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DATE: June 5, 2012

TO: Chair and Members of General Committee
Meeting Date: June 13, 2012

FROM: Edward R. Sajecki
Commissioner of Planning and Building

SUBJECT: **A Mississauga Casino – Potential Implications**

RECOMMENDATION: That the report titled “*A Mississauga Casino - Potential Implications*” dated June 5, 2012 from the Commissioner of Planning and Building, be received for information.

**REPORT
HIGHLIGHTS:**

- Mississauga's east waterfront area has been identified by the Ontario Lottery and Gaming Corporation (OLG) as a potential candidate gaming zone for a GTA casino;
- Positive economic and social impacts from a casino include: revenue stream, infrastructure investment, spinoff economy, potential property value uplift (depending on location), jobs, and leisure and entertainment options;
- Negative economic and social impacts from a casino include: infrastructure maintenance costs, service upgrade costs, local business competition, increased traffic, potential property devaluation (depending on neighbourhood impacts), problem gambling, crime, and low paying jobs;
- Major Ontario casinos were developed by the OLG in the mid-90's when economic development from casinos was welcomed with little to no opposition. These casinos provide a significant tourist draw and benefit the municipalities with jobs, spinoff economy and property tax and host city casino revenues. Increases in crime and

social issues have occurred in some municipalities, but local policing dedicated to casino operations and gambling addiction counselling services have been provided to help curtail these issues;

- The OLG's multi-stage procurement process to seek input from potential private-sector gaming vendors has begun. The OLG issued a *Request for Information* on May 17, 2012, to gather information from potential vendors and assess vendor interest, market options and risks. Next, a *Request for Pre-Qualification* will be issued to give vendors interested in submitting a *Request for Proposal (RFP)* an opportunity to submit qualifications. Finally, the RFP process may begin in fall 2012; and
- The City will monitor the RFP process and respond to any applications that might come forward for Mississauga.

BACKGROUND:

The Ontario Lottery and Gaming Corporation (OLG) has announced a plan to modernize the Province's lottery and gaming industry in order to adapt to a changing gaming environment and demographic profile and to generate greater and more sustainable net revenue to the Province.

OLG has identified Gaming Zones across the province where new gaming facilities could be permitted. Several GTA municipalities, including Mississauga, have been identified as potential gaming zones.

Identified GTA municipalities are now grappling with whether or not they support a casino and are looking for more information about the real impacts, both positive and negative.

OLG is modernizing lottery and gaming

OLG's March 12, 2012 report, entitled, "Modernizing Lottery and Gaming in Ontario: Advice to Government" includes three recommendations:

1. Become more customer-focused;
2. **Expand regulated private sector delivery of lottery and gaming;** and
3. Renew OLG's role in oversight of lottery and gaming.

These recommendations, together with OLG's ongoing initiatives, will by 2017-18, result in:

- Additional \$1.3 billion in annual net profit to the Province;
- Additional \$3 billion in new private sector capital investment; and,
- Employment growth by over 2,300 net new lottery and gaming industry jobs as well as an estimated 4,000 service sector jobs.

Recommendation #2 involves shifting the day-to-day operation and capital development of new or expanding gaming facilities to the private sector, while OLG maintains control and accountability functions. This recommendation will have the most impact on communities as private sector lottery and gaming businesses eventually come forward with development proposals.

OLG's procurement process for modernization plan

On May 17, 2012, OLG announced a new competitive and transparent procurement process to seek input from potential vendors as it expands regulated private-sector gaming in Ontario. The multi-stage process includes:

- *Request for Information (RFI)* - allows the OLG to gather valuable information from potential regulated vendors and help determine the range of options available in the market and assess potential vendor interest, as well as risks. The RFI was *issued May 17, 2012* and is published on MERX tendering system (www.merx.com).
- *Request for Pre-Qualification (RFPQ)* – gives vendors interested in the RFP an opportunity to submit information on their financial and technical capabilities. OLG will then select pre-qualified vendors.
- *Request for Proposal (RFP)* – gives the selected vendors the opportunity to bid on specific products and/or services within the gaming business. Once the bidding process is complete, the OLG will select vendors to become the regulated private sector providers for gaming and lottery. *OLG may begin the RFP process as early as fall 2012.*

Gaming zones and potential sites

The RFI outlines 29 potential Gaming Zones across the province where regulated private-sector providers will be allowed to operate a single gaming facility subject to relevant approvals, including business case and municipal, ministry and environmental agency approvals.

Although 29 gaming zones have been identified, the OLG will focus only on communities that are interested in having gaming facilities. Two gaming zones (C1 and C2) are identified within the GTA, but only one 5,000 slot casino will be allowed between these two zones (see Appendix 1).

Zone C1 has three contenders for a GTA casino:

- Mississauga east waterfront location;
- Toronto waterfront location; and
- York Region (Markham or Richmond Hill).

Zone C2 includes the existing OLG Slots at Woodbine Racetrack. OLG Slots already has plans for 3,000 slots by December 2012.

GTA MUNICIPALITIES IDENTIFIED

Toronto is the preferred choice for a casino-entertainment complex

OLG favours a casino site in the downtown Toronto core, and preferably a waterfront location.¹ The vision is for an “iconic entertainment centre” with fine dining, shops and theatres on Toronto’s waterfront.² OLG notes that if it goes elsewhere (outside of downtown Toronto), plans for a large resort and entertainment complex will be scaled down.³

For MGM Resorts, the corporation that runs major Las Vegas casinos like Bellagio, a downtown Toronto location is the only choice for a casino/retail/hotel complex. A waterfront location is even more desirable according to senior MGM Resorts executive, Alan Feldman, since the “farther away you get from either the central business district or the water, the less likely it becomes an opportunity (for MGM).”⁴ He would also be surprised if a large-scale integrated resort in Mississauga or Markham was viable.⁵

There are four potential casino sites that have been discussed for Toronto - the Woodbine Live racetrack complex in Rexdale (a development approved in 2007, but not yet built), Exhibition Place on the west waterfront, Ontario Place, or the yet-to-be developed Port Lands on the east waterfront.⁶

Municipal Councils still undecided

The City of Toronto's Mayor Rob Ford has shown interest in establishing Toronto as the GTA casino location, however, supports further study of the issue. Following the completion of a City staff report on the potential costs and benefits of a potential casino development⁷, the City's Executive Committee will consider the matter by October, 2012.

Debate is already underway in Toronto. On Monday, May 14, 2012, Toronto's Executive Committee considered *two motions* opposing the construction of a casino in Toronto. Both motions were referred to the City Manager without a decision:

- The first motion (EX20.15) recommends a city-wide referendum on the casino topic, before any casino be permitted. This would result in a delay in a casino decision until the city's next election in October of 2014. The city held a referendum in 1997 on whether to allow a casino or permanent gaming facility in the city – 72% of Torontonians voted against a casino at that time.
- The second motion (EX20.16) seeks to maintain the Ontario Place site as a “Place for Families and a Public Space” and contends that a casino is a private space closed off to families. A subsequent town hall meeting on the future of Ontario Place was held on June 5, 2012. Following the meeting, John Tory, the Chair of the Advisory Panel on Ontario Place Revitalization, announced the conclusion that Ontario Place is not the appropriate site for a casino.⁸

MISSISSAUGA'S CASINO POTENTIAL

Given Mississauga's proximity to downtown Toronto and potential waterfront site opportunity, Mississauga is likely next in line as a potential casino location if OLG is unable to secure a Toronto site.

Private-sector developers may start to submit casino development applications shortly after the conclusion of the OLG's RFP process, including vendor selection. The OLG's RFP process may commence in fall 2012. The City will monitor the RFP process and respond to any applications that might come forward for Mississauga.

While a casino is not specifically permitted in the Official Plan, it could be regarded as an "entertainment facility" which is a use permitted within a number of designations. Designations that would permit an entertainment facility include: Mixed Use, Convenience Commercial, Business Employment, Industrial, Downtown Mixed Use and Downtown Core Commercial designations.

The zoning by-law does not allow for a casino. An application to amend the zoning by-law would, therefore, be required.

COMMENTS:**CASINO IMPACTS – POSITIVE AND NEGATIVE**

The information below on potential impacts from casino development is derived from a literature review of the topic and from discussions with planning or corporate services departments in municipalities where established casino-entertainment complexes are located, including, the City of Niagara Falls, City of Windsor and Township of Ramara in Ontario, and the City of Richmond in British Columbia.

Recent information on the casino impact topic is available in a 2011 Final Report prepared for the Canadian Consortium for Gambling Research, entitled, "The Social and Economic Impacts of Gambling."⁹ The report includes an extensive literature review. The impact overview below refers predominantly to this report as it represents the most comprehensive and current information available on the topic, based upon our literature review.

Of particular note from the abovementioned 2011 report, is that "Judging the overall positive or negative nature of gambling will always be a subjective determination about the relative importance of the observed social impacts compared to the observed economic impacts."¹⁰ It is important to comprehensively assess all potential impacts in a socioeconomic impact analysis and to give economic/monetary impacts equal prominence to the social/nonmonetary impacts.¹¹

According to American economist Earl Grinois, author of “Gambling in America: Costs and Benefits” (2004), casino gambling causes up to \$289 in social costs for every \$46 of economic benefit.¹²

Positive Impacts of Casinos:

Economic

- **Revenue Generator** – In Ontario, net revenues from the sale of lottery products and from the proceeds of casinos and other gaming sites go directly to the Government and to non-profit organizations that provide services to Ontarians. These revenues support such programs as health care, promoting physical fitness, sport, recreation and cultural activities. Annual funding is also provided to the Ontario Trillium Foundation for distribution to charities and other organizations.¹³
- **Municipal Revenue Source** – In addition to property tax revenue, a municipality hosting a casino, or resort casino, receives annual compensation distributed by the Ontario Lottery and Gaming Corporation. For example, the host cities of Windsor and Niagara Falls, each receive \$2.6 million annually for ten years, followed by \$3 million annually for the next ten years (commencing May 1, 2008 at Windsor; commencing December 7, 2010 at Niagara, then \$3 million annually adjusted for the Canadian Price Index).¹⁴
- **Infrastructure Value** – “The construction of a new gambling venue adds to the physical assets and wealth of the local community. This is especially true if this new venue is associated with infrastructure upgrades (e.g., roads, electrical, sewage) to accommodate the new facility, and if the new building and infrastructure upgrades are financed by out-of-jurisdiction investors. Increased infrastructure value can also occur when a new gambling venue stimulates the construction of complementary businesses (e.g., hotels, restaurants) to take advantage of the increased patronage of the area.”¹⁵
- **Spinoff Economy** – “Positive impacts on other businesses have been most commonly reported with ‘destination casinos’ that draw their patronage from outside the immediate area (i.e., bringing in a true influx of wealth), require overnight stays, and are located in tourist areas offering other entertainment and sightseeing

opportunities. Hospitality sectors benefit most consistently, including hotels, restaurants, lounges, and other types of entertainment. These positive local impacts are especially enhanced when the number of visitors is large relative to the local population, when baseline levels of economic activity are low, when casino supplies are purchased locally, and when employee wages are spent in the local area.”¹⁶

- **Property Values** – “A new gambling venue may increase the value of adjacent property to investors who may desire to build complementary businesses (e.g. hotels, restaurants).”¹⁷ Changes in property values will also impact property tax revenue.¹⁸ In the case of property value uplift, the municipality will benefit from increased property tax revenue.

Social

- **Employment** – A casino will bring new gambling-related jobs and generate spin-off employment to other business sectors, particularly the hospitality industry. The development of a new casino will also generate temporary construction jobs.
- **Leisure Activity** – One of the important positive impacts of gambling is that it provides entertainment value and an additional leisure option for the local and regional population.¹⁹

Negative Impacts of Casinos

Economic

- **Infrastructure Costs** – “The maintenance of physical infrastructure (e.g., roads, utilities, sewage) is usually a government responsibility, and a new gambling venue puts added stress on this physical infrastructure because of the increased patronage in the area.”²⁰
- **Service Upgrade Costs** – Increased health care, social service, policing, and other public service costs are related to the fallout from problem gambling.²¹ Public transit upgrades may be required to provide service for casino employees, not only during typical commuting hours but also during off-peak hours.

- **Local Business Vacuum** – Many casinos offer hotels, restaurants, and entertainment in addition to their traditional gambling activities. These associated amenities could potentially compete with similar businesses in the local area. On the other hand, it is possible that local hotels, restaurants and entertainment venues might benefit from casino overflow business. Negative impacts on other business have been reported most commonly in studies where gambling patronage is derived locally, i.e. non-destination type casinos.²²
- **Increased Traffic** – A new casino will result in increased traffic from casino guests and employees. Casino guests may arrive by private vehicle, public transit or private coach (i.e., tour groups). It is critical to determine how local traffic patterns will be impacted and if the existing road infrastructure has the capacity to serve a proposed casino development.²³ A range of transit options could mitigate traffic generated if provided with sufficient frequency.²⁵
- **Property Values** – “A new gambling venue might increase noise, traffic, and parking difficulties and/or attract undesirable clientele to the neighbourhood.”²⁴ These are factors that could negatively impact property value.

Social

- **Problem Gambling** – Studies have shown that an increase in the availability of gambling (e.g. casinos) is associated with an increase in problem gambling rates. Casinos have a greater addiction potential because they offer continuous forms of gambling (electronic gaming machines and casino table games). “There are both monetary and social/non-monetary costs associated with problem gambling. The *monetary costs* include money spent on: a) treatment and prevention; b) policing, prosecution, incarceration, and probation for gambling-related crime; c) child welfare involvement for gambling-related family problems; and, d) unemployment and welfare payments and lost productivity because of gambling-related work problems. The *social/non-monetary* impacts include things such as mental health problems, suicide, family/relationship problems, and divorce.”²⁵

- **Crime** – “Theoretically, the introduction of legal gambling should influence crime rates in one of several ways: a) increasing the number of problem gamblers, a percentage of which will commit crimes to support their gambling; b) certain forms of gambling offer increased opportunities for illegal activity to occur (i.e., passing counterfeit money, money laundering, loan-sharking, cheating-at-play, theft, fraud); c) by creating venues (i.e., casinos) that serve alcohol and thereby contribute to alcohol-related offences (i.e., assault) and/or disproportionately attract a clientele with criminal tendencies; d) by increasing the overall number of visitors to the area (to be taken into account when determining a jurisdiction’s crime rate per capita).”²⁶

“Empirically, the evidence is somewhat mixed concerning the impact that legal gambling introduction has on crime rates.”²⁷

While the most common finding is that crime rates increase with increased gambling activity, there are also studies that have found gambling introduction to have no impact on crime. One factor that can potentially mediate the relationship between gambling introduction and crime is the existence of jurisdictional policies that protect against the negative impacts of gambling (e.g., programs to prevent problem gambling, enhanced security/policing in casinos).²⁸

- **Employment** – There are several employment impacts: a) gambling industry employment is typically low skilled and low paid, with the exception of managerial jobs; b) if casino employees are not from the local area and spend their wages outside the region, then both the local employment and revenue benefits from the casino can be fairly minimal; and, c) there may be new jobs resulting from a casino, but there may be no net employment gain if casino and related jobs are lost in other geographic areas (e.g., a GTA casino may result in job losses in Niagara Falls).

EXPERIENCE OF MUNICIPALITIES WITH CASINOS

City of Windsor

- Casino Windsor, now Caesars Windsor, was Ontario’s first casino. It originally opened in 1994 in a temporary location then moved to a permanent location in 1998 and included a new hotel. In 2008, the casino completed a \$400 million expansion of non-gaming

amenities including a hotel tower, 9,290 m² (100,000 sq. ft.) of convention space and a 5,000 seat entertainment centre.

- Caesars Windsor is the leading tourist attraction for the City with approximately 3.6 million visitors per year. It is also one of the largest employers with approximately 2,500 employees.^{29 30}
- According to Onorio Colucci, the city's chief financial officer and treasurer, the Windsor casino provides the city with \$7 million a year in property tax, a \$3 million casino hosting fee that pays for 25 police officers, as well as \$1.5 million in revenue from slot machines. "It's one of the city's biggest employers, it's helped diversify our economy and it's provided significant revenue." The money is used for capital projects as well as to help fund projects for underprivileged children, Colucci said.³¹
- Caesars Windsor is not concerned about competition from a potential Toronto casino resort since 80-percent of its patrons are from the USA. There is concern from the union representing casino employees about the competition from new casinos opening in Ohio.³² Eight new casinos proposed in Michigan would bring further competition.³³

City of Niagara Falls

- Casino Niagara (opened 1996) and Niagara Fallsview Casino Resort (opened 2004), have both spurred significant economic growth in tourist-serving businesses such as hotels and restaurants. In addition to the Niagara Falls attraction itself, the casino offers another entertainment choice that can extend a tourist's stay. Casino Niagara and Fallsview Casino Resort provide 4,200 direct jobs between them for Niagara Falls and several thousand spinoff positions. The spinoff employment has allowed hotels to hire employees on a permanent basis with benefits, rather than on a seasonal basis.
- The City of Niagara Falls council is concerned about the impact a new casino in Toronto would have on the two existing Niagara casinos. According to Fallsview casino spokesman Greg Medulun, "The GTA represents the largest geographical market for Niagara casinos, with more than 30 per cent of our total revenue."³⁴

- Upon development of the casinos in Niagara Falls, the Province provided funding for addiction/gambling counseling facilities and for policing within the tourist area.

Township of Ramara

- Casino Rama, located in Rama on the reserve land of Chippewas of Rama First Nation, opened in 1996. The casino approval process was led by the provincial government without involvement of the Township of Ramara.
- The Township receives no revenues from the casino, but does benefit from the approximately 3,500 jobs generated by the casino. Ramara sees little economic spinoff from the casino compared to the larger City of Orillia with more businesses to serve the casino.
- Although the Township receives no casino revenue, it is still responsible for approximately \$1 million in annual servicing costs related to road reconstruction and emergency response on roads leading to the casino.
- Although there has been some evidence of problem gambling and crime, there are no statistics available. With up to 15,000 casino visitors per day, there was need for dedicated policing. Rama First Nation's existing police service expanded from two officers to a full complement of officers over a period of several years after the casino opened. The policing needs are funded by the casino.

City of Richmond, BC

The River Rock Casino Resort located in Richmond, British Columbia, was approved in 2003 with little opposition. The casino had issues of casino-related crime within years of opening in 2004. Due to its size and popularity, the River Rock attracted different organized crime groups. Several kidnappings and suicides in 2005 were reportedly related to gambling debts.³⁵

NEXT STEPS:

On Thursday, June 7, 2012, City staff will be attending an OLG-sponsored regional information session regarding their lottery and gaming modernization plan.

The OLG's *Request for Proposal* process may begin in fall 2012. The City will monitor the RFP process and respond to any applications that might come forward for Mississauga.

CONCLUSION:

Locating a new casino in the GTA will be contentious. The issues are already being debated not only by potential host municipalities, but also by potentially impacted municipalities with existing casino facilities.

Although Mississauga's east waterfront is identified as one of the gaming zones for a GTA casino, much analysis is still required to determine if this is an appropriate location for a casino given the potential impacts of casino development.

The identified Mississauga casino location will likely not have the same international and regional tourist draw as a downtown or waterfront Toronto site, and may draw from a more localized market. The impacts, both positive and negative, are likely to be less for a smaller venue. The uplift from local economic development and resulting spin-off business (e.g., hotels, restaurants) may also be less significant for Mississauga if a scaled-down version of a destination casino is introduced.

ATTACHMENTS:

Appendix 1: Map – Central Ontario Gaming Zones
Appendix 2: Reference Notes

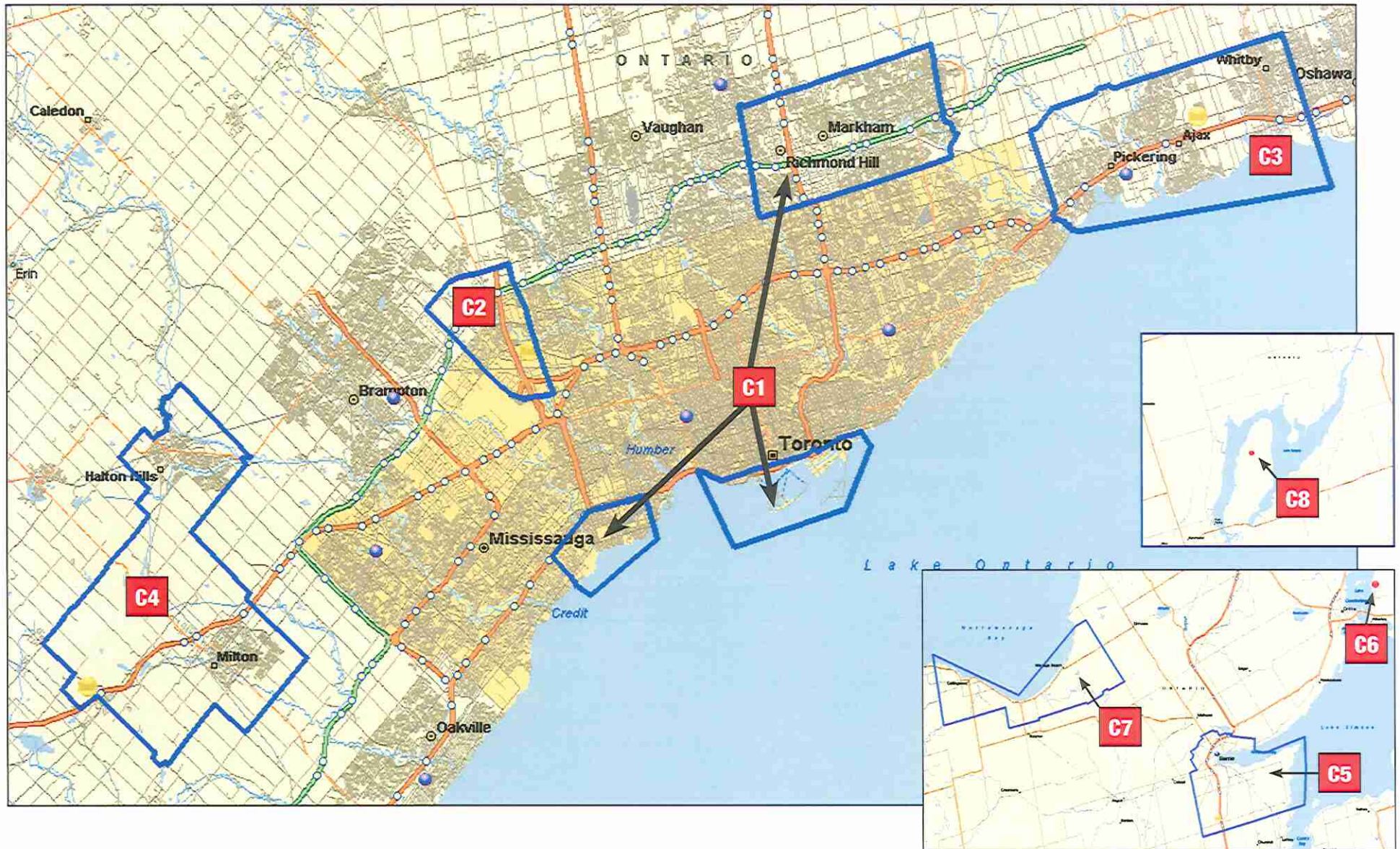
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CENTRAL ONTARIO ZONES

 Bingo hall part of revitalization

 Existing facilities



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