

Supplemental Report - Request for Report on Expanded Gaming at Woodbine Racetrack

Date:	March 30, 2015
To:	City Council
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

On March 25, 2015, Executive Committee considered EX4.16 – *Request for Report on Expanded Gaming at Woodbine Racetrack*. Executive Committee requested the City Manager to report directly to Council on March 31, 2015 with additional information from Woodbine Entertainment Group's management or Board of Directors (WEG) on specific details of expanded gaming at its location and the type and size of new retail and entertainment being considered for potential development.

The purpose of this report is to address Executive Committee's request for information from WEG and to provide City Council with the following additional background information to inform decision making:

- an update on the provincial process underway to expand gaming facilities in the Greater Toronto Area (GTA);
- details on the requirement for a Council resolution to allow expanded gaming at Woodbine;
- a summary of the 2013 staff comments and analysis regarding expanded gaming and development at the Woodbine location; and
- an overview of the potential process that would follow a City Council resolution to conduct a public consultation and staff review.

In order to prepare the requested Executive Committee report, the City Manager will consult with the Province of Ontario, including the Ontario Lottery and Gaming Corporation (OLG), and relevant key stakeholders to review and reassess staff advice and recommendations on the potential for expanded gaming at Woodbine Racetrack.

RECOMMENDATIONS

The City Manager recommends:

1. City Council authorize the City Manager to allocate up to \$75,000 from the City Manager's Office approved 2015 budget for the recovery of costs associated with retaining third party services in the delivery of the public consultation and analysis, as required, in preparation for the June 30, 2015 Executive Committee report.

Financial Impact

The Executive Committee request for a staff report on expanded gaming at the Woodbine Racetrack requires staff to retain third party services to assist in the delivery and analysis of public consultation material and input, and to possibly review expanded gaming projections and assessment of retail and entertainment development options. Costs for these services are estimated at approximately \$75,000. This report recommends the City Manager be authorized to allocate the required budget from the approved 2015 budget.

The City currently receives approximately \$15 million annually as its share of the gaming revenue (as hosting fees) generated at Woodbine under a standard OLG Municipal Contribution Agreement. Should Council approve an expansion at Woodbine to include additional electronic games and live dealer tables, the additional hosting fee the City is expected to receive would be subject to the same standard agreement.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Executive Committee

On March 25, 2015, Executive Committee considered EX4.16 – *Request for Report on Expanded Gaming at Woodbine Racetrack*. Executive Committee recommends that City Council authorize the City Manager to conduct a public consultation and to prepare a report for the June 30, 2015 meeting of Executive Committee on the merits and potential risks of expanded gaming at 555 Rexdale Boulevard (Woodbine Racetrack).

In addition, Executive Committee requested the City Manager to report directly to Council with additional information from Woodbine Entertainment Group's management or Board of Directors on expanded gaming at Woodbine Racetrack including but not limited to the size of the casino expansion, the number of additional slot machines, gaming tables and the type and size of entertainment complex that would best serve their needs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX4.16>

2010-2014 Term of Council

City Council

On May 21, 2013 City Council considered a report from the City Manager, *EX30.1 New Casino and Convention Development in Toronto*. The report provided analysis of the financial, economic development, social and planning implications of expanded gaming at the existing Woodbine facility which is in the OLG C2 zone. In 2013, City Council opposed the expansion of gaming at the Woodbine Racetrack.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX30.1>

Board of Health

On April 29, 2013, the Board of Health considered HL21.4 *Gambling Expansion in Toronto* and reiterated its recommendation to City Council to not allow the OLG to expand gaming in the City of Toronto; and alternatively if City Council did consent to expand gaming that it implement the harm mitigation measures set out in the letter of April 10, 2013 from the Medical Officer of Health, per HL18.1.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL21.4>

HL18.1: "The Health Impacts of Gambling Expansion in Toronto"

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.HL18.1>

Etobicoke York Community Council

At the November 6, 2012 meeting of Etobicoke York Community Council, a member motion was received for information. The motion recommended support for a casino in the C2 zone at Woodbine Racetrack.

EY20.29. Support for a Casino at Woodbine Racetrack

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EY20.29>

ISSUE BACKGROUND

The OLG is a Provincial Crown Corporation reporting to the Minister of Finance and since 2000 has been responsible for the Province's lotteries, casinos and slot facilities. The Alcohol and Gaming Commission of Ontario (AGCO) is responsible for establishing and enforcing regulatory standards. The OLG currently owns and operates the slots gaming facility at Woodbine Racetrack which has approximately 3,000 electronic games but no live-dealer tables. Woodbine generates 20 per cent of all slot revenue for Ontario's 24 gaming sites and is one of the busiest gaming floors in North America.

OLG'S Modernization Plan

The OLG modernization plan identifies 29 zones across Ontario for locating gaming facilities; 24 out of 29 gaming zones currently host a slot¹ or casino² gaming facility

¹ The term slot facility in this report refers to a gaming facility that offers only slot machines.

(Appendix 1: p.1). In the 24 zones with existing gaming facilities (which includes Woodbine Racetrack), the OLG will engage the private sector to acquire the existing capital assets (i.e. gaming equipment, and where appropriate land and buildings) and assume operational responsibility for the existing site.

Within the City of Toronto there are two OLG gaming zones C1 and C2 (Appendix 1: p. 2-3). On May 21, 2013, City Council opposed establishing a new gaming site within the OLG C1 Zone and the expansion of the gaming site at Woodbine Racetrack in the OLG C2 Zone. City Council's decision to not expand gaming at Woodbine has been reflected in the OLG GTA Gaming Bundle request for pre-qualified gaming service providers.

OLG GTA Gaming Bundle - Request for Prequalification and Request for Proposal

As a part of its modernization strategy, the OLG issued a Request for Prequalification (RFPQ) on December 12, 2013³ for potential proponents to operate gaming sites. The Woodbine slot operation (OLG C2 Zone) is included in an OLG GTA "Gaming Bundle". The Bundle also includes OLG Zone C3 (Appendix 1: p. 3), which contains the municipalities of Ajax, Whitby and Pickering, all of which have passed resolutions indicating support for hosting a gaming facility. The GTA Gaming Bundle may also include Zone C8 (Great Blue Heron Casino), pending review by OLG (Appendix 1: p. 4).

The OLG has determined that GTA customers are best served by having a single private operator (service provider) to manage all gaming operations across the GTA, including the OLG Slots at Woodbine Racetrack and Ajax Downs, and potentially, the Great Blue Heron Casino. A single service provider would help manage the regional market to maximize returns to the Province. The service provider will be responsible for the day-to-day operations of gaming facilities in the bundle for approximately 22 years. If a GTA municipality expresses an interest in becoming a host for a gaming site over that 22 year period, the service provider for the GTA bundle would have a right of first opportunity to become the service provider for a new gaming site.

The GTA Gaming Bundle RFPQ is set to close on April 30, 2015. It is understood that the OLG will issue a Request for Proposal (RFP) in Fall 2015 for the GTA Gaming Bundle. Municipal consent for a new or expanded gaming site is required under Ontario Regulation as a precondition to any Provincial approval and OLG authorization.

Municipal Consent to Establish a Gaming Site

The OLG has the authority to establish a gaming site in a municipality. However, in June 2012, a new regulation, Regulation 81/12 - Requirements for Establishing a Gaming Site, came into effect under the *Ontario Lottery and Gaming Corporation Act, 1999*

² The term casino in this report refers to a gaming facility that offers slot machines and live dealer table games.

³ Further information and procurement document can be found at <http://www.modernolg.ca/procurement-process/> and <http://www.olg.ca/assets/documents/media/RFPQ-1314-045-Gaming-Bundle-5-GTA.pdf>

(OLGCA), which provides for a number of preconditions to OLG authorization. In particular, a resolution from a municipal council supporting establishment of the gaming site in the municipality is required. Subsection 2(3) sets out the following requirement:

"In the case of a proposed gaming site to be established at premises in a municipality... (i) the municipal council..., 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..., passes a resolution supporting the establishment of the gaming site in the municipality...and gives a copy of the resolution to the Corporation."

This regulation removed the mandatory requirement that a municipality must hold a public referendum on hosting a gaming facility. A municipality must do two things to demonstrate its support for hosting a gaming site:

- i. Seek public input into the establishment of the proposed gaming site; and
- ii. Pass a resolution supporting the establishment of the proposed gaming site in the municipality.

The municipality must provide to OLG a description and summary of the public input, as well as a copy of the resolution. Municipalities may set conditions on their approval, such as the specific location of the gaming facility.

Regarding expanded gaming at Woodbine Racetrack, a resolution from Council is required as the introduction of live table games at Woodbine would trigger Minister of Finance approval under O. Reg.81/12 (OLGCA). The OLG will respect a municipality's decision regarding hosting a new casino or expanding an existing one. City Council can attach conditions to a resolution supporting any expansion of gaming at Woodbine Racetrack. If the City of Toronto decides in June to pass a motion in support of expanded gaming at Woodbine, OLG will advise potential proponents of the City's direction and amend its procurement documents accordingly. It will be the responsibility of the awarded service provider to approach the City with any development plans for the Woodbine site. As with any development application, the City has discretion to approve, modify or refuse to permit the development.

It is important to note that the value of any additional revenues the City would receive as a result of expanded gaming at Woodbine would be determined by a province-wide hosting fee formula.

COMMENTS

In response to the March 25, 2015 Executive Committee direction, WEG has written to the City Manager (Appendix 2). The letter states that "WEG's intention is to move forward with a comprehensive development of the entire Woodbine property in a manner which is complementary to our core horse racing and breeding business ... [to] transform

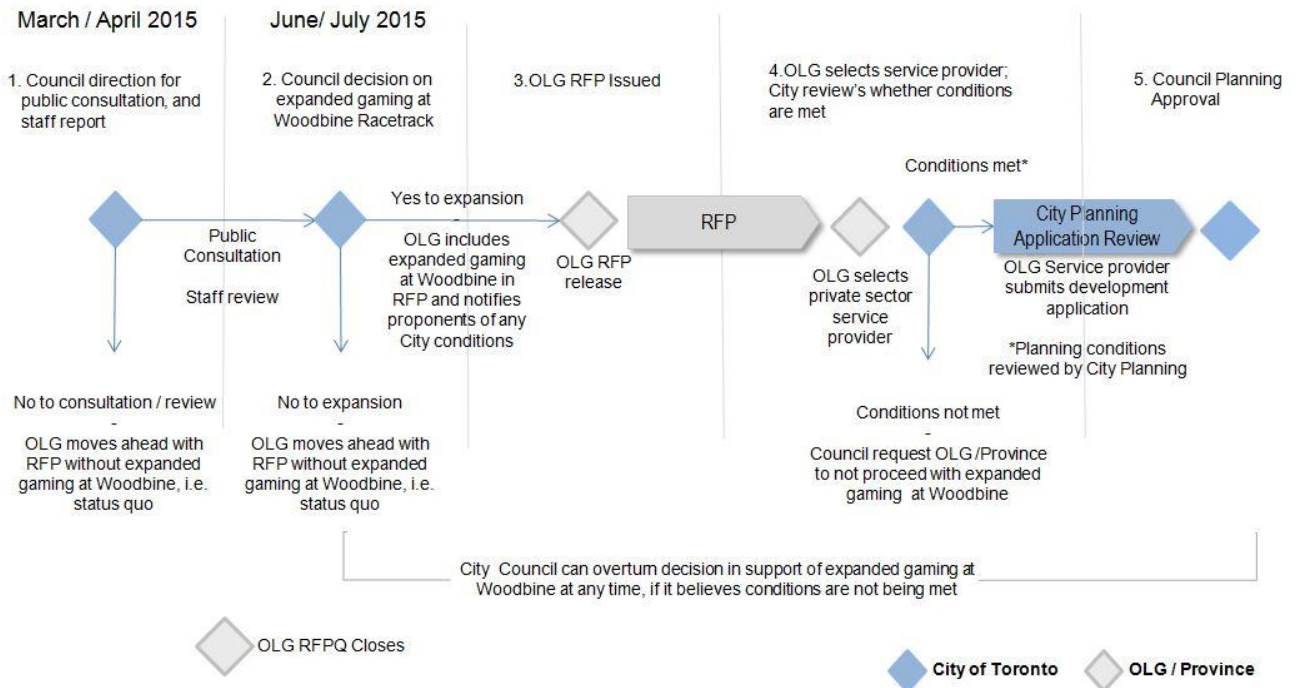
Woodbine into a unique entertainment destination and be the centre of economic activity and new jobs in the Rexdale community."

In the absence of an actual business case and planning proposal from an OLG service provider looking to expand the Woodbine Racetrack, Appendix 3 to this report provides a summary of staff analysis conducted in 2013 regarding the potential benefits and risks of expanded gaming and development on the site. Appendix 3 provides a reference case only for City Council to inform current decision making. To prepare a June 2015 report, City staff will consult with the Province of Ontario, OLG and relevant key stakeholders to review and reassess analysis on the potential for expanded gaming at Woodbine Racetrack.

Implementation Considerations

The following graphic outlines a process that would follow should City Council direct the City Manager to conduct a public consultation and prepare staff analysis on expanded gaming at Woodbine Racetrack. The outlined process has been prepared by City staff for information purposes only. It has not been confirmed by the Province and OLG. Additional details and confirmation of this process will be provided in a June 2015 report for Council consideration.

Possible Activity and Decision Making Process



Key process points for consideration include:

- Should Council decide not to allow expanded gaming at the Woodbine Racetrack, then the status quo would remain for WEG; the OLG would issue an RFP for the existing slots operations at Woodbine.
- If Council decides to proceed with expanded gaming at Woodbine Racetrack, staff advise that the Council resolution be conditional on various City requirements being met by the OLG and the future private operator to address specific City social and economic objectives. City staff would identify these conditions in a June 2015 report for Council consideration.
- The Province would be required to consult and provide information to the City including a mechanism for the OLG to report to the City Manager following its procurement process for a City review of whether a successful proponent's proposal meets City conditions.
- The City Manager in consultation with the City Solicitor and other City officials would prepare a report for Council to assess how the successful OLG service provider has met or has contractually agreed to meet City conditions.
- Any expansion of the Woodbine facility would need to comply with the City's planning approval process. The proponent would be required to submit required Planning Act application(s), including supporting documentation. Likewise, if the OLG agrees to expand casino facilities at Woodbine, some planning approvals may be required.
 - Where a rezoning or Official Plan Amendment would be required, additional public consultation on the proposal would be undertaken by City Planning staff in accordance with the City's standard practices.
 - The City also has the opportunity to utilize holding provisions, where applicable, to ensure critical conditions are secured.
 - The proponent will be required to pay all associated application fees, and any increases in height and/or density could be subject to Section 37 of the Planning Act.
 - All planning approvals are subject to potential appeal to the Ontario Municipal Board.

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SIGNATURE

Joseph P. Pennachetti, City Manager

ATTACHMENTS

Appendix 1: Ontario Gaming Zones
Appendix 2: Letter to the City Manager from Woodbine Entertainment Group
Appendix 3: Summary of 2013 Staff Analysis on Expanded Gaming and Development at
Woodbine Racetrack