



## Minett Joint Policy Review Steering Committee

### ADDENDUM #2:

#### Summary of Key Findings and Implications

#### **“Understanding the Waterfront Economy Study: An Economic Benefits Analysis” by Altus Group Economic Consulting**

##### Timeline

- August 2019 Study undertaken by Altus Group Economic Consulting
- 10 December 2019 Preliminary findings presented to meeting of MJPRSC
- 18 March 2020 Preliminary written draft received, dated 21 February
- 13 Apr 2020 Preliminary written draft reviewed with Consultant
- 6 May 2020 Final report received

##### Background

The Minett Joint Policy Review Steering Committee (MJPRSC) was formed in October 2018 and assigned the mandate of providing evidence-based policy recommendations to the Councils of the District of Muskoka and the Township of Muskoka Lakes for determining appropriate planning policy for Minett. As part of its mandate and to further inform its recommendations, the MJPRSC commissioned two independent studies, one of which is “Understanding the Waterfront Economy of Muskoka”. This Addendum serves to summarize the study’s key findings and their implications for planning policy in Minett.

##### Objectives, Approach and Methodology

Much had changed since the studies previously conducted in support of KFE’s development proposal for Minett, including: the real estate and financial collapse of 2008; the advent and disruptive influence of online rental platforms like AirBnB; the continuing decline of traditional resorts, and; the appearance of condominium sales as a novel way to finance resort redevelopment. Consequently, the MJPRSC felt it was critical to conduct a fresh analysis on which to base its policy recommendations.

Acting through the District of Muskoka and the Township of Muskoka Lakes, the MJPRSC asked the consultant, Altus Group, to estimate the size, economic contribution and future growth prospects of the three main segments of Muskoka’s waterfront economy: resorts, cottages/homes, and short-term cottage rentals.

As part of this process, Altus Group was tasked with conducting a thorough analysis of the waterfront accommodations sector, including: reviewing background information; assembling a database of resorts, cottages, rentals and the local tourism industry; consulting stakeholders; analysing demographics and spending; analysing market trends; conducting an economic benefits analysis by segment, and; forecasting future demand by segment.

## Key Findings & Implications for Minett

### 1) Relative Economic Contribution & Property Taxes

Altus reports that Seasonal Cottages currently dominate the waterfront economy, accounting for half to two-thirds of total contribution (Table 1). While occupying a comparatively small share of the shoreline, Resorts contribute between one fifth to one third of the total. Year-Round Residences and Short-Term Rentals account for the balance.

**TABLE 1**

ECONOMIC CONTRIBUTION BY SEGMENT - DISTRICT OF MUSKOKA - 2018																
Segment	Economic Activity (1)		GDP		Jobs		Wages		Business Earnings		Tax Revenue (2)		Visitor-Nights (3)		Spending (4,5)	
	(000,000)	% of Tot	(000,000)	% of Tot	(Pers-Yrs)	% of Tot	(000,000)	% of Tot	(000,000)	% of Tot	(000,000)	% of Tot	(000)	% of Tot	(000,000)	% of Tot
Seasonal Cottages	\$ 925.3	54%	\$ 543.1	56%	8,761	61%	\$ 367.6	58%	\$ 168.1	53%	\$ 87.8	49%	1,671	67%	\$ 454.1	50%
Resorts	\$ 591.3	35%	\$ 326.4	34%	3,949	27%	\$ 197.4	31%	\$ 116.7	37%	\$ 54.1	30%	522	21%	\$ 296.7	33%
Year-Round Residences	\$ 183.0	11%	\$ 104.5	11%	1,752	12%	\$ 67.3	11%	\$ 33.2	10%	\$ 37.1	21%	n/a	n/a	\$ 86.4	10%
Short Term Rentals	\$ 132.1	8%	\$ 73.1	8%	1,090	8%	\$ 46.5	7%	\$ 24.5	8%	\$ 11.1	6%	291	12%	\$ 65.9	7%
<b>Total</b>	<b>\$ 1,699.6</b>	<b>100%</b>	<b>\$ 974.0</b>	<b>100%</b>	<b>14,462</b>	<b>100%</b>	<b>\$ 632.3</b>	<b>100%</b>	<b>\$ 318.0</b>	<b>100%</b>	<b>\$ 179.0</b>	<b>100%</b>	<b>2,484</b>	<b>100%</b>	<b>\$ 903.1</b>	<b>100%</b>

**Notes:**

1. Includes direct, indirect and induced activity
2. Property Taxes are not included
3. For Seasonal Cottages and Year-Round Residences, visitor count only includes guests, not owners. Altus has assumed Year-Round Residences' share of guests is negligible.
4. Includes Industry spending and visitor spending on accommodations, F&B and Other. (Cottage and Residence owners' spending on F&B is counted as part of their Industry spending.)
5. Spending by Seasonal Cottages extrapolated from District's 2017 Second Home Study. MJPRSC notes survey's low response rate (16%) and suspects expenses are significantly under-reported.

Altus excluded property tax contributions from their modelling, noting that these are more relevant to a fiscal analysis than to an economic benefits analysis. Nonetheless, the MJPRSC believes property taxes are relevant and key to understanding the bigger picture, and they serve to further amplify the importance of the Seasonal Cottage segment to the Waterfront Economy.

To further illustrate this point Table 2 show the relative share of property taxes collected in 2018 from within the Township of Muskoka Lakes. Seasonal Residences (aka cottages) contributed \$47 million (or 82%) of the \$57M total, while Commercial operations (including Resorts) contributed \$2M (or 4%). District wide, the MJPRSC estimates Seasonal Residents' property tax contribution to be in excess of \$100 million, significantly adding to the total economic benefit outlined in the table above.

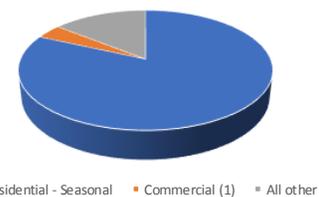
**TABLE 2**

SHARE OF PROPERTY TAX CONTRIBUTIONS - TOWNSHIP OF MUSKOKA LAKES - 2018						
	Paid to District (2)		Paid to TML		Total District + TML	
	(\$)	% of Tot	(\$)	% of Tot	(\$)	% of Tot
Residential - Seasonal	\$ 36,923,780	80.9%	\$ 9,688,963	85.3%	\$ 46,612,744	81.8%
Commercial (1)	\$ 1,980,050	4.3%	\$ 256,623	2.3%	\$ 2,236,673	3.9%
All other	\$ 6,735,949	14.8%	\$ 1,406,504	12.4%	\$ 8,142,453	14.3%
<b>TOTAL</b>	<b>\$ 45,639,779</b>	<b>100%</b>	<b>\$ 11,352,090</b>	<b>100%</b>	<b>\$ 56,991,870</b>	<b>100%</b>

**Notes:**

1. Includes Resorts, which represent a significant subset of total Commercial
2. Includes education tax contributions

Share of Property Taxes Paid to District & TML



## 2) Growth Projections & Demand Implications for Resorts

Altus anticipates that Muskoka’s total number of visitor-nights will grow by 1.3% annually over the next 25 years (Table 3). The Short-Term Rental segment is expected to grow significantly faster than Resorts and will gain in market share at the expense of Resorts. Private Cottages & Homes is expected to retain its two-thirds share of the market.

TABLE 3

PROJECTED GROWTH BY SEGMENT - DISTRICT OF MUSKOKA - 2018-2046							
	Visitor Night Stays						Overall Growth
	2018		2046		Change		
		% of Tot		% of Tot	Annual Growth (2)		
<b>Resorts</b>	521,580	21%	657,999	18%	136,419	0.8%	26%
<i>Traditional Seasonal</i>	88,603	4%	100,000	3%	11,397	0.4%	13%
<i>Four-Season</i>	432,977	17%	557,999	16%	125,022	0.9%	29%
<b>Short Term Rentals</b>	290,856	12%	509,551	14%	218,695	2.0%	75%
<b>Private Cottages &amp; Homes (1)</b>	1,671,172	67%	2,401,635	67%	730,463	1.3%	44%
<b>Total</b>	2,483,608	100%	3,569,185	100%	1,085,577	1.3%	44%

**Notes:**

1. For Private Cottages & Homes, "Visitor" includes guests only, not owners.
2. Muskoka experienced an Annual Growth Rate of 0.8% between 2012 and 2018

Altus projects that “the need for additional resort-type accommodation from a demand perspective is limited”. Their analysis suggests a future demand for some 270 net new four-season resort rooms over the forecast period, which could be met by a new resort or a series of expansions across existing resorts (Altus pg. vii).

Altus recognises that a supply of additional resort units beyond 270 could create a more challenging business environment for resort incumbents and new players (Altus pg. viii)

## 3) Prospects for Traditional Seasonal Resorts in Muskoka

Altus describes the traditional seasonal resort as one that has historically struggled with short seasons, rising costs and increasing real estate valuations. Over the 25-year forecast period, Altus projects that this segment will continue its decline (Altus pg. vii). Altus recommends that **permitting more downzoning** of such properties would provide a potentially desirable alternative for resort owners who are seeking to exit the industry and would not be likely to harm



the development of the accommodations sector (Altus pg. viii). The MJPRSC concurs and suggests that easing the restrictions on downzoning would present planners with a viable option to be weighed against the alternative of allowing increased density on the resort property.

#### **4) Novel Models for Financing Resort Development**

Altus suggests “permitting a model of resort development that allows developers and resort operators to offset Muskoka’s rising land and construction costs could make resort development and redevelopment financially viable” (Altus pg. viii). Insofar as condominium sale of resort units is the model being considered, the District and Township are still struggling to establish policies in their Official Plans to recognize and respond to this model.

To help fill this policy gap, the MJPRSC has developed detailed recommendations for how the condominium resort model may be accommodated in Minett, with implications for broader adoption across the District. Articulated in Schedule A under “Conditions of Use”, these recommendations were developed working in concert with planning staff from the District and Township. They are consistent with conditions already established at the neighbouring Marriott property, and they serve to ensure the ongoing commercial use of the resort condominium units. They also serve to ensure the units’ availability to the travelling public during the key summer rental period (which Altus confirmed generates the majority of resort revenues), thereby supporting the property’s commercial viability as a resort.

Given its potential to blur the distinction between residential and commercial usage, MJPRSC finds that the condominium-resort financing model is well suited for deployment in locations that are municipally serviced, where mixed residential use is already acceptable.

#### **5) Muskoka Does not Need a Fourth Resort Village in Minett**

Altus concludes that “the analysis of future waterfront accommodation needs **does not support the case for a new resort village** in Muskoka” (pg. vii). The MJPRSC concurs with Altus’ conclusion and points to the ample supply of approved capacity for expansion that is already available at Muskoka’s three existing Resort Villages.

Given that Taboo, Muskoka Bay and Deerhurst are each serviced municipally, they are well suited to accommodate mixed residential and/or condominium resort models of development. Additionally, all three destinations already offer easy access to multiple transportation nodes, as well as to health, education and other essential services absent in Minett. Furthermore, capacity for residential growth also exists in nearby Bala and Port Carling.