

TO: CITY MANAGER

1997 NOVEMBER 19

FROM: DIRECTOR PLANNING AND BUILDING

OUR FILE: 17.812

SUBJECT: EXPANDED GAMING IN BURNABY

PURPOSE: To provide Council with information about slot machines, the distribution of gaming revenues, the proposed UBCM Gaming Committee, and the status of the Provincial Government's current gaming expansion initiative, and with a recommendation concerning a resolution on gaming facilities for the City.

RECOMMENDATIONS:

1. **THAT** Council approve the resolution outlined in Section 6.0 of this report.
2. **THAT** Council direct staff to forward a copy of the approved resolution to:

Star of Fortune Gaming Management (B.C.) Corporation
Suite 200 - 100 Park Royal
West Vancouver, B.C. V7T 1A2
Fax: 921-1827

DHL Development Ltd.
#1B - 11600 Bridgeport Road
Richmond, B.C. V6K 1T2
Fax: 327-6100

Bingo Country
#401A - 7093 King George Highway
Surrey, B.C. V3W 5A2
Fax: 572-3435

and to make copies of the resolution available to any other prospective proponents.

3. **THAT** Council direct staff to forward a copy of the approved resolution to the Provincial Lotteries Advisory Committee at P.O. Box 9311 Stn. Prov. Govt., Victoria, B.C. V8W 9W1 Fax: 1 (250) 356-1910.

REPORT

1.0 BACKGROUND

At its meeting of 1997 September 22, Council considered a report and a resolution from the Community Policing Committee. The report outlined the potential need for increased police resources should the establishment of gaming facilities in Burnaby contribute to criminal activities such as theft of/from vehicles and common assaults, and to traffic control problems. The resolution requested that Council not approve any additional gaming facilities or types of gaming in Burnaby. The resolution was aimed primarily at precluding the installation of slot machines in future Burnaby casinos.

Council directed staff to provide a report on Council's ability to preclude slot machines as well as the comparative payout rates of and incidence of social problems associated with slot machines. Questions about the impact of the Province's new gaming initiatives, including slot machines, on the funding levels of charities were also raised.

At its meeting of 1997 September 29, Council considered a rezoning report for an expansion to the already-approved Gateway casino to be located at 4320 Dominion Street. Council also received a delegation representing the owner/manager of the future Gateway casino. After considerable discussion about whether the requested expansion is critical to the proponent's ability to place slot machines on the premises, Council deferred consideration of the rezoning application to its 1997 November 03 meeting. At that meeting, the application was given First Reading, which advanced it to the 1997 November 25 Public Hearing.

At its meeting of 1997 October 27, Council referred a letter from the Mayor of Delta to staff for comment in the gaming report. The letter requested Council's support for the establishment of a Gaming Committee by the Union of British Columbia Municipalities (UBCM).

This report responds to Council's request for more information about slot machines, the impact of the Province's new gaming initiatives on the funding level of non-profit charities, and the proposed UBCM Gaming Committee. It also provides information about the Province's current "Request for Proposals for Destination and Charitable Gaming Facilities" (RFP) and the implications of that RFP for Council, and a resolution for Council's consideration.

2.0 SLOT MACHINES

Under the Province's new gaming initiatives, announced in 1997 March, slot machines will be permitted in destination and charity casinos and race tracks. Any such facility, either existing or future, can choose to place up to 300 slot machines on its premises. Section 5.1 of this report outlines the ability of municipal governments to preclude the establishment of new gaming facilities within their boundaries. It also notes that municipalities do not have the authority to dictate the games which can be played within either existing or any future gaming facilities. As Council may be aware, the City of Vancouver recently passed a motion to prohibit the placement of slot machines in casinos in that city. However, even under its

charter, the City of Vancouver does not have the authority to enforce that prohibition and action will likely be taken by the Province against the City.

Provincial staff have contacted the Planning Department to stress that all approved casinos maintain the right to have slot machines on their premises. Given the above, it is important to note that the recently approved Gateway casino to be located on Dominion Street in Burnaby will be allowed to contain slot machines, whether or not Council approves the current rezoning for expanded space.

While much has been written about the addictive nature of video lottery terminals (VLTs), staff have been unable to find conclusive research explicitly focusing on slot machines and gaming addiction. However, slot machines and VLTs are somewhat similar in that they are both based on instant gratification and require no special skill or knowledge on the part of the player. VLTs are, in fact, a slot machine variant which operates on credit cards or tokens and provides a credit slip rather than coins. Critics consider the credit system in VLTs and the player's ability to control the speed of play as two of the main factors in the addictiveness of VLTs.

The payout ratio - or proportion of amount wagered which is paid back in winnings to the gambler - for B.C.'s new slot machines has been programmed at 90-92%. This is similar to slot machine payout rates in Las Vegas. This payout ratio compares to the following ratios for other forms of gaming in B.C. (based on the 1995/96 fiscal year):

- | | |
|-------------------|-----|
| ▶ horse-racing | 78% |
| ▶ lottery tickets | 50% |
| ▶ bingo | 58% |
| ▶ table games | 75% |

The slot machines in B.C.'s casinos and race tracks will be a mix of \$1 and \$.25 machines.

Some of the net income from slot machines will be available to charities, as discussed in Section 3.1 of this report.

3.0 REVENUE DISTRIBUTION

Before the Province's March 1997 gaming announcement, the split in the proceeds from charitable gaming facilities was 50% to the charity, 40% to the operator, and 10% to the Province.

Under the new system, in both charity and destination casinos, operators will receive 40% of table take-ins (what is left after prizes) and 25% of slot take-ins, plus 3% of each for a Facility Development Fund (on which each operator must report expenditures and action annually). 11% of slot take-ins will go to the B.C. Lottery Corporation to cover the costs of operating and maintaining slot machines.

In both charity and destination bingo halls, operators will receive 40% of paper bingo take-ins on the first \$700,000 in monthly sales and 30% on paper take-ins beyond \$700,000.

Operators will receive 30% of electronic and linked ¹ bingo take-ins. 11% of electronic and linked bingo take-ins will go to the B.C. Lottery Corporation.

The remainder of the revenue will be distributed, for both new and existing facilities, as follows:

3.1 Charitable Facilities

Once a mature gaming market has been achieved in British Columbia (estimated by the Province to be two or three years), 2/3 of net income (after prizes and expenses) in charitable facilities will go to the Province and 1/3 into a province-wide charitable revenue pool. In the interim and beginning in 1997/98, the revenue pool will be guaranteed at \$118 million ² plus an amount representing the B.C. inflation rate for the previous year.

After some reallocation of funds between bingo halls and casinos, funds from the province-wide charitable revenue pool will be redistributed back to the various gaming facilities monthly based on their individual performance. This reallocation will be done to ensure that the increasingly lucrative casinos cross-subsidize bingo halls. Individual charities will then receive their share of the facility's portion of the revenue pool, based on the number of nights the charity was licensed for in the previous month. For example, a charity which works one casino night in a month will receive 1/30 of the revenue pool dedicated to that facility for that month.

The Province has maintained that the change in revenue distribution which accompanied the announcement of its new gaming initiatives guarantees charitable revenues at previous levels. However, it is important to note that the guarantee applies to the entire charitable revenue pot, and at the facility level, but not to each individual charity. It also applies only in the interim period. As a result, for the interim period, a facility is guaranteed the same level of charitable funds to distribute to charities as it has had in the past. An individual charity, however, is not guaranteed anything, including access to bingo or casino nights at any facility, access to the same facility as in the past, or last year's income.

Individual charities will be granted access to or licensed for bingo or casino nights in charitable facilities based on a number of factors including stated need and intended use for the funds, the success of and community support for the charity's programs or initiatives, and access to other sources of revenue (to prevent dependence on gaming revenues). For the present, although rules can always change in future, a charity wishing access to a gaming facility must apply to the Province on an annual basis for a specific amount of funds, indicating whether it prefers bingo or casino

¹ "Linked bingo" refers to a linkage between all bingo halls in B.C. by telephone or computer for a nightly one-game prize of a minimum of \$20,000.

² The \$118 million figure is derived from 1995/96 charitable casino and bingo revenue of \$112 million, plus 5% inflation.

nights, or both. The Province will then allocate the charity the number of nights estimated to produce the required funds in an appropriate gaming facility within a 50 km. radius. Thus, the existence - or not - of charitable facilities within Burnaby's municipal boundaries should have no **direct** impact on revenues for Burnaby-based charities, as all nine charity casinos and all eleven charity bingo halls in the Lower Mainland fall within the 50 km. radius. There could be an **indirect** impact, however, in that any new facilities located in Burnaby could increase the size of the gaming facility universe to which the charities can be granted access. It should be noted that new facilities anywhere in the Lower Mainland will increase that universe of available facilities.

3.2 Destination Facilities

Destination facilities will have the same games and operate under the same rules as charitable facilities, with one exception - destination casinos will be allowed to include a licensed liquor area³. The main difference between destination and charitable facilities is the split in revenue, with no funds from destination facilities allocated to charities. Instead, that 1/3 of net income which in charitable facilities is allocated to charities will be divided as follows:

- ▶ 50% to the host local government to assist in the provision of any infrastructure necessary to accommodate the facility, or for any other purpose for the general benefit of the community⁴
- ▶ a maximum of 50% of the remainder to be available to proponents who develop and adhere to an economic development plan for the facility. Where such a plan is not provided or adhered to, the funds will revert to the Province

4.0 THE PROPOSED UBCM GAMING COMMITTEE

Staff have contacted both the Corporation of Delta and the UBCM to obtain information as to the proposed terms of reference for the suggested UBCM Gaming Committee. Staff have been informed by the Delta Councillor who proposed the establishment of the Committee that the UBCM executive would likely develop the terms of reference for the Committee, based on suggestions from Delta. The Delta Councillor envisions the Committee as a primarily Lower Mainland-based task force, at least initially, given that most of the existing gaming facilities in B.C. are located in this region. The Committee would provide a mechanism for local municipalities to be kept abreast of changes in gaming in B.C. and the potential impact of those changes on communities. It would also serve as a mechanism for UBCM members to engage in discussions with the Province about municipal concerns with Provincial gaming

³Liquor will not be allowed on the floor of the playing area, but in a separate section of the gaming facility. Therefore, the situation may not be much different from the situation with charitable casinos, many of which are located in hotels with licensed premises. Only in the case of free-standing casinos is the different liquor rule likely to have an impact.

⁴The Province estimates that the local government share from a destination gaming facility in a high population density urban area could total \$4 million a year.

initiatives. The UBCM reports that it has received letters of support for Delta's idea to establish a Gaming Committee under the auspices of the UBCM.

5.0 THE CURRENT REQUEST FOR PROPOSALS (RFP)

The Province recently initiated a "Request For Proposals" (RFP) by which it invited developers and gaming operators to submit proposals for new casinos and bingo halls or relocations of such facilities from one municipality to another. This RFP process, which commenced in August and concludes on November 28, 1997, was noted in a 1997 July 07 Community Issues & Social Planning Committee report to Council, and was outlined in an 1997 August 01 letter to the mayors of all municipalities and to regional districts from the Provincial Lotteries Advisory Committee.

As part of the four month process, proponents will seek sites and submit applications to the Province. The applications will include a viable business plan which addresses potential municipal concerns about infrastructure needs (sewer, water), parking, traffic control, and extra policing requirements. Applications for destination facilities will be expected to include an economic development component outlining the economic benefits and spin-offs to be generated by the facility. The Province is expected to make its decisions on new facilities in early 1998. It will enter into ten year agreements with proponents, with a ten year renewal option.

Local governments have an important role to play in the process, as discussed below.

5.1 Local Governments as Potential Hosts

The Province has asked local governments to take a position on the expansion of gaming within their own boundaries by passing a general resolution. If, for instance, Council is not prepared to consider additional gaming facilities in Burnaby (the future Gateway casino excepted, as it was approved under a previous process), Council is asked to pass a resolution to that effect. If such a resolution were passed, no consideration would be given by the Province to any proposals submitted under this RFP for facilities in Burnaby.

If, on the other hand, Council is prepared to consider additional gaming facilities in Burnaby, it must pass a resolution to that effect. Silence on the part of Council will be considered by the Province to be a negative response to any proposals submitted for sites in Burnaby.⁵

A positive resolution should express Council's general agreement to additional gaming facilities, rather than agreement to specific proposals or sites in Burnaby. It can, however, outline Council preferences or conditions. The Province would not be bound by Council's preferences and conditions, however, especially if the result would mean another facility, especially a charity facility, would be adversely affected. If Council were to pass a positive resolution, the Province would then work with City

⁵That negative response will not be imputed until four weeks following the closing date of the RFP if the gaming facility proponent can demonstrate that the issue is under active consideration by Council.

staff, after the close of the RFP process, to evaluate Burnaby-based proposals and to endeavor to honour Council's preferences or conditions. Details about rezoning would also be worked out at that time. Provincial staff have advised that with a positive resolution from Council and the approval of a specific proposal by the Province, a positive decision by Council on a required rezoning would be expected by the Province unless Council had reasonable grounds for a negative decision.

Council's resolution and statement of preferences or conditions could describe the type of gaming facilities Council considers to be most appropriate and desirable for Burnaby and desired ancillary benefits (e.g. economic spin-offs, jobs, other economic development). For example, the City could state a preference for charitable or destination facilities, and/or for bingo halls or casinos. Council would likely want to state that its agreement is conditional upon proponents' demonstrating that adequate security and traffic control measures are in place. Another likely preference would be for facilities on sites for which Council has already approved rezoning (for example, the proposed casino site at 4488 Halifax Street for which rezoning was approved in autumn 1996).

It is important to note, however, that the Province is not welcoming comments on the size or types of games to be offered in any facility. The acceptance of gaming facilities assumes acceptance of the whole package which includes Provincially-decided hours, betting limits, and types and maximum numbers of games. At the moment, the casino package consists of betting limits of \$500, operational hours from noon until 2:00 a.m., a maximum of 30 table games, and a maximum of 300 slot machines. The bingo hall package includes electronic and linked bingo⁶, a maximum seating capacity of 800 and operating hours from 9:00 a.m. until 2:00 a.m. The current packages aside, the Province reserves the right to approve new games, to increase betting limits and hours of operation, and to change limits on numbers of games at any point, such changes to apply to new and existing facilities.

To date, staff have received enquiries from a number of prospective gaming proponents about potential sites and the rezoning process for both charitable and destination casinos and bingo halls in Burnaby. Also, as Council is aware, there are currently three sites in Burnaby which have already been rezoned for gaming facilities, but for which a facility has not yet been approved by the Province: the Middlegate bingo hall site, the former bingo hall site in Station Square in Metrotown, and the aforementioned casino site on Halifax Street. Given the level of interest and the rezoned sites, staff expect that the Province will receive applications for facilities in Burnaby.

⁶Staff at the Lotteries Advisory Committee advise that bingo facilities can elect to opt out of the electronic and linked bingo option. However, by doing so, those facilities forfeit access to the Provincial revenue pool, which means charities assisting with their operations would have access only to the funds collected through that particular bingo hall.

5.2 Local Governments as Adjacent Municipalities

The RFP process allows for municipalities to comment on potential impacts of any new facility in adjacent communities. Input on measurable impacts such as infrastructure, traffic, parking and noise levels rather than moral concerns will be considered. While this input is not binding on the Province, approval will not likely be given unless the proponent can demonstrate that the concerns have been addressed. If the Province has not received a communication from an adjacent municipality by November 28, 1997, the municipality will be considered to have no concerns.

To date, the City has received notification from proponents applying for facilities in both Vancouver and New Westminster. Responses to those notifications are dealt with in a separate report to Council also appearing on this agenda.

An outline of the status of resolutions and possible proposals in neighbouring municipalities is contained in Appendix 1, *attached*.

6.0 CONCLUSIONS

The Province has initiated a four month RFP process for new gaming facilities which ends on November 28, 1997. At present, the Province envisions only this one request for proposals for new gaming facilities.

In its role as a potential host municipality, it is in Council's best interest to provide the Province with a resolution by 1997 November 28 as to whether Burnaby is prepared to consider the development of additional gaming facilities in Burnaby, particularly if Council has no objection to additional gaming facilities. The implications of both a negative and a positive resolution are outlined in Section 5 of this report.

Burnaby is a growing, urban municipality with a stated desire to provide for a wide diversity of activities to meet citizen needs, especially in Burnaby's Town Centre areas. Given this objective, Council has seen fit to include in its Zoning Bylaw the opportunity for gaming facilities as a land use. This land use is controlled by the requirements of the Zoning Bylaw, Council's Gaming Facility Locational Guidelines, and requirements for site specific zoning for gaming facilities and a Public Hearing process. Given that Council has, in past, supported rezoning applications for charitable gaming establishments, staff suggest that Council consider the potential resolution outlined below.

Gaming Resolution

WHEREAS the Province has circulated a Request for Proposals for additional gaming facilities;

AND WHEREAS the City, if it is prepared to consider additional gaming facilities within its boundaries, has been invited by the Province to express preferred objectives, define the types of benefits that would be appropriate and desirable for the City, and identify any concerns that it wishes to see factored into an evaluation of individual proposals;

AND WHEREAS the City of Burnaby, through its Zoning Bylaw, provides for the consideration of gaming facilities in a Comprehensive Development through site-specific zoning utilizing the C3 Commercial District;

AND WHEREAS the City has approved rezoning for and the Province has approved and licensed a charitable casino to be operated beginning in spring 1998 by Gateway Casinos at 4320 Dominion Street;

BE IT RESOLVED that Burnaby Council will consider additional gaming facilities in the City of Burnaby subject to:

1. Provincial recognition of the City's exclusive authority over zoning for land use
2. the outcome of Council's evaluation of the proposals against the City's locational guidelines for gaming facilities and the proposals meeting all the requirements of Burnaby's Zoning Bylaw as it pertains to the location of gaming facilities (Comprehensive Development District, based on C3)
3. a maximum of three additional facilities being approved and licensed by the Province in Burnaby, with Burnaby Council preferences for:
 - a. a charitable casino, with consideration given to the previously rezoned site at 4488 Halifax street
 - b. one other charitable gaming establishment
 - c. one destination casino, such casino to be located in one of Burnaby's Town Centres, with preference given to a proposal in Burnaby's Regional Town Centre (Metrotown) and to a proposal which includes a major urban hotel as part of the complex
4. the proponent addressing to the satisfaction of the City that it will provide adequate security inside the premises to avoid increased policing costs to the City, and provide adequate security outside the premises to facilitate a viable partnership with the Burnaby Detachment of the RCMP

5. the proponent addressing to the satisfaction of the City that the proposal will:
- ▶ provide an economic or financial benefit to Burnaby charities and/or the City of Burnaby and to existing Burnaby businesses;
 - ▶ promote tourism;
 - ▶ act as a catalyst for new development or redevelopment;
 - ▶ generate permanent new jobs and business opportunities.



D.G. Stenson, Director
PLANNING AND BUILDING

JS\ma
Attachment

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- cc: Deputy City Manager, Corporate Services
Director Finance
City Solicitor
Director Recreation and Cultural Services
Director Finance
O.I.C. - Burnaby R.C.M.P.
Director Engineering

GAMING SITUATION IN LOCAL MUNICIPALITIES

Municipality	Existing Casinos	Existing Bingo Halls	Status of Resolution	Potential Proposals within Boundaries
City of New Westminster	1	1	Council passed a resolution 1997 Nov 10 to actively consider additional gaming facilities in the City pending outcome of public process to be completed 1997 Nov 21. Council will consider formal resolution 1997 Nov 24 (or later).	<ul style="list-style-type: none"> ▶ 2 destination casinos ▶ 2 destination or charity casinos
City of Richmond	1	0	Council voted 1997 Nov 12 to not consider additional gaming facilities in the City	▶ Destination casino on Musqueam Band lands
City of Coquitlam	0	0	No resolution under consideration. Zoning Bylaw contains stringent conditions for casino locations and allows no mechanical gambling	▶ Many proponent enquiries
City of Vancouver	5	3	Council voted on 1997 Oct 07 to allow a maximum of 5 charity casinos with no slot machines. Bylaw also limits casino size and location.	<ul style="list-style-type: none"> ▶ Charitable casino 1128 West Hastings Street ▶ Destination casino on Musqueam Band lands
City of North Vancouver	0	0	No resolution under consideration	▶ Casinos on Burrard or Squamish Band lands
District of North Vancouver	0	0	No resolution under consideration	▶ Casinos on band lands
City of Surrey	1	1	Council voted 1997 Oct 14 to not consider additional gaming facilities in the City	
Corporation of Delta	0	0	Council voted 1997 August to prohibit destination casinos. Charity casinos severely constrained by Zoning Bylaw.	▶ Destination casino on Tsawwassen Band lands
City of Port Coquitlam	0	0	No resolution under consideration	▶ Casino on Coquitlam Band lands

Municipality	Existing Casinos	Existing Bingo Halls	Status of Resolution	Potential Proposals within Boundaries
City of Port Moody	0	1	Council will consider resolution 1997 Nov 24. Historical resolutions opposing gaming.	▶ Not known
District of Maple Ridge	0	1	Council will consider resolution 1997 Nov 25	▶ Charity casino ▶ Casino on Katzie Band lands
District of Pitt Meadows	0	0	Council will consider resolution on 1997 Nov 25	▶ Casino on Katzie Band lands
City of White Rock	0	0	Council voted 1997 Nov 10 not to consider gaming facilities	
Township of Langley	0	1	Council voted 1997 Nov 10 not to consider additional gaming facilities	
City of Langley	0	0	Council voted not to zone any land for casinos	
City of Burnaby	1*	0	Council will consider resolution 1997 Nov 24	▶ Charitable casinos ▶ Charitable bingo hall ▶ Several destination casinos ▶ Destination bingo hall

* The Gateway Casino on Dominion Street; approved and licensed but not yet constructed