

Considering a New Casino in Toronto

City Manager Presentation to
Executive Committee
November 5, 2012





Outline of Presentation

- OLG Modernization Plan, Process and Maps
- Purpose of the Staff Report
- Economic Impacts and City Revenues
- Health and Social Impacts
- Planning Review
- Strategic Considerations
- Report Recommendation – Public Consultation
- Ernst & Young Presentation
- Concluding Remarks



OLG Modernization Plan

- At the request of the Ministry of Finance, OLG has initiated a process to expand and modernize gaming across the province.
- The agency has identified 29 zones in which it intends to offer a gaming venue.
- OLG sanctioned gaming venues currently operate in 24 of 29 zones, including Woodbine.

Provincial/OLG Process

- Staged process:

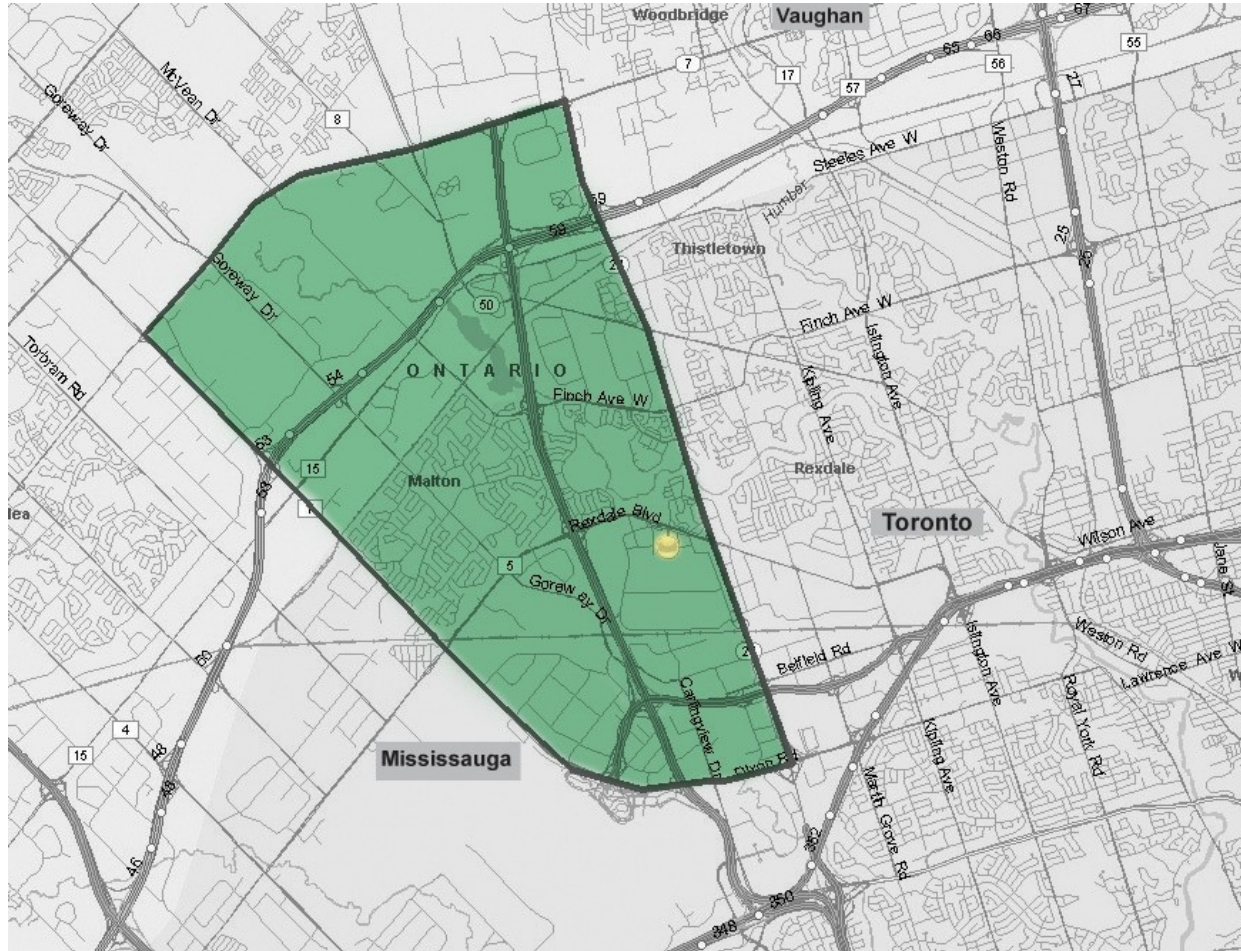


- OLG is seeking municipal consent in all of the identified gaming zones.
- The Ontario Lottery and Gaming Corporation Act requires municipalities to develop and implement a public consultation strategy prior to giving consent through their council.

Gaming Zones – C1



Gaming Zones – C2





Purpose of the Report

- The purpose of the staff report is to present Executive Committee with:
 - A summary of the provincial government process to license new venues;
 - The municipal approval process;
 - The pros and cons of various gaming and development options including anticipated financial, economic, health and social impacts;
 - Relevant background information; and to,
 - Seek direction for public consultation and report back to Executive Committee in Feb/March with the results.

Estimated Impacts

- The City has engaged Ernst & Young to examine different scenarios.
- Estimated impacts are based on E&Y report, using comparables and preliminary modelling.
- Actual impacts will depend on:
 - negotiation of suitable agreements with OLG;
 - location/site; and,
 - scope/scale of development.

Economic Impacts

- E&Y analysis includes projections for an integrated entertainment complex or a standalone casino in zones C1 and C2.

	Integrated Entertainment Complex Toronto	Standalone Casino Toronto
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
Hotel	800 rooms	None
Other amenities	450,000 sq.ft.	100,000 sq.ft.
Meeting and exhibition	300,000 sq.ft.	None
Parking	3,600 cars	3,600 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

- Analysis includes estimates of gross and net impacts.



Economic Impacts

C1 Zone – Central Toronto Waterfront

- \$0.8B - \$2.4B construction value
- 2,900 – 8,500 construction related jobs over a 3-year period
- 2,700 – 7,300 net new jobs in ongoing operations



Economic Impacts

C2 Zone - Woodbine Area

- \$0 - \$1.3B construction value
- 0 – 4,400 construction related jobs over a 3-year period
- 2,100 – 5,100 net new jobs in ongoing operations



Potential City Revenues – Hosting Fees

- \$66 million to \$168 million to host a casino in C1 zone.
- \$32 million to \$120 million to host a new casino in the C2 zone.

Other Financial Considerations

- A new development on the central Toronto waterfront could generate between \$10 million and \$27 million in additional property taxes.
- Sale or lease of City-owned land within the Port Lands or Exhibition Place could generate between \$12 million and \$250 million.
- Each site has associated infrastructure requirements. It is assumed that a 3rd party would fund the majority of incremental costs.



Potential Impact on Operating Budget

- Hosting fees provide an annual sustainable revenue source.
- These revenues could have a significant impact on moving the City's annual operating budget to fiscal sustainability.

Health and Social Impacts

- The Medical Officer of Health (MOH) will be submitting a report for the Board of Health on the public health impacts of gambling and of expanded access to gambling venues.
- MOH indicates that expanded access to gambling is associated with an increase in the prevalence of problem gambling and related physical and mental health harms.
- The most serious form of problem gambling affects 0.2% of the GTA population and a further 2.8% of adults in the GTA are considered at-risk gamblers.

Health and Social Impacts

- A casino located anywhere in the GTA will likely increase 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.
- The BOH will consider the MOH's report on November 19th.

Planning Considerations

- Should City Council approve of a casino use, the Provincial requirement for municipal consent provides an opportunity for the City to shape the development before proposals have been presented:
 - Preferred locations
 - Objectives to achieve / conditions to be met, including necessary infrastructure

Planning Considerations

- Considerations for evaluating a proposed casino:
 - Contribution to city building & place making
 - High quality building design and public realm
 - Transportation and infrastructure to support development and address impacts on existing context

Planning Process

- The proponent of any proposed development would be subject to the City's planning review & approval
 - Evaluated for consistency with the City's Official Plan, Zoning-by-laws & Council approved guidelines and policies.
 - Zoning By-law Amendment at a minimum
 - Supporting documents, including drawings, studies and others as requested
 - Public consultation process for the specific proposal

Strategic Considerations

- The Province intends to have casino in both GTA zones.
- If a casino is located in the C1 zone but outside Toronto, the City would have less ability to shape the development proposal and would not participate in revenue sharing.



Report Recommendation

- Report recommends that Executive Committee authorize the City Manager to conduct public consultation to seek input from Torontonians on the matter of establishing a casino.
- City Manager will report back to Executive Committee and City Council in Feb/March 2013 with the results of public consultation and any further analysis conducted.



Public Consultation

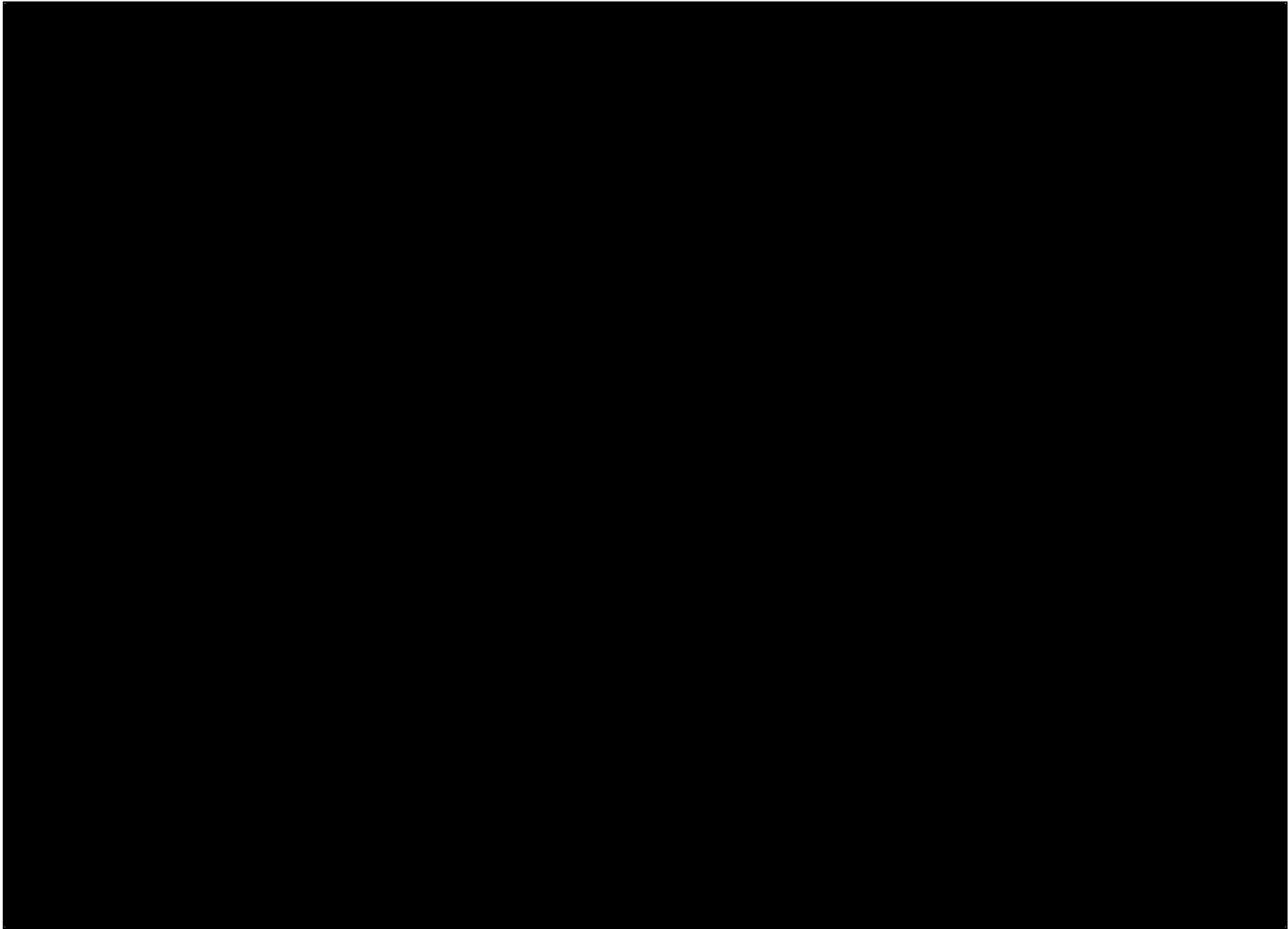
- Critical to ensure public input on this important matter
- Will support and inform Council decision-making
- Required by the Province
- Conducted November to January
- City-wide

Public Consultation (2)

- Will include a range of methods, for example:
 - provision of background information to the public to ensure informed engagement
 - surveys/polls
 - social media and online presence
 - public meetings
 - resources for Council members
- All results and findings will become publicly available



Ernst & Young Analysis





Introduction and scope

- On August 2, 2012, the City of Toronto engaged Ernst & Young LLP (“**E&Y**”) to conduct a study of the potential impacts of a commercial casino located in Toronto.
- 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 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.
- Limitations of our analysis and the Methodology and Sources relied upon are described in our report.



Overview of Illustrative Scenario

- Our Report was 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 our Report.

	Integrated Entertainment Complex Toronto	Standalone Casino Toronto	Fallsview Casino 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



Direct Financial Benefits

A new venue is estimated to generate incremental revenue and additional costs to the City of:

	<u>Integrated Entertainment Complex</u>	<u>Standalone Casino</u>
Non-recurring		
Sale of city-owned land (City's share)	\$35 to \$250 million	\$12 to \$200 million
Infrastructure	Moderate to high	Moderate to high
Recurring		
Hosting fees	\$17 to \$168 million	\$16 to \$120 million
Incremental property taxes (City's share)	\$22 to \$30 million	\$5 to \$10 million

- 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.
- 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.
- Infrastructure costs are assumed to be paid by Province or third party operator.



Hosting Fees (\$millions)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Integrated Entertainment Complex			
Gaming zone	C1	C1	C1	C2
Configuration	4,500 slots 250 tables			3,500 slots 150 tables
Gaming Revenue	1,398	1,398	1,258	1,000
Non-Gaming Revenue	350	350	315	250
Hosting fees scenarios (5)				
(i) New OLG formula (6)	18	18	17	16
(i) Illustrative 4% hosting fee (7)	56	56	50	40
(i) 4% + 50% of Incremental Tax Revenue Benefit (8)	106	106	100	70
(i) 50:50 partnership formula (9)	168	168	151	120
Add'l property taxes (10)	22	27	27	12



Hosting Fees (\$millions)

Location	Convention Centre	Exhibition Place	Port Lands	Woodbine Racetrack
Casino type	Standalone Casino			
Gaming zone	C1	C1	C1	C2
Configuration	3,500 slots 150 tables			3,000 slots 100 tables
Gaming Revenue	1,020	1,020	920	790
Non-Gaming Revenue	80	80	72	63
Hosting fees scenarios (5)				
(i) New OLG formula (6)	16	16	16	16
(i) Illustrative 4% hosting fee (7)	40	40	36	32
(i) 4% + 50% of Incremental Tax Revenue Benefit (8)	70	70	66	32
(i) 50:50 partnership formula (9)	120	120	110	95
Add'l property taxes (10)	5	10	10	N/A



Hosting Fees

NOTES:

- The city revenue and costs resulting from opening of the gaming venue in each scenario is derived from the Economic Impact Model.
- The hosting fees arrangements between OLG and the City, have not yet been negotiated and agreed. Accordingly, in preparing this table, we present four different possible approaches
- 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.
- 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.



GDP Impacts

- ▶ A new venue is estimated to contribute GDP to the Toronto economy of:

	<u>Integrated Entertainment Complex</u>	<u>Standalone Casino</u>
Non-recurring		
Construction	\$1.7 to \$2.1 billion	\$0.7 to \$1.0 billion
Recurring		
Ongoing operations	\$1.5 to \$2.0 billion	\$0.9 to \$1.2 billion

- ▶ 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).



GDP Impacts

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).

An Integrated Entertainment Complex, particularly in conjunction with an expansion of convention space, will enhance the City's tourist appeal.



Incremental –Toronto Residents Carded Play



Based on carded play Toronto residents spend \$700 million at OLG facilities, of which \$400 million is spent outside Toronto.



Incremental – GTA Carded Play



Based on carded play, GTA (non-Toronto) residents spend approximately \$600 million at OLG facilities outside Toronto, and approximately \$300 million at Woodbine.

Illustrative impact



(\$ 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 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.



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:

	<u>Integrated Entertainment Complex</u>	<u>Standalone Casino</u>
Non-recurring Construction (3 year period) (FTEs)	6,800 to 8,500	2,900 to 3,800
Recurring 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).

^[1] 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.



Social Impact

Problem gambling

- ▶ 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.
- ▶ Problem gambling has significant negative health impacts on individuals, families and communities.
- ▶ 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 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.

Crime and emergency services

- ▶ Crime statistics for municipalities that host casinos do not show a link between crime rates and the opening of a casino in the municipality.
- ▶ 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.



Impact of a GTA casino located outside of 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 \$0.7 to \$2.1 billion
 - ongoing operations \$0.9 to \$2.0 billion
 - construction jobs 2,900 to 8,500 FTEs (over a three years construction period)
 - ongoing jobs 9,000 to 20,000 FTEs



Impact of a GTA casino located outside of Toronto

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

Conclusion

- Ernst & Young report and the forthcoming report from the Medical Officer of Health to be considered by Board of Health on November 19th provide the basis for informed public consultation.
- This report recommends that Executive Committee authorize the City Manager to conduct public consultation in regard to establishing a casino in Toronto and report back to Executive Committee and City Council in Feb/March 2013.