TORONTO

Memorandum

Sue Corke
Deputy City Manager

City Hall
8th Floor, East Tower
100 Queen Street West
Toronto, Ontario M5H 2N2

Tel: 416 – 338-7205
Fax: 416 – 395-0388
scorke@toronto.ca
www.toronto.ca

To : Mayor and Members of City Council

From : Sue Corke, Deputy City Manager – Cluster A

Subject : Woodbine Live! request for financial incentives

I have received several questions from Councillors pertaining to the Woodbine Live! financial incentives and wanted to share my responses will all members of Council. I have also included answers to questions that were submitted by the Toronto and York Region Labour Council during their deputation at Economic Development Committee on July 8th, 2008.

Site Amenities, Public Access and Construction Plans

Q 1. How do we ensure that all of Phase 1 is completed as planned?

A 1. The Community Improvement Plan (CIP) and the Financial Incentives Agreement (FIA) require that Woodbine Live substantially complete the development within a 5 year period to be eligible for the TIEG. If any portion of the TIEG has been paid out and the 5 year completion timetable has not been met the City is entitled to recover any grants paid.

Q 2. How do we secure access to newly-created public spaces that will be on the private property of the development ?

A 2. Condition 36 of the subdivision agreement "shall secure the construction and implementation of amenities and features of the development …including .... public access to privately owned outdoor recreation and amenity features; public access to indoor theatre/performing arts venue; and, public art".

Public access will be reinforced through the CIP and the subsequent Financial Incentive Agreement between the City and the applicant. Public access elements will also be covered in the site plan agreement.

Public access will include all outdoor amenity areas. The only restriction indicated by Woodbine Live! will entail controlling access to the "Live District" (primarily nightclubs and restaurants) in the evenings in order to maintain security and safety in an area where alcohol will be served.

Q 3. Why are we not requesting that a child care centre be part of the developer's community benefits obligation?

A 3. The financial incentives being offered for Phase 1A are to ensure financial viability. It is inappropriate to request community benefits that have additional costs in this phase.

Staff recommend that this negotiation and those related to affordable housing take place in the Phase 2 (residential) component of the project as part of a Section 37 agreement.

Expansion of Gaming on the Woodbine Site

Q 4. Is a casino planned as part of the Woodbine Live! Project?

A 4. No. The current Provincial Policy Statement (2005) states there will be "No additional commercial or charity casinos, no additional racetrack slot facilities or VLTs".

Q 5. Should there be a change to Provincial policy how would that affect Woodbine Live! ?

A 5. Woodbine Live! (WL!) is a partnership between Woodbine Entertainment Group (WEG) and Cordish Company (Cordish). It is a separate business venture from the Woodbine racetrack operation and the gaming operation.

Pursuant to the partnership arrangements, the Woodbine Live Partnership will not receive any gaming revenues generated by the racetrack site now or in the future.

The Cordish Company is responsible for the design, development, financing, construction and operations of Woodbine Live!, however Cordish does not and will not be receiving any gaming revenue from the site.

The contractual agreement permitting slots at Woodbine is between Woodbine Entertainment Group, a not-for-profit corporation and the Ontario Lottery and Gaming Corporation (OLGC), to benefit the horse racing industry.

The revenue disbursements from the slots are as follows:

- 2% dedicated to Problem Gambling programs and research
- 5% from the first 450 machines and 2% from machines in excess of 450 to the City of Toronto
- 20% to the Horse Racing Industry of which 10% is directed to horsemen's purses and 10% to the racetrack for ongoing operations.
- Remainder to OLGC - who incurs operating costs and return net revenue to the Province.

The objective of the racetrack slot program is to "promote live horse racing in the Province". WEG was responsible for all capital costs related to retrofitting facilities to accommodate slot operations. WEG financed $ 125 million for capital expenditures to upgrade the facilities.

Q 6. Would a casino or expanded slot facility be eligible for Tax Increment Equivalent Grants (TIEG)? Should we cancel the financial incentives if there is expanded gaming on the site?

A 6. While gaming is not a contemplated use in the TIEG-eligible area, Councillor Rae will be moving a motion at Council to reinforce this principle by adding gaming operations to the current list of ineligible uses for financial incentives. Ineligible uses currently include residential, large format retail and parking.

Cordish Company is the major shareholder (70%) in the WL! Partnership and receives no financial benefit from current or future gaming revenues on the site. A reduction to the financial incentive that is tied to potential future increased gaming revenues that do not accrue to the project will negatively impact the financial viability of the Woodbine Live! project.

Local Hiring and Training

Q 7. What efforts are being made to address the local hiring requirement?

A 7. Planning for a local employment, training and recruitment strategy is underway in co operation with the proponent and local area academic, community and labour stakeholders. This committee, called the North Etobicoke Employment Strategy Working Group, is just beginning to look at optional approaches based on the community demographics regarding employability and job readiness.

WoodbineLive! has agreed to participate in an employment hub/centre on their site or nearby. Woodbine Live! has agreed to donate space or lease space at the Woodbine Centre mall across the street, to be operated by Toronto Social Services in cooperation with local agencies and stakeholders. This would be a" one stop shop" approach for all job postings for the WoodbineLive! and other future employers.

Woodbine Live! has committed to giving the local community five months advance notice of available positions for the initial hiring and to participate in the City-led Youth Employment Program (YEP) and Partnerships to Advance Youth Employment (PAYE) programs throughout the term of the TIEG.

Woodbine Live! has committed to providing construction apprenticeship opportunities for local residents through an agreement with the general contractor hired for the project.

Q 8. How will we measure the success of the local hiring program ?

A 8. Staff recommend against a quota for local hiring. Our expectation is that Woodbine Live! will identify the available jobs, provide the local community with advance notice of opportunities, and participate in City's employment programs (e.g.YEP, PAYE) .

Q 9. Who monitors and reports on how many local residents are hired?

A 9. Woodbine Live! will be expected to report annually on their local hiring efforts and demonstrate that they have co-operated and used best efforts to facilitate local employment. Toronto Social Services and Social Development Finance and Administration will evaluate Woodbine Live's performance based on benchmarks for City employment programs.

Q 10. Does the local hiring provision apply throughout the entire 20-year life of the TIEG?

A 10. Yes.

Q 11. Is there a way of requiring the property owner to include a requirement in its leases that they hire locally?

A 11. Woodbine Live! would not be agreeable to requiring their tenants, as part of the lease agreement, to meet local hiring targets however, they are committed to encouraging and facilitating local hiring for their tenants. Woodbine Live! will be an active participant in local hiring initiatives and will market and promote local hiring to their tenants.

Q 12. Who is required to develop the local training plan?

A 12. The training plan will be a joint effort among Toronto Social Services, Ministry of Training Colleges and Universities, and local stakeholders.

Woodbine Live's contribution to the training plan includes identification of skills requirements and support for training placements.

Information related to training requirements will be provide by Woodbine Live! to TSS to match with skills of the existing workforce, identify gaps and develop training plans.

Woodbine Live will participate in developing the training programs, they will implement training programs for their own staff and lend their persuasive efforts to securing provincial funding for training.

Toronto Social Services will co-ordinate job postings, employment preparation sessions and referrals to local training agencies to help job seekers improve skill levels. This would be managed in a similar manner to the Regent Park project.

Toronto Social Services will negotiate with the Province and other orders of government regarding the needs and programs requiring investment to improve employability and job readiness.

Toronto Social Services will negotiate with other levels of government and appropriate Ministries to received funding for training and other employment related activities on behalf of the City Early discussions with MTCU indicate that training funds will be made available in conjunction with this

project. The City will work with Woodbine Live and a broad range of agencies that provide training to ensure the money is targeted to the local residents.

Q 13. What recourse does the City have if Woodbine Live! does not participate in local hiring or training programs?

A 13. The CIP and the Financial Incentives Agreement will set out the City's expectations for local hiring initiatives as well as performance measures which are still to be negotiated with the proponent. These negotiations will be led by the Deputy City Manager Cluster A, with input from Toronto Social Services, Economic Development, Culture and Tourism and Social Development Finance and Administration divisions. If local hiring initiatives are not implemented as outlined in these agreements there will be a provision for the TIEG to be withheld.

Q 14. Who monitors and reports to Council on the results of training initiatives?

A 14. Toronto Social Services and Social Development Finance and Administration will report annually on the results of local hiring and training programs.

General Questions:

Q.15 Who will own the development when it is fully built? Who will receive the benefit of the reduced tax burden? Who is the agreement with?

A. 15 The development will be owned by Woodbine Live! a partnership between Woodbine Entertainment Group and Cordish Company. Cordish controls 70% of the partnership and Woodbine Entertainment Group controls 30 %. The partnership will benefit from the TIEG, and the TIEG agreement will be executed between the City and the partnership.

The City and the partnership will enter into a legal agreement outlining the terms and conditions of the TIEG. These terms and conditions will be registered on title.

Enforcement will be achieved through the annual grant review process at which time City staff will review whether or not the applicant has met the terms and conditions of the agreement.

In the event that the applicant has received grant money and it is subsequently found that they have neglected to live up to the terms and conditions of the agreement, the grants are repayable to the City.

Q 16. How are the conditions of the agreement legally executed and what are the enforcement mechanisms built into these agreements should requirements not be met?

A 16. The Planning Act authorizes the City to enter into agreements to secure conditions contained in a community improvement plan. The City will require that the owner enter into such an agreement. No grants will be provided until this occurs. The agreement will be registered on title. The owner will agree that it will satisfy various conditions, failing which; it will not be entitled to TIEGs. Further, the owner will agree that, in the appropriate circumstances, if a portion of the TIEG has been paid to the owner and the owner subsequently breaches a condition that the TIEG will be repaid to the City. Should the owner not repay the City, despite its contractual obligation to do so, the City may bring an action in court to seek the appropriate remedy (repayment).

Q 17. What reporting will Council receive prior to the execution of the TIEG agreement?

A 17. The Community Improvement Plan will go to Planning and Growth Committee in September 2008

Q 18. What monitoring and reporting come to Council once the project is underway.

A 18. Council will receive an annual report on all financial incentives from Economic Development, Culture and Tourism Division and reports on local hiring and training from Toronto Social Services and Social Development Finance and Administration.

An independent evaluation of the public benefits secured will be conducted by an external consultant hired by the City four years from the issuance of the building permit for Phase 1A.

Responses to Toronto and York Region Labour Council Questions

1. **Of the 6000 ongoing jobs identified by the proponent, how many will be part-time? How many will pay between minimum wage and $2 per hour above minimum wage? What percentage will pay at least the average wage for the City of Toronto?**

    - This is difficult to determine since the tenants are not yet known. There will be a variety of employment opportunities including: unionized hotel jobs, jobs in facility management, security, programming, marketing, administration, hospitality, retail, A/V technicians, customer service, clerical, and retail sales.
    - Clayton Research projects "permanent employment" for Phase 1 as 6400 FTE jobs.
    - Minimum wage will be $10.25 per hour as of March 31, 2010, prior to WoodbineLive! opening.
    - Average wages in Toronto for retail salespersons, cleaners and hotel front desk clerks exceed the current minimum wage by more than $2 per hour. *(Source: Canadian Salary Survey 2006)*
    - Woodbine Entertainment Group's figures show that their hospitality workers including bar servers make considerably more in tips than from their hourly wages.

2. **What will be the impact of placing public subsidies for retail chain stores in the WoodbineLive! project on competing retail centres such as Yorkdale or Woodbine Centre?**

    - As part of the planning application there was a market impact study conducted by the Climans Group Inc. This study concluded that the extent and diversity of commercial space at WoodbineLive! will introduce a unique region-serving destination.
    - Climans also concluded WoodbineLive! will become a prominent tourist attraction to both domestic and international visitors. Local Shopper impact will be diffused among the array of shopping centres and retail facilities that operate within the anticipated competitive environment and consequently significant adverse market impacts will not occur and sales transfers will be benign.
    - Hunden Strategic Partners, the City's independent consultant, used three different measures of financial feasibility to compare WoodbineLive! with more traditional projects. The analysis concludes that project returns, including incentives would result in market rental rates for tenants.
    - The only advantage stores would receive would be location near amenities and entertainment.

3. **How is it that the WoodbineLive! project, which received planning approval one year ago, now requires public tax incentives to be viable?**

    - The proponents made it clear in their application over a year ago they would be requesting incentives and Council directed staff to review the request when received.
    - The request was received in Sept. 2007.
    - The City's incentive program (TIEG) reports made reference to this request in December 2007 and May 2008.

4. **What are the legal implications if other developers approach the City of Toronto with plans involving mixed use/entertainment/retail complexes and are denied the same benefits being provided to WoodbineLive!?**

    - A traditional retail/entertainment complex is not eligible for the standard TIEG.
    - "Transformative" applications will be considered on their own merits.
    - Very few uses for this site would be compatible with a horse racing track and gaming facility.
    - If the City did turn down such an application for incentives, the applicant would only be able to appeal to provincial courts by requesting a judicial review, not the OMB.

5. **How does the City respond to a request from a future proponent of a project that would qualify for a normal TIEG, such as Pinewood Studios, to nearly double its tax holiday in line with the WoodbineLive!? What if they threatened to scrap their plans unless the "playing field is made level"?**

    - Transformative projects have very specific criteria, these include:
      -minimum investment of $ 250 million
      -minimum of 750,000 square feet of new construction
      -minimum occupancy of 10 acres
      -ability to link to regional transit initiatives
      -provision of public amenities
      -ability to act as an anchor within the district and stimulate collateral new investment
      -co-location of activities that have a region-wide impact
      -must demonstrate need for financial incentives for the development to be viable
    - The City would respond in the normal manner via a staff report to Council. As with all Transformative applications, it would be subject to Council approval.

6. **Does the report by a firm which acts for a number of developers to lobby American cities for increased tax write-offs meet the test of neutrality on an issue which is intimately linked to its own business model?**

    - Approximately two thirds of Hunden Strategic Partners' clients are U.S. states and municipalities that rely on the firm to provide unbiased analysis of proposals for incentives.

7. **What are the financial impacts of waiving development charges on this and other TIEG-related projects? (Staff report page 6)**

    - This analysis will be provided in the staff report on the Development Charges by-law that will be before Council in the fall of 2008.

8. **What are the financial impacts of a series of exemptions to the $50 million level of commitment which would trigger review of TIEG's? How would the future revenue stream of the City be protected, and what triggers a review of this or similar undertakings?**

    - Council can request a review of the TIEG program at anytime.
    - This exemption has been requested as it would be premature to review the TIEG program this early.

9. **Why, given HSP's assertions that profitability for real estate development is targeted at 18-22% return on equity, would Cordish continue to pursue a business model that offers less than half that rate? (Staff report page 14)**

    - Future phases will have higher returns.
    - As a private company they have the ability to take a longer term view of investments than public firms that are under pressure to increase shareholder value in the short term.
    - Partnering with an attraction reduces their risk and returns are related to risk.

10. **What is the potential that Phase 2 will be a casino?**

    - The current provincial policy states that there will be no new casinos.
    - The partnership arrangement between WEG and Cordish states that Woodbine Live! will not receive revenues related to gaming.
    - Should the Province determine it wants future expansion of gaming on the site it would happen with or without this development.
    - A casino has not been contemplated as an eligible use under the City's policy on financial incentives. To offer additional protection Council will be asked to add casinos or expanded gaming facilities to the list of ineligible uses to receive financial incentives.