

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**September 25, 2012
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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-CMR-OCM-0021

SUBJECT: CITY OF OTTAWA'S RESPONSE TO ONTARIO LOTTERY GAMING CORPORATION REQUEST FOR EXPRESSIONS OF INTEREST

OBJET : RÉPONSE DE LA VILLE D'OTTAWA À LA DEMANDE DE DÉCLARATIONS D'INTÉRÊT DE LA SOCIÉTÉ DES LOTERIES ET DES JEUX DE L'ONTARIO

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council:

- 1. Approve that the City of Ottawa respond to the Ontario Lottery Gaming Corporation's ("OLG") Request for Interest (RFI) by sending a letter from the Mayor stating that the City of Ottawa supports in principle becoming a "host city" for a gaming entertainment centre;**
- 2. Direct staff to provide an analysis that gives a broad picture of the potential economic benefits and impacts of a gaming facility for the City of Ottawa. As part of this analysis, staff will consult with relevant stakeholders and consult with Ottawa Public Health staff on the potential public health impacts of an expanded gaming facility in Ottawa, including providing an overview of the current mitigation measures for populations at-risk of problem gambling. The staff report will be provided to FEDCO and Council when Council reconsiders the matter once a preferred proponent has been selected by OLG.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil :

1. Approuve que la Ville d'Ottawa réponde à la demande d'expressions d'intérêt (DEI) de la Société des loteries et des jeux de l'Ontario (« OLG »), en lui faisant parvenir une lettre du maire déclarant que la Ville d'Ottawa appuie, en principe, le fait de devenir « ville hôte » d'un centre de divertissement par le jeu;
2. Donner instruction au personnel de fournir, au Comité des finances et du développement économique (CFDÉ), une analyse dressant le portrait général des éventuels avantages économiques et des incidences d'un établissement de jeu pour la Ville d'Ottawa. Dans le cadre de son analyse, le personnel s'entretiendra avec les parties intéressées pertinentes et consultera le personnel de Santé publique Ottawa quant aux incidences sur la santé publique d'un établissement de jeu de plus grande envergure à Ottawa, y compris les mesures d'atténuation à prévoir pour les populations à risque pour ce qui est des problèmes de jeu compulsif. Le rapport sera fourni au CFDÉ et au CONSEIL, et ce, lorsque le CONSEIL réexaminera la question, une fois le promoteur gagnant sélectionné par OLG.

BACKGROUND

In 2010, the Government of Ontario directed the Ontario Lottery and Gaming Corporation ("OLG") to complete a comprehensive review of the province's lottery distribution network and land-based gaming facilities.

The result was a report called, *Modernizing Lottery and Gaming in Ontario* (http://www.olg.ca/assets/documents/media/strategic_business_review2012.pdf), released in March of 2012.

The following three recommendations for modernization were made in this report:

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

As outlined above, one of the key recommendations of the report is to improve OLG's land-based gaming business so that it is better aligned to customer interests. Consultations with stakeholders in 2011 revealed that there was a perception that the future of gaming should be determined by customers and the market, and that expansion or closure of sites should be decided based on the level of customer interest.

Stakeholders also suggested that OLG take advantage of the expertise of the private sector to reduce the burden of capital investment on the government and the taxpayer, a finding that supports the second recommendation.

Lastly, in order to transform OLG's business responsibly, the report also recommends an expanded role for the private sector in the delivery of gaming entertainment while

maintaining government control and OLG oversight of the business. This would be accomplished through the establishment of gaming zones. Through a fair and open competitive procurement process, the private sector could bid on the rights to operate in a zone.

Consequently, the OLG has indicated that it will allow one gaming entertainment centre in each of the 29 designated zones across Ontario, and that municipalities that become “host cities” will continue to receive financial support from the new gaming operations. In addition to Ottawa, which could be permitted up to 2000 slots, the report contemplates host cities in one new gaming zone, E2 zone, which includes Belleville and Quinte West. Peterborough and Kingston have also been identified as future potential host cities in currently existing OLG zones.

The OLG Slots at Racetrack Program is also being reviewed by a 3 member panel at the request of the Ontario government to provide recommendations to the Province. The current funding from OLG Racetrack Program allocated to Rideau Carleton Raceway (RCR), which is 20% of slots revenue, will cease on March 31st, 2013. OLG and RCR are currently negotiating a short-term lease with RCR to operate the gaming facility currently located on their site for the duration of the procurement process.

The City of Ottawa has permitted gaming (slot machines) at the RCR since 2000. There are currently 1,250 OLG slots at RCR. During this time, RCR gaming operations have contributed over \$45 million in revenue to the City (over \$4.4 million in 2011 alone). In March 2011, Council approved a two-year pilot project to add up to 21 gaming tables at RCR, subject to re-zoning and OLG approval. In addition to generating significant revenues for the City, the RCR slots operation has also been a source of jobs in the region. Recently, the Province established a three-member panel to examine ways for the Province to potentially continue to support the horse racing industry after OLG support for racing ends at RCR.

Since February 2010, RCR has also operated a bingo hall. The OLG report does not impact charitable bingo operations.

OLG has initiated a three step process to select private sector companies and/or consortia to develop or redevelop gaming operations in the proposed locations. The process timelines are set out as follows:

1. Request for Information (RFI): published May 17th, 2012, and closed July 4th, 2012
2. Request for Pre-Qualification (RFPQ): to be released Fall 2012
3. Request for Proposal (RFP): to be released 2013

The OLG will select the most capable and qualified operator for a zone, based on evaluation criteria that emphasizes technical skills, experience, and vision for the market.

Prior to the issuance of the RFP by OLG, potential cities are requested to pass a

resolution indicating their city's interest in hosting a gaming facility. These requests are not binding on the municipality – they allow a potential host City to signal to OLG that it is willing to contemplate a gaming facility as part of the OLG's bidding process.

DISCUSSION

The Ontario Lottery and Gaming Corporation (OLG) released their Request for Information (RFI) on May 17, 2012 outlining the process that will be followed to select specific sites for an expansion of private sector gaming entertainment centres. Subject to municipal approval, the OLG will allow one gaming entertainment centre in the Ottawa region.

Given the history of gaming in Ottawa and the broader national capital region, this report recommends responding to the RFI by indicating the City's support, in principle, for becoming a "Host City". An expression of interest at this time, however, does not commit the City to anything other than proceeding to the next stage of the process (i.e., to be able to respond to the upcoming RFP, to conduct public consultations, and to identify potential sites for consideration).

Municipalities that become host cities for a gaming entertainment centre will continue to receive financial support from the new gaming operations. The level of financial support is expected to increase with a new, larger gaming facility.

In order to meet OLG's timelines and ensure that City Council retains the option to proceed if it chooses, the City must indicate, in principle, its willingness to host a gaming entertainment facility. This will require a resolution confirming the City's interest in hosting a gaming facility prior to the issuance of the RFP. This report does not contemplate a specific location for a new gaming facility. Public consultation and Council consideration of a specific location will occur once the OLG has completed its RFP and selected a preferred proponent.

It is expected that the OLG will select a successful proponent in 2013. The successful proponent will be expected to work with the OLG and the City of Ottawa to finalize the selection of a potential site or sites for consideration, subject to Council approval. In addition, the selected operator will be expected to assume responsibility for the existing 1,250 slots at RCR while plans for a new facility are being finalized. The RCR is not precluded from submitting a proposal to OLG to be considered as the primary site for a gaming facility in Ottawa.

A new gaming facility will be allowed an expanded maximum of 2,000 slots, as well as other forms of gaming (e.g., table gaming).

It is also expected that a new or expanded facility will generate more direct and indirect employment than current gaming operations in the City. A new or expanded facility is also expected to generate more revenue for the City.

ECONOMIC DEVELOPMENT DEPARTMENT COMMENT

A significant mixed-use “destination” complex anchored by a boutique or “Executive Class” casino, and including ancillary uses such as 4 or 5-star hotel, live entertainment, theatre, conference facilities, retail, fine dining, meeting and conference facilities could provide significant economic development opportunities for the City. These include one-time benefits (during construction) and longer-term economic development benefits.

Until OLG provides the City of Ottawa with the proposed revenue sharing formula, the City cannot estimate the revenue to City of Ottawa coffers from a new gaming facility. The estimated revenue will be provided to Finance and Economic Development Committee and Council once it has been provided to the City by OLG.

According to Ottawa Tourism, the Casino Lac-Leamy located in Gatineau, Quebec is among the top tourist attractions for the national capital region. Economic spin-offs, however, currently flow primarily to the City of Gatineau and the Government of Quebec. A new gaming facility in Ottawa would enhance Ottawa’s tourism attractiveness, while helping to reduce loss of revenue currently accruing to the province of Quebec.

Further, and according to the OLG, approx. 2 million people visit the existing RCR facility annually. This number is expected to increase with an expanded facility. The number of out of town visitors to an expanded facility is also expected to increase.

In addition to their gaming budgets, visitors to casinos spend on accommodations, food and beverage, local transportation, retail, sightseeing, recreation, entertainment and miscellaneous expenditures.

A high level analysis of economic benefits and impacts will be provided to FEDCO and Council when Council reconsiders the matter once a preferred proponent has been selected by OLG.

RURAL IMPLICATIONS

The OLG’s decision to end support for horse racing at facilities throughout the Province will have a significant impact on RCR. RCR may participate in the OLG RFP process and enter the competition in the hope of being selected as the gaming facility for Ottawa. The OLG’s decision to end support for horse racing is a provincial decision and is not contemplated as part of this report.

CONSULTATION

FEDCO will receive public delegations on this report’s recommendation. Once the OLG has completed the RFP process, public consultation will occur once one or more potential locations for a gaming facility have been identified.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide issue.

LEGAL IMPLICATIONS

There are no legal impediments to Council's approval "in principle" of this initiative at this point in time. However, FEDCO and Council will have to address legal matters in the future in relation to the establishment of a gaming facility in Ottawa, including planning, zoning, transportation, revenue sharing (between the City and OLG) and other matters.

RISK MANAGEMENT IMPLICATIONS

There is a risk that the City may not conclude a revenue-sharing agreement for a new gaming facility, which would jeopardize the City's current annual funding from slots. There is a risk that slots at RCR may not continue beyond March 31, 2013, which would lead to a loss of annual revenue for the City of Ottawa.

FINANCIAL IMPLICATIONS

The City of Ottawa will be provided with details of OLG's proposed revenue-sharing formula for Council's consideration in the fall of 2013. This will inform Council's final decision-making when OLG has completed its RFP process.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report. A future gaming facility in Ottawa will have to conform to the Ontarians with Disabilities Act.

TECHNOLOGY IMPLICATIONS

There are no technology implications.

TERM OF COUNCIL PRIORITIES

The report aligns with the following Term of Council Priorities:

EP3 - Support growth of local economy

- SI # 3: Implementation of a comprehensive economic development program to increase Ottawa's prominence as an economically prosperous and sustainable city. This initiative will provide better oversight, accountability and results through improved coordination of economic development services and resources for enterprises already located or looking to locate in Ottawa, will showcase Ottawa as a compelling and vibrant destination to visitors, and will improve the quality of life for residents.

DISPOSITION

The Mayor will send a letter to the Ontario Lottery Gaming (OLG) Corporation indicating that the City of Ottawa supports hosting a gaming entertainment centre in principle.

Additional public consultation will be held once the OLG has selected a proponent and details of the proposed gaming facility are known. The next phase of public consultation is expected to occur in 2013.

As part of the next phase of public consultation, Economic Development will provide a high level analysis of the potential economic benefits and impacts of the proposed gaming facility.