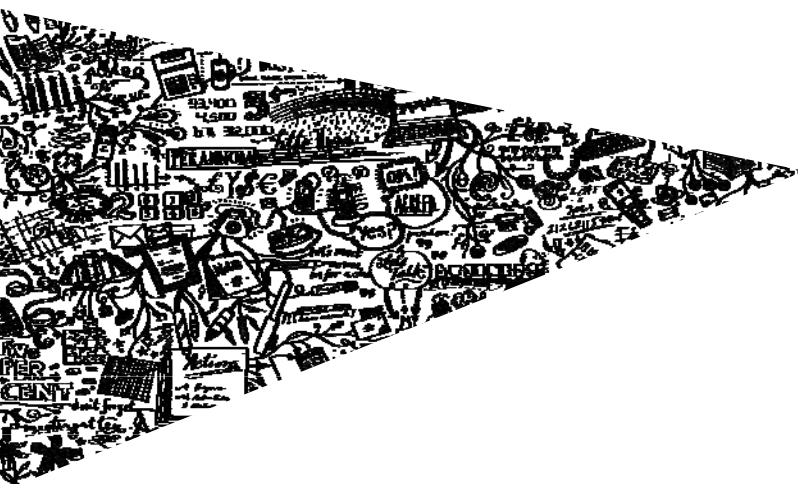


City of Toronto

# Potential Commercial Casino in Toronto

October 26, 2012



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Section 1.

# Terms of reference



### 1.0.1. Introduction and scope

On August 2, 2012, the City of Toronto (the “**City**”) engaged Ernst & Young LLP (“**E&Y**”) to conduct a study (the “**Study**”) of the potential impacts of a commercial casino located in Toronto. The scope of work for the Study (the “**Scope of Work**”) was set out in the request for proposals for Roster Assignment # 9144-11-7001-Cat2MC19-12 and consisted generally of the following:

- ▶ Constructing a model to assist the City in assessing the various impacts of a potential casino on the City’s revenues and the local Toronto economy;
- ▶ Meeting with officials from the City, Ontario Lottery and Gaming Corporation (“**OLG**”) representatives, Casino Operators, officials from other Ontario municipalities that host OLG gaming venues as well as other stakeholders;
- ▶ Reviewing research studies and literature on the socioeconomic impact of casinos in other jurisdictions; and
- ▶ Reporting to the City on the findings of the above.

The Scope of Work is outlined in further detail in Appendix B. During the course of completing the Study, E&Y met regularly with the City to provide progress updates and to confirm the direction of our work. This report (the “**Report**”) summarizes our findings and analyses from the Study.

In undertaking the Study, E&Y partnered with Dr. Stephen Tanny, an independent economics consultant. Dr. Tanny assisted in the modeling and estimation of the potential economic impacts associated with an Integrated Entertainment Complex.

### 1.0.2. Limitations

In preparing this Report, E&Y relied upon unaudited statistical, operational and financial data and information from a variety of sources as well as discussions and consultations with the City, OLG and several other organizations (collectively, the “**Supporting Information**”). The Supporting Information is detailed in Appendix C. Our work in completing the Study was based solely on the Supporting Information available to us as at October 26, 2012. E&Y reserves the right to revise any analyses, observations or comments referred to in this Report if additional Supporting Information becomes subsequently available to us.

E&Y assumed the Supporting Information to be accurate, complete and appropriate for purposes of the Study. E&Y did not audit or independently verify the accuracy or completeness of the Supporting Information and, accordingly, E&Y expresses no opinion or other form of assurance regarding the Supporting Information.

Our work included preparing illustrative estimates of the potential future hosting fee, property tax and other revenue streams that may accrue to the City as well as the impacts of a casino on the local Toronto economy (collectively, the “**Economic Impacts**”). The magnitude of the Economic Impacts will be dependent on a number of factors, conditions and events that are presently unknown and / or outside the control of the City including, but not limited to, the location and configuration of the potential casino, marketing efforts undertaken by the operator, competition from other gaming venues and the regulations and operating directions implemented by OLG and AGCO. Consequently, in preparing the illustrative estimates of the Economic Impacts, numerous assumptions were required to be made about these factors, conditions and events. The actual Economic Impacts will vary from the illustrative estimates, even if the assumptions are realized. Such variations may be material.

The procedures set out in the Scope of Work are limited to data and information gathering and analysis. The Scope of Work does not include recommendations regarding: (i) whether the City should consent to hosting a casino; (ii) the terms and conditions of such consent; (iii) the compensation the City should request in consideration for consent; and (iv) the location or configuration of a casino.

### **1.0.3. Use of this Report**

This Report is intended solely for the information and use of the City in accordance with the terms of the engagement agreement dated August 2, 2012. This Report is not intended for general circulation or publication, nor is it to be reproduced, referred to or used for any purpose, in whole or in part, without our prior written consent. E&Y will not assume any responsibility or liability for losses incurred by any party as a result of the unauthorized circulation, publication, reproduction or use of any of this Report, or any part of thereof, contrary to the provisions of this paragraph. This Report must be read in its entirety including this section regarding the terms of reference.

### **1.0.4. Other**

Monetary amounts are expressed in 2012 dollars. The potential effects of inflation are not reflected.

Terms not defined within the body of this Report are as defined in Appendix A.

Section 2.

# Executive summary

## 2. Executive summary

### 2.0.1. Overview

- ▶ The purpose of this Study is to determine the potential financial and economic impacts of a casino operation in order to assist the City in its decision making process.
- ▶ Based on our discussions with the City Manager’s Office and industry players, this Report is based on an illustrative configuration for a possible Integrated Entertainment Complex in Toronto which would include a casino, hotel, retail and restaurants and convention or meeting room space. The assumed configuration is purely illustrative as the actual design of any complex is not known as of the date of this Report. The configuration assumptions, with a comparison to a Standalone Casino and Fallsview Casino in Niagara Falls, are summarized in the table below.

	<b>Integrated Entertainment Complex</b> Toronto	<b>Standalone Casino</b> Toronto	<b>Fallsview Casino</b> Niagara Falls
Casino gaming floor	300,000 sq.ft. with 4,500 slots and 250 tables	300,000 sq.ft. with 3,500 slots and 150 tables	200,000 sq.ft with more than 3,000 slots and 130 tables
Hotel	800 rooms	None	374 rooms
Other amenities	450,000 sq.ft.	100,000 sq.ft.	225,000 sq.ft. with 18 restaurants and a 1,500 seat theatre
Meeting and exhibition	300,000 sq.ft.	None	30,000 sq.ft.
Parking	3,600 cars	3,600 cars	3,000 cars
Total constructed area	3,800,000 sq.ft. (main building and parking) on 25 to 28 acres	2,300,000 sq.ft. (main building and parking) on 10 to 20 acres	2,500,000 million sq.ft. (main building only) on 23 acres

- ▶ Included in Appendix N are some examples of actual Integrated Entertainment Complexes.

## 2. Executive summary

### 2.0.2. Financial impacts

- ▶ Based on the Illustrative Scenario discussed above (and further detailed in Section 4 of this Report), potential financial and economic impacts of a new venue in Toronto in C1 (as defined later herein) which incorporates a casino (either as part of an Integrated Entertainment Complex or as a Standalone Casino) would include the following<sup>1</sup>:

Financial and Economic Impacts																						
Incremental city revenue and additional costs	▶ A new venue is estimated to generate incremental revenue and additional costs to the City of:																					
		<table border="1"> <thead> <tr> <th></th> <th>Integrated Entertainment Complex</th> <th>Standalone Casino</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Non-recurring</b></td> </tr> <tr> <td>Sale of city-owned land (City's share)</td> <td>\$35 to \$250 million</td> <td>\$12 to \$200 million</td> </tr> <tr> <td>Infrastructure</td> <td>Moderate to high</td> <td>Moderate to high</td> </tr> <tr> <td colspan="3"><b>Recurring</b></td> </tr> <tr> <td>Hosting fees</td> <td>\$17 to \$168 million</td> <td>\$16 to \$120 million</td> </tr> <tr> <td>Incremental property taxes (City's share)</td> <td>\$22 to \$30 million</td> <td>\$5 to \$10 million</td> </tr> </tbody> </table>		Integrated Entertainment Complex	Standalone Casino	<b>Non-recurring</b>			Sale of city-owned land (City's share)	\$35 to \$250 million	\$12 to \$200 million	Infrastructure	Moderate to high	Moderate to high	<b>Recurring</b>			Hosting fees	\$17 to \$168 million	\$16 to \$120 million	Incremental property taxes (City's share)	\$22 to \$30 million
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Incremental property taxes (City's share)	\$22 to \$30 million	\$5 to \$10 million																				

<sup>1</sup> This table outlines the potential impacts to the City of a new Toronto casino before taking into consideration effects of the casino on the slots business conducted at Woodbine Racetrack.

## 2. Executive summary

Financial and Economic Impacts																	
GDP	▶ A new venue is estimated to contribute GDP to the Toronto economy of:																
		<table border="1"> <thead> <tr> <th></th> <th>Integrated Entertainment Complex</th> <th>Standalone Casino</th> </tr> </thead> <tbody> <tr> <td><b>Non-recurring</b></td> <td></td> <td></td> </tr> <tr> <td>    Construction</td> <td>\$1.7 to \$2.1 billion</td> <td>\$0.7 to \$1.0 billion</td> </tr> <tr> <td><b>Recurring</b></td> <td></td> <td></td> </tr> <tr> <td>    Ongoing operations</td> <td>\$1.5 to \$2.0 billion</td> <td>\$0.9 to \$1.2 billion</td> </tr> </tbody> </table>		Integrated Entertainment Complex	Standalone Casino	<b>Non-recurring</b>			Construction	\$1.7 to \$2.1 billion	\$0.7 to \$1.0 billion	<b>Recurring</b>			Ongoing operations	\$1.5 to \$2.0 billion	\$0.9 to \$1.2 billion
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	▶ Incremental growth in GDP will occur to the extent an Integrated Entertainment Complex attracts additional new tourism spending by non-residents or recaptures entertainment and leisure spending by residents who would otherwise patronize venues outside of Toronto (as discussed later in this report).																
Existing businesses	▶ Some of the GDP contributed by an Integrated Entertainment Complex will be at the expense of existing businesses to the extent consumers shift their entertainment and leisure spending from existing businesses to the Integrated Entertainment Complex (as discussed later in this report).																
Tourism	▶ An Integrated Entertainment Complex, particularly in conjunction with an expansion of convention space, will enhance the City's tourist appeal.																

## 2. Executive summary

Financial and Economic Impacts																	
Employment	▶ A new venue is estimated to lead to the creation of new direct and indirect jobs (measured in FTEs) in the City related to:																
		<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Integrated Entertainment Complex</th> <th style="text-align: center;">Standalone Casino</th> </tr> </thead> <tbody> <tr> <td><b>Non-recurring</b></td> <td></td> <td></td> </tr> <tr> <td>Construction (3 year period) (FTEs)</td> <td style="text-align: center;">6,800 to 8,500</td> <td style="text-align: center;">2,900 to 3,800</td> </tr> <tr> <td><b>Recurring</b></td> <td></td> <td></td> </tr> <tr> <td>Ongoing operations (FTEs)</td> <td style="text-align: center;">16,000 to 20,000</td> <td style="text-align: center;">9,000 to 12,000</td> </tr> </tbody> </table>		Integrated Entertainment Complex	Standalone Casino	<b>Non-recurring</b>			Construction (3 year period) (FTEs)	6,800 to 8,500	2,900 to 3,800	<b>Recurring</b>			Ongoing operations (FTEs)	16,000 to 20,000	9,000 to 12,000
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Ongoing operations (FTEs)	16,000 to 20,000	9,000 to 12,000															
	▶ Some of the jobs created by a new venue will be at the expense of existing jobs to the extent existing businesses lose revenue to the new venue and are required, as a result, to reduce employment (as discussed later in this report).																

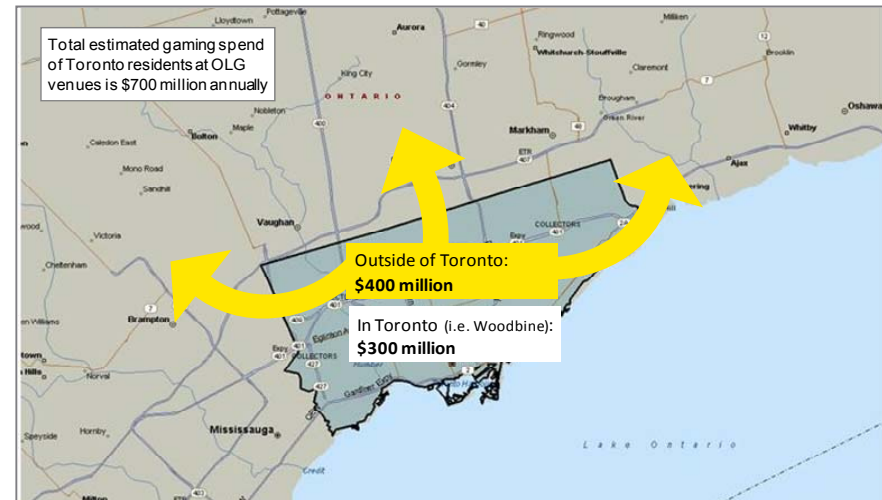
### *Incremental impact on the local economy*

- ▶ The ability of an Integrated Entertainment Complex to be accretive to the local economy depends on the complex's ability to attract: (i) Toronto residents who currently gamble at OLG venues outside of Toronto or other non-OLG gaming venues; and (ii) a greater proportion of non-residents and tourists versus Toronto residents.
- ▶ The potential of an Integrated Entertainment Complex to create economic benefits is greater than that for a standalone or "slot-box" casino for a number of reasons, including:
  - the non-gaming amenities at the complex, such as retail shopping as well as entertainment and convention facilities, can be attractions in their own right;
  - the ability to draw customers from long distances despite the presence of less diversified casinos nearer to the customer; and
  - the potential to become an important catalyst for tourism and leisure industry development extending beyond the complex.
- ▶ International high rollers comprise a significant and profitable segment of the global gaming market. As an illustration of the size of the potential market, E&Y were advised that casinos in Macau generate US\$2.5 billion of Gaming Revenue from international high rollers. In

## 2. Executive summary

our discussions with OLG and Casino Operators, it was noted that several characteristics of Toronto would make the City an attractive location for international high rollers including the lack of taxes levied on gambling wins, the number of direct flights from Asian countries and the local demographics and family connections to Asia. Accordingly, a casino in Toronto is anticipated to be able to capture a sizable portion of the international high roller market, if the casino is configured and promoted appropriately. The consensus view was that Gaming Revenue from international high rollers (and tourists) would be potentially between \$250 and \$400 million if an integrated Casino Complex is approved.

- ▶ An Integrated Entertainment Complex can also contribute to recapturing the entertainment and leisure spending of Toronto residents who would otherwise go to other jurisdictions to patronize a casino. In our discussions with OLG, the Crown agency indicated that it expects Toronto residents to comprise approximately 35% to 50% of the customer base of a GTA casino.
- ▶ Based on “carded play”<sup>2</sup>, Toronto residents currently spend approximately \$700 million per year at OLG venues of which approximately \$400 million is spent by Toronto (not GTA) residents on gaming activities at OLG venues outside of Toronto (i.e. not Woodbine Racetrack). As carded play represents 60% to 80% (depends on facility) of total gaming revenues at OLG venues, potentially 20% to 40% of the total gaming by Toronto residents at OLG venues outside Toronto could be “non-carded play.” Accordingly, this non-carded play could mean an additional \$100 to \$250 million is being spent by Toronto residents at OLG venues outside of the City. A casino in Toronto could potentially result in a significant portion of this \$500 to \$650 million of gaming spend being retained within the City rather than being spent outside.
- ▶ Based on carded play, other GTA (non-Toronto) residents spend approximately \$600 million per year at OLG venues outside of Toronto (i.e. not Woodbine Racetrack).



<sup>2</sup> “Carded Play” refers gaming by members of OLG’s customer loyalty programme. Through the loyalty programme, OLG is able to capture the customer’s place of residence the frequency of play, the location of play and how much they spend. OLG advised that most of its customers who reside in Ontario are members of the loyalty programme.



## 2. Executive summary

- ▶ In summary, the potential incremental gaming spend in the City, which would contribute to the growth of the Toronto economy, would be driven by:
  - retention of some or all of the amounts currently being spent by Toronto residents on carded play at OLG venues outside of the City (estimated to be \$400 million);
  - retention of some or all of the amounts currently being spent by Toronto residents on non-carded play at OLG venues outside of the City (estimated to range from \$100 to \$250 million);
  - retention of some or all of the amounts currently being spent by Toronto residents at non-OLG venues outside of the City (data unavailable);
  - new incremental spending by near tourists (i.e. other GTA residents) who now come into Toronto to gamble at the casino (estimated to be \$600 million);
  - new incremental spending by additional tourists and international high rollers (estimated to range from \$250 million to \$400 million); and
  - new incremental spending generated by convention-related tourism (data unavailable).

### *Illustrative incremental impact*

- ▶ It is uncertain whether the Toronto residents who currently spend \$400 million in carded play at OLG venues outside of the City will change their gambling habits to gamble exclusively in Toronto if a casino is built in downtown Toronto. However, it is reasonable to assume that Toronto residents who gamble at casinos will have a tendency to gamble at a location that is most convenient. Based on the assumption that resident Toronto gamblers will likely gamble locally if they have such an opportunity, then it may be possible to assume that 25% to 75% of the \$400 million will be recovered and will be a “fresh” incremental gaming spend in the City.
- ▶ If we assume that “non-carded” play by Toronto residents represents 20% of the total gaming spent by Toronto residents at OLG venues and 25% to 75% is recovered, there may be an additional \$25 to 75 million of incremental gaming spend in the City.
- ▶ It is also uncertain the extent to which other GTA (non-Toronto) residents who currently spend \$600 million in carded play at OLG venues outside of Toronto will change their gambling habits to gamble at a Toronto casino. However, it is reasonable to assume some of the other

## 2. Executive summary

GTA residents will gamble in Toronto. On this assumption, it may be possible to assume that 5% to 10% of the \$600 million will be captured as incremental gaming spend in the City.

- ▶ With respect to the potential benefit from international high rollers<sup>3</sup>, it may be possible to assume that \$150 million to \$250 million will be the incremental gaming spend in the City, in respect of an Integrated Entertainment Complex.

(\$ Millions)	Integrated Entertainment Complex		Standalone Casino		
	Low Estimate	High Estimate	Low Estimate	High Estimate	
<b>Toronto residents</b>					
Carded play at OLG venues	100	300	100	300	
Non-carded play at OLG venues	25	75	25	75	
<b>Non-residents</b>					
Near tourists (other GTA residents)	30	60	30	60	
International high rollers	150	250	-	-	
Total incremental Gaming Revenue	A	305	685	155	435
Total Gaming Revenue	B	1,260	1,400	920	1,020
Proportion of Gaming Revenue	C = B / A	24%	49%	17%	43%
Total GDP impact	D	1,500	2,000	900	1,200
Illustrative incremental GDP impact	D x C	400	1,000	200	500

In addition to the above, the local Toronto economy will benefit incrementally from the gaming spend of Toronto residents at non-OLG venues being retained in the City as a result of the new gaming venue as well as the new incremental spend by tourists and convention attendees. The potential magnitude of these amounts could not, however, be reasonably estimated with the data presently available.

<sup>3</sup> Assuming an Integrated Entertainment Complex is built. A Standalone Casino is not likely to attract a meaningful proportion of international high roller customers.

## 2. Executive summary

- ▶ If our assumptions with respect to the incremental gaming spend in the City are correct, then the potential incremental gaming spend in the City could be between \$155 million and \$685 million, which represents approximately 15% to almost 50% of the illustrative Gaming Revenue of either a Standalone Casino or an Integrated Entertainment Complex.
- ▶ If the incremental gaming revenues are between 15% and almost 50% of the total illustrative Gaming Revenue, then we may be able to assume that \$200 million to \$1 billion of the estimated GDP contribution to the City may be incremental, and that a similar percentage of the direct and indirect FTEs may also be incremental.

### 2.0.3. Potential locations in Toronto

- ▶ During our discussions with Casino Operators and other interested stakeholders within the City, three potential sites in the Toronto area of the C1 gaming zone were identified as possible locations for an Integrated Entertainment Complex:
  - Exhibition Place in conjunction with Ontario Place;
  - the Entertainment District centred around the Metro Toronto Convention Centre (“MTCC”); and
  - the Port Lands.
- ▶ Each of these locations has traffic and infrastructure considerations that would need to be addressed. Nevertheless, Exhibition Place and the Entertainment District seem to be preferred by Casino Operators and are supported by a number of local stakeholders. Most of the Casino Operators advised EY that the Port Lands, given the potential flood prevention costs, soil remediation costs, and significant infrastructure, are a less desirable location for an Integrated Entertainment Complex for the foreseeable future.
- ▶ In C2, Woodbine Racetrack is well situated in terms of road access and is in close proximity to the secondary hotel hub in the City and to Pearson International Airport. Sufficient land is available in the area to accommodate almost any size development project and there is a pre-existing development plan in the form of Woodbine Live. While the Casino Operators were less enthusiastic about Woodbine Racetrack, there are operators who would be prepared to bid on the site given its proven track record as one of OLG’s highest performing gaming venues.

## 2. Executive summary

- ▶ At Exhibition Place and the Port Lands, the City owns all or substantially all of the land. Development of an Integrated Entertainment Complex on these sites could result in sale proceeds to the City of between \$35 and \$250 million<sup>4</sup>, assuming the complex utilizes a 25 acre foot print.
- ▶ An analysis of recent precedent land transactions indicates that the commercial land value in the Queen's Quay area ranged between \$10 million to \$12 million per acre, while land for industrial use in surrounding areas of Port Lands was sold below \$1 million per acre. In view of the intended use of the land and potential buyers' interest, the Economic Impact Model assumes the proceeds from the sale of city-owned land to range from \$5 million to \$10 million per acre in connection with Exhibition Place and \$2.5 million to \$8 million per acre<sup>5</sup> in connection with the Port Lands. It should be noted that certain of the lands owned by the City in the Port Lands is currently subject to long term leases.
- ▶ In addition to the impacts described above, casinos in close proximity create an interaction that affects the Gaming Revenues of each (the so-called "cannibalization" effect). OLG expects that a GTA casino would reduce the Gaming Revenue that can be generated by Woodbine Racetrack by up to 30%. As a result, the hosting fees presently received by the City would be reduced following the opening of the new venue.

### 2.0.4. Social issues

- ▶ However these economic benefits have to be weighed against the potential social costs. E&Y has consulted with the Toronto Public Health department who are drafting a separate report on this matter, and we have included a summary of TPH's findings later in this report.

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4 The value of city-owned land reflected in the Economic Impact Model is presented for convenience purposes only and should not be regarded as an appraisal or valuation of the market value of such land. Any appraisal or valuation would require extensive research regarding, among other things, marketability, zoning, density, infrastructure and remediation costs. For greater certainty, an appraisal of the city-owned lands is out of the scope of the Study.

5 Before any costs that may be incurred to deal with the existing land lease in a sale transaction.

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Social Impacts	
Problem gambling	<ul style="list-style-type: none"><li>▶ Problem gambling exists in Toronto today and affects a small proportion of the population. Approximately 0.2% of the GTA population has a severe problem gambling problem.</li><li>▶ Problem gambling has significant negative health impacts on individuals, families and communities.</li><li>▶ Increasing access to gambling through any means (including a casino) is associated with an increase in the prevalence of problem gambling.</li><li>▶ A casino located anywhere in the Greater Toronto Area likely will result in increased health risks for Toronto residents, with a greater effect on closer communities compared to those further away.</li></ul>
Crime and emergency services	<ul style="list-style-type: none"><li>▶ Crime statistics for municipalities that host casinos do not show a link between crime rates and the opening of a casino in the municipality.</li><li>▶ Toronto Police Services advised that it does not anticipate additional criminal activity as a result of a casino in Toronto, other than what would normally result from the opening of a new large development in the City.</li></ul>

### 2.0.5. Problem gambling

- ▶ TPH has examined the health issues related to gambling. The following are excerpts from TPH's draft report provided to E&Y as of the date of this Report.

#### Key findings from TPH's technical report:

- Problem gambling is a serious public health concern. The current prevalence rate shows that severe problem gambling directly affects upwards of 11,000 people aged 18+ (0.2%) in the GTA and 25,000 (0.3%) in Ontario. In addition, there are approximately 129,000 people aged 18+ (2.8%) in the GTA and 294,000 people aged 18+ (3.0%) in Ontario who are considered at-risk gamblers, based on their gambling behaviour and likelihood of experiencing adverse consequences from gambling.
- Problem gambling has a range of negative impacts on physical and mental health, including ill health, fatigue, co-related

## 2. Executive summary

substance use and addiction, depression and suicide among others. These impacts occur alongside others such as alcohol-related traffic fatalities, financial difficulties, family breakdown, divorce and compromised child development that also affect the health and well-being of family, friends, colleagues and communities and are relevant to public health.

- Some groups are at greater risk of becoming problem gamblers or are more vulnerable to the negative impacts of gambling, including males, youth, older adults, and individuals and families with low income.
- Increased availability and access to gambling is associated with increased rates of problem gambling. Proximity to a gambling venue is one important factor that appears to influence the rate of problem gambling. From current evidence it is difficult to predict how much problem gambling rates will increase depending on distance or population makeup. A casino will likely have a greater effect on problem gambling for people who live or work closer to the casino compared to those further away and also greater impacts on communities with a higher proportion of vulnerable groups.
- Another influence on problem gambling rates is the type of gambling that is available. Electronic gaming machines, such as video lottery terminals (VLTs) (not currently permitted in Ontario) and slot machines, are the most addictive forms of gambling.
- Much remains unknown about how to successfully treat problem gambling. Only a minority of problem gamblers (1 to 2% per year) seek or receive treatment.
- A broad range of strategies and policies that focus on prevention of exposure to gambling are needed to minimize the probability of problem gambling occurring and reduce health impacts for problem gamblers and their families. These strategies are further outlined in the report to the Board of Health.
- In summary, the evidence indicates that increasing access to gambling through any means (including a casino) is associated with an increase in the prevalence of problem gambling. A casino located anywhere in the GTA will likely increase problem gambling and associated health risks for Toronto residents, with greater impacts on closer communities. Decisions regarding a new casino in the GTA should consider the likely increase in problem gambling and associated health impacts.

- ▶ TPH's findings are consistent with those in the research studies which E&Y reviewed. We noted, however, that most of the research studies reviewed pre-dated the rise in internet gaming websites over the last few years. While internet gaming is expected to have had some impact on the prevalence of problem gambling, the effects do not appear have been widely studied. Accordingly, we suggested to

## 2. Executive summary

TPH that it may wish to address the potential impact of a casino located in Toronto given the existing availability of internet gambling and other forms of gambling in and near the City.

- ▶ OLG advised E&Y that it recognizes the importance of the social implications of government-sponsored gambling and, as part of its mandate, has adopted a responsible gaming strategy aimed at the prevention and mitigation of problem gambling by:
  - empowering informed choice among players; and
  - bridging people who need help to provincially-funded counseling services.
- ▶ OLG, working with the Ontario Ministry of Health (“MOH”), Centre for Addition and Mental Health (“CAMH”), Responsible Gaming Council (“RGC”) and other government and independent agencies, has developed and implemented a range of responsible gaming programs and initiatives. These programs and initiatives include:
  - player awareness and education on myths and facts of gambling;
  - tracking of player play patterns;
  - player awareness and knowledge of personal play habits and strategies for playing safely;
  - player self-exclusion program (supported by facial recognition technology);
  - onsite responsible gaming centres at all casinos;
  - staff training to identify problem gambling behavior and direct people seeking help to free counseling; and
  - community counseling services.
- ▶ OLG’s responsible programs and initiatives are described further in the OLG presentation attached as Appendix G, and additional information regarding the responsible gaming policies, programs and performance may be accessed from OLG’s responsible gaming website at <http://www.knowyourlimit.ca>.
- ▶ In 2011, OLG spent \$13.1 million on its responsible gaming initiatives and programs. MOH spent a further \$39.4 million during the year on prevention, treatment and research programs, for a total of \$52.5 million being spent on problem gambling in Ontario, the most any province<sup>6</sup>.

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6 Source: 2010-2011 Canadian Gambling Digest.

## 2. Executive summary

### 2.0.6. Potential crime issues

- ▶ E&Y discussed the potential impact of the establishment of a casino on crime rates with emergency service personnel as well as officials from current host municipalities. E&Y were advised that the municipalities did not observe a long term impact on crime resulting from the introduction of casino gambling.
- ▶ Toronto Police Services (“TPS”) advised it would not anticipate any additional criminal activity as a result of a casino in Toronto, other than what would normally be the result of a new large development in the city. In our discussions, TPS noted that crime rates in the City have decreased by 17% from 2001 to 2010 with decreases in all major offence categories (Offences per 1,000 population decreased from 77.2 in 2001 to 58.6 in 2010).
- ▶ The Windsor Police Department (“WPD”) indicated that the crime rates have declined since the opening of the OLG Resort Casino in Windsor. This trend is consistent with general demographic trends in Canada. WPD provided the graph attached as Appendix H illustrating the trend in crime rates.
- ▶ In the late 1990’s, the U.S. National Gambling Impact Study Commission (the “NG Commission”) conducted a comprehensive study into gambling behaviour and attitudes, 10 community case studies as well as detailed analysis of impacts in 100 host communities. In its final report, the NG Commission stated that there was insufficient data to quantify or define a relationship between greater availability of gambling and crime.
- ▶ Based on the findings noted above and those in the BC Study (as defined hereafter), no further work was completed to estimate the potential financial impacts of a casino with respect to crime or emergency services.
- ▶ In discussions with Toronto Police Services and other police forces of cities hosting casinos, there is no evidence to link the opening of a casino with increases in crime. Crime rates have dropped significantly over the past 20 years driven by demographic trends.

### 2.0.7. Casino gambling expansion in Ontario

- ▶ The Government of Ontario has decided to expand land-based gaming in the Province. Instrumental to this planned expansion is the establishment of a casino in the GTA.
- ▶ Two of the 29 gaming zones designated by OLG include parts of Toronto: C1 which touches four different municipalities (Toronto, Mississauga, Markham and Richmond Hill); and C2 which is centered around Woodbine Racetrack.



## 2. Executive summary

- ▶ OLG divided C1 gaming zone into three separate and distinct areas: (i) the core downtown / waterfront area in Toronto; (ii) Markham and Richmond Hill; and (iii) the Mississauga waterfront. One consequence of this OLG strategy is that it potentially pits Toronto against Mississauga, Markham and Richmond Hill. No other gaming zone was split in a similar manner.
- ▶ On June 26, 2012, the Markham City Council voted against expressing an interest in the building of a casino in the city. E&Y are not aware of any formal decision by Richmond Hill or Mississauga.

### 2.0.8. Gambling in Toronto

- ▶ While a large majority of residents voted against a casino in the 1997 referendum, there are a number of gambling activities which are readily available in the City.
  - lottery tickets (including pro-line sports betting) purchased from authorized OLG retailers and licensed charities;
  - bingo games at various licensed bingo halls;
  - pari-mutuel wagering on horse races and slot machines at Woodbine Racetrack;
  - off track betting at a number of locations in the City;
  - temporary casino held at Exhibition Place during the summer;
  - unregulated electronic games played over the internet; and
  - poker and other games at private residences.

### 2.0.9. The decision process

- ▶ In light of Government of Ontario's objectives and plan to expand casino gambling, the key decision facing the City at this stage is whether or not the City should consent to hosting a casino as part of an Integrated Entertainment Complex in Toronto.
- ▶ The OLG Act requires the City to engage in a public consultation process prior to giving consent. The statute does not, however, set out the specific steps which must be undertaken in the process.
- ▶ Public consultation processes widely vary across the many jurisdictions from no public consultations to public meetings and online surveys to, finally, formal referendums (some binding and some non-binding). The U.S. experience shows a predilection to referendums while the Canadian experience leans more heavily to public meetings and online surveys.

## 2. Executive summary

- ▶ E&Y were advised that a referendum could cost as much as \$7 million if it was held before the next municipal election. A more cost effective approach may incorporate the following:
  - providing access to the reports on the City's website including a summary prepared by City Staff; and
  - conducting an online survey (open for 3 or 4 weeks) to gauge the views of Toronto residents and public meetings; and
  - use of social media tools
  - providing time for City Councillors to consult with residents in each of their wards; and
  - engaging an independent pollster to do a statistically valid public opinion survey of Toronto residents ensuring that it reflective of the wards in the City.
  - seek input from key stakeholders such as local businesses, BIA's, gaming industry, public health, CAMH, construction and development groups.
- ▶ Following public consultation, if City Council agrees to consent to hosting a casino in Toronto, the City could consider setting certain conditions to that consent, including:
  - pre-determination of an acceptable base amount for hosting fees and / or an acceptable formula for sharing Gaming Revenue with the City;
  - pre-selection of one or two sites on which the Integrated Entertainment Complex could be constructed on;
  - while any development will be subject to normal planning process approvals, imposition of appropriate planning parameters including minimum standards with respect to design and conformity to existing neighborhoods;
  - requirement for the development of any Integrated Entertainment Complex to include expansion of existing contiguous convention space (either at the Direct Energy Centre or the MTCC); and
  - requirement for any operator to enter into co-marketing agreements with existing live entertainment and leisure businesses impacted by an Integrated Entertainment Complex.

Section 3.

# Background

### 3.1. Gambling in Ontario

#### 3.1.1. Current gambling regime in the Province

- ▶ While the *Criminal Code* (Canada) general prohibits gambling, it does provide a limited exception for gaming regulated and operated by the provinces within the province. In Ontario, two separate Crown agencies, each with different responsibilities and an arm’s-length relationship to each other, are primarily responsible for the oversight, regulation and conduct of legal gambling in the Province.

AGCO	OLG
AGCO, as the “regulator,” has a mandate to regulate, license and inspect all gaming facilities and to enforce gaming legislation.	OLG, as the “operator,” conducts, manages, and operates (either directly or by contracting with Casino Operators) the legal gambling activities in Ontario.

#### 3.1.2. Scope of OLG’s operations

- ▶ In addition to the sales of lottery products through approximately 10,000 retail locations, OLG also owns and operates several gaming venues across Ontario. In its operations, OLG employs over 18,000 people and, during FY2010, generated \$6.3 billion of total revenue.
- ▶ Approximately 50% of OLG’s total revenue is generated from 23 gaming venues operated by the Crown agency<sup>7</sup>. These venues may be grouped into three types, as outlined below.

Type of Venue	No. of Venues
Slots-at-racetracks Slots only	14
OLG Casinos Slots and table games	5
OLG Resort Casinos Slots and table games as well as certain other entertainment, hotel and dining amenities	4

<sup>7</sup> Great Blue Heron Charity Casino (“GBH Casino”), which is located in Port Perry, Ontario, is not owned and operated by OLG but rather the Mississaugas of Scugog Island First Nation. While GBH Casino offers table games, OLG is responsible solely for the management of the slots at the venue.

### 3.1. Gambling in Ontario

- Casinos represent a substantial segment of OLG's operations. During FY2012, over 19.3 million customers visited OLG Casinos and OLG Resorts Casinos, generating nearly \$1.6 billion of Gaming Revenue for OLG. Key facts and figures regarding OLG's casino operations are summarized below.

<b>Ontario Casino Facts &amp; Figures</b>	No. of Slots	No. of Tables	Gaming Area (Sq. Ft.)	Avg. Daily Customers (FY2012)	Gaming Revenue (FY2012) (Millions)	No. of Employees (FY2011)
<b>OLG Casinos (1)</b>						
Brantford	539	55	30,169	3,681	\$ 112.0	913
Point Edward	471	27	19,734	1,347	35.9	430
Sault Ste. Marie	432	13	20,154	1,706	28.3	296
Thousand Islands	492	23	16,276	2,275	74.8	432
Thunder Bay	450	14	13,043	2,643	50.2	363
<b>OLG Resort Casinos (2)</b>						
Windsor	2,330	81	100,000	10,058	261.0	2,966
Casino Rama	2,498	123	92,425	8,672	405.3	2,831
Niagara	4,623	173	223,973	22,701	615.5	4,214
<b>Total</b>				53,084	\$ 1,583.0	12,445

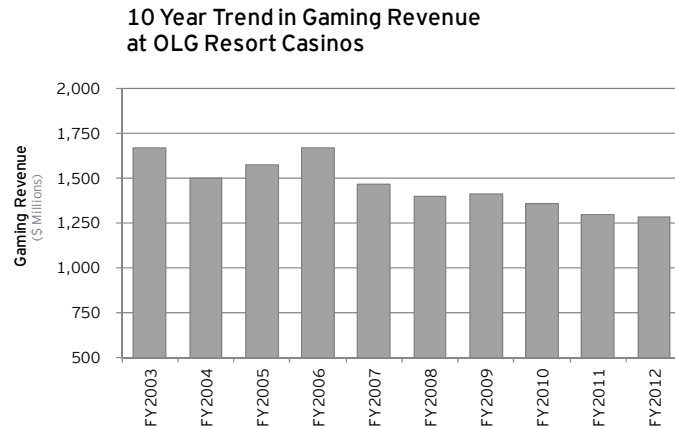
Source: OLG

Notes: (1) Excludes Great Blue Heron Charity Casino

(2) Combined facilities in Niagara (Casino Niagara and Fallsview Casino).

- In FY2012, the four OLG Resort Casinos generated nearly \$1.3 billion of Gaming Revenue, accounting for more than 80% of OLG's casino-related Gaming Revenue during the year. Over the past ten years, however, Gaming Revenue from the OLG Resort Casinos has gradually declined from \$1.7 billion in FY2003, representing a cumulative 24% over the period. The graph below shows a year-to-year comparison of Gaming Revenue since FY2003.

### 3.1. Gambling in Ontario



Source: OLG Annual Reports

- ▶ OLG attributed the decline in Gaming Revenue at the OLG Resort Casinos to several factors including from the strengthening Canadian dollar, the implementation of a smoking ban on the gaming floors, higher border security and an increase in the number of U.S. casinos in border communities, all of which has reduced the level of U.S. customers at the venues.

#### 3.1.3. Municipal hosting fees

- ▶ OLG pays municipalities a fee in consideration for hosting an OLG gaming venue. The formulae used by OLG to calculate the fees paid differ depending on the type of gaming venue located in the municipality and are summarized below.

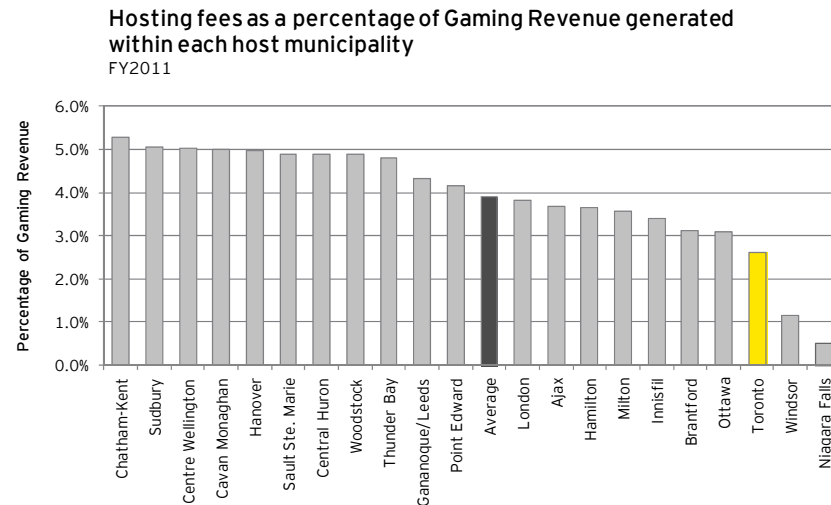
Type of Facility	Hosting Fee Formula (1)
Slots-at-racetracks	5% of Gaming Revenue from first 450 slots 2% of Gaming Revenue from remaining slots
OLG Casinos	5% of Gaming Revenue from all slots
OLG Resort Casinos (2)	\$3 million flat fee

Notes: (1) In addition to hosting fees, certain municipalities have negotiated agreements whereby the municipalities receive other funding from OLG and / or the Province of Ontario in connection with the gaming venue.

(2) In consideration of hosting Casino Rama, the First Nations of Ontario receive the net revenue from the operation of Casino Rama (as defined under the agreement between the First Nations of Ontario and OLG) rather than a flat \$3 million hosting fee.

### 3.1. Gambling in Ontario

- Due to the different formulae, the percentage of Gaming Revenue shared with the municipalities is not consistent among the different municipalities. Host municipalities with larger gaming venues and venues offering table games receive a lesser proportion of Gaming Revenue generated in their jurisdiction. During FY2011, the average fee across all of the host municipalities in Ontario was 3.9% of total Gaming Revenue<sup>8,9</sup>. The graph below shows the percentage of Gaming Revenue received by each of the host municipalities.



Source: OLG

- Notes: (1) Hosting fees paid to the City are in respect of the Gaming Revenue generated at Woodbine Racetrack.
- (2) Although OLG operates 23 gaming venues, the graph shows 21 host municipalities. Niagara Falls hosts two OLG gaming venues (Casino Niagara and Fallsview Casino). Casino Rama is located on the Chippewas of Mnjikaning First Nation, near Orillia, Ontario and is subject to separate revenue sharing arrangements.

- As part of its modernization initiative (discussed below), OLG is revising the hosting fee structure to be consistent across the different types of gaming facilities. The OLG Modernization Report states the revised formula will calculate hosting fees based on customer volume (i.e. the level of Gaming Revenue). In our discussions with OLG, the agency indicated the revised formula is intended to maintain the

8 Using total Gaming Revenue results in a blended percentage that includes both slots and tables notwithstanding the current fee structure does not compensate host municipalities based on table game revenue.

9 The average hosting fee of 3.9% of total Gaming Revenue is a simple average of the individual hosting fee percentage for each municipality. It is not weighted based the amount of Gaming Revenue generated in the municipality.

## 3.1. Gambling in Ontario

current level of fees for the existing host municipalities. As such, OLG's perspective is that any growth in the amount of hosting fees paid to a municipality would be driven by increases in the number of customers and customer spend rather than a greater proportion of the Gaming Revenue.

### 3.1.4. OLG's modernization initiative

- ▶ At the direction of the Government of Ontario, OLG initiated a strategic business review of its lottery and gaming operations in December 2010.
- ▶ As part of the strategic review, OLG analyzed various data (e.g. customer residence, spend) gathered from the carded play at all of its gaming venues across the Province. The analysis gave OLG an understanding of the number of customers from which geographic areas and their spending at each OLG venue. Using this data and analysis, OLG constructed a model (the "**OLG Gravity Model**") to assist it in assessing the size and dynamics of the Ontario gaming market.
- ▶ The OLG Gravity Model provided the basis for the creation of 29 geographic gaming zones across the Province. OLG intends to restrict land based gaming to the 29 zones and then only permit one gaming venue in each zone<sup>10</sup>. Currently, OLG operates gaming venues (either slots-at-racetracks or casinos) in 23 of the 29 gaming zones.
- ▶ Two of the 29 gaming zones, C1 and C2, include parts of Toronto: C1 which is split into three separate and distinct areas in the GTA<sup>11</sup> and touches three different municipalities (Toronto, Mississauga, Markham and Richmond Hill); and C2 which is centered around Woodbine Racetrack in Toronto but also includes parts of Mississauga, Brampton and Vaughan. The GTA gaming zones are illustrated on the maps in Appendix D.
- ▶ Following the year-long strategic review, OLG publicly released its findings and recommendations to the provincial Government of Ontario in the OLG Modernization Report on March 12, 2012. The OLG Modernization Report concluded that, among other things:
  - Historically, the location, nature and size of gaming facilities were based on priorities that did not necessarily align to customer interests;

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10 The boundaries of the gaming zones were established using the OLG Gravity Model in order to maximize the Gaming Revenue generated in each zone while minimizing the cannibalization between the zones and, thus, maximize the overall Gaming Revenue across the Province.

11 The geographic layout of C1 differs from the other 28 gaming zones by having three separate areas rather than being a single, contiguous region.



### 3.1. Gambling in Ontario

- Customer interests are not being satisfied in certain markets, particularly in the GTA. A casino should be established in the GTA (the C1 gaming zone) subject to OLG, ministerial and municipal approval;
- Host municipalities benefit in a number of ways including tourist appeal, opportunities for local businesses and employment; and
- Host municipalities currently receive a percentage of revenue from slot machines or a fixed fee. OLG should modify the hosting fee structure for consistency and to facilitate the introduction of a mix of games at land-based gaming sites. In our discussions with OLG, the Crown agency advised that it is in the process of disclosing these changes to the fee formula to host municipalities.
- ▶ OLG plans to expand land-based gaming in partnership with Casino Operators as part of the modernization initiative. Under this revised business model, the Casino Operators will be responsible for the development, construction and day-to-day operation of new gaming venues (subject to required approvals and ongoing regulatory and OLG oversight)<sup>12</sup>. Ownership and day-to-day operation of existing venues will also be transferred to the Casino Operators.
- ▶ On May 17, 2012, OLG issued a non-binding request for information (“RFI”) to gauge private sector interest in delivering gaming services in Ontario. As at the date of this Report, OLG has not publicly released its findings from the RFI.
- ▶ In our discussions with OLG, the Crown agency indicated that it plans to issue a request for pre-qualification (“RFPQ”) to pre-qualify Casino Operators in advance of calling for formal proposals for each gaming zone. OLG advises that bidders will be required to demonstrate:
  - Casino operating experience
  - Property development experience,
  - financial capacity and financing experience
  - Application to AGCO for registration
- ▶ In addition, OLG has indicated that operators will be subject to ongoing monitoring including review of financial statements and operations.

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<sup>12</sup> Under the current business model, OLG owns and operates all of the existing gaming sites across in the Province except for GBH Casino. In the case of the OLG Resort Casinos, OLG has subcontracted the day-to-day operation of the casinos to Casino Operators under a fee for service arrangement.

### 3.1. Gambling in Ontario

- ▶ A request for proposals (“RFP”) for selected gaming zones may then follow as early as fall 2012. This timeline is, however, subject to change.

## 3.2. Gambling in Toronto

### 3.2.1. Gambling activities currently available in Toronto

- ▶ Presently, a number of gambling activities are readily available to residents within the city limits of Toronto including:
  - lottery tickets (including pro-line sports betting) purchased from authorized OLG retailers and licensed charities;
  - bingo games at various licensed bingo halls;
  - pari-mutuel wagering on horse races and slot machines at Woodbine Racetrack;
  - off track betting at a number of locations in the City;
  - temporary casino held at Exhibition Place during the month of August while the CNE is in operation;
  - unregulated electronic games played over the internet; and
  - poker and other games at private residences.

#### *Woodbine Racetrack*

- ▶ The Woodbine Entertainment Group (“WEG”)<sup>13</sup> has operated Woodbine Racetrack at its current location on Rexdale Boulevard, Toronto since 1956. Horse racing at Woodbine Racetrack began in 1874 at its original location on Woodbine Avenue.
- ▶ Woodbine Racetrack generates Gaming Revenue from two sources:
  - Pari-mutuel wagering on the horse races. The pari-mutuel wagering is regulated and supervised by a special operating agency of Agriculture and Agri-Food Canada; and
  - OLG’s slots-at-racetracks program.
- ▶ Pari-mutuel wagering at Woodbine and Mohawk<sup>14</sup> Racetracks totaled approximately \$780 million in 2011. All of these amounts were paid to the customers, governments in the form of taxes and to WEG, to pay operating expenses and purses for the horse owners. The distribution is approximately as follows:

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<sup>13</sup> WEG is a not-for-profit organization and is controlled by a board of directors drawn from inside and outside horse racing industry.

<sup>14</sup> Mohawk Racetrack in Campbellville, Ontario is also owned by WEG.

## 3.2. Gambling in Toronto

- Taxes, levies and programs, 5.0%
  - 3rd party obligations, 3.4% (host track, teletheatre, incentives, etc)
  - Payouts to betters, 80.3% (including customer loyalty programs)
  - WEG, 11.3% (including purses for horse owners)
- ▶ OLG operates nearly 3,000 slot machines at Woodbine Racetrack, and the Woodbine slots represent one of OLG's most productive gaming venues. The slots, which operate 24 hours a day and seven days per week, attracted 4.9 million customers and generated \$588.4 million of Gaming Revenue during FY2011. From this revenue, the City received \$15.3 million from OLG as hosting fees.
- ▶ To support horse racing activities at Woodbine Racetrack, OLG provides approximately \$118.6 million annually from the slot revenue generated from Woodbine customers. This revenue is used to pay operating expenses and taxes for Woodbine Racetrack. OLG has announced that the slots-at-racetrack program will be terminated effective March 31, 2013. The program termination will have a significant negative impact on Woodbine operations and could jeopardize WEG's future.
- ▶ In our discussions with WEG, WEG advised that it directly spends over \$215 million in Toronto (including labour) and that the operations at Woodbine Racetrack support further indirect spending of approximately \$47 million (including OLG staff at the Woodbine Racetrack).
- ▶ WEG currently employs 2,166 people, both unionized (54%) and non-unionized (46%), at Woodbine Racetrack. In addition to WEG employment, Woodbine racetrack provides employment for approximately 2,500 trainers, grooms, exercise riders, jockeys, and others working on the backstretch at Woodbine for the care, training, and racing of horses at Woodbine. In addition, OLG has approximately 900 staff at the slots at Woodbine Racetrack. WEG has advised E&Y that employment at Woodbine racetrack represents 5.5% of the total jobs in the Rexdale district of Toronto -- an area that has seen a 26% decrease in employment (lost jobs) since 2000.
- ▶ A report prepared by WEG in respect of the socioeconomic impact of Woodbine Racetrack is attached as Appendix E.

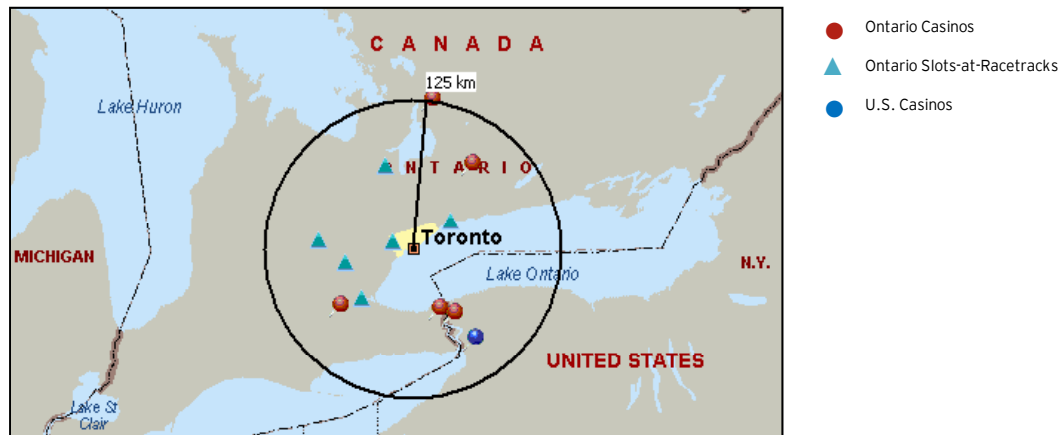
### *CNE Casino*

- ▶ The CNE operates a temporary casino during the month of August each year. The CNE operates as an agricultural fair and generates approximately \$4 million in net profits for the City each year.

## 3.2. Gambling in Toronto

### 3.2.2. Gambling activities currently near Toronto

- ▶ In addition to the various types of gambling in Toronto, residents are also able to play slots and table games at a number of OLG land-based gaming venues that are in close proximity to Toronto. As shown on the map below, six casinos<sup>15</sup> and five slots-at-racetracks sites<sup>16</sup> are all within 125 kilometres of downtown Toronto.



### 3.2.3. Gambling participation by Toronto residents

- ▶ In 2006, the Responsible Gambling Council published a report outlining the findings from a study conducted by Dr. Jamie Weibe *et al* in 2005 of gambling and problem gambling in Ontario (the “RGC Study”)<sup>17</sup>. The overall goal of the RGC Study was to better understand the extent and nature of gambling among adults in the Province. As part of the RGC Study, the participation level in various forms of gambling<sup>18</sup> was researched.

15 Casino Rama, Fallsview Casino, Casino Niagara, Casino Brantford and Great Blue Heron Casino as well as Seneca Niagara Casino (Niagara Falls, NY).

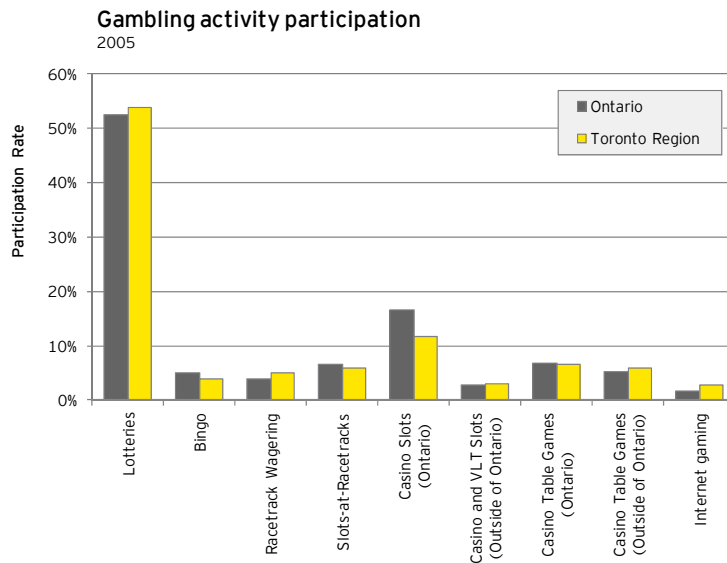
16 Mohawk, Ajax, Flamboro, Georgian Downs and Grand River. The slots at Woodbine are within the city limits of Toronto.

17 The RGC Study was based a telephone survey of 3,604 adult Ontario residents conducted in 2005.

18 The RGC Study defined participation as engaging in the gambling activity as at least once in the year prior to the survey.

## 3.2. Gambling in Toronto

- ▶ The RGC study concluded that 63% of Ontario residents had engaged in some form of gambling in the prior year. Lotteries were the most common form of gambling with 52% of the survey respondents stating that they had played lotteries. Slots and table games at Ontario casinos were played by 17% and 7% of the survey respondents, respectively. Participation rates within the Toronto Region<sup>19</sup> were similar to those for the Province as a whole with the exception of the rate in respect of casino slots<sup>20,21</sup>. Participation rates for the Province as a whole as well as for the Toronto Region for certain forms of gambling identified in the RGC Study are compared in the graph below.



Source: Responsible Gambling Council

- ▶ Having been completed in 2006, the RGC study is now somewhat dated and does not reflect the rapid growth in internet gaming over the past several years. In our discussions with the representative of RGC, they indicated that this study was RGC's most recent on gambling participation rates in Ontario and they were not aware of any more current research directly related to the Province in this regard. Our research did not identify a more current study of Ontario participation rates.

19 Canadian health-related demographics research may use data gathered by Statistics Canada through the Canadian Community Health Survey ("CCHS"). The geographic areas in the CCHS are defined based on the public health regions in each province. In the RGC Study, the Toronto Region refers to the Ontario health region incorporating Toronto.

20 The casino slots category used in the RGC Study does not include OLG's slots-at-racetracks.

21 The casino slots participation rate was 12% in the Toronto Region compared to the 17% provincial average.

## 3.2. Gambling in Toronto

### 3.2.4. 2001 KPMG Study

- ▶ A 2001 study conducted by KPMG opined that OLG's existing casinos would face some revenue and visitation impact from a casino located in central Toronto. As a result of this, the report concluded that OLG would be very cautious towards the development of further casinos as additional gaming supply could be expected to have a negative impact on the OLG's existing gaming operations. The report further suggested that the three year moratorium on casino development at the time supported this view.
- ▶ A decade later, OLG is now undertaking a wide spread reform and modernization initiative and has specifically targeted the establishment of a casino in the GTA.

### 3.2.5. City decisions to date regarding a casino located in Toronto

- ▶ On April 11, 2012, City Council deferred a vote on the issues of a potential casino in Toronto and referred the matter to the City's Executive Committee.
- ▶ On May 14, 2012, the Executive Committee further referred the matter to the City Manager, with the request that he consult with OLG, and any necessary provincial officials on their ongoing process for the selection of future casino locations in the GTA and report back to Executive Committee at its October 9, 2012 meeting on the provincial process and the pros and cons of hosting a casino in Toronto.
- ▶ The City Manager's is now schedule to be submitted to the November 5<sup>th</sup> meeting of executive committee.

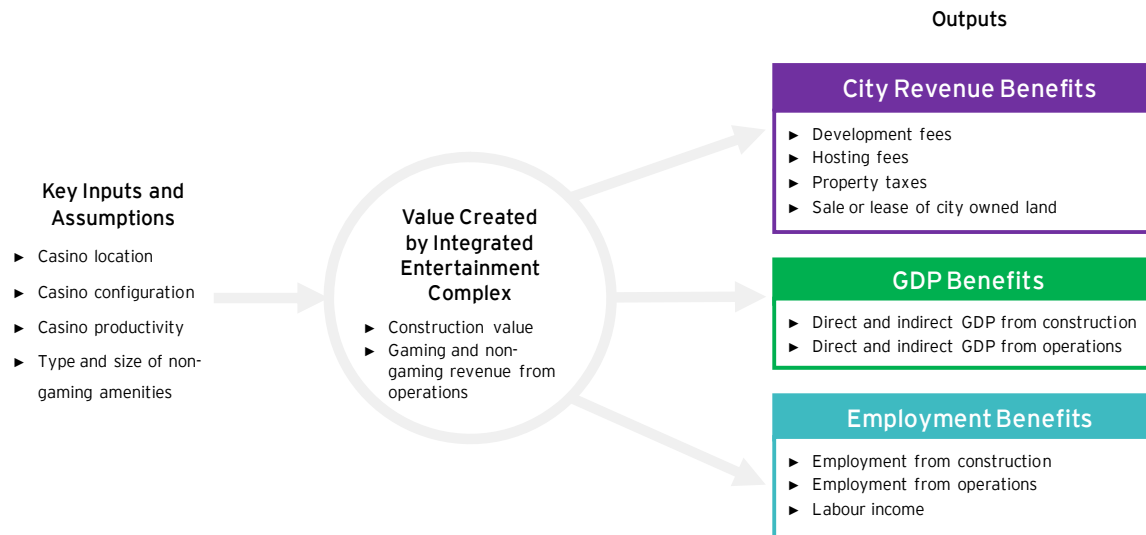
Section 4.

# Potential financial and economic impacts of a Toronto casino



## 4.1. Economic impact model

- ▶ An Integrated Entertainment Complex in Toronto would have a wide range of financial and economic impacts on the City, including:
  - Additional revenue to the City in the form of development changes, municipal hosting fees and property taxes;
  - Incremental growth in the City's GDP arising from the construction and the ongoing operation of the Integrated Entertainment Complex; and
  - Creation of new employment during the construction and ongoing operation of the Integrated Entertainment Complex.
- ▶ Analysis of the financial and economic impacts is complex and ambiguous in the best of circumstances. Under the current circumstances, the analysis is further complicated by the many uncertainties surrounding the development of a potential gaming venue in the City.
- ▶ Partnering with Dr. Tanny, E&Y constructed a financial and economic impact model (the "**Economic Impact Model**"). The Economic Impact Model provides a framework for assessing the order of magnitude of the potential financial and economic impacts that might arise from alternative assumptions related to an Integrated Entertainment Complex in Toronto. The impact estimates produced by the Economic Impact Model are subject to a very wide range of assumptions, all of which can have an important bearing on the results obtained. As such, it is important to understand that the model is not a forecasting tool but rather only a simulation framework for obtaining, in a structured and organized fashion, a sense of the impacts that arise from the wide range of alternative assumptions that might be adopted. The underlying structure of the Economic Impact Model is illustrated below.



## 4.1. Economic impact model

- ▶ The Economic Impact Model incorporates assumptions concerning the nature of the potential Integrated Entertainment Complex (including, among other things, location, size and productivity) with a calculation framework for estimating the resulting financial and economic impacts. In setting the initial estimates for the model parameters, E&Y have made use of data gathered from a number of sources including OLG, Casino Operators, other gaming venues in Ontario and elsewhere, Statistics Canada input-output models as well as real estate, construction and gaming industry experts.
- ▶ The Economic Impact Model is a flexible but structured framework that allows the user to explore how different scenarios and alternative assumptions regarding the configuration of an Integrated Entertainment Complex might affect the resulting financial and economic impacts to the City. To illustrate the order of magnitude of these impacts, E&Y have created one possible scenario using assumptions E&Y believe to be reasonable based on our discussions with OLG and others (the “**Illustrative Scenario**”). The assumptions, inputs and resulting outputs of the Illustrative Scenario are discussed in the grey boxes in the sections of this Report that follow but are also summarized on a single frame in Appendix F. The Illustrative Scenario is one possible scenario of many with a specific set of assumptions and is not intended to be a forecast of the potential financial and economic impacts.

## 4.2. Key model inputs and assumptions

### 4.2.1. Introduction

- ▶ To generate estimates of the financial and economic impacts, the Economic Impact Model incorporates numerous assumptions regarding the Integrated Entertainment Complex. If desired, these assumptions can be modified by the user. These key inputs include:
  - Location;
  - Configuration of a gaming venue;
  - Type of gaming venue;
  - Size and construction costs of an Integrated Entertainment Complex;
  - Casino productivity;
  - Hosting fees; and
  - Ratio of Gaming Revenue to Non-Gaming Revenue.

### 4.2.2. Location

- ▶ The Economic Impact Model estimates the financial and economic impacts of gaming venues located in the two gaming zones that reach into Toronto, namely C1 and C2. To facilitate the analysis of different scenarios, the Economic Impact Model allows the user to toggle between a casino in C1, C2 or both<sup>22</sup> as well as whether the C1 casino is located in Toronto (at one of three potential sites), Mississauga or Markham / Richmond Hill.
- ▶ OLG anticipates that casinos in close proximity create an interaction that affects the Gaming Revenues of each (the so-called “cannibalization” effect). Thus, OLG expects that a casino in C1 would reduce the Gaming Revenue that can be generated by Woodbine Racetrack (or any other gaming venue located in C2) by up to 30%. To account for this effect, the Economic Impact Model applies a cannibalization factor to Gaming Revenue based on the location of the venues.

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<sup>22</sup> OLG will permit one casino in each gaming zone.

## 4.2. Key model inputs and assumptions

### Illustrative Scenario

- |            |   |
|------------|---|
| Assumption | An Integrated Entertainment Complex is located in the Toronto area of the C1 gaming zone on or around the MTCC. |
| Assumption | A cannibalization factor of 20% is applied to the Gaming Revenue at Woodbine Racetrack.                         |

### 4.2.3. Type of gaming venue

- ▶ In our discussions with OLG, the Crown agency indicated that, in order to maximize the positive economic impacts to the Province and the host municipality, it believes an Integrated Entertainment Complex with non-gaming amenities, rather than a Standalone Casino, would be the most beneficial type of gaming venue within C1<sup>23</sup>. This appears to be the consensus view of the economic impact studies which E&Y reviewed and finds further support among the various Casino Operators E&Y interviewed.
- ▶ The Economic Impact Model provides the flexibility to either include or exclude non-gaming amenities at each of the C1 and C2 casinos.

### Illustrative Scenario

- |            |  |
|------------|--|
| Assumption | The C1 casino is part of an Integrated Entertainment Complex with various non-gaming amenities.      |
| Assumption | Woodbine Racetrack remains a slots only venue and does not add any significant non-gaming amenities. |

### 4.2.4. Configuration of a gaming venue

- ▶ The configuration of either a C1 or C2 casino has not been pre-determined by OLG<sup>24</sup>. Nevertheless, OLG advised that it anticipates casinos in the two zones could encompass:

23 Notwithstanding OLG's view, the Crown agency advised that it will not dictate the type and size of the non-gaming amenities, if any, incorporated into the Integrated Entertainment Complex. Nevertheless, we would expect OLG would consider the extent of non-gaming amenities when evaluating proposals submitted by Casino Operators.

24 OLG advised that the exact configuration of any casino in C1 will be determined by the Casino Operator (selected by OLG through the procurement process discussed on page 13), subject to any regulatory restrictions imposed by OLG or AGCO.

## 4.2. Key model inputs and assumptions

C1		C2	
Slot machines	2,500 to 5,000	Addition of 100 to 150 tables to the existing slot footprint at Woodbine Racetrack	
Tables	150 to 250		

- ▶ The Economic Impact Model also allows the user to set the number of slots and tables in each casino.

Illustrative Scenario	
Assumption	The casino at the new venue has 4,500 slots and 250 tables. As a comparison, OLG's current flagship resort casino, Fallsview Casino, operates 3,000 slots and 130 tables.
Assumption	Woodbine Racetrack (C2 venue) remains a slots only venue with 3,000 slots machines. There were 2,711 slots at Woodbine Racetrack at the end of 2011; however, as indicated in the RFI, OLG intends to increase that number to 3,000 by the end of 2012.

### 4.2.5. Size and construction cost of a gaming venue

- ▶ OLG is still in the early stages of its modernization initiative and has not yet solicited definitive proposals in respect of an Integrated Entertainment Complex in Toronto. In our discussions with several Casino Operators, E&Y learned of their preliminary visions for an Integrated Entertainment Complex might look like. The general view is that an Integrated Entertainment Complex will likely require upwards of 3 million square feet of constructed area. This estimate for constructed area could change significantly depending on the size and nature of non-gaming amenities at the complex.
- ▶ The Economic Impact Model has been designed to accommodate the present uncertainty regarding the Integration Resort Complex by allowing the user to vary the quantity and relative shares of the area occupied by the casino, non-gaming amenities, common areas, administrative offices and parking facilities.

## 4.2. Key model inputs and assumptions

### Illustrative Scenario

**Assumption**

The Integrated Entertainment Complex in C1 has a total constructed area of 3.8 million square feet and includes the following (with a comparison to Fallsview Casino):

	<u>Integrated Entertainment Complex</u>	<u>Fallsview Casino</u>
Casino gaming floor	300,000 sq.ft.	200,000 sq.ft.
Hotel	800 rooms	374 rooms
Retail, restaurant and theatre area	450,000 sq.ft.	225,000 sq.ft.
Restaurants		18
Theatre		1,500 seats
Meeting and exhibition space	300,000 sq.ft.	30,000 sq.ft.
Parking	3,600 cars	3,000 cars
Total constructed area	3,800,000 sq.ft. (main building and parking)	2,500,000 sq.ft. (main building only)
Total site area	25 to 28 acres	23 acres

### 4.2.6. Casino productivity

- ▶ Currently, the average slot revenue at the OLG Resort Casinos is approximately \$100,000 per machine<sup>25</sup>. The slots in OLG's existing GTA gaming venues (Mohawk, Woodbine and Ajax Racetracks) are far more productive. In FY2012, these slots generated between \$170,000 and \$220,000 of Gaming Revenue per machine. OLG believes that the demographics of the GTA customer base is the main contributor to the consistently high productivity levels seen at the existing GTA gaming venues and expects that similar productivity levels would be experienced at a casino in C1.
- ▶ The tables at the OLG Resort Casinos generate between \$1.0 million and \$1.1 million of Gaming Revenue per table. In our discussions with OLG, the Crown agency indicated that it expects a higher level of productivity at a casino in C1. This view is consistent with the expectations of Casino Operators and gaming industry experts E&Y interviewed.

<sup>25</sup> In our discussions with Casino Operators and gaming industry experts, we were advised that this level of per slot revenue is in line with slot productivity at Las Vegas casinos.

## 4.2. Key model inputs and assumptions

- ▶ The Economic Impact Model allows the users to toggle between different levels of per slot and per table revenue to assess the impact of changes in productivity.

### Illustrative Scenario

**Assumption** The slots and tables at the new venue generate, on average, \$230,000 and \$1.45 million of Gaming Revenue, respectively.

**Assumption** The slots at Woodbine Racetrack operate at productivity levels similar as in the past (with modest growth during the intervening period while the C1 casino is constructed) and, as a result, generate, on average, \$230,000 of Gaming Revenue.

### 4.2.7. Hosting fees

- ▶ Host municipalities currently receive either a percentage of revenue from slot machines or a fixed fee. Hosting fees paid by OLG to the municipalities averaged 3.9% of Gaming Revenue in FY2011. The specifics of the fee structure are discussed on page 23.
- ▶ OLG intends to revise the hosting fee structure to create greater consistency among municipalities and to facilitate the introduction of a mix of games. To date, no details on the nature and extent of the changes have been made public.
- ▶ The Economic Impact Model estimates hosting fees as a percentage of total Gaming Revenue.

### Illustrative Scenario

**Assumption** For illustrative purposes only, the Illustrative Scenario assumes a hosting fee of 4% of Gaming Revenue is received by the City in respect to both the new venue and Woodbine Racetrack. The actual hosting fee structure which would apply in respect of a casino in the City is not yet known.

### 4.2.8. Ratio of Gaming to Non-Gaming Revenue

- ▶ An Integrated Entertainment Complex normally produces a significant amount of revenue from non-gaming operations, including hotel room, convention fees, food and beverage spending, retail operations, and other entertainment and leisure activities. In view of the many uncertainties surrounding the location, size, and nature of these amenities, it was premature to develop a detailed, bottom up projection

## 4.2. Key model inputs and assumptions

of Non-Gaming Revenue by revenue stream (hotel room, food and beverage spending, retail, etc.). Therefore, E&Y developed an alternate approach to determine the ratio of Gaming Revenue to Non-Gaming Revenue in the Economic Impact Model, which is used as an input.

- ▶ Data on the split between Gaming Revenue and Non-Gaming Revenue was not readily available for specific individual venues, so E&Y analyzed the sources of revenue by operator instead. The chart below compares Gaming Revenue and Non-Gaming Revenue for a number of major publicly traded casino operators, as well as for the OLG Resort Casinos.

Operator	Year	Percent of Total Revenue	
		Gaming	Non-Gaming
<b>Corporate Casino and Resort Operators</b>			
Boyd Gaming Corp.	2011	72%	28%
Las Vegas Sands Corp.	2011	75%	25%
MGM Resorts International	2011	49%	51%
Pinnacle Entertainment, Inc.	2011	86%	14%
Riviera Holdings Corp.	2011	40%	60%
Wynn Resorts, Ltd.	2011	74%	26%
<b>OLG Resort Casinos</b>	<b>2010</b>	<b>84%</b>	<b>16%</b>

Source: Ontario Auditor General 2010 Report, corporate annual reports

Notes: (1) Non-Gaming Revenue represents revenue earned directly by the casino operator which is not necessarily the total revenue generated in connection with the venue. For example, retail stores at the venue may be operated by a third party retailer (e.g. Harry Rosen) in space leased to it by the operator. The operator would only include the rent received from the retailer in Non-Gaming Revenue.

- ▶ The Economic Impact Model assumes a Gaming to Non-Gaming Revenue ratio more weighted towards the experience of OLG rather than that of the publicly traded casino operators. One Casino Operator indicated to us that:



## 4.2. Key model inputs and assumptions

- the Non-Gaming Revenue ratio for an Integrated Entertainment Complex in Toronto would likely be higher than the current ratio at the OLG Resort Casinos but not as low as that for Las Vegas casinos<sup>26</sup>; and
- relatively “small-sized” non-gaming amenities are preferred in Toronto in order to better foster a hospitality market equilibrium.

### Illustrative Scenario

Assumption

The ratio of Gaming Revenue to Non-Gaming Revenue at the new venue is 80% : 20%.

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<sup>26</sup> In certain markets such as Las Vegas, Non-Gaming Revenue of Destination Casinos can exceed 50% of total revenue. In our discussions, Casino Operators and gaming industry experts indicated that the purpose of non-gaming amenities is to draw a broader number of customers into the casino and that non-gaming amenities typically earn a significantly lower profit margin than casino gambling.

## 4.3. Value created by an Integrated Entertainment Complex

### 4.3.1. Introduction

- ▶ The financial and economic impacts of the Integrated Entertainment Complex are derived from the value which it creates. Therefore, as a first step in calculation framework within the model, the Economic Impact Model estimates the value created based on the user inputs and model assumptions. The values generated by the complex and estimated by the model are:
  - One-time construction value of the Integrated Entertainment Complex;
  - Ongoing Gaming Revenue from operations; and
  - Ongoing Non-Gaming Revenue from operations.

### 4.3.2. Construction value

- ▶ The construction value of an Integrated Entertainment Complex is dependent a number of factors including, among others, site location (e.g. Exhibition Place, Port Lands or downtown core), the amenities incorporated into the complex, the size of the complex as well as general design and finishing of the building(s). At this time, the specifications for these factors are not known.
- ▶ The Economic Impact Model calculates an indicative estimate of construction value based on the constructed area of the complex inputted into the model by the user at an assumed cost per square foot, ranging from \$700 to \$860 for the main building and from \$100 to \$140 for underground parking facilities. The cost per square foot reflected in the model is based on our discussions with real estate industry experts regarding the rates they use in estimating project costs.

#### Illustrative Scenario

New Venue

Indicative construction value of the Integrated Entertainment Complex in C1 is estimated to range from \$1.9 to \$2.4 billion.

- ▶ The Casino Operators who we interviewed estimated the capital investment of an Integrated Entertainment Complex to range from \$2.5 to \$4 billion, including primarily the construction costs as well as soft costs such as capitalized financing costs.

## 4.3. Value created by an Integrated Entertainment Complex

### 4.3.3. Gaming Revenue

- ▶ Different approaches to modeling Gaming Revenue exist. The Economic Impact Model uses a supply-driven methodology that builds up the revenue by applying an assumed level of productivity (i.e. revenue per slot or table) to the number of slots and tables in the casino. This approach inherently adopts a demand exceeds supply assumption. E&Y interviewed OLG and several Casino Operators, and they expect that customer demand in C1 will exceed supply (i.e. Gaming Revenue will be constrained by the physical number of slots and tables permitted to be placed in the casino). As such, our supply-driven methodology seems appropriate.

#### Illustrative Scenario

New Venue	Gaming Revenue at the C1 casino is estimated to be \$1.4 billion, annually. In the Illustrative Scenario, every addition of 100 slots to the assumed 4,500 would generate a further \$23 million of Gaming Revenue, assuming the productivity level does not change with the increase in the number of slots.
Woodbine	The new C1 casino cannibalizes some of the play at Woodbine Racetrack, which results in a decrease of \$138 million in slot-related Gaming Revenue at the track.

- ▶ The revenue generated by the OLG Resort Casinos in Niagara provides a benchmark to check the estimated level of Gaming Revenue in our Illustrative Scenario. The Illustrative Scenario reflects higher revenue than the \$600 million currently generated at Niagara; although, it is not unreasonable to expect that an Integrated Entertainment Complex in Toronto could achieve this.
- ▶ Another benchmark is the Gaming Revenue generated in the major U.S. casino markets. As shown by the table below, an Integrated Entertainment Complex in Toronto as configured in the Illustrative Scenario would represent a top 10 market in the United States.

#### Top 15 U.S. casino markets in 2011

US\$ Millions

Market	Gaming Revenue	Market	Gaming Revenue
1 Las Vegas Strip	\$ 6,069	9 Tunica, MS	\$ 817
2 Atlantic City, NJ	3,318	10 Boulder Strip, NV	779
3 Chicagoland, IL	1,934	11 Kansas City, MO	741
4 Detroit, MI	1,424	12 Shreveport, LA	732
5 Connecticut	1,346	13 Lake Charles, LA	673
6 St. Louis, MO	1,114	14 Reno, NV	663
7 Philadelphia, PA	1,090	15 New Orleans, LA	631
8 Biloxi, MS	824		

Source: American Gaming Association.

## 4.3. Value created by an Integrated Entertainment Complex

### 4.3.4. Non-Gaming Revenue

- ▶ Based on the above estimate of annual Gaming Revenue, together with the input assumption of an 80% : 20% split between Gaming and Non-Gaming Revenue, the Economic Impact Model derives an estimate for annual Non-Gaming Revenue.

#### Illustrative Scenario

New Venue

Based on annual Gaming Revenue of \$1.4 billion, Non-Gaming Revenue at the Integrated Entertainment Complex is estimated to be \$350 million.

- ▶ The Economic Impact Model incorporates additional functionality that allows the user to model Non-Gaming Revenue in more detail once the specifications of the non-gaming amenities become known.

## 4.4. City revenue benefits

### 4.4.1. Introduction

- ▶ The Economic Impact Model estimates the financial and economic impacts of an Integrated Entertainment Complex under three different measures or categories. The first category considered is the additional revenue that would be received by the City as a result of the construction and subsequent operation of the complex. Specifically, city revenue benefits are:
  - Municipal hosting fees paid by OLG based on the Gaming Revenue generated by the Integrated Entertainment Complex;
  - Property taxes paid by the Casino Operator; and
  - Sale or lease of city-owned land.

### 4.4.2. Hosting fees

- ▶ The Economic Impact Model estimates the additional hosting fee payable to the City based on the total Gaming Revenue generated by the Integrated Entertainment Complex at an assumed percent being shared with the host municipality. The model also factors in the reduction in hosting fees currently being received by the City from Woodbine Racetrack due to the cannibalization of Gaming Revenue at the venue triggered by the establishment of a C1 casino.

#### Illustrative Scenario

New Venue	Based on Gaming Revenue of \$1.4 billion at a hosting fee rate of 4%, the direct benefit to city revenue from hosting fees is estimated to be \$56 million.
Woodbine	Notwithstanding a reduction in Gaming Revenue of \$140 million, a change from the current hosting fee formula to a flat 4% rate would result in a \$7 million increase in hosting fees received by the City.

### 4.4.3. Property taxes

- ▶ The property taxes accruing on an Integrated Entertainment Complex are dependent on the assessment value of the site on which the Integrated Entertainment Complex is situated. At this time, insufficient information is available to reliably estimate an assessment value of the complex.

## 4.4. City revenue benefits

- ▶ Accordingly, the Economic Impact Model estimates an indicative estimate of property taxes based on the constructed area of the Integrated Entertainment Complex at assumed property tax rates per square foot. The cost per square foot reflected in the model is based on our discussions with real estate industry experts regarding the rates they use in estimating project costs.

### Illustrative Scenario

#### New Venue

Based on a constructed area of 3.8 million square feet, the indicative value of the City's share of property taxes (after deduction of education levy paid to Province) in respect of an Integrated Entertainment Complex is estimated to be \$27 million (gross, before deducting current property taxes being paid on the selected site).

### 4.4.4. Sale or lease of city-owned land

- ▶ Potential sites in Toronto for an Integrated Entertainment Complex include Exhibition Place and the Port Lands. At Exhibition Place and the Port Lands, the City owns all or substantially all of the land. Development of an Integrated Entertainment Complex on these sites could result in gross sale proceeds to the City of between \$35 and \$250 million<sup>27</sup>, assuming the complex utilizes a 25 acre foot print.
- ▶ An analysis of recent precedent land transactions indicates that the commercial land value in the Queen's Quay area ranged between \$10 million to \$12 million per acre, while land for industrial use in surrounding areas of Port Lands was sold below \$1 million per acre. In view of the intended use of the land and potential buyers' interest, the Economic Impact Model assumes the proceeds from the sale of city-owned land to range from \$5 million to \$10 million per acre in connection with Exhibition Place and \$2.5 million to \$8 million per acre<sup>28</sup> in connection with the Port Lands. It should be noted that certain of the lands owned by the City in the Port Lands are currently subject to long term leases.
- ▶ If the MTCC it is chosen, the City will not benefit from the sale of any city-owned lands.

27 The value of city-owned land reflected in the Economic Impact Model is presented for convenience purposes only and should not be regarded as an appraisal or valuation of the market value of such land. Any appraisal or valuation would require extensive research regarding, among other things, marketability, zoning, density, infrastructure and remediation costs. For greater certainty, an appraisal of the city-owned lands is out of the scope of the Study.

28 Before any costs that may be incurred to deal with the existing land lease in a sale transaction.

## 4.4. City revenue benefits

### Illustrative Scenario

#### New Venue

An Integrated Entertainment Complex is constructed in the downtown core around the MTCC and, consequently, the City does not enter into a transaction to sell city-owned land as part of the development. An Integrated Entertainment Complex constructed at the Exhibition Place or the Port Lands could provide the City with gross sale proceeds of \$35 to \$250 million.

## 4.5. GDP benefits

### 4.5.1. Introduction

- ▶ The second category of impacts resulting from the Integrated Entertainment Complex is an increase in GDP for Toronto. The economic activity that takes place associated with the construction and subsequent operation of the complex creates gains in both income and employment. In this section E&Y focus on GDP while the impacts on employment are discussed in the next section.
- ▶ The Economic Impact Model estimates the order of magnitude of the GDP impacts resulting from the value created by the Integrated Entertainment Complex. The model combines the gaming and other revenues as detailed earlier in this Study with multipliers derived from Statistics Canada data and economic estimates developed as a part of this Study. The model calculates GDP impacts separately for the construction phase and for ongoing operations.

### 4.5.2. Construction

- ▶ To the extent that the Toronto construction industry has sufficient capacity to build the Integrated Entertainment Complex without replacing other commercial construction activity, the resulting GDP impacts are incremental. The Economic Impact Model assumes this to be the case.

#### Illustrative Scenario

##### New Venue

Based on a construction value of the Integrated Entertainment Complex in C1 of between \$1.9 billion to \$2.4 billion, the GDP benefits are estimated to range from \$1.7 to \$2.1 billion<sup>29</sup>.

### 4.5.3. Ongoing operations

- ▶ In estimating the GDP impact from ongoing operations of the Integrated Entertainment Complex, the Economic Impact Model does not take into account the effects of substitution (discussed in Section 4.6). One of the most significant factors in assessing the GDP impact is the substitution effect of casino spending replacing existing spending by residents and tourists on other entertainment and leisure activities in Toronto. The substitution effect tends to be lower when the Integrated Entertainment Complex draws a large number of tourists into the City.

<sup>29</sup> The GDP benefits include the direct, indirect and induced income generated by the estimated construction expenditure. Because spending does not equate to income on an one-to-one basis and some of the benefit related to spending in Toronto will leak out of the City into other regions, the total GDP benefits are less than the construction value. The Economic Impact Model estimates the GDP benefits based on multipliers derived from Statistics Canada data and Ernst & Young estimates.



## 4.5. GDP benefits

### Illustrative Scenario

New Venue

Based on total annual revenue (Gaming and Non-Gaming) generated by the Integrated Entertainment Complex of \$1.75 billion, the annual GDP benefits are estimated to be \$1.7 to \$2.0 billion (gross, before deducting impact of substitution).

Woodbine

A reduction in revenue (Gaming and Non-Gaming) of \$150 million is estimated to negatively impact annual GDP by \$150 to \$160 million.

## 4.6. Potential incremental benefits

- ▶ The net incremental GDP benefits are greater when the Integrated Entertainment Complex attracts new tourists to the municipality. While the distinction between tourist and resident does not affect the financial benefits to the Casino Operator or the City, customer origin and the type of spending have differing economic impacts on existing local businesses and the overall Toronto economy. The table below summarizes these impacts on a conceptual basis:

Customer Origin and Type of Spending	Operator Revenue	City Revenue (Hosting Fees)	Existing Local Businesses	GDP
(a) Toronto residents who gamble at the casino by spending savings (e.g. new spending triggered by the availability of casino gambling)	Positive	Positive	Neutral	Positive
(b) Toronto residents who gamble at the casino by substituting entertainment dollars that they would otherwise spend at different entertainment venue in Toronto	Positive	Positive	Negative	Neutral
(c) Toronto residents who now gamble at the casino rather than traveling to a gaming venue outside Toronto	Positive	Positive	Potentially Positive	Positive
(d) Near tourists (i.e. other GTA residents) who now come into Toronto gamble at the casino, irrespective if new or substitute spending	Positive	Positive	Potentially Positive	Positive
(e) Tourists who now travel to Toronto but who would have not otherwise come to the city	Positive	Positive	Potentially Positive	Positive
(f) Tourists who are already travelling to Toronto and now divert entertainment dollars from another entertainment venue	Positive	Positive	Negative	Neutral
(g) New high roller gamblers who now travel to Toronto for the specific purposes of gambling at the casino	Positive	Positive	Potentially Positive	Positive

- ▶ While it is not possible to determine with any certainty the net incremental GDP impact of an Integrated Entertainment Complex, two significant indicators can provide guidance, namely tourism and current gains by Toronto residents.

## 4.6. Potential incremental benefits

### *Tourism*

- ▶ An Integrated Entertainment Complex in Toronto has potential to capitalize on the high volume of tourists and travelers coming through the GTA. One Casino Operator indicated that, based on its market assessment, it believes approximately 30% to 40% of the customers will be tourists<sup>30</sup> and international “high rollers”.
- ▶ International high rollers comprise a significant and profitable segment of the global gaming market. As an illustration of the size of the potential market, E&Y were advised that casinos in Macau generate US\$2.5 billion of Gaming Revenue from international high rollers. In our discussions with OLG and Casino Operators, it was noted that several characteristics of Toronto would make the City an attractive location for international high rollers including the lack of taxes levied on gambling wins, the number of direct flights from Asian countries and the local demographics and family connections to Asia. Accordingly, a casino in Toronto is anticipated to be able to capture a sizable portion of the international high roller market, if the casino is configured and promoted appropriately. The consensus view was that Gaming Revenue from international high rollers (and tourists) would be potentially between \$250 and \$400 million.
- ▶ In discussions with various tourism and convention stakeholders, the consensus view was that an increase in convention space would significantly enhance the draw of Toronto for major conventions. The current MTCC space is subdivided into two segments, each of which is approximately 250,000 square feet. In Toronto, the convention facilities at the MTCC are separated from the major exhibition facilities at the Direct Energy Centre. E&Y were advised that, based on this, Toronto is ranked 35th in terms of the largest contiguous convention space in North America and ranked 10th with respect to contiguous exhibition space. Increasing the contiguous convention space to about 450,000 square feet would significantly increase the number of conventions that Toronto could bid on and would put Toronto into top 10 in respect of contiguous space in North America. An increase in the number of conventions in the City would drive increases in the room nights booked and have a significant impact on the local economy. E&Y were also advised that the addition of a casino would further enhance the drawing power of Toronto for convention planners.
- ▶ Assuming an average non-gaming spend per visitor of \$350, every 1% increase in the number of visitors would result in approximately an additional \$35 million of direct new spending being brought into the local Toronto economy.

**33.4 million passengers** traveled through Pearson International Airport in 2011 making it the busiest airport in Canada and the 38th busiest in the world.

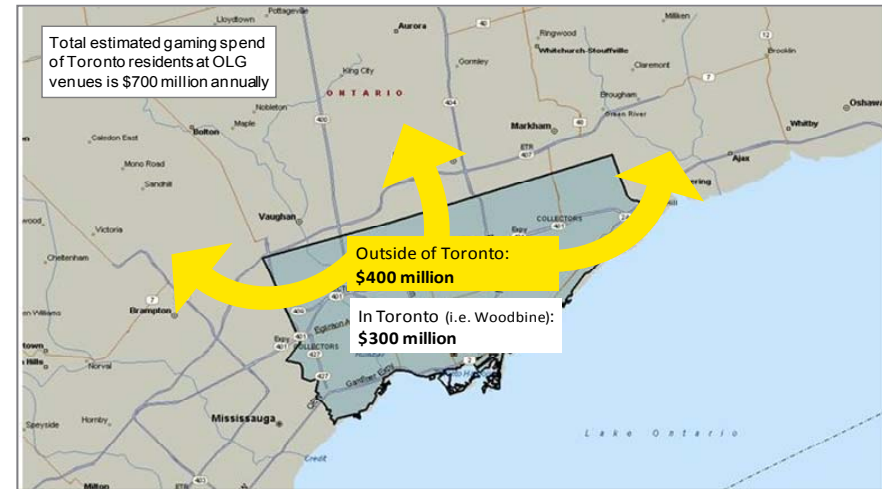
**9.8 million visitors** stayed in Toronto in 2011 of which 35% were from the U.S. or other international locations.

*Source: Airport Council International, Tourism Toronto*

30 In our discussion with this Casino Operator, tourist meant a customer who does not live in the local region where the local region is considered to include Toronto, the neighbouring GTA communities as well as nearby non-GTA communities within 120 minute drive of the casino.

## 4.6. Potential incremental benefits

- ▶ An Integrated Entertainment Complex can also contribute to recapturing entertainment and leisure spending of residents who would otherwise go to other jurisdictions to patronize a casino. In our discussions with OLG, the Crown agency indicated that it expects Toronto residents to comprise approximately 35% to 50% of the customer base of a GTA casino.
- ▶ Based on “carded play”, Toronto residents currently spend approximately \$700 million per year at OLG venues of which \$400 million is spent by Toronto (not GTA) residents on gaming activities at OLG venues outside of Toronto (i.e. not Woodbine Racetrack). As carded play represents 60% to 80% (depends on facility) of total Gaming Revenue at the OLG venues, potentially 20% to 40% of the total gaming by Toronto residents at OLG venues outside Toronto could be “non-carded play.” Accordingly, this non-carded play could mean an additional \$100 to \$250 million is being spent by Toronto residents at OLG venues outside of the City. A casino in Toronto could potentially result in a significant portion of this \$500 to \$650 million of gaming spend being retained within the City rather than being spent outside.
- ▶ Based on carded play, other GTA (non-Toronto) residents spend approximately \$600 million per year at OLG venues outside of Toronto (i.e. not Woodbine Racetrack).
- ▶ In summary, the potential incremental gaming spend in the City, which would contribute to the growth of the Toronto economy, would be driven by:
  - retention of some or all of the amounts currently being spent by Toronto residents on carded play at OLG venues outside of the City (estimated to be \$400 million);
  - retention of some or all of the amounts currently being spent by Toronto residents on non-carded (i.e. play at OLG venues outside of the City (estimated to range from \$100 to \$250 million);
  - retention of some or all of the amounts currently being spent by Toronto residents at non-OLG venues outside of the City (data unavailable);



## 4.6. Potential incremental benefits

- new incremental spending by near tourists (i.e. other GTA residents) who now come into Toronto to gamble at the casino (estimated to be \$600 million);
- new incremental spending by additional tourists and international high rollers (estimated to range from \$250 million to \$400 million); and
- new incremental spending generated by convention-related tourism (data unavailable).

### *Illustrative incremental impact*

- ▶ It is uncertain whether the Toronto residents who currently spend \$400 million in carded play at OLG venues outside of the City will change their gambling habits to gamble exclusively in Toronto if a casino is built in downtown Toronto. However, it is reasonable to assume that Toronto residents who gamble at casinos will have a tendency to gamble at a location that is most convenient. Based on the assumption that resident Toronto gamblers will likely gamble locally if they have such an opportunity, then it may be possible to assume that 25% to 75% of the \$400 million will be recovered and will be a “fresh” incremental gaming spend in the City.
- ▶ If we assume that “non-carded” play by Toronto residents represents 20% of the total gaming spent by Toronto residents at OLG venues and 25% to 75% is recovered, there may be an additional \$25 to 75 million of incremental gaming spend in the City.
- ▶ It is also uncertain the extent to which other GTA (non-Toronto) residents who currently spend \$600 million in carded play at OLG venues outside of Toronto will change their gambling habits to gamble at a Toronto casino. However, it is reasonable to assume some of the other GTA residents will gamble in Toronto. On this assumption, it may be possible to assume that 5% to 10% of the \$600 million will be captured as incremental gaming spend in the City.
- ▶ With respect to the potential benefit from international high rollers<sup>31</sup>, it may be possible to assume that \$150 million to \$250 million will be the incremental gaming spend in the City, in respect of an Integrated Entertainment Complex.

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31 Assuming an Integrated Entertainment Complex is built. A Standalone Casino is not likely to attract a meaningful proportion of international high roller customers.

## 4.6. Potential incremental benefits

(\$ Millions)	Integrated Entertainment Complex		Standalone Casino		
	Low Estimate	High Estimate	Low Estimate	High Estimate	
Toronto residents					
Carded play at OLG venues	100	300	100	300	
Non-carded play at OLG venues	25	75	25	75	
Non-residents					
Near tourists (other GTA residents)	30	60	30	60	
International high rollers	150	250	-	-	
Total incremental Gaming Revenue	A	305	685	155	435
Total Gaming Revenue	B	1,260	1,400	920	1,020
Proportion of Gaming Revenue	$C = B / A$	24%	49%	17%	43%
Total GDP impact	D	1,500	2,000	900	1,200
Illustrative incremental GDP impact	$D \times C$	400	1,000	200	500

In addition to the above, the local Toronto economy will benefit incrementally from the gaming spend of Toronto residents at non-OLG venues being retained in the City as a result of the new gaming venue as well as the new incremental spend by tourists and convention attendees. The potential magnitude of these amounts could not, however, be reasonably estimated with the data presently available.

- ▶ If our assumptions with respect to the incremental gaming spend in the City are correct, then the potential incremental gaming spend in the City could be between \$155 million and \$685 million, which represents approximately 15% to almost 50% of the illustrative Gaming Revenue of either a Standalone Casino or an Integrated Entertainment Complex.
- ▶ If the incremental gaming revenues are between 15% and almost 50% of the total illustrative Gaming Revenue, then we may be able to assume that \$200 million to \$1 billion of the estimated GDP contribution to the City may be incremental, and that a similar percentage of the direct and indirect FTEs may also be incremental.

## 4.7. Employment benefits

### 4.7.1. Introduction

- ▶ The third category of impacts resulting from the construction and operation of the Integrated Entertainment Complex is employment. The Economic Impact Model estimates the order of magnitude of the employment impacts resulting from the value created by the Integrated Entertainment Complex. In doing so the model combines the value creation estimates described in the preceding section with multipliers derived from Statistics Canada data and economic estimates developed as a part of this Study. The model calculates employment impacts separately for the construction and ongoing operations phases.

### 4.7.2. Construction

- ▶ As noted in Section 4.5, the Economic Impact Model assumes that the construction of the Integrated Entertainment Complex does not replace other commercial construction occurring in the City. As such, the employment benefits associated with construction of the complex are incremental to Toronto economy.

#### Illustrative Scenario

##### New Venue

Based on a construction value of the Integrated Entertainment Complex of between \$1.9 and \$2.4 billion, the new direct and indirect jobs created are estimated to range from 6,800 to 8,500 FTEs over a three year construction period.

- ▶ Average annual salary (labour income<sup>32</sup>) for construction-related jobs is estimated to range from \$55,000 to \$65,000.

### 4.7.3. Ongoing operations

- ▶ In estimating the employment impact from ongoing operations of the Integrated Entertainment Complex, the Economic Impact Model does not take into account the effects of new jobs replacing existing jobs in the economy. The level of net new jobs created is dependent on the extent to which spending at the Integrated Entertainment Complex is new spending rather than spending of same amount on alternative goods and services (and thus lead to reduction in employment elsewhere in the economy).

<sup>32</sup> GDP discussed in Section 4.5. includes labour income.

## 4.7. Employment benefits

### Illustrative Scenario

#### New Venue

Based on total annual revenue (Gaming and Non-Gaming) generated by the Integrated Entertainment Complex in CI of \$1.75 billion, the new direct and indirect jobs created are estimated to total 18,000 to 20,000 FTEs (gross, before deducting impact of jobs lost in other sectors). The large majority of these jobs are in the service sector.

#### Woodbine

A reduction in revenue (Gaming and Non-Gaming) of \$150 million is estimated to negatively impact direct and indirect employment by 1,000 to 2,000 FTEs.

- ▶ Based on information received from OLG and the Casino Operators, the average annual salary for casino-related jobs is estimated to range from \$35,000 to \$55,000 (wages and benefits). Of the jobs created, approximately 30% are directly related with the casino operations in the Integrated Entertainment Complex.



Section 5.

## Hosting fee considerations

## 5. Hosting fee considerations

### 5.1. Revised fee formula indicated by OLG

- ▶ The current formulae used by OLG to calculate the fees paid differ depending on the type of gaming venue located in the municipality. For a slots-at-racetrack venue, such as Woodbine Racetrack, the hosting fee is calculated as 5% of the gaming revenue on the first 450 slots and 2% on the remaining slots<sup>33</sup>.
- ▶ In recent discussions with the City, OLG outlined the new formula developed as part of its modernization initiative for calculating hosting fees. OLG indicated that it intends to apply the new formula universally to all gaming venues operated across the Province, eliminating the current variations in hosting fees rates paid on the different types of gaming venues. We understand the new formula will be based only on the Gaming Revenue generated by slots located at the venues and will be structured as follows:

<u>Gaming Revenue (Slots Only)</u>	<u>Hosting Fee</u>
\$0 to \$65 million	5.25% on the first \$65 million
\$65 to \$200 million	3.00% on the next \$135 million
\$200 to \$500 million	2.50% on the next \$300 million
Over \$500 million	0.50% on the remainder

- ▶ With the assumptions made in the Illustrative Scenario as discussed in the Report, the Economic Impact Model estimates an Integrated Entertainment Complex in Toronto would generate \$1.4 billion of Gaming Revenue. Based on this level of Gaming Revenue, the hosting fees payable to the City using the new formula would total \$18 million, compared to \$56 million using a flat 4% rate.
- ▶ To determine the effect of the change in the hosting fee formula, the table below compares the current hosting fees paid in connection with the OLG Resort Casinos to those that would be calculated under the new formula.

<sup>33</sup> Refer to page 18 for a summary of current formulae used by OLG.

## 5. Hosting fee considerations

	OLG Resort Casinos			OLG Slots	Toronto
	Windsor	Casino Rama	Niagara	Woodbine Racetrack	Illustrative Scenario
\$ Millions					
<b>Gaming Revenue</b>	\$ 261	\$ 405	\$ 616	\$ 593	\$ 1,398
<b>Hosting fees</b>					
Current formula	3	N/A	3	15	-
<b>New formula</b>	7	N/A	13	15	18
% of Gaming Revenue	2.7%	0.0%	2.2%	2.6%	1.3%

Source: E&Y analysis based on publicly available information published by OLG, the City's discussions with OLG and the outputs of the Economic Impact Model.

- Notes:
- (1) The Gaming Revenue shown for the OLG Resort Casinos is amount reported by OLG for FY2012.
  - (2) In consideration of hosting Casino Rama, the First Nations of Ontario receive the net revenue from the operation of Casino Rama (as defined under the agreement between the First Nations of Ontario and LOG) rather than a flat \$3 million hosting fee.
  - (3) Slot Gaming Revenue for Windsor and Niagara assumed to be 71% of total Gaming Revenue for those venues.

- ▶ As shown in the table, the new formula does not proportionately compensate municipalities for hosting larger and / or higher performing gaming revenues. Using the Illustrative Scenario, an Integrated Entertainment Complex in Toronto would generate 65% more Gaming Revenue than the OLG Resort Casino in Niagara but the City would only receive 14% more in hosting fees based on this new formula.

### 5.2. Perspectives on the level of hosting fees

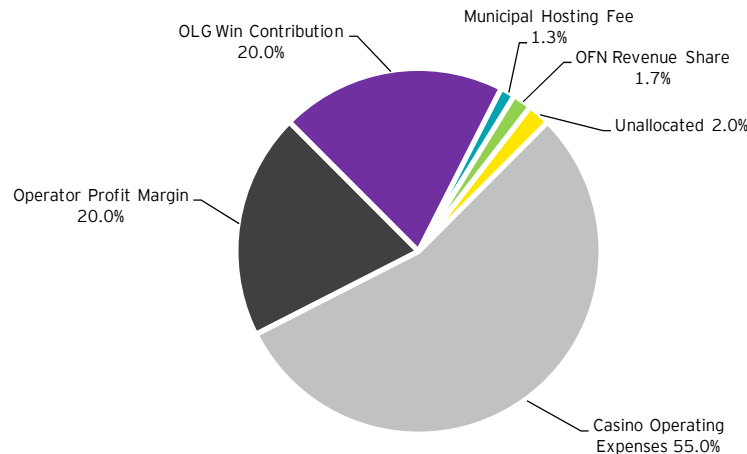
- ▶ To assist the City in its assessment of the potential hosting fees that could be received from OLG, we prepared three separate analyses, each of which provide a different perspective regarding the fees. The analyses considered:
  - the relative distribution of the Gaming Revenue generated by the casino operations of an Integrated Entertainment Complex in Toronto among the different stakeholders;
  - the potential revenue to each level of government that could be generated by an Integrated Entertainment Complex in Toronto;
  - the financial contribution to each of the municipalities in Ontario currently hosting gaming venues as measured by hosting fee per resident; and
  - Gaming Revenue or taxes shared with host municipalities in other jurisdictions.

## 5. Hosting fee considerations

### *Distribution of Gaming Revenue*

- ▶ Our first analysis looked at how the Gaming Revenue of an Integrated Entertainment Complex would be shared among the various financial stakeholders. In these circumstances, the primary financial stakeholders would be OLG, the Casino Operator (and the employees and suppliers who are paid as part of operating expenses), the City and Ontario First Nations (2008) Limited Partnership ("OFN"). The pie chart below illustrates the distribution assuming the current entitlements and a 1.3% hosting fee paid to the City (under the new tiered formula discussed in Section 6.1. above).

**Illustrative Distribution of Gaming Revenue**



Source: E&Y analysis based on publicly available financial reports for selected gaming companies, OLG Act, 2010 OLG Annual Report and discussions with Casino Operators.

- Notes:
- (1) For purposes of this graph, a municipal hosting fee was assumed to be 4% of Gaming Revenue.
  - (2) Pursuant to Regulation 199/00 of the OLG Act, OLG is required to pay the Government of Ontario a "win contribution" or gaming tax of 20% of the Gaming Revenue received by OLG from each of the four OLG Resort Casinos and GBH Casino. It is not known whether the Government of Ontario intends to extend this regulation to a new casino in the GTA.
  - (3) Pursuant to the gaming revenue sharing agreement between the Government of Ontario, OLG and OFN dated February 19, 2008, 1.7% of the revenue generated from all gaming activities conducted by OLG (not restricted to Casino Rama) is payable by OLG to OFN commencing in FY2012.
  - (4) Casino operating expenses (i.e. employee wages, supplier payments and non-gaming taxes) and operator profit margin (i.e. the required return on investment) are preliminary estimates based on a review of available financial data for other comparable casino operations as well as discussions with gaming industry experts.

- ▶ Based on the above analysis, Gaming Revenue is not entirely allocated, albeit, by a small percentage (2.0%). How the remainder is distributed among the various stakeholders, and even if the current allocations remain as is, depends on a variety of factors, most of which are presently unknown.

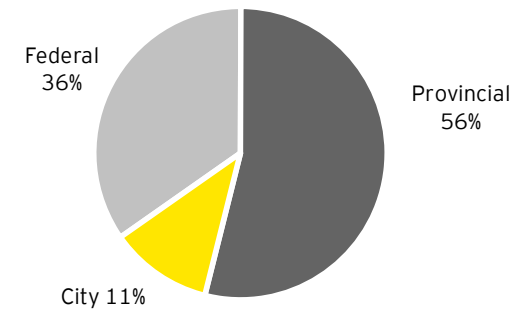
## 5. Hosting fee considerations

### Government revenue generated by an Integrated Entertainment Complex

- ▶ Our second analysis considered the direct and indirect tax revenue that each level of government may potentially receive as a result of an Integrated Entertainment Complex in Toronto. With the assumptions made in the Illustrative Scenario, the Economic Impact Model estimates the overall incremental GDP impact of an Integrated Entertainment Complex on the local economy to be \$1.6 billion (before potential substitution). Based on this impact level, the incremental tax revenue is estimated to be approximately \$790 million and would be split between the levels of government, by source, as shown in the table below.

\$ Millions	Federal Government	Provincial Government	City	Total
<b>Tax source</b>				
Corporate income taxes	\$ 40	\$ 30	\$ -	\$ 70
Personal income taxes	210	80	-	290
Sales taxes	30	40	-	70
Property taxes	-	25	25	50
Gaming taxes	-	250	60	310
<b>Total</b>	<b>280</b>	<b>425</b>	<b>85</b>	<b>790</b>

Share of Tax Revenue to Each Level of Government



Source: EY analysis based on the 2012 Ontario Budget and the outputs of the Economic Impact Model.

- Notes:
- (1) The tax revenue represents that attributable to the C1 casino as well as to the net change to the operations of Woodbine Racetrack.
  - (2) In estimating corporate and personal income taxes, effective taxes rates were assumed in the calculation. The actual tax rates could vary due to the individual tax positions of the various tax payers (e.g. they may have eligible losses from other sources to offset some or all of the income arising in connection with the Integrated Entertainment Complex).
  - (3) In estimating sales taxes, Gaming Revenue was excluded from the calculation as is a non-taxable supply.
  - (4) Gaming taxes reflect the "win contribution" (at 20% of Gaming Revenue) paid to OLG from the OLG Resort Casinos and hosting fees payable to the City. City's hosting fees are assumed to be 4% of the gaming revenue.

- ▶ In estimating taxation revenues, we first looked at the tax to GDP ratios based on Ontario Government's 2012 budget in order to estimate provincial tax revenues, noting that the tax to GDP ratios in Ontario have been generally stable in the past five years. Federal taxes were

## 5. Hosting fee considerations

then extrapolated based on the effective proportion of federal taxes to provincial taxes in Ontario, for example, for every dollar of provincial sales tax, the federal sales tax is estimated to 63 cents.

- ▶ OLG anticipates that a Toronto location for an Integrated Entertainment Complex would offer a significant location premium over a location in the other municipalities within C1 and, as a result, could generate higher Gaming Revenue of up to \$400 million. OLG provided its projected Gaming Revenue for the different C1 locations shown in the table below.

C1 Location	Projected Gaming Revenue
Toronto	\$650 to \$1,400
Markham	\$700 to \$1,050
Mississauga	\$600 to \$1,000

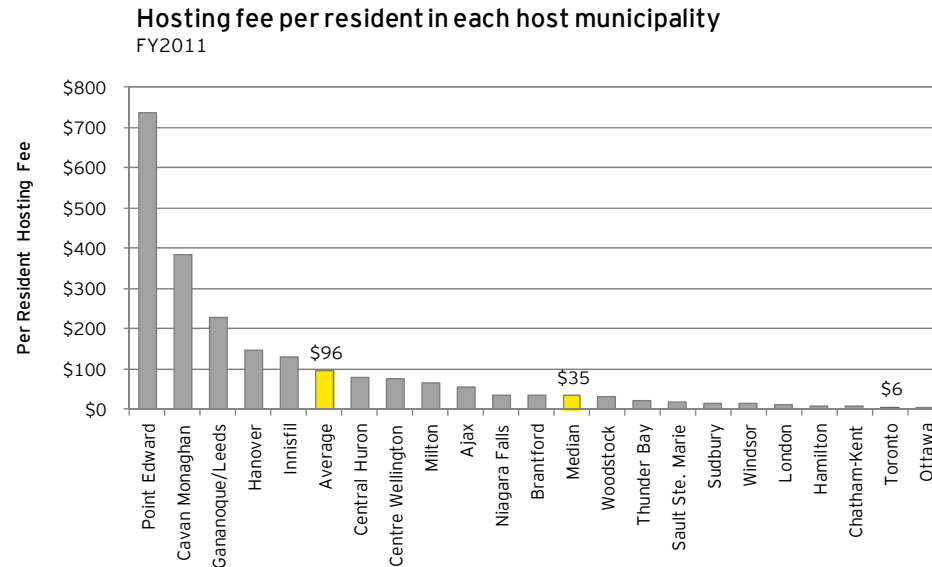
- ▶ Based on the information provided by OLG, the Provincial Government would receive an additional \$80 million in gaming taxes (20% of gaming revenues) by virtue of having the casino in Toronto. Further, the additional Gaming Revenue will indirectly lead to additional income and sales taxes for the Provincial and Federal Governments. Assuming 40% of the GDP impact of the additional Gaming Revenue is new tourism related, the accretive portion of the additional tax revenue to the Provincial and Federal Governments could be as high as \$20 and \$35 million, respectively.

- ▶ If this accretive tax revenue received by the Province was split with the City, the City would receive an additional \$50 million.

### *Current hosting fee per resident*

- ▶ Finally, our third analysis examined the financial contribution that the fees currently make to the various host municipalities across the Province. The graph below compares the hosting fee per resident for each of host municipalities in Ontario for FY2011.

## 5. Hosting fee considerations



Source: OLG Quarterly Performance Report for Q4 FY2011 and Statistics Canada 2011 census data

Notes: (1) The average hosting fee per resident across all of the host municipalities is significantly skewed by inclusion of a couple of small municipalities in the average. If Point Edward (Casino Point Edward), Cavan Monaghan (Kawartha Downs Racetrack) and Gananoque /Leeds (Thousand Islands Casino) are removing, the average is reduced to \$43.

- ▶ As shown in the graph above, under the current fee formula, smaller host municipalities tend to benefit more than larger ones. Illustratively, Point Edward received \$1.5 million in hosting fees in FY2011 which comprised 17% of the village's 2011 operating budget. In comparison, Toronto received \$15.4 million in connection with Woodbine but the hosting fees represented less than 1% of the City's 2011 operating budget.
- ▶ If the City received the current median hosting fee of \$35 per resident from OLG, hosting fees would total \$92.1 million based on the 2011 census population of 2.6 million people. As a proportion of Gaming Revenue, hosting fees of this amount would represent 6% on Gaming Revenue of \$1.5 billion and 9% on \$1.0 billion.

## 5. Hosting fee considerations

### *Other jurisdictions*

- ▶ In Canada, only the B.C. and Ontario Governments give host municipalities a share of the Gaming Revenue generated from government-operated casinos<sup>34</sup>. While municipalities in other provinces do receive financial benefits from gaming, the funding is linked to other types of gaming (e.g. video lottery terminals in Manitoba) or through indirect means.
- ▶ In our discussions and correspondence with the Canadian Gaming Association, the association advised that it was not aware of any U.S. states having revenue sharing arrangements with host municipalities similar to those in B.C. and Ontario. However, in certain states, host municipalities are able to levy gaming taxes on gaming venues operating within their civic boundaries. The tax rates are outlined in the 2012 edition of *State of the States: The AGA Survey of Casino Entertainment* published by the American Gaming Association and summarized in the table at the right.

### U.S. states with local gaming taxes

State	State Tax Rate	Local Tax Rate
Kansas	22.0%	3.0%
Maine	39.0%	3.0%
Michigan	8.1%	10.9%
Mississippi	8.0%	4.0%
Nevada	6.8%	1.0%
Pennsylvania	14.0% - 51.0%	2.0% - 4.0%

Source: American Gaming Association

<sup>34</sup> Unlike Ontario which bases hosting fees based on Gaming Revenue, the B.C. Government pays host municipalities 10% of the net gaming profits (after expenses).



Section 6.

## Potential social impacts

## 6. Potential social impacts

### 6.1. Introduction

- ▶ Two of the more significant potential social concerns associated with the opening of a new casino are problem gambling and crime. However, such impacts are often intangible and can be associated with other conditions such as substance abuse. As a result, the impacts are difficult to measure and not necessarily directly attributable to the introduction of casino gambling. The potential impacts on problem gambling and crime are discussed below.

### 6.2. Problem gambling

- ▶ TPH has examined the health issues related to gambling. The following are excerpts from TPH's draft report provided to E&Y as of the date of this Report.

#### Key findings from TPH's technical report:

- Problem gambling is a serious public health concern. The current prevalence rate shows that severe problem gambling directly affects upwards of 11,000 people aged 18+ (0.2%) in the GTA and 25,000 (0.3%) in Ontario. In addition, there are approximately 129,000 people aged 18+ (2.8%) in the GTA and 294,000 people aged 18+ (3.0%) in Ontario who are considered at-risk gamblers, based on their gambling behaviour and likelihood of experiencing adverse consequences from gambling.
- Problem gambling has a range of negative impacts on physical and mental health, including ill health, fatigue, co-related substance use and addiction, depression and suicide among others. These impacts occur alongside others such as alcohol-related traffic fatalities, financial difficulties, family breakdown, divorce and compromised child development that also affect the health and well-being of family, friends, colleagues and communities and are relevant to public health.
- Some groups are at greater risk of becoming problem gamblers or are more vulnerable to the negative impacts of gambling, including males, youth, older adults, and individuals and families with low income.
- Increased availability and access to gambling is associated with increased rates of problem gambling. Proximity to a gambling venue is one important factor that appears to influence the rate of problem gambling. From current evidence it is difficult to predict how much problem gambling rates will increase depending on distance or population makeup. A casino will likely have a greater effect on problem gambling for people who live or work closer to the casino compared to those further away and also

## 6. Potential social impacts

greater impacts on communities with a higher proportion of vulnerable groups.

- Another influence on problem gambling rates is the type of gambling that is available. Electronic gaming machines, such as video lottery terminals (VLTs) (not currently permitted in Ontario) and slot machines, are the most addictive forms of gambling.
- Much remains unknown about how to successfully treat problem gambling. Only a minority of problem gamblers (1 to 2% per year) seek or receive treatment.
- A broad range of strategies and policies that focus on prevention of exposure to gambling are needed to minimize the probability of problem gambling occurring and reduce health impacts for problem gamblers and their families. These strategies are further outlined in the report to the Board of Health.
- In summary, the evidence indicates that increasing access to gambling through any means (including a casino) is associated with an increase in the prevalence of problem gambling. A casino located anywhere in the GTA will likely increase problem gambling and associated health risks for Toronto residents, with greater impacts on closer communities. Decisions regarding a new casino in the GTA should consider the likely increase in problem gambling and associated health impacts.

- ▶ TPH's findings are consistent with those in the research studies which E&Y reviewed. We noted, however, that most of the research studies reviewed pre-dated the rise in internet gaming websites over the last few years. While internet gaming is expected to have had some impact on the prevalence of problem gambling, the effects do not appear have been widely studied. Accordingly, we suggested to TPH that it may wish to address the potential impact of a casino located in Toronto given the existing availability of internet gambling and other forms of gambling in and near the City.
- ▶ OLG recognizes the importance of the social implications of government-sponsored gambling and, as part of its mandate, has adopted a responsible gaming strategy aimed at the prevention and mitigation of problem gambling by:
  - empowering informed choice among players; and
  - bridging people who need help to provincially-funded counseling services.
- ▶ OLG, working with the Ontario Ministry of Health ("MOH"), Centre for Addition and Mental Health ("CAMH"), Responsible Gaming Council ("RGC") and other government and independent agencies, has developed and implemented a range of responsible gaming programs and initiatives. These programs and initiatives include:

## 6. Potential social impacts

- player awareness and education on myths and facts of gambling;
  - tracking of player play patterns;
  - player awareness and knowledge of personal play habits and strategies for playing safely;
  - player self-exclusion program (supported by facial recognition technology);
  - onsite responsible gaming centres at all casinos;
  - staff training to identify problem gambling behavior and direct people seeking help to free counseling; and
  - community counseling services.
- ▶ OLG’s responsible programs and initiatives are described further in the OLG presentation attached as Appendix G, and additional information regarding the responsible gaming policies, programs and performance may be accessed from OLG’s responsible gaming website at <http://www.knowyourlimit.ca>.
- ▶ In 2011, OLG spent \$13.1 million on its responsible gaming initiatives and programs. MOH spent a further \$39.4 million during the year on prevention, treatment and research programs, for a total of \$52.5 million being spent on problem gambling in Ontario, the most any province<sup>35</sup>.
- ▶ A study published by Dr. Robert Williams and Dr. Robert Wood in 2007 (the “**Williams Study**”) observed that, while people with a moderate or severe problem gambling addiction represent approximately 8% of the Ontario population that participates in gambling activities, they contributed approximately 36% of the related revenue. The Williams Study also noted that the proportion of gaming revenue derived from problem gamblers varied based on the type of gambling<sup>36</sup>. The authors caution, however, that the small sample size used in the study, reliance on self-reporting by participants and an observed discrepancy between expenditures reported by participants and actual gaming revenues limit the conclusions drawn from the Williams Study.

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35 Source: 2010-2011 Canadian Gambling Digest.

36 The Williams Study found the proportion of revenue derived from problem gamblers to be 61% for gaming machines, 45% for horse racing, 32% for casino table games, 22% for bingos and 18% for lotteries.

## 6. Potential social impacts

### 6.3. Crime and emergency services

- ▶ E&Y discussed the potential impact of the establishment of a casino on crime rates with emergency service personnel as well as officials from current host municipalities. E&Y were advised that the municipalities did not observe a long term impact on crime resulting from the introduction of casino gambling.
- ▶ Toronto Police Services (“TPS”) advised it would not anticipate any additional criminal activity as a result of a casino in Toronto, other than what would normally be the result of a new large development in the city. In our discussions, TPS noted that crime rates in the City have decreased by 17% from 2001 to 2010 with decreases in all major offence categories (Offences per 1,000 population decreased from 77.2 in 2001 to 58.6 in 2010).
- ▶ The Windsor Police Department (“WPD”) indicated that the crime rates have declined since the opening of the OLG Resort Casino in Windsor. This trend is consistent with general demographic trends in Canada. WPD provided the graph attached as Appendix H illustrating the trend in crime rates.
- ▶ In the late 1990’s, the U.S. National Gambling Impact Study Commission (the “NG Commission”) conducted a comprehensive study into gambling behaviour and attitudes, 10 community case studies as well as detailed analysis of impacts in 100 host communities. In its final report, the NG Commission stated that there was insufficient data to quantify or define a relationship between greater availability of gambling and crime.
- ▶ Based on the findings noted above and those in the BC Study (as defined hereafter), no further work was completed to estimate the potential financial impacts of a casino with respect to crime or emergency services.

### 6.4. BC Study

- ▶ One particularly noteworthy research study is a four year study completed for the Government of British Columbia by Blue Thorn Research and Analysis Group in 2007 (the “BC Study”). The BC Study examined the economic and social impacts of the opening of new land-based gaming venues in four different municipalities in the lower B.C. mainland<sup>37</sup>. The BC Study was unique in that the researchers were able to gather baseline data prior to the venue openings and then compare it to data collected after in order to determine the incremental impacts.

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<sup>37</sup> The BC Study considered the impacts related to the venues opened in Vancouver, Surrey, Langley and the Township of Langley in late 2004 / early 2005.

## 6. Potential social impacts

- ▶ Overall, the BC Study found that, first, most of the factors measured were not impacted by the opening of the new gaming venues and, second, the impacts that did occur tended to be modest. As such, the BC Study concluded that, while the new gaming venues did not lead broad benefits to the local economies, the expansion of casino gambling did not create major new social problems. The observations made by the BC Study included:
  - The opening of the new gaming venues resulted in some clear economic benefits including the creation of new jobs, the capital invested by the Casino Operators to construct the venues and the ongoing direct hosting fee revenue received by the host municipalities;
  - There was no statistically identifiable net increase in overall employment level subsequent to venue openings;
  - An increase in hotel revenue was noted but the increase could not be directly attributed to the opening of the new gaming venues;
  - No obvious impacts on a number of macroeconomic indicators (e.g. housing starts, value of residential construction, commercial bankruptcy rates and overall employment rates) were observed in the host municipalities;
  - In qualitative interviews with local merchants, merchants generally reported no change in business with some reporting higher revenues and some lower. An increase in traffic and congestions was also cited as a concern of local merchants;
  - Most of the customers of the new gaming venues resided within 20 kilometres of the venue and the specific draw for the venue was from the municipality where the venue is located;
  - The introduction of a new gaming venue resulted in a redirection of patronage from existing gaming venue in nearby areas. However, patronage by local residents at gambling destinations such as Las Vegas was not impacted.
  - The introduction of a new gaming venue resulted in a redirection of patronage from existing gaming venue in nearby areas. However, patronage by local residents at gambling destinations such as Las Vegas was not impacted.
  - The BC Study found little evidence that the new venues worsened existing social problems (except as noted below in regards to the prevalence of problem gambling in Langley).

## 6. Potential social impacts

- The prevalence of moderate problem gambling increased significantly in one of the four municipalities. The other three municipalities did not experience an increase<sup>38</sup>;
  - There was no significant change in rate of personal bankruptcies or suicides; and
  - The number of criminal code offenses declined in two of the four municipalities. The other two municipalities experienced no change. In qualitative interviews with the police departments in the four municipalities, the police departments indicated that there was very little crime or police work associated with the new gaming venues. However, they did note an increase in vehicle thefts due to the creation of large parking lots as well as some cases of loan sharking (but not unique to the gaming venues).
- ▶ However, the BC Study cautioned that the results of the impact analysis may not necessarily and appropriately identify the actual underlying changes in the measured factors due to the difficulty isolating the effects of the new venues from those of a myriad of other social and economic forces, the difficulty in making causal attributions for impacts found and the uncertainty about the appropriate length of time needed to gauge impacts. **The BC Study further cautioned that extrapolation of the findings may not be appropriate as the results of the study are more than likely unique to the specific venues in the particular geographic region at the particular time period studied.**
- ▶ The executive summary of the BC Study is attached as Appendix I and the full report may be accessed from the Government of British Columbia's website at <http://www.pssg.gov.bc.ca/gaming/reports/docs/rpt-rg-impact-study-final.pdf>.

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<sup>38</sup> The lack of a statistical change in the prevalence of problem gambling despite even greater availability in those municipalities supports the social adaptation model put forward by some researchers. This model contends that gambling typically produces most of its negative effects when first introduced into a region and that, after a period of time, the residents of the region adapt to the presence of gambling and, as a result, the negative effects diminish somewhat.

Section 7.

## Potential locations in Toronto



## 7. Potential locations in Toronto

### 7.1. Introduction

- ▶ From our discussions with the various Casino Operators interested in opening an Integrated Entertainment Complex in Toronto and confirmed by OLG through the RFI process, the potential Toronto locations that appeal to Casino Operators are:
  - the Entertainment District centred around the MTCC area (as well as the LCBO building site);
  - Exhibition Place;
  - the Port Lands area; and
  - Woodbine Racetrack.
- ▶ The merits and challenges associated with each of these potential locations are discussed below, and area maps are included in Appendices L and M.

### 7.2. Entertainment District / MTCC

- ▶ The Casino Operators who we spoke to expressed interest in the Entertainment District, near the MTCC. The interested Casino Operators indicated they would envision expansion of the existing convention space as part of the construction of an Integrated Entertainment Complex in the Entertainment District.
- ▶ In discussions with Casino Operators, the MTCC and Canada Lands, the redevelopment of the MTCC area to incorporate an Integrated Entertainment Complex is possible. The MTCC could be expanded to increase the available contiguous space. As with Exhibition Place, such an increase would have a significant impact on the City's ability to attract larger conventions and would, therefore, increase tourism and provide economic stimulus. One of their major concerns is with respect of the design of the development to ensure that it is "open" to the street and forms a part of the neighborhood to encourage visitors to travel freely from the development to surrounding businesses and restaurants.
- ▶ The Entertainment District has relatively good access to transit with a link to Union Station. It is also central to the city centre and to the main hotel hub of the City.
- ▶ Difficulties associated with the Entertainment District as a location would include the impact on traffic congestion along Front Street and Lakeshore Boulevard, as access from each will be key. We understand that traffic studies are being done and that the City Planning

## 7. Potential locations in Toronto

Department has been advised on the initial ideas of at least one party. In discussions with the City Planning Department, the department indicated that the traffic issue was a significant concern but that it was too early to make any determinations.

- ▶ During our discussions, Entertainment District BIA expressed concerns regarding the design and location of the Integrated Entertainment Complex and its potential impact on area businesses. However, development in this area would require the cooperation of a number of existing land owners and likely the demolition of certain existing buildings.
- ▶ As the City is currently receiving property tax revenue from these buildings, the net incremental property taxes for this location would be lower than the other sites in C1.

### 7.3. Exhibition Place

- ▶ Several of the Casino Operators who we spoke to also expressed interest in Exhibition Place (possibly in conjunction with a further development of Ontario Place. While a number of the Casino Operators indicated that they had discussions with Exhibition Place and Ontario Place representatives, it is unclear as to the stage of those discussions.
- ▶ Exhibition Place poses some transit issues in their current state. Lakeshore Boulevard would be the principal access route to the site, thus increasing the need for the proposed light rail transit line.
- ▶ In our discussions, Exhibition Place indicated it could accommodate a casino and possibly a hotel using the land currently designated as parking lot / event space. One of the major concerns is in regards to the design of any development at Exhibition Place to ensure the annual CNE and Honda Indy can be accommodated.
- ▶ The Direct Energy Centre, which is currently used to house tradeshow, and the Allstream Centre, which offers other meeting room space, could be expanded as part of any development. The Direct Energy Centre has approximately 1,000,000 square feet showroom space. An expansion of the Direct Energy Centre space to include meeting rooms and adding hotel space at Exhibition Place would improve the marketability of the City as a convention destination. Currently, there are no hotels on site and this prevents the space from being used as convention space, as convention planners insist on hotels close to the convention space. However, there is an agreement with a third party to build a 400 room hotel at Exhibition Place. This hotel operator has entered into a 25 year lease (with a 25 year renewal) which grants the hotel operator exclusive rights to operate a hotel at Exhibition Place for 15 years within the whole of Exhibition Place and for the remainder of the lease in the area east of Ontario Drive.
- ▶ One drawback to Exhibition Place is that it would draw tourists away from the city centre and, given the current transit links to city centre, tourists and convention travelers would be less likely to travel into the city centre. In addition, while plans to build a 400-room hotel on

## 7. Potential locations in Toronto

Exhibition Place (independently of the casino) are progressing, the appeal of Exhibition Place for convention is limited given the lack of nearby hotels and restaurants.

### 7.4. Port Lands

- ▶ Most of the Casino Operators we spoke to indicated that, while the site has enormous potential, they were not interested in this location citing concerns over the cost of remediation, flood protection costs, infrastructure needs and distance from other attractions in the City. Most of the Casino Operators believe there is potential in the Port Lands, but not in the immediate future.
- ▶ The Port Lands public consultation report dated August 8, 2012 concludes that the Port Lands is a high cost site to redevelop, as the site:
  - currently lies within a flood zone;
  - is a brownfield site, needing extensive environmental remediation;
  - has poor ground conditions for building;
  - lacks development-enabling infrastructure as the existing roads and services are old and / or inadequate to support more intense development; and
  - is poorly tied into the City's road, transit and wastewater collection networks.
- ▶ The costs to prepare the Port Lands re-development are significant per the Port Lands Public Consultation Report. The flood protection costs have been estimated at \$460 million for the entire Port Lands area; however, the plan is to do the flood protection in phases. These flood protection costs are for the entire Port Lands area and any Integrated Casino Resort will cover 20-25 acres and therefore the costs will be lower. For the purpose of the analysis of this site, it is assumed that these costs are incurred by either OLG or the casino operator.
- ▶ Infrastructure costs could also include a rapid transit line to the area from the downtown which is estimated in the Port Lands Public Consultation Report grant to be approximately \$20 million (excluding streetcars).
- ▶ Notwithstanding the limited operator interest as well as the remediation and infrastructure requirements, the Port Lands site includes both private and city owned land which could be used to site a casino. The estimates of the potential benefits to the City and the local economy indicated by the Economic Impact Model are before taking into account the costs to undertake the required environmental remediation and infrastructure improvements. While much of the land in the Polson Pier is city-owned, the land is subject to a number of

## 7. Potential locations in Toronto

long term leases. The City should review the terms of these leases and determine whether there are conditions which allow for the early termination of these leases or potential strategies to negotiate with the current lease holders.

### 7.5. Woodbine Racetrack

- ▶ While the Casino Operators were less enthusiastic about Woodbine Racetrack, there are operators who would be prepared to bid on such a site given its proven track record as a high performing slot venue. OLG's preference would be to expand the operations at Woodbine Racetrack to include table games and to have a C1 casino resort. OLG views the Woodbine Racetrack site as more suited to a typical Standalone Casino or "slot box" type operation; but the Crown agency intends to have a private operator here as well. Currently, OLG has approximately 900 employees at the Woodbine site.
- ▶ Woodbine Racetrack is well situated in terms of road access and is in close proximity to the secondary hotel hub in the City and to Pearson International Airport. There is sufficient parking on site already and plenty of land available for expansion if necessary. The Great Toronto Hotel Association supported a casino project at either the Woodbine or Metro Convention centre sites as these were more accretive to the existing hotels.
- ▶ Sufficient land is available in the area to accommodate almost any size development project and there is a pre-existing development plan in the form of Woodbine Live. The site would need additional water and sewer infrastructure which are assumed to be part of OLG or the developers, as well as a transit link to the airport.
- ▶ In these circumstances, the City could be in a position to require a higher hosting fee from OLG.

### 7.6. Comparison of the financial and economic impacts

- ▶ At the request of the City Manager's Office, we ran various different scenarios through the Economic Impact Model to illustrate the possible effects of changes in location of the Integrated Entertainment Complex on the potential financial and economic impacts. These impacts are summarized in Appendix J.

## 7. Potential locations in Toronto

### 7.7. Impacts on Woodbine Racetrack

- ▶ OLG intends to open a casino in the GTA. The planned casino is expected to cannibalize some level of the Gaming Revenue that would otherwise be generated by the slots at Woodbine Racetrack and, as a result, create adverse financial and economic impacts for the City. These impacts are summarized in Appendix K.

Section 8.

# Impact of a GTA casino located outside of Toronto

## 8. Impact of a GTA casino located outside of Toronto

### 8.1. Possible alternative locations for a GTA casino

- ▶ The Government of Ontario has decided to expand land-based gaming in the Province. Instrumental to this planned expansion is the establishment of a casino in the GTA.
- ▶ OLG created the C1 gaming zone as three separate and distinct geographical areas in the GTA (refer to Appendix D). As an alternative to a Toronto location, the GTA casino in the C1 gaming zone could be opened in Mississauga or Markham. In our discussions with OLG, it advised that, notwithstanding the three separate areas in C1, OLG only intends to approve one casino within one of the three areas and, from a financial perspective, the Crown agency is indifferent to which of the three areas hosts the GTA casino.
- ▶ The other municipalities within C1 are Mississauga, Markham and Richmond Hill. On June 26, 2012, the Markham Town Council rejected a motion to express interest in hosting a casino located in Markham.

### 8.2. Potential impacts on Toronto

- ▶ If the GTA casino is located outside of Toronto, the City will not receive the direct financial benefit of municipal hosting fees and property taxes. Furthermore, the City will not benefit from any potential land sales.
- ▶ In addition, the City will not benefit from the GDP benefits as outlined earlier in this Report:
  - construction                    \$0.9 to \$2.4 billion
  - ongoing operations        \$1.2 to \$2.0 billion
  - construction jobs        3,600 to 8,500 FTEs (over a three years construction period)
  - ongoing jobs                12,000 to 20,000 FTEs
- ▶ However, broader economic and social impacts may still affect Toronto, albeit, to a lesser degree. Impacts could include:
  - economic losses as Toronto residents redirect a portion of their leisure spending from Toronto dining and entertainment venues to a casino (and other nearby businesses) outside of the city;
  - increased prevalence of problem gaming and other social impacts in Toronto as residents have greater access to land-based gambling in the GTA; and

## 8. Impact of a GTA casino located outside of Toronto

- increased tourism as travelers come to the GTA to play at the casino but also come into Toronto during their trips.



Section 9.

# Temporary casino considerations

## 9. Temporary casino considerations

- ▶ As OLG wishes to begin realizing the financial benefits associated with a casino as soon as possible, the Crown agency plans to set up a temporary GTA casino while a permanent venue is constructed. OLG provided the following comparison of the general size and economics of a permanent casino versus temporary one in the GTA.

OLG Estimates	Permanent	Temporary
Direct jobs (not FTE)	12,000	400 to 500
Construction jobs (not FTE)	6,000 (36 months)	200 to 800 (6 to 12 months)
Capital investment	More than \$2 billion	\$200 million
Slots	Up to 5,000	Up to 3,500
Gaming revenue <sup>39</sup>	\$1.4 billion	\$800 million

- ▶ As with the permanent venue, the temporary C1 casino will only be established within the defined boundaries of the gaming zone and only upon municipal consent. OLG indicated that the municipality that hosts the temporary casino does not necessarily need to be the same municipality that hosts the permanent venue.
- ▶ If the City decides to host a casino, the most suitable location for a temporary casino within the City may be Exhibition Place, using some underutilized building on the site (although any operator would likely significantly renovate the building). The MTCC may not be available based on our discussions, though it should be considered as well.
- ▶ With the opening of a temporary casino, the City would immediately realize direct benefits from hosting fees and increased property taxes due to a higher site assessment of the site in question (or from the revenue stream from a land lease if it was situated on city-owned land). The temporary casino would generate the following financial benefits for the City:
  - hosting fees; and
  - property taxes<sup>40</sup>.
- ▶ In our discussions with Casino Operators, we were advised that, while a temporary casino would generate less Gaming Revenue than a permanent casino<sup>41</sup>, the temporary casino would require less upfront capital investment and also be significantly less costly to operate.

<sup>39</sup> OLG did not provide an estimate of Gaming Revenue. Gaming Revenue for a temporary casino was estimated based on \$230,000 per slot and does not include any revenue from tables.

<sup>40</sup> Property taxes will depend on the increase in value of the property on which the temporary casino is situated upon.

## 9. Temporary casino considerations

Accordingly, OLG would likely be in a position to levy a higher rate of gambling tax without unduly suppressing the Casino Operator's profit margin and, consequently, there may be an opportunity for a higher level of revenue to be shared with the City.

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41 One Casino Operator indicated that the Gaming Revenue generated by a temporary casino could range between \$500 and \$600 million (depending on a number of factors including but not limited to, location, marketing, number of slots and tables permitted by OLG) as compared to \$1 billion and \$1.5 billion for a permanent casino.

Section 10.

## Public consultation process

## 10. Public consultation process

### 10.1. Legislative requirements in Ontario

- ▶ Regulation 347/00 to the *Ontario Lottery and Gaming Corporation Act* (the “**OLG Act**”) had required municipalities to hold a referendum prior to consenting to host a casino. However, this regulation was revoked on June 1, 2012 and replaced with Regulation 81/12 (the “**New Regulation**”), which provides greater flexibility in the consultation process to the municipality. Subsection 2(3) of New Regulation outlines the requirements for municipal consent as:

*In the case of a proposed gaming site to be established at premises in a municipality or on a reserve,*

- (i) *the municipal council or the council of the band, as the case may be, seeks public input into the establishment of the proposed gaming site and gives the Corporation, in writing, a description of the steps it took to do so and a summary of the public input it received, and*
- (ii) *the municipal council or the council of the band, as the case may be, passes a resolution supporting the establishment of the gaming site in the municipality or on the band’s reserve and gives a copy of the resolution to the Corporation.*

- ▶ While the New Regulation refers to seeking public input into the establishment of a gaming venue, it is silent on the type and extent of consultation.

### 10.2. Consultation processes undertaken in other jurisdictions

- ▶ Consultation processes vary across the many jurisdictions from no public consultations, to public meetings and online surveys and finally to formal referendums (some binding and some non-binding). U.S. jurisdictions tend to hold referendums, while the Canadian and Ontario-specific experience leans more heavily to public meetings and online surveys.

### 10.3. A process for Toronto

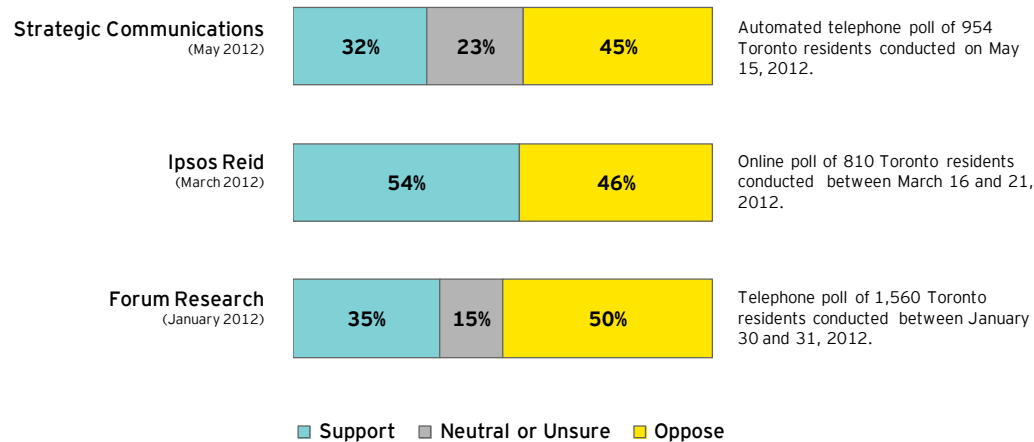
- ▶ The City held a referendum in 1997 at the time of amalgamation. 72% of the voters voted against a casino in Toronto.
- ▶ E&Y were advised that a referendum could cost as much as \$7 million if it was held before the next municipal election. A more cost effective approach may incorporate the following:
  - providing access to the reports on the City’s website including a summary prepared by City Staff; and

## 10. Public consultation process

- conducting an online survey (open for 3 or 4 weeks) to gauge the views of Toronto residents and public meetings; and
- use of social media tools
- providing time for City Councilors to consult with residents in each of their wards; and
- engaging an independent pollster to do a statistically valid public opinion survey of Toronto residents ensuring that it reflective of the wards in the City.
- seek input from key stakeholders such as local businesses, BIA's, gaming industry, public health, CAMH, construction and development groups.

### 10.4. Recent public opinion polls regarding a casino

- ▶ During the first six months of 2012, three polling organizations conducted surveys of Toronto residents to gauge the general public opinion towards a casino being established in the city. The survey findings released by the polling organizations are summarized in the chart below.



- ▶ In addition to the gauging general public opinion support, the polls also found the following:

## 10. Public consultation process

- opposition to a casino increased 13 percentage points to 58% and support decreased 19% if the casino is to be located in the respondent's neighbourhood<sup>42</sup>;
- 62% of respondents believed that the decision regarding a casino in Toronto should be decided by a city-wide referendum whereas 24% believed the decision should be made by city hall<sup>43</sup>; and
- 37% of respondents were more supportive of a casino if the casino is part of a larger resort complex<sup>44</sup>.

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42 Strategic Communications.

43 Strategic Communications.

44 Ipsos Reid.

Appendix A.

# Definitions



## A. Definitions

AGCO	Alcohol and Gaming Commission of Ontario	Integrated Entertainment Complex	A multi-use resort facility that incorporates a casino (with slot machines and table games) as well as other entertainment, hotel, dining and other non-gaming amenities. It is anticipated that non-gaming amenities at an Integrated Entertainment Complex in Toronto would comprise nearly 90% of the complex's constructed area
C1	One of 29 gaming zones in Ontario designated by OLG as part of its modernization initiative. C1 is comprised of three separate and distinct geographical areas within the GTA in which OLG proposes to permit the establishment of a casino.	OLG	Ontario Lottery and Gaming Corporation
C2	The gaming zone in Toronto that includes Woodbine Racetrack as a gaming venue	OLG Casinos	Collectively, the six Standalone Casinos currently owned and operated by OLG
Casino Operator	Private sector casino operator (e.g. MGM, Las Vegas Sands)	OLG Modernization Report	The report entitled Modernizing Lottery and Gaming in Ontario that was released by OLG on March 12, 2012. The OLG Modernization Report outlines OLG's findings and recommendations arising from its strategic business review of lottery and gaming activities in Ontario
City	The City of Toronto	OLG Resort Casinos	Collectively, the Destination Casinos currently operated by OLG
CNE	Canadian National Exhibition	Non-Gaming Revenue	Net revenue generated from non-gaming amenities at the gaming venue
Destination Casino	A casino that, because of the facilities and amenities it offers, draws customers from a wide geographic area. A Destination Casino is commonly a part of an Integrated Entertainment Complex	Standalone Casino	A casino in which non-gaming amenities are limited or are not part of the facility. A Standalone Casino operates as a regional gaming facility that primarily draws its customers from the surrounding areas
FTE	Full-time equivalent	Toronto Region	Public health region incorporating Toronto
FY	Fiscal year	Woodbine Racetrack	Woodbine Racetrack, current site of OLG's gaming operations (slot machines only) in C2
Gaming Revenue	Net revenue generated from slot and table games being the amount of gaming wagers placed by patrons less the payouts from those wagers		
GTA	Greater Toronto Area		

Appendix B.

# Scope of work

## B. Scope of work

The scope of work completed as part of the Study was as outlined in the RFP and as agreed between the City and Ernst & Young LLP. The work included the following:

Scope of Work	Report Section
(a) An overview of existing gaming facilities and activities in Toronto.	3.2.
(b) An explanation of the current provincial and OLG processes to select a location and casino operator for one or more potential Casinos in the Greater Toronto Area.	3.1.4.
(c) The approximate number and types of jobs, including approximate income levels, that could be created by a Casino including: <ul style="list-style-type: none"> <li>– Temporary and / or construction-related jobs;</li> <li>– Permanent jobs; and</li> <li>– Impact, if any, of a new gaming operation on existing gaming-related and other jobs in the City.</li> </ul>	4.6. and 4.7.
(d) The approximate amount of revenue the City could receive as a result of a Casino operating in Toronto through: <ul style="list-style-type: none"> <li>– Provincial hosting fees;</li> <li>– Property taxes from a Casino and the associated businesses / properties;</li> <li>– Rent, lease or other income from city-owned lands, if used for casino purposes;</li> <li>– Equity returns if city-owned lands are used as an equity contribution to a private project; and</li> <li>– Other revenue opportunities, including those that may be negotiated with the Government of Ontario, OLG and casino operators, including funding to repair and maintain Toronto Community Housing Corporation Buildings and support for subsidized day care in the City.</li> </ul>	4.4. and 5. and Appendices F, J and K
(e) Comparison of potential revenue to the City if a Casino was: <ul style="list-style-type: none"> <li>– Located on private lands within Toronto;</li> <li>– Located on city-owned lands within Toronto;</li> <li>– Located on provincially-owned or federally-owned lands within Toronto; or</li> <li>– Located outside Toronto.</li> </ul>	4.4., 5., and 8. and Appendices J and K
(f) Identification of potential city-owned lands suitable for a Casino.	7. and Appendices L and M

## B. Scope of work

Scope of Work	Report Section
(g) Other ways to maximize the City's potential revenues arising from a Casino.	4.4., 5., 8. and 9 and Appendices J and K
(h) The impact of a Casino on the City's ability to attract tourists and convention / conference business.	4.6.
(i) The experiences of other jurisdictions in introducing a Casino into their communities including the impact on: <ul style="list-style-type: none"> <li>– Pre-existing businesses;</li> <li>– Neighbourhoods;</li> <li>– Social services;</li> <li>– Crime rates; and</li> <li>– Employment.</li> </ul>	6. and Appendices G, H and I
(j) The potential social impact to individuals and families due to gambling-related addictive behaviour and crime, and options to mitigate the human and social impact, including information about problem gaming programs within Canada and currently offered by the OLG.	6. and Appendices G and I
(k) Estimated incremental costs associated with a Casino within the City including police, fire and emergency medical services costs.	6. and Appendix I
(l) Land use, physical planning, infrastructure (including transportation) and other matters associated with development of a Casino within the City.	7.
(m) Options to mitigate the City's costs associated with the issues identified above.	7.
(n) How the potential revenue and social impacts differ whether a Casino is located within the City compared to the same operation located just outside the city boundary in an adjacent municipality.	8.
(o) Opportunities to host a temporary Casino on city-owned lands, including steps required to create jobs and begin earning revenue from such an arrangement.	9.

## B. Scope of work

Scope of Work	Report Section
(p) Based on a review of public consultations undertaken in other jurisdictions related to commercial casinos, the history of public opinion on casinos in Toronto and current provincial legislation and regulations, recommendation as to the appropriate level, consultation process and timing for public input on the matter of a Casino in the City.	10.

Appendix C.

# Information sources

## C. Information sources

During the course of our work, E&Y consulted the following organizations:

### Organizations consulted

#### *Municipalities*

City of Brantford  
City of Montreal  
City of Niagara Falls  
City of Windsor  
Toronto Economic Department  
Toronto Planning Department  
Toronto Police Services  
Toronto Port Lands  
Toronto Public Health  
Toronto Transit Commission  
Toronto Transportation Services  
Toronto Waterfront Secretariat

#### *Gaming facility operators*

Camillion Corp.  
Ceasars Entertainment Corp.  
Las Vegas Sands Corp.  
MGM Resorts International  
Onex Corp.  
Woodbine Entertainment Group

#### *Other stakeholders*

Mr. Alan Broadbent  
Canada Lands Corporation  
Canadian Gaming Association  
Canadian National Exhibition  
Carpenters Union Local 27  
Entertainment District Business Improvement Association  
Ontario Lottery and Gaming Corporation  
Oxford Properties  
MTCC  
Ripley's Aquarium of Canada  
Responsible Gambling Council  
Toronto Hotel Association  
Tourism Toronto  
Mr. Jerry Sprackman

The economic (and social) impacts of casino gambling have been extensively researched by many different people and organizations around the world including academics, industry associations and government agencies. Although E&Y did not undertake an exhaustive review of the existing relevant body of research, E&Y reviewed the following documents:

### Government documents and data

Auditor General of Ontario. 2010 Annual Report. Toronto: Queen's Printer for Ontario, 2010.

Ontario Lottery and Gaming Corporation. 2009 / 2010 Annual Report. Toronto: Ontario Lottery and Gaming Corporation, 2010.

## C. Information sources

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## C. Information sources

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Velhuizen, Scott, Karen Urbanoski and John Cairney. "Geograohical Variation in the Prevalence of Problematice Substance Use in Canada." The Canadian Journal of Psychiatry (2007): 426-433.

Weibe, Jamie and Rachel Volberg. Problem Gambling Prevalence Research: A Critical Overview. Toronto: Canadian Gaming Association, 2007.

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Li, Anita. "Poll: 50 Per cent of Torontonians Don't Want a Casino in City." Toronto Star 3 February 2012.



Rider, David. "Poll on Toronto Casino Issues Reveals a Strong NIMBY Factor." Toronto Star 22 May 2012.

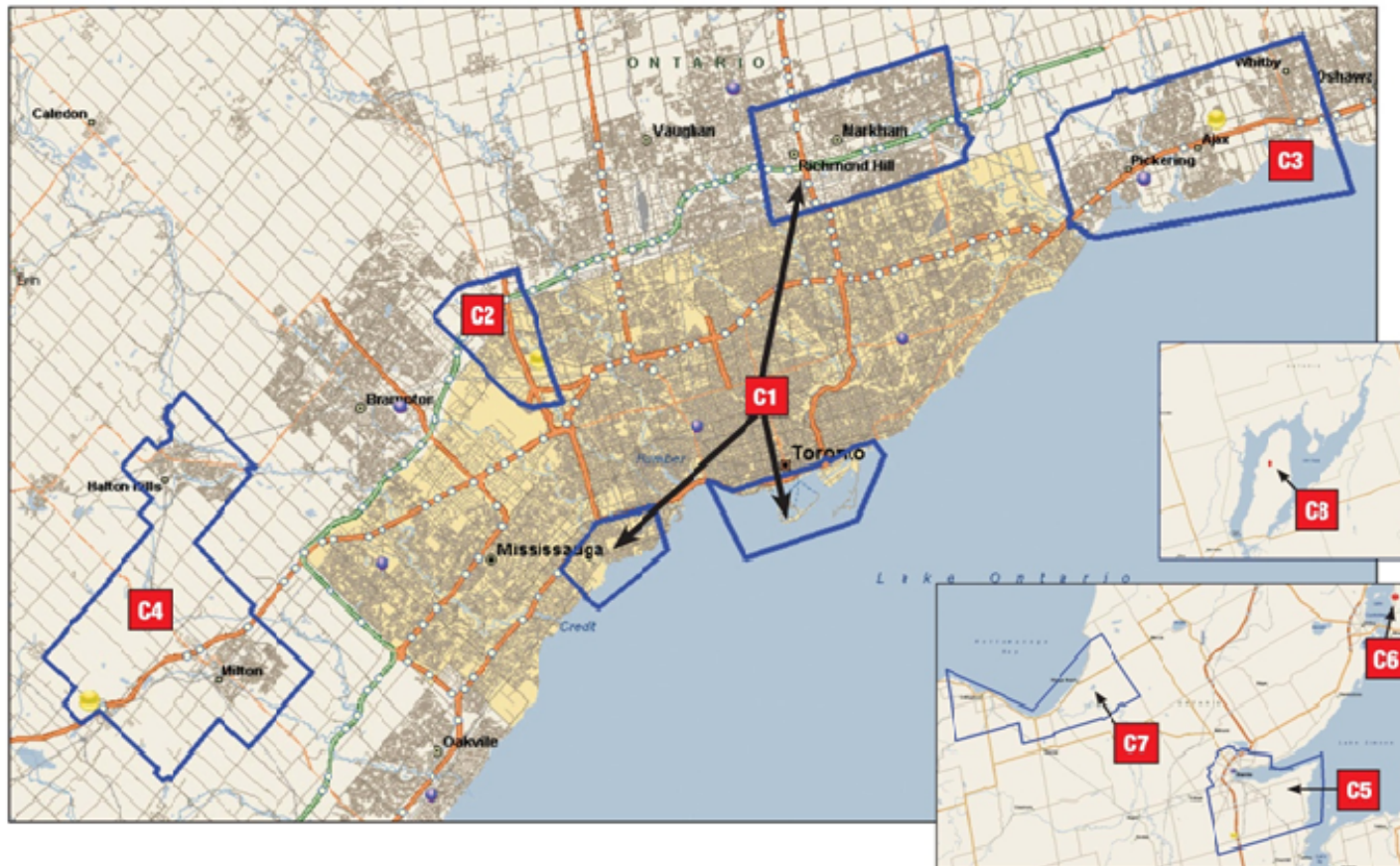
Appendix D.

## Maps of GTA gaming zones

## D. Maps of GTA gaming zones

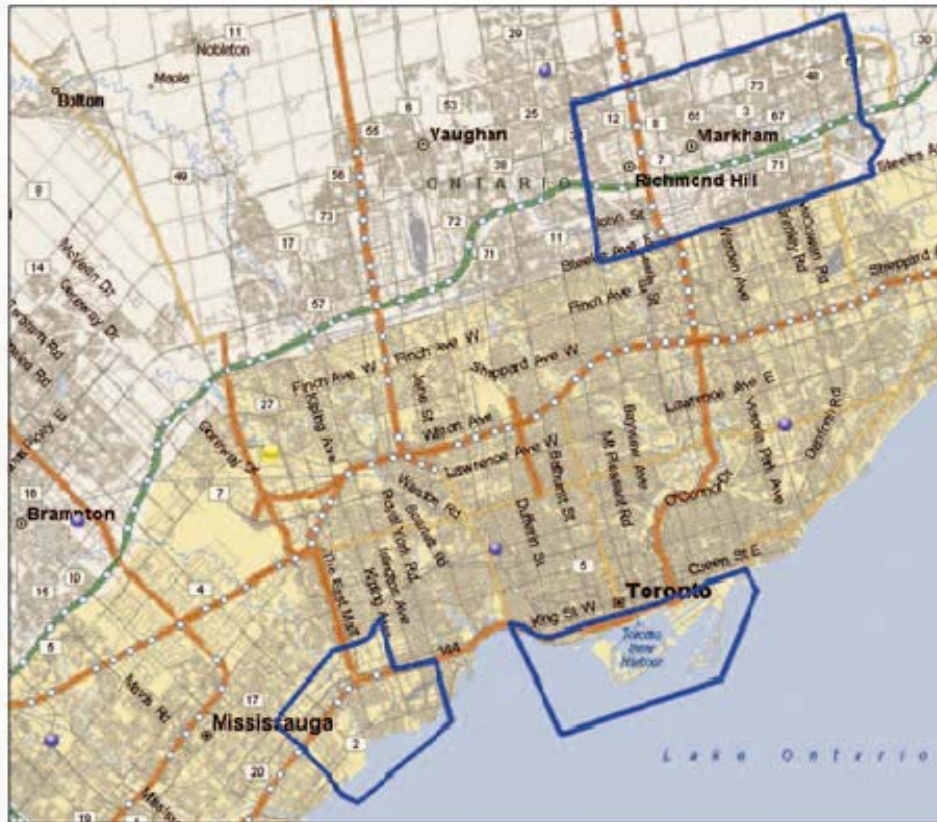
### CENTRAL ONTARIO ZONES

 Bingo hall part of revitalization       Existing facilities



## D. Maps of GTA gaming zones

### CENTRAL ONTARIO: ZONE C1



#### MUNICIPALITIES INCLUDED

Potential sites include City of Toronto, Peel Region (City of Mississauga) and York Region (Markham, Richmond Hill)



#### GAMING OFFERING FLEXIBILITY

Maximum number of facilities	1 (in 1 of the 3 areas)
Allowed range of slot machines	Up to 5,000*
Allowed range of table games	TBD

\*Between zones C1 and C2, only one facility will be allowed up to 5,000 slots.

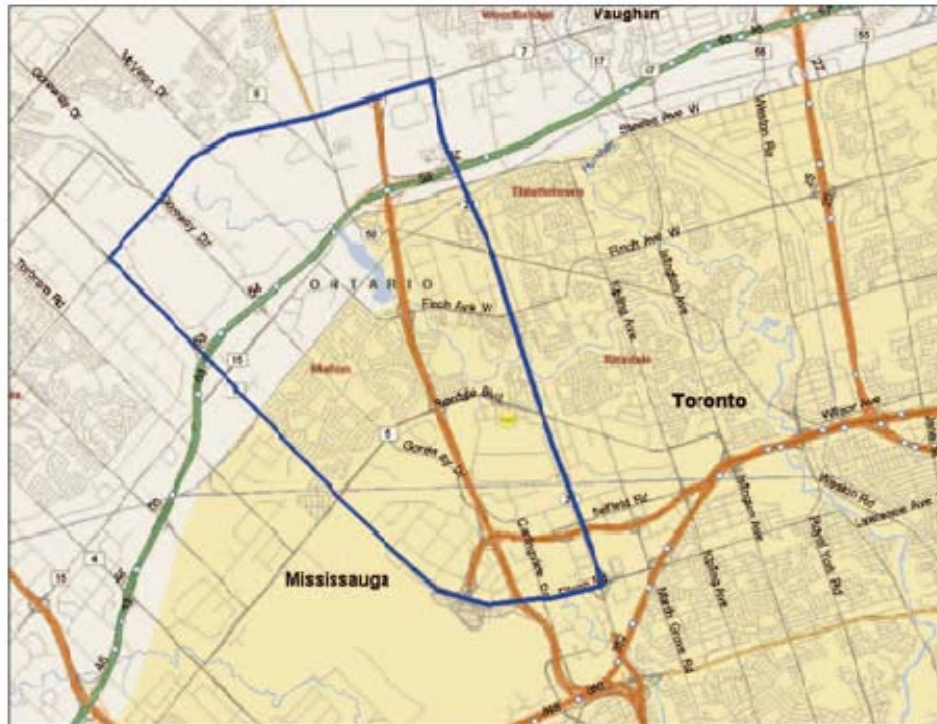
Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map.

5



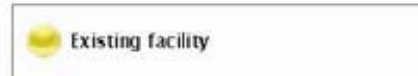
## D. Maps of GTA gaming zones

### CENTRAL ONTARIO: ZONE C2



#### MUNICIPALITIES INCLUDED

Zone includes City of Toronto, Peel Region (City of Mississauga, City of Brampton), York Region (City of Vaughan)



GAMING OFFERING FLEXIBILITY	
Maximum number of facilities	1
Allowed range of slot machines	Up to 5,000 <sup>a</sup>
Allowed range of table games	TBD

<sup>a</sup>Between zones C1 and C2, only one facility will be allowed up to 5,000 slots

*Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map.*

6

Appendix E.

# WEG socioeconomic report

## E. WEG socioeconomic report

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# ECONOMIC HORSEPOWER FOR ONTARIO AND THE GTA

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The Woodbine Entertainment Group  
Value Statement

An analysis of the economic  
contribution of the Woodbine  
Entertainment Group

Strategic Equine Inc.  
September 2012

## E. WEG socioeconomic report

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- Horse Racing in Canada – The Economics of Horse Racing in Canada in 2010
- Economic Contribution of the Horse Industry – Town of Caledon & Caledon Equestrian Park
- 2010 Canadian Horse Industry Profile Study – The State Of The Industry
- 2010 British Columbia Horse Industry Profile Study
- 2009 Saskatchewan Horse Industry Profile Study
- 2007 Ontario Horse Racing and Breeding Industry Profile Study
- 2007 Review of the Ontario Horse Improvement Program – An Overview of Breeding Sector Incentive Programs in Selected Jurisdictions
- 2003 Canadian Horse Industry Profile Study – The Economic Contribution of Horses in Canada
- 2003 Equine Industry Export Market Opportunity Study – The International Equine Industry
- 2002 Equine/Equestrian Industry International Comparative Review
- 2001 Saskatchewan Horse Industry Research Study
- 1999 Alberta Horse Industry – Horse Health Services Sector Profile Study
- 1998 Region of York Horse Industry Economic Impact Report
- 1998 Canadian Horse Industry Research Study
- 1997 Ontario Equine Market Profile Study



## E. WEG socioeconomic report


### ECONOMIC HORSEPOWER FOR ONTARIO AND THE GTA

#### Summary / Highlights

- The Woodbine Entertainment Group, through the quality horse racing program at Woodbine and Mohawk racetracks, provides an annual economic contribution to the Province of Ontario of \$2.1 billion, including \$1.3 billion in contribution to the GTA, and \$782 million to the agricultural sector of rural Ontario
- The City of Toronto realizes the benefit of \$814 million in annual expenditures generated from WEG activities and horse racing at Woodbine racetrack, supporting 5,055 jobs in the City.
- Woodbine Entertainment Group annually contributes more than \$24.6 million to government taxation (municipal, provincial and federal)
- Woodbine and Mohawk racetracks provide the international level of competitive horse racing for Canada ... Woodbine and Mohawk racetrack will host 90% of the top quality (graded stakes) Thoroughbred racing in Canada in 2012, and 13% of the top quality Standardbred races in North America.
- WEG provides the economic engine for the Canadian horse racing industry, and provides infrastructure and distribution channel for wagering on horse racing throughout Ontario ... Of the \$1.4 billion wagered nationally in 2011, 66% (\$938 million) was wagered through the WEG network and its account wagering service.
- The Woodbine Entertainment Group provides 47% of the total economic contribution realized from the Ontario horse racing and breeding industry
- Activities at Woodbine racetrack (and racing organizations located in Toronto) support 5.5% of the total employment in the Rexdale Employment District – an area of the City of Toronto that has experienced a 26% reduction in jobs in the 2000 through 2010 period.



## E. WEG socioeconomic report

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## E. WEG socioeconomic report

### PREFACE

#### THE VALUE CHAIN FOR HORSE RACING

... a note from the Author

The business of horse racing is a hybrid sport and gambling/gaming business with distinctive elements that make it unique when compared to other sports or gaming industry sectors.

The sporting event involves horses – the production and care of which takes place in the agricultural sector. The gambling/gaming component of the business involves pari-mutuel wagering – a betting system in which bets are placed together in a pool and the final payout is not determined until the pool is closed. For horse racing, the pool is closed immediately before the start of the race – effectively the wager is placed, and the return calculated, in *real time*.

Pari-mutuel gambling is offered at the racetrack or through off-track facilities where players may bet on the events without actually being present to observe them in person. This requires a sophisticated network that involves television broadcast of live racing events and a “tote system” that manages the pari-mutuel betting pool process.

The unique value chain for horse racing extends from the breeding of livestock on the farm through to the international distribution of broadcast signal for live racing events, and includes a secure data network to maintain the integrity of millions-of-dollars of wagering transactions in real time.



The uniqueness and diversity of this industry provides a challenge to defining the full economic contribution realized from its activities. On the horse-supply/sporting event side of the industry, products and services are generated from within the agricultural sector as well as in urban centres or rural communities where racetracks are located. Some activities, such as training services for racehorses, may occur both on-farm and at the racetrack.

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### PREFACE



On the wagering/gaming side of the industry, some products and services are generated at the racetrack and others throughout regional, national and international markets for off-track wagering.



There are additional business units (and related revenue/expense elements) that derive from the horse racing industry's core business of live racing and pari-mutuel wagering. Racetracks (as sport event sites) offer hospitality services to patrons, and in some cases alternative gaming entertainment for patrons such as the *Slots at Racetracks Program* in Ontario. Through the infrastructure in place to broadcast racing and distribute off-track wagering, racetracks offer their customers the option to bet not only on the races at the home racetrack, but on races held throughout the province and around the world.



## E. WEG socioeconomic report



THE VALUE CHAIN FOR HORSE RACING

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Expenditures throughout the value chain are incurred by multiple business units including horse owners, racetrack operators, alternate gaming providers, and operators of off-track betting facilities.



**Expenditures incurred by ...**

- ... Breeders and owners of young horses for breeding and care of young horses
- ... Owners of racehorses for care and training of active racehorses, and to have them eligible and available to race
- ... Racetracks for operations of racing  
... Racetracks for hospitality services  
... Racetracks for broadcast and wagering network
- ... Racetracks for on-track pari-mutuel wagering  
... OLG for on-track slots gaming operations
- ... Teletheatre operators  
... Other racetracks to provide wagering product

The horse racing industry is a complex business model. The diverse range of economic inputs-and-outputs in the industry lends itself to using a simplified expenditure model to measure economic contribution – the approach taken in this report. This analysis looks to identify total expenditures across the value chain for horse racing, and to report the employment (jobs) resulting from expenditures.

This report was commissioned by the Woodbine Entertainment Group. The report is intended to articulate the Woodbine Entertainment Group *Value Statement* – the economic value derived from expenditures by Woodbine Entertainment Group or supported by activities at WEG sites.

Woodbine Entertainment Group is Canada’s premier horse racing and pari-mutuel wagering operation. WEG’s core activities include horse racing at two Ontario racetracks – Woodbine Racetrack in Toronto and Mohawk Racetrack in Milton – and on-track and off-track pari-mutuel wagering through a network that serves the Greater Toronto Area, provincial, national and international markets for wagering on horse racing.


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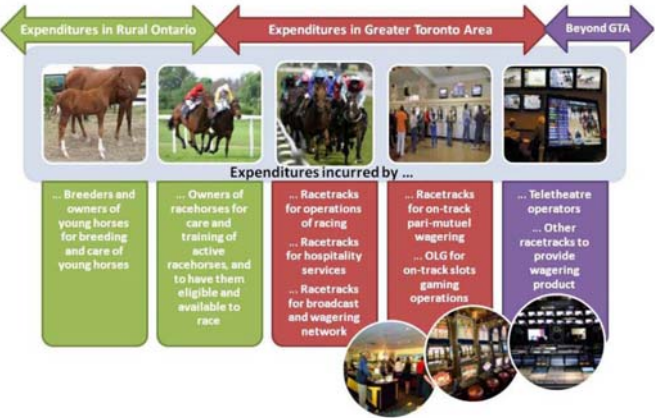
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## E. WEG socioeconomic report

PREFACE



On-track slots gaming operations at Woodbine and Mohawk racetracks are the number one revenue generator to the Province of Ontario from the *Slots at Racetracks Program*. The economic contribution generated from WEG sites is realized in the agricultural sector of Ontario, throughout the Greater Toronto Area and beyond the GTA into international markets.



The diagram illustrates the flow of expenditures across three geographical regions: Rural Ontario (green arrow pointing left), Greater Toronto Area (red arrow pointing right), and Beyond GTA (purple arrow pointing right). Below these arrows is a central box titled 'Expenditures incurred by...' which lists five categories of stakeholders and their activities:

- Breeders and owners of young horses for breeding and care of young horses** (green box)
- Owners of racehorses for care and training of active racehorses, and to have them eligible and available to race** (green box)
- Racetracks for operations of racing**, **Racetracks for hospitality services**, and **Racetracks for broadcast and wagering network** (red box)
- Racetracks for on-track pari-mutuel wagering** and **OLG for on-track slots gaming operations** (red box)
- Teletheatre operators** and **Other racetracks to provide wagering product** (purple box)

Below the list are three circular images showing racing tracks and betting areas.

This report expresses total expenditures across the value chain for horse racing, including labour expenditures and the FTE (full-time equivalent) jobs related to labour expenditures. Expenditures are grouped in two categories – those incurred in the agricultural sector (rural Ontario), and those incurred in the Greater Toronto Area. In the context of economic modelling, for this analysis ...

- Direct expenditures include those incurred by WEG or incurred by horse owners with horses racing at Woodbine and Mohawk racetracks,
- Indirect expenditures include those incurred by other organizations or business units that are attached to (or supported by) racing, gambling and gaming at WEG sites, and
- Induced employment (jobs and value) has been calculated based on employment multiplier factors specific to the different types of business units (agricultural workers, employees of racetrack operators, employees of industry associations, etc.).

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## E. WEG socioeconomic report



### THE VALUE CHAIN FOR HORSE RACING

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The value of additional induced economic contribution (beyond induced labour) has been calculated using a multiplier factor applied to expenditures, to estimate the ripple effect of expenditures throughout the general economy.

Expenditures have been allocated to different operating units (business units) to ensure that double-counting doesn't occur. Where appropriate, only a portion of total expenditures incurred by non-WEG operations have been allocated to the model, based on a *reasonability test* to determine the portion of total expenditure that can be considered supported by activities of the Woodbine Entertainment Group.

Using a straightforward industry-specific model to analyze this complex business operation is, I believe, the most effective way to express its full value.

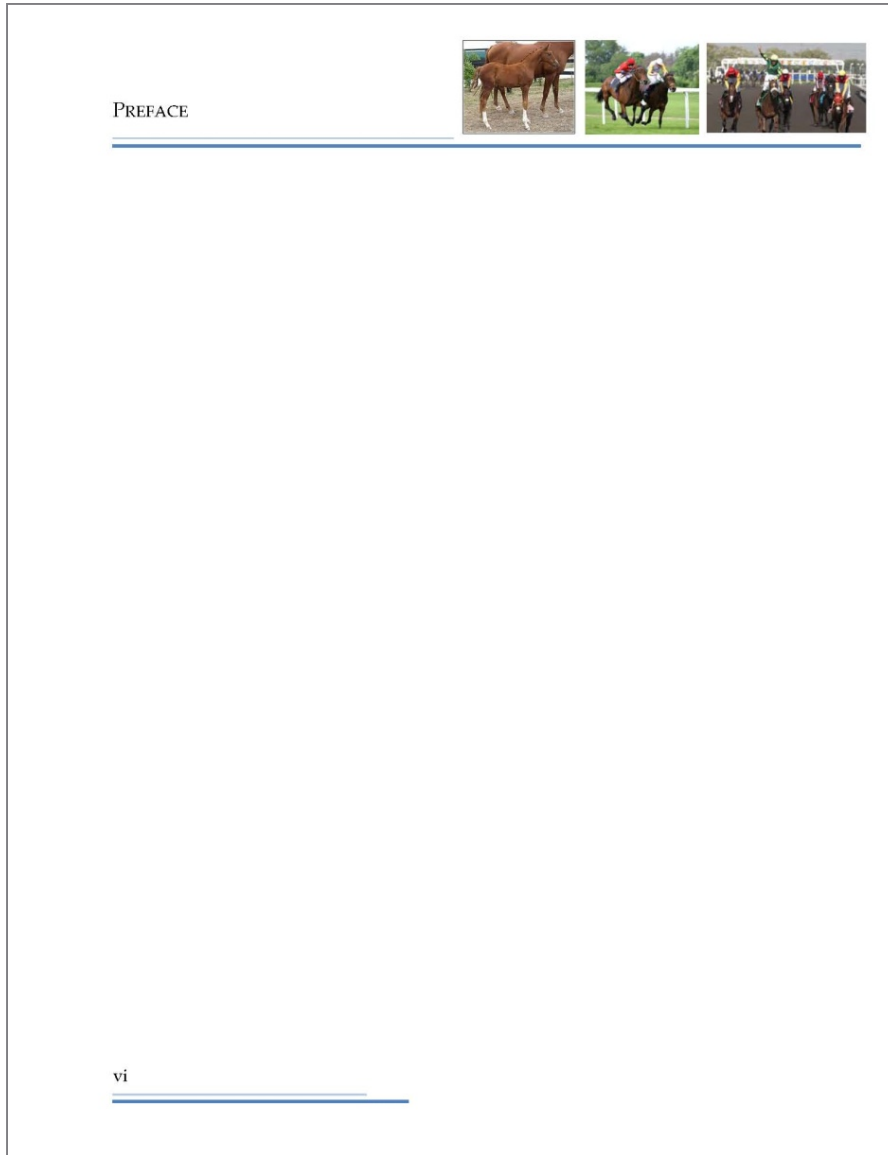
Vel Evans  
Strategic Equine Inc.

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## E. WEG socioeconomic report





## E. WEG socioeconomic report

### ECONOMIC HORSEPOWER FOR ONTARIO AND THE GTA

#### The Woodbine Entertainment Group Value Statement

Woodbine Entertainment Group (WEG) is a multi-dimensional entertainment business operating as a registered not-for-profit corporation in the Greater Toronto Area (GTA) of Ontario, Canada. The mandate for the Corporation is to maximize financial performance to achieve the highest quality horse racing. The operations of the Corporation include:

- **Woodbine Racetrack** in Toronto (Rexdale) and **Mohawk Racetrack** in Milton (Campbellville), Ontario
- **Champions** off-track wagering teletheatre network
- **WEGZ Stadium Bar** in Vaughan, ON
- **Turf Lounge** in the heart of Toronto's financial district
- **Greenwood** teletheatre in the Beach area of Toronto
- **HorsePlayer Interactive (HPI)**, the company's telephone and online account wagering service
- **HPI tv**, the company's digital broadcast channel

Strategic Equine Inc. was commissioned by Woodbine Entertainment Group to provide an analysis of the economic contribution to the Province of Ontario and the Greater Toronto Area generated from, and supported by, the quality horse racing provided at Woodbine and Mohawk racetracks.

WEG's extensive and diverse business activities impact the economic strength of both the rural and urban sectors of the provincial economy. Activities of Woodbine Entertainment Group represent a significant component of horse racing's contribution to the provincial agricultural economy. In addition, WEG's extensive and diverse activities generate and support significant economic contribution in Toronto and the Greater Toronto Area.

This report outlines the economic contribution generated from activities at WEG sites, and supported by the infrastructure that WEG provides to the provincial and national horse racing industry.



## E. WEG socioeconomic report

### MEASURING ECONOMIC VALUE



#### 1. MEASURING ECONOMIC VALUE

Horse racing is, by its nature, a hybrid sport and gambling/gaming business. The horse racing business model has distinctive elements that make it unique when compared to other sports and gaming enterprises.

- The sport of horse racing requires horses ... the production, care and training of which involves significant investment and expenditure in the agricultural sector,
- The sport is regulated under the (Ontario) Horse Racing Act 2000. All participants are licensed — in Ontario by the Ontario Racing Commission — and all horses are registered with a pedigree breed association.
- Pari-mutuel wagering on horse racing — federally regulated through the Canadian Pari-Mutuel Agency (CPMA) — occurs in real-time, and is both site-specific and international in scope. People can visit a racetrack to place a bet on a race at the track, they can visit an off-track teletheatre wagering site, or they can place a bet on a horse race anywhere in the world via the Internet or telephone from the comfort of their own home (where legally permitted).

#### The Woodbine Entertainment Group Business Model:

Horse racing in Ontario provides the economic engine for the Canadian horse racing industry. In 2011, horse racing in Canada included 2,413 days of racing, of which 70% (1,549 days) were hosted in Ontario. Total purses paid for horse racing in Canada was \$308 million in 2011, of which fully 86% (\$265 million) were earned by horses racing in Ontario.

Racing at Woodbine and Mohawk provides the international level of competitive horse racing for Canada — the showcase for the best racing Canada has to offer, and where Canada's top race horses take on the best in the world. As the premier racing sites, Woodbine and Mohawk racetracks provide the economic horsepower that drives the Ontario racing industry. Table 1A reports the percentage of total horse racing in Ontario that is hosted at Woodbine and Mohawk, and the proportion of total purses paid.


Table 1A: Horse Racing in Canada (2011)

2011 Race Season	Total Ontario (17 racetracks)	Total Woodbine	Total Mohawk	Total WEG (Woodbine + Mohawk)
# of days of Racing	1,549	296	97	393
% of Total Ontario	100%	19%	6%	25%
Total purses paid	\$264,951,512	\$120,316,306	\$36,422,087	\$156,738,393
% of Total Ontario	100%	45%	14%	59%

Source: AQHA, Standardbred Canada, Jockey Club Information Services / Equibase

WEG is also the economic engine for pari-mutuel wagering in Canada. Of the \$1.4 billion wagered nationally in 2011, 71% (\$999 million) was wagered in Ontario, and \$778 million (55%) was wagered through the WEG network in the GTA. The WEG pari-mutuel wagering network provides the infrastructure for 78% of the total

## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
THE WEG VALUE STATEMENT

dollars wagered on horse racing in Ontario. Table 1B reports the total pari-mutuel wager on horse racing in Canada for the 2011 racing season.

**Table 1B: Pari-Mutuel Wagering in Canada (2011)**

2011 Race Season	Total Canada (47 racetracks)	Total Ontario (17 racetracks)	Total WEG (Woodbine + Mohawk)
Total wagered on horse racing	\$1,413,464,382	\$999,136,396	\$777,761,267
% of Total Canada		71%	55%

Source: CPMA (Canadian Pari-Mutuel Agency)

In addition to providing the premier horse racing product for Canada, Woodbine Entertainment Group also provides the national distribution network for pari-mutuel wagering on horse racing in Canada through:

- The HPI (*Horse Player Interactive*) Internet and telephone account betting (TAB) system
- The HPItv national cable television horse racing broadcast channel
- Through on-track and corporate teletheatres (five sites in the GTA), and
- Through the Champions Teletheatre network (twenty-six sites in the GTA)

The WEG distribution network offers wagering customers the opportunity to wager on horse racing at Woodbine and Mohawk racetracks, racing at other Ontario tracks, and racing across Canada and internationally. Within Ontario, the WEG distribution network serves two groups of customers:

- Residents of the GTA wagering on horse races at WEG sites or through the HPI platform, and
- Ontario residents outside the GTA who use the HPI platform to wager on races from Ontario, and Canadian or international races delivered to Ontario customers via the HPI network.

The regulated marketplace for wagering within Ontario (bets placed within the Province of Ontario), is allocated into *Home Market Areas* (HMA) defined as the geographic region surrounding each Ontario racetrack. For Woodbine and Mohawk racetracks, the *Home Market Area* is loosely defined as the GTA — Greater Toronto Area.

WEG serves customers in the GTA either on-track at its two racetracks, off-track through twenty-nine teletheatre locations, or via HPI (*Horse Player Interactive*).

The regulated framework for horse racing throughout Ontario is supported by organizations located within the GTA, including:

- Ontario Racing Commission (ORC) — the regulatory body for horse racing in Ontario
- Ontario Horse Racing Industry Association (OHRIA) — the representative organization for horse racing and breeding industry stakeholders
- Standardbred Canada — the pedigree registry for Standardbred racehorses

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### MEASURING ECONOMIC VALUE

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- Canadian Thoroughbred Horse Society (CTHS) — the pedigree registry for Thoroughbred racehorses
- The Jockey Club of Canada — Thoroughbred breeding and racing promotion
- Horsemen's Benevolent Protective Association (HBPA) — the member organization for owners, trainers, and workers in Thoroughbred racing in Ontario
- Central Ontario Standardbred Association (COSA) — the member organization for horsemen participating in Standardbred racing at Mohawk and Woodbine, and
- Ontario Harness Horsemen's Association (OHHA) — the member organization for horsemen participating in Standardbred racing across Ontario


Woodbine and Mohawk racetracks are the premier sites for the Ontario Lottery & Gaming (OLG) Slots at Racetracks (SAR) Program. With 2,440\* slots installed at Woodbine, and 861 at Mohawk, the two racetracks provide 30% of the total SAR Program capacity, and host more than 7.3 million visitors a year to the on-site slots facilities. Management of the OLG Slots at Racetracks Program is administered through OLG offices in the City of Toronto.

The distinctive nature of this hybrid sport and gambling/gaming business provides a rich and complex model for economic contribution to the Province of Ontario. Understanding the links between horses racing on the racetrack, and the wagering customer anywhere in the world, is fundamental to representing the full value that this unique business contributes to the economy.

#### The Economic Contribution Model

The two business components of the Woodbine Entertainment Group — the sport of horse racing and pari-mutuel wagering on horse racing — provide economic contribution to:

- The urban sector via ...
  - Expenditures to host horse racing at racetracks in the GTA,
  - Pari-mutuel wagering throughout WEG's *Home Market Area*,
  - Industry associations and organizations in the GTA that provide the regulatory framework for horse racing in Ontario, and
  - On-site slots gaming at Woodbine and Mohawk
- The agricultural sector via ...
  - The breeding, care and training of horses for racing in Ontario, and
  - Operating expenses for other Ontario racetracks that host races on which WEG customers in the GTA place bets

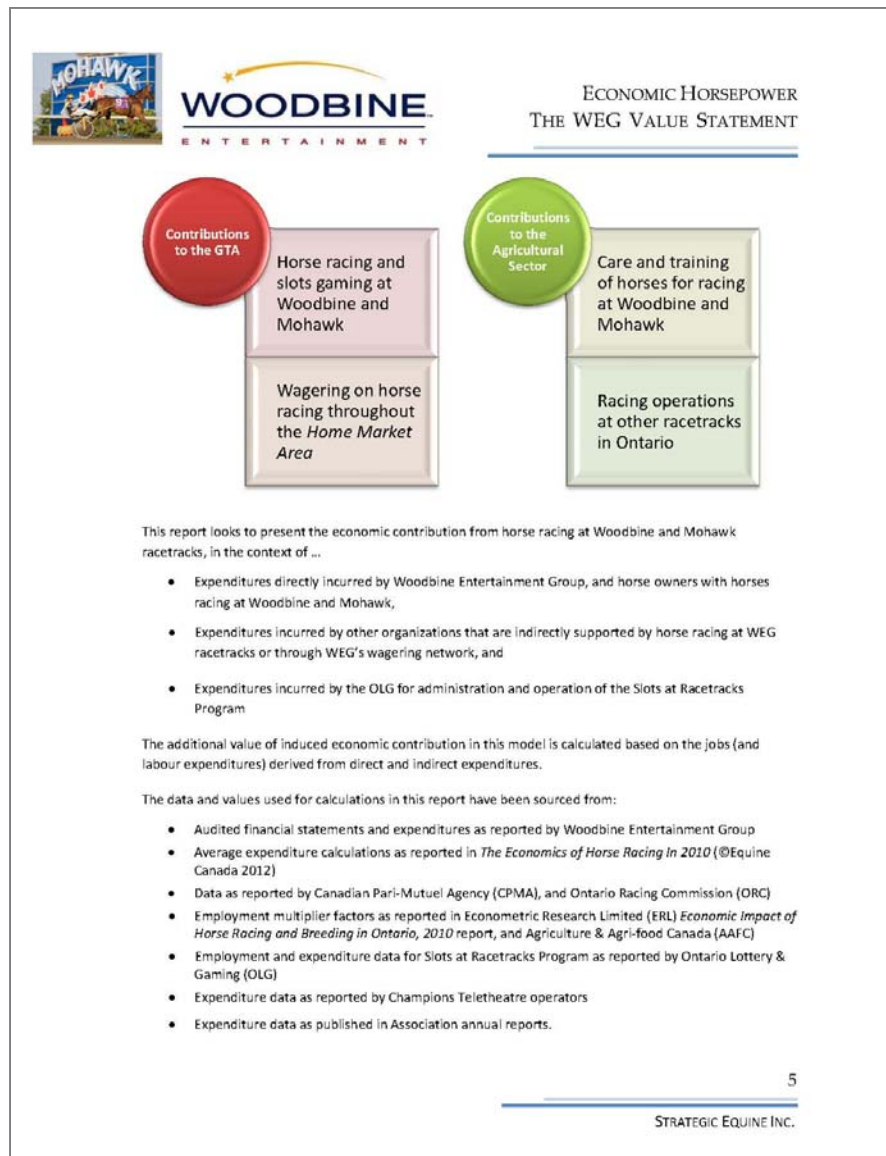


\*A total of 3,000 machines were installed at Woodbine in 2011, with 2,440 in operation at year end.


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## E. WEG socioeconomic report



## E. WEG socioeconomic report




**WEG'S CONTRIBUTION TO THE GTA**

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### 2. WEG'S CONTRIBUTION TO THE GREATER TORONTO AREA

The economic contribution from horse racing to the Greater Toronto Area derives from activities at two Ontario racetracks -- Woodbine in Toronto (Rexdale), and Mohawk in Milton (Campbellville). Through the WEG *Home Market Area*, economic contribution is realized widely across the GTA with expenditures for ...



- Cost of operations for associations and organizations (located in the GTA) that provide the regulatory framework for horse racing and pari-mutuel wagering
- Cost of operations for Woodbine and Mohawk to manage the facilities, to host horse racing (and pari-mutuel wagering), and to provide the technology infrastructure for off-track wagering and television broadcast of horse racing.
- Cost of operations for the WEG teletheatre network throughout the GTA, and
- Cost of operations for slots gaming on-site at Woodbine and Mohawk racetracks through the Slots at Racetracks Program.

Wagering and gaming throughout the GTA includes three components ...

- Customers on-site at Woodbine and Mohawk betting on the live races, or (through Intertrack) on races at other racetracks
- Customers in the WEG *Home Market Area* betting on races at teletheatres or through telephone or Internet account betting, and
- Customers to the Ontario Lottery Gaming (OLG) slots facilities on-site at Woodbine and Mohawk.

To provide context on the scope of wagering and gaming in the GTA ...

- Total wagering on live racing at Woodbine and Mohawk in 2011 — \$68,582,322
- Total Intertrack wagering at Woodbine and Mohawk in 2011 — \$115,729,683
- Total wagering by WEG customers using telephone or Internet account betting in 2011 — \$210,905,387
- Total wagering by WEG customers through the teletheatre network in 2011 — \$381,979,661
- Visitors to OLG slots facilities at Woodbine — 5.8 million patrons
- Visitors to OLG slots facilities at Mohawk — 1.5 million patrons

For the purposes of assigning direct and indirect expenditures in this model ...


- Direct expenditures are those incurred (paid for) by Woodbine Entertainment Group
- Indirect expenditures are those incurred (paid for) by other organizations that support WEG activities

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## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
THE WEG VALUE STATEMENT

WEG incurs direct expenditures at the two racetracks and three corporate teletheatre sites for:

- Horse racing operations, and operational expenses to maintain the site facilities,
- Television broadcast and off-track wagering technology,
- Marketing and advertising,
- Hospitality services (for customers of slots facilities and live racing),
- Pari-mutuel betting services for customers,
- Commissions paid to racetracks for wagering by WEG customers on races run at other sites, and
- Commissions paid to operators of Champions Teletheatre sites.

**Contributions to GTA Direct Expenditures**

- WEG's cost of operations
- WEG's commissions paid to other racetracks for wagering by WEG customers
- WEG's commissions paid to Champions Teletheatre sites

**Contributions to GTA Indirect Expenditures**

- Associations' expenses for regulating racing and providing services to participants
- Champions Teletheatre site operators' expenses
- OLG expenses for slots facilities at Woodbine and Mohawk, and to administer the Slots at Racetracks Program

Activities at WEG sites indirectly support expenditures throughout the Greater Toronto Area for:

- OLG operations of the Slots at Racetracks Program,
- Operations expenses for industry associations in the GTA,
- Operations expenses for Champions Teletheatre sites.

It is understood that activities at WEG sites do not represent 100% of the activities and costs attached to the operations of these organizations. Analysis was completed to calculate the portion of operating cost that would be supported by the WEG business unit.

For example, the Ontario Racing Commission is responsible for regulating all horse racing in Ontario. While the offices of the ORC are located in the Rexdale, Ontario area, the activities and operations of the ORC include responsibility for all racetracks throughout the Province.

As a percentage of total racing in Ontario in 2011, racing at Woodbine and Mohawk represent 25% of the total number of race days, and 56% of all active race horses in Ontario for the season. For the analysis presented in this report, 33% of the total operations costs for the Ontario Racing Commission have been assigned as expenditures indirectly supported by racing at Woodbine and Mohawk.

The Ontario Lottery & Gaming Corporation manages operations for the Slots at Racetracks Program at seventeen racetrack sites in Ontario from its corporate offices located in Toronto, Ontario. OLG reports identify the number of employees (and related payroll expenditure) for each site in the SAR Program. In 2011 reports, OLG reported 955 jobs at the slots facilities at Woodbine and Mohawk sites, with an annual payroll expenditure of \$44,600,000 for employees at the two sites.

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### WEG'S CONTRIBUTION TO THE GTA



The 3,301 slots machines at the Woodbine and Mohawk sites (combined) represent 30% of the total installed base of machines in the provincial SAR Program in 2011. For the purposes of this analysis, 30% of the total operating expenses for the Slots at Racetracks Program have been assigned as expenditures indirectly supported by WEG activities.

Table 2A below outlines the direct and indirect expenditures incurred for horse racing, wagering and gaming activities at Woodbine and Mohawk racetracks and throughout the GTA, and the number of Full-Time Equivalent (FTE) jobs supported by direct and indirect labour expenditures.

**Table 2A: Direct and Indirect Expenditures in the Greater Toronto Area**

<b>Direct Expenditures</b>		<b>Indirect Expenditures</b>	
<b>Incurring by WEG</b>		<b>Incurring by Champions Teletheatres</b>	
Non-Labour Expenditures	\$126,850,677	Non-Labour Expenditures	\$3,216,093
Labour Expenditures	\$88,819,323	Labour Expenditures	\$1,378,325
<b>Total Direct Expenditure</b>	<b>\$215,670,000</b>	<b>Total Indirect Expenditure</b>	<b>\$4,594,418</b>
FTE Jobs	1,343	FTE Jobs	96
Average Salary**	\$33,823	Average Salary**	\$14,358
		<b>*Incurring by Associations</b>	
		Non-Labour Expenditures	\$4,035,572
		Labour Expenditures	\$3,720,384
		<b>Total Indirect Expenditure</b>	<b>\$7,755,956</b>
		FTE Jobs	46
		Average Salary**	\$75,159
		<b>Incurring by OLG on-site at Woodbine &amp; Mohawk</b>	
		Non-Labour Expenditures	
		Labour Expenditures	\$44,600,000
		<b>Total Indirect Expenditure</b>	<b>\$44,600,000</b>
		FTE Jobs	955
		Average Salary**	\$46,702
		<b>*Incurring by OLG at SAR Program Head Office</b>	
		Non-Labour Expenditures	\$107,833,800
		Labour Expenditures	\$11,002,866
		<b>Total Indirect Expenditure</b>	<b>\$118,836,666</b>
		FTE Jobs	138
		Average Salary**	\$87,428

\*Expenditures in this category include a percentage of total cost incurred

\*Expenditures in this category include a percentage of total cost incurred

OLG Expenditures for the Slots at Racetracks Program are estimated based on 2010 OLG Financial Reports

\*\*Average Salary Is Labour Expenditure / Total Number of Employees



## E. WEG socioeconomic report



### ECONOMIC HORSEPOWER THE WEG VALUE STATEMENT

Table 2B reports the induced employment generated in the GTA through direct and indirect labour expenditures. The number and value of induced FTE jobs is calculated using employment multiplier factors developed by Econometric Research Limited (ERL) for *The Economics of Horse Racing and Breeding in Ontario (2010)* research study.

**Table 2B: Induced Employment (FTE Jobs) in the Greater Toronto Area**

Induced Employment in the GTA	FTE Jobs	Average Expenditure per FTE
FTE's from Direct Expenditures	1,343	\$66,135
Induced FTE Jobs*	1,034	1.77
FTE's from Indirect Expenditures	1,235	\$49,132
Induced FTE Jobs**	1,396	2.13
Total FTE Jobs (Direct, Indirect & Induced)	5,009	
<b>Total Labour Expenditure (Direct, Indirect &amp; Induced)</b>		<b>\$286,504,558</b>

\* Using ERL employment multiplier of 1.77 for jobs at racetracks

\*\*Using ERL employment multiplier of 2.13 for jobs at associations

Table 2C below, reports total expenditures in the GTA (Direct, Indirect and Induced Labour) derived from, or supported by, activities of the Woodbine Entertainment Group.

**Table 2C: Total Expenditures (Direct, Indirect and Induced Labour) in the Greater Toronto Area**

Total Expenditures in the GTA	Expenditures Excluding Labour	Labour Expenditures
Direct Expenditures	\$126,850,677	\$88,819,323
Indirect Expenditures	\$115,085,465	\$60,701,576
Induced Labour Expenditures		\$136,983,660
<b>Total Expenditure (Direct, Indirect &amp; Induced)</b>		<b>\$528,440,700</b>

WEG's activities in the GTA support 5,009 FTE (Full-Time Equivalent) jobs in the Greater Toronto Area. The annual contribution of \$528 million in expenditures is derived from expenditures for horse racing, wagering and gaming, and includes:

- \$216 million for annual expenditures incurred by Woodbine Entertainment Group
- \$176 million for annual expenditures incurred by the OLG, Champions Teletheatre operators, and Industry Associations in the GTA, and
- \$137 million for induced labour expenditure generated by direct and indirect expenditures in the GTA.

## E. WEG socioeconomic report

### CONTRIBUTIONS TO RURAL ONTARIO



#### 3. WEG'S CONTRIBUTIONS TO RURAL ONTARIO

Racing at Woodbine and Mohawk racetracks is the international level competitive racing program for Ontario (and Canada) – the showcase for the best racing Canada has to offer, and the venues in Canada for Canada's top race horses to take on the best in the world.

The quality of a race is illustrated through the type (classification) of the race and the purse value paid. The highest calibre of racing includes those races defined as *Stakes* races – by definition a race where the horse owner has a "stake in the purse". Throughout the international competitive league for thoroughbred racing, stakes races are assigned a Grade based on the calibre of horse that is allowed to enter the race, with Grade 1 defined as the highest quality of racing.

Table 3A below reports Thoroughbred Graded Stakes races scheduled to be held at Woodbine Racetrack in 2012, compared to all Thoroughbred racetracks in North America. Woodbine, as one of the nineteen (19) racetracks in Canada and the U.S. that will offer Graded Stakes in 2012, will host 7% of the graded stakes offered. Woodbine will be the venue for 90% of the graded stakes offered in Canada, and will host all of the Grade 1 and Grade 2 calibre races offered in Canada in 2012.

**Table 3A: Thoroughbred Graded Stakes Races (2012 Schedule)**

2012 Thoroughbred Graded Stakes Scheduled For Canada & U.S. (19 tracks)	All Tracks Canada/U.S.	All Tracks in Canada	Woodbine Racetrack	Woodbine % of Total Canada/U.S.	Woodbine % of Total Canada
Grade 1 Stakes	117	5	5	4%	100%
Grade 2 Stakes	164	13	13	8%	100%
Grade 3 Stakes	226	24	20	9%	83%
Total Graded Stakes	507	42	38	7%	90%

Source: The Jockey Club

For Standardbred racing, stakes races are classified by total purses paid. Table 3B below reports the Standardbred stakes races scheduled for 2012 with a purse of \$100,000 or more. The proposed 2012 stakes schedule for Canada and U.S. (combined) anticipates a total of 388 stakes with purse values in excess of \$100,000. For the total 2012 schedule, Woodbine and Mohawk will host 13% of the top quality Standardbred stakes races in North America, including three-of-the-four \$1 million marquis races.

**Table 3B: Standardbred Stakes Races with Purse \$100,000 plus**

2012 Standardbred Stakes Scheduled (\$100,000 plus) For Canada & U.S. (31 tracks)	All Tracks Canada & U.S.	All Tracks in Canada	Woodbine & Mohawk Racetracks	WB & MO % of Total Canada/US	WB & MO % of Total Canada
Stakes \$100,000 plus	299	69	32	11%	46%
Stakes \$250,000 plus	71	16	13	18%	81%
Stakes \$500,000 plus	14	3	2	14%	67%
Stakes \$1,000,000 plus	4	3	3	75%	100%

Source: Standardbred Canada

## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
THE WEG VALUE STATEMENT

The links between horse racing, wagering and gaming in the GTA and the agricultural economy of rural Ontario are defined by the unique nature of the horse-racing/wagering business model. While many sports may talk about having a "farm team", for the sport of horse racing there is literally a "team on the farm".

**Contributions to the Agricultural Sector**

- Care and training of horses for racing at Woodbine and Mohawk
- Racing operations at other racetracks in Ontario

The breeding, care and training of young horses for racing occurs on farms throughout the rural sector. Mature active racehorses share their time between periods on-farm, and periods on-track for racing and training. Based on industry research (*2007 Ontario Racing and Breeding Industry Profile Study*), it has been estimated that for every racehorse active at a track in Ontario, there are two-or-more additional horses (breeding stock and young horses not-yet-in-training), resident at Ontario farms.

In a similar manner, the interconnected network of wagering on horse racing, means that customers from one track (customers from the *Home Market Area* for a racetrack) can interchangeably place wagers on races at their own "Home Track", or races at any other track offered within the network.

Commissions on wagering are exchanged between racetracks when customers bet on races that are running at other tracks. Through this exchange of wagering between different tracks and customers, racing at Woodbine and Mohawk indirectly supports expenditures at other Ontario racetracks.

The contribution to the Ontario agricultural sector from WEG activities is realized through ...

- The expenditures incurred by horse owners to keep and train race horses and have them available and eligible for racing at the racetrack(s), and
- The expenditures by racetracks in rural Ontario for the costs to host horse racing events that are wagered on by WEG customers.

For the purposes of assigning direct and indirect expenditures supported by WEG activities, in this model ...

- Direct expenditures are those incurred by owners of horses racing at Woodbine and Mohawk
- Indirect expenditures are those incurred by racetracks across Ontario to host racing that is bet on by WEG customers, and the commissions paid by these tracks (to WEG) when their customers wager on racing at Woodbine and Mohawk

In 2011, WEG hosted 393 days of racing at Woodbine and Mohawk, which involved 6,410 unique starters (individual horses that started in one or more races at the track during the year). Active horses racing at Woodbine and Mohawk were owned by approximately 4,600 owners (individuals, partnerships or ownership groups). Owners of active racehorses have significant capital investment in horses, tack and equipment for racing, and horse-related property improvements for rural properties where horses are bred, kept (and in some instances trained). The *Economics of Horse Racing in 2010* study reported an average capital investment

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### CONTRIBUTIONS TO RURAL ONTARIO



per owner of \$279,238 – a total of approximately \$1.3 billion in capital investment (\$1,286,170,228) for owners with horses active at WEG tracks.

Expenditures were incurred by these 4,606 owners, in three categories:

- o **Costs-To-Keep-A-Horse:** including feed, care, veterinary and other horse care services, horse related farm property maintenance, and labour charges for the care of horses
- o **Costs-To-Train-A-Horse:** including labour charges for on-farm and on-track training, and replacement costs for required tack and equipment
- o **Costs-To-Race:** including annual costs for owners to be eligible to race, and costs to get themselves and their horses to the racetrack

The *Economics of Horse Racing in 2010* study reported the following average costs for each category:

- o Average annual cost to keep a horse in the Ontario racing sector — \$16,589
- o Average annual cost to train a horse for racing in Ontario — \$10,463
- o Average annual cost per owner for racing-related expenses — \$9,682

Applying the average costs to owners with horses racing at Woodbine and Mohawk in 2011, reports the totals outlined in Table 3C below.

**Table 3C: Direct Expenditures for Owners**

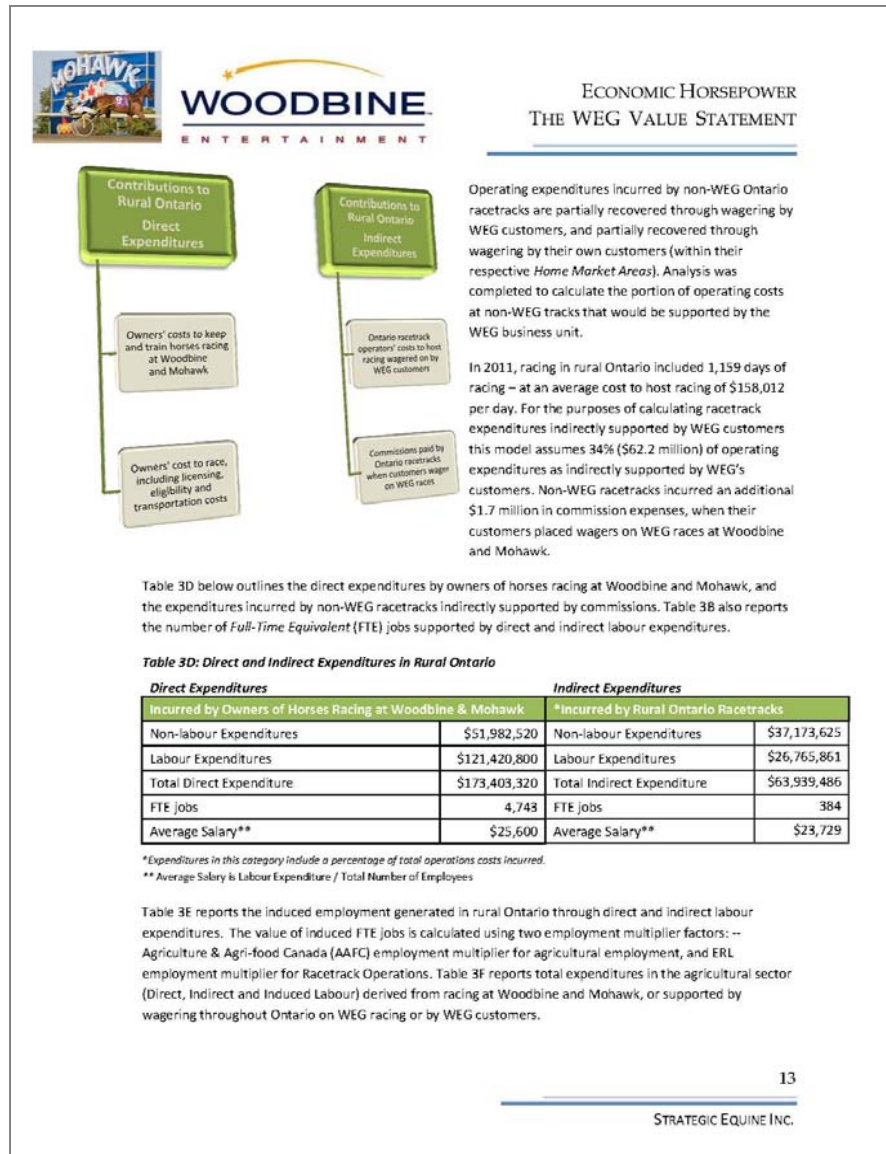
Direct Expenditures for Racing in 2011	# of Horses / Owners	Avg. Annual Cost	Total
Cost-to-Keep-A-Horse	6,410	\$16,589	\$106,335,490
Cost-To-Train-A-Horse	6,410	\$10,463	\$67,067,830
Cost-To-Race-Per Owner	4,606	\$9,682	\$3,805,026
<b>DIRECT EXPENDITURES FOR RACING</b>			<b>\$177,208,346</b>

Woodbine Entertainment Group provides infrastructure and distribution channel for wagering on horse racing throughout Ontario. Through the HPI and the WEG teletheatre network, WEG offers its customers a platform to wager on racing from other Ontario racetracks. Through HPI and Intertrack facilities, customers at non-WEG tracks in rural Ontario can bet on racing from Woodbine and Mohawk.

In 2011, wagering on races run at non-WEG tracks in Ontario totalled \$107,005,123. Of this total, WEG customers in the GTA bet \$36,549,000 – approximately 34% of the total wagered on races run at non-WEG tracks across the province.

Customers at non-WEG tracks in turn wagered \$55,775,896 on races run at Woodbine and Mohawk. Approximately 52% of the total dollars wagered at rural Ontario tracks, was bets placed on races run at Woodbine and Mohawk.

## E. WEG socioeconomic report





## E. WEG socioeconomic report

### CONTRIBUTIONS TO RURAL ONTARIO



**Table 3E: Induced Employment (FTE Jobs) in Rural Ontario**

Induced Employment in the GTA	FTE Jobs	Average Expenditure per FTE
FTE's from Direct Expenditures	4,743	\$25,600
Induced FTE Jobs*	4,316	1.91
FTE's from Indirect Expenditures	384	\$69,790
Induced FTE Jobs**	295	1.77
Total FTE Jobs (Direct, Indirect & Induced)	9,738	
<b>Total Labour Expenditure (Direct, Indirect &amp; Induced)</b>		<b>\$279,289,302</b>

\* Using AAFC employment multiplier of 1.91 for agricultural sector employment

\*\* Using ERL employment multiplier of 1.77 for jobs at racetracks

**Table 3F: Total Expenditures (Direct, Indirect and Induced Labour) in Rural Ontario**

Expenditures in Rural Ontario	Expenditures Excluding Labour	Labour Expenditures
Direct Expenditures	\$55,787,546	\$121,420,800
Indirect Expenditures	\$37,173,625	\$26,765,861
Induced Labour Expenditures		\$131,102,641
<b>Total Expenditure (Direct, Indirect &amp; Induced Labour)</b>		<b>\$372,250,472</b>

WEG's activities support 9,738 FTE (Full-Time Equivalent) jobs in rural Ontario. The annual contribution of \$372 million to rural Ontario is derived from expenditures by owners with horses racing at Woodbine and Mohawk, and expenditures by racetracks throughout Ontario, including:

- \$177 million for annual expenditures incurred by horse owners with horses racing at WEG racetracks
- \$64 million for annual expenditures incurred by Ontario racetracks for a portion of the costs of operations to host races, and commissions paid for wagering on WEG racing products, and
- \$131 million for induced labour expenditure generated by direct and indirect expenditures in rural Ontario.

This analysis reports a conservative value for the contribution to the Ontario agricultural economy derived from the activities of the Woodbine Entertainment Group. The costs of operations for racing at tracks throughout rural Ontario are included in these calculations — costs incurred by racehorse owners who race in rural Ontario are not included. In addition, the calculations presented here do not include costs attached to breeding production for horses that may be racing at Woodbine, Mohawk, or other Ontario race tracks in 2012 or future years.

What is apparent is that the quality racing program hosted by Woodbine Entertainment Group in the Greater Toronto Area provides significant contribution beyond the city into rural Ontario.

## E. WEG socioeconomic report



### ECONOMIC HORSEPOWER THE WEG VALUE STATEMENT

#### 4. GOVERNMENT REVENUES AND SOCIAL BENEFITS

The previous sections of this report outline the expenditures incurred by Woodbine Entertainment Group, with all taxes and charitable contributions included in total values. This section identifies the specific component of expenditures that provide contribution to government revenues (including taxation), and financial support to local community programs.

Woodbine Entertainment Group contributes to government revenues at three levels:

- As the premier site(s) for Slots at Racetracks Program, Woodbine and Mohawk racetracks make a contribution to revenues for the Province of Ontario (net of commissions) in excess of \$403.6 million annually and a \$21 million annual contribution to the City of Toronto and Municipality of Milton.
- Activities of the Woodbine Entertainment Group contribute to tax revenues from WEG business operations at the municipal, provincial and federal level, and
- Pari-mutuel wagering is taxed at source with both federal and provincial taxes and levies

Contributions to local WEG communities include financial support, sponsorship, in-kind giving and employee volunteerism. Through its *Corporate Community Investment Program*, Woodbine Entertainment Group focuses on four key areas of community support: – Community Development, Children and Youth, Healthcare and the Horse Racing Industry.

#### Revenues to the Province of Ontario, City of Toronto, Municipality of Milton

The Slots at Racetracks Program generated approximately \$1.76 billion in revenues to the OLG in 2011, of which \$742 million (42%) was generated through the slots facilities at Woodbine and Mohawk racetracks. Through revenue sharing agreements with host municipalities, the SAR Program contributed in excess of \$60 million to seventeen municipalities in Ontario – including contributions of \$15.3 million to the City of Toronto (from slots facilities at Woodbine), and \$5.5 million contribution to the Municipality of Milton (from slots facilities at Mohawk).

The Slots at Racetracks Program is the most profitable of the OLG business lines. The OLG consolidated financial reports allocate revenues and expenditures to three business lines – Lotteries & Bingo, Resort Casinos, and OLG (Charity) Casinos/Slots at Racetracks Program. The 2010-2011 Public Accounts for the OLG report revenue and expenditure totals for the three business lines as reported in table 4A below.

Table 4A: Revenue/Expenditures 2010-11 OLG Financial Reports

2011 OLG Financial Reports	Lotteries & Bingo	Resort Casinos	OLG Casinos & SAR Program	Totals
2011 Revenues	\$3,320,994,000	\$1,300,308,000	\$2,064,498,000	\$6,685,800,000
2011 Operating Expenses	\$2,412,518,000	\$1,408,098,000	\$1,155,314,000	\$4,975,930,000
OLG income	\$908,476,000	-\$107,790,000	\$909,184,000	\$1,709,870,000
% Contribution to OLG income	53%	-6%	53%	

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### GOVERNMENT REVENUES AND SOCIAL BENEFITS



Table 4B reports the proportional contribution from the Slots at Racetracks Program, and from slots facilities at Woodbine and Mohawk racetracks, to the total 2011 OLG Income (revenue net of operating expenses).

**Table 4B: Contribution from SAR Program to 2011 OLG Income**

Proportional Contribution from Slots at Racetracks Program	From SARP	From WEG Slots Facilities
Contribution to total OLG revenue	\$1,758,000,000	\$742,000,000
% Contribution to OLG Charity Casinos / SAR Program revenue line	85%	36%
% Contribution to OLG Income*	45%	19%

*\*Contribution to OLG Income based on proportional contribution to revenue. OLG financial reports do not separately report the allocation of expenditures between those incurred for OLG Charity Casinos, and those incurred for the Slots at Racetracks Program*

Through revenue-sharing agreements with host municipalities for Ontario racetracks, a percentage of the net win value generated from racetrack slots facilities is contributed directly to the local municipality. The percentage contribution to host municipalities is based on 5% of revenue from slot machines up to 450 machines, and 2% of revenue from slots over 450 at each site. In 2011, the slots facilities at Woodbine generated revenues to the City of Toronto of approximately \$15.3 million. Slots facilities at Mohawk generated approximately \$5.5 million in revenues to the Municipality of Milton.

#### Government Taxation

WEG's total annual expenditures of \$216 million in 2011 include contributions to government taxation from business operations for:

- Municipal taxes to the City of Toronto (\$3,520,417) and the Town of Milton (\$498,465)
- Payments of \$4.973 million in municipal utilities expenditures (Toronto/Milton combined)
- Federal and provincial payroll taxes (\$19,002,953)
- Federal/provincial sales taxes (non-recoverable HST) for goods and services purchased (\$1,637,274)

In addition to taxation payments included in WEG operating expenditures, pari-mutuel wagering on horse racing through the WEG Home Market Area generates additional revenues to government as follows:


- Federal tax levy on wagering in Ontario – 0.8%
- Provincial tax on wagering in Ontario – 0.5%
- Provincial tax levy on wagering in Ontario – approximately 2.4%

Taxation revenues generated from \$777 million in pari-mutuel wagering from WEG customers in 2011 totals \$28,419,962, allocated as follows:

WEG Home Market Area 2011	Federal Tax Levy	Provincial Tax	Provincial Tax Levy
	\$6,219,063	\$3,891,742	\$18,996,579



## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
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The Federal tax levy on pari-mutuel wagering funds the activities of the *Canadian Pari-Mutuel Agency (CPMA)*, a special operating agency of the federal government (within Agriculture and Agri-Food Canada) that regulates and supervises pari-mutuel wagering on horse racing across Canada. The \$6.2 million contribution from wagering in the WEG Home Market Area represents 55% of the total \$11.3 million federal levy for all wagering on horse racing nationwide in 2011 – i.e. WEG customers contribute 55% of the total annual budget contribution for the Canadian Pari-Mutuel Agency from the federal levy.

The Provincial Tax Levy is directly allocated to fund the Ontario *Horse Improvement Program* – a breed improvement program supporting the Ontario breeding sector. Funds from the provincial tax levy, net of oversight costs, are returned to industry stakeholders through the eligibility criteria defined by the *Horse Improvement Program*. Through WEG's disproportionate contribution to total wagering in Ontario, WEG contributes more to levy-funded industry programs than it receives.

**Social Benefits**

Woodbine Entertainment Group supports contributions to the local community and charity organizations through corporate donations, and through encouraging and supporting volunteerism by its employees.

The WEG *Corporate Community Investment Program* provides donations, scholarships and in-kind contributions to organizations throughout the GTA. Donations totalled \$1.1 million in 2011 (as reported in the Woodbine Entertainment Group 2011 Corporate Social Responsibility Report).

2011 Payments to Charitable Causes / In-Kind Contributions	
Corporate Donations	\$838,489
In-Kind Contributions	\$276,442
<b>TOTAL:</b>	<b>\$1,114,931</b>

In 2011, Woodbine Entertainment Group employees volunteered over 926 hours – the equivalent of 132 business days – in support of charitable causes.

**The WEG Community**

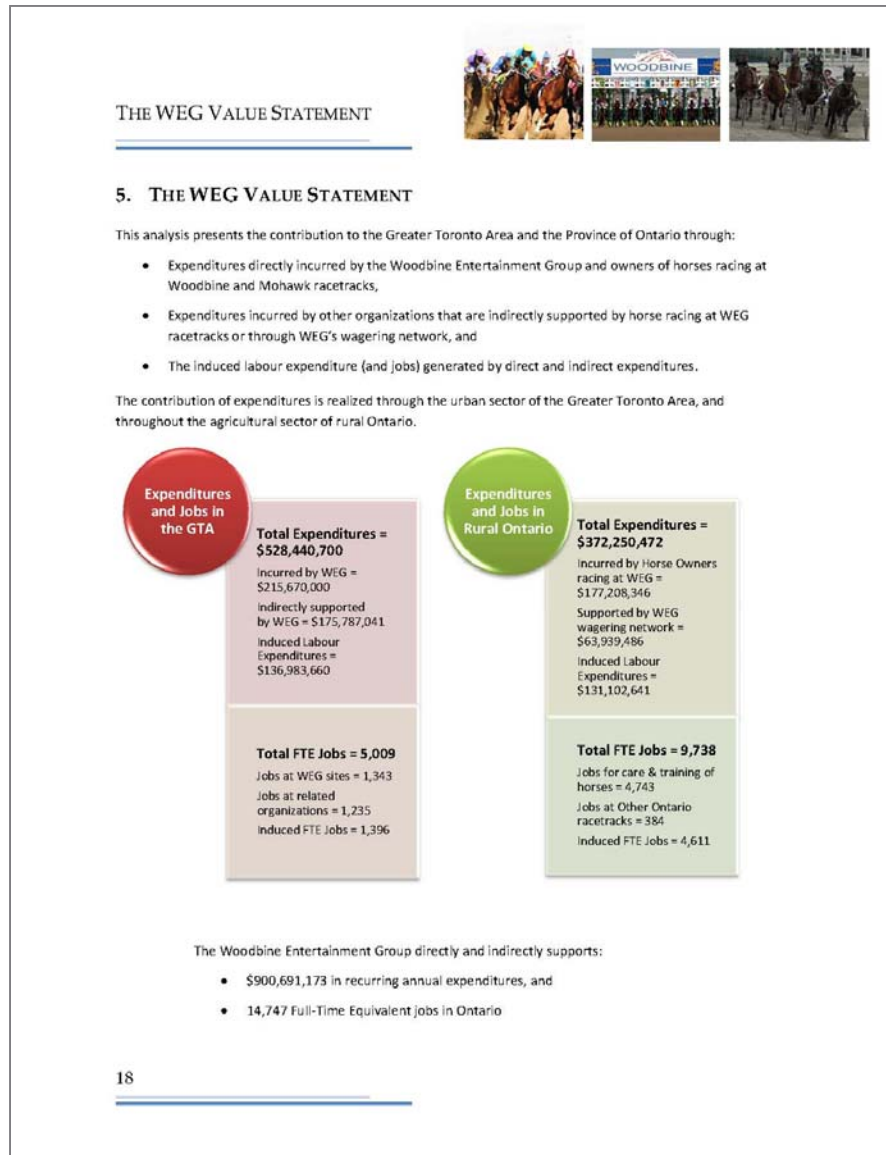
On a daily basis, the backstretch of Woodbine racetrack is a vibrant working community with up to 2,500 “horse people” on-site involved in the training, care and racing of more than 2,500 horses. The backstretch facilities include dormitories, tack and equipment shops, cafeteria and food services, farrier (blacksmith) and veterinary clinic services. Throughout the racing season, the Woodbine dormitory facilities provide subsidized housing to more than 300 people who live on-site – both living and working at the racetrack.

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report



## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
THE WEG VALUE STATEMENT

The business operations of the Woodbine Entertainment Group contribute \$24,659,109 annually to municipal, provincial and federal government taxation. In addition, taxes on pari-mutuel wagering by WEG customers, generates \$28 million in federal and provincial taxes and levies.

This model for calculating economic contribution delivers a conservative estimate of total contribution. For example, the model reports a portion of expenditures incurred by Ontario racetracks to host horse racing events. However, it does not include the cost to keep-and-train race horses that are racing in Ontario at tracks other than Woodbine and Mohawk.

The model accounts for expenditures both on-track at Woodbine and Mohawk and at off-track WEG sites, but does not include the additional economic contribution that would be derived from expenditures by visitors to these sites (such as transportation, travel or accommodations).


An estimate of the additional economic contribution can be calculated through applying a multiplier factor to expenditure values, using the following formula:

$$\frac{(\text{Direct Expenditure} + \text{Indirect Expenditure} + \text{Induced Labour Expenditure})}{\text{Direct Expenditure}} = \text{Multiplier Effect (Factor)}$$

The calculated multiplier effect for the urban economic impact in the GTA applies a factor of 2.45 – for every \$1 in expenditure an additional \$1.45 is generated. The calculated multiplier effect for the agricultural sector component of WEG activities applies a factor of 2.10 – for every \$1 in expenditure an additional \$1.10 is generated.

Applying the multiplier factor to the \$528 million in annual expenditures in the GTA and the \$372 million in annual expenditure in the agricultural sector would recognize an additional annual contribution of \$1.2 billion (\$1,176,072,345) generated by activities from the Woodbine Entertainment Group.

Including the multiplier effect, the total annual economic contribution to the Province of Ontario is approximately \$2.1 billion (\$2,076,763,517).



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## E. WEG socioeconomic report

### THE WEG VALUE STATEMENT



Additional economic benefits are realized through WEG's pari-mutuel wagering and gaming activities. From OLG reports, WEG is recognized as the largest retailer in Ontario for OLG's lottery products – with more than \$5.92 million in Lotto sales in 2010.

WEG provides the opportunity for its customers to wager on both local (Ontario) horse racing as well as racing from other Canadian racetracks and international sites. In this context WEG is an importer/exporter of wagering for Ontario, both inter-provincially and internationally. Export sales for WEG's wagering products have been consistently building since 2007, with the expectation that WEG will be a net exporter of wagering in 2012.



The *Horse Racing In Canada – Economics of Horse Racing In 2010* report recognized total economic contribution from the Ontario horse racing industry of \$4.5 billion. The Woodbine Entertainment Group provides 47% of the total contribution realized from this valuable industry sector.

## E. WEG socioeconomic report



ECONOMIC HORSEPOWER  
THE WEG VALUE STATEMENT

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### 6. HORSE RACING & GAMING CONTRIBUTIONS TO CITY OF TORONTO

The previous sections of this report outline the economic contribution from activities of the Woodbine Entertainment Group in the Greater Toronto Area and the Ontario rural sector. The calculations reported for the GTA are based on allocating a percentage of total expenditures for horse racing and gaming organizations, that reflects the proportion of their activities related to racing at Woodbine and Mohawk racetracks.

The City of Toronto realizes additional benefit from horse racing and gaming operations in the City, beyond those directly attributed to activities at Woodbine racetrack. The full contribution realized by Toronto would include expenditures for activities at Woodbine racetrack, teletheatre sites within the City of Toronto, and the total expenditures incurred by racing and gaming organizations with operations based in Toronto.

On a daily basis, the backstretch of Woodbine racetrack is a vibrant working community with up to 2,500 “horse people” on-site involved in the training, care and racing of more than 2,500 horses. The backstretch facilities include dormitories, tack and equipment shops, cafeteria and food services, farrier (blacksmith) and veterinary clinic services. While many of these racetrack-based workers may commute between the farm and the City, Toronto realizes a significant benefit from their daily activities at Woodbine Racetrack.

The Ontario Lottery & Gaming Corporation manages operations for the Slots at Racetracks Program (for seventeen racetracks in Ontario) from its corporate offices located in Toronto – a significant contribution to employment in the City.

There are additional benefits realized by Toronto through the full expenditures for operations from Industry Associations located in the City. Several horse racing industry organizations maintain their head-office operations within Toronto including:

- Ontario Racing Commission – the provincial regulator for horse racing in Ontario
- Ontario Horse Racing Industry Association (OHRIA) – the representative organization for horse racing and breeding industry stakeholders
- Canadian Thoroughbred Horse Society (CTHS) – the pedigree registry for Thoroughbred racehorses
- The Jockey Club of Canada – Thoroughbred breeding and racing promotion
- Horsemen’s Benevolent Protective Association (HBPA) – the member organization for owners, trainers, and workers in Thoroughbred racing in Ontario, and

Tables 6A, 6B and 6C report expenditures and induced employment within the City of Toronto generated by racing and gaming in the City.

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STRATEGIC EQUINE INC.

## E. WEG socioeconomic report

### THE WEG VALUE STATEMENT



Table 6A: Direct and Indirect Expenditures in the City of Toronto

Direct Expenditures		Indirect Expenditures	
Incurred by WEG		Incurred by Champions Teletheatres	
Non-Labour Expenditures	\$126,850,677	Non-Labour Expenditures	\$1,431,207
Labour Expenditures*	\$88,819,323	Labour Expenditures	\$613,374
Total Direct Expenditure	\$215,670,000	Total Indirect Expenditure	\$2,044,581
FTE Jobs	1,343	FTE Jobs	43
Average Salary***	\$33,823	Average Salary***	\$14,265
<i>*WEG employees rotate between Woodbine and Mohawk racetracks. All labour expenditures are credited to the Woodbine site.</i>		<b>Incurred by Associations</b>	
		Non-Labour Expenditures	\$7,184,000
		Labour Expenditures	\$7,797,000
		Total Indirect Expenditure	\$14,981,000
		FTE Jobs	93
		Average Salary***	\$74,971
		<b>Incurred by OLG on-site at Woodbine</b>	
		Non-Labour Expenditures	**
		Labour Expenditures	\$31,104,000
		Total Indirect Expenditure	\$31,104,000
		FTE Jobs	702
		Average Salary***	\$44,308
		<b>**Incurred by OLG at SARP Head Office</b>	
		Non-Labour Expenditures	\$359,446,000
		Labour Expenditures	\$36,676,221
		Total Indirect Expenditure	\$396,122,221
		FTE Jobs	420
		Average Salary***	\$87,428

*\*\*All non-labour OLG expenditures are credited to the Toronto Administrative Office for the Slots at Racetracks Program*

OLG Expenditures for the Slots at Racetracks Program are estimated based on 2010 OLG Financial Reports

*\*\*\*Average Salary is Labour Expenditure / Total Number of Employees*

Table 6B: Induced Employment (FTE Jobs) in the City of Toronto

Induced Employment in Toronto	FTE Jobs	Average Expenditure per FTE
FTE's from Direct Expenditures	1,343	\$66,135
Induced FTE Jobs*	1,034	1.77
FTE's from Indirect Expenditures	1,258	\$60,613
Induced FTE Jobs**	1,420	2.13
Total FTE Jobs (Direct, Indirect & Induced)	5,055	
<b>Total Labour Expenditure (Direct, Indirect &amp; Induced)</b>		<b>\$319,496,169</b>

*\* Using ERL employment multiplier of 1.77 for jobs at racetracks*

*\*\* Using ERL employment multiplier of 2.13 for jobs at associations*



## E. WEG socioeconomic report



### ECONOMIC HORSEPOWER THE WEG VALUE STATEMENT

**Table 6C: Total Expenditures (Direct, Indirect and Induced Labour) In the City of Toronto**

Total Expenditures in Toronto	Expenditures Excluding Labour	Average Expenditure per FTE
Direct Expenditures	\$126,850,677	\$88,819,323
Indirect Expenditures	\$368,061,207	\$76,190,595
Induced Labour Expenditures		\$154,486,251
<b>Total Expenditure (Direct, Indirect &amp; Induced)</b>		<b>\$814,408,053</b>

Horse racing and related gambling and gaming activities supports 5,055 FTE (Full-Time Equivalent) jobs in the City of Toronto. Employment at the Woodbine site provides 1,313 FTE Jobs (plus 30 contract FTE jobs). By way of comparison, it is reported that employment by the GTAA (Greater Toronto Airport Authority) in 2010 included 1,072 FT permanent and 32 FT contract jobs.

Of these FTE jobs located in Toronto, approximately 2,183 are in the Rexdale District. This represents 5.5% of the total employment in the Rexdale Employment District, an area of the City that has experienced a 26% reduction in jobs in the 2000 through 2010 period.


**Table 6D: Employment, Rexdale Employment District and Total Employment, City of Toronto**

Year	Jobs – City of Toronto		
	Rexdale Employment District	Total Toronto excluding Rexdale	Total Employment City of Toronto
2000	54,111	1,234,275	1,288,386
2001	53,135	1,233,208	1,286,343
2002	49,478	1,212,432	1,261,910
2003	48,216	1,203,126	1,251,342
2004	48,907	1,206,680	1,255,587
2005	49,500	1,212,700	1,262,200
2006	48,200	1,229,800	1,278,000
2007	46,600	1,255,000	1,301,600
2008	47,100	1,263,700	1,310,800
2009	44,700	1,248,500	1,293,200
2010	40,000	1,258,300	1,298,300
Change 2000 to 2010	-14,111	24,025	9,914
Change 2000 to 2010 (%)	-26%	2%	1%

Source: Altus Group Economic Consulting based on City of Toronto Employment Data and Statistics Canada, Labour Force Survey.

## E. WEG socioeconomic report

### THE WEG VALUE STATEMENT



The annual contribution of \$814 million realized from expenditures in the City of Toronto is derived from expenditures for horse racing, wagering and gaming, and includes:

- \$216 million for annual expenditures incurred by Woodbine Entertainment Group
- \$444 million for annual expenditures incurred by the OLG, Champions Teletheatre operators, and Industry Associations in Toronto, and
- \$154 million for induced labour expenditure generated by direct and indirect expenditures in the City of Toronto.

The City of Toronto realizes economic benefit from:

- \$814 million in annual recurring expenditures
- \$3.5 million in municipal taxes (from Woodbine Entertainment Group)
- \$15.3 million in revenue sharing from slots facilities at Woodbine Racetrack
- 5,055 FTE (full-time equivalent) jobs within the City

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Appendix F.

# Key inputs, assumptions and outputs of the Illustrative Scenario

## F. Key inputs, assumptions and outputs of the Illustrative Scenario

Key inputs and assumptions	C1: Toronto	C2: Woodbine
	Total Impact	Incremental Impact
No. of slots	4,500	No change
Revenue per slot	\$0.23 million	No change
No. of tables	250	
Revenue per table	\$1.45 million	
Cannibalization factor	0%	(20%)
Non-gaming amenities	Yes	No change
Ratio of Gaming to Non-Gaming Revenue	80% : 20%	93% : 7%
Constructed area	3.83 million sq.ft.(2.5 million sq.ft for the main building and 1.3 million sq.ft for underground parking)	
Cost of construction	\$700 to \$860 per sq.ft for the main building; and \$100 to \$140 for underground parking	

Value created	C1: Toronto	C2: Woodbine
	Total Impact	Incremental Impact
Gaming Revenue	\$1,398 million	(\$138 million)
Non-Gaming Revenue	\$349 million	(\$11 million)
Construction value	\$1,900 million to \$2,400 million	

Outputs	C1: Toronto	C2: Woodbine
	Total Impact	Incremental Impact
<b>City revenue benefits</b>		
Hosting fees scenarios		\$ 0.2 million
– New OLG formula	\$19 million	
– Illustrative 4% hosting fee	\$56 million	
– 4% + 50% of Incremental Tax Revenue Benefit	\$106 million	
– 50:50 partnership formula	\$168 million	
Property taxes	\$27 million	
Proceeds from the sale of City land	\$NA to \$250 million	

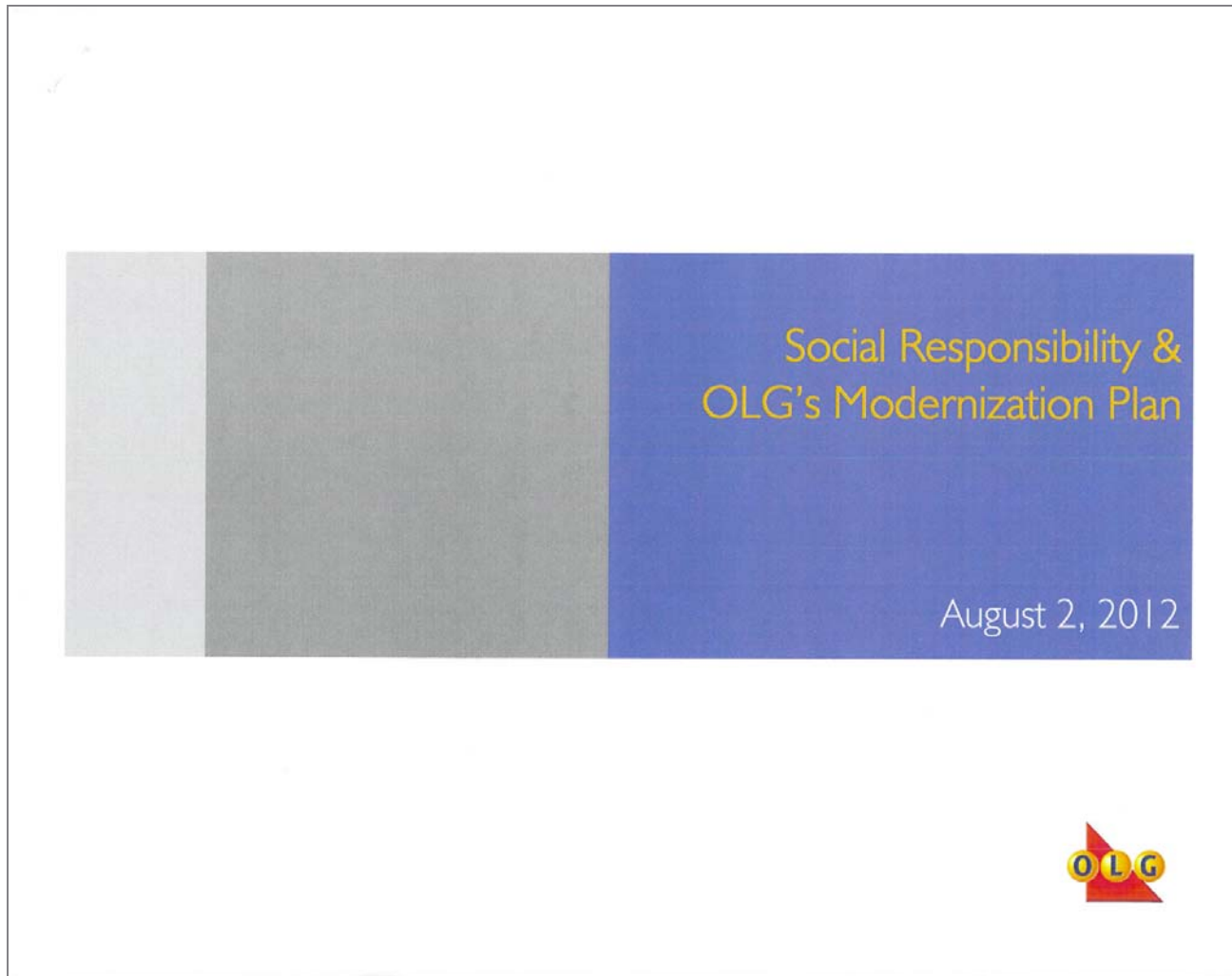
## F. Key inputs, assumptions and outputs of the Illustrative Scenario

Outputs	C1: Toronto	C2: Woodbine
	Total Impact	Incremental Impact
<b>GDP benefits</b>		
Construction	\$1,700 million to \$2,100 million	
Ongoing operations	\$1,700 million to \$2,000 million	(\$150 million to \$160 million)
<b>Employment benefits</b>		
Construction	6,800 to 8,500 FTEs over 3 year period	
Ongoing operations	18,000 to 20,000 FTEs	(1,000 FTEs to 2,000 FTEs)

Appendix G.

# OLG presentation on responsible gaming

## G. OLG presentation on responsible gaming



## G. OLG presentation on responsible gaming

### Contents

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- A. Modernization Plan
- B. Problem & Responsible Gambling in Ontario
- C. Responsible Gambling Plan for Modernization
- D. Measuring Impact



## G. OLG presentation on responsible gaming

### A. Modernizing Lottery and Gaming In Ontario

OLG is the steward of gambling in Ontario; its purpose is to:

- Generate revenues for the province
- Enhance the economic development of the province
- Promote responsible gambling
- Ensure the public good

Modernization Plan seeks to:

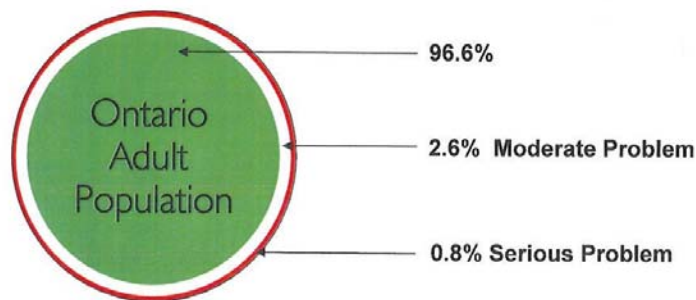
1. Become More Customer Focused
2. Expand Regulated Private Sector Delivery of Lottery and Gaming
3. Renew OLG Role in Oversight of Lottery and Gaming



## G. OLG presentation on responsible gaming

### B. Problem Gambling in Ontario

- Problem Gambling will always affect a small proportion of the population
- 3.4% of adult Ontarians have a severe or moderate problem
- Across jurisdictions rates range from 1% to 5%



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## G. OLG presentation on responsible gaming

### B. Ontario's Approach

Two decades of government-sponsored gambling has led to:

- An RG field informed and supported by clinicians, researchers, prevention specialists
- Research linking lowered PG rates with strong RG supports
- A defined RG role for gaming operators integrated with experts to support gamblers

A Gold Standard Approach	
Provincial funding – Best in North America	
Ministry of Health & LTC: <ul style="list-style-type: none"> <li>• \$40+ million annually</li> <li>• \$400 million (2000-2012)</li> </ul>	OLG internal RG budget: <ul style="list-style-type: none"> <li>• \$13 million OLG annual internal budget</li> <li>• \$83 million (2003-2012)</li> </ul>
Provincial Agencies	
Prevention, research, treatment	Support design/delivery of OLG RG program
Recognition for Practices	
<ul style="list-style-type: none"> <li>• CAMH-designed training acknowledged for international leadership</li> <li>• RG Council's "RG Check" program most rigorous 3<sup>rd</sup> party accreditation</li> <li>• OPGRC is top research agency</li> </ul>	<ul style="list-style-type: none"> <li>• World Lottery Association's highest certification: 1 of 5 in N. America; 1 of 22 in world</li> <li>• Innovator in Facial Recognition technology for detecting Self-Exclusion breaches</li> </ul>



## G. OLG presentation on responsible gaming

**B. OLG Responsible Gambling Strategy**

To prevent and mitigate problem gambling by empowering informed choice and bridging people who need help to provincially-funded counselling services

- i Build RG Culture of Care
- ii Embed RG in Player Experience
- iii "Stewardship" role for OLG
- iv OLG RG Standards


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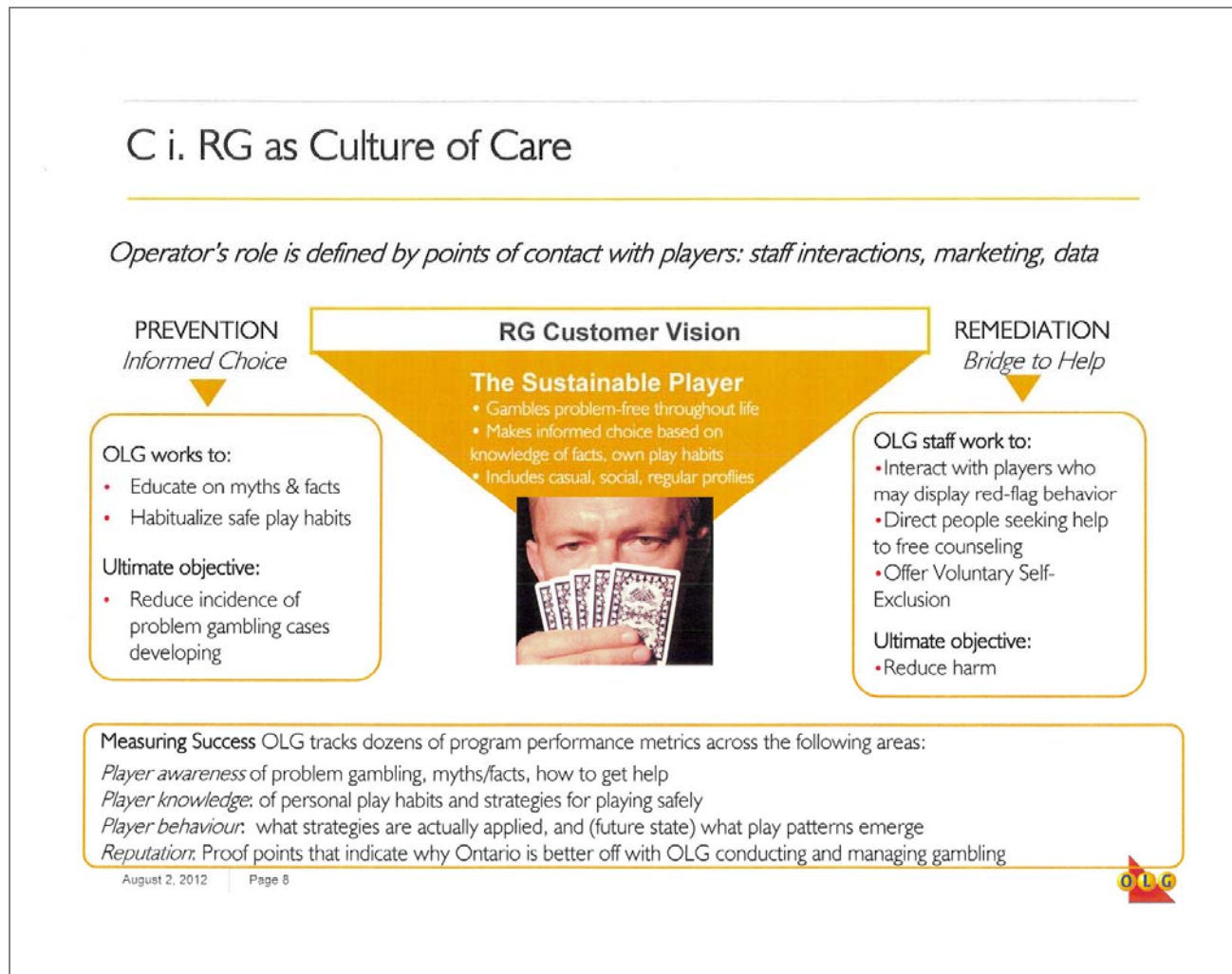
## G. OLG presentation on responsible gaming

### C. Gaming Modernization: RG Risks and Mitigation

	Player Impact: <i>What GIP could mean for Problem Gambling</i>	Mitigation Strategy: <i>What RG means for GIP</i>
Gaming	<b>Increasing availability of gambling opportunities</b>	
	<ul style="list-style-type: none"> <li>• More per capita gaming positions: could increase gambling problems in short-term</li> <li>• Sites in new communities could see short-term increase in problems for new local populations</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure counseling services available in new communities (if none already present) – Ministry of Health + CAMH lead, with OLG giving input; promote new on-line tools from CAMH</li> <li>• All sites required to adhere to OLG's RG Standard, as defined by requirements of operating agreements</li> </ul>
	<b>Increasing the accessibility of gambling opportunities increase</b>	
	<ul style="list-style-type: none"> <li>• Adding sites with 24 hour access could increase risks of problem gambling</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the needs for operational hours for new local sites, mitigate appropriately (e.g. staffed RG Centres)</li> </ul>
	<b>New approaches to Marketing</b>	
<ul style="list-style-type: none"> <li>• As the new Gaming Management System enhances ability to market directly, and serve VIPs, etc. risk for vulnerable players could increase</li> </ul>	<ul style="list-style-type: none"> <li>• New GMS to track patterns of play, provide player supports</li> <li>• Enhanced marketing plans, e.g. using GMS data analysis to drive staff responses, RG actions are executed in parallel</li> <li>• Build RG considerations into ambient environment (e.g. windows, lighting) and design (floor, location of RGRCs)</li> </ul>	
<b>Outsourcing operations</b>		
<ul style="list-style-type: none"> <li>• Outsourced contract operations will spark perceptions OLG is "losing RG control."</li> </ul>	<ul style="list-style-type: none"> <li>• New AGCO regulatory program will provide a minimum compliance standard</li> <li>• Insert OLG RG requirements into operating agreements</li> </ul>	

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## G. OLG presentation on responsible gaming





## G. OLG presentation on responsible gaming

### C ii. Embed RG In Player Experience



- Game and site design: GMS, iGaming
  - Player control tools
  - Player feedback
  - Data analysis
  - Casino design
- Customer management
- Employee engagement
- RG player education content
- External marketing communications and public relations

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## G. OLG presentation on responsible gaming

### C iii. Stewardship of Gambling – OLG's Role

To lead design and delivery of  
world-class  
RG programming

Examples of actions OLG will take to deliver its mandate:

- Direction on technology: e.g. RG player control tools/analytics for internet and other electronic gaming
- Train all gaming staff to respond to red-flag customer behaviours
- Design and deliver OLG RG program with independent provincial agencies:
  - CAMH (e.g., Staff training, I-gaming play management tools)
  - RGC (e.g., RGRC, RG accreditation)
  - OPGRC (e.g., Joint research)
  - Community Counsellors (e.g., Self-Exclusion)
- Evaluation and continuous improvement of RG program, e.g. continue to enhance Self-Exclusion: e.g. off-site registration at clinicians' offices, facial recognition



## G. OLG presentation on responsible gaming

### C iv. Defining a Standard for RG

*RG standards are evolving in a dynamic environment*

The diagram illustrates the OLG RG Standard as a central hub. It is surrounded by four main categories of influence:

- 3rd party standards:** RG Check, WLA
- Independent research**
- Other jurisdictions:** Regulators, Operators, ILC
- AGCO standard-based regulation:** OLG determines "control activities", Will evolve over time

Logos for WLA (World Lottery Association Certified WLA Responsible Gaming Framework Level 4 / Valid Until 2016), RG Check, and AGCO (Responsible Gaming Commission of Ontario) are also present.

**OLG to lead RG Standards:**

- AGCO regulation as foundation
- Exceeding it by evolving program to be "ahead of the curve"
- External operators/service providers will be required through operating agreements to comply with OLG RG requirements

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## G. OLG presentation on responsible gaming

### D. Measuring Impact of OLG's RG Program

Educating and supporting players at gaming sites and in Ontario communities:

- 160,000 people receive information, support at gaming sites annually
- 138,000+ learn safe play habits interactively through OLG's gambling education program annually
- 98% of front-line gaming employees are knowledgeable on RG to support players
- 15,000+ people are enrolled in voluntary Self-Exclusion

Support in Communities

- 22,000+ have received provincially-funded gambling counseling since 2006
- 20 problem gambling counseling offices offer off-site Self-Exclusion

Number of gaming sites with RG Centres staffed by the Responsible Gambling Council of Canada

- 24 (all gaming sites)
- 8 largest sites have private offices with staff

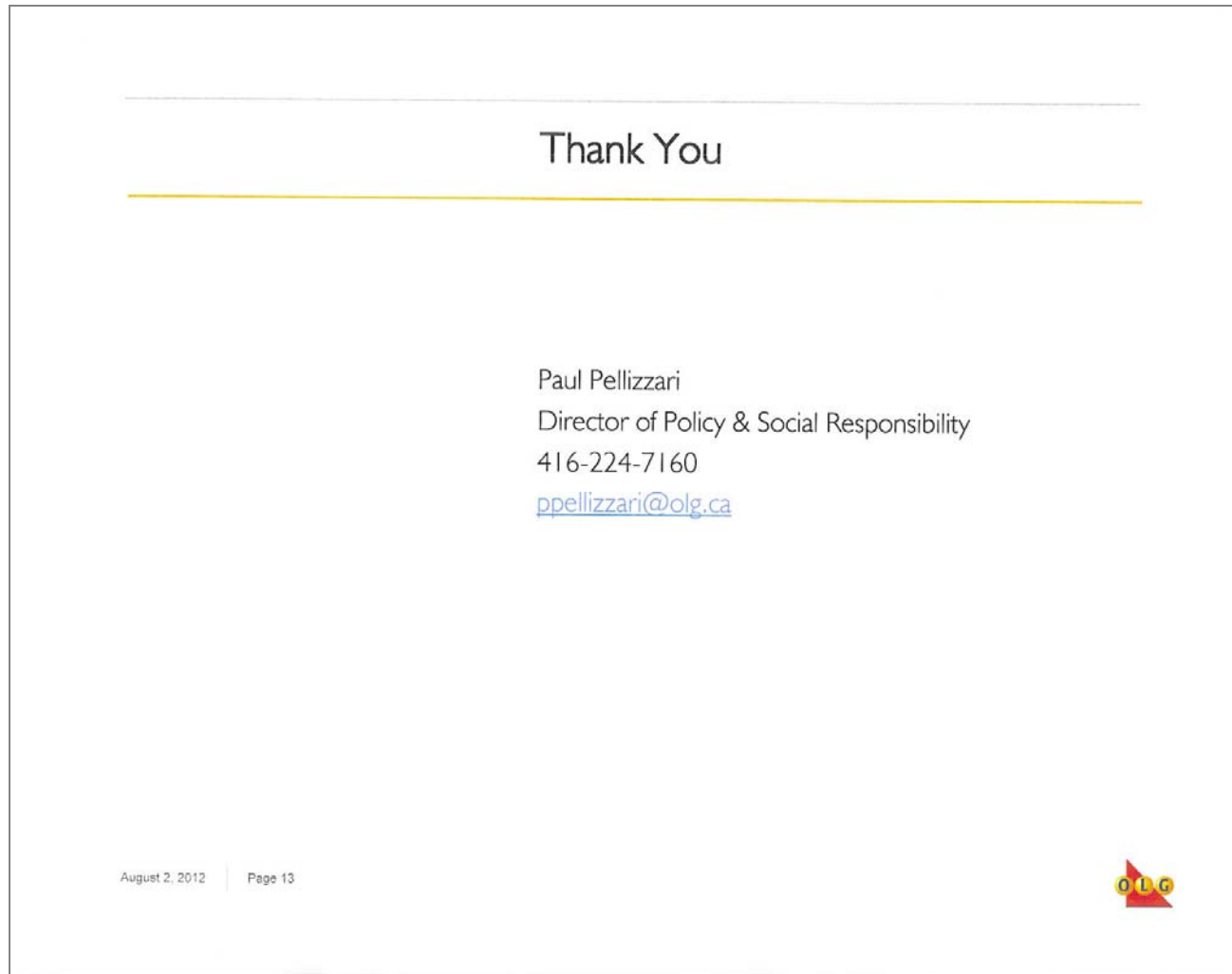
Public confidence in OLG's ability to responsibly operate lottery and gaming

- 75% of the Ontario (OLG survey data)





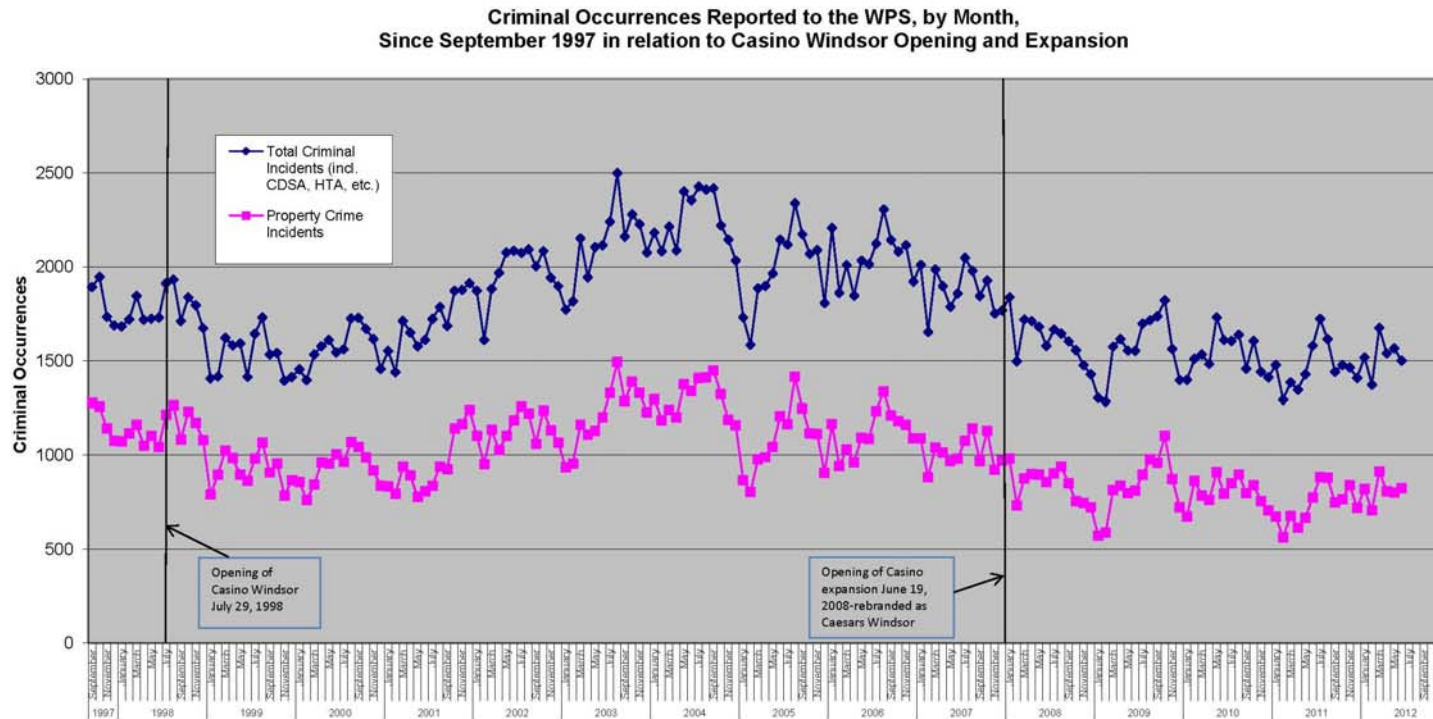
## G. OLG presentation on responsible gaming



Appendix H.

## Trend in crime rates in Windsor

## H. Trend in crime rates in Windsor



Data Source-Windsor Police Service

As of June 30, 2012

Compiled by: S/Sgt. William Donnelly  
Investigative Analysis Branch, Windsor Police Service

Appendix I.

# BC Study on socioeconomic impacts of new gaming venues

## I. BC Study on socioeconomic impacts of new gaming venues

# SOCIOECONOMIC IMPACTS OF NEW GAMING VENUES IN FOUR BRITISH COLUMBIA LOWER MAINLAND COMMUNITIES

Final Report  
July 31, 2007

**Prepared for:**  
Gaming Policy and Enforcement Branch  
Ministry of Public Safety & Solicitor General  
Government of British Columbia

**Prepared by:**  
Blue Thorn Research and Analysis Group, Victoria, BC

**Authors:**  
Dr. Colin Mangham, Population Health Promotion Associates  
Greg Carney, Sentinel Research & Consulting Corporation  
Sean Burnett, Burnett Consulting Corporation  
Dr. Robert Williams, Alberta Gaming Research Institute & University of Lethbridge



**BRITISH COLUMBIA**

## EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Casino style gambling began a rapid expansion across Canada beginning around 1993 and now accounts for a significant portion of all gambling revenue. However, despite this expansion, the overall socioeconomic costs, benefits, and impacts of casino gambling are unclear. The planned opening of four new gaming venues in the British Columbia Lower Mainland in late 2004 and early 2005 created an opportunity to scientifically study these impacts. Thus, the Gaming Policy and Enforcement Branch of the British Columbia Ministry of Public Safety and Solicitor General commissioned the present study in June 2004 to investigate these impacts so as to assist in its mandate to develop responsible gaming policies for the people of British Columbia.

The principal focus of this study is on the three communities where these new venues were eventually located (City of **Vancouver**, City of **Surrey**, City of **Langley**), as well as the **Township of Langley**, which surrounds the City of Langley. The specific venues were: the **Edgewater Casino in Vancouver**, which opened in February 2005; the **Hastings Racetrack in Vancouver**, whose planned addition of slot machines has not yet occurred; the **Fraser Downs Racetrack and Casino in Surrey**, which added additional slot machines and table games to its existing facility in November 2004; and the **Cascades Casino in Langley**, which opened in May 2005.

# I. BC Study on socioeconomic impacts of new gaming venues

## EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

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The study had three data collection periods. The first was in 2004, prior to the opening of the venues. The second was in 2005, and the third was in 2006. The main methodological elements of this longitudinal study were:

- **Random Digit Dial (RDD) telephone surveys** of approximately 2,500 residents of these four communities in 2004, 2005, and 2006 to assess current gambling behaviours, attitudes toward gambling, and problem gambling prevalence.
- **An examination of changes in available economic and social indicators** in 2004, 2005 and 2006 to assess impacts on employment rates, housing starts, value of residential and nonresidential construction, changes in revenues and number of businesses most typically affected by the introduction of gambling establishments, commercial bankruptcy rates, direct gaming revenue and its distribution, indices of problem gambling, and crime.
- **Employee surveys** at the new facilities in 2005 to determine previous employment, wages, and residency.
- **Surveys of representatives of the four municipalities** in 2005 to determine their perceptions of benefits and costs of the new venues.
- **Patron surveys** at the new facilities in 2005 and 2006 to establish the demographic profile of patrons, as well as their gambling behaviour and spending patterns.
- **Qualitative interviews** with local merchants, police, problem gambling counsellors, and city planners in 2005 and 2006 to ascertain their perception of what, if any, impacts have occurred.

The main findings of this study are as follows:

## RDD FINDINGS

### LANGLEY

- Compared to 2004, there was less frequent purchase of raffle and charitable lottery tickets in 2006; less frequent purchase and lower expenditure on other lottery tickets in 2005 and 2006; and less frequent horse race betting in 2005.
- Compared to 2004, there was more frequent slot machine play in 2005 and 2006. This is consistent with a high rate (40%) of Cascades Casino patronage from Langley residents, and the fact that 39.2% of people in 2005 and 48.3% in 2006 who gambled at the new Cascades Casino had never patronized a casino before.
- The Cascades Casino resulted in significant repatriation of gambling money back to Langley from out-of-province venues and other Lower Mainland venues.
- There was a significant change in the community's negative general attitude toward gambling. In 2004 44.8% believed gambling's harms somewhat or far outweighed benefits, increasing to 50.0% in 2005 and 54.4% in 2006.
- In contrast, there was no significant change in the community's slightly positive attitude toward the Cascades Casino. In 2004, 39.9% believed it would be harmful, compared to 39.0% in 2005 and 34.2% in 2006. Langley was the only community to believe the new venue to have more benefits than harms.
- There was a statistically significant increase in the rate of moderate problem gambling from 2004 (2.0%) to 2006 (5.4%). In 2006, the City of Langley had the highest combined rate of moderate and severe problem gambling (6.0%) of the four communities studied. Langley

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Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

## I. BC Study on socioeconomic impacts of new gaming venues

EXECUTIVE SUMMARY	<p>was the only community to experience a statistically significant change in problem gambling prevalence rates.</p> <p><b>TOWNSHIP OF LANGLEY</b></p> <ul style="list-style-type: none"> <li>• Compared to 2004, there was less frequent purchase of instant-win tickets in 2006; lower sports betting expenditure in 2005; and more frequent private gambling (e.g., poker) in 2005.</li> <li>• Compared to 2004, there was more frequent slot machine play in 2005 and 2006. This is consistent with a fairly high rate of Cascades Casino patronage from Township of Langley residents (29.3% in 2005 and 32.8% in 2006), and the fact that 16.7% of people in 2005 and 29.1% of people in 2006 who gambled at the new Langley Cascades Casino had never patronized a casino before.</li> <li>• The Cascades Casino resulted in a significant redirection of gambling money to Langley from other Lower Mainland venues.</li> <li>• There was no significant change in the community's negative general attitude toward gambling, in 2004, 47.3% believed harms outweighed benefits, compared to 48.6% in 2005 and 55.9% in 2006.</li> <li>• The community's somewhat negative attitude toward the Cascades venue did not significantly change: in 2004, 45% believed it would be harmful, compared to 39.3% in 2005 and 44.0% in 2006.</li> <li>• No change in rates of problem gambling. Langley Township had lowest rates of the four communities studied (4.0% in 2004; 2.6% in 2005; 2.9% in 2006).</li> </ul> <p><b>SURREY</b></p> <ul style="list-style-type: none"> <li>• General gambling behaviour was unchanged from 2004 with the exception of more frequent Internet gambling in 2006.</li> <li>• The lack of change in slot machine play is consistent with the fact that Surrey actually experienced a fairly small change in actual slot machine availability (i.e., compared to Langley), and there was relatively low rates of Fraser Down's patronage from Surrey residents (12.2% patronage in 2004; 11.6% in 2005; and 12.6% in 2006). Low patronage was partly due to only 60% of Surrey residents being aware of the new venue.</li> <li>• The Fraser Downs expansion of slots did not produce increased patronage of the facility. However, there was a small increase in Surrey residents patronizing the Cascades venue rather than other Lower Mainland venues. The Cascades Casino continues to be a more popular destination than Fraser Downs.</li> <li>• The community's negative general attitudes toward gambling became significantly more negative: in 2004, 51.9% believed harms outweighed benefits, increasing to 58.9% in 2005 and 59.7% in 2006.</li> <li>• The community's negative attitude toward the expanded Fraser Down's facility became significantly more negative: in 2004, 42.9% believed it would be harmful, increasing to 47.4% in 2005 and 49.3% in 2006.</li> <li>• No change in rates of combined moderate and severe problem gambling: 5.5% in 2004; 6.0% in 2005; 5.2% in 2006.</li> </ul>	<p><b>VANCOUVER</b></p> <ul style="list-style-type: none"> <li>• Compared to 2004, there were lower expenditures on raffle and charitable lottery tickets in 2006; lower expenditures on lottery tickets in 2005; more frequent private gambling (e.g., poker) in 2005 and 2006; and more frequent Internet gambling in 2006.</li> <li>• There was no change in slot machine play. This is consistent with the fact that actual gambling availability did not change appreciably from 2004 to 2005 and 2006 for most Vancouver residents, and only a small minority of Vancouver residents patronized the new Edgewater Casino (13.9% in 2005 and 9.6% in 2006). Low patronage was partly due to only 63% of Vancouver residents being aware of the new venue.</li> <li>• The introduction of the Edgewater Casino did result in a small but significant redirection of patronage to the Edgewater Casino. However, the River Rock Casino in Richmond and Nevada continued to be much more popular places to gamble.</li> <li>• Vancouver has the most negative attitudes toward gambling of the four communities. Their negative general attitude toward gambling significantly increased. In 2004, 56.6% of people believed the harm of gambling outweighed benefits, increasing to 57.4% in 2005, and 63.9% in 2006.</li> <li>• The community's negative attitude toward the Edgewater Casino also became significantly worse. In 2004 only 26.0% believed it was likely to be somewhat or very beneficial to the community. This decreased to 24.4% in 2005 and only 15.1% in 2006.</li> <li>• No significant change in rates of combined moderate and severe problem gambling: 6.0% in 2004, 3.7% in 2005 and 4.1% in 2006.</li> </ul> <p><b>ALL FOUR COMMUNITIES COMBINED</b></p> <ul style="list-style-type: none"> <li>• There was no marked change in the overall relative popularity of various forms of gambling or the amounts spent on each. However, compared to 2004 there was less frequent purchases of raffle and charitable lottery tickets in 2006; lower lottery expenditures in 2005; more frequent private gambling (e.g., poker) in 2005 and 2006; lower horse racing expenditures in 2006; and more frequent Internet gambling in 2006 and lower Internet gambling expenditures in 2005 and 2006.</li> <li>• Compared to 2004, there was more frequent slot machine play, but lower slot expenditures in 2005. There were also lower table game expenditures in 2005. These findings suggest an influx of new gamblers spending more modest amounts.</li> <li>• 2005 and 2006 saw a significant sustained increase in patronage of three new venues: Richmond – River Rock Casino; Langley – Gateway Casino; and Vancouver – Edgewater Casino, largely at the expense of Coquitlam - Great Canadian Casino; Burnaby - Gateway Casino; New Westminster - Royal City Star Riverboat; and Washington State. Gambling in Las Vegas and/or Reno continues to be the second most popular destination for casino gambling, with no significant changes in patronage in 2005 or 2006. Patronage of Washington State slots and tables is significantly lower, but this was not a common destination to begin with, and the magnitude of the decrease is fairly small.</li> <li>• Negative general attitudes toward gambling became significantly worse: 54.0% in 2004 believed harms outweighed benefits, increasing to 56.9% in 2005 and 61.7% in 2006. Nonetheless, in all communities, most people believe that gambling is a matter of personal</li> </ul>	EXECUTIVE SUMMARY
Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report	6	7	Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report



# I. BC Study on socioeconomic impacts of new gaming venues

EXECUTIVE SUMMARY

Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

choice (68.6% in 2006), rather than being morally wrong (10.5% in 2006).

- No significant change in rates of combined moderate and severe problem gambling: 5.6% in 2004, 4.4% in 2005, 4.5% in 2006. For historical comparison, in 2002, the rate for the British Columbia Lower Mainland was 4.7%.

### CHANGES IN ECONOMIC AND SOCIAL INDICATORS

#### EMPLOYMENT IMPACTS

- There is no statistically identifiable increase in overall community employment subsequent to venue opening in any of the four communities.
- However, it is clear that these venues produce many new jobs. A reasonable estimate is perhaps a thousand new jobs in total for the three venues, with the majority of these associated with the Cascades Casino.
- However, the employment benefits are not exclusive to the community hosting the new venue, as 24% of people moved from another municipality for the employment and only 52% of current employees live in the same municipality as the gaming venue.

#### INDUSTRY IMPACTS

- There are no obvious impacts of the new venues on **Housing Starts** in any community.
- There are no obvious impacts of the new venues on **Value of Residential Construction** in any community.
- There are no obvious impacts of the new venues on **Value of Nonresidential Construction** in any community.
- There is an increase in **Hotel and Motel**

revenue in 2004/2005, but it is not likely attributable to the new venues.

- There are no obvious impacts of the new venues on **Commercial Bankruptcy** rates in any community.
- Despite the lack of community-wide changes in economic indicators, it is clear that these new venues do generate significant revenues and do have positive spin-off effects. Thus it is necessary to take a more "micro" view and examine the actual revenue gains at the new gaming venues and how these revenues are distributed.

#### DIRECT GAMBLING REVENUE AND ITS DISTRIBUTION

- Fraser Downs's gaming revenue (not including horse racing) was \$38.9 million in 2004/05 (with expanded slots only for the last 5 months) and \$46.8 million in 2005/06. Edgewater Casino gross revenues were \$10.6 million in 2004/05 (with 2 months of operation) and \$73.1 million in 2005/06. The Cascades Casino revenue was \$89.0 million in 2005/06 (with 11 months of operation). About 72% of revenue is from slot machines.
- These gaming revenues account for 27.1% of all Lower Mainland casino revenue in 2005/2006. Out of the 10 casinos in the Lower Mainland, the revenues of the Cascades ranks 4th, Edgewater 5th, and Fraser Downs 6th.
- Casino Service Providers receive roughly 34% of gross revenues and BCLC receives roughly 66%.
- The majority of the Casino Service Provider's gross revenues are spent in the local area in form of operating expenses (primarily wages). Operating expenses have exceeded revenues at Edgewater, resulting in bankruptcy protection and sale to another gaming company.

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EXECUTIVE SUMMARY

Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

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8



## I. BC Study on socioeconomic impacts of new gaming venues

<p>• Approximately 65% of BCLC revenue from casinos goes to general provincial government revenues; 18% goes to a provincial Health Spending Account; 16% goes to charitable and community organizations in the form of grants; 8% goes to host municipal governments.</p> <p>• The Cities of Langley, Surrey, and Vancouver are all pleased with their respective new venues, pointing to significant financial benefits, minimal infrastructure costs, and several ancillary nonmonetary benefits.</p> <p><b>PROBLEM GAMBLING INDICATORS</b></p> <p>• Calls to the provincial <b>Problem Gambling Help Line</b> have steadily increased from 2001 to 2005 for all areas of British Columbia. Call volumes decreased in 2006. There was also a statistically significant increase in calls from Langley residents subsequent to the opening of the Cascades Casino, whereas there were no changes in call volumes from Vancouver or Surrey residents subsequent to their venues opening.</p> <p>• <b>Total Problem Gambling Treatment Sessions</b> show a similar pattern of province-wide increases in 2004 and 2005, with declines in 2006. There was also a statistically significant increase in the number of treatment sessions delivered to residents of Surrey and Vancouver (but not Langley) following the introduction/expansion of their venues.</p> <p>• There were no statistically significant increases in the <b>Rate of New Admissions to Problem Gambling Treatment</b> in any of the study communities from 2004 to 2006. In fact, Surrey had significant drop in number of new admissions for problem gambling treatment after June 2005.</p> <p>• Most of the 14 <b>Gamblers' Anonymous</b> chapters in the Lower Mainland began in the 1990s, coincident with the</p> <p>introduction of several new casinos. Five have also opened in 2000 or subsequent, but two others have closed. It is not clear whether attendance was higher in 2005 relative to 2006, but attendance in 2007 appears to be down.</p> <p>• There is no significant change in <b>Personal Bankruptcy rates</b> in any of the four communities from 1999 to 2006.</p> <p>• There is no observed change in the number of <b>Suicides</b> in any of the communities subsequent to the introduction of the new venues.</p> <p><b>CRIME</b></p> <p>• Both Langley Township and Surrey experienced a statistically significant drop in the number of criminal code offenses after the introduction of gaming facilities near or in their communities. No change was observed for the City of Langley or Vancouver.</p> <p><b>PATRON SURVEY</b></p> <p><b>DEMOGRAPHICS</b></p> <p>• Patrons of these new venues are roughly representative of Lower Mainland demographics in terms of gender and income.</p> <p>• Patrons tend to be significantly older than the general population, with ages 25-44 being under-represented and ages 55 – 74 over-represented. The Cascades attracts a much higher rate of people age 19 – 24 and Fraser Downs attracting a higher rate of people age 65 – 74 compared to the other venues. The older average age likely accounts for the fact that patronage has a high percentage of married people.</p> <p>• The educational level of patrons is slightly lower than the general population.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">EXECUTIVE SUMMARY</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report</p> <p style="text-align: right;">9</p>	<p>• Only 3% of patrons are from outside of British Columbia, and almost all the British Columbia patrons are from the Lower Mainland. Most reside within 20 km of the venue, accounting for 85.9% of Edgewater patrons; 85.9% of Fraser Downs patrons; and 65.4% of the Cascades patrons. The primary patron draw is from the specific community in which the venue is located (69.4% for Edgewater; 55.1% for Fraser Downs; 38.6% for Cascades). The Cascades Casino is distinct because the majority of revenue is not drawn from Langley residents. This venue draws a significant portion of revenue from Surrey because of its proximity, and also from communities further up the Fraser Valley (Abbotsford, Chilliwack, Mission) where casinos are not present.</p> <p><b>BEHAVIOURAL PROFILE</b></p> <p>• 38% of patrons reported more gambling after the venue opened.</p> <p>• Average reported per visit expenditure was \$155 in 2006, with higher expenditures associated with higher frequency of visitation. Approximately 38% of casino revenue comes from people who visit several times a week or more, and approximately 69% to 79% of casino revenue comes from people who visit several times a month or more (see Appendix F). The RDD survey established that 24% of people (23 of 96 patrons who play slots regularly) who play slots in the three study casinos several times a month or more are problem gamblers.</p> <p>• Average spending on food and drink averages \$20 per visit.</p> <p>• There is very little spending on accommodation as the large majority of patrons live within 20 km.</p> <p>• About 12-16% of patrons report spending less money on other things as a consequence of their gambling at this new venue.</p> <p>• Venue patronage patterns mirror the RDD results, with significant repatriation from neighbouring Lower Mainland jurisdictions to the new venues, and small degree of repatriation from out-of-province casinos (mostly Washington State).</p> <p><b>QUALITATIVE INTERVIEWS</b></p> <p><b>MERCHANTS</b></p> <p>• Most reported no change in business, but a few did report decreased revenues and a few reported increased revenues. Hoteliers in Langley reported increased business.</p> <p>• About half reported an increase in traffic and congestion, and this was especially pronounced near the Cascades Casino.</p> <p>• Decreased parking availability was an issue mentioned by Langley merchants.</p> <p><b>CITY PLANNERS</b></p> <p>• Most indicated that the approval of these venues was a complicated and very time intensive process.</p> <p>• All city planners reported significant economic benefits as well as significant infrastructure improvements occurring either as a direct or indirect consequence of these new venues and revenues.</p> <p>• These venues also provide local employment and sponsorship for community events.</p> <p>• Few, if any, negative social impacts were noted.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">EXECUTIVE SUMMARY</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report</p> <p style="text-align: right;">10</p>
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# I. BC Study on socioeconomic impacts of new gaming venues

EXECUTIVE SUMMARY	<ul style="list-style-type: none"> <li>Only 3% of patrons are from outside of British Columbia, and almost all the British Columbia patrons are from the Lower Mainland. Most reside within 20 km of the venue, accounting for 85.9% of Edgewater patrons; 85.9% of Fraser Downs patrons; and 65.4% of the Cascades patrons. The primary patron draw is from the specific community in which the venue is located (69.4% for Edgewater; 55.1% for Fraser Downs; 38.6% for Cascades). The Cascades Casino is distinct because the majority of revenue is not drawn from Langley residents. This venue draws a significant portion of revenue from Surrey because of its proximity, and also from communities further up the Fraser Valley (Abbotsford, Chilliwack, Mission) where casinos are not present.</li> </ul> <p><b>BEHAVIOURAL PROFILE</b></p> <ul style="list-style-type: none"> <li>38% of patrons reported more gambling after the venue opened.</li> <li>Average reported per visit expenditure was \$155 in 2006, with higher expenditures associated with higher frequency of visitation. Approximately 38% of casino revenue comes from people who visit several times a week or more, and approximately 69% to 79% of casino revenue comes from people who visit several times a month or more (see Appendix F). The RDD survey established that 24% of people (23 of 96 patrons who play slots regularly) who play slots in the three study casinos several times a month or more are problem gamblers.</li> <li>Average spending on food and drink averages \$20 per visit.</li> <li>There is very little spending on accommodation as the large majority of patrons live within 20 km.</li> </ul> <p><b>QUALITATIVE INTERVIEWS</b></p> <p><b>MERCHANTS</b></p> <ul style="list-style-type: none"> <li>Most reported no change in business, but a few did report decreased revenues and a few reported increased revenues. Hoteliers in Langley reported increased business.</li> <li>About half reported an increase in traffic and congestion, and this was especially pronounced near the Cascades Casino.</li> <li>Decreased parking availability was an issue mentioned by Langley merchants.</li> </ul> <p><b>CITY PLANNERS</b></p> <ul style="list-style-type: none"> <li>Most indicated that the approval of these venues was a complicated and very time intensive process.</li> <li>All city planners reported significant economic benefits as well as significant infrastructure improvements occurring either as a direct or indirect consequence of these new venues and revenues.</li> <li>These venues also provide local employment and sponsorship for community events.</li> <li>Few, if any, negative social impacts were noted.</li> </ul>	EXECUTIVE SUMMARY
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Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities | Final Report

## I. BC Study on socioeconomic impacts of new gaming venues

<p>• There was some concern about current or pending over-saturation of the market, as well as some acknowledgement of negative public attitudes toward the venues.</p> <p>• City officials in Surrey report that the slot expansion provided significant support for the faltering horse racing at Fraser Downs.</p> <p><b>POLICE</b></p> <p>• In general, there has been very little crime or police work associated with the new venues.</p> <p>• There has been some increase in vehicle theft due to the creation of large parking lots. Some cases of loan-sharking also occur, but are not unique to these gaming venues.</p> <p><b>PROBLEM GAMBLING COUNSELLORS</b></p> <p>• There has been an increase in people seeking problem gambling treatment services (at least in Langley) as a consequence of the greater convenience of these new venues. However, increased media campaigns about treatment and increased referral services have also contributed to this.</p> <p><b>CONCLUSIONS</b></p> <p>One of the main conclusions and generalizations that can be made from this study concerns the fact that no impacts were found for most variables, and the impacts that did occur tended to be modest in magnitude. The reality is that these three new venues have neither caused widespread economic rejuvenation, nor have they created major new social problems.</p> <p>However, there have been some benefits, costs, and changes. One of the clearer economic benefits has been the creation of new ongoing employment for perhaps a thousand people, along with the attendant social benefits of this employment and the indirect economic spin-offs that these wages have had. The tens of millions of dollars the Casino Service Providers spent building these venues also represents a significant economic gain for the municipalities and businesses in Vancouver, Surrey, and Langley. Furthermore, the direct ongoing revenue that each host municipality receives from these venues contributes to significant ongoing enhancement of local infrastructure and community development. Whether these venues will continue to provide a net monetary benefit to these municipalities is more debatable, and very much dependent on patron origin and the future size and distribution of gaming revenues. For the most part, there has been very little repatriation of gambling dollars from out-of-province venues. Rather, the main impact of these new venues has been local repatriation of gambling dollars from neighbouring Lower Mainland venues, particularly for Langley and Langley Township.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">EXECUTIVE SUMMARY</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report</p> <p style="text-align: right;">11</p>	<p>Concerning social impacts, there is very little evidence that these new venues have exacerbated existing social problems, as there was no significant increase in the overall rates of crime or problem gambling. The important exception to this is the City of Langley, which did experience an increase in problem gambling. In general, the Cascades Casino appears to have impacted the gambling behaviour of Langley residents to a much greater extent than the new venues in the other communities, which is partly due to the greater pre-existing availability of casino gambling in Surrey and Vancouver. However, the failure to find increases in Vancouver and Surrey despite even greater availability is an important finding that supports the "social adaptation model" of gambling. This model contends that gambling typically produces most of its negative effects when first introduced and that after some time the community adapts to its presence and the negative effects diminish somewhat. This "adaptation" subsequently provides some inoculation from further harm if presence of the product is expanded or further increased.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">EXECUTIVE SUMMARY</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Socioeconomic Impacts of New Gaming Venues in Four British Columbia Lower Mainland Communities   Final Report</p> <p style="text-align: right;">12</p>
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Appendix J.

# Comparison of financial and economic impacts of potential locations

## J. Comparison of financial and economic impacts of potential locations

Value created  
(\$ Millions)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Integrated Entertainment Complex				Standalone Casino			
Gaming zone	C1	C1	C1	C2	C1	C1	C1	C2
Configuration (1)	4,500 slots 250 tables			3,500 slots 150 tables	3,500 slots 150 tables			3,000 slots 100 tables
<b>Non-recurring (2)</b>								
Construction value	1,900 to 2,400	1,900 to 2,400	1,900 to 2,400	1,000 to 1,3000	800 to 1,100	800 to 1,100	800 to 1,100	N/A
<b>Recurring (2)</b>								
Gaming Revenue (3)(4)	1,398	1,398	1,258	1,000	1,020	1,020	920	790
Non-Gaming Revenue	350	350	315	250	80	80	72	63

**NOTES:**

- (1) The assumed configuration to a possible Integrated Entertainment Complex and the Standalone Casino in any of the four potential locations is purely illustrative as the actual design and location of the venue, if established, is not presently known.
- (2) The value created by the gaming venue in each scenario is derived from the Economic Impact Model. The underlying assumptions and limitations of the model are critical to the estimates reflected in the table. Refer to Section 4 for further discussion.
- (3) The Gaming Revenue estimated in each scenario is on a gross basis and does not reflect the anticipation cannibalization effect on Gaming Revenue generated by the existing slots at Woodbine Racetrack.
- (4) The Gaming Revenue estimated in the Port Lands scenario has been reduced by an arbitrary 10% risk discount in order to account for the operating risk associated with that location, as indicated by the Casino Operators and their lower level of interest in the particular location.

## J. Comparison of financial and economic impacts of potential locations

### City revenue and costs (\$ Millions)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Integrated Entertainment Complex				Standalone Casino			
Gaming zone	C1	C1	C1	C2	C1	C1	C1	C2
<b>Non-recurring (1)</b>								
Sale proceeds from city-owned land (2)(3)	N/A	125 to 250	35 to 110	N/A	N/A	50 to 200	12 to 80	N/A
Infrastructure costs (4)	Moderate	Moderate	High	Moderate	Moderate	Moderate	High	Moderate
<b>Recurring (1)</b>								
Hosting fees scenarios (5)								
(i) New OLG formula (6)	18	18	17	16	16	16	16	16
(ii) Illustrative 4% hosting fee (7)	56	56	50	40	40	40	36	32
(iii) 4% + 50% of Incremental Tax Revenue Benefit (8)	106	106	100	70	70	70	66	32
(iv) 50:50 partnership formula (9)	168	168	151	120	120	120	110	95
Add'l property taxes (10)	22	27	27	12	5	10	10	N/A
Subtotal								
(i) New OLG formula	41	46	45	29	23	28	27	16
(ii) Illustrative 4% hosting fee	78	83	77	52	45	50	46	32
(iii) 4% + 50% of Incremental Tax Revenue Benefit	128	133	127	82	75	80	76	32
(iv) 50:50 partnership formula	190	195	178	132	125	130	120	95

Refer to the accompanying notes on the following page.

## J. Comparison of financial and economic impacts of potential locations

### City revenue and costs (\$ Millions)

#### NOTES:

- (1) The city revenue and costs resulting from opening of the gaming venue in each scenario is derived from the Economic Impact Model. The underlying assumptions and limitations of the model are critical to the estimates reflected in the table. Refer to Section 4 for further discussion.
- (2) The estimated proceeds from the sale of city-owned land is presented for convenience purposes only and should not be regarded as an appraisal or valuation of the market value of such land. Any appraisal or valuation would require extensive research regarding, among other things, marketability, zoning, density, infrastructure and remediation costs. For greater certainty, an appraisal of the city-owned lands was outside of the scope of the Study.
- (3) The estimated proceeds from the sale of city-owned land are on a gross basis before any costs or other expenditures to close a transaction and convey the lands to a purchaser.
- (4) The cost of any needed infrastructure improvements is not presently known and would be dependent on a variety of factors. In our discussions with the Toronto Planning Department, the department provided a preliminary indication of how it anticipates the relative infrastructure costs to compare between the scenarios.
- (5) The hosting fees arrangements between OLG and the City, should the City decide to consent to hosting a casino, have not yet been negotiated and agreed. Accordingly, in preparing this table, we present four different possible approaches which could be adopted to calculate the hosting fees payable to the City. Under each approach, hosting fees are on a gross basis and do not reflect the anticipation cannibalization effect on hosting fees otherwise derived from the existing slots at Woodbine Racetrack.
- (6) Hosting fee scenario (i) estimates the hosting fees which the City would receive in each location scenario based on the new OLG formula discussed in Section 6.1.
- (7) Hosting fee scenario (ii) assumes the hosting fees which the City would receive are calculated as a flat 4% of Gaming Revenue.
- (8) Hosting fee scenario (iii) contemplates that the City would receive a flat 4% of Gaming Revenue plus 50% of the Incremental Tax Revenue Benefit generated by a casino in Toronto. Refer to Section 5.2 for further discussion regarding the Incremental Tax Revenue Benefit.
- (9) Hosting fee scenario (iv) assumes OLG and the City agree to share, as equal partners, the total direct government revenue (i.e. win contribution / gaming tax, hosting fees, etc.) raised on the Gaming Revenue generated by the Toronto gaming venue (approximately 24%). For purposes of this table, we assumed the 50:50 partner share would equate to 12% of Gaming Revenue. Refer to Section 5.2 for further discussion of the distribution of Gaming Revenue.
- (10) The property taxes accruing in respect of a gaming venue would be dependent on the assessment value of the site on which the venue is situated. At this time, insufficient information is available to reliably estimate an assessment value. The estimated property tax is solely an indicative estimate based on the possible constructed area of the venue at an assumed property tax rate per square foot, net of current taxes paid on the site.



## J. Comparison of financial and economic impacts of potential locations

GDP benefits  
(\$ Millions)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Integrated Entertainment Complex				Standalone Casino			
Gaming zone	C1	C1	C1	C2	C1	C1	C1	C2
<b>Non-recurring</b>								
Construction (GDP)	1,700 to 2,100	1,700 to 2,100	1,700 to 2,100	900 to 1,100	700 to 1,000	700 to 1,000	700 to 1,000	N/A
<b>Recurring</b>								
Ongoing operations (GDP)	1,700 to 2,000	1,700 to 2,000	1,500 to 1,800	1,200 to 1,500	1,000 to 1,200	1,000 to 1,200	900 to 1,100	800 to 1,000



## J. Comparison of financial and economic impacts of potential locations

### Employment benefits (FTEs)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Integrated Entertainment Complex				Standalone Casino			
Gaming zone	C1	C1	C1	C2	C1	C1	C1	C2
<b>Non-recurring</b>								
Construction (FTEs)	6,800 to 8,500	6,800 to 8,500	6,800 to 8,500	3,600 to 4,400	2,900 to 3,800	2,900 to 3,800	2,900 to 3,800	N/A
<b>Recurring</b>								
Ongoing operations (FTEs)	18,000 to 20,000	18,000 to 20,000	16,000 to 18,000	12,000 to 14,000	10,000 to 12,000	10,000 to 12,000	9,000 to 11,000	7,000 to 9,000

Appendix K.

# Potential impacts of a GTA casino on Woodbine Racetrack

## K. Potential impacts of a GTA casino on Woodbine Racetrack

Value Eroded (\$ Millions)			
Location	Toronto	Mississauga	Markham
<b>Recurring</b>			
Cannibalization rate	(20%)	(20%)	(30%)
Gaming Revenue	(138)	(138)	(207)
Non-Gaming Revenue	(11)	(11)	(17)
Subtotal	(149)	(149)	(224)

City Revenue (\$ Millions)			
Location	Toronto	Mississauga	Markham
<b>Recurring</b>			
Existing hosting fees scenarios			
(i) Old OLG formula <sup>45</sup>	15	15	15
(ii) New OLG formula <sup>45</sup>	15	15	15
Incremental effect on hosting fees scenarios			
(i) Old OLG formula	(1)	(1)	(2)
(ii) New OLG formula	NM	NM	(1)
Revised hosting fees after cannibalization <sup>46</sup>			
(i) Old OLG formula	14	14	13
(ii) New OLG formula	15	15	14

<sup>45</sup> At current level of Gaming Revenue, the new and old OLG formulae result in substantially the same hosting fees. The amounts presented in this table appear to be the same due to rounding.

<sup>46</sup> In estimating the revised hosting fees, we assume an increase in the base Gaming Revenue, before the effects of cannibalization, from \$590 million, which is currently generated at Woodbine Racetrack, to \$690 million. The higher based Gaming Revenue is attributed to OLG's planned increase in the number of slots as well as modest growth (4.5%) in the slot productivity. If these assumptions are not realized, the revised hosting fees would be less than indicated in the table.

## K. Potential impacts of a GTA casino on Woodbine Racetrack

GDP Costs (\$ Millions)			
Location	Toronto	Mississauga	Markham
<b>Recurring</b>			
Ongoing operations	(150)	(150)	(220)

Employment Costs (FTEs)			
Location	Toronto	Mississauga	Markham
<b>Recurring</b>			
Ongoing operations (FTEs)	(1,000 to 2,000)	(1,000 to 2,000)	(1,600 to 2,500)

Appendix L.

# Maps of potential C1 locations

## L Maps of potential C1 locations

### Exhibition Place



## L Maps of potential C1 locations

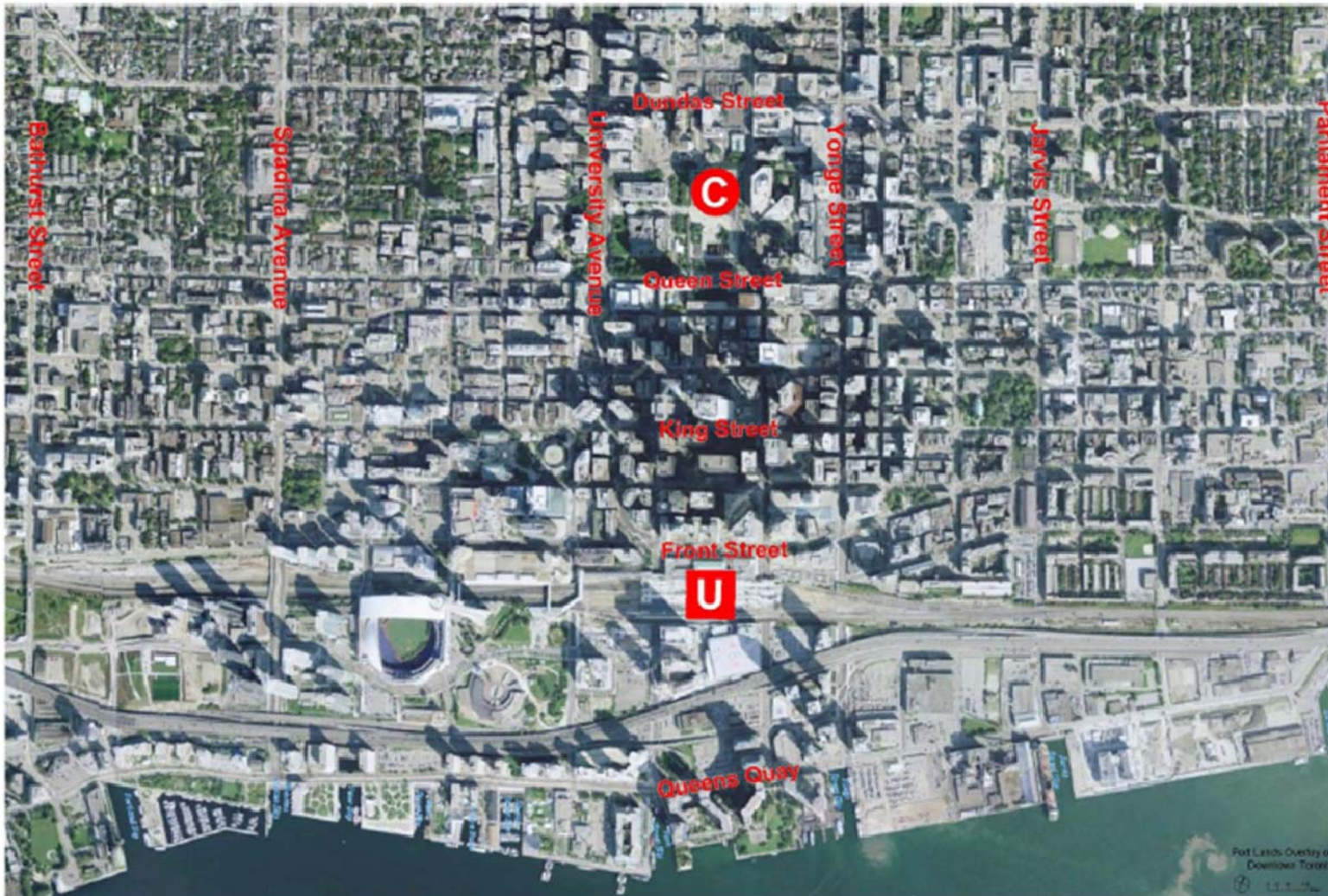
### Port Lands





## L Maps of potential C1 locations

### Entertainment District





Appendix M.

## Map of potential C2 location

## M. Map of potential C2 location

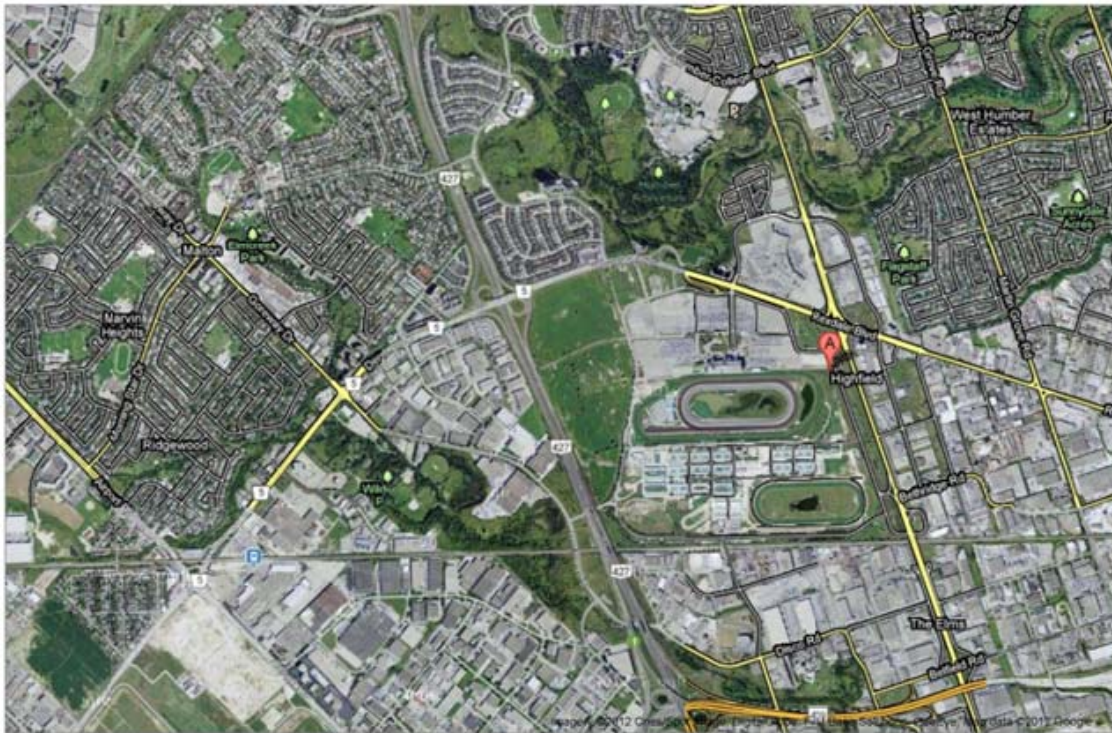
### Woodbine Racetrack

555 rexdale blvd toronto - Google Maps

Page 1 of 2



To see all the details that are visible on the screen, use the Print link next to the map.



<https://maps.google.ca/maps?q=555+rexdale+blvd+toronto&hl=en&gbv=2&ie=UTF-8>

19/09/2012

Appendix N.

# Examples of Integrated Entertainment Complexes

## N. Examples of Integrated Entertainment Complexes

Fallsview Casino, Niagara Falls





## N. Examples of Integrated Entertainment Complexes

### Wynn Resort, Las Vegas



## N. Examples of Integrated Entertainment Complexes

Aria Resort, City Centre Complex, Las Vegas



## N. Examples of Integrated Entertainment Complexes

### Marina Bay Sands, Singapore





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