

Request for Decision

City of Greater Sudbury Submission to OLG for Casino RFP

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| Presented To: | City Council |
| Presented: | Tuesday, Aug 14, 2012 |
| Report Date | Thursday, Aug 02, 2012 |
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Recommendation

That the Council of the City of Greater Sudbury adopt the following principles as the municipality's position on potential casino development:

1. The City of Greater Sudbury welcomes the results of OLG's Gaming Modernization Initiative and commits to working with the successful proponent of the forthcoming Request for Proposals.
2. The City of Greater Sudbury encourages gaming facility investment proponents to maximize benefits to the community by identifying and developing opportunities for ancillary and complementary amenities as part of their proposal.
3. The City of Greater Sudbury may consider the sale of municipal property for a gaming facility based on the proponent's commitment to develop ancillary and complementary amenities which benefit the Greater Sudbury community.

Further, that staff be directed to convey this information to OLG for their information and use as part of the Request for Proposal for the Sudbury Gaming Zone, and

Finally, that staff be directed to initiate an open house information session to seek public input on casino development in the four areas identified in the report dated August 2, 2012.

Background

On **March 12, 2012**, OLG Chair Paul Godfrey and Minister of Finance Dwight Duncan announced the Modernization of Lottery and Gaming in Ontario. This announcement was in response to the direction provided by the Province in 2010 when OLG was asked to review its operations and determine how it might improve its operational efficiency and market appeal in order to deliver more revenue to the Government of Ontario.

The March announcement indicated that OLG intended to become more customer-focused and shift the gaming operations role to the private sector. Their analysis showed that other provinces were realizing

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significantly more gaming revenue per capita than Ontario (\$836 per year in Saskatchewan versus \$459 in Ontario). They expressed a strong interest in moving gaming facilities closer to populated areas, building additional facilities, and ending the direct relationship between horse racing facilities and gaming sites.

Host Municipality Revenue-Sharing

The modernization report addressed the issue of revenue-sharing with host municipalities and indicated that they will be establishing new agreements with municipalities and seeking a consistent fee model across the province with funding levels based on customer volume. They have stated that such new agreements will allow the introduction of table games in more facilities as tables have a different operating cost structure than slot machines and can't be reasonably initiated with the current agreement.

Identifying New Operators and Potential New Sites

On May 17, OLG issued a Request for Information (RFI) to the gaming industry. The purpose of this initiative was to gain a private sector perspective on Ontario gaming and receive suggestions and expressions of interest from developers and gaming operators. In the RFI document, 29 zones were identified across Ontario, including 5 zones in Northern Ontario.

Earlier this year, two information meetings were held for municipal representatives to explain the RFI process and the steps that will take place following the closure of the RFI on July 4. The first took place in Sault Ste Marie on June 8 and was organized by OLG. The second meeting was organized by Mayor Randy Hope of Chatham Kent and took place in Milton on June 21. At both these meetings, the purpose of the RFI and planned future steps were outlined by OLG staff.

At the Milton meeting, the CEO of OLG, Rod Phillips, expressed a desire to better understand each host community's position on gaming in the future, on the types of facilities and locations that might be desired, and any additional information that the municipality deems relevant to the process. Mr. Phillips emphasized that OLG will be the intermediary between all municipalities and all gaming facility developers and operators. Municipalities will not deal directly with operators as they will be chosen through a response to the OLG RFP later this year.

Mr. Phillips also advised municipal representatives that Premier McGuinty has committed that there will be a public consultation process as part of casino development in every potential host municipality. The nature and timing of this process have not been prescribed, but it is an obligation that each municipality must meet.

TIMELINE

The process timeline is summarized below:

March 2012 - Release of Modernization of Gaming Report

May 2012 - RFI issued

June 2012 - Information meetings held across Ontario

July 4, 2012 - RFI Closes (OLG begins to work on RFQ and or RFP)

August 2012 - RFPQ issued to establish interest and capabilities of private sector firms

September 15, 2012 - Draft revenue-sharing agreement presented to host communities for review and ratification

October 2012 - RFP issued for some or all of identified gaming zones

- Some zones may be bundled together and presented as a package for bidding
- Some zones may be held back for a second wave later in 2013

December 2012/

January 2013 - Selection of proponent and negotiation of operating agreement and site plan

April 1, 2013 - Handover of existing OLG facilities to new operators in zones where RFP process has been completed

- Commencement of commercial lease provisions and new municipal host agreements

Current Situation

Since the RFI release on May 17, CGS staff have made contact with more than a dozen industry players to discuss their interest in future gaming operations in Greater Sudbury. In some cases, these contacts were the result of outreach by municipal staff, while others made contact with us. Some of the companies involved are developers, both local and international, who had connections to the gaming industry and expressed interest in building a new facility. Other companies are gaming operators who expressed interest in managing the new facility. A couple of companies had both capabilities and most were already involved in partnerships that could deliver a comprehensive package.

Throughout the interactions with all private sector proponents, staff have been careful to acknowledge that Council has not adopted an official position on the question of the desired location for a new facility. We have indicated that there is a latent interest in seeing what amenities might be leveraged as part of this opportunity, either directly or indirectly. We have also indicated that we understand that the private sector proponents must have a solid business case for their investments and that their proposals will be submitted to OLG. Nonetheless, through discussions with proponents staff have received significant feedback on what private sector proponents believe will work within Greater Sudbury.

Based on these discussions, it is clear that there are four areas which are attracting interest in terms of a location. In general terms, these areas can be described as South End, Kingsway East, Sudbury Downs and Downtown Sudbury.

Given these four areas of interest, staff have conducted a basic locational analysis exercise, looking at traffic patterns, population and demographic profiles in the immediate areas. We will also indicate proximity to associated amenities. Staff intend to collate this information into an overview document which can be shared with all potential proponents.

Conclusion

OLG's RFI closed on July 4 and they are now collating results as they begin to assemble a Request for PreQualifications (RFPQ) to establish which companies are qualified to bid on gaming opportunities. This will be followed by an RFP in September or October, which will allow the pre-selected proponents to submit comprehensive proposals for casino developments in specific gaming zones. As indicated earlier, both

OLG and potential private sector bidders are interested in knowing as much as possible about the city's position on siting of a potential new casino. Staff have already been contacted by a company that has ranked Greater Sudbury highly in their RFI submission and would like to look at potential sites and discuss the city's requirements and interests for the project.

Staff recommends that Council adopt the following principles as a position on Casino development:

1. The City of Greater Sudbury welcomes the results of OLG's Gaming Modernization Initiative and commits to working with the successful proponent of the forthcoming Request for Proposals.
2. The City of Greater Sudbury encourages gaming facility investment proponents to maximize benefits to the community by identifying and developing opportunities for ancillary and complementary amenities as part of their proposal.
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