

## **Appendix F – Economic Development Considerations**

As requested by City Council, City staff have assessed the potential economic impact (GDP and jobs) of expanded gaming at Woodbine and of non-gaming amenities that could be subsequently developed as part of an expanded entertainment and retail destination. At present, an OLG service provider and Woodbine Entertainment Group (WEG) have not provided any detailed proposals for the development of Woodbine and it is uncertain whether or not expanded gaming would be a catalyst for non-gaming development and related employment and GDP growth. Accordingly, City staff have estimated economic impacts based on an illustrative scenario similar to the approach taken in 2013.

Assumptions about a possible expansion of the gaming floor are clearer. WEG has advised City staff that there is no ability to expand the first floor of the existing grandstand, and that a building expansion or a new facility will be required to accommodate expanded gaming and related facilities. Using data provided by the OLG, City staff estimate that if the service provider expands gaming to the upper limits as outlined in the Request for Pre-Qualification (RFPQ) (5,000 electronic games and 300 live dealer tables), they may require approximately 42,000 m<sup>2</sup> in additional space (including space for the gaming floor, hospitality, and back of house). In total, a facility with 5,000 electronic games and 300 live dealer tables may have a gaming floor area of approximately 26,000 m<sup>2</sup>.

The OLG has also provided estimates of expected revenue and employment associated with a gaming floor expansion. Nonetheless, the overall impact on the regional economy will depend on where casino patrons are coming from, and the degree to which a new development could become a destination for people from outside the region.

### ***Expanded Gaming at Woodbine***

#### ***Estimated Employment and GDP Impacts of Expanded Gaming at Woodbine***

If City Council consents to expanded gaming at Woodbine the number of gaming related employees is projected to rise significantly. As part of its RFPQ process, the OLG has asked potential service providers to propose expansion in the C2 Zone (Woodbine) of up to 2,000 new electronic games (in addition to the 3,000 currently in place), and 2,400 live table gaming positions (approximately 300 live dealer tables with 8 gaming positions each).

The OLG estimates that the winning service provider would choose to build somewhat less than the maximums outlined in the RFPQ, and that an expanded gaming facility at Woodbine could generate between \$300 million and \$500 million in new gaming revenues per year. This is in addition to the \$600 million in current gaming revenues generated by electronic games. With this level of revenue, the OLG projects that an expanded gaming facility at Woodbine could require between 1,000 and 1,400 new full-time equivalent (FTE) positions in direct gaming employment.

This would be a very large increase over the 700 employees that currently work at the Woodbine gaming facility. This is due to the labour intensity of live dealer table games, which require more labour per dollar of gaming revenue than electronic games. As shown in Table 1, this is consistent with employment at other OLG resort casinos (which is reported in number of employees rather than FTE positions). It is important to note that the FTEs estimated do not necessarily translate to full-time jobs, but rather a number of work hours that is equivalent to that number of full-time jobs. In practice, these FTE estimates would involve a mix of full-time and part-time jobs.

**Table 1 – Revenue, Employment and Number of Gaming Positions at OLG Facilities**

	<b>Gaming Revenue (\$ million)</b>	<b>Number of Slots</b>	<b>Number of Live Tables</b>	<b>Number of Employees</b>
<b>Caesars Windsor</b>	229.5	2,269	84	2,884
<b>Casino Rama</b>	362.4	2,294	116	2,552
<b>Niagara Casinos</b>	565.5	4,521	174	3,936
<b>Current Woodbine</b>	602.7	3,000	0	Approx. 550 FTE (400 Full-Time and 300 Part- Time)
<b>Projected Woodbine Expansion</b>	300-500	Up to 2,000	300	1,000-1,400 FTE
<b>Estimated Total Expanded Woodbine</b>	900-1,100	Up to 5,000	300	1,550-1,950 FTE

Source: Ontario Lottery and Gaming Corporation Quarterly Performance Report and OLG estimates for an expanded Woodbine gaming facility.

Note: Gaming revenues are actuals from fiscal 2013/14 for Caesars Windsor, Casino Rama, Niagara Casinos and Current Woodbine.

### *Net New Jobs and GDP*

While an expanded Woodbine gaming facility could generate significant employment on-site, it would do so by attracting local residents who would have otherwise purchased other goods and services in the Toronto region and by bringing more spending to Toronto. If an expanded gaming facility generated quality employment opportunities and/or contributed to revitalizing the area around Woodbine, it could be beneficial to residents of that part of the city. The overall impact on the city however depends on net new revenue and employment. Net job creation is generated only by new spending in the region, whether by out-of-town visitors, or by GTA residents visiting Woodbine instead of casinos outside the GTA.

In order to estimate the amount of net new revenue and employment that could be generated by an expanded Woodbine casino, the following factors are relevant:

- Spending by Toronto residents outside the Toronto region that would return - In 2012 the OLG reported that, based on 'carded' play by patrons who have registered for the OLG loyalty programs that track all play, Toronto residents spent \$400 million annually at OLG gaming facilities outside Toronto. The OLG further estimates that 80% of all play is 'carded'. If Woodbine were to expand and include table games, some portion of these patrons who live in Toronto would visit the new Woodbine casino instead of a casino outside the city. While this spending is not new to Ontario, it is new spending within Toronto. New spending by Toronto residents at Woodbine could also replace other expenditures outside the region including on-line purchases or travel.
- Spending by other GTA residents at OLG facilities outside Toronto - As with spending by Toronto residents at other OLG casinos, some portion of residents of surrounding municipalities would be attracted to an expanded Woodbine instead of another OLG facility. The OLG reported in 2012 that, again based only on carded play, non-Toronto GTA residents spent approximately \$600 million at OLG facilities outside Toronto.
- Spending by tourists - Any spending by tourists attracted to Toronto by an expanded casino and non-gaming development at Woodbine who would not have otherwise spent time or money in the Toronto region represents net new GDP and jobs. Casino spending by tourists who would have visited Toronto for other reasons cannot be considered new as they would have attended other venues instead.

In 2013, consulting firm Ernst & Young evaluated the potential impact of a casino in downtown Toronto. They estimated that between 25 and 50 percent of the gross revenue of an integrated entertainment complex, and between 17 and 43 percent of the gross revenue of a standalone casino could come from a combination of the three factors above and be net new to the Toronto Census Metropolitan Area (CMA).<sup>1</sup> At the midpoint of these ranges, approximately one third of the total new jobs associated with an expanded gaming floor at Woodbine could be net new jobs in the Toronto CMA.

Table 2 assumes that 33 percent of the total direct FTE employment in an expanded casino is net new to the region, and uses the Province of Ontario's Tourism Regional Economic Impact Model (TREIM) to project indirect and induced new jobs that result elsewhere in the region. Taking the midpoint of OLG's direct employment estimates, if there are 1,200 FTE new direct gaming jobs as a result of expanded gaming, there could be 400 net new FTE jobs in the Toronto CMA. Construction estimates are based on TREIM model estimates for a 32,500 m<sup>2</sup> expansion to the gaming floor and all back of house functions, which is what OLG estimates would be required to accommodate an addition of 2,000 slot machines and 300 table games.

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<sup>1</sup> The Toronto CMA refers includes the City of Toronto plus 23 other municipalities: Ajax, Aurora, Bradford West Gwillimbury, Brampton, Caledon, East Gwillimbury, Georgina, Georgina Island, Halton Hills, King Township, Markham, Milton, Mississauga, Mono Township, ewmarket, Tecumseth, Oakville, Orangeville, Pickering, Richmond Hill, Uxbridge, Whitchurch-Stouffville and Vaughan

**Table 2 – Estimated Net Economic Impact of Expanded Gaming at Woodbine**

	<b>Estimated % of Total Jobs that are Net New to Toronto CMA</b>	<b>Net New Direct Jobs (FTE)</b>	<b>Indirect Jobs (FTE)</b>	<b>Induced Jobs (FTE)</b>	<b>Net GDP Impact</b>
<b>Expanded Gaming Operation</b>	33%	400	200	100	\$115 M
<b>Construction (person years)</b>	N/A	400	100	125	\$58 M

Source: OLG, Ontario Tourism Regional Economic Impact Model and staff estimates

### *Impact on Existing Jobs and Businesses*

It is not known what the money spent at a casino would have otherwise been spent on, but it is most likely to replace spending on close substitutes. For most people gambling is a form of entertainment and many casino visits will be instead of visits to other entertainment venues and similar discretionary expenditures. For problem gamblers, casino spending may impact more critical household expenditures. Since the market area of a casino is much larger than the city of Toronto, the impact of redirected entertainment expenditures to a casino by local residents is expected to be broadly spread across the region.

As directed by City Council, City staff have determined "how much discretionary income each slot machine would remove from the economy on an annual basis." As described above, the difference between the gross revenue generated by each slot machine and the net new spending in the Toronto CMA represents substitution of spending on other goods and services. If, as estimated by Ernst & Young as noted above, 33 percent of the revenue generated by each slot machine is net new spending in the Toronto CMA, then 67 percent represents discretionary income removed from other parts of the local economy. Based on the current productivity at Woodbine of \$200,000 in gaming revenue per slot machine, it is estimated that approximately \$133,000 per slot machine would likely have otherwise been spent somewhere else in the region.

### *Job Quality*

Although the employment estimates provided above are reported as full-time equivalent positions, not all jobs in a casino will be full-time. Currently the OLG reports that 60 percent of jobs across all casinos in Ontario are full-time, based on OLG's definition of a full-time position providing more than 24 hours per week. This is approximately the same full-time/part-time split currently at the Woodbine gaming facility. Because OLG facilities are open 24 hours, shifts occur at all times of the day.

Employees at the Woodbine gaming facility, including cage and coin cashiers, slot attendants, shuttle bus drivers, housekeepers and security guards, earn between \$17.00

and \$21.00 an hour. This is generally lower than the median hourly wage for Toronto residents of \$20.84, but slightly higher than the median wage among workers without post-secondary education credentials (\$16.30). Some positions are also eligible for tips. Of the 700 employees at Woodbine, approximately 100 are management staff who can earn between \$48,000 and \$124,000. 71 percent of employees at Woodbine are unionized while the average at all OLG operated sites is 28 percent.

The OLG's Modernization Strategy involves finding private sector service providers for all gaming operations in Ontario. As part of the procurement process, the service provider must assume all of the OLG's existing employees at the Woodbine gaming facility, and must retain these employees, at a minimum, for 12 months. In the RFPQ, OLG has committed to "develop more detailed plans to ensure stability for OLG's employees" as part of the RFP process.<sup>2</sup> After this transition period, the OLG will no longer be the employer at the Woodbine facility, and new operators may have different labour practices related to compensation, provision of benefits and scheduling.

This report recommends that Council approval of expanded gaming at Woodbine should be conditional on the operator developing an Employment and Labour Market Plan satisfactory to the City, which will apply to the gaming facility and related development and operations, including development of skills training and apprenticeship opportunities, and a commitment to take the appropriate steps to mitigate any potential harm to the local community and prioritize the hiring of appropriately skilled persons living within adjacent Toronto communities. More information on the Employment and Labour Market Plan can be found in Appendix G.

## ***Non-Gaming Development***

### ***Background***

In 2007, Toronto City Council approved Official Plan and Zoning Amendments to permit a proposed multi-use development at Woodbine. The project and the development consortium were both referred to as Woodbine Live!. Council approved the proposal as a Transformative Project eligible for several City grants but subject to certain conditions including the implementation of a local hiring program and a local training plan.

Proposed to be developed in stages, the project did not include expansion of the casino but was expected to include a new street layout, outdoor amenity spaces and approximately 557,500 m<sup>2</sup> (six million square feet) of built space including restaurants and bars, a hotel, a large format retail district, and an office and residential building district. The project qualified as a Transformative Project based on the significant number of jobs that would have been generated, the potential to mandate training and hiring of local residents, additional tax revenues to the City and likely upgrades to public transit options in the area. More information on Woodbine Live! can be found in Appendix D.

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<sup>2</sup> Ontario Lottery and Gaming Corporation (2012). Summary of RFPQ GTA Gaming Bundle. <http://www.olg.ca/assets/documents/media/RFPQ-1314-045-Gaming-Bundle-5-GTA.pdf>

### *Potential for Additional Development on the Woodbine Site*

Although all approvals granted at the time remain in place, the Woodbine Live! partnership between WEG and the Cordish Group dissolved before construction began. WEG continues to state its interest in developing non-gaming uses, but has identified the merits of a phased approach wherein gaming expansion would provide the financial return and additional visitors that would permit future development on the site.

In 2013, WEG suggested that an expansion of gaming at Woodbine could be accompanied by 800 hotel rooms, 170,000 square feet (15,800 m<sup>2</sup>) of meeting/convention space and/or entertainment venues, and 450,000 square feet (41,800 m<sup>2</sup>) of retail including 100,000 square feet (9,300 m<sup>2</sup>) of restaurants and bars. Without a development proposal, it is difficult to predict what there could be a market for and would or would not eventually be built. Accordingly, City staff have estimated the employment and GDP estimates for non-gaming uses on the Woodbine site based on an illustrative development scenario, which is a similar approach to the one taken in 2013.

Staff recommends that City Council, if it consents to expanded gaming at Woodbine, request the OLG to select a service provider that will work with Woodbine Entertainment Group to create a comprehensive development plan consistent with the City's Official Plan for Woodbine, that includes non-gaming related uses, in addition to expanded gaming, resulting in an integrated entertainment complex that can attract net new spending to Toronto and meet City economic and community development objectives.

### *Net New Jobs*

Non-gaming uses at Woodbine would generate output and employment, and a portion of the total would be a net new gain to the Toronto region. The net new proportion depends largely on the degree to which an expanded casino and any non-gaming development would attract tourists from outside the region. Currently, OLG estimates that a large majority of Woodbine patrons are located within a 20 minute drive of the facility.

Table 3 below is based on the illustrative development scenario described in the previous section. The number of net new jobs and GDP that a non-gaming development could generate depends on the attraction of tourists who otherwise may not have visited Toronto. For example, if most hotel guests would have otherwise stayed at another airport area hotel then little new employment is created. If guests have been attracted to Toronto by the new Woodbine development, this takes away fewer hotel stays from existing airport hotels (which are as likely to employ Toronto residents as a Woodbine hotel) and there is a much larger net impact on CMA employment.

In the scenario outlined in Table 3, a new hotel and convention/entertainment space attract 50 percent of their business from outside the region. These are visitors that would not have otherwise come to Toronto, if not for the new casino and/or new hotel, convention or entertainment venue.

**Table 3 – Estimated Net Economic Impact of a Non-Gaming Development**

	Estimated % of Total Jobs that are Net New to Toronto CMA	Net New Direct Jobs (FTE <sup>3</sup> ) in Toronto CMA	Indirect Jobs (FTE)	Induced Jobs (FTE)	GDP
<b>New Hotel</b> (800 rooms)	50%	135	20	20	\$11.4M
<b>New Restaurant/Retail</b> (450,000 ft <sup>2</sup> or 41,800 m <sup>2</sup> )	20%	260	65	40	\$25.5M
<b>New Convention Space/Entertainment Venues</b> (170,000 ft <sup>2</sup> or 15,800 m <sup>2</sup> )	50%	70	15	15	\$7.6M
<b>Total Illustrative Scenario Operation</b>	-	465	100	75	\$44.5M
<b>Total Illustrative Scenario Construction (person years)</b>	N/A	1,475	350	475	\$212.1M

Source: Ontario Tourism Regional Economic Impact Model and staff estimates

There is a large amount of variability in these estimates; by their nature a hotel and a convention/entertainment venue would generally try to attract visitors from outside the region, however the actual percentage could vary up or down from 50 percent. Much of the 41,800 m<sup>2</sup> (450,000 square feet) of restaurant and retail space would be outside an expanded gaming facility, elsewhere on the Woodbine site, and is more likely to serve a local market. In the following scenario, 20 percent of restaurant and retail business comes from outside the region. With many jurisdictions building casinos in recent years, there are a limited number of gaming locations that have become international destinations.

Should City Council approve an expanded casino at Woodbine, staff recommend that it should be conditional on the service provider developing an international marketing plan and outlining what measures they will implement to maximize the facility's ability to attract tourists both nationally and internationally.

### ***Employment at Woodbine Racetrack***

Currently at Woodbine, the primary source of employment is the racetrack. WEG has stated that since it can no longer rely on the Province's Slots at Racetracks program, expanded gaming could improve its overall financial position which would make the racetrack operation more sustainable (see Appendix H). WEG reports that it currently has approximately 1,800 employees, including 1,400 at the Woodbine location. They have also estimated that there are approximately 2,500 people employed in the stable area including trainers, walkers and veterinarians.

<sup>3</sup> Note: A full time equivalent job refers only to the number of hours in a week that a full-time employee would work. For example 2 half-time positions are counted as 1 full-time equivalent position even though they may not provide full-time hours or associated benefits.