



KINGSWAY ENTERTAINMENT DISTRICT AND ARENA

Economic and Financial Analysis

Sudbury, Ontario

Prepared for **Municipal Law Chambers**

March 12, 2018



March 12, 2018

Mr. Gord Petch
Municipal Law Chambers
Royal Building
277 Lakeshore Road East
Oakville, Ontario
L6J 6J3

Dear Mr. Petch:

Kingsway Entertainment District and Arena Economic and Financial Analysis

As per our discussions, you have asked urbanMetrics to prepare a preliminary report summarizing our initial analysis and conclusions with regards to the proposed Kingsway Entertainment District in Sudbury and the proposed relocation of the Sudbury Community Arena, as part of this proposed arena/casino/entertainment/retail centre on the north side of The Kingsway in the vicinity of Levesque Street.

As you are aware, our firm, and our legacy organizations: the Coopers & Lybrand Real Estate Consulting Group and the PricewaterhouseCoopers (PwC) Real Estate Advisory Services Practice, have extensive experience in terms of analyzing the need for sports and entertainment complexes as well as casino gaming. In addition, we have undertaken numerous studies on behalf of municipalities to assist them in planning their commercial structures and downtown cores. We were involved in the analysis that led to the initial introduction of casino gaming in Ontario, and have continued to analyze casino and gaming projects on behalf of both private and public-sector clients. We have also undertaken numerous downtown studies on behalf of municipalities, and recently, on behalf of the Downtown Peterborough BIA undertook an analysis of a similar type of casino proposal. Moreover, we are also able to provide considerable insights into the Sudbury market and tourist draw, having been the economic consultants to Science North on a number of occasions and assisted in the creation of the Dynamic Earth attraction.

As part of our analysis, we have undertaken a review of the background documentation, including two PwC reports, which reviewed various options for the arena/entertainment complex, developed locational criteria and applied those criteria to provide Council with

direction as to an appropriate site for a new arena. We have also reviewed various planning policy documents, although we would note that the focus of our analysis relates largely to the market and economic impacts related to the arena and the impacts that might occur with the relocation of the arena and the casino to the proposed Kingsway Entertainment District.

The following report summarizes our principal conclusions and supporting analysis related to the proposed Entertainment complex.

If you have any questions with regards to any aspect of our report, please do not hesitate to contact us.

Yours truly,

urbanMetrics inc.



Rowan Faludi, MCIP, RPP, CMC, PLE
Partner
rfaludi@urbanMetrics.ca

Summary of Findings

We have undertaken a preliminary assessment of the principal components of the proposed Kingsway Entertainment District, and particularly, the proposed relocation of Sudbury Community Arena and the proposed relocation of Gateway Casinos Sudbury.

In our opinion, the proposed Kingsway Entertainment District would be contrary to a number of key municipal and Provincial policies, including the Official Plan, the Downtown Master Plan, the Economic Development Strategy and the Growth Plan for Northern Ontario.

Our analysis also concludes that the Kingsway Entertainment District is not a project that would make economic sense for the City of Greater Sudbury in that the benefits it would produce would be overshadowed by its economic and financial costs. Before investing further staff and financial resources in this project, we strongly recommend that the City proceed with the conduct of an independent economic and financial analysis of this project.

- **Downtown Sudbury is the City's and Region's Commercial Engine.** This is reflected in all of the City's key Planning and Economic Development policies. These policies protect Downtown Sudbury and actively promote continued investment in the core. The Sudbury Community Arena is the largest visitor attraction to Downtown Sudbury and supports many downtown businesses. The relocation of the Sudbury Community Arena would be a lasting economic drain on Downtown Sudbury. It would likely cause the direct loss of businesses that rely on the arena and would significantly hamper the attraction of new investment to downtown Sudbury
- **Downtown's are the Preferred Location for Major Arena/Entertainment Complexes.** Major sports leagues including the NHL and CHL have recognized that their most successful franchises are in downtown locations, while the least successful franchises are on suburban sites. Municipalities, such as London, Kingston, Guelph, St. Catherines, Oshawa, and others, with downtown CHL arenas are seeing a surge in commercial and residential investment. The development of a new arena in Downtown Sudbury, would help to stimulate private investment in this strategic area.
- **The PwC Report Confirmed Downtown as the Preferred Site for the New Arena.** PwC was engaged by the City of Greater Sudbury to undertake two reports examining the need for and the location for a new Arena/Entertainment complex. After examining eight key factors, PwC concluded that the Downtown was the preferred site for the Arena.

- **Making a Decision Based on a Sub-set of the PwC Factors is a Flawed Approach.** Council directed PwC to make an assessment based on only three of the factors – Economic Impact, Cost, and Parking. While the Downtown site was rated highest from an economic impact perspective, it was rated behind the Kingsway site in terms of Cost and Parking. PwC used very generalized and preliminary cost information and, in our opinion, did not have sufficient information to rank the options based on cost in a supportable manner. The parking analysis left out a number of key factors that could have returned an alternative result if considered. Furthermore, it was based on a pre-existing bias that an expansive suburban parking area was in some way superior to downtown parking options, without taking into consideration the amount of parking actually required to support a new arena. The analysis using only three of the eight factors is a flawed approach and should not take precedence over the analysis of the full range of factors, which resulted in the Downtown being the preferred location for the arena/entertainment complex.
- **The Kingsway Entertainment District Would Redirect Business and Investment Away from Other Parts of Sudbury.** The current Kingsway proposal would include the relocated casino, the relocated arena, as well as, restaurants, and other recreation/entertainment uses and is also being promoted to include shops and a convention centre. Sudbury is not a large market and is projected to grow at only modest levels. In the absence of a major draw in the downtown to replace the arena, it is likely that the Kingsway Entertainment district could exist only by cannibalizing business from the downtown and other parts of the City, which are already identified in the Official Plan as being important commercial nodes the entire City and beyond.
- **The Kingsway Proposal Would Jeopardize the City’s Planned Transformational Large Projects.** Following a public consultation process, City Council gave direction to proceed with two major projects – The Greater Sudbury Convention and Performance Centre and the Library/Art Gallery. The re-use of the existing arena was deemed the preferable location. In our opinion, it is likely that the proposed Kingsway Entertainment Centre could duplicate the function of the convention centre and events centre – by offering alternative performance venues, meeting spaces and convention facilities. In addition, by relocating the arena to the Kingsway site, the City would be losing all of the synergies that would exist between the convention centre and the arena, such as, attracting large scale events that would use both facilities, or by attracting a large convention hotel that could serve both arena and convention centre. In our opinion, the Kingsway development would seriously impact the viability of these important projects in the downtown core. And in fact, the

Kingsway development is already being promoted for a convention centre to tie into the opportunities created by the relocated arena¹.

- **A Casino Would Not Significantly Affect Tourism to Sudbury and Would Draw the Vast Majority of Its Support from within the City.** The existing Sudbury tourism market is not large and not well oriented towards casino gaming, with about 70% of visitors coming to visit friends and relatives or for shopping and personal appointments. About 60% of visitors arrive from other parts of Northern Ontario. The current pleasure market comprises only about 21% of visits. The existing casinos in Northern Ontario – in Thunder Bay and Sault Ste. Marie draw between 85% to 95% of their visitors from within the local municipality. Licence plate surveys conducted at the Gateway Casino Sudbury (Former OLG Slots), confirm that the vast majority of customers are from Sudbury. Attracting tourists to a casino in Sudbury would require tapping into new markets not currently visiting Sudbury. This would be difficult to do because the Provincial and International gaming markets are already severely constrained by existing casinos, while the OLG modernization program will be bolstering this competition. In our opinion, additional gaming revenues that would be achieved by a new casino in Sudbury would be derived mostly from Sudbury residents, who would have transferred their spending from other commercial sectors elsewhere in the City.
- **Casino Gaming Extracts Money from the Local Economy.** Casinos and slots facilities typically generate very high profits. In the case of the OLG Slots, this facility generated approximately \$42 million in net gaming revenues in 2016/17, plus a small amount in food services. Local costs (wages and salaries, municipal revenue share, sponsorships, local purchases, etc.) comprised only about \$12 million. The OLG Slots Sudbury facility contributed approximately \$30 million to the Province. With the vast majority of these revenues being derived from Sudbury residents, an estimated \$20 to \$24 million was effectively transferred from the City's economy to the Province. While the Province invested money back into the City as part of its ongoing spending on health care, transportation, infrastructure, etc., there is no way of knowing whether this represents a gain or a loss for the City, or whether the Province would invest any differently if there were not casino in Sudbury. Effectively this money was being transferred from the City for discretionary spending by the Province. This situation will be less favourable for Sudbury going forward, in that future casino revenues will be shared

¹ Promotional video prepared by True North Strong Centre.

² Science North is made up of multiple separate attractions including the Science Centre, Dynamic Earth, the

between the Province and Gateway Casinos – a private BC company owned by a Toronto Investment firm, which would have no obligation to invest revenues back into the local economy.

- **The Proposed Kingsway Entertainment District May Not Result in a Significant Number of New Jobs for the City.** While the proposed entertainment district will be a relatively large employer, most of the jobs will occur from transferring existing jobs from the arena and the slots facility. The employment gain from the new arena would be negligible and would likely be the same if the arena were constructed downtown. Gateway Casinos has announced that it will employ some 400 persons. These would replace approximately 190 jobs at the slots site. Based on our understanding of the Gateway concept, about two-thirds of these employees would be required for work in food services and retail outlets at the casino. It is likely, that at least some of these jobs will be transferred from existing bars and restaurants in the downtown and elsewhere in Sudbury, so that the net gain could be relatively small. Equally as important, is that due to their high profits, casinos do not generate a lot of employment per dollar earned. So that transferring revenues from establishments such as restaurants that require more staff per revenue earned, could actually result in employment losses for the City as a whole.
- **Additional Revenues to the City from the Proposed Kingsway Entertainment Project May Not Be Significant.** The City currently receives about \$2.2 million from the current slots facility through the Municipal Contribution Agreement with OLG. Based on a projected casino win from a current level of \$42 million from the slots to between \$75 and \$80 million from both tables and slots, this would increase the municipal share by between \$1.45 to \$1.7 million. Additional revenues would also be available from property taxes, however, these will be highly dependent on assessment changes that are being reviewed by the Municipal Property Assessment Corporation in response to the OLG modernization program. These would result more from changes to how casinos are assessed than to where they are located. In other words, the assessed value of the facility will likely change regardless of whether Gateway Casinos moves to a new location. As a municipal facility, the Community Arena, is exempt from taxes. This is not expected to change with the proposed relocation to the Kingsway site. These net revenue gains will also be tempered by tax losses from the closure or downsizing of downtown businesses due to the relocation of the arena and competition from the proposed Kingsway development. Furthermore, taxes received from new development also come with a requirement for a municipality to provide public services, such as road maintenance, emergency services, administrative

services, etc. So that much of the tax increase from the development of a new casino may be required to provide the necessary services to support it.

- **In conclusion, the Proposed Kingsway Entertainment District has many Economic Drawbacks for the City and it is likely that its Economic and Financial Costs would Outweigh its Benefits.** As a result, we would strongly recommend that a more detailed economic analysis be undertaken, before additional staff and financial resources are invested by the City towards this proposal.

1.0 Sudbury Community Arena is an Important Economic Driver and Community Resource

Sudbury Community Arena is currently one of the largest visitor attractions within the City and an important economic driver for the downtown core.

Based on the February 21, 2017 PwC Report, which was commissioned by the City to assess the viability of constructing a larger and modernized facility, between 2013 and 2015, the current arena has drawn between 156,000 and 213,000 visitors annually. To put this in perspective, this is more than the attendance attracted to the Science North Science Centre over this period, which drew between 142,000 to 149,000 visitors². While the source of visitation to these two important attractions is very different, none the less, Sudbury Community Arena draws a very significant volume.

The City of Greater Sudbury's website describes the Sudbury Community Arena:

The Sudbury Community Arena is where sports and entertainment come alive in the north! A hub of community activity since 1951, the Sudbury Community Arena has hosted countless concerts, tradeshow and sporting, entertainment and cultural events. It is also proud home to the Ontario Hockey League's Sudbury Wolves. Centrally located in downtown Sudbury, the Sudbury Community Arena is situated near a variety of unique shopping, entertaining and dining locations³.

As one of the most visited attractions in the City, Sudbury Community Arena attracts many visitors to the site, but also supports a wide range of businesses in its vicinity, including restaurants, retail shops, accommodations, and others.

In our experience, the location of the arena will play a very significant role in terms of its ability to support local businesses and attract visitors to its own events.

² Science North is made up of multiple separate attractions including the Science Centre, Dynamic Earth, the Exhibit Hall, the IMAX Theatre, the Planetarium and the new Escape Room. All of these attractions combined drew between 343,000 and 381,000 persons between 2013 and 2015. The Science Centre is the most popular of these attractions, drawing between 142,000 and 149,000 visitors.

³ <https://www.greatersudbury.ca/play/recreational-facilities/arenas/sudbury-community-arena/>

2.0 Downtowns have Become the Preferred Location for Major Arena/Entertainment Complexes

Both municipalities and sports organizations across North America have realized that suburban-based arenas consistently underperform those in downtown locations, both in terms of economic impacts and attendance.

The National Hockey League has acknowledged the trend towards successful downtown arenas, citing young people's preference to living downtown and forgoing car ownership and that from an urban planning perspective the trend is moving away from suburban entertainment districts towards a more dynamic mixed-use approach, including residential development and retailing. The weakest franchises in terms of attendance - Florida, New Jersey, Arizona, Carolina and Ottawa are those with NHL arenas in suburban locations⁴.

The Edmonton Oilers recently relocated from the former Northlands Coliseum (Rexall Place) beside the Northlands exhibition grounds (i.e. an entertainment district), to Rogers Place in the heart of the downtown core. The construction of the new arena has attracted a downtown building boom characterised by a number of new condominium and office projects. The City of Ottawa is also considering a relocation of its NHL arena from suburban Kanata to LeBreton Flats adjacent to the downtown core. NHL Commissioner Gary Bettman has stated that "A new downtown arena is vitally important to the long-term future, stability and competitiveness of the Senators"⁵.

Smaller communities with Canadian Hockey League (CHL) teams are also moving towards downtown arenas. The London Knights, which has the highest average attendance in the Ontario Hockey League (OHL) and the second highest in the CHL has their home in Budweiser Gardens – an important downtown attraction, which like Edmonton has also attracted considerable downtown investment since its opening in 2002. The City with the highest average attendance in the CHL is Quebec City, which has an arena on the fringe of its downtown.

Similarly, the K-Rock Centre in downtown Kingston has become a key economic driver for the core area, hosting the Kingston Frontenacs OHL team and a myriad of major concerts and events. To enhance the economic impacts of the arena, it was designed so

⁴ "Suburban arenas a problem for the NHL", Toronto Star, November 23, 2107.

https://www.thestar.com/sports/breakaway_blog/2017/11/23/suburban-arenas-a-problem-for-nhl.html

⁵ "NHL commissioner Gary Bettman says Ottawa Senators need a new home", Ottawa Sun, November 10, 2017.

<http://ottawasun.com/sports/hockey/nhl/ottawa-senators/bettman-says-the-senators-need-a-new-home>

as not to offer on-site destination parking to ensure that patrons would pass by shops and restaurants throughout the downtown core on their way to the venue.

Other Ontario cities that have developed successful arenas in their downtown cores include: Guelph (Sleeman Centre), St. Catharines (Meridian Centre), and Oshawa (Tribute Communities Centre). While the recently renovated TD Place arena – home to the Ottawa 67s – is not in the downtown core, it is situated within the historic Glebe neighbourhood and Bank Street commercial avenue. Together with the development of the TD Place stadium, this major redevelopment project has helped to attract extensive commercial and residential development to this historic area of Ottawa.

The existing Sudbury Arena attracts over 150,000 to 200,000 persons to the downtown each year and hosts events that could not be accommodated elsewhere in the City. The City of Greater Sudbury Official Plan recognizes that amenities such as ... Sudbury Arena ... contribute to the appeal of downtown” and as a stated program indicates that “In order to make it more attractive as a place of residence, additional amenities necessary to enhance the liveability of the Downtown will be identified”⁶. In other words, the Official Plan is seeking to increase the number of amenities like the Arena to locate in the downtown core.

In summary, the trend in both the NHL and the CHL is towards downtown arenas for several reasons:

- They tend to draw higher attendance than suburban arenas;
- There is an emerging market with lower rates of car ownership and a propensity to live downtown;
- From an economic development perspective, downtown arenas are more successful at attracting new residential, office, entertainment, and commercial development than their suburban counterparts; and,
- From a planning policy perspective, downtown arena sites support a more efficient, transit and pedestrian urban structure than suburban arenas.

The proposed entertainment complex on the Kingsway would be counter to these trends and appears to ignore the positive economic impacts of downtown arenas that are being experienced by cities both large and small.

⁶ City of Greater Sudbury Official Plan Section 4.2.1.1 Program 1.

3.0 The Kingsway Proposal is Inconsistent with the City's Policies Protecting and Enhancing the Downtown as the Engine of the Region's Commercial Economy

Downtown Sudbury is the centre of retail, arts and culture, government and business services for not only the City, but also Sudbury's extensive service area. Based on data compiled by the Canadian Urban Institute⁷, Downtown Sudbury accommodates some 400 businesses and 6,000 employees. Downtown Sudbury is home to some of the City's leading institutions, including: the Laurentian School of Architecture, City Hall, Memorial Park, the YMCA and Older Adult Centre, the Sudbury Theatre Centre, and Sudbury Arena, among many others.

Sudbury Official Plan

The Official Plan contains numerous references to the importance of the downtown to the City and its service area, and contains policies to sustain and attract new investment to this vital part of Sudbury's urban structure.

For example, Section 1.4 cites the importance of the downtown to the community; the need to enhance its role; and the need to attract new residential development to the core:

The heart of Greater Sudbury, its most urban place, is and will be the Downtown. With the changing role of downtowns, there is a continuing need for appropriate policies and programs to enhance the Downtown as a location of government, commerce, cultural and entertainment facilities. Residential development in and around the Downtown is needed to support new and expanded facilities and amenities.

Section 1.2 directs the City to sustain the downtown as a vibrant hub:

Greater Sudbury's Downtown will be developed and sustained as the vibrant hub of a dynamic city by preserving its historical built form, promoting arts and culture, improving linkages to neighbourhoods and amenities, integrating natural features, developing residential uses, and creating unique urban spaces through innovative design.

⁷ The Value of Investing in Northern Ontario Downtowns: The City of Greater Sudbury Case Study, August 19, 2014.

To this end, Policy 1 in Section 4.2.1.2 requires the City to preserve those aspects of the downtown that contribute to the image, character and quality of life of the City.

It is policy of this Plan to preserve those aspects of the Downtown that contribute to the image, character and quality of life in the City, including natural features, landmarks, design attributes, heritage resources, linkages to existing trails, pedestrian walkways and other desirable elements of the built environment.

In summary, the downtown is a key part of the Sudbury economy. Although the mining and smelting industry has, in the past, been the economic driver of the City, Sudbury is diversifying its economic base, which has been characterised by growth in banking and financial services, business services, government, tourism, health care and retailing. The PwC reports confirm the recent emergence and recognition of Greater Sudbury as a centre for research and innovation with growth in various information technology sectors (e.g., science and technology research)⁸. This recent growth also includes direct partnerships with local post-secondary institutions. The addition of the Laurentian School of Architecture is a prime example of this diversification and the attractiveness of a downtown environment for these creative and technology intensive sectors.

These types of activities are much more urban in character than Sudbury's traditional industries. A vibrant downtown with a mix of entertainment, shopping, residential and business opportunities will be important in terms of attracting businesses and employees from these sectors.

Across North America, downtown cores are playing a key role in terms of establishing cities as quality places that can attract the emerging workforce required for the creative economy.

From the Ground Up 2015 – 2025

Sudbury's Economic Development Strategy prepared by the City of Greater Sudbury Community Development Corporation entitled From the Ground Up 2015 -2025, makes extensive reference to the downtown as a key driver of Sudbury's economic future.

Greater Sudbury recognizes that downtowns are important and that they represent the historic and symbolic heart of the community. A healthy, active, successful

⁸ PricewaterhouseCoopers, Proposed Sports and Entertainment Centre Feasibility and Business Case Assessment, February 21, 2017. p. 6.

downtown makes a positive statement about the prosperity of the city and sends a positive message to future residents, businesses and investors.⁹

The revitalization and development of Downtown Sudbury is a key objective of the City's Economic Development Strategy. Objective 4.1 of the Strategy is to "Revitalize and Redevelop Downtown Sudbury as a key indicator of the Community's Quality of Place". The "Required Actions" to achieve this objective include: attracting investment in retail, arts, food, and hospitality; implementing a business retention and expansion program targeting the businesses in the downtown; and developing public spaces, buildings, and infrastructure as a catalyst for revitalization and public-sector investment in the Downtown.

The Economic Development Strategy indicates that representatives from the City's Tourism Sector identified the Arena and Convention facility as "the jewel in the crown", that "it unlocks the potential for our community"¹⁰.

The relocation of the "jewel" and the largest visitor draw to the downtown to a suburban location would be in direct contrast to the objectives and recommended actions of the City's Economic Development Strategy. In fact, Objective 7.1 of the Strategy – "Invest in Facilities, Spaces and Initiatives Needed to Support the Growth of Tourism" specifically recommends the development of a multi-purpose facility or facilities in the downtown core, including the consideration of an arena/sports complex.

It is also worthwhile to note that within the Economic Development Strategy there is not a single reference to casinos, gaming or slots as contributing to the economic development of the City or something the City should pursue to enhance economic growth.

Sudbury Downtown Master Plan

The Sudbury Downtown Master Plan was commissioned and approved by the City of Greater Sudbury in 2012 and functions as the blueprint to guide the revitalization of Downtown Sudbury over the next ten years (i.e. to 2022) and beyond, detailing a series of actions and initiatives necessary for this transformation and specifying their timing and allocating responsibilities.

The Downtown Master Plan has been carefully prepared to enable the City to meet its own policy objectives, as well as those required by the Province:

⁹ From the Ground Up 2015 -2025 p. 31.

¹⁰ From the Ground Up 2015 -2025, Appendix A: Consultation Summary p. 63.

The Official Plan recognizes the important role of Downtown as an employment centre within the City. The new Northern Growth Provincial Plan requires that municipalities develop strategies to encourage a significant portion of future residential and employment development locate in strategic core areas and other opportunity areas, such as brownfields. Building on these policy directions, the Master Plan proposes a program of public and private investment in the downtown necessary for it to achieve the self-sustaining critical mass and play its optimal role¹¹.

The study emphasises why it is important for municipalities to protect and promote economic growth in their downtowns:

The study notes that:

a struggling downtown sends a negative message to future residents, businesses and investors.

Conversely, a successful downtown:

... creates a positive image for the Region.

... supports a strong tax base for the city.

... acts as an incubator for new business growth.

... retains and creates new and different jobs.

... protects property values in surrounding neighbourhoods.

... is a significant tourism destination.

... allows growth to occur in an efficient and sustainable way.

... is the meeting place for the city¹².

The Downtown Master Plan calls on Downtown Sudbury to be a “Destination”:

The Vision for Downtown Sudbury is for it to be the urban playground for Northern Ontario. Sudbury should be the leading destination for business meetings, sports events and cultural and community festivals in the North. However, at present the city lacks many of the facilities necessary to assert this leadership role and many other cities are eager for this business. If Greater Sudbury is to remain competitive and firmly establish itself as the Centre of the North, it cannot remain static. The City must continue to invest

¹¹ Downtown Sudbury a plan for the future going downtown growing downtown, March 2012. p. 40.

¹² Ibid. p. 3.

strategically in its downtown and foster growth that will deliver wider benefit to the city as a whole¹³.

The Downtown Master Plan advises that a number of large-scale initiatives are required, which in turn create the market for retail, restaurant, recreation and other related activities. Importantly, they will set the required environment for residential investment, a critical strategy for downtown success.

One of these projects calls for upgrading the Arena in combination with the construction of a new multi-use facility south of Brady Street with a four-star hotel overlooking Memorial Park.

The Master Plan provides its vision of this initiative:

The Shaughnessy District has brought new energy to the southern portion of Downtown with the rejuvenated arena complex, four-star hotel and new multi-use community and conference space. With events held weekly, the centre is booked solid by a mix of business groups, not-for-profits and community groups. Festivals, food, music, film and the arts keep downtown buzzing¹⁴.

The Downtown Master Plan is the policy document which lays out the City's investments in the downtown over the next 10 years. It is also a document that Sudbury residents and businesses rely on to make their own investments. The Downtown Master Plan, after careful study and long-term consideration has identified the need to undertake significant investment in its Downtown. The Sudbury Community Arena, including a new hotel is an important part of the City's investment strategy.

The proposed Kingsway Entertainment Centre would be diametrically opposed to this strategy. Rather than encouraging investment in the downtown, it would involve the removal of existing infrastructure out of the core and would, in effect, actively encourage businesses to relocate from the core to a suburban location. The vision promoted for the Kingsway Entertainment District includes a wide range of commercial and entertainment businesses, including retail shops, restaurants and a convention centre which would serve to drain business from the core, as well as, other parts of the City. In our opinion, this would not only be economically harmful to the core, it would be contrary to the City's own policies and the policies of the Northern Ontario Growth Plan.

¹³ Ibid. p. 40.

¹⁴ Ibid. p. 29.

4.0 The PwC Reports Confirmed Downtown as the Preferred Site for a New Arena

PwC prepared two reports addressing potential options for the redevelopment/relocation of the Sudbury Community Arena. The first report dated February 21, 2017, provided an overview of arena operations elsewhere in Canadian Hockey League (CHL) cities and made recommendations with regards to a supportable size and the various design components for a new arena in Sudbury. It provided preliminary cost estimates and financial projections based on assumptions surrounding facility utilization and programming. It prepared a high-level non-location specific economic benefits analysis of a new arena and finally, provided a set of criteria to guide an analysis of a preferred location.

In our view, one of the most important discussions relating to location is found on pages 73 and 74 of this report, where the authors discuss the importance of location in terms of generating economic impacts for a community. They refer to a number of downtown arena projects, including London, Kingston, Oshawa, Guelph and Moncton, that have had substantial positive impacts in terms of attracting new investment into a community.

They also cite some non-downtown arena projects, such as Barrie, though in this case, they suggested that the surrounding development activity was likely due to traditional market forces attracted around Highway 400 rather than to the arena. Based on our significant experience in the Barrie market, we would agree that this is the case. They also refer to Medicine Hat, Alberta, where the Canalta Centre was constructed on land donated by a developer. They note that this area was already developing as a retail node, but that the Canalta Centre helped to spur and advance development of the area. Finally, they note the Mohegan Sun Arena in Wilkes-Barre Pennsylvania where the area around the arena had been transformed from “worthless property” into one of the busiest retail districts in the region. Again, they note that the success with the facility was due, in part, to its location in a rapidly growing regional economy, with a population of 14 million people within a 100-mile radius. In all cases, where they refer to suburban-based arenas, the areas around the arena sites had already been subject to strong market growth regardless of the presence of an arena.

They conclude that to maximise spin-off development around arenas, strong local economic conditions and supportive planning will be required.

The final sentence, which concludes the report, provides insight into a preferred location strategy:

In greenfield sites, this amount of critical mass will sometimes need to be “created” and could take years to fully evolve, whereas in more urban locations, a critical mass of space is likely already present and city cores are able to realize positive spin-off benefits more quickly¹⁵.

The second PwC report dated June 2017 applies a set of criteria developed in the first report to evaluate the potential of 23 sites to accommodate the new arena. Based on physical constraints, such as site size and dimensions, proximity to parking, proximity to arterial roads, proximity to municipal services, and suitable soils/geology, the 23 sites were reduced to four shortlisted sites, which were evaluated using eight criteria developed in the first report.

These include:

- **Vision** – Whether the Events Centre concept on the site is consistent with the overall long-term strategic vision of the City.
- **Complimentary Benefits** – The ability of the Events Centre to enhance the surrounding area.
- **Ease of Development** – Cost and timing on a particular site.
- **Access** – Whether the site is or can be easily accessed by vehicle, pedestrians or transit.
- **Parking** – Whether sufficient parking would be available to support the Events Centre.
- **Cost** – Total cost of development, including land acquisition, site preparation.
- **Economic Impact** – Whether a particular site has an enhanced economic impact for the surrounding neighbourhood, the City or the Region.
- **City Building** – Whether the development of a site would enhance economic growth, quality of life, citizen satisfaction and community pride.

¹⁵ Proposed Sports and Entertainment Centre Feasibility and Business Case Assessment, City of Greater Sudbury, PwC, February 21, 2017. p. 75.

PwC applied these criteria to four distinct sites:

- A 19.2-acre property on **Maclsaac Drive**, near the intersection of Regent Street and Long Lake Road
- A 22-acre site on the south side of Regent Street at **Algonquin Road**
- A 23.1-acre site on **The Kingsway** in the Jack Nicholas Business and Innovation Park, which would be developed as part of a broader entertainment district with a casino and other complementary uses.
- A 3.0-acre site in **Downtown Sudbury** adjacent to the existing arena.

After applying all of the criteria, PwC ranked the Downtown site as the most desirable, followed by the Kingsway Site, the Maclsaac site and the Algonquin site. The Downtown site had the highest ranking in all categories except cost impact where it finished second to the Kingsway site and parking where it finished fourth.

5.0 Analyzing Only the Council-Deemed “Highest Importance” Criteria is a Flawed Approach

While using all of the criteria, the PwC Reports deemed the downtown as the preferable site for a new arena. However, Council directed PwC to separate the criteria into three groups:

Of Highest Importance

- Cost
- Economic Impact
- Parking

Extremely Important

- Complementary Benefits
- Access
- Ease of Development

Important

- Vision
- City Building

Using only those criteria which Council deemed of Highest Importance (Parking, Cost, Economic Impact), the Downtown site finished second behind the Kingsway site. The Maclsaac and Algonquin rankings remained unchanged at 3rd and 4th respectively. In our opinion, this is not a valid approach to analyzing the merits of a location, because it ignores factors that should be considered. In fact, in its analysis, PwC had already devised a weighting system for each criterion, so that some factors were given higher weightings than others, but all factors were considered. Only considering the factors deemed of Highest Importance to Council ignores other important factors which should be considered in terms of any decision – such as vision, city building, complementary benefits to the community, accessibility, and ease of development. Without considering these factors, a decision cannot be made based on a full understanding of the implications of the project.

Equally important, however, is that there are a number of significant issues with the PwC ranking system that likely unfairly and incorrectly skewed two of the criteria deemed of Highest Importance to Council against the downtown site – Cost and Parking.

Cost Criteria

Firstly, the cost information available to the consultants was only at a very high level, particularly costs related to infrastructure and site preparation. As there has been no detailed cost analysis of the sites, PwC could only use very rough estimates. For example, with regards to the Kingsway site, site preparation was estimated at between \$10 and \$15 million, while servicing was estimated at between \$5 and \$10 million. Including the \$80 million construction cost for the arena/events centre, the total cost at the Kingsway site was assigned a value of \$98 million.

For the Downtown site, site preparation costs were estimated at between \$5 and \$10 million, while the cost for additional works and servicing has been estimated at less than \$5 million. There were also unspecified costs related to acquiring portions of the site not owned by the City. In addition, the BIA agreed to commit some \$2.2 million if the arena was located downtown. Including the \$80 million to physically construct the building, the Downtown site was assigned a total cost of \$99 million.

In our opinion, given the breadth of the cost range for servicing and site preparation, there is not sufficient precision to rank the two sites differently, particularly when the total cost difference assigned was only about 1% of the total projected costs. Secondly, PwC has suggested that due to the nature of construction costs, that these estimates may be prone to some double counting¹⁶, which further erodes confidence in the preciseness of the estimates.

¹⁶ Greater Sudbury Event Centre Site Evaluation, PwC, June 2017. pp. 15, 18, 21 and 27.

Finally, the servicing costs and site preparation costs at the Kingsway site are far less certain than those of the Downtown site, which already has access to municipal services and has infrastructure in place to support the existing arena. Furthermore, the geotechnical details of the Downtown site are also likely similar to those of sites elsewhere in the downtown, including the recently constructed School of Architecture building. The same cannot be said for the Kingsway site, which would require water and sewer construction and the provision of hydro and as stated in the PwC report: “is vacant and unimproved and contains undulating bedrock with dips and valleys” and would require “a significant amount of blasting and site grading”. In other words, there is considerably more risk with regards to the preliminary cost estimates associated with the Kingsway site.

In our opinion, there is not sufficient information to rank the Kingsway site ahead of the Downtown site (or potentially the other sites) on the basis of cost. A more reasonable approach would have been to rank the Downtown site equal to the Kingsway site in this category, although it is conceivable that the Kingsway site could be more expensive to develop than any of the other three sites, once detailed engineering and geotechnical analysis has been completed.

Parking Criteria

Several issues also exist with respect to the application of the parking criteria applied in the PwC report.

First, while the report ranks the sites on their availability of parking, nowhere is there an analysis of how much parking would actually be needed and whether the downtown site due to its access to transit would require less parking than the other sites. The fact that one site has more parking than another may not be relevant if the excess parking is not needed.

Secondly, the February PwC report notes that:

One of the key elements that must be included in any location decision is access to parking. Remote or suburban locations tend to have adequate land for parking but also tend to have only one major road leading to the site. As a result, while parking may be easily accommodated, there can be significant issues in terms of loading and especially exiting the parking area after an event (a common issue raised in regard to the WFCU Centre in Windsor)¹⁷.

This is exactly the situation in which the Kingsway site finds itself. In other words, all of the traffic leaving the site would be channelled onto the Kingsway. Given that the site is in the

¹⁷ Proposed Sports and Entertainment Centre Feasibility and Business Case Assessment, City of Greater Sudbury, PwC, February 21, 2017. p. 46.

east end of the built-up area, the vast majority of traffic would be funnelled into the westbound lanes when leaving the site. This was not addressed in the parking analysis contained in the June PwC report, which only comments that the Kingsway site could accommodate over 2,000 parking spaces.

Thirdly, the discussion with regards to the parking assessment in the June PwC report is somewhat contradictory. PwC notes that there are more than 3,500 parking spaces within a 10-minute walk of the Downtown Arena site, which in aggregate is more than is available at the three other sites. The study also notes that a “sufficient number of spaces may be available within 600 metres of the site”, which they note is a seven-and-a-half-minute walk. However, this seems to be discounted due to “public perception” that many of these spaces are located too far from the event centre. A similar analysis was not conducted with regards to the Kingsway site – i.e. how far a walk would it take to accommodate a sufficient number of spaces and would this make a material difference in terms of the functionality and market attractiveness of the facility, as opposed to a purely “perceptual” difference.

Fourthly, in the PwC February report, the discussion of the Parking criterion includes the questions: “If additional parking is required, would it be well-used on a daily basis for other purposes?”; and “Would the creation of additional parking be a prudent investment?”¹⁸ These questions were not addressed in the analysis of the four sites conducted in the June report. In this regard, the downtown site would be superior to the Kingsway site in that it would make use of existing parking spaces that are underutilized in the evenings and weekends and would not require the construction of additional spaces that would largely be vacant during non-event times. This speaks to not only financial sustainability but also long-term economic sustainability as required by the Province’s Northern Ontario Growth Plan, as well as the City of Greater Sudbury’s own goal of becoming a sustainable community as documented in the City’s Official Plan.

Furthermore, the PwC June report also indicated that it did not consider a proposed parking facility that could be developed if demand for a Downtown arena and events centre warranted it. While this potential downtown parking structure was not considered by PwC, its first place ranking of the Kingsway site was predicated entirely on the construction of new parking around that facility.

Finally, PwC did not consider the role of parking in terms of enhancing economic development. As noted previously, the City of Kingston, when it developed the K-Rock Centre in its downtown, made the strategic decision to minimize on-site parking so as to promote pedestrian traffic flow through the downtown, thereby encouraging customers to frequent

¹⁸ Ibid. p. 48.

local shops and restaurants. This is a strategy that has been successful in that community. Comparing an expansive acreage of parking on a greenfield site to a parking solution that might be employed in the downtown core to enhance local business development, is not a fair or reasonable approach.

In our opinion, PwC did not have sufficient information available to them in order to prepare a reasonable ranking based on its parking criterion. In its February study, PwC specifically noted that “a detailed and professionally prepared traffic and parking study for each proposed site including an estimation of parking requirements will be needed (does sufficient parking exist in the area surrounding the site and what, if any, street and vehicular access improvements are required)”¹⁹ There is no references in the June report to these studies having been conducted. PwC appears to have reached its conclusions based on developer plans, parking space counts, and “public perception”. Its analysis contains no reference to actual parking requirements, parking utilisation, accessibility, traffic ingress/egress to each site, or other information that would be derived from a “detailed and professionally prepared traffic and parking study”.

In our opinion, the lack of information available to PwC and the assumptions they used to evaluate the parking and cost criteria, unfairly biased their ranking against the Downtown site. The cost analysis undertaken by PwC was conducted at far too high a level and undertaken without supporting infrastructure or geotechnical studies. It could not reasonably have been so precise as to allow for a ranking of one site ahead of another on the basis of a 1% very generalized cost differential. Similarly, the parking analysis appears to have been undertaken without reference to information in studies that even PwC had earlier indicated should be conducted. It excluded numerous data that could have easily yielded alternative results.

Had the PwC analysis appropriately ranked the downtown site equal to the Kingsway site in terms of cost and had taken all of the above noted factors into account for the parking analysis, the downtown site would have been ranked highest not only overall, but also in terms of those criteria identified as of highest importance to Council.

6.0 The Relocation of the Arena Would Harm Businesses Within the Downtown Core

A key piece of information that has been lacking from the arena location analysis is the impact on the Downtown should the arena be moved outside of the core. The arena is the largest visitor draw to the downtown and supports numerous businesses in the downtown core

¹⁹ PwC June Report p. 47.

notably restaurants and pubs, as well as other retail and commercial establishments. In addition, as a prominent attraction, it provides additional exposure to the downtown core through marketing and advertising and adds prestige to the core.

The loss of this major facility will affect both specific businesses which rely on customers to the arena, as well as, the downtown core in general. Furthermore, we note that the construction of a new arena is also expected to involve the expansion of a range of major entertainment facilities. This includes potential new entertainment uses that are not currently located in Sudbury and—if relocated to, or expanded on the Kingsway site—could adversely affect the remaining food and entertainment uses located in the downtown. If these types of uses are ultimately concentrated at the Kingsway site, it would also be difficult for existing businesses in the downtown to ever recapture this level of attraction or draw.

In the case of Windsor, in 2008 the former downtown arena that was home to the Windsor Spitfire was closed and a new arena (WFCU Centre) was opened in a suburban location about 12 kilometres outside of the core. While there are many factors at play, Downtown Windsor has been in steady decline since 2000 and the loss of the traffic to the arena helped to hasten the issues facing the core. Since its closure, the former arena has been used for minor league and university hockey games, sat vacant and been used for salt storage for the municipal works department. There is currently a proposal to develop a school on the site for the Catholic School Board. Unlike downtown Sudbury, downtown Windsor has a relatively large resident population to support the eventually reuse of the site. If this redevelopment occurs, it would represent a 10-year span since the arena was vacated by its major tenant.

In our opinion, any decision to relocate the arena to a suburban location should not be made without examining the impact of this relocation on the downtown.

7.0 An Entertainment District including a New Casino Will Redirect Business Away from Other Parts of the Community

As noted above, the loss of a major attraction, such as the arena, will undoubtedly negatively impact Downtown Sudbury. A large-scale entertainment district with a casino will also draw commercial traffic away from other parts of the City. For example, as is typically the case in other communities, restaurants and other food services that are located in the casino often are able to outcompete similar businesses in other parts of the City on price and special offerings. The vision being promoted for the entertainment district also calls for shops and boutiques to be integrated in the concept. This could potentially impact established retail nodes that have already been designated in the Official Plan as important to serving the entire

city and beyond²⁰. A question that needs to be addressed as part of any examination of the arena relocation and establishment of a new entertainment district, is whether business losses in the downtown and other parts of the City will be offset by broader positive community benefits. This has not been addressed in the PwC analysis.

As per the current proposal, the arena would be relocated and situated on the Kingsway site as part of a concept for a “Kingsway Entertainment District” which is also planned to include a new casino (which would be relocated from Sudbury Downs), a hotel, restaurants, retail outlets, and other possible entertainment/recreation/convention uses.

Another key question that needs to be addressed, is whether there would be sufficient market growth or recapture to support an entertainment district. In our opinion, it is more likely that in the absence of another major draw in the downtown to replace these food and entertainment and retail functions, such a relocation would simply cannibalize expenditures that are already being made elsewhere in the City. The retail impact of the proposed Kingsway development on the existing commercial nodes should also be studied. Finally, with limited options available, it is unlikely that a new or different major draw could be introduced to the downtown in the coming years.

8.0 The Kingsway Proposal Would Jeopardize the City’s Planned Transformational Large Projects

In November 2012, the City invited its citizens to propose large scale projects that would be transformational to the City. At its meeting, on September 12, 2017, the City gave direction to staff to implement two of these projects – the Greater Sudbury Convention and Performance Centre and the Library/Art Gallery.

In evaluating the location for these important projects, the City determined that the re-use of the existing Arena was the most appropriate way to accommodate both projects. A City staff report dated November 15, 2017 analyzed a number of sites and ranked the existing Arena site as the best option.²¹

It is also important to recognize that this report was completed with the assumption that the Kingsway Entertainment District would be approved and constructed, as one of the reasons

²⁰ In addition to the Downtown, the Official Plan designates three Regional Centres, which are commercial centres serving a catchment area extending beyond the City. These commercial centres are permitted to expand to include other uses, as a means of utilizing existing infrastructure and achieving increased urban intensification.

²¹ City Council Report – Greater Sudbury Convention and Performance Centre /Library Art Gallery Update.

given for selecting the arena site was “It addresses community concerns about the future of this site after the Kingsway Event Centre opens”²².

In our opinion, the proposed Kingsway Entertainment District would, to no small extent, duplicate the function of a convention centre and a performance centre. At best, the proposed Kingsway Entertainment District would impede the market for these uses downtown, by offering discounted competitive facilities as an attractor to potential gaming patrons. Similarly, the transfer of hospitality infrastructure from the downtown to the Kingsway site would further reduce the viability of the performing arts centre and convention centre in the downtown.

At worst, the Kingsway Entertainment District would make a performing arts venue and convention centre in downtown redundant – thereby offering no comparable replacement for the Arena and substantially increasing the tourist and entertainment draw away from the core.

The City’s report discusses the vision for a hotel associated with the convention centre, but provides no analysis as to whether there is sufficient market for a new hotel, in addition to the hotel facilities being planned as part of the entertainment district, nor does it provide any analysis of how the convention centre would effectively compete with the Kingsway casino/arena/hotel development that would likely contain conference and meeting facilities in addition to having direct access to the arena space. Potential impacts on the existing hotels in the Downtown should also be studied, as they could be significant.

On the other hand, a convention centre and arena developed together in the downtown core in conjunction with a performing arts centre together with the library/art gallery, would transform the downtown into a vibrant entertainment/tourism hub that would support restaurants, hotels, and other local businesses. In particular, a downtown convention centre adjacent to the new arena would enable the City to compete for a wide range of conventions, consumer shows, business meetings, special events and other activities that would draw visitors and their expenditures into Sudbury and support a vibrant downtown core.

We would also note that the Kingsway development has already recognized the connection between the arena and convention centre and has produced a promotional video showing a convention centre as part of the Kingsway Entertainment Centre complex.

To date, no economic analysis has been undertaken to determine either the impact on downtown of relocating the arena to the proposed Kingsway entertainment district or the

²² Greater Sudbury Convention and Performance Centre/Library Art Gallery Update, November 15, 2017. 5th unnumbered page under “Analysis” section.

economic benefits that would be derived from the creation of a downtown hub including the Arena, a convention centre, a performing arts venue, a library and art gallery.

9.0 A Casino Would Not Have a Significant Impact on Tourism and Would Draw Heavily from within the City of Greater Sudbury

Over time, as gaming has become more ubiquitous across North America, its uniqueness as a tourism draw has waned. The introduction of online gambling by numerous operators, including the Ontario Lottery and Gaming Corporation has further eroded the draw of physical casinos. In addition, casinos are not part of the entertainment regimen for the smart-phone savvy computer-gaming younger demographic²³.

Although we do not have direct data with regards to the geographic distribution of visitors to the OLG Slots in Sudbury, we have been able to obtain a reasonable approximation through analysing licence plates at the facility and data from cell phone usage. In February 2018, a licence plate survey of vehicles visiting the current Sudbury Downs casino site was undertaken under the direction of urbanMetrics. A description of the methodology and summary of the results has been provided in Appendix B. We would note that in our experience, licence plate surveys tend to over estimate persons travelling to a site from further away²⁴. Regardless, 74% of all vehicle plates recorded were from the City of Sudbury and 88% were from within a distance of 120 kilometres from the site (including North Bay). Based on the typical overcount of non-local customers, we would estimate that between 80% and 85% of visitors originated from the City and some 90% to 95% originated from within 120 kilometres.

This estimate was corroborated through the analysis of cell phone usage data at OLG Slots in July, August and September 2017 and in February 2018. (See Appendix C) These dates were chosen to mimic the high summer tourism season and the same period covered by the licence plate survey. Visitation patterns by month were very similar, and on average some 90% of visitors arrived from within 120 kilometres of the site plus North Bay and 84% originated from within the City of Greater Sudbury. Only 9% originated from outside of Northern Ontario.

²³ Canadian Gaming Business. “Demographic Dilemma – The Challenge of Connecting with Today’s Player”, Spring 2017.

²⁴ For example, licence plate surveys would not capture persons arriving by means other than their private vehicle (e.g. taxis or persons being dropped off), they would not be capable of distinguishing a person who had moved to the local area, but had not changed their address on their drivers licence, they cannot distinguish the ownership of leased vehicles (i.e. someone driving a vehicle leased by their company) etc. These factors tend to inflate non-local visitation between 5% and 15%.

This is consistent with other evidence which indicates that Northern Ontario casinos do not draw heavily outside of their own communities. A 2006 survey by the Ontario Problem Gambling Research Centre determined that the two Northern Ontario Casinos in Thunder Bay and Sault Ste. Marie attracted some 90% and 86.5% of visitors from within their own communities. Only about 5% of visitors to the Sault Ste. Marie casino were from outside of Ontario and only 2% of Thunder Bay casino patrons were from outside of the Province. As a smaller slots-only facility not close to an international border and with extensive and growing gaming competition serving the GTA, we would not expect Sudbury to differ from the experience of these other Northern gaming facilities.

Based on 2014 Statistics Canada Tourism data commissioned by the City of Greater Sudbury²⁵, the Sudbury Tourism market is oriented towards persons visiting from North Eastern Ontario, and persons travelling to Sudbury to visit friends and relatives and for personal appointments. The pleasure market represents only about 21% of trips to Sudbury. Persons engaging in casino gaming (i.e. OLG Slots) represent a miniscule proportion of the market. The following summarizes the current Sudbury tourism market:

- 60% of current tourists are from Northern Ontario and 93% are from within the Province.
- 70% of visitors to Sudbury come either to visit friends and relatives or are visiting for a specific personal reason (e.g. to shop, doctors/dentist appointment, etc.).
- The pleasure travel market represents only 23% of visitors to Sudbury.
- Only 1% of visitors reported visiting a casino as part of their trip. The most common activities by Sudbury Visitors were visiting friends and relatives; outdoor sporting activities; shopping and medical/dental appointments.
- 54% of visitors did not stay over night.
- 52% of nights stayed were at a private home. Only about 25% were at a hotel, motel, commercial cabin, or other commercial property.

In our opinion, the current tourism market is not well predisposed to gaming activities. There is not a large pleasure market seeking alternative entertainment options. The pleasure market currently makes up less than about one-quarter of a relatively small tourism base with a strong orientation towards outdoor activities vs. night life/dining/urban entertainment. There may be potential to attract persons visiting friends and relatives, however, at least part of this would comprise transfers of expenditures from other parts of the City, and it likely

²⁵ 2014 Sudbury Tourism Profile based on Statistics Canada microdata which contain anonymised data collected in the Travel Survey of Residents of Canada and the International Travel Survey.

would not result in increased lengths of stay or additional nights in commercial accommodations.

Attracting tourists to a casino in Sudbury would likely require tapping into new markets not currently visiting Sudbury. The difficulty with this is that Ontario is significantly increasing its gaming infrastructure across the Province, and particularly in the GTA, which represents the foremost tourist market for Ontario attractions. In other words, a casino in an event centre in Sudbury would have to compete with expanding casinos that are much larger and much closer to the audience it is trying to attract. The US market in Sudbury is very small and is already served by larger casinos at the major border crossings.

In our opinion, while the proposed entertainment centre would be able to expand the visitors and revenues generated by a casino, the vast majority of growth will be derived from Sudbury residents.

10.0 Growth in Gaming Revenues from an Expanded Casino Will Be Derived Mainly from Sudbury Residents.

Gaming in Sudbury until recently operated as OLG Slots Sudbury²⁶, and was a slots-only facility. The Ontario Lottery and Gaming Modernization program, however, has changed the gaming landscape across the Province. Following a competitive bidding process, OLG has entered into agreements with private gaming companies to operate geographically defined gaming bundles, which involve among other aspects the creation of new gaming sites, the expansion of existing sites, and the establishment of table games at locations that had previously operated as slots-only facilities. As part of its Modernization plan, OLG entered into 20-year agreements with Gateway Casinos and Entertainment – a British Columbia-based gaming company owned by a Toronto private equity investment firm²⁷ to operate the Northern and Southwest Ontario Gaming Bundles.

The Northern Ontario Bundle includes the existing casinos in Sault Ste. Marie and Thunder Bay, OLG Slots Sudbury currently operating at Sudbury Downs, and a new casino location in North Bay. Following the acquisition of the Northern Bundle, OLG Slots Sudbury has been rebranded as Gateway Casinos Sudbury and can now include table games. As OLG Slots Sudbury, the facility offered 407 slot machines and was staffed by 141 full and part-time employees.

²⁶ Prior to that it was known as The Slots at Sudbury Downs, when it co-existed with the horse race track.

²⁷ The Catalyst Capital Group

The current proposal by Gateway would be to relocate the casino from the Sudbury Downs site to the Gateway site as part of their concept for an entertainment district that would also include the relocated arena and other hospitality and entertainment facilities, including restaurants and likely retail outlets. Gateway has announced that it would invest \$60 million in the new casino property. The company has not specified, the extent to which it would expand its gaming offering, however, its agreement with OLG allows for the operation of up to 600 slot machines and 180 table positions (the equivalent of 30 table games).

The relocation to the Gateway site would require approval of both OLG and the City. The Ontario Lottery and Gaming Corporation Act regulations require that public input is required before the municipality can approve a new gaming site. It is our understanding that the required public input into the Gateway site has not yet been provided and OLG has not yet approved the Kingsway site for a casino. Furthermore, the proposed Kingsway Entertainment District would be contrary to the policies of the City's Official Plan, the Northern Ontario Growth Plan, as well as, the policy direction and actions prescribed to the City by the Downtown Master Plan and its *From the Ground Up* Economic Development Strategy.

In order to properly inform the public about the merits of an expanded and relocated casino, an economic impact study should be conducted to more fully understand the economic and financial implications to the City. To our knowledge, this has not yet been undertaken by the City. To better understand the implications of an expanded casino, we have been able to analyze some operational data available from OLG.

During the fiscal 2016-17 year the Slots at Sudbury Downs attracted 400,000 visits²⁸.

Based on the City's 5.25% share of Slots revenue reported as \$2.2 million in 2016/17, the total facility "win" would be approximately \$42 million. We have undertaken a detailed analysis of the performance of the Sudbury slots facility and compared it to other OLG Slots and Casinos across the Province in order to estimate the casino win if the gaming facility were to be relocated to the Kingsway site. The detailed data supporting our conclusions are found in Appendix A. In our opinion, a casino on the Kingsway site would generate approximately \$75 to \$80 million in slots and table win. The following summarizes the logic behind this estimate.

- The Kingsway site is better positioned with respect to the general Sudbury population than the current Sudbury Downs site and could expect to have a greater draw from within the City.
- Similarly, the casino would have the ability to draw on the additional crowd attracted to the site on game and event days.

²⁸ 2016-17 OLG Community Benefit Summary.

- The four OLG operated (non-resort casinos) draw more relative to the size of their Primary market population than the Slots only facilities. In 2016-17, they attracted 2.07 visits per resident within 40 km compared to only 0.8 visits for slots-only facilities. This, however, is partly due to the fact that the casinos are situated within urbanized areas, whereas the slots facilities tend to be situated on racetrack sites in rural settings. Furthermore, average casino performance is skewed by the Thunder Bay casino, which is one of only two gaming sites that currently have no other gaming competition within a 40-kilometre radius (The other being the OLG Slots Sudbury)²⁹.
- The win per resident within 40 km is also significantly higher for casinos than for slots-only facilities. On average casinos attract about 74% more slot win per capita than slots-only facilities.
- There is a positive correlation between the number of slot machines and the slot win per slot facility visit. The five slots-only facilities with 252 or fewer slots machines averaged \$75 in win per visit, where as the seven facilities with 738 or more slots machines generated an average of \$111 per visit. Sudbury, however, is an anomaly, in that its current 407, and potential for 600, machines fall within a sizable gap relative to the other slots-only facilities (the next largest is London with 738 slots and the next smallest is Centre Wellington with 252 slots). While it is not possible to definitively conclude that an increase of about 200 slot machines in Sudbury would generate higher revenues per visitor, it is likely given the data from slots facilities across the province.

These factors would suggest that the relocation of the facility and its conversion to a casino with up to 600 slots would result in an increased win for the new facility. However, there are some other factors that will serve to dampen the potential increase in win.

- The current Primary market population for the OLG Slots Sudbury (i.e. the population within 40 kilometres) is 162,000, while the Secondary market population (i.e. the population between 40 km and 120 km plus North Bay) amounts to 108,000, as per 2016 Census data. The Primary market population will not change with the relocation to the Kingsway site. The Secondary market population however will be substantially reduced after the opening of a casino in North Bay – declining from 108,000 to just 29,000.

²⁹ The Sault Ste. Marie Casino has no Canadian competition within 40 kilometres, but the much larger Kewadin Casino is situated within a 10-kilometre drive from the OLG casino in Sault Ste. Marie, Michigan and the Bay Mills Casino and Resort also in Michigan is about 40 kilometres from the OLG casino. Similarly, the OLG Slots at Rideau Raceway in Ottawa has no Ontario competition within 40 kilometres, but is within 25 kilometres of the Casino du Lac-Leamy in Gatineau, Quebec.

- Tourism to Sudbury is discussed further below. In our opinion, gaming by tourists outside of the 120-kilometre radius from the Kingsway site is not expected to be a significant factor affecting the win. The GTA market is already well served by major gaming venues, including Woodbine, Innisfil (Georgian Downs), Casino Rama Resort Casino and to a lesser extent Ajax and Great Blue Heron, as well as, Milton, Hamilton and the two Niagara Resort Casinos. The conversion of the current slots-only facilities (Woodbine, Innisfil, Ajax, Milton and Hamilton) to casinos with table games, and the planned expansions of Woodbine and Great Blue Heron, as part of OLG's modernization programme will further strengthen the GTA gaming infrastructure. In addition, major US border crossings are already served by casino gaming sites, both on the Canadian and the US side. It is unlikely that the smaller scale of the casino in Sudbury would be able to attract a significant number of new tourists to the community and would most likely simply draw on existing residents and tourists already attracted to the City for reasons other than gaming.
- Revenue per visit and slot revenue per machine/day are lower at casinos than slots-only facilities. This is likely because table games compete with slots for player revenue and because a portion of casino visitors are attracted predominantly to table games. In addition, as the casinos tend to be in urban locations, unlike the slots-only facilities, it is expected that the casinos generate more frequent visitation with lower spending per visit. The average slot win per machine per day was estimated at \$201 at casinos and \$416 at slots-only facilities. The win per visit was \$70 at casinos and \$103 at slots-only facilities.
- The OLG Slots Sudbury already generate very high revenues and visitation based on its population within 40 km. The 2.46 visitors per population within 40 kilometers is well above the average of 0.8 for slots facilities and 2.07 for casinos. Its win per capita of \$258 is second highest of all slots-only facilities and only lower than Thunder Bay and Sault Ste. Marie among the four casinos. This is due to the fact that the OLG Slots Sudbury currently has no competition within about 250 kilometres and serves the North Bay market which does not yet have a gaming facility³⁰. However, with the opening of a casino in North Bay, its market share from east of the City will be reduced significantly.
- Our revenue estimates are based on the following assumptions:

³⁰ The nearest gaming facilities to Sudbury are Casino Rama to the south and the Sault Ste. Marie casino to the west both approximately 250 kilometres from the City.

- The number of visits to the Sudbury facility on the Kingsway site will double from 400,000 to 800,000 due to a larger facility, cross visitation on hockey game and event nights, and closer access for many Sudbury residents. This represents approximately 5 visits per population within 40 kilometres – an increase over the current level of 2.46. This would be comparable to the draw of the Sault Ste. Marie Casino and well above any current slots-only facilities.
- The slot win per visit will be reduced from a current level of \$110 to between \$65 and \$70. This recognizes that reduced slot revenue per visit will result from the introduction of table games and increased frequency of visitation by the local population (i.e. patrons will visit more often, but spend less per visit).
- We have estimated that casino table win will represent approximately 30% of overall casino win which is consistent with existing resorts and other casinos in Ontario³¹.

These assumptions would result in an increase in casino win from a current level of \$42 million to between \$75 and \$80 million. This represents an increase of between \$31 and \$36 million. Based on our analysis, the vast majority of which will be the result of increased spending by Sudbury residents.

11.0 The Majority of Money Spent at the Casino Will Leave Sudbury?

One of the most important considerations in determining the economic impact of an investment is understanding where expenditures are made and how revenues are ultimately distributed. A labour-intensive tourist attraction near an international border will typically draw more revenues from outside of the community than monies flowing outside of the community in terms of corporate profits, specialized labour and equipment, administrative costs, etc.

This is not necessarily true of a casino in an internal site that generates far more in revenues than it pays in annual wages and may not have access to a large tourism market. In the case of the OLG Slots Sudbury, during the 2016/17 corporate year the facility generated revenues of \$42 million. Assuming that Sudbury was similar to Sault Ste. Marie in terms of visitation from outside of the community, then 85% of these revenues or \$35.7 million would be

³¹ Ernst & Young reported that on average Ontario resort casinos generate between \$1.0 and \$1.1 million per table and \$100,000 per slot, which they indicate is consistent with Las Vegas casinos. (E&Y Commercial Casino in Toronto, October 2012. p. 36). Based on these levels urbanMetrics has calculated that the four resort casinos in Ontario would generate between 29% and 30% of their revenues from table games. This is consistent with our experience.

derived from Sudbury residents and just \$6.3 million would be derived from persons living outside Sudbury. Based on the unadjusted licence plate survey results, which likely over state the volume from outside of the City, 75% of these revenues or \$31.5 million would be derived from within the City with about \$10 million being derived from outside.

As reported by OLG, the monies specifically spent in Sudbury (and surrounding region) include:

- \$8.0 million in wages and benefits for gaming employees;
- \$1.4 million in purchases from local and regional vendors;
- \$2.2 million as the City of Sudbury's share of slots revenue; and,
- Just under \$50,000 in sponsorship of local festivals and events³².

This totals just over \$11.6 million. In addition to this, there would be a small amount paid for rent to the owner of Sudbury Downs that could be deemed to stay within the community. In other words, OLG Slots would draw in only \$6 to \$10 million from outside of Sudbury and distribute \$30 million outside of the community. Effectively, \$20 to 24 million is drawn out of the City's economy each year by the current slots facility.

What this means is that moneys that could otherwise have been spent in other entertainment, retail, restaurant and hospitality venues in the City would have been drawn to the slots, where they would flow outside of the City to the Provincial government.

However, it is important to note that revenues from casinos and slots go into the Province's Consolidated Revenue Fund, which is the general fund through which most of the government's revenues flow. From these revenues, the Province pays for many community benefits, such as hospitals, amateur sports, community services, etc. The Province also supports the Ontario Trillium Fund, which provides funding for charitable and not-for-profit organizations. So, some of these funds may and likely do flow back into the City. However, there is no way of knowing (a) whether more gaming funds are channelled back to the City than are taken from it; (b) whether the Province would spend any less in Sudbury if it didn't have the slots facility; and (c) how much money generated by a casino in Sudbury is being used to fund projects in communities without gaming facilities.

There is little doubt that the current slots facility is drawing more money out of the community than is directly spent in the community through wages, the City's share, etc. How much, if any, of these revenues that are reinvested in Sudbury is now controlled by the Province.

³² OLG Community Benefits Summaries 2016/17.

Going forward, the situation is likely to be less favourable to the City, as significantly more gaming expenditures will be drawn from Sudbury residents and future profits will now be shared between the Province and the private operator – which is a BC Company whose principal shareholder is a Toronto investment firm. Unlike the Province who has a duty to the people of Ontario, Gateway Casinos is a private company obligated to its shareholders and is under no obligation to invest its profits in the local community.

While Gateway Casinos has indicated that it plans to invest \$60 million into a new casino on the Gateway site, this is less than the net casino revenues that are projected to be generated in the first full year of operation. The company has indicated that this construction project would generate 700 years of construction employment. This would be the equivalent of about 16 full time permanent jobs³³. While most of this employment will be derived from within the City, some may need to be sourced from outside depending on the local availability of labour and the specialization of construction skills required.

While a \$60 million investment would be important to Sudbury, it is relatively small in comparison to the net revenues that will be flowing to the Province and the new operator on an annual basis.

In our opinion, an economic impact analysis that fully examines whether the City will benefit from the proposed casino has not been undertaken. This study would be key to the community's understanding of the implications of a casino prior to providing public input into the proposed Gateway site.

12.0 The Kingsway Entertainment District May Not Result in a Significant Net Employment Gain for the City

While the proposed Kingsway Entertainment District will be a relatively large employer within Sudbury, it will not likely generate many actual new jobs within the community. This is true for several reasons:

- The largest proportion of jobs will simply be transferred from the OLG Slots at Sudbury Downs and the Sudbury Community Arena to the new site and will not represent new jobs;
- The growth in casino win, for the most part, will be derived from Sudbury residents, who would otherwise have spent their money elsewhere in the local economy and would otherwise be supporting jobs elsewhere in the community.

³³ Based on a 45 year average working career.

- Casinos and slot facilities are not efficient generators of local employment relative to their revenues, and relative to other hospitality and entertainment businesses, such as hotels and restaurants. For example, \$1,000,000 spent in a restaurant will generate significantly more jobs than \$1,000,000 spent in a casino. Every dollar transferred from restaurants and other hospitality venues in Sudbury to the Casino, represents a net loss in employment. This is largely related to the large profits taken by casinos and their lower staffing cost to revenue ratio.

Transfer of Jobs from Existing Facilities

The proposed Entertainment District would encompass the Sudbury Community Arena, a casino, a hotel, restaurants, and potentially other unspecified retail, hospitality and entertainment uses. The arena would have a slightly larger capacity than the existing downtown arena, so it may employ a small number of additional employees. However, the bulk of employees would simply be transferred from the existing arena. Most importantly, an arena on the Kingsway site would likely not employ any additional employees than if it were redeveloped in the downtown core. So, with respect to the arena, the Kingsway site would not result in any additional jobs to the community.

Gateway Casinos has announced that it would employ up to 400 employees³⁴. However, there are currently some 141 formerly OLG employees at the Sudbury Downs site and another 50 workers employed by the race track owner in maintenance, janitorial, security and other positions. So that the net additional employment would be approximately 210 persons. As the casino would include a significant increase in bar and restaurant facilities over the former slots facility, we estimate that about two-thirds of these new jobs would be related to the food service and gift shop facilities³⁵.

A hotel could also be included as part of the concept. We would note, however, that the concept for the downtown entertainment centre/arena also included a hotel, so that if the local market demand was available to support a new hotel, the Kingsway Entertainment District would simply be transferring this employment opportunity from the downtown.

Transfer of Employment from Other Local Sectors

As the bulk of new casino expenditures (gaming and non-gaming) will be derived from Sudbury residents, the vast majority of employment at the casino would be created from

³⁴ News release by Gateway Casinos June 13, 2017 and Statement by Gateway Casinos January 3, 2018.

³⁵ OLG Non-resort casinos currently generate approximately 15% of their income from non-gaming. Assuming that the casino generates \$80 million in revenues this would result in approximately \$14 million in non-gaming revenues. In full-service restaurants, salaries comprise 30% to 35% of sales. At 30%, this would amount to \$4.2 million in wages and salaries. At an average (full and part-time) salary of \$25,000 this would result in 168 employees. At \$30,000 average salary this would result in 140 employees.

revenues that would have otherwise have been spend elsewhere in Sudbury. For example, if a couple decided to go to have dinner and gamble at the casino, whereas prior to the casino's opening, they would have gone to a local restaurant and a movie, their expenditures would simply be lost to the local restaurant and movie theatre. As this occurs on a broader scale, other local commercial operations will reduce their employment, dampening or eliminating the employment benefits of the casino.

Casinos are Not Efficient Local Employment Generators

Based on the revenues they take in, casinos are not efficient employment generators compared to other hospitality and entertainment businesses. This is because a very large share of revenues are paid out in profits to the operators and not paid to employees in wages. For example, in 2017 the former OLG slots Sudbury employed some 141 OLG employees, with some 50 other employees and generated gaming revenue of \$42 million and a marginal amount of non-gaming revenue. This amounts to only some 4.5 employees per \$1,000,000 in revenues. Based on the Gateway Casino estimate of 400 employees and assuming \$80 million in gaming revenues and 15% non-gaming revenues, the proposed new casino would generate only 4.2 jobs per million dollars revenue. In comparison, by industry standards restaurant and fast food facilities would employ some 10 to 12 employees per million in revenues.

So, any sales transfers from other parts of Sudbury from more efficient employment generators, such as restaurants, to the casino complex, would represent a net loss in employees for the community.

13.0 The Additional Revenues to Sudbury from The Kingsway Entertainment District Will Not Be Significant

The two principal sources of ongoing revenue the City would receive from the development of the Kingsway Entertainment District would be the share of gaming revenues Sudbury would receive from the casino and property taxes.

Share of Casino Revenues to the Municipality

Under the Municipal Contribution Agreement that OLG signs with host municipalities, Sudbury receives 5.25% of total slot win up to the first \$65 million, 3% on the next \$135 million and lower percentages thereafter. In addition, the City would receive 4% of the table win. As of 2016/17, the City received \$2.2 million in revenues from the OLG Slots facility. With a full-scale casino and expanded slots facilities proposed on the Kingsway site, the revenues available to the City would increase.

As indicated on Figure 1, a new casino generating a win of between \$75 and \$80 million would increase municipal revenues by between about \$1.5 and \$1.7 million annually.

Figure 1: Additional Share of Gaming Revenues from Kingsway Site Casino

	\$75 Million			\$80 Million		
	Revenue	Municipal Share		Revenue	Municipal Share	
		%	\$		%	\$
Slots	\$ 52,000,000	5.25%	\$ 2,730,000	\$ 56,000,000	5.25%	\$ 2,940,000
Tables	\$ 23,000,000	4.00%	\$ 920,000	\$ 24,000,000	4.00%	\$ 960,000
TOTAL	\$ 75,000,000		\$ 3,650,000	\$ 80,000,000		\$ 3,900,000
Less: Existing Revenues			\$ 2,200,000			\$ 2,200,000
Net Additional Revenues			\$ 1,450,000			\$ 1,700,000

Property Tax Revenues

Property taxes would be available from the casino, the hotel and other hospitality facilities that would be developed on the site. Sudbury Community Arena is currently classified for Property Tax purposes as Code 721 – Non-Commercial Sports Complex. As such it is almost entirely tax exempt with the exception of a small amount classified as commercial and payment in lieu. The municipal share of property taxes (excluding the Education share) is approximately \$8,000. If the arena remains at its current status for property tax purposes, the annual tax revenues would not change significantly if it were to relocate to the Kingsway site. The principal source of property tax revenue would come from the casino and ancillary hospitality facilities (i.e. hotel and restaurants).

In order to appreciate the impact of a new facility, such as the proposed entertainment complex, on tax revenues to the City, it is necessary to understand how the property tax system in Ontario works. A new development project does not simply add new taxes to the City, but rather causes a redistribution of funds the City deems it must collect from taxes. Ultimately, the tax rates are set each year based on the total assessment base in the City and the amount of money it determines, through its budget process, must be collected in taxes. A new development project does not provide the City with new money, but rather can reduce the tax burden on the rest of the community.

In the case of the proposed Kingsway Entertainment District, the assessment of the tax benefits to the City must also take into consideration the tax losses from other parts of the City, as well as, the costs that the City will have to bear as a result of any new development.

For example, the City will lose the tax revenue or payment in lieu currently generated by the casino at Sudbury Downs. As an OLG Slots facility at Sudbury Downs, the facility was assessed differently than it would as a full-scale casino, which could be developed on the existing site. The assessed value of the OLG Slots facility as of the 2018 assessment year³⁶ was \$2,309,000. Based on the commercial tax rate in Sudbury, this would generate just under \$80,000 in property taxes, of which two-thirds would be available to the City and the remainder would be for education. We would note that the current assessed value is extremely low in comparison to other gaming facilities in the Province. For example, the Casino in Sault Ste. Marie, which generates a lower win than the OLG Slots Sudbury, is assessed at over \$12,000,000. Similarly, the casino in Thunder Bay, which generates net revenues about 60% more than those of the Sudbury casino slots facility is assessed at \$47 million – over 23 times the value of the Sudbury facility. The conversion of the OLG Slots facility to a privately operated full casino will likely result in a change in assessment methodology and ultimately assessed value; regardless of whether the casino remains on the Sudbury Downs site, is relocated to the Gateway site or elsewhere. An assessment of property tax revenues to Sudbury must take this into account.

In addition, in our opinion, the relocation of the arena will cause some closure or displacement of businesses from the downtown, particularly restaurants, bars and eating establishments that are supported by attendees of hockey games. The casino and associated hospitality components will also draw business away from other parts of the City. To the extent that this causes business losses and/or vacancies in other commercial businesses and hotels, this will also result in reduced property assessments and taxes. Again, these must be deducted from potential Entertainment District taxes to fully understand the true tax impact.

Finally, property taxes are not “free money” to a municipality but come with the obligation of providing municipal services to the building owners, tenants, and employees. A development such as the Kingsway Entertainment Centre will require ongoing municipal services that will consume taxes, such as road maintenance, police, fire and paramedics services, social services, waste disposal services, planning services, general administrative services and other services. A detailed fiscal impact analysis would be required to determine whether the property taxes generated by the Kingsway site would be sufficient to offset the municipal costs required to support the facility.

In summary, while the proposed Kingsway development may generate additional property taxes and gaming revenue to the City, without a detailed fiscal analysis, it is not possible to determine whether these would actually provide a net surplus to the City or represent a loss.

³⁶ Even though the facility had been transferred over to Gateway Casinos in May, 2017, it was still being assessed as a racetrack with slot facility based on MPAC PropertyLine reports.

Clearly, simply examining the gross taxes and other revenues available to the City from the Kingsway project would significantly overstate the net fiscal impact.

14.0 Social and Public Health Impacts Must Also Be Recognized

In addition to economic impacts, there are a range of potential social and public health issues associated with casino gaming that remain to be addressed with respect to the establishment of a new casino in Sudbury. A recent report from the Sudbury Health Unit, as well as other similar and supporting research undertaken by Toronto Public Health, identify a number of specific concerns relating to a possible increase in the prevalence of “problem gambling”. This research further identifies a number of mitigation strategies to be considered as to the location and required operating conditions of a new casino.³⁷

These are questions that have not yet been answered in either the PwC reports or elsewhere and should be addressed prior to making a decision on this project.

15.0 Economic Analysis Required Prior to Approving the Relocation of the Arena

In our opinion, a more detailed economic analysis is required to better understand the true impacts of relocating the arena outside of Downtown Sudbury to a proposed entertainment district, beside a casino, on the Kingsway. Some key questions that should be addressed include:

- What will be the loss of business and jobs in the downtown if the arena were to be relocated to the Kingsway?
- What would be the loss in attractiveness of the downtown as a business and residential location if the arena were to be relocated to the Kingsway?
- What new development (residential, office, retail, other “employment” type uses, etc.) could be attracted to the downtown with the development of a new arena?
- Will an entertainment district on the Kingsway site, including an arena, casino, hotel, restaurants and retail, etc. increase Sudbury’s draw from outside of the region?
- Is there sufficient market to support the proposed entertainment district on the Kingsway site?
- To what extent will the proposed entertainment district on the Kingsway site cannibalize existing businesses in Sudbury?

³⁷ Sudbury & District Health Unit Briefing Note, Re: The Health Impact of Gambling Expansion in Greater Sudbury (February 14, 2013)

- To what extent will the proposed entertainment district draw revenues away from commercial areas designated in the Sudbury Official Plan?
- Will there be sufficient economic benefits from relocating the arena to the Kingsway site to offset the loss of businesses to and attractiveness of downtown Sudbury?
- What is actually required in terms of site preparation and servicing with regards to the Kingsway site?
- What is the precise cost differential between developing the Kingsway site and the downtown site taking into consideration actual site preparation, servicing and site acquisition costs?
- How much parking would be required to support arenas in the downtown and the Kingsway site? Similarly, are there any other long-term municipal infrastructure costs related to the Kingsway site that have not yet been identified (e.g., street maintenance, public transit, etc.)?
- Is sufficient existing parking already available downtown to support the proposed arena and how far a walk would it be to reach the required parking amount? What would the difference in walking distance to parking be at the Kingsway site?
- Would the construction of additional parking in the downtown, as proposed, enhance the attractiveness of the downtown site?
- Would there be differences in traffic delays leaving an event between the downtown and Kingsway sites?
- To what extent would the casino, as part of an entertainment district, rely on local expenditures and to what extent would it enhance expenditures from outside of the community?
- What is the market for a hotel on the Kingsway site? Would a hotel on the Kingsway site cause the closure of other hotels in the City? Would a hotel on the Kingsway site impede the market for a new downtown hotel?
- How will the relocation of the Community Arena to the Kingsway site impact the market for a convention centre downtown?
- How will the Kingsway Entertainment District impact the market for a performing arts centre in Downtown Sudbury?
- Would a casino, as part of an entertainment district, detract from the City's ability to draw knowledge and creative workers and investment to the community?
- Would increased investment in the downtown, including an arena/events centre be better able to attract knowledge and creative workers and businesses to the community?

In addition to the various unanswered questions above, the production of more detailed financial data and other information is needed to prepare a proper economic impact study that considers all of the factors identified.

In our opinion, the redevelopment of the Sudbury Arena will have profound impacts on the community and the location decision will have an immediate and lasting impact on the local economy. If the arena is moved outside of the core, it will also shift economic prosperity outside of the downtown to another part of the City. If the Kingsway entertainment site is ultimately selected, the impact will be to transfer wealth from the downtown core, where it is enjoyed by a myriad of downtown businesses to a single landowner. Similarly, recognizing the remote location of Sudbury and the proximity to other existing/proposed casinos throughout Northern Ontario, a new and expanded casino complex at the Kingsway site is expected to derive the majority of its spending from local residents. This suggests that most revenues at the complex would simply be diverted from other parts of the City in terms of food, retail, accommodation and entertainment type expenditures, rather than relying on additional, or “net new” growth in revenues from visitors to the community from beyond the Region, as is the case with other major border casinos (e.g., Niagara Falls, Windsor, etc.).

While the economic and financial work that has been conducted to date provides a very general overview of the requirements of a new arena, questions remain as to the accuracy of some of the assumptions and data considered as part of the analyses prepared to date. Consequently, there is insufficient information to enable and support City Council in making an informed decision on the most appropriate location for this very important community resource.

The above questions need to be more fully answered as part of an economic and feasibility study related to the redevelopment and relocation of the Sudbury Arena, the relocation of the Gateway Casino and the proposal for the Kingsway Entertainment District.

In conclusion, the Proposed Kingsway Entertainment District has many economic drawbacks for the City and it is likely that its economic and financial costs would outweigh its benefits. As a result, we would strongly recommend that a more detailed economic analysis be undertaken, before additional staff and financial resources are invested by the City towards this proposal.

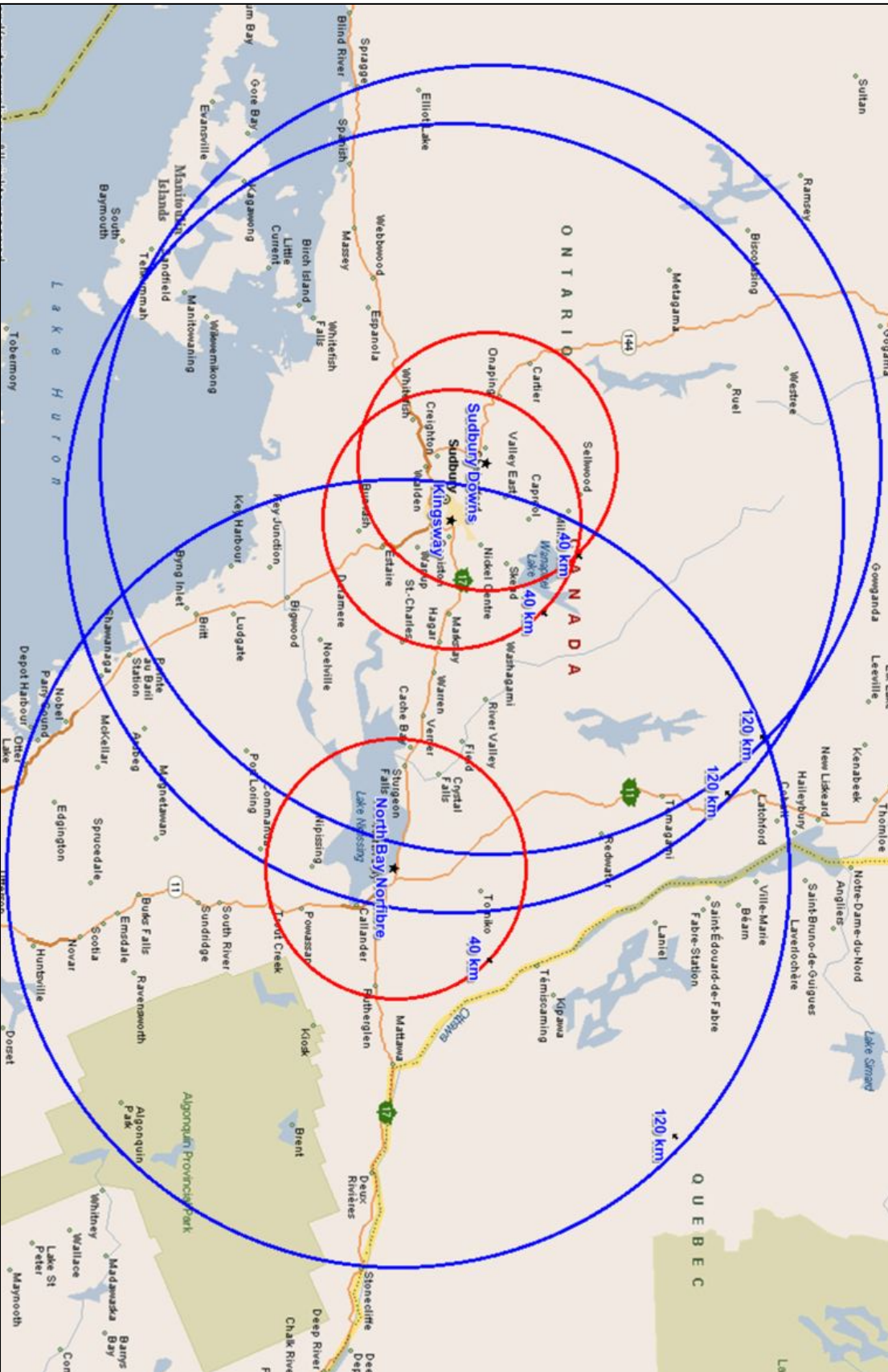
Appendix A: Background Gaming Data

Appendix A: Background Gaming Data

Gaming Type	Slots	Tables	Estimated Casino or Slots W/in	Visits	Canadian		US		Total		Visits Per		Total Win Per Visit	Slot Win Per Day Per Machine	Total Win Per Population
					Population within 40 km Radius	Population within 40 Km Radius	Population within 40 Km Radius	Population within 40 km	Population within 40 km	Population within 40 km					
Brantford	Casino	861	58 \$	101,000,000	1,300,000	1,070,322	178,894	289,101	1,070,322	1.21 \$	2.08 \$	78 \$	225 \$	209 \$	94
Point Edward	Casino	450	21 \$	49,000,000	600,000	110,207	26,276	110,902	110,902	5.41 \$	5.41 \$	48 \$	128 \$	128 \$	169
Sault St. Marie	Casino	434	11 \$	29,000,000	600,000	84,626			123,999	6.45 \$	6.45 \$	64 \$	217 \$	217 \$	261
Thunder Bay	Casino	450	11 \$	51,000,000	800,000	123,999			123,999	6.45 \$	6.45 \$	64 \$	217 \$	217 \$	411
Average		549	25 \$	57,500,000	825,000	347,289			825,000	2.07 \$	2.07 \$	70 \$	201 \$	201 \$	144
Ajax	Slots	880	0 \$	209,500,000	1,800,000	3,118,074			3,118,074	0.58 \$	2.99 \$	116 \$	652 \$	245 \$	67
Central Huron	Slots	123	0 \$	11,000,000	200,000	66,846			66,846	0.62 \$	0.62 \$	84 \$	457 \$	457 \$	165
Centre Wellington	Slots	252	0 \$	42,000,000	500,000	806,408			806,408	1.16 \$	1.16 \$	65 \$	241 \$	241 \$	52
Chatham-Kent	Slots	148	0 \$	13,000,000	200,000	121,133	51,169	172,302	172,302	0.55 \$	0.55 \$	121 \$	412 \$	412 \$	75
Hamilton	Slots	804	0 \$	121,000,000	1,000,000	1,832,722			1,832,722	3.65 \$	3.65 \$	77 \$	321 \$	321 \$	66
Hanover	Slots	196	0 \$	23,000,000	300,000	82,222			82,222	1.88 \$	1.88 \$	114 \$	344 \$	344 \$	280
Innisfil	Slots	996	0 \$	125,000,000	1,100,000	586,212			586,212	1.95 \$	1.95 \$	95 \$	390 \$	390 \$	213
London	Slots	738	0 \$	105,000,000	1,100,000	565,269			565,269	0.38 \$	0.38 \$	137 \$	447 \$	447 \$	186
Milton	Slots	925	0 \$	151,000,000	1,100,000	2,896,686			2,896,686	0.66 \$	0.66 \$	98 \$	262 \$	262 \$	52
Ottawa	Slots	1,236	0 \$	118,000,000	1,200,000	1,808,326			1,808,326	2.46 \$	2.46 \$	105 \$	283 \$	283 \$	65
Sudbury	Slots	407	0 \$	42,000,000	400,000	162,490			162,490	0.97 \$	0.97 \$	96 \$	477 \$	477 \$	258
Toronto (Woodbine)	Slots	2,995	0 \$	521,000,000	5,400,000	5,543,677			5,543,677	0.54 \$	0.54 \$	90 \$	313 \$	313 \$	94
Woodstock	Slots	236	0 \$	27,000,000	300,000	552,213			552,213	0.80 \$	0.80 \$	103 \$	416 \$	416 \$	49
Average		764	\$	116,038,462	1,123,077	1,395,560			1,399,496	0.80 \$	0.80 \$	103 \$	416 \$	416 \$	83

Source: Based on Data from OLG 2016/17 Community Benefit Summaries. W/in calculated by urbanMetrics based on the municipal share as reported in the OLG Community Benefits Summaries and the share formula.

40 and 120 Km Radii from Sudbury Downs Gateway Site and the Proposed Kingsway and North Bay Sites



Appendix B: Licence Plate Survey

urbanMetrics inc. was provided with license plate data from Sudbury Downs, the site of Gateway Casino Sudbury (formerly OLG Slots Sudbury) for four days in February of 2018 – Thursday February 8th, Friday February 9th, Saturday February 10th and Sunday February 11th. These were collected at during various time intervals throughout each day, from 6am to 12am. A total of 600 license plates were collected, allocated as follows:

- Thursday – 100 plates
- Friday – 150 plates
- Saturday – 200 plates
- Sunday – 150 plates

The output was then sent to the Ministry of Transportation (MTO), to sort based on Dissemination Area. After processing, MTO returned a total of 574 entries to urbanMetrics for analysis. These findings were plotted both by geography and distance from Gateway Casino Sudbury. The findings produced are shown in the table below:

Municipality	Number of Records	% Breakdown
Sudbury Census Subdivision (includes Chelmsford)	426	74.2%
West of Sudbury to Sault Ste. Marie (includes Elliot Lake and Manitoulin Islands)	54	9.4%
East of Sudbury to North Bay	32	5.6%
Greater Ottawa	8	1.4%
GTA	16	2.8%
All Other	38	6.6%
Total Plotted	574	100.0%

As shown, the overwhelming majority of visitors to the casino arrive from Sudbury, some 74.2%.

The table below shows the results presented as a function of distance from Gateway Casino:

Boundary	Number of Records	% of Total
Within 40km	426	74.2%
Within 120km and North Bay	505	88.0%
Beyond 120km	69	12.0%

As shown, 74.2% of visitors come from within 40km of Gateway Casino. A total of 88.0% of visitors come from within a 120km radius, or from the City of North Bay.

	Thursday		Friday		Saturday		Sunday	
	Number of Records	% of Total	Number of Records	% of Total	Number of Records	% of Total	Number of Records	% of Total
Within 40km	70	74.5%	97	70.3%	142	72.8%	117	79.6%
Within 120km and municipal boundary of North Bay	79	84.0%	120	87.0%	170	87.2%	136	92.5%
Beyond 120km	15	16.0%	18	13.0%	25	12.8%	11	7.5%

Additionally, as shown, the breakdown of visitors across the various dates surveyed was relatively consistent.

Appendix C: Cell Phone Data

Geofencing is a new technology that is being used by market researchers as an alternative to licence plate surveys and on-site surveys. It makes use of cell phone usage within a geographic area. Typically this involves identifying a small geographic area and tracking cell phone activity within the area. Different types of information can be obtained through this technology, including visitation patterns, place of origin and demographic data.

Through data available from the Bell cellular network, urbanMetrics was able to obtain data related to the home municipality of patrons visiting OLG Slots Sudbury (Now Gateway Casinos Sudbury). The data excluded employees at the site.

The data included persons visiting the site during the summer of 2017 (July, August, and September) and in February 2018. The summer data was used to mimic a period with high volumes of tourists to the Sudbury area, while the February data was used as a comparison with the licence plate survey results.

The data is more comprehensive than the licence plate survey data, in that it includes all patrons on the same cellular network, regardless of how they arrived at the facility and avoids many of the biases of the licence plate surveys that tend to over estimate non-local visitation.

Over the study period, the sample included some 2,637 patrons, of which 84% live within the City of Greater Sudbury and 90% live within 120 kilometres of the site.

OLG Slots Sudbury (Gateway Casinos Sudbury) Customer Place of Origin from Cell Phone Usage

	July 2017		August 2017		September 2017		Feb 8-11 2018		TOTAL	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Greater Sudbury	676	85%	657	82%	799	86%	83	81%	2,215	84%
Other Within 120 Km + North Bay	49	6%	46	6%	48	5%	13	13%	156	6%
Elliot Lake	8	1%	7	1%	11	1%	3	3%	29	1%
Espanola	5	1%	6	1%	3	0%	2	2%	16	1%
North Bay	13	2%	12	1%	12	1%	4	4%	41	2%
Other	23	3%	21	3%	22	2%	4	4%	70	3%
TOTAL WITHIN 120 KM	725	91%	703	88%	847	91%	96	94%	2,371	90%
Outside 120 Km	74	9%	100	12%	86	9%	6	6%	266	10%
GRAND TOTAL	799	100%	803	100%	933	100%	102	100%	2,637	100%
Total Northern Ontario	733	92%	714	89%	868	93%	97	95%	2,412	91%