



**Date 28 September 2012**

## **City Council Committee Report**

**To: Mayor Canfield & Members of Council**

**Fr: Karen Brown**

**Re: Casino Host Community**

### **Recommendation:**

**That** Council hereby agrees, in principle, to be a willing host municipality for a new gaming facility, conditional on discussion points with private sector operators with regards to the development of a destination entertainment and tourism venue that includes a provision for high level accommodations and convention centre capabilities, as well as an acceptable location within the City; and

**That** this agreement also be subject to negotiations with the OLG with regards to an acceptable revenue share agreement; and

**That** this agreement be further subject to the OLG Responsible Gaming group working in conjunction with the Ministry of Health and the applicable service providers to review existing addiction services within the City, including prevention, awareness and treatment and ensure that adequate and accessible services are provided for the community; and further

**That** Council advocate with the appropriate senior government branches to ensure appropriate funding is provided for individuals in need of attending gambling residential programs; and

**That** Council hereby directs City administration to identify acceptable locations for a potential casino development within City limits; and further

**That** Council hereby directs City administration to ensure that any revenue sharing resulting from any potential casino development, excluding applicable property taxes and regular City fees and charges, be put into a separate reserve for specific projects.

### **Background:**

In May 2012, the City of Kenora was contacted by the Ontario Lottery and Gaming Corporation (OLG) to provide the City with information on the

modernization of lottery and gaming, including details on the Request for Information (RFI) process being released. An invitation to participate in an information session with regards to the modernization process was also extended to Kenora by the OLG. The OLG hosted a conference call for City administration, together with two Council representatives, on June 28<sup>th</sup> to provide this overview. A second conference call was provided on August 7<sup>th</sup> to allow all Council members the opportunity to receive an overview of the modernization process.

A brief overview of the modernization process, together with applicable information links, timelines and the Kenora process is included in the report entitled "Casino Report" as prepared by the Economic Development Officer (EDO). This report has been attached for your reference (attachment #1). A more detailed overview as outlined in the "Modernizing Lottery and Gaming in Ontario – OLG Strategic Business Review / Advice to Government" has also been attached for your reference (attachment #2).

The attached report as authored by the EDO was brought forward to the August 13<sup>th</sup> Standing Committee meetings of Council for Council discussion. This was done to initiate the formal discussions at the Council table, with the recognition that additional process and consultation would need to occur. At that time, Council directed that the report be deferred to a future meeting to allow the following to occur before a Council decision was made on this matter:

- Refer the report to the Lake of the Woods Development Commission (LOWDC) to review and provide their position on this matter. The LOWDC reviewed this report at their Board meeting on August 29<sup>th</sup> and passed the resolution as provided in the attached report at that meeting.
- Direct staff to proceed with a public consultation process.

This deferral also gave the opportunity for City administration to provide additional information to Council with regards to casinos and the potential impacts to host municipalities. The deferral further provided the opportunity to allow Council Members to perform their own personal review of relevant information to assist them in their decision making. This review included discussions with members of the public and elected officials from other municipalities that currently host a casino. A significant amount of information, both provided direct by the OLG, and other studies and reports available online has been provided to Council members over this timeframe.

### **Public Consultation Process:**

As directed by Council, the City proceeded through a public consultation process on this matter. This process included the following:

- Creation of a page on the City's portal related to the Casino question, which included various links to partners within this process, including the

OLG Modernization Site, the Problem Gambling Institute of Ontario, the Centre for Addiction and Mental Health (CAMH) and the Alcohol and Gaming Commission of Ontario (AGCO).

- Development of a survey, available both on-line and in paper form in various locations within the City for public feedback. The survey closed on September 21<sup>st</sup>, and a summary of all results, including all comments received, was circulated to Council on September 25<sup>th</sup>. The results will also be made available on the City's portal.
- Public information session held at the Kenora Recreation Centre on September 10<sup>th</sup>, to provide the Public with information on the modernization. This session included presentations by the following:
  - OLG
  - Ontario Provincial Police (OPP)
  - Sheila Toderian, local Certified Gambling Counselor, working in conjunction with the Problem Gambling Institute of OntarioThe OPP and the Problem Gambling Counselor were invited to address key concerns noted by Council members with regards to potential impacts on crime and social issues as a result of a potential casino development. All three presentations are also available on the page set up on the City's portal. The session was also videoed and is available for viewing on the City's portal.
- A Special Committee Meeting was held, also at the Kenora Recreation Centre, on September 18<sup>th</sup> to allow the opportunity for public input into this process. The meeting was videoed and is available for viewing on the City's portal, together with minutes of the meeting.

Based on the feedback received at the Special Committee Meeting and the responses to the survey, the community appears to be divided on this issue.

Of the survey, there were a combined 518 responses received, 22 of whom indicated that they were not Kenora residents. This response represents just over 3% of the population. It does not include individual letters received, each of which has been distributed to Council. Of the survey responses, the following is worth noting:

- 290 (56.0%) indicated that they are either somewhat or strongly supportive of a casino development. Primary reasons being:
  - Create employment opportunities (74%)
  - More tourists on a year-round basis (65%)
  - Source of new revenue to pay for City services (53%)
- 218 (42.1%) indicated that they are either somewhat or strongly opposed to a casino development. Primary reasons being:
  - Can lead to addiction and other social problems (98%)
  - No new spending – will just spend money at casino instead of on something else (62%)
  - Will cost the City more than will be received (55%)
- 62% believe there will be an economic benefit to the City

- 56% have concerns about a casino being developed

At the Special Committee Meeting, there were a total of 13 deputations made. Of this:

- 7 presenters (53.8%) were in support of a potential casino development
- 4 presenters (30.8%) were opposed to a potential casino development
- 1 presenter represented one of the developers for a potential casino development and provided an overview of their current plans
- 1 presenter was neutral, but stressed the need for everyone to work together and if the casino was the way to do that, they were open to that

It is worth noting that, at the special meeting, there were six groups that spoke to the potential casino development. Four of those, all representing components of the business sector (the LOWDC, the Chamber, the Kenora Construction Association and the Kenora Hospitality Alliance) all spoke in support of a potential development. The remaining two groups (Knox United Church Leadership Team and the Ministerial Association) spoke in opposition of a potential development.

#### **Zone N4 Partners:**

Included in the public meeting was a presentation by Eric Luke, representing Wauzhushk Onigum First Nation (WON). Zone N4, as identified by the OLG, includes both the City of Kenora and WON. WON is working towards the redevelopment of the Golden Eagle Casino, currently located on WON lands.

This report is not specific to individual casino developers. That process will be part of the Request for Pre-Qualification (RFPQ) and subsequent Request for Proposal (RFP) process that will be administered and ultimately decided through the OLG. As such, this report does not contemplate any specifics mentioned with regards to that potential development.

Independently, however, it was made clear during the presentation that WON has received approval from their Council to construct a casino on WON lands. WON is seeking Kenora Council support for a casino within City limits, however they already have approval for construction on WON lands. The City has confirmed with the OLG that this approval will enable a casino development to proceed on WON lands, regardless of Kenora's decision, provided it is approved through the OLG process.

This brings an additional dimension to City Council's decision making. It needs to be understood that, regardless of the decision by City Council, a casino could still be developed within the existing N4 territory as identified by the OLG. Council's decision may be impacted by their desire to have the opportunity to be directly involved in the development process through discussion points with the developers and control through site plan agreements. This can only happen

if the City supports a casino development within City boundaries. The alternative is to understand that a development may occur, independent of City input and just outside of City boundaries.

If, ultimately, a development does not occur either within the City or on WON lands, the OLG would review its revenue model to determine if there is another suitable location for a casino within the North.

### **Social Impacts:**

One of the key concerns noted, both by Members of Council and the public, is the potential social impacts, the most significant of which being gambling addictions, and the related impacts on residents, families and businesses. In fact, 98% of survey respondents who did not support a casino development indicated this was because they felt gambling could lead to addiction and other social problems.

Kenora already has two full time gambling counselors, one for adults and the other for youth, both currently with full caseload, strictly related to gambling addictions issues. Clientele include people with gambling problems and their families. Based on current clientele, the primary addictions include problems related to bingos, slots and VLT's, online gambling and break-open tickets. There is no question that there is availability of gambling already in the area. At the same time, it is recognized that the development of a local casino may have a direct impact on the number of problem gamblers within our community. Ultimately, however, this impact cannot be quantified at this time.

Also recognized must be the current issue with homelessness and behavioural issues that the City is struggling with. Again, the potential impacts that may result from the introduction of a casino cannot be quantified at this time.

Due to the concerns noted with regards to the potential addiction and social impacts, the City invited Sheila Toderian, local Certified Gambling Counselor to present at the public information session held on September 10<sup>th</sup>. This individual, together with the President and CEO of the Lake of the Woods District Hospital (LWDH), Mark Balcaen, have provided the City with a follow up communication dated September 24<sup>th</sup>, outlining the potential impacts. They have requested that, should the City approve becoming a host municipality, the City advocate for the following:

- Increased funding for prevention / awareness and treatment services to the LWDH Gambling Program
- Casino Operator to develop a close relationship with the LWDH Gambling Program
- The OLG fund a pre and post casino community impact study for Kenora
- The City advocate with the Federal Government Medical Services Branch for funding for Aboriginal People for gambling residential programs

- The City advocate for OLG revenues to pay for transportation for people of all cultures to access residential treatment in the province, which is not available in Kenora.

A copy of their follow up correspondence, including this request, has been attached for your reference (attachment #3).

It is worth noting that the OLG have been acknowledged as a North American leader in Responsible Gambling (RG) and its prevention, research and treatment. The attached report as prepared by the EDO discusses the OLG mandate and standards related to RG, and those are not being reiterated here. Council has also been provided with specific information as provided by OLG with regards to their RG program, including their metrics.

Considerable review has been done on reports that discuss the social and economic impacts resulting from casinos. There is a wealth of information available on the internet, and a wealth of differing views. Each Council member has been provided with the opportunity to review a number of studies, as well as research information. As discussed previously, the studies, and their findings are varied.

The Canadian Consortium for Gambling Research (CCGR) is an organization comprised of provincial and federal organizations that are committed to funding gambling research, and includes the following agencies as standing members:

- Alberta Gaming Research Institute
- British Columbia Gaming Policy and Enforcement Branch
- Gambling Awareness Nova Scotia
- Manitoba Gaming Control Commission
- Ontario Problem Gambling Research Centre
- Québec, Ministère de la Santé et des Services sociaux

In 2008, the CCGR released a Socio-Economic Impact of Gambling (SEIG) framework designed to guide policy makers and researchers in evaluating the social and economic impacts of gambling. This framework was used to do a comprehensive review of close to 500 existing studies on the impacts of gambling. This report was released in 2011. The following comments related to this report were taken directly from the CCGR site on the SEIG page:

"The report's key conclusion is that assessing gambling's overall impact will always involve subjective judgment, as it is not possible to reliably combine social and economic impacts to arrive at an overall bottom line.

...

The analyses of empirical studies shows that gambling's impacts are mixed and differ based on the type of gambling. In general, the most

consistent economic impacts across all forms of gambling tend to be increased government revenues, increased public services, increased regulatory costs, and either positive or negative impacts on non-gambling businesses. The most consistent social impacts tend to be increased problem gambling (with most of this increase occurring after initial introduction), increased crime (to a small extent), increased socioeconomic inequality (to a small extent) and more negative attitudes toward gambling.”

It is important to note that the reference to initial introduction relates to new forms of gambling, as opposed to existing forms, such as slots and tables. A copy of the 2011 SEIG Executive Summary has been attached to this report for your reference (attachment #4). Also of note, as per the report, is that “Destination casinos have the greatest potential for improving the quality of life for impoverished communities, whereas non-destination casinos and EGMs have the greatest potential for decreasing quality of life.”

While Kenora would not be considered an “impoverished community”, the principle behind a destination casino as opposed to a non-destination casino is one worth pursuing further. This has been further addressed below under the “Destination vs. Non-Destination Casino” section.

The SEIG full report is available online. The following are the links to the CCGR site, as well as the SEIG page, which includes the full report.

CCGR Website:

<http://www.ccgr.ca/>

CCGR – SEIG page:

<http://www.ccgr.ca/seig.php>

### **Crime:**

As with social impacts, due to the concerns noted with regards to potential impacts on crime, the City invited Dave Lucas, Detachment Commander (DC) for the Kenora OPP Detachment to present on crime related impacts with regards to a potential casino development. The following were the highlights of this presentation:

- The AGCO oversees the regulations that the casino would abide by. They employ a “multifaceted approach to regulation (which) is a collaborative partnership approach to ensure that gaming activities operated by OLG are conducted in the public interest in accordance with the principals of honesty, integrity and social responsibility”.
- The casino would have a separate enforcement unit with a 24 / 7 presence. This unit would be fully funded by the Province, with no financial impact to the City.

- The calls per service for occurrences at casinos and slot machine facilities for the entire Province were 5,551 in 2010 / 2011 as compared to the approximately 20,000 calls handled by the Kenora detachment area alone in one year.
- In Thunder Bay, there was no spike in crime when the casino was opened. The biggest challenge was to sort out the roles and responsibilities with the casino operators. There are approximately 200 incidents annually in Thunder Bay, all considered minor in nature.
- There would be no changes to the complement of officers for the City.
- Potential "spin off crime" is hard to predict, but is not expected to have a significant impact on policing.

The overall assessment by DC Lucas was that "there will be minimal impact to the City of Kenora regarding costs and public safety issues".

### **Economic and Financial Impacts:**

The attached report by the EDO (attachment #1) discusses the municipal benefits that would result from a casino development, including tourism appeal, direct job creation and use of local suppliers, as well as fees from gaming operations.

During their presentation, Don Denver, Chair of the LOWDC also spoke to the following:

- Tourism (year round destination);
- Investment (interested investors with a potential \$20M business investment in community);
- Jobs (the LOWDC is anticipating 80 direct jobs);
- Local Purchases (the LOWDC is anticipating \$350,000 in local goods and services being purchased);
- Assessment (the LOWDC is anticipating \$100,000 in tax revenues annually);
- Revenues (the OLG has indicated that the anticipated slot revenues share to the City would be approximately \$500,000);
- Charitable Sponsorships (the LOWDC is anticipating \$13,000 in charitable sponsorships annually).

The previous revenue sharing model for municipalities was 5% of slot revenues. This model is being revised, and the new model is being released the week of October 8<sup>th</sup>. There has been some early indication that the model is relatively unchanged from the existing. Other municipalities with existing casinos have advised Kenora that they have seen a slight benefit from the new sharing formula. As such, the City is anticipating approximately \$500,000 based on OLG preliminary projections for its share of slot revenues on a potential casino development, in addition to any property tax dollars.



Given that the revenue sharing model is still not available, it is recommended that, should Council support becoming a host municipality, this support be conditional on negotiations for the revenue sharing model.

### **Kenora as North America's Premiere Boating Destination**

There has been some concern addressed as to whether or not a casino fits within Kenora's new brand as "North America's Premiere Boating Destination". This concern was also discussed during the LOWDC presentation on September 18<sup>th</sup>. During that presentation, the Tourism Strategy was referenced, which describes Kenora's need for more year round tourism product. The LOWDC believes that the addition of a casino product to Kenora's product mix will simply provide one more thing for people to do and see, noting a casino is just one more business in the community providing entertainment alternatives for local residents and visitors.

### **Destination vs. Non-Destination Casino:**

As noted above, under the Social Impacts section, the SEIG report issued by the CCGR in 2011 notes that "Destination casinos have the greatest potential for improving the quality of life for impoverished communities, whereas non-destination casinos and EGMs have the greatest potential for decreasing quality of life." Overwhelmingly, in public consultation, those that support a casino development feel it should not be a standalone facility, but be more of a destination venue entertainment / tourism complex, with a variety of amenities, including:

- High level accommodations / resort
- Convention centre capabilities
- Entertainment venue
- Restaurant

This is a sentiment that has been echoed by Council members and City administration, and is supported by the SEIG report.

It is recommended that, should Council support becoming a host municipality, that support be conditional on discussion points with private sector operators with regards to the development of a destination entertainment and tourism venue.

### **Planning Controls:**

It is not recommended that a casino located in the downtown core. Rather, if approved by Council, the City needs to work towards identifying suitable locations within City limits and Zone N4 for the development of a casino complex.

At the same time, it must be recognized that any casino development would require a Zoning By-law amendment and may further require an Official Plan amendment. The development would also be subject to a site plan agreement. With regards to site plan control, the City's Planning Administrator has provided the following comments:

"Site Plan control is authorized by the Planning Act (S. 41). The City's Official Plan designates the entire City as a site plan control area (including along waterways). The by-law itself further qualifies site plan control. The casino would be subject to site plan control as it is a non-residential development.

Generally the Developer submits an initial site plan. Then staff reviews it and indicates what the City will require.

The City can tell the developer what kind of landscaping we want, where and how much, paving requirements, what kind of outside lighting ie. night sky friendly or if lighting were to affect a residential use in the area, make sure that it is guarded so that the light doesn't go into people's windows. The City would require grading / drainage plans, parking and access / egress plans, sidewalks and ramps. Consideration may also be given to architecturally how we want something to look, as well as the scale of the building, for reasons such as viewscape and character of the neighborhood.

Site plan control gives the City the ability to have a development designed to fit its environment both technically and aesthetically. The agreement would also carry some financial security with it. The City's By-law requires security as follows:

- 10% of the first \$500,000 of the total value of construction; plus
- 1% of the balance of the value of construction.

The total value of construction includes any proposed buildings, site grading, storm water management facilities, landscaping and paving works, sidewalks, fences, retaining walls, on-site lighting, accessory buildings, or similar required works as shown on the approved plans.

The agreement is executed and registered on title. A building permit cannot be issued until the agreement is registered on title. The City may require public consultation. In this situation, the developer takes it to the public for input and any identified issues can be mitigated at that time.

The City may further require a transportation study to identify traffic impacts and potential mitigation.

As an example, in most cities, for new development, even the planters along the streets are supplied by the developer of the building adjacent."

The City will require the services of a planner to work on the proposed development should this matter move forward.

### **Business Case Evaluation:**

It has been suggested that the City needs to evaluate the business case for a potential casino operation. At this time, there is not sufficient information available to effectively evaluate that. In addition, the City does not have the internal resources to effectively evaluate a casino development business case.

If approved, as the OLG moves through the RFPQ and RFP processes, the OLG will be evaluating the business cases put forward by respondents. The OLG is in the best position to effectively evaluate that information.

The OLG have advised that, should they have an indication that things are not working out with a private operator the OLG has the ability to come and operate the casino themselves. The OLG have further advised that they would definitely be working with the municipality if this type of situation was encountered, and would be back through a similar process to find an operator as quickly as possible.

Also worth noting is that Kenora was selected as a gaming zone based on a gravitational model that uses an analysis of people in the area that have gamed either at an OLG facility or outside of the province. The model shows that Kenora has the ability to support up to 300 slots and the OLG has approved a maximum of 300 slot machines for a casino in Zone N4.

There is no mention of table games. There is, however, an opportunity for a private sector operator to add table games if they can demonstrate a business case for it. This would include the opportunity for electronic table games. In all the gaming zones, the OLG did not put a specific number on any table games allowed, leaving it up to private sector to determine and show a return on investment and related business case. The OLG recognizes that the table games are more labour intensive.

### **Experiences of Other Municipalities:**

During August and September, City Council members and senior administration had the opportunity to discuss with representatives of other municipalities that are host municipalities for casinos, their experiences. On September 6<sup>th</sup>, Council had an in camera education session conference call with Mayor Friel, City of Brantford, followed by Mayor Hobbs, City of Thunder Bay.

Mayor Friel (Brantford) had his CAO, Ted Salisbury, and his General Manager of Public Health, Safety & Social Services, Dan Temprile, participate on the call. Mayor Friel shared with City Council his original position of opposition for the

development of a casino within Brantford, noting he was outvoted at that time. He cited a recent CBC article that stated "Brandford Mayor says I was wrong", admitting that everything he thought would happen didn't. Highlights of the discussion include:

- Extensive economic benefits, including 905 full and part time employees, grants of \$17.3 million, wages \$459.7 million.
- Development of a post-secondary education facility, consisting of 19 building and over 3,000 students, which would not have happened without the casino revenues.
- Extensive investment in their downtown resulting directly from the casino revenue given to the municipality that otherwise probably would not have been realized.
- 421 casino related police calls in 2006, down to 173 calls in 2011.
- Addiction services existed before the development, and no spike in required services was noted after the casino opened.
- Unable to identify any negatives – noting they are simply not there.

A copy of a presentation made by Mayor Friel to the Canadian Gaming Summit in Niagara Falls in June 2012, together with his speaking notes, has been attached to this report for your information (attachments #5 & #6).

Mayor Hobbs also shared very positive experiences with Kenora Council, and felt the benefits achieved far outweighed any negatives. Highlights of that discussion include:

- 400 employees, that buy houses, vehicles and food, etc. in Thunder Bay.
- Annual slot revenues sharing of \$2.2M.
- Keeps Thunder Bay's taxes down, although there would be advantages to identifying these funds for special projects.
- There have been only two major crimes around the casino in 10 years.
- Addictions services continue and were in the community before the casino was built.

It is recognized that Kenora is neither Brantford, nor Thunder Bay, although can benefit from the input of their experience. All the various elected officials spoken to have indicated positive experiences for their municipalities related to the development of a casino. There are video interviews available on the OLG site of other elected officials at the following URL:

<http://www.modernolg.ca/video/sudbury-mayor-on-olgs-plan-to-modernize/>

In addition to the feedback, there is an important lesson to be learned from these municipalities. Some municipalities, such as Brantford, have safeguarded the revenue sharing (estimated at \$500,000 for Kenora) for special projects that could not otherwise have been done. Others have built the revenues into their tax base, and are now reliant on those revenues for general operations. It is recommended that should Council approve Kenora to be a host municipality, the City work to safeguard those revenues and not build them into tax base.

Rather, these funds should be identified for special projects for which the City would not otherwise be able to do, and preferably be used to leverage funding from senior government.

### **Options:**

While the decision itself has many factors to be considered, there are basically only two main options available to the City:

- Council can support for the concept of becoming a host municipality for a casino development. As previously noted, this support can be made conditional on discussion points with regards to the development of a destination complex.
- Council can determine that they will not support the concept of becoming a host municipality. This may mean that a casino will be built on WON lands, or possibly elsewhere within Northwestern Ontario.

At this time, the recommended option is for Council to proceed with conditional support for becoming a host municipality. This conditional support will allow the City to continue to work through the process with the OLG and the respondents to the RFPQ and RFP processes. As was eloquently pointed out to Council at the Special Council meeting held September 18<sup>th</sup>, Council needs to make a decision today for which they just do not have sufficient information with regards to a potential development. The decision to support Kenora as a potential host community will allow Kenora to participate in the process, with the intent of ensuring the best proposal is selected.

### **Next Steps:**

Should Council approve Kenora as a host municipality for a casino complex, the City's planning department should be directed to being work on identification of acceptable sites that the City is willing to discuss with private sector operators.

As noted previously, the City would need to identify a planner to work with the City on this potential development.

### **Budget:**

There is no anticipated budget impact to the City related to this decision. Anticipated costs related to retaining a planner should be offset from related revenues from the development.

### **Communication Plan/Notice By-law Requirements:**

Should Council support becoming a host facility for a proposed casino development, further public education is required. It is recognized that there are a number of misconceptions. In particular, there continues to be a push for

placing VLT's into local hotels in lieu of a casino development. The OLG has advised that VLT's are not allowed in Ontario. In addition, there will be only one casino development, which means the concept of putting machines into multiple hotels in the City is not an available option. Also worth noting is that there was a number of suggestions that the City construct a destination complex in lieu of a casino. The City needs to ensure that the residents understand that the City's decision is whether or not to become a host municipality. The City is not actively pursuing the construction of a casino with taxpayers' dollars.

Finally, and most importantly, given the current divide in public response to a potential casino development, clear education on why Council is moving forward will be important.

This information should be a priority for the next monthly article done for the paper by the City's Communication Lead, as well as a press release developed for the October 4<sup>th</sup> Special Council meeting.