

Appendix H – Expanded Gaming and the Horse Racing Industry

Provincial Policies & Commitments to the Horse Racing Industry

The Ministry of Agriculture, Food and Rural Affairs is the lead ministry for Ontario's policies related to horse racing. Starting in April 2014, the Ministry began to implement the Horse Racing Partnership Plan (HRPP) which will provide the horse racing industry with \$500 million over five years which will primarily fund racing purses and operations (until March 31, 2019). Funding was announced based on the recommendation of the Horse Racing Industry Transition Panel which was tasked with developing a five year plan to help the industry achieve sustainability. The Panel was initiated by the Province in 2012 to respond to the changing nature of the industry, including cancellation of the OLG Slots at Racetracks program. As a result, the horse racing industry does not currently receive any funding from the gaming revenue generated at racetracks (including at Woodbine).

Funding from the HRPP will help move towards a new industry framework that, according to the Transition Panel, will allow for an industry that is customer focused, continues an Ontario-based breeding industry and has world class horse racing tracks and training facilities. The Province accepted many of the Transition Panel's recommendations, including the need for industry restructuring, governance reform and the integration of horse racing with gaming, as racetracks are established gaming centres, and because of the possible synergies in gaming distribution and market research.¹

As a result of this direction, OLG's modernization plan includes working with industry stakeholders and the Province to grow horse racing in Ontario. The OLG is expected to provide expertise on responsible gaming and governance, develop marketing initiatives and new horse-themed products, sponsor horse racing-related events, partner with local racetracks, and provide advice to government on the industry's legislative and regulatory framework.² This commitment extends to the OLG's ongoing procurement process for land based gaming which places more of an emphasis on the industry. For example, evaluation of submissions under the Request for Pre-Qualification for the GTA Gaming Bundle includes a 10% weight for a service provider's experience with horse racing. The OLG also currently provides approximately \$133 million in annual lease payments to racetrack owners.³ Owners that host slot facilities receive funding through the HRPP and have live racing dates were given the opportunity to guarantee these leases until 2020 to align with the five year partnership plan.

The horse racing industry is currently governed by the Ontario Racing Commission (ORC) which reports to the Ministry of Agriculture, Food and Rural Affairs. The ORC is

¹ Ontario Horse Racing Industry Transition Panel (2013) - Final Report.
<http://www.omafr.gov.on.ca/english/about/transition/finalreport10102013.pdf>

² Ontario Lottery & Gaming Corporation (2015). <http://www.modernolg.ca/horse-racing-integration/>

³ Office of the Auditor General of Ontario (2014) - Ontario Lottery and Gaming Corporation's Modernization Plan Special Report.
http://www.auditor.on.ca/en/reports_en/OLGC_modernizationplan_en.pdf

home to two divisions, one to regulate and oversee racing and licensing of racetracks and their operations, and another, Ontario Horse Racing (OHR), which administers funding from the HRPP. OHR is responsible for transfer payment agreements with racetracks and industry associations, oversight of these recipients, and industry development through programs related to responsible gambling, branding, marketing, equine health and performance measurement. OHR also administers industry funded programs related to breeding. This includes the \$30 million Horse Improvement Program which is raised through a percentage of horse wagering and with funds from racetracks, and is used to promote breeding of standardbreds, thoroughbreds and quarter horses.

The ORC also works with industry to allocate provincial support received through the Pari-Mutuel Tax Reduction (PMTR). Originally instituted in 1996, the PMTR provides funding to the industry by reducing the taxes on pari-mutuel betting (horse racing gambling) from 7.4% to 0.5%. The reduction is invested in industry regulation, the Horse Improvement Program, customer benefits and also provides funding to racetrack owners and horse people. Since 2009, the PMTR has resulted in \$50-\$75 million in annual funding for the industry.⁴

Racetracks that host OLG facilities are required under the Gaming Control Act, 1992 to register with the Alcohol and Gaming Commission of Ontario (AGCO) as Non-Gaming Related Suppliers.⁵ The AGCO, which regulates commercial gaming including casino, slots and internet gaming operations, has the authority to investigate registered organizations to ensure that they meet standards related to management integrity, including at a minimum, adherence to laws, responses to investigations/auditor management letters, and the establishment and review of a code of conduct that outlines provisions related to conflict of interest and transparency.⁶

Dialogue is on-going between regulators (ORC and AGCO), the OLG, the Province and the Ontario Horse Racing Industry Association on the future of the industry. Included in these conversations are the potential partnerships between the OLG and the horse racing industry, restructuring of regulatory and oversight functions, finding new revenues for the industry and the OLG, marketing coordination, and planning for a future integrated province wide marketing campaign to promote horse racing.⁷

In the 2015 Budget, the Province announced that a number of legislative changes will be proposed to further integrate horse racing with the OLG's mandate and to moving the regulatory responsibilities for horse racing to the AGCO. The Province will also be looking to the horse racing industry to self-govern, run industry related programs, and

⁴ *Ibid.*

⁵ Queens Printer for Ontario (2015). Gaming Control Act, 1992. <http://www.ontario.ca/laws/statute/92g24>

⁶ Alcohol and Gaming Commission of Ontario (2014). Registrar's Standards for Gaming December 2014. http://www.agco.on.ca/pdfs/en/guides/4345_g.pdf

⁷ Ontario Horse Racing Industry Association (2015). OHIRA Industry Update. <http://www.ohria.com/wordpress/?p=136>

provide advice to government.⁸ In 2017-2018, the HRPP will be reviewed to evaluate its impact and identify future supports that a sustainable horse racing industry may need.

Expanded Gaming & Woodbine Racetrack

Woodbine Entertainment Group has a lease agreement with the OLG to host the existing gaming facility at Woodbine. The two parties are currently in negotiations to complete a new long-term Racetrack Premises Lease, which will ensure continued operations at the site and provide certainty to the firms that are participating in the OLG procurement process. The successful service provider will then be required to assume the long-term leases signed by the OLG.

While negotiations and potential terms and conditions are confidential, the OLG has advised that previously signed long-term leases have been for seven years, and include both the floor space currently used by the gaming facility and provisions for the additional floor space that may be needed to accommodate expanded gaming. 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.

In addition to gaming related development, WEG anticipates that expanded gaming will be a catalyst for an integrated and comprehensive development of the entire Woodbine site which will create a destination for recreation and live-entertainment. WEG anticipates working with both the OLG and the new service provider on any such non-gaming development, and has currently retained a group of planning consultants to study the property and help develop a vision for the site.

As a corporation without shareholders, WEG reinvests net income into its operations and facilities including live racing at Woodbine Racetrack. As a result, expanded gaming is likely to result in increased investments at Woodbine and in Ontario's horse racing industry due to higher lease revenues (due to a larger gaming floor) and through revenues generated from development of the site if this should occur. As noted earlier, the horse racing industry does not receive a portion of the gaming revenues at racetracks.

In addition to the broader marketing and fan development initiatives that are being contemplated as part of ongoing negotiations and OLG modernization, local racetracks continue to promote the products that they offer. WEG anticipates that it will spend \$6 million in 2015 on marketing and advertising to draw new customers to its facilities. In 2014, WEG's efforts resulted in more than 30,000 new horse racing customers.

The Horse Racing Transition Panel identified the importance of Woodbine Racetrack to the industry, and recommended that "the best business case for the industry is to consolidate all thoroughbred racing at one track – Woodbine." The Panel also noted that

⁸ Government of Ontario (2015). 2015 Budget.
http://www.fin.gov.on.ca/en/budget/ontariobudgets/2015/ch1d.html#ch1d_23

standardbred racing benefits from a continued presence in Toronto.⁹ While uncertainty exists, efforts to move the industry towards sustainability may benefit Woodbine Racetrack and help to sustain current on site employment.

As noted earlier, racetracks do not receive a share of revenues from on-site gaming facilities, and it is not known at this time whether OLG modernization will change this model. In addition, if City Council does not consent to expanded gaming, the facility at Woodbine would continue to be one of the largest gaming operations in Ontario. As such, the expansion of gaming in the GTA outside of Toronto is unlikely to impact current employment at the racetrack, however as outlined in Appendix F, WEG has stated that expanded gaming could improve its overall financial position which would make the racetrack operation more sustainable.

Housing at Woodbine

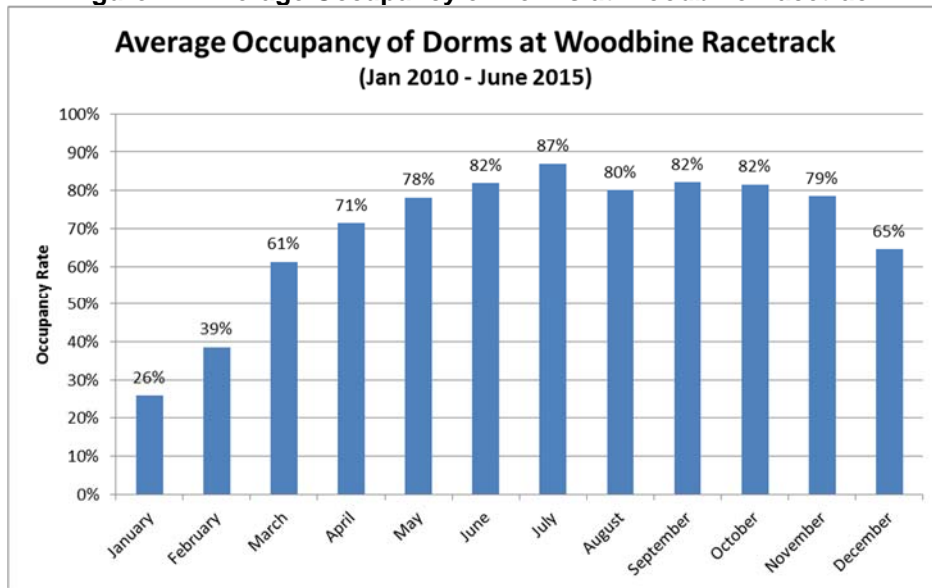
The backstretch of Woodbine Racetrack is home to over 2000 horses during the thoroughbred racing season, which require care and training from specialized employees such as grooms, hot walkers, exercise riders and assistant trainers. These backstretch employees hold valid licences from the ORC, and are eligible to stay in on site accommodations comprising of two dormitories.

Originally built in the 1960s and 1980s, and expanded in 2006, the dorms have a total of 150 double occupancy rooms (300 beds) with 4 reserved for those that travel with horses from abroad (the United States or Europe). Rooms have basic furniture (bed, table, chairs, and dresser), are non-smoking, air conditioned and come with basic cable television and access to common areas including lunch and laundry rooms, and outdoor space which includes a barbeque area with picnic tables. Rooms are inspected for fire safety monthly and common areas are cleaned daily by WEG staff.

According to data provided by WEG, the average occupancy rate peaks at 87% in June (approximately 260 residents), with rates hovering around 80% during the summer and fall racing months (Figure 1). Rates fluctuate primarily due to younger workers who tend to travel with the horses they tend to; however WEG advises that approximately 80 retired backstretch workers live on site year round.

⁹ Ontario Horse Racing Industry Transition Panel (2012). *Op. cit.*

Figure 1 – Average Occupancy of Dorms at Woodbine Racetrack



Source: Compiled by staff using data from WEG.

Rents are subsidized by WEG, with individuals required to pay a \$260 deposit, and weekly rates of either \$65 for double occupancy or \$130 for single occupancy. Even at single occupancy, these rents are affordable, as the approximately monthly rent of \$520 falls well below the City's Official Plan affordable rent maximum for a bachelor apartment in 2015 (\$899 average market rent for a bachelor unit as measured by Canadian Mortgage and Housing Corporation for Toronto). The rents at Woodbine would be considered comparable for rooming house accommodation.

The backstretch dormitories at Woodbine are licenced as a legal, regulated rooming house (lodging house) under Chapter 166 of the Etobicoke Code. Chapter 166 outlines the maintenance and occupancy standards that must be met by owners of lodging houses, and authorizes City officials to conduct inspections to ensure compliance. Licensing responsibilities lie with Toronto Public Health, while investigations are completed at their request (typically annually) by Municipal Licencing and Standards.

An inspection of the dormitory buildings and property standards at 555 Woodbine Blvd. was last conducted by Municipal Standards Officers in June 27, 2014 as part of the lodging house licence renewal process. The investigation identified deficiencies such as inadequate levels of lighting, guards (railings) not compliant with standards, sewer odours from the plumbing system, ventilation system not working properly, dirty windows, and worn carpets and sinks. All issues were rectified by the owner and the order was closed on November 24, 2014. According to WEG, recent upgrades to the accommodations have included a 2011 renovation of both dorms (including painting and new locks), a 2014 renovation to the 2nd floor railing in the oldest dorm, and a recently completed program to replace all mattresses.

As on site accommodations are sufficient to meet existing demand, WEG does not have plans to increase the supply of affordable housing for backstretch employees. WEG

advises that investments are made in the existing buildings on a continuous basis so that clean, affordable housing is provided to workers that otherwise may find these costs a barrier to employment.

As noted earlier, the Province's current policies do not provide racetracks with a share of gaming revenues. However, it is likely that WEG will benefit from expansion due to higher lease revenues and through revenues generated from development. WEG invests profits into its operations and may choose to invest proceeds into improving or increasing affordable housing for backstretch workers at Woodbine. As noted in the Official Plan, the City also has an interest in increasing the quality, quantity, availability and affordability of housing, and will, as with any new development on large sites, investigate the opportunities that may be available at the Woodbine site through any future development applications.