Woodbine Live!, comparing both to the industry norms. The analysis will include examples of incentive packages offered by other jurisdictions to aid the City of Toronto in making its decisions concerning the project. The study will compare the actual benefits of the project to the alternative of the project not proceeding as well as determining the unique attributes of the project that would induce the city to grant incentives.

The following lays out the primary scope items in summary form. For purposes of this analysis and comparing the project to mostly U.S. similar developments, space measurement within the project and other like projects will be discussed in square feet as opposed to square meters.

**Table 1-1**

| City of Toronto<br>Summary of Analysis Scope & Data | | |
| --- | --- | --- |
| Property Type: | Woodbine Live!, a mixed-use entertainment, retail, commercial, hotel and residential project | |
| Address: | 555 Rexdale Boulevard, City of Toronto, Ontario, Canada | |
| Property/Land Description: | 724 acres (293 hectares), Ward 2, Etobicoke York District, City of Toronto, Ontario, Canada | |
| Project Property Description: | Phase 1A: 115 acres (46.54 hectares) in the northwest corner of property, at the intersection of Highway No. 427 and Rexdale Boulevard, currently vacant land and parking lots | |
| | All Phases: 180 acres (72.84 hectares) in the northwest corner of property, at the intersection of Highway No. 427 and Rexdale Boulevard, currently vacant land and parking lots | |
| Proposed Improvements: | Phase 1A: | Sq. Ft. |
| | Entertainment/Retail Area | 775,000 |
| | Live Venue | 132,000 |
| | Hotel | 370,000 |
| | Large Format Retail | 637,000 |
| | Parking and Garage | 1,015,000 |
| | Total Area | 2,930,000 |
| | Phase 1B: | |
| | Office Area Including Ancillary Retail | 1,568,000 |
| | Residential/Office Area | 383,000 |
| | Entertainment/Retail Area | 133,000 |
| | Total Area | 2,084,000 |
| | 2,500 Residential Units | |
| Date of Property Inspection: | March 31, 2008 | |

The project includes 2.9 million square feet of developed area in Phase 1A, of which approximately 1.2 million square feet is the primary subject of our analysis – the retail/entertainment/hotel portion of the project.

## Company Description

Hunden Strategic Partners is a full-service real estate development advisory practice specializing in destination assets. With professionals in Chicago, Los Angeles & Indiana, HSP provides a variety of services for all stages of destination development, in the following primary areas:

- Market and Financial Studies, including Feasibility & Valuation

- Convention & Conference Centers
- Hotels
- Sports & Recreational Facilities
- Entertainment/Retail Districts, Mixed-use Developments
- Resorts
- Arts, Cultural & Entertainment Facilities

- Master Strategy and Planning Development
- Owner's Representation and RFP Process Management
- Public Incentive Analysis
- Economic & Fiscal Impact Analysis
- Economic and Tourism Development Legislation Consulting
- Organizational Audits & Best Practices

Hunden Strategic Partners (HSP) professionals have provided all of the above services for hundreds of client projects worldwide for the public and private sectors. Beyond consulting, HSP professionals have experience in municipal and state government, economic development, and non-profit management.

## Report Layout

The report is organized as follows:

**Chapter 1** - Outlines the study concept, provides the report layout and discusses a summary of conclusions.

**Chapter 2** – Reviews and describes the current state of the property, the current status of the owner of the property and the developer of the project, the structure of ownership of the project, the physical description of the proposed project, and the financial proposal that the developer has made to the City of Toronto.

**Chapter 3** - Reviews the economic, demographic and tourism forces in Toronto, most importantly the Woodbine area, focusing especially on the retail, restaurant entertainment and commercial markets.

**Chapter 4** – Reviews similar projects throughout the Canada and the United States and compares them to the current project. For each comparable project the chapter will outline the physical description and history of the development, the uniqueness to the area, the performance of the development measured in several ways, including sales per square foot and rent per square foot, the return on investment for each project, and the incentives and other public benefits that the development received.

**Chapter 5** – Projects performance of the current project through application of a utilization rate model as well as a tenant-by-tenant approach.

**Chapter 6** – Analyzes the benefits of the project, both monetary and non-monetary, and the unique attributes of the project in relation to other existing and planned projects in Toronto.

**Chapter 7** – Reviews the incentives offered by the public sector in other areas in Canada and in the United States for comparable projects. This section will also discuss the interviews of experts in this field and the various opinions of those experts in relation to incentives. Finally, it provides conclusions related to the project.

## Summary of Conclusions

HSP has performed extensive research, interviews and analysis of the Woodbine Live! project, the principals involved, the Toronto area and other developments comparable to Woodbine Live! Based on all of those considerations, and all other matters reviewed, HSP has determined the following:

- Woodbine Entertainment Group is an essential part of the horse racing industry of Ontario and Canada, and the company needs to diversify its income base due to several factors, including the drop in revenue from horse racing and wagering. It has partnered with the Cordish Company to develop Woodbine Live!, a mixed-use project that seeks to create a major tourist destination with a mix of entertainment, live performance and retail venues. While other projects and partners have been sought over the years for the available land, none have worked out due to local demographic conditions and other barriers to development.
- Toronto continues to grow and prosper. However, economic, real estate and demographic conditions and trends for the Etobicoke/Rexdale and surrounding areas are not as strong as Toronto as a whole. The city has designated Rexdale as a “priority” neighborhood based on the recognition of unequal investment and inequitable access to programs and services in that area. Therefore, the project would enhance the employment and other community needs of the Rexdale area. However, due to the nature of the local community, the project will need to rely on a critical mass of ‘gravity’ or retail draw that reaches significantly beyond this area. A traditional retail project will not work here and a traditional financing for the proposed project will not suffice.
- HSP analyzed several developments that have similarities to the Woodbine Live! project, many of which were other Cordish-developed properties. Based on that analysis, HSP expects the return on equity in the Woodbine Live! project to be a minimum of 15 percent lower than industry standards. Review of the comparable projects highlights the unique nature of this type of development and the need for assistance from public institutions. Revitalizing a blighted area or one in need of investment is not the best investment for a developer that could obtain a faster and larger return on investment in more vibrant areas.

- Woodbine Live! is requesting a total tax and fee reduction of $86 million from the City of Toronto, which is twelve percent of the estimated cost of Phase 1A of the development. That incentive request is significantly less than the percentage of incentives to total cost of every comparable development. The Woodbine Live! request for the TIEG and development cost incentives appear to be conservative and only a small percentage of the amounts that they and others have received on past projects of similar scope and type.
- The incentives that exist in comparable developments are often upfront development funds, used to build the project. For Woodbine Live!, the public sector is not putting in any upfront funds and is therefore not at risk. Toronto only stands to gain if the project is built, based on the incremental taxes generated by the project. HSP believes that harm would occur to the public sector only if the project does not move forward and the Woodbine area continues its slow decline, producing no new tax revenues for any public agency.
- HSP has applied three methods to estimate performance of the Woodbine project: a utilization rate model, a tenant sales model and an income and expenses pro forma approach. Each of the three methods projected performance of the project to generate comparatively low profit levels, indicating a higher risk to the developer for an acceptable return from the project, even with the incentives requested. Most private developers would seek a minimum guaranteed return much higher (more than double) than each model projected. Most developers seek a return on equity of 18 – 22 percent, while this project is estimated to return less than ten percent to the equity investors.
- In this project the developer is taking the risk and the public sector is receiving the guaranteed benefit at any level of performance the project achieves.
- If the project does not proceed, HSP expects that negative consequences would result, including a loss of revenue by the City of Toronto, risk of financial instability of Woodbine Entertainment Group and loss of control of undeveloped property, loss of a major tourist attraction, and loss of economic growth opportunity for the underdeveloped Rexdale area.
- If the project proceeds, the positive impacts would include new employment for the area, as well as increased slot revenue, real estate taxes, development charges, permits and fees. Given the lack of risk to the public sector and the fact that this will not be setting a precedent easily copied (due to the unique, massive and transformative nature of the project), the City would be justified in supporting the project at the level of incentive requested.
- The project meets the proposed definition of a transformative project, as well as meeting the industry-accepted definition of a transformative project based on its size, unique characteristics, location adjacent to a

horse racetrack and casino, and mix of components. The project is unique for Canada in a number of respects, including design elements, the experiential concept, the lifestyle retail concept, the mix of tenants (many new to Canada and Toronto), and the entertainment portion.

- The project is requesting much less than what comparable or smaller projects have requested in other jurisdictions. The public sector is not putting any equity or hard investment at risk, only future potential taxes that currently do not exist. As such, the risk to Toronto is low and the potential rewards high. In analog projects, the public has invested heavily in infrastructure, providing public bonds to finance much of the project costs in the hope that the investment will be repaid over a 10, 20 or 30-year time horizon.

As a result of these facts and opinions, HSP recommends the City move forward with the project providing the full amount of incentives requested. The City can be confident in the fact that it will not be put at risk and that its level of relief for the project is less than one-half of the share the public sector has typically provided for similar projects. Finally, the participation is not in the form of an upfront investment that places Toronto in some form of risk. Instead the incentives are a reduction in future new taxes and fees that would not have been received without the construction of the project.

## Conclusions of Report Chapters

**Parties Involved in the Project.** The Woodbine Entertainment Group (WEG), the largest operator of horse racing in Canada, is the owner of Woodbine Racetrack, the location of the proposed Woodbine Live! development project. The Woodbine Racetrack has a long and extensive history. It is the location of the yearly Queen's Plate, the most famous horse race in Canada, it is the only racetrack outside the United States to host the prestigious Breeder's Plate, and it is the standard by which all other racetracks in the country are measured. WEG is by far the largest producer of wagering revenue in Ontario and Canada. Seventy-four percent of all horserace wagers in Ontario and 48 percent of all Canadian wagers are placed through WEG.

Woodbine Racetrack conducts both thoroughbred and standardbred races, while the other track that WEG owns, Mohawk Racetrack, holds only standardbred races. In the past few years wagering on thoroughbred horses has remained relatively stable, while wagering on standardbred races has fallen considerably. The result of that reduction is that WEG has seen a loss in income. Between 2001 and 2006 WEG has seen a reduction in net income of 26 percent. This loss would have been larger if slot machines had not been introduced in 2000 at both racetracks. WEG receives a commission from the slots revenue, and the amounts netted from the commissions paid have remained stable throughout the period. However, even though slot machines have brought more visitors to Woodbine Racetrack, it has not increased the wagers on horse races.

Based on the reduction in income from horse racing and the static slots income, HSP understands why WEG has taken the step to try to further diversify its stream of income and try to leverage the underutilized assets under its control. The real property surrounding the Woodbine facility, especially the northwest corner, now used only for overflow parking, has development potential. However, simply selling the property would probably only delay the financial problems as well as possibly damage the integrity of the Woodbine facility. The Woodbine Live! concept is a progressive and forward-thinking approach to being able to attract new visitors, expand the facility, and at the same time to obtain additional income. Anything short of a transformative project on the remaining land will likely just shift the onset of serious financial problems to a later date, while the proposed project should be a long-term solution. Given the demographics and character of the surrounding area, a locally-focused development would not provide a financially feasible or long-term solution.

The Cordish Company is the developer that has entered into a partnership with WEG to create the Woodbine Live! project. Cordish has constructed several developments that have transformed under-utilized and/or blighted urban areas. Examples of successful Cordish developments include Fourth Street Live! in Louisville, Kentucky, the Power Plant and the Power Plant Live! projects in Baltimore, Maryland, and the Kansas City Power and Light District in Kansas City, Missouri.

**The Project.** The Woodbine Live Project is planned in several phases. The first phase, described as Phase 1A by Woodbine Live!, includes the facilities listed below.

**Table 1-2**

| Woodbine Live!<br>Phase 1A Project Description | | | |
|---|---|---|---|
| **Project Type** | **Square Feet** | **Square Meters** | **Assessed Value** |
| Entertainment & Lifestyle District | | | |
| Retail/Entertainment | | | |
| Block 100 (Market Neighborhood) | 26,720 | 2,482 | $10,688,000 |
| Block 200 (Euro-Fashion Neighborhood) | 130,600 | 12,133 | $52,240,000 |
| Block 300 (Galleria Neighborhood) | 261,145 | 24,261 | $104,458,000 |
| Block 400 (Ice Park Plaza Neighborhood) | 286,050 | 26,575 | $114,420,000 |
| Block 500 (Live! Neighborhood) | 70,840 | 6,581 | $28,336,000 |
| Block 600 (Hotel Neighborhood) - Retail | 60,000 | 5,574 | $24,000,000 |
| Subtotal: Retail/Entertainment | 835,355 | 77,607 | $334,142,000 |
| Live Venue | | | |
| Live Venue | 131,745 | 12,240 | $7,904,700 |
| Subtotal: Live Venue | 131,745 | 12,240 | $7,904,700 |
| Hotel | | | |
| Block 600 (Hotel Neighborhood) - Hotel (400 Keys) | 310,384 | 28,836 | $50,000,000 |
| Subtotal: Hotel | 310,384 | 28,836 | $50,000,000 |
| Large Format Retail (Retail Neighborhood) | | | |
| Retail | 637,450 | 59,221 | $130,677,250 |
| Total Large Format Retail | 637,450 | 59,221 | $130,677,250 |
| Total Entertaiment/Lifestyle District and Large Fromat Retail | 1,914,934 | 177,903 | $522,723,950 |
| Garages | | | |
| 900 Spc 2-Level Garage Under Hotel | 315,000 | 29,264 | $18,000,000 |
| 2000 Spc Above-ground Garage | 700,000 | 65,032 | $40,000,000 |
| Subtotal: Garages | 1,015,000 | 94,297 | $58,000,000 |
| **PHASE 1A TOTAL** | **2,929,934** | **272,200** | **$580,723,950** |

Source: Woodbine Live!, HSP

Within the first category, Retail/Entertainment, Woodbine has estimated the approximate space that each type of retail or entertainment facility would occupy, as set forth in the table below.

**Table 1-3**

**Woodbine Live!**
**Retail/Entertainment Tenants**

| Category | Square Feet | Square Meters | Percentage |
|---|---|---|---|
| Restaurants | 116,950 | 10,865 | 14% |
| Lifestyle Retail | 183,778 | 17,074 | 22% |
| Entertainment Retail | 150,364 | 13,969 | 18% |
| Clubs/Music/Entertainment | 116,950 | 10,865 | 14% |
| Entertainment Anchors | 100,243 | 9,313 | 12% |
| Destination Entertainment | 167,071 | 15,521 | 20% |
| Total | 835,356 | 77,607 | 100% |

Source: Woodbine Live!

As shown above, the largest square feet/meter area will be devoted to the "lifestyle retail" lessees, followed closely by the destination entertainment and entertainment retail spaces. Restaurants and clubs each will make up 14 percent of the tenant space in this area, while the entertainment anchors will have 12 percent of the space.

The project also assumes additional phases in the future. The total assessed value of all completed phases would be approximately $1.77 billion.

**The Incentive Request.** Woodbine Live! has requested incentives from the City of Toronto to assist in the financial aspects of the project. Woodbine has requested that the normal development fees that the City of Toronto charges for construction projects be waived as they apply to the retail/entertainment, live venue, hotel and commercial office uses. Woodbine also requested that the city apply the city's Tax Increment Equivalent Grant (TIEG) program to the project, granting a real estate tax exemption for the retail/entertainment, live venue, hotel and commercial office uses only, not the large format retail and residential parts of the project. The request for the TIEG was to phase in real estate taxes over a twenty-year period, granting a reduction in real estate taxes as follows:

- Years one to five: 90%
- Years six to ten: 80%
- Years eleven to fifteen: 70%
- Years sixteen to twenty: 60%

**Projected Benefits by Developer.** Woodbine Live! has estimated the benefit to the City of Toronto from the development of the first phase of the project as well as the total project in all phases, as outlined below. These figures have been reviewed by HSP. The impact projections in the HSP model are more conservative and are discussed toward the end of this chapter.

**Table 1-4**

| Woodbine Live!<br>Public Benefit Summary | |
|---|---|
| PHASE 1A* | |
| CITY OF TORONTO | |
| Total Increase in Slot Revenue | $ 87,788,310 |
| R.E. Taxes, Development Charges, Permits & Fees | $ 184,382,314 |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO before TIEG & DC Adjustments | $ 272,170,623 |
| Less: TIEG and Development Charges | $ (86,612,512) |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | $ 185,558,111 |
| Indirect Benefits | $ 324,512,872 |
| TOTAL BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | $ 510,070,983 |
| ALL PHASES* | |
| CITY OF TORONTO | |
| Total Increase in Slot Revenue | $ 87,788,310 |
| R.E. Taxes, Development Charges, Permits & Fees | $ 387,706,967 |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO before TIEG & DC Adjustments | $ 475,495,277 |
| Less: TIEG and Development Charges | $ (183,409,181) |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | $ 292,086,096 |
| Indirect Benefits | $ 682,364,262 |
| TOTAL BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | $ 974,450,358 |

*Assumes 25 years of Operation

Source: Woodbine Live! PC

After subtracting the TIEG and development charges that Woodbine is requesting, the direct benefits to the City of Toronto were estimated at $185.5 million over 25 years, with estimated indirect benefits of $324.5 million for a total of $510 million. If all phases were completed the total direct benefits to the city would be $292.1 million over 25 years, with estimated indirect benefits of $682.4 million for a total $974.5 million.

**Local Conditions.** Local market area characteristics influence the demand potential for a retail entertainment project such as Woodbine Live! in Toronto. HSP has profiled the City of Toronto and the Etobicoke/Rexdale area to determine the economic characteristics of the market.

The City of Toronto has an excellent transportation infrastructure, including the most-used public transportation system in North America. It has a diversified economy and has increased employment every year since 2002. While unemployment is higher than the national average, both for the City of Toronto and the metropolitan area, the City of Toronto has a higher effective buying income per capita than Ontario and Canada as a whole.

The Banking and Government industries are Toronto's top employers with four banks and three government agencies, each employing more than 10,000 employees. The largest employers in Etobicoke/Rexdale vary by industry with Humber College, Purolator Courier and Woodbine Entertainment leading the group. Humber College is the largest academic institution in the area with nearly 72,000 enrolled students. Woodbine Entertainment Group, a partner in the Woodbine Live! project, is one of the largest employers in the local community. The fact that it is located as part of the proposed project is positive for the development itself since the employees would potentially use the entertainment, restaurants and other services of the new development. The project is expected to increase its total number of employees to 6,000 and as such, will increase the number of onsite captive consumers. This increase would be similar to a downtown mall that receives consumer spending from adjacent office workers.

Toronto as a whole has a strong and vibrant hotel and meeting facilities market. The area around Woodbine has nearly 9,000 hotel rooms due to the proximity of the airport to the location. The competitive set of airport hotels has nearly a 73 percent occupancy rate for 2007, with an average daily rate of $121 per night. Several of the hotels with meeting space are located near the proposed Woodbine Live! project; the Doubletree Toronto with 433 rooms, the Marriott Toronto with 424 rooms, the Renaissance Toronto Airport Hotel with 249 rooms, the Westin Bristol Place with 288 rooms, and the Holiday Inn Select with 445 rooms.

The real estate market for Toronto is generally strong, with a low office vacancy rate of 5.2 percent. The Woodbine Racetrack is in the GTA West office area, which in the first quarter of 2008 had a vacancy rate of 6.5 percent. The retail market in Toronto is strong and is the largest in Canada.

Retail sales have seen positive growth in most areas and have many shopping areas and malls that serve the population. Woodbine Live! is proposed to be 33 percent larger than the largest existing shopping centre and have an average tenant size more than double in size. The Woodbine project is clearly not aimed at the local market, although the GTA will provide a portion of visits. Even more clear is that the proposed project is not designed to compete with any one particular retail development.

Toronto continues to grow and prosper. New developments throughout the city have added vitality and strength to the long-term viability of the market necessary for a major retail entertainment development that does not rely solely on the immediate area population. Economic, real estate and demographic conditions and trends for the Etobicoke/Rexdale and surrounding areas are not as strong as Toronto as a whole, as evidenced by the unemployment of the area, the lower cost of both residential and commercial real estate, and other statistics that compare the Rexdale area to the Toronto metropolitan area. The city has designated Rexdale as a priority neighborhood based on the recognition of unequal investment and inequitable access to programs and services. Priority neighborhoods were identified for focused investment to build economic capacity and other community functions. Therefore, the project would enhance the employment and other community needs of the Rexdale area. However, due to the nature of the local community, the project will need to rely on a critical mass of ‘gravity’ or retail draw that reaches significantly beyond this area.

**Comparable Developments.** HSP has reviewed several developments that appear to have similar characteristics to the proposed development. The Woodbine Live! project is a unique and creative development that will revitalize the Rexdale area and the Woodbine Racetrack, offering a transformative project for the greater Toronto area. However, throughout the United States and Canada certain developments have aspects and attributes that are similar to Woodbine Live! The Cordish Company, one of the partners in the Woodbine project, has been part of several developments throughout North America that revitalized downtowns and other areas, using development plans that are similar to the Woodbine Live! project but individually specific to each locality. Other developments also created entertainment, retail and restaurant-based mixed-use areas that revitalized underutilized areas of various cities. A number of projects are being proposed based on this formula that continues to evolve. Each comparable development has some aspect that is useful in considering the Woodbine Live! project. While no project is exactly like the Woodbine project, which is a benefit to Woodbine, HSP has taken implications from a variety of projects that offer some insight to the public sector when making decisions about such projects and this one in particular.

The table below is a summary of the projects that HSP has used as comparable projects to the Woodbine Live! project. Retail square footage is an approximation of Gross Leasable Area (GLA), whether retail, restaurant, club, or entertainment venue. It should be noted in the case of the Cordish projects that Cordish shared a significant amount of sensitive financial and other data with HSP. Due to confidentiality concerns, much of this data cannot be published. However, by providing HSP with such documents to review, our confidence level in the figures presented below has increased greatly.

**Table 1-5**

**Woodbine Live! Comparable Projects**
**Retail/Restaurant/Entertainment Phase**

| Project | Developer | Year Open or Projected | Gross Leased Area | Rental Per Sq. Ft. | Cost of Project (000,000) | Value of Incentive (000,000) | Type of Incentive | Private Equity Investment (000,000) | Amount Privately Financed (000,000) | Incentive % of Cost of Project | Estimated Return on Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Kansas City Power & Light | The Cordish Company | 2008 | 450,000 | $25-$45 | $180 | $70 | TIF | $50 | $60 | 39% | 4%-7% |
| Fourth Street Live! | The Cordish Company | 2004 | 400,000 | $15-$30 | $90 | $30 | Grant/TIF/ Fed NMTC | $18 | $42 | 33% | 5%-8% |
| Center City-Louisville | The Cordish Company | 2009 | 200,000 | $30-$45 | $220 | $110 | TIF | $40 | $70 | 50% | 4%-6.5% |
| Bayou Place-Houston | The Cordish Company | 1997 | 220,000 | $15-$25 | $52 | $20 | Land Grant | $10 | $22 | 38% | 4%-7% |
| Bayou Place Phase II | The Cordish Company | 2006 | 150,000 | $20-$30 | $34 | $5 | Land Grant | $7 | $22 | 15% | 7.5%-10% |
| City Place-West Palm Beach | Related Urban Development | 2001 | 200,000 | $43 | $142 | $55 | TIF | $33 | $109 | 39% | unknown |
| Power Plant-Baltimore | The Cordish Company | 2001 | 350,000 | $20-$35 | $100 | $23 | Land Grant | $25 | $52 | 23% | 8%-10.5% |
| Power Plant Live! | The Cordish Company | 2001 | 400,000 | $15-$25 | $64 | $20 | Land Grant | $15 | $29 | 31% | 7% - 9.5% |
| Ballpark Village-St. Louis | The Cordish Company | 2010 | 325,000 | $25-$50 | $146 | $42 | TIF | $45 | $59 | 29% | 5%-8% |
| Paradise Live! and Hard Rock Casino Hollywood | The Cordish Company | 2004 | 350,000 | $25-$50 | $890 | N/A | N/A | N/A | N/A | N/A | N/A |
| Atlantic City-The Walk | The Cordish Company | 2004 | 700,000 | $25-$55 | $245 | $31 | Land Grant | $35 | $179 | 13% | 5%-7% |
| Village at Gulfstream | Forest City | 2009 | 380,000 | $25-$50 | $200 | $48 | CDD | $32 | $120 | 24% | 10% |
| Average | | 2005 | 343,750 | $43 | $197 | $41 | | $28 | $69 | 30% | |
| **Woodbine Live! Phase 1A** | The Cordish Company | 2009 | 750,000 | $35-$45 | $708 | $86 | TIEG | $266 | $433 | 12% | 5%-7% |

Source: ULI Mixed Use Development Handbook, Cordish, HSP

The projects selected had the most in common with the Woodbine Live! project.

Some interesting conclusions can be drawn immediately from the comparable projects. The first is the cost of the projects per square foot of leasable area, which is $574 per square foot (343,750 square feet of average leased area divided by $197 Million in average cost per project.) This is approximately 44 percent higher than a new regional enclosed mall or lifestyle center. For most major regional malls and lifestyle centers, total construction costs, including tenant allowances and other development costs, are at most $400 per square foot, and often less, from $300 to $400 per square foot. The higher project costs, which include higher prices due to the riskier nature of that type of development, cannot generate the return on investment typically required by private developers. As a result, the public sector has participated to make up the gap by a similar amount. As shown, project costs are 44 percent higher than typical, and public participation makes up 30 percent of project costs on average, still putting risk on the developer, but removing much of that risk. As a result, HSP expects the return to the developer to be a minimum of 15 percent lower than industry standards.

Review of each comparable project provides a good perspective of the funds necessary for this type of development. Each project except the Hard Rock Casino Hollywood and Paradise Live! required some public incentive to make the project viable. Even with such public assistance, the estimates of rate of return on investment for each project is at maximum approximately ten percent, with most of the larger projects that would most compare with Woodbine Live!, such as Ballpark Village and Kansas City Power & Light District, having a smaller percentage of return.

HSP's research and discussions with developers have shown that this type of project benefits developers in ways other than an immediate high rate of return on investment. If the first phase of development is successful, the developer is able to move to the later phases of development that the developer feels has a higher rate of return. The return on investment increases after the initial leases terminate, because the area has become revitalized and the market in the revitalized area merits higher lease payments. Therefore, even though the projects require a long-term investment by the developer, over time the properties should show a steady and gradually increasing return on investment.

The Cordish summary of Woodbine Live! revenue and expense projections lists a return on investment (identified as "return on equity") in the cash flow summary. The Cordish projections, including the TIEG incentives and reduction in development fees that it has requested from Toronto, are for a return on investment beginning at three percent and gradually increasing to eight percent over the first fifteen years of the project, with an average of six percent over the first fifteen years of the project. That range is less than most of the comparable projects. The project without the incentives would have a return ranging from less than 0.5 percent to 5.3 percent for the first fifteen years after completion, with an average return of three percent, which is substantially less than the returns of the comparable projects.

The types of incentives for the comparable developments ranged greatly between the projects, from the developer only receiving tax increment financing to grants of land and structures to free infrastructure. Each project receiving public assistance received significant help from the local or regional entity, however, and most of the projects were given more than one type of assistance. For example, several developments received TIF grants as well as land without cost and free infrastructure assistance.

Review of the comparable projects, as well as the other projects mentioned, highlights the unique nature of this type of development and the need for assistance from public institutions. Revitalizing a blighted area or one in need of investment is not the best investment for a developer that could obtain a faster and larger return on investment in more vibrant areas.

Comparing the incentives given in all projects described in this chapter to Woodbine Live! illustrates a very important aspect of the Woodbine request for City of Toronto incentives. The incentives that local, regional and state governments gave to the various developments ranged from a low of 13 percent of the entire cost of the project at the Atlantic City-The Walk to a high of 50 percent at the Center City-Louisville project. The most comparable projects to Woodbine appear to be the Village at Gulfstream, Kansas City Power & Light, Fourth Street Live! and Ballpark Village-St. Louis. Those developments had incentives ranging from 24 percent to 39 percent of the cost of the project.

Woodbine Live! is requesting a total of $86 million from the City of Toronto, which is twelve percent of the estimated cost of Phase 1A of the development. That incentive request is half of the level that Village at Gulfstream is anticipating through the Community Development District program, and less than one-third of the percentage that the Kansas City Power & Light District is receiving. The Woodbine Live! request for the TIEG and development cost incentives appear to be conservative and only a small percentage of the amounts that they and others have received on past projects of similar scope and type.

In addition, the funds other public agencies are providing are often upfront development funds, used to build the project. This modifies the risk profile of the project to make it feasible for the private sector. In this case, the public sector is not putting in any upfront funds and is therefore not at risk. In fact, it only stands to gain if the project is built, based on the incremental taxes generated by the project (even after TIEG rebates). The only scenario we believe would harm the public sector is if the project does not move forward and the Woodbine area continues its slow decline, producing no new tax revenues for any public agency.

**Projection of Performance.** This analysis includes three methods for projecting the likely performance of the Project, each of which is meant to understand the project from a discreet perspective and help make conclusions for various measures of project performance. The three approaches are:

- Utilization Rate Model
- Tenant Sales and Rent Model
- Income & Expenses *Pro forma* Approach

Each of the approaches is described below.

**The Utilization Rate model.** This preliminary market analysis establishes the spending capacity of probable customers using a Utilization Rate Model.

## Table 1-6

Woodbine Live!
Entertainment/Retail/Restaurant Utilization Rate Model (Figures Rounded, Canadian Dollars)
2011 -- MOST LIKELY

| CUSTOMER SEGMENT | SEGMENT SIZE | ANNUAL UTILIZATION RATE | IMPLIED ANNUAL TRIPS | AVERAGE SPENDING PER VISIT | AGGREGATE ANNUAL SALES PER SEGMENT | PERCENT OF SALES | PERCENT NET NEW TORONTO | NET NEW SALES TORONTO* |
|---|---|---|---|---|---|---|---|---|
| **CMA RESIDENTS (15+)** | **5,983,210** | **2.83** | **16,902,808** | **$29.63** | **$500,770,000** | **78.7%** | **8.3%** | **$41,370,000** |
| Within 20 minutes Driving (15km) | 1,316,370 | 5.75 | 7,569,129 | $23.00 | $174,090,000 | 27.4% | 5.0% | $8,704,500 |
| 21 - 60 minute Driving | 4,666,839 | 2.00 | 9,333,679 | $35.00 | $326,680,000 | 51.4% | 10.0% | $32,668,000 |
| **ONSITE WORKERS** | **6,000** | **250.00** | **1,500,000** | **$6.50** | **$9,750,000** | **1.5%** | **2.0%** | **$195,000** |
| **TOURISTS** | **31,134,148** | **0.11** | **3,455,153** | **$36.37** | **$125,650,000** | **19.8%** | **45.8%** | **$57,546,000** |
| **Ontario (beyond one-hour drive); Overnight** | **7,680,791** | **0.12** | **938,626** | **$36.45** | **$34,210,000** | **5.4%** | **48.0%** | **16,425,000** |
| Business | 2,179,025 | 0.04 | 87,161 | $39.00 | $3,400,000 | 0.5% | 30.0% | $1,020,000 |
| Leisure - Vacation | 1,440,882 | 0.14 | 201,723 | $40.00 | $8,070,000 | 1.3% | 50.0% | $4,035,000 |
| Leisure - Visiting Friends & Relatives | 4,060,883 | 0.16 | 649,741 | $35.00 | $22,740,000 | 3.6% | 50.0% | $11,370,000 |
| **Ontario (beyond one-hour drive); Day Trip** | **5,141,514** | **0.05** | **235,438** | **$21.92** | **$5,160,000** | **0.8%** | **36.0%** | **1,860,000** |
| Business | 2,179,025 | 0.02 | 43,581 | $23.40 | $1,020,000 | 0.2% | 20.0% | $204,000 |
| Leisure - Vacation | 775,860 | 0.05 | 38,793 | $24.00 | $930,000 | 0.1% | 40.0% | $372,000 |
| Leisure - Visiting Friends & Relatives | 2,186,629 | 0.07 | 153,064 | $21.00 | $3,210,000 | 0.5% | 40.0% | $1,284,000 |
| **Other Domestic Visitors to Toronto; Overnight** | **11,543,359** | **0.13** | **1,527,847** | **$36.56** | **$55,860,000** | **8.8%** | **47.3%** | **26,400,000** |
| Business | 3,923,341 | 0.05 | 196,167 | $39.00 | $7,650,000 | 1.2% | 30.0% | $2,295,000 |
| Leisure - Vacation | 1,996,162 | 0.16 | 319,386 | $40.00 | $12,780,000 | 2.0% | 50.0% | $6,390,000 |
| Leisure - Visiting Friends & Relatives | 5,623,856 | 0.18 | 1,012,294 | $35.00 | $35,430,000 | 5.6% | 50.0% | $17,715,000 |
| **Other Domestic Visitors to Toronto; Day Trip** | **1,282,595** | **0.03** | **36,008** | **$21.66** | **$780,000** | **0.1%** | **37.4%** | **292,000** |
| Business | 435,927 | 0.01 | 4,359 | $23.40 | $100,000 | 0.0% | 20.0% | $20,000 |
| Leisure - Vacation | 221,796 | 0.03 | 6,654 | $24.00 | $160,000 | 0.0% | 40.0% | $64,000 |
| Leisure - Visiting Friends & Relatives | 624,873 | 0.04 | 24,995 | $21.00 | $520,000 | 0.1% | 40.0% | $208,000 |
| **US Visitors to Toronto; Overnight** | **3,580,244** | **0.16** | **582,161** | **$41.09** | **$23,920,000** | **3.8%** | **48.6%** | **11,614,000** |
| Business | 808,101 | 0.05 | 40,405 | $42.90 | $1,730,000 | 0.3% | 30.0% | $519,000 |
| Leisure - Vacation | 1,346,470 | 0.18 | 242,365 | $44.00 | $10,660,000 | 1.7% | 50.0% | $5,330,000 |
| Leisure - Visiting Friends & Relatives | 1,425,674 | 0.21 | 299,392 | $38.50 | $11,530,000 | 1.8% | 50.0% | $5,765,000 |
| **US Visitors to Toronto; Day Trip** | **485,810** | **0.04** | **20,805** | **$24.99** | **$520,000** | **0.1%** | **38.1%** | **198,000** |
| Business | 89,789 | 0.02 | 1,796 | $25.74 | $50,000 | 0.0% | 20.0% | $10,000 |
| Leisure - Vacation | 237,612 | 0.04 | 9,504 | $26.40 | $250,000 | 0.0% | 40.0% | $100,000 |
| Leisure - Visiting Friends & Relatives | 158,408 | 0.06 | 9,504 | $23.10 | $220,000 | 0.0% | 40.0% | $88,000 |
| **Overseas Visitors to Toronto; Overnight** | **1,419,834** | **0.08** | **114,268** | **$45.51** | **$5,200,000** | **0.8%** | **14.6%** | **757,000** |
| Business | 242,114 | 0.04 | 9,685 | $47.19 | $460,000 | 0.1% | 10.0% | $46,000 |
| Leisure - Vacation | 659,426 | 0.08 | 52,754 | $48.40 | $2,550,000 | 0.4% | 15.0% | $382,500 |
| Leisure - Visiting Friends & Relatives | 518,294 | 0.10 | 51,829 | $42.35 | $2,190,000 | 0.3% | 15.0% | $328,500 |
| **TOTAL** | **37,120,000** | **0.59** | **21,860,000** | **$29.10** | **$636,170,000** | **100.0%** | **15.6%** | **$99,110,000** |
| Woodbine Live! Applicable Square Footage | | | | | 1,544,000 | | | |
| Projected Sales per Square Foot | | | | | **$412** | | | |

* Includes recaptured sales
Source: Hunden Strategic Partners

According the utilization rate model, it is projected that for the 1.544 million square feet of leasable space, the total sales volume in 2011 can reasonably expected to be nearly $890 million, or $412 per square foot. While the majority of spending is projected from CMA residents (80 percent), 20 percent is projected to come from outside the CMA trade area. The net new portion to Toronto is projected to be $99 million. The total amount of sales is a fair level of sales for such a project, but not compelling. We have estimated based on our typically conservative approach, as a banker would.

However, this model includes all leased area, not just the Live! portion. If the large format retail is taken out and the Live! portion had to stand on its own, the following is the model that results.

**Table 1-7**

**Woodbine Live!**
**Entertainment/Retail/Restaurant Utilization Rate Model (Figures Rounded, Canadian Dollars)**
**2011 -- MOST LIKELY**

| CUSTOMER SEGMENT | SEGMENT SIZE | ANNUAL UTILIZATION RATE | IMPLIED ANNUAL TRIPS | AVERAGE SPENDING PER VISIT | AGGREGATE ANNUAL SALES PER SEGMENT | PERCENT OF SALES | PERCENT NET NEW TORONTO | NET NEW SALES TORONTO* |
|---|---|---|---|---|---|---|---|---|
| **CMA RESIDENTS (15+)** | **5,983,210** | **1.53** | **9,124,475** | **$30.67** | **$279,860,000** | **83.2%** | **8.6%** | **$24,200,000** |
| Within 20 minutes Driving (15km) | 1,316,370 | 2.50 | 3,290,926 | $23.00 | $75,690,000 | 22.5% | 5.0% | $3,784,500 |
| 21 - 60 minute Driving | 4,666,839 | 1.25 | 5,833,549 | $35.00 | $204,170,000 | 60.7% | 10.0% | $20,417,000 |
| **ONSITE WORKERS** | **6,000** | **150.00** | **900,000** | **$6.50** | **$5,850,000** | **1.7%** | **2.0%** | **$117,000** |
| **TOURISTS** | **31,134,148** | **0.04** | **1,399,841** | **$36.33** | **$50,850,000** | **15.1%** | **45.6%** | **$23,195,000** |
| **Ontario (beyond one-hour drive); Overnight** | **7,680,791** | **0.05** | **373,686** | **$36.63** | **$13,690,000** | **4.1%** | **47.5%** | **6,505,000** |
| Business | 2,179,025 | 0.02 | 43,581 | $39.00 | $1,700,000 | 0.5% | 30.0% | $510,000 |
| Leisure - Vacation | 1,440,882 | 0.06 | 86,453 | $40.00 | $3,460,000 | 1.0% | 50.0% | $1,730,000 |
| Leisure - Visiting Friends & Relatives | 4,060,883 | 0.06 | 243,653 | $35.00 | $8,530,000 | 2.5% | 50.0% | $4,265,000 |
| **Ontario (beyond one-hour drive); Day Trip** | **5,141,514** | **0.02** | **102,906** | **$21.96** | **$2,260,000** | **0.7%** | **35.5%** | **802,000** |
| Business | 2,179,025 | 0.01 | 21,790 | $23.40 | $510,000 | 0.2% | 20.0% | $102,000 |
| Leisure - Vacation | 775,860 | 0.02 | 15,517 | $24.00 | $370,000 | 0.1% | 40.0% | $148,000 |
| Leisure - Visiting Friends & Relatives | 2,186,629 | 0.03 | 65,599 | $21.00 | $1,380,000 | 0.4% | 40.0% | $552,000 |
| **Other Domestic Visitors to Toronto; Overnight** | **11,543,359** | **0.05** | **611,868** | **$36.66** | **$22,430,000** | **6.7%** | **47.3%** | **10,603,000** |
| Business | 3,923,341 | 0.02 | 78,467 | $39.00 | $3,060,000 | 0.9% | 30.0% | $918,000 |
| Leisure - Vacation | 1,996,162 | 0.07 | 139,731 | $40.00 | $5,590,000 | 1.7% | 50.0% | $2,795,000 |
| Leisure - Visiting Friends & Relatives | 5,623,856 | 0.07 | 393,670 | $35.00 | $13,780,000 | 4.1% | 50.0% | $6,890,000 |
| **Other Domestic Visitors to Toronto; Day Trip** | **1,282,595** | **0.01** | **16,895** | **$21.31** | **$360,000** | **0.1%** | **37.2%** | **134,000** |
| Business | 435,927 | 0.01 | 2,180 | $23.40 | $50,000 | 0.0% | 20.0% | $10,000 |
| Leisure - Vacation | 221,796 | 0.01 | 2,218 | $24.00 | $50,000 | 0.0% | 40.0% | $20,000 |
| Leisure - Visiting Friends & Relatives | 624,873 | 0.02 | 12,497 | $21.00 | $260,000 | 0.1% | 40.0% | $104,000 |
| **US Visitors to Toronto; Overnight** | **3,580,244** | **0.07** | **238,726** | **$40.97** | **$9,780,000** | **2.9%** | **48.6%** | **4,752,000** |
| Business | 808,101 | 0.02 | 16,162 | $42.90 | $690,000 | 0.2% | 30.0% | $207,000 |
| Leisure - Vacation | 1,346,470 | 0.07 | 94,253 | $44.00 | $4,150,000 | 1.2% | 50.0% | $2,075,000 |
| Leisure - Visiting Friends & Relatives | 1,425,674 | 0.09 | 128,311 | $38.50 | $4,940,000 | 1.5% | 50.0% | $2,470,000 |
| **US Visitors to Toronto; Day Trip** | **485,810** | **0.02** | **10,402** | **$24.99** | **$260,000** | **0.1%** | **38.5%** | **100,000** |
| Business | 89,789 | 0.01 | 898 | $25.74 | $20,000 | 0.0% | 20.0% | $4,000 |
| Leisure - Vacation | 237,612 | 0.02 | 4,752 | $26.40 | $130,000 | 0.0% | 40.0% | $52,000 |
| Leisure - Visiting Friends & Relatives | 158,408 | 0.03 | 4,752 | $23.10 | $110,000 | 0.0% | 40.0% | $44,000 |
| **Overseas Visitors to Toronto; Overnight** | **1,419,834** | **0.03** | **45,357** | **$45.64** | **$2,070,000** | **0.6%** | **14.4%** | **299,000** |
| Business | 242,114 | 0.02 | 4,842 | $47.19 | $230,000 | 0.1% | 10.0% | $23,000 |
| Leisure - Vacation | 659,426 | 0.03 | 19,783 | $48.40 | $960,000 | 0.3% | 15.0% | $144,000 |
| Leisure - Visiting Friends & Relatives | 518,294 | 0.04 | 20,732 | $42.35 | $880,000 | 0.3% | 15.0% | $132,000 |
| **TOTAL** | **37,120,000** | **0.31** | **11,420,000** | **$29.47** | **$336,560,000** | **100.0%** | **14.1%** | **$47,510,000** |
| Woodbine Live! Applicable Square Footage | | | | | 907,000 | | | |
| Projected Sales per Square Foot | | | | | **$371** | | | |

* Includes recaptured sales
Source: Hunden Strategic Partners

With less critical mass to create retail 'gravity' to the project – especially in this less acceptable area for many locals – the project will have less ability to pull traffic and spending. As a result, sales per square foot are projected to be less than $375, significantly less than when the large format retail was essentially, at least according to this model, subsidizing the novelty retail, entertainment and restaurant portion. In addition, the traffic supplied by large format retail will boost the traffic at the Live! portion and makes tenants more willing to sign leases and at higher rates. This co-tenancy requirement is typical and explains anchor-based retail developments that have been a staple for a century.

This implies that the specific portion of the Project being analyzed for incentives may indeed necessitate assistance from either or both the large format retail and other incentives in order to make the project acceptable.

The reality of this translates as follows:  with sales projections and visitation at this level, the implied rents would be in the $30 - $40 range instead of the $40 - $50 range. If tenants are only willing to pay the lower amount of rent, yet the project costs the same to complete, then the return on investment is lowered, potentially below zero.

**Tenant Sales and Rent Model.** The tenant sales approach takes a bottom-up approach to the Project performance, as opposed to the top-down approach of the Utilization Rate Model. In this instance, the analysis looks at the available tenant spaces and through interviews with the developer, makes assumptions about the proposed tenants and tenant types for each space. It then makes assumptions about the level of sales (total and per square foot) for the tenant in order to derive the rent willing to be paid by the tenant. Typically, tenants are willing to pay from 10 to 15 percent of gross annual sales in rent.

HSP has reviewed the tenant leasing plan provided by the developer in terms of the various tenants and tenant types they are pursuing for the project. As this information is confidential and could hurt the ability of the project to negotiate with tenants if made public, actual detailed names and rent terms are not shown below. What is shown below is a weighted average rent for each major component of the project by type of space (restaurant, entertainment, etc.).

**Table 1-8**

**Tenant Sales & Rent Approach**

| Category | Square Feet | Weighted Avg. Sales/SF | Total Sales | Implied Avg. Rent/SF |
|---|---|---|---|---|
| Restaurants | 116,950 | $425 | $49,709,084 | $43 |
| Lifestyle Retail | 183,778 | $390 | $71,713,112 | $39 |
| Entertainment Retail | 150,364 | $180 | $27,025,067 | $18 |
| Clubs/Music/Entertainment | 116,950 | $455 | $53,171,352 | $45 |
| Entertainment Anchors | 100,243 | $186 | $18,693,109 | $19 |
| Destination Entertainment | 167,071 | $321 | $53,702,706 | $32 |
| **Total** | **835,355** | **$328** | **$274,014,431** | **$33** |

Source: HSP

Based on this model and approach, the average sales per square foot is $328, implying an average rental rate of $33. This is slightly lower than the $371 per square foot implied by the utilization rate model and can change based on the assumptions for the larger tenants. The average is pulled lower by the very components that make this a transformative project: the entertainment anchors and entertainment-based retail. Without these in the mix, the sales levels would approach those found at major malls. Yet the entertainment aspect is what makes the project work in this location. The project cannot work without these elements, but also the project clearly cannot generate the revenue necessary to make it feasible for a private developer without some incentive.

**Income & Expense Approach.** The final approach takes into consideration the other two analyses but also the experience and expertise of the developer, HSP and other sources. It is the approach used for all real estate development as it projects each line item of revenue and expense for the project and ultimately pits the net revenue from the Project against the total project cost. The ability of the net revenue to cover the project cost is the return on assets. The net revenue available for debt and equity requirements makes up the debt coverage ratio and return on equity (cash on cash return) measurements. Ultimately, any real estate project will need to have a safe debt coverage ratio, return on equity greater than can be achieved from other safer investments (hurdle rate), and a return on assets that is positive. Without any of these three factors, the project will likely not be financed.

The development budget and sources and uses are shown below.

**Table 1-9**

**Sources & Uses**

| | W/o DC Adjustments | | W/ DC Adjustments | |
|---|---|---|---|---|
| | **Total** | **PSF** | **Total** | **PSF** |
| **USES:** | | | | |
| Budget | $707,543,120 | $241 | $707,543,120 | $241 |
| **SOURCES:** | | | | |
| Debt | $432,512,562 | $148 | $432,512,562 | $148 |
| DC Adjustments | $0 | $0 | $7,836,958 | $3 |
| Equity | $275,030,558 | $94 | $267,193,600 | $91 |
| Total | $707,543,120 | $241 | $707,543,120 | $241 |

Source: HSP, Cordish

The total cost of the project (Phase IA) is $707 million and the expected source of the majority of funds will be from private debt ($432 million, or 61 percent of the total). Woodbine requests that the City of Toronto waive development charges in the amount of $7.8 million. The private equity, for which the return is calculated, is between $267 million and $275 million, depending up on the scenario.

The table below shows the preliminary cash flow summary, which provides the income available for debt repayment and return on equity.

## Table 1-10

**Preliminary Woodbine Live! Summary of Income Available for Debt Service - Phase IA**

| | Investment | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|
| **Net Operating Income:** | | | | | | | | | |
| Retail / Entertainment NOI | | $34,020,035 | $33,796,871 | $33,567,419 | $33,331,500 | $33,088,928 | $36,822,180 | $40,021,200 | $43,464,392 |
| Hotel NOI | | $2,128,438 | $3,754,693 | $5,647,801 | $6,475,164 | $6,857,532 | $8,065,149 | $9,477,743 | $11,129,347 |
| 900 Spc Parking under Hotel NOI | | $2,198,099 | $2,369,104 | $2,532,155 | $2,615,325 | $2,701,142 | $3,172,905 | $3,724,355 | $4,368,684 |
| 2,000 Spc Above-ground Parking NOI | | ($702,500) | ($723,575) | ($745,282) | ($767,641) | ($790,670) | ($916,603) | ($1,062,594) | ($1,231,838) |
| **Total NOI** | | $37,644,072 | $39,197,093 | $41,002,092 | $41,654,348 | $41,856,933 | $47,143,630 | $52,160,704 | $57,730,585 |
| **Debt Service:** | | | | | | | | | |
| Retail / Entertainment Debt Service | | ($31,403,700) | ($31,403,700) | ($31,403,700) | ($31,403,700) | ($31,403,700) | ($31,403,700) | ($31,403,700) | ($31,403,700) |
| Hotel Debt Service | | ($5,275,024) | ($5,275,024) | ($5,275,024) | ($5,275,024) | ($5,275,024) | ($5,275,024) | ($5,275,024) | ($5,275,024) |
| 900 Spc Parking under Hotel Debt Service | | ($1,676,032) | ($1,676,032) | ($1,676,032) | ($1,676,032) | ($1,676,032) | ($1,676,032) | ($1,676,032) | ($1,676,032) |
| 2,000 Spc Above-ground Parking | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Debt Service** | | ($38,354,756) | ($38,354,756) | ($38,354,756) | ($38,354,756) | ($38,354,756) | ($38,354,756) | ($38,354,756) | ($38,354,756) |
| **Total Cash Flow** | | **($710,684)** | **$842,337** | **$2,647,336** | **$3,299,592** | **$3,502,176** | **$8,788,874** | **$13,805,948** | **$19,375,829** |
| TIEG | | $7,331,356 | $7,485,315 | $7,642,506 | $7,802,999 | $7,966,862 | $7,857,122 | $7,627,817 | $7,254,077 |
| Sale Proceeds (8% Cap) | | | | | | | | | $743,281,282 |
| Selling Expense (2% of Sale) | | | | | | | | | ($14,865,626) |
| Debt Repayment | | | | | | | | | ($159,508,827) |
| Cash Flow w/o TIEG and DC Adjustments | ($275,030,558) | ($710,684) | $842,337 | $2,647,336 | $3,299,592 | $3,502,176 | $8,788,874 | $13,805,948 | $588,282,658 |
| Cash Flow w/ TIEG and DC Adjustments | ($267,193,600) | $6,620,672 | $8,327,652 | $10,289,842 | $11,102,591 | $11,469,038 | $16,645,996 | $21,433,765 | $595,536,735 |
| ROE w/o TIEG and DC Adjustments | | -0.3% | 0.3% | 1.0% | 1.2% | 1.3% | 3.2% | 5.0% | 7.0% |
| ROE w/ TIEG and DC Adjustments | | 2.5% | 3.1% | 3.9% | 4.2% | 4.3% | 6.2% | 8.0% | 10.0% |
| | **W/o DC & TIEG Adjustments** | | **W/ DC & TIEG Adjustments** | | | | | | |
| **Internal Rate of Return** | **6.1%** | | **8.2%** | | | | | | |

Source: HSP

As shown the total cash flow after debt service is negative the first year and barely positive in the second year. As a result, the return on equity is extremely low and without the TIEG and Development Charge adjustment, the numbers are actually negative initially and remain approximately three percent lower than with the TIEG. With the TIEG and development charge adjustments, the internal rate of return is 8.2 percent. Without the TIEG and development charge adjustments, the internal rate of return over the 20-year period is only 6.1 percent. The internal rate of return is the average return on equity over a given period, in this instance, 20 years. Both are very low figures compared to the return on equity sought by most developers, who are seeking 18 to 22 percent returns on equity over a five to seven year period as well as for longer periods.

The model was completed with two additional items that helped the returns on the project: the first is that the large format retail is included in this model and as it performs better (versus its cost), it actually improves the figures. Without the large format retail, the return figures would be lower. In addition, the scenario with the TIEG adjustment assumed the full requested amount over the 20 years. If less than this amount was provided to the project, the justification to move forward would be very weak.

As it stands, HSP has reviewed the models, assumptions and various other areas for improvement and weakness and remains surprised that the developer will move the project forward given the amount of risk. As stated earlier, most private developers would seek a minimum guaranteed return much higher (more than double) than that projected here. In this case the developer is taking the risk and the public sector is getting the guaranteed benefit at any level of performance the project achieves.

**Projection of Project Benefits.** There are a variety of project benefits for Toronto. These include tax benefits (fiscal), employment benefits, construction impacts, and intrinsic benefits. These are discussed below.

**Fiscal.** Fiscal impacts/benefits are the most commonly measured impacts when public funds are used on the project. These rationalize the public's investment in a project. If the public 'invests' $87 million and receives $142 million (after the $87 million) over a 20-year period, this would rationalize the public's investment. Such fiscal impacts include taxes collected on real estate, development and impact fees, sales taxes, employment taxes, and any other taxes on activities occurring onsite, such as gaming taxes or gaming revenue. These are summarized later in this chapter.

**Employment.** Employment impacts are those jobs created by the projected. These can be direct and indirect. Direct jobs created are those within the project itself. In the Woodbine Live! Project, Cordish projects that as many as 6,000 new jobs would be created. Indirect employment is generated based on the economic activity onsite and in the area's economy. Economic input-output models measure such economic activity and reveal how many new jobs are supported in the economy due to the project.

**Construction.** Construction impacts are those generated by the one-time construction activity to build the project. The $707 million needed to develop Phase 1A is generally expected to break down to 60 percent materials and 40 percent labor. This creates economic activity and purchasing of supplies and equipment for the project. It also creates thousands of 'job-years' for construction workers.

**Intrinsic.** Intrinsic benefits are those that are difficult to measure. These can include local pride, stabilized neighborhoods, the longevity of horseracing that is benefited by the project, the increase in the tourism profile of Toronto, the benefits to the airport and public transportation, and numerous other immeasurable benefits.

HSP describes two scenarios in terms of impact. The first is a scenario where the project does not move forward due to not receiving the incentives requested or any other reason. This is a conceptual analysis without a financial model as it actually supposes that the results could be less than zero. In the second scenario, the project moves forward and generates benefits for the City, Province and citizens of the area. These are both financial, employment related and intrinsic.

## *Scenario I: No Woodbine Live! Project*

To properly analyze the Woodbine Live! project HSP must consider the consequences of the parties not developing Woodbine in a timely manner or at all. Lack of any development would result in both direct and indirect consequences. The impact on Woodbine Entertainment Group and more specifically Woodbine Racetrack, the economic impact to the community and the region, and loss of tax revenues must be considered.

**Loss of Revenue by City of Toronto –** Woodbine Live! would generate a significant amount of tax revenue, development charges and fees that would directly benefit the City of Toronto. HSP estimates that after the TIEG and other incentives that Woodbine has requested are deducted, the net present value tax, charges, fees, permits and slot revenues of the project to the City of Toronto would be $141.7 million over 25 years. All of the development charges, permits and fees, estimated at $8.4 million, would be paid in the year of construction. The real estate taxes would be paid throughout the next 25 years.

If Woodbine Live! does not become a reality, all of this benefit, as well as the indirect benefits that would accompany the development, would be lost. The nature of the TIEG incentive is that it is only paid if the development is completed. Unlike a grant or loan, the City of Toronto has no risk. If the development is not completed or fails after completion, the City does not lose any funds. Therefore, the City of Toronto has bears no risk in granting a tax incentive and has much to gain if the project is successful.

**Negative Financial Impact to Woodbine Entertainment Group -** If the Woodbine project is not developed, the Woodbine Entertainment Group (WEG) and Woodbine Racetrack would suffer the greatest impact. WEG had been actively seeking developers to work with the non-profit corporation for a decade before the Cordish Company partnered with WEG to form Woodbine Live! WEG was acting with forethought because it has been able to see that the company had to diversify to survive. The financial status of WEG and the recent history of the organization both show that Woodbine Live! is a partnership that is necessary to keep WEG and horseracing in Ontario from experiencing major financial problems.

For the past few years, income from horseracing has been a major concern. The WEG financials and the figures concerning horseracing, set forth in Chapter 2, clearly show a trend of continually reducing income from horserace wagering. Although thoroughbred race wagers have remained stable, standardbred racing income has sharply declined in the past five years.

**Past Experience May Foretell Future Risk in Real Estate Sales and Development.** WEG has taken steps to try to use its assets to its advantage to stimulate Woodbine Racetrack and its other ventures. In the past two decades WEG, formerly the Ontario Jockey Club, sold some of its real estate assets to pay debt, upgrade the facilities, and make necessary repairs. The funds generated by the sales of the real property were a one-time benefit to WEG, but the sales had other consequences. WEG sold property across Rexdale Boulevard from Woodbine Racetrack. The new owners developed the Woodbine Centre, an enclosed mall, and an apartment complex that is now low- to moderate-income housing. Loss of control of the use of the real property has created a community around Woodbine Racetrack that is less conducive to a tourist attraction.

The undeveloped real property still owned by WEG consists of the parking lots and vacant land in the northwest corner of the property, adjacent to the racetrack. The proposed project intends to develop approximately 115 acres of land, at the corner of Rexdale Boulevard and Route 427. If WEG is forced to sell that remaining property to help 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 financial situation it faces.

A financially unstable WEG affects more than just the racetracks of Woodbine and Mohawk. WEG employs more than 3,000 people who would be affected. Furthermore, as shown in the report *Economic Implications of Woodbine Live!*, prepared by Clayton Research Associates in January 2007, the horseracing industry in Ontario has a major impact on the agricultural sector of the province, and in particular in rural areas. That report states that 80 percent of the expenditures made by horse operators were made in rural areas. It concludes that the horse racing industry is critical to the economy of agriculture and to rural Ontario. Therefore, any reduction in or loss of horse racing would cause a major impact to the entire province.

**Loss of Tourist Attraction in City of Toronto –** Toronto and the Province of Ontario have been wrestling with the notion of spending significant amounts of capital to bid for and host the Pan American Games. There are many opposed to spending such capital for a one-time sporting event and many still recall the financial disaster the followed the Montreal Games. What if Toronto could have an ongoing sporting and tourist event without the risk? This is the case at Woodbine. In many ways, the Woodbine Live! project will create an ongoing major tourist destination and will support the ongoing success of the equestrian and horse racing industry in Canada without any capital expenditures from the public sector. Instead the private sector will take the risk and the public will benefit. If the project is not developed, the area will continue to be essentially blighted and underutilized. Employment opportunities for local citizens will not be created.

**Loss of Economic Growth Opportunity in Underdeveloped Area –** As discussed above, the area surrounding Woodbine is underdeveloped, blighted in some areas, and hosts a population in need, despite the commercial industry in the area. The project, if built, will provide jobs for 6,000 citizens and an opportunity to lift the area out of its current state. Without the project, the area will continue to decline.

## *Scenario II: Woodbine Live! Project Proceeds*

For this scenario, HSP reviewed the models and assumptions created by Cordish as well as other firms that made projections of impact for the project, as discussed previously in this chapter. HSP modified certain assumptions about additional slot revenue from the existing casino, from 40 percent increase to a 20 percent increase, and confirmed the other assumptions as being reasonable. The slot revenue increase appeared to be optimistic in the view of HSP unless and until the number of slot machines is increased onsite. Staff of WEG stated that there is a shortage (or more demand than supply) of gaming positions in the area and so the occupancy level at the casino is already nearly as high as it can get. There are literally lines for the machines on the weekends today. It is difficult to get busier than this, even if more people wish to gamble. As a result, HSP has suggested a more modest 20 percent increase in slot revenue.

The summary of public tax benefits from the project is listed here, at least in terms of increased slot revenue, real estate taxes, development charges, permits and fees. In addition, there will be thousands of new jobs created (6,000) as well as the income and income taxes generated from such employment. This new employment income just onsite is expected to be a minimum of $150 million annually.

The other primary impacts are summarized below.

**Table 1-11**

**Woodbine Live!**
**Public Benefit Summary**

| | | |
|---|---|---|
| **PHASE 1A*** | | |
| CITY OF TORONTO | | |
| Total Increase in Slot Revenue | $ | 43,894,155 |
| R.E. Taxes, Development Charges, Permits & Fees | $ | 184,382,314 |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO before TIEG & DC Adjustments | **$** | **228,276,468** |
| Less: TIEG and Development Charges | $ | (86,612,512) |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | **$** | **141,663,956** |
| Indirect Benefits | $ | 324,512,872 |
| TOTAL BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | **$** | **466,176,828** |
| **ALL PHASES*** | | |
| CITY OF TORONTO | | |
| Total Increase in Slot Revenue | $ | 43,894,155 |
| R.E. Taxes, Development Charges, Permits & Fees | $ | 387,706,967 |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO before TIEG & DC Adjustments | **$** | **431,601,122** |
| Less: TIEG and Development Charges | $ | (183,409,181) |
| TOTAL DIRECT BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | **$** | **248,191,941** |
| Indirect Benefits | $ | 682,364,262 |
| TOTAL BENEFITS TO THE CITY OF TORONTO after TIEG & DC Adjustments | **$** | **930,556,203** |

*Assumes 25 years of Operation

Source: HSP, Woodbine Live! PC

As shown, the project is expected to generate nearly $44 million in present dollars in new slot revenue from Phase 1A over the 25-year period, assuming a twenty percent increase in slots revenue, as well as $184 million in real estate taxes, development charges, permits and fees. After subtracting out the TIEG and development charge incentives provided to the project, the total direct benefits of the project to these public line items is nearly $142 million, or an average of $6 million annually that the City is not currently receiving. The indirect benefits, or spillover impacts, are projected at $325 million over the period, based on a multiplier of 1.76 of the real estate taxes, development charges, permits and fees. The 1.76 figure is the "tourism multiplier" established by Stats Canada to determine indirect benefits of a tourist destination. The impact of all phases is shown, but the focus of this report is on Phase 1A.

Given the lack of risk to the public sector and the fact that this will not be setting a precedent easily copied (due to the unique, massive and transformative nature of the project), it is HSP's opinion that the City would be justified in supporting the project at the level of incentive requested.

**Incentive Review.** The type and magnitude of incentives of projects that have transformative qualities vary based on many elements. Generally, the scope of the project and the condition of the area in which it is planned can often be the greatest determinant of the public sector's contribution. Each of the comparable projects discussed in Chapter 4 pioneered development in areas that were grossly underutilized or attached to struggling economic uses. The effects, or planned effects, of these projects have greatly enhanced the economic activity, physical appeal and the overall attractiveness of the areas in which the projects were developed.

Each public entity may have a different mechanism to assist in the development process, but the end results have common traits. The more active an area within a municipality or state is, the greater the economic benefit to be captured by the public sector and the population of that area.

The table below summarizes the incentive structures for the developments that are comparable to Woodbine Live!

**Table 1-12**

**Incentive Review of Comparable Projects**

| Project | Cost of Project (000,000) | Value of Incentive (000,000) | Type of Incentive | Private Equity (000,000) | Privately Financed (000,000) | Incentive % of Project Cost | Estimated Return on Assets |
|---|---|---|---|---|---|---|---|
| Kansas City Power & Light | $180 | $70 | TIF | $50 | $60 | 39% | 4%-7% |
| Fourth Street Live! | $90 | $30 | Grant/TIF/ Fed NMTC | $18 | $42 | 33% | 5%-8% |
| Center City-Louisville | $220 | $110 | TIF | $40 | $70 | 50% | 4%-6.5% |
| Bayou Place-Houston | $52 | $20 | Land Grant | $10 | $22 | 38% | 4%-7% |
| Bayou Place Phase II | $34 | $5 | Land Grant | $7 | $22 | 15% | 7.5%-10% |
| City Place-West Palm Beach | $142 | $55 | TIF | $33 | $109 | 39% | unknown |
| Power Plant-Baltimore | $100 | $23 | Land Grant | $25 | $52 | 23% | 8%-10.5% |
| Power Plant Live! | $64 | $20 | Land Grant | $15 | $29 | 31% | 7% to 9.5% |
| Ballpark Village-St. Louis | $146 | $42 | TIF | $45 | $59 | 29% | 5%-8% |
| Paradise Live! and Hard Rock Casino Hollywood | $890 | N/A | N/A | N/A | N/A | N/A | N/A |
| Atlantic City-The Walk | $245 | $31 | Land Grant | $35 | $179 | 13% | 5%-7% |
| Village at Gulfstream | $200 | $48 | CDD | $32 | $120 | 24% | 10% |
| *Average* | *$197* | *$41* | | *$28* | *$69* | *30%* | *7%* |
| **Woodbine Live! Phase 1A** | $708 | $86 | TIEG | $266 | $433 | 12% | 5%-7% |

Source: ULI Mixed Use Development Handbook, Cordish, HSP

Every development that is comparable to Woodbine Live! received at least 13 percent of the total project costs by way of public incentives. On average, each of the projects were granted 30 percent of their total development costs from the public sector, whether it be land grants, tax increment financing (TIF), new market tax credit (NMTC), or some combination of those. Center City in Louisville, KY, received incentives worth $110 million, which is 50 percent of the project's cost to build. Paradise Live! did not qualify for public incentives from the government due to the fact that it was a partnership with an American Indian tribe who are considered their own sovereign population. In nearly every instance, the public sector put money into the projects upfront.

The live entertainment and retail portion of Woodbine Live! is seeking $86 million in incentives from the City of Toronto, an amount that would cover only 12 percent of the $708 million to develop the project. The average incentive grant is 30 percent of the cost to construct the comparable projects; therefore, incentives equal only forty percent of the average incentive grant in the comparables.

**Industry Expert Interviews.** As part of its research, HSP traveled to Toronto, Louisville, Baltimore, Kansas City and Las Vegas to complete this assignment. HSP representatives traveled to Las Vegas, Nevada, to attend the 2008 Global Retail Real Estate Convention (RECON) hosted by the International Council of Shopping Centers (ICSC), to gather information and speak with experts in the retail development industry about this project. Membership of ICSC is compromised 75,000 people throughout 80 countries, and focuses on connecting retail industry professionals as well as promoting the growth and advancement of shopping center development worldwide.

The annual RECON event attracts roughly 50,000 industry professionals, investors, academics and public sector representatives. One primary function of the meeting is to connect tenants with developers and execute lease deals of millions of square feet of retail space. In addition to drafting tenant commitments, the event provides an excellent opportunity for networking and gathering information related to the retail industry.

While at the convention HSP approached numerous development groups who specialize in retail projects similar to that which is proposed in Toronto. The goal in interviewing these experts was to better understand the investment hurdles that must be overcome to make projects like this feasible from a developer's perspective. The interviews included inquiries about the implications of these projects on the surrounding areas, and their transformative qualities.

HSP sought the opinions and expertise of senior level officials of various development companies who specialize in large scale mixed-use projects with a heavy emphasis on the retail/restaurant market.

When asked about the typical rate of return necessary for a project to be financially feasible the developers provided a range of responses in terms of how each measure their desired returns.

**Return on Assets –** ROA measures how well a particular project's earnings were generated from all invested capital (assets). The higher the ROA the better for the investor, as this indicates the development is generating more income over the total cost of the project. It is best to use ROA when comparing like projects. Many large-scale mixed-use projects require tremendous capital to develop and therefore the ROA is a reliable metric to measure return among similar projects. In general the industry professionals said that they typically require a return on assets of eight to twelve percent for a project to be financially feasible.

**Cash on Cash Return –** Cash on cash return is a metric that measures the return on cash invested, excluding debt, in an income producing property. It is calculated by dividing cash flow by the amount of cash invested (down payment or equity amount) and is expressed as a percentage. Generally speaking most developers informed HSP that it is common and desirable to capture 18 to 22 percent cash on cash return.

**Return on Equity –** The principle of this metric is similar to the cash-on-cash measurement. ROE represents how well a project generates income in relation to the amount of equity put into the project. Essentially for most large-scale developments the equity put forth by the developer will equal the cash, or down payment of the total project cost. Since ROE and cash on cash are similar measurements the desired returns generated by the developers are similar as well, at 18 to 22 percent.

All of the experts agreed that whichever metric is used to measure the return on investment for a development, if the hurdle that will determine financial feasibility is not cleared by the private developer alone, a public subsidy will be necessary for the development to move forward. The overall net benefit of the project to the surrounding area is a portion of the public sector's return on investment, in addition to whatever new tax revenue is generated.

HSP also inquired about the transformative characteristics that some of these projects embodied. Many of the developers stated that they felt that their projects had some positive effects on the surrounding areas, however little detail was given as to the extent of this transformation.

Industry experts indicated that although it is likely that most mixed-use developments attract other development, the degree to which the area is impacted is often linked to the size and scope of the project. When informed about Woodbine Live! most developers agreed that the effects from such a project would have substantial positive effects on the area and given the weak status of the Woodbine area in terms of economic and demographic measures, it was decided that the Woodbine Live! project is going to transform the area.

The City of Toronto has worked hard to define "transformative" projects. Given the size, scope and uniqueness of the project and its location, we believe it will achieve transformative status quickly, similar to what other such projects have exhibited in the U.S.

**Request for Incentives.** Based on the preceding chapters of analysis, research and implications for the project, HSP is comfortable making the following statements about the Woodbine Live! project:

- The project meets the proposed definition of a transformative project.
- The project meets the industry-accepted definition of a transformative project based on its size, unique characteristics, location adjacent to an existing sport and entertainment destination, and mix of components.

- The project is unique for Canada in a number of respects, including design elements, the experiential concept (Disney versus a typical mall), the lifestyle retail concept, the mix of tenants (many new to Canada and Toronto), the entertainment portion.

- The project will induce significant new spending to the Province, the City, and the local area. The spending in the local area will inject new life and development activity in the parcels and areas around Woodbine, providing new economic opportunity for residents.

- The project has the opportunity, with transit links, to leverage the benefits of the airport and vice versa.

- The project is requesting much less than what comparable or smaller projects have requested in other jurisdictions. The public sector is not putting any equity or hard investment at risk, only future potential taxes that currently do not exist. As such, the risk to Toronto is low and the potential rewards high. In analog projects, the public has invested heavily in infrastructure, providing public bonds to finance much of the project costs in the hope that the investment will be repaid over a 10, 20 or 30-year time horizon.

- The public sector has no risk in this project and will be guaranteed tax impacts commensurate with the level of success of the project. If the project does not proceed, the public will not receive any benefits. If the project does move forward and fails, the public will still receive benefits but will not lose any upfront investment. This is a beneficial relationship for the public sector and compared to any similar deal in the U.S., the City of Toronto is in a win-win situation.

- The alternative to providing the incentive necessary for the project will be a long-term continued decline of WEG, the Woodbine area, and WEG's mission to further the horse racing industry.

- HSP has reviewed what returns the developer will receive from the project and has determined that the returns are not compelling for the private sector, however they are positive enough for family companies like Cordish with long-term holding perspectives to move forward. However, this is only true if the requested TIEG and exemption from development charges are provided. Without the incentives, no company in the industry would participate in such a project due the high level of risk and low level of reward.

- Cordish is able to accept lower returns on investment in the initial stages of a project only because the projects are transformative in nature. Because the projects completely change the real estate usage and values in the area, the second and third phases of projects usually can be completed without as much or any public participation.

As a result of these facts and opinions, HSP recommends the City move forward with the project providing the full amount of incentives requested. The City can be confident in the fact that it will not be put at risk and that its level of relief for the project is less than one-half of the share the public sector has typically provided for similar projects. Finally, the participation is not in the form of an upfront investment that places Toronto in some form of risk. Instead the incentives are a reduction in future new taxes and fees that would not have been received without the construction of the project.