

PROPOSED OGGLP DEVELOPMENT AND ANTICIPATED ECONOMIC IMPACTS

Proposed OGGLP Development

Development referred to as Phase 1 is expected to result in approximately 126,600 square metres (1.36 million square feet) of non-residential floor space to be built over a three year period (anticipated to finish early 2022, but is subject to change).

Phase 1 will include a number of uses including an expanded casino (as outlined by OLG in 2015, to hold up to 5,000 electronic games and at least 300 live gaming tables), a performance venue (approximately 4,200 seats), retail and office uses, nine restaurants, two hotels (approximately 420 and 560 rooms), meeting and training spaces, and parking both underground and within a multi-storey parking structure (proposed as six floors at the time of Site Plan Control application).

In the interim period, OGGLP is proposing a renovation of the existing grandstand (referred to as Phase 0) to allow for a phased expansion to gaming while the larger Phase 1 development is under construction. Renovations will ensure physical integration with the broader development and facilitate continued use of the space once gaming is in the new facility.

To be completed by Q3 2018, OGGLP estimates that the renovated grandstand will see a phased-in expansion of both electronic and live table gaming. According to OGGLP, interim expansion is required to finance the broader development and begin to meet revenue targets set out by OLG. The actual number of electronic games and live tables to be introduced upon completion of the renovation is unknown as it will depend on commercial operations and market demand. The additional gaming is expected to increase hosting revenues to the City by \$2-5 million/year for each of the first three years (2019, 2020 and 2021).

Beyond 2022, OGGLP also anticipates 87,000 square metres (approximately 936,000 square feet) of development in Phase 2 including another 1,000 rooms in two hotels as well as complimentary retail and restaurant uses. These buildings are to be situated north of the gaming facility. Development beyond 2022 by OGGLP is dependent on the acquisition of future development partners.

City staff estimate that the hard and soft construction costs of the proposed development to be paid by OGGLP is \$1.3 billion for Phase 1 and \$700 million for Phase 2. City staff also estimate that the OGGLP renovation and expansion of the existing grandstand under Phase 0 would cost at least \$7 million.

The scope of analysis (and the Community Benefits Agreement (CBA) noted below) includes the area where gaming is to occur. Specifically it includes all lands permitting a Gaming Establishment, including Blocks 10, 11, 12 and 14 within the Plan of Subdivision and lands subject to the Draft Zoning By-law for the grandstand as outlined in the March 19, 2018 Final Report from the Director, Community Planning, Etobicoke

York District (EY29.2). It does not include proposals led by Woodbine Entertainment Group which include Woodbine Square which will be built concurrently with the gaming facility.

Anticipated Economic and Employment Impacts

In 2015, City staff presented economic impacts based on information provided by OLG and an illustrative development scenario which estimated the construction of non-gaming uses including hotels, retail/restaurants and new convention/entertainment space. At the time, there was no master plan or scenario guiding future development. With OGGLP's submission of a Site Plan Control application and a plan to meet City conditions, City staff can provide an analysis of the anticipated economic and employment impacts of the OGGLP development proposal.

Net-New Spending

Not all of this development will result in net new spending in the city or the Toronto region. To the extent that expenditures at an expanded casino or in the new retail space replace existing spending in the region, it is expected that the demand for entertainment and retail space elsewhere in the region would be reduced. As explained below, staff estimate that about 33% of spending at the expanded facility would be net new to the Toronto region.

This key issue was highlighted in the 2015 report from the City Manager which noted that the potential for the gaming facility to attract 'net new' spending in Toronto depends largely on the degree to which an expanded casino and any non-gaming development would attract tourists from outside the region. In other words, it is likely that discretionary entertainment spending by local residents are likely to remain local - residents spending at the gaming facility would have otherwise purchased other goods and services in the Toronto region resulting in no additional (i.e. new) spending.

Generally, the potential of an expanded Woodbine can be determined according to the following:

- Existing spending by Toronto and other GTA residents outside the region, that would come back to Toronto - this includes gaming facility spending at casinos outside of Toronto that would return. This has a positive net impact to Toronto's economy.
- Spending by tourists - this would have a positive impact if residents came (at least partly) to gamble. The spending of tourists that came to Toronto for a reason unrelated to gaming is likely to be offset (in part or whole) by other spending elsewhere in the GTA.

In 2012, the City engaged consulting firm Ernst & Young (EY) to examine various illustrative scenarios and the potential impact of a casino in downtown Toronto. EY 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 be net new to the Toronto Census Metropolitan Area (CMA).

(see 2015 report, <http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-81789.pdf>).

OGGLP projects that more than 30% of gaming revenue will come from international players along with gaming play representing Ontario-based demand that was not previously met by a top-tier integrated gaming and entertainment facility in Toronto.

City staff also note that the proposed development includes non-gaming attractions which may also attract visitors to Toronto, or at least provide an opportunity for more individuals (i.e. airline passengers) to overall increase their spending in Toronto as outlined in OGGLP's international marketing plan.

The analysis below is largely based on the EY study as clear assumptions on net new spending are unavailable due to commercial confidentiality. The analysis also does not include the potential impacts to output and employment on existing horseracing operations or the broader development anticipated by WEG, nor does it consider the April 4, 2018 announcement by OGGLP that it will develop a casino resort in Pickering (which according to OLG can host up to 2,500 electronic games and up to 200 live table games).

City staff have assumed that one third of the construction costs associated with the OGGLP proposal, as well as one-third of on-going non-gaming revenues, could be net new to the Toronto region (mid-point of the EY range). This is slightly different than in 2015 when staff assumed various rates (between 20 and 50%) of net new for each component of the development. In 2015, City staff also showed the construction impacts as 100% net new; however, the composition of the proposed development as well as changes in local market and economic conditions, have prompted staff to revise these figures.

The analysis was based on construction cost estimates per square foot by type of construction and employment estimates from similar projects. The Province of Ontario's Tourism Regional Economic Impact Model (TREIM) was used to estimate direct, indirect and induced output (i.e. GDP) and new jobs¹ that would result from the development.

Economic Output

At one-third net new, the construction phases of the project are expected to increase the total output of goods and services in the Toronto region by \$296 million (including direct, indirect and induced effects) while the on-going operations (of the casino and related facilities) is forecast to generate \$370 million of annual output. Phase 0 has a

¹ Economic impact studies typically identify three kinds of impacts. These are direct, indirect and induced. The direct impact is the value added (or jobs) at the establishment where the initial expenditure was made. Indirect impacts are the impacts on suppliers to the establishment where the initial expenditure took place. Induced impacts are the result of spending by workers and owners, who are employed or make profits from firms that provide the direct and indirect inputs.

construction cost of at least \$7 million with marginal impact. Further information on output is provided in Table 1.

Table 1 - City Staff Estimated Net Economic Impact

GDP	Direct	Indirect	Induced	Totals
Phase 1 Construction	\$103.9 million	\$37.7 million	\$50.8 million	\$192.4 million
Phase 2 Construction	\$55.9 million	\$20.3 million	\$27.3 million	\$103.5 million
Ongoing Operations	\$200 million	\$72 million	\$98 million	\$370 million

Employment Impacts

The total employment (full-time equivalent) numbers provided by OGGLP as outlined in the report are generally in alignment with City estimates developed using the TREIM model and applying assumptions on employees that may be needed according to the proposed development (per square foot and by use).

Table 2 below takes the estimated totals and applies the midpoint of the EY range which indicates that approximately one third (33%) of the total new jobs associated with expansion could be net new jobs in the Toronto Census Metropolitan Area (CMA).

The construction phases of the project are expected to add 2,716 person years of net new employment while on-going operations (of the casino and related facilities) is forecast to generate 1,586 net new jobs in the Toronto region.

Table 2 - City Staff Estimate of Net Employment Impact

	Net New Direct Jobs and Person Years	Indirect Jobs and Person Years	Induced Jobs and Person Years	Totals
Phase 1 Construction (Person Years)	1,041	341	384	1,766
Phase 2 Construction (Person Years)	560	183	207	950
Ongoing Operations (FTE)	935	306	345	1,586