Understanding the Waterfront Economy of Muskoka: An Economic Benefits Analysis

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Understanding the Waterfront Economy of Muskoka: An Economic Benefits Analysis

Prepared for:

The District Municipality of Muskoka

Prepared by:

Altus Group Economic Consulting

33 Yonge Street Toronto Ontario M5E 1G4

Phone: (416) 641-9500 Fax: (416) 641-9501

economics@altusgroup.com

altusgroup.com

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EXECUTIVE SUMMARY

Muskoka is a region in central Ontario with an array of 1,600 lakes and a pristine expanse of wilderness spanning 6,475 km^2. Muskoka is home to some 65,000 persons primarily located across the urban areas of Gravenhurst, Bracebridge and Huntsville, which collectively account for 79% of the population according to the 2016 Census. Population growth has accelerated considerably since 2016 to an estimated 1,150 persons per year, or 1.8%. During the peak-tourism summer period, Muskoka receives an influx of residents that temporarily boosts its population by about 135% annually.

This study is primarily focussed on the economy directly related to the commercial resorts, residential cottages and short-term rental accommodation activities on Muskoka's waterfront, on lakes Muskoka, Rosseau and Joseph (the "study area").

The anchor of Muskoka's waterfront economy is the accommodation sector and its spin off activity – construction, hospitality, retail, recreation and other auxiliary services. Retail trade and the accommodation & food services sectors collectively accounts for one in three jobs located in Muskoka. According to the Census, there were an estimated 21,000 jobs in Muskoka in 2016, and 82% of the persons employed lived in Muskoka. The accommodation sector, for example, accounts for just about 14% of employment, but contributes significantly to employment in sectors such as wholesale and retail trade, recreational services and construction. This report disentangles those important supply chain effects to provide a fuller picture of the size of the economic contribution of the Waterfront Economy.

According to 2016 census data, there were some 46,200 residential dwellings in Muskoka – about 25,400 year-round occupied dwellings and 20,800 seasonal dwellings, and of those 4,873 are located in the study area.

The Waterfront Economy

Muskoka's waterfront economy is a tremendous engine of economic development and growth. The research in this report details the expenditures in the district by owners and tourist and business visitors across four major waterfront accommodation segments: waterfront year-round residences, waterfront short-term rentals, own-use recreational cottages and waterfront resorts.

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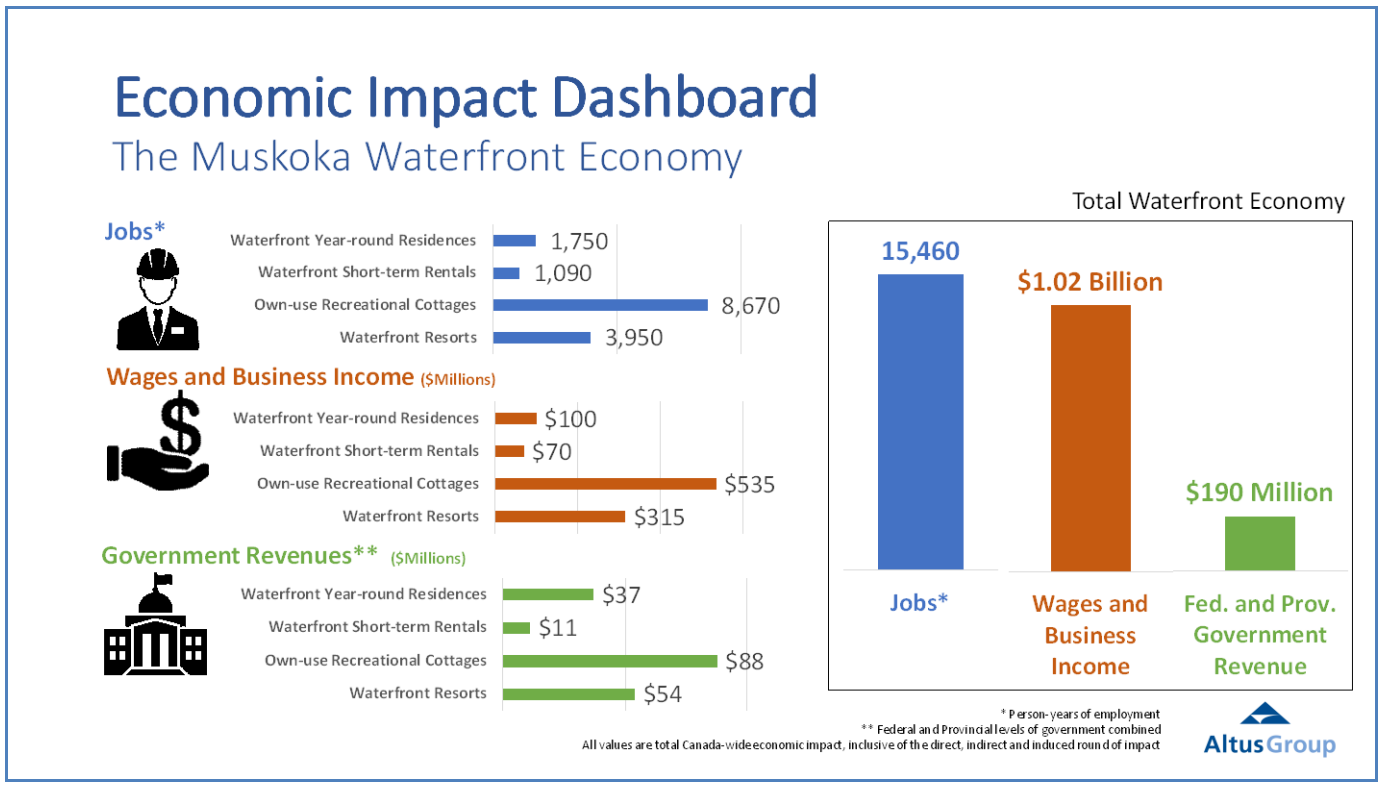
All told this sector contributes some 15,460 jobs to the Canadian economy. Most of the jobs are located within Muskoka, but because the findings include jobs created directly at local businesses and the spin-off jobs created through the supply chain, some jobs are located outside of the district and indeed across Canada. The sector also creates over $1 billion in income for individuals and businesses and generates considerable tax revenue for senior orders of government.



Accommodation Sector

In 2018, Muskoka was home to some 32 waterfront resorts (of which, 14 are in the study area); 18,760 waterfront seasonal recreation cottages (of which, 4,199 are in the study area); and about 1,538 short-term rentals on the waterfront (of which, 674 are in the study area).

Muskoka's 32 waterfront resorts earn around $215 million in revenue annually, including room revenue of about $70 million. Waterfront resorts also accommodated 521,581 visitor night stays. The accommodation and non-accommodation spending of visitors staying at resorts, and resort expenditures generate $297 million of economic activity in Muskoka. An

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additional $295 million of indirect and induced economic activity is generated or sustained across Ontario and Canada.

- Muskoka's 32 waterfront resorts also account for 2,325 person years of full-time, seasonal and part-time employment. Resorts in the study area account for 1,203 or 53% of these direct person years of employment. When we consider indirect and induced employment that is sustained across Muskoka, Ontario and Canada, Muskoka waterfront resorts generate and sustain a total of some 3,949 jobs (person years of employment). Of those, 2,078 jobs relate to activity directly at resorts and other spending by resort tourists in the study area.
- Other direct, indirect and induced economic benefits of Muskoka's waterfront resort industry include GDP ($326 million), personal income ($197 million), business earnings ($117 million) and provincial and federal government revenues ($54 million).
- Muskoka's resort sector has long and complex supply chains involving suppliers within and beyond the District. Therefore, while most of these economic impacts will benefit the District directly, the job creation, income and GDP effects are also felt across the country.

Own-use or private seasonal cottage owners and their guests account for about 1,671,172 room nights annually, that's 32% of Muskoka's visitor demand for room nights. Muskoka's seasonal waterfront cottage industry generates some $925 million in economic activity ($454 million in direct economic activity and another $471 million in indirect and induced economic activity, most of which likely takes place within Muskoka).

- In addition to the $454 million of direct economic activity generated by Muskoka's waterfront seasonal cottages industry, 6,200 jobs (person years of employment) are attributable to the seasonal waterfront cottage industry. Seasonal cottages near the three big lakes account for 2,400 or 39% of these direct person years of employment. Muskoka waterfront seasonal cottages generate and sustain a total of some 8,700 jobs (person years of employment) across Canada. Of those jobs, 3,400 relate to spending by owners of cottages in the study area and their visitors.
- Other direct, indirect and induced economic benefits of Muskoka's waterfront seasonal cottage industry include GDP ($543 million),

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personal income ($368 million), business earnings ($168 million) and provincial and federal government revenues ($89 million).

Just 10% of Muskoka's seasonal waterfront recreational suites or cottages are rented out to visitors on a daily, weekly or monthly basis, constituting the nucleus of Muskoka's thriving short-term rental market. In 2018, tourists staying in Muskoka's short-term rentals accounted for 290,856 room nights compared with 521,581 room nights in resorts. The operational spending of owners together with tourist spending associated with commercial cottages contributes some $132 million in economic activity ($66 million in direct economic activity and $66 million in indirect and induced economic activity, most of which likely took place within Muskoka).

- Muskoka's short-term rental cottages industry also generated and sustained a total of some 1,100 jobs (person years of employment). A majority of the indirect, or supplier, jobs are thought to be located within Muskoka.
- Short-term rental cottages on the shores of the big three lakes accounted for 88,296 room nights, $62 million of economic activity, and 523 direct, indirect and induced jobs, most of which are expected to be generated and supported generally within the District.
- Other direct, indirect and induced economic benefits of Muskoka's waterfront short-term rental cottages industry include GDP ($73 million), personal income ($47 million), business earnings ($25 million) and provincial and federal government revenues ($11 million).
- The supply chains for the short-term rental sector are thought to be quite short, and predominantly composed of local businesses. Most of these economic impacts are considered to be within the District.

There are 3,522 year-round single-family detached residences on Muskoka's waterfront. Though these private homes are not formally a part of Muskoka's accommodation sector, they are a vital part of the waterfront economy, providing a steady stream of spending annually ($86 million). Based on 2018, year-round residential waterfront properties contribute some $183 million in economic activity. Annual expenditure related to property maintenance, construction and renovations, landscaping and retail spending support and sustain local businesses and tradespeople.

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- Muskoka's year-round residential waterfront properties also generate and sustain a total of some 1,800 jobs annually.
- Within the study area there are 437 year-round residential waterfront properties generating and sustaining $38 million in economic activity and 362 jobs.
- Other direct, indirect and induced economic benefits of Muskoka's year-round residential waterfront properties include GDP ($105 million), personal income ($67 million), business earnings ($33 million) and provincial and federal government revenues ($17 million).
- Similar to the short-term rental sector, supply chains for the types of goods and services focused on year-round residential waterfront properties are considered to be short and spin-off economic impacts are considered to be predominantly local within the District.

A fiscal impact analysis measures the value of municipal government revenues through property taxes and other levies derived from a sector balanced against the magnitude of municipal services required to support it. While this report is not a fiscal impact analysis, it does acknowledge the very valuable contribution all waterfront sectors make in supporting municipal government activities through these taxes and levies.

Market Analysis

Based on the 2018 base year used in this analysis, Muskoka's waterfront accommodation market[1] accounts for 1.7 million nights of accommodation and $817 million in economic activity.

Of the three accommodation industries under review, own-use recreational cottages are the Muskoka waterfront's single largest accommodation sector accounting for 84% of visitor room stock, 67% of visitor nights and 56% of economic activity. In the study area, own-use recreational cottages account for 73% of the available suites, 66% of visitor nights and 48% of (direct) economic activity.

Nine percent of available suites are provided by waterfront resorts and account for 21% of visitor night stays. In the study area, resorts account for 16% of the available suites and 24% of visitor nights. Study area resorts

[1] This refers to Muskoka's waterfront resort, cottages, and short-term rentals accommodation market.

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generated 43% of waterfront (direct) economic activity, compared with 36% for waterfront resorts in the District as a whole.

The waterfront short-term rentals industry accounts for 7% of the available suites, 12% of visitor nights and 8% of (direct) economic activity.

The seasonal own-use recreational cottages industry is by far the most significant contributor to Muskoka's waterfront economy. Own-use recreational cottages are responsible for more than 50% of the economic impact of the three accommodations industries that are the primary focus of this study.

Industry Efficiency

The waterfront resorts industry is more operationally efficient than the waterfront seasonal recreational cottages and short-term rental industries:

- Own-use recreational cottages account for over 80% of the available suites and 67% room night stays but just around 56% of economic activity and jobs;
- Resorts capture 21% of the room night stays with 9% of the available suites and contribute to 36% of the waterfront accommodation sector's economic activity and 22% of its direct jobs. Resorts in the study area capture 24% of the room night stays with 16% of the available suites, and contribute to 43% of the waterfront accommodation sector's economic activity and 28% of its direct jobs;
- Short-term rentals accommodate 12% of visitor night stays and 7-8% of economic activity and jobs.

Forecast

By 2046 there will be a need to accommodate some 2.5 million additional annual person night stays across the District of Muskoka. Up to 1.1 million of those will be at some form of waterfront accommodation.

- The number of person-night-stays at resorts is projected to grow to about 658,000 by 2046 – an annual average growth of some 4,800 person night stays.
- The share of person-night-stays accommodated at resorts is projected to lag the share in other waterfront accommodation, such as short-term rental and private cottages. There has been little growth in the

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traditional resort sector, as the dominant trend has been toward conversion of properties to other uses.

Occupancy rates in Muskoka are generally below those in the accommodation sector across Ontario, and much of that relates to the traditional seasonality of the accommodation business in Muskoka. "Off-season" visits are growing, partially addressing this traditional lower occupancy. This trend is expected to continue through the forecast horizon.

The future growth scenario illustrates the need for new units over the forecast period. In consideration of the approximately 1.1 million annual person-night-stays expected to be accommodated on the Muskoka waterfront by 2046:

- The stock of traditional seasonal resort rooms is expected to undergo a very modest reduction through the forecast period.
- The analysis of future waterfront accommodation needs suggests a need for some 270 net new four-season resort rooms, which could be met, potentially, by a new resort, or a series of expansions across existing resorts.
- Trends suggest that short-term rentals will be responsible for accommodating a significant amount of the need for commercial visitor night stays through the forecast horizon. There may be a very modest rise in occupancy of the existing stock of STRs to accommodate some of this need, but the remainder should be accommodated through the addition of some 855 units over the forecast period, whether these be through new construction, or conversion from other uses or occupancies.

Recommendations

- The analysis of future waterfront accommodation needs does not support the case for a new resort village in Muskoka.
- Any efforts to maximise the economic gains of Muskoka's waterfront accommodation industries, when considering future development should consider the relative operation and land-use efficiency of resorts while acknowledging that the need for additional resort-type accommodation from a demand perspective is limited. It should also be recognised that the supply of additional resort units beyond 270 net new rooms could create a more challenging business

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environment for resort incumbents and new players. The District should consider greater flexibility in zoning as it applies to the lands currently occupied by older, smaller resorts, as the economic analysis suggests that these lands are not critically required to accommodate future accommodation needs and may find higher and better uses in seasonal and short term rental dwellings. Permitting more downzoning is not likely to harm the growth and development of the accommodations sector.

- Consideration should also be given to permitting integrated resorts that combine larger four-season amenity-rich resort business along with condominium real estate bridge across multiple needs as these developments can accommodate the demand both for resort stays and short-term rentals.
- 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.

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1 INTRODUCTION

In June 2019, the District Municipality of Muskoka (the "District") issued a Request for Proposals for the provision of a study titled Understanding the Waterfront Economy of Muskoka.

The District selected Altus Group Economic Consulting to conduct an economic study (the "study") of the waterfront economy in Muskoka. The study will help the District and other Muskoka stakeholders better understand the size, scope and prospects for the waterfront economy, particularly the waterfront tourism accommodation sector.

Aspects of the analysis address the entire District, but the focus is on a study area defined by waterfront lands of the three very large lakes located on the western part of Muskoka. These are lakes Muskoka, Rosseau and Joseph. The primary focus of the study is the economy directly related to the commercial resorts, residential cottages and short-term rental accommodation on these lakes.

1.1 STUDY PURPOSE

The purpose of this study is to estimate the size, economic contribution and future growth prospects of the three main industries of the Muskoka Waterfront Economy (commercial resorts, seasonal recreational cottages/homes, and short-term rentals). The geographical area of interest of this study is the District of Muskoka's waterfront, and the primary focus (or study area) is on Muskoka's big three lakes – Lakes Rosseau, Joseph, and Muskoka, including the community of Minett.

1.2 SCOPE OF STUDY

The following tasks were completed to prepare an economic impact analysis and forecast of the waterfront accommodations sector:

- **Review background information**, municipal documents and previous studies as necessary;
- **Assemble a database** of waterfront resorts, seasonal cottages; short-term rentals, and the local tourism industry;
- **Consult stakeholders** such as resort operators; cottage rental brokerages; municipal planning departments; municipal economic

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development departments; and tourism marketing and development agencies or departments.

- **Demographic and Economic Analysis**: Estimate current and future local resident and tourist/visitor populations and their respective potential expenditures for the District of Muskoka and the study area;
- **Market Analysis:** Review and analyse the accommodations sector's strengths-weaknesses-opportunities-threats, best practices, key trends, size and waterfront footprint;
- **Economic Benefits Analysis:** Estimate the economic contribution of the waterfront commercial resorts, recreational cottages and short-term rental industries;
- **Forecast and assess** the future needs of Muskoka's waterfront accommodations sector**.**

1.3 STRUCTURE OF THE REPORT

The chapters of the report are as follows:

- Chapter 2 provides context for the study, describes the District of Muskoka and the "Study Area", reviews the relevant literature and provides an overview of the data and methodology used in the report;
- Chapter 3 presents an outline of Muskoka's population and economy, including the composition of its economic sectors;
- Chapter 4 provides a profile of Muskoka's tourism industry;
- Chapter 5 presents a market analysis of Muskoka's accommodation sector, complete with a SWOT analysis and best practices;
- Chapter 6 provides an overview of the various measurers of the economic benefits of Mukoka's waterfront accommodation sector, the spending activities that generate those benefits and the model framework used to estimate those benefits;
- Chapters 7 and 8 presents the detailed economic benefits associated resorts, seasonal cottages, short-term rentals and waterfront year-round residences;
- Chapter 9 provides a tourism and accommodations sector forecast of the 2018-2046 forecast period, as well as an assessment of future accommodation need for the District of Muskoka; and

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- Chapter 10 concludes with a summary of the market analysis and economic impacts of the Muskoka waterfront accommodations sector, and recommendations.

1.4 CAVEAT

This analysis has been prepared on the basis of the information and assumptions set forth in the text. However, it is not possible to fully document all factors or account for all the changes that may occur in the future.

As of the date of this report, Canada and the Global Community are experiencing unprecedented measures undertaken by various levels of government to curtail health-related impacts of the COVID-19 pandemic. The duration of this event is not known. While there is potential for negative impact with respect to micro and macro-economic sectors, as well as upon various real estate markets, it is not fully possible to predict such impact at present, or the impact of current and future government countermeasures. There is some risk that the COVID-19 pandemic increases the likelihood of short, medium and possibly longer-term economic and social changes that could have an impact on the findings in this report, but it is not possible to predict those impacts at this point in time. Accordingly, this report does not address the potential impact of the COVID-19 pandemic on recent, current or future market conditions.

This report relies on information from a variety of secondary sources. While every effort is made to ensure the accuracy of the data, we cannot guarantee the complete accuracy of the information used in this report from these secondary sources.

This report has been prepared solely for the purposes outlined herein and is not to be relied upon or used for any other purposes or by any other party without the prior written authorization of Altus Group Limited.

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2 BACKGROUND

During the process of reviewing the Muskoka Official Plan, the District of Muskoka became aware that some residents had concerns about the level and pace of development in the study area. At a District Council meeting in November 2017, residents made a large number of submissions to this effect. The Township of Muskoka Lakes also heard from some of its residents who expressed concerns about potential development in the Minett area.

The District and the Township Councils decided to collaborate on addressing residents concerns via the formation of the Minett Joint Policy Review Committee (hereafter "the Committee"), a knowledge-based committee of 13 individuals. The Committee is expected to review the relevant official plan policies and develop evidence-based policy recommendations for the District and Muskoka Lakes Councils to evaluate and make decisions on.

Since October 2018, the Committee has worked to execute a work plan that aligns with the mandate provided by the Councils. After considerable work, debate and consideration the Committee sought approval to retain consulting expertise to assist it with an economic impact study of the Waterfront Economy in Muskoka, among other things.

It has been the Committee's considered view that it needs access to credible, well sourced data that has been organized and delineated to draw out the economic impact of the waterfront tourism accommodation sector, as well as the economic impact of the cottager and/or seasonal resident sector, in order to make sound evidence-based policy recommendations.

Cognisant of the stresses on Muskoka's natural environment brought on by climate change, stakeholders want to ensure that any waterfront development is balanced with protecting, preserving and enhancing the environment and character of Muskoka for future generations.

In August 2019, the District Municipality of Muskoka ("the District") selected Altus Group Economic Consulting following its review of various proposals to undertake a study titled, "Understanding the Waterfront Economy of Muskoka".

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2.1 THE DISTRICT OF MUSKOKA

Governed by an upper tier municipality, the District Municipality of Muskoka ("the District") and six constituent municipalities, Muskoka is a region in central Ontario spanning 6,475 km[2] that is endowed with an array of 1,600 lakes and a pristine expanse of lush vegetation. Its ecological assets and diverse accommodation sector support a thriving waterfront recreation and tourism economy. Historically, the economy of Muskoka has also been a gateway for the rich natural resources of the near north of Ontario.

Muskoka is home to some 65,000 persons, according to estimates by the Ontario Ministry of Finance. The pace of population growth in recent years reflects important trends for the local economy. Population growth in the decade from 2006 to 2016 averaged just over 300 persons per year or 0.5% per year growth and has accelerated considerably since 2016 to an estimated 1,150 persons per year, or 1.8%.

Muskoka's resident population is primarily located across three urban areas (Gravenhurst, Bracebridge and Huntsville), which collectively account for some 79% of the census population.

In 2016, there were some 21,000 jobs located in Muskoka according to the Census[2] and this employment was heavily focused on tourism related positions. Retail trade and the accommodation & food services sectors collectively accounted for one in three jobs located in Muskoka.

The richness of the recreation and tourism economy in Muskoka is manifest in the form of visitors to the region and in recreational properties owned by persons who regularly live outside of the region. According to the Census of Canada, in 2016 there were some 46,207 dwellings in Muskoka, of which 20,776 were residential dwellings not occupied by regular residents. Most of these dwellings are used for recreational or seasonal purposes. On this basis recreational properties account for almost 45% of the housing stock in Muskoka.

[2] This refers to Statistic Canada's Place of Work employment.

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Figure 1

Inventory of Principal Residences & Other Residential Dwellings, 2016

	Total Dwellings	Occupied Dwellings	Seasonal Dwellings*
Muskoka District Municipality	46,207	25,431	20,776

* Inclusive of vacant dwellings
Source: Altus Group Economic Consulting based on 2016 Census Data

2.2 MUSKOKA'S WATERFRONT ECONOMY

Muskoka's Waterfront Economy refers to the commercial activity that is generated from the production and consumption of goods and services on the Muskoka waterfront. The anchor of Muskoka's waterfront economy is the accommodation sector and its spin off activity – construction, retail, recreation and other auxiliary services.

The majority of Muskoka's 1,600 lakes have waterfront properties that are accessible by roadway. Many, but not all the recreational properties found in the District are located on the shores of a lake, but this study is focused on commercial resorts, residential cottages and short-term rental accommodation on the Muskoka Waterfront.

2.3 THE STUDY AREA – THE WATERFRONT OF MUSKOKA'S BIG THREE LAKES

The primary focus of this study is the economy directly related to activities on the waterfront: the commercial resorts, residential cottages and short-term rental accommodation, on the three very large lakes located on the western part of Muskoka (the "study area"). These are lakes Muskoka, Rosseau and Joseph. The three lakes are largely adjacent one another and partially inter-navigable through locks and channels. In extent the area accounted for by these lakes and the properties in proximity span approximately 40 kilometres from north to south and 25 kilometres from east to west. Both the urban areas of Gravenhurst and Bracebridge have navigable access to Lake Muskoka. A large part of each of the three lakes is found within the lower-tier municipality of Muskoka Lakes.

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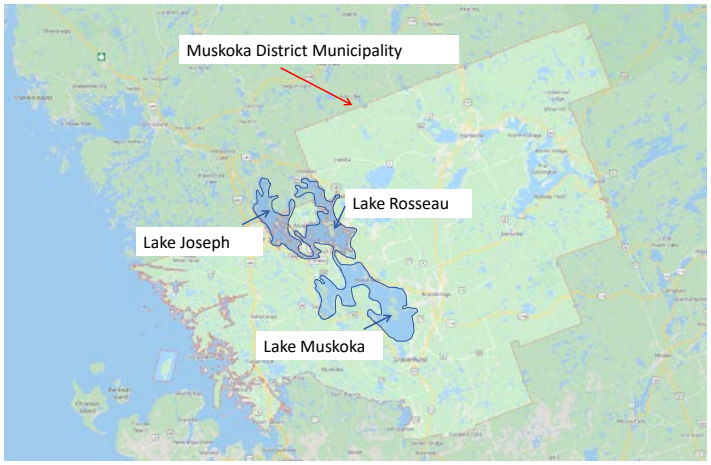
Figure 2

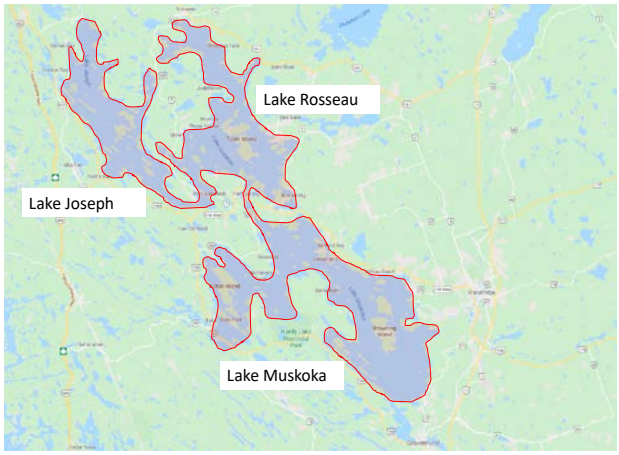
Muskoka District Municipality and The Study Area



Source: Altus Group Economic Consulting based on Google Maps

Figure 3

The Study Area – Waterfront Properties on Lake Muskoka, Lake Rosseau & Lake Joseph



Source: Altus Group Economic Consulting based on Google Maps

2.4 LITERATURE REVIEW

There exists a volume of literature and studies over the years examining the size, scope and impacts of economic activity in Muskoka, this section reviews this material.

In 2011, National Geographic recognized Muskoka Cottage Country as the number one destination worldwide for summer travel on its list of "10 Best Summer Trips of 2011" (National Geographic Traveler magazine, 2011). In 2008, a consultant evaluated the contribution of outdoor recreation and

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tourism to the economy and found that it accounted for some 57% of the workforce. (Malone Given Parsons Ltd., 2008).[3]

Ecological tourism destinations, such as the Muskoka waterfront are a major attraction to people who are looking for a retreat or an escape from their busy lifestyle and an opportunity to reconnect with family, friends and nature. These tourists tend to value quality over quantity and place a strong emphasis on sharing memorable experiences with friends and family. Muskoka makes up part of Ontario's cottage country. Apart from the recreational benefits, cottage owners are also motivated by lower interest rates and the prospect of real estate price appreciation.

Accommodations Industry Trends

According to NAIOP[4] [5] in 2005, emerging industry trends are expected to continue into the foreseeable future, including:

- A wider array of amenities is becoming more important;
- Second home buyers desire a four season, small town atmosphere; and
- Demand for accommodation offerings and the price of cottages are expected to increase.

NAIOP further predicted that technology and ease of travel would continue to help to "fuel second home sales", a phenomenon that is aided by sharing economy online platforms like Airbnb, HomeAway and other online brokerages.

Other trends predicted by NAIOP, which have been observed by Muskoka accommodation sector stakeholders in recent years are shorter and more frequent vacations by visitors to Muskoka, rising demand by multi-generational families for recreational attractions that cater to their needs. Demand for cultural events is also forecast to rise.

In 2013, PKF Hospitality & Tourism Business Advisor (PKF) prepared a report for the District titled, "Muskoka Resort and Tourism Official Plan Policy Review, Interim Options Report". According to PKF, "Resorts have

[3] Valuing Muskoka's Natural Assets, April 2018, Virdi Consulting.

[4] Recreational and Resort Real Estate, June 2005, NAIOP.

[5] NAIOP, formerly National Association of Industrial and Office Properties, is a commercial real estate development association.

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and will continue to generate the strongest level of annual economic impact on a per unit basis in Muskoka." In part based on that finding the consulting firm recommended new multi-ownership condominium units to strengthen the resort per unit contribution to the Muskoka economy.

There is a captive consumer market for the various types of accommodation – resort, private cottages, rental cottages etc., regardless of where in Muskoka they may be built. PKF found that there were 87 resorts, 20,500 cottages, 3,200 resort units and 2,000 cottage rentals in Muskoka.

According to PKF:

"The various types of resorts and other overnight tourism products in Muskoka offer a total capacity for over 100,000 visitors per night."

"There are 111 Resorts and Hotels with 4,100 units, providing a capacity approaching 10,000 persons."

"There are 20,500 Cottages that can host over 75,000 persons. The cottage sector in Muskoka generates in excess of $600 Million in economic impacts to the District on an annual basis ($30,000 per cottage)."

"…development of new multi-ownership condominium resort units will likely generate stronger impacts than new cottage units on a per unit basis. This combined with a greater level of density in multi-ownership/condominium resort developments, as opposed to cottage development, suggests strong potential for additional economic impact."

PKF outlined various resort and tourism trends impacting Muskoka:

Increasingly, "people tend to be looking for authentic experiences when they travel, as opposed to simple services and amenities."

"With increased options for resorts and increased opportunities to travel at less expensive costs and shorter planning time via internet, the traditional two-week annual holiday booked in advance is becoming a thing of the past."

Trends in resort vacations that have been emerging, include "experiences ranging from eco-tourism and "soft" adventures (e.g. driving tours, trails and walking tours, wildlife viewing), spa breaks, weekend getaways, to fractional ownership".

"Fractional ownership options in the form of residences, hotels or clubs, have revolutionized the [Muskoka accommodations] market, affording consumers

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the opportunity to enjoy a luxury, serviced holiday home without the enormous costs incurred by outright purchase."

There are two types of wilderness or waterfront Ontario travel experiences that the consumer is predominantly looking for, the traditional resort vacation, and an alternative "cottage" vacation. The strongest source of new demand in Ontario is driven by people looking for that alternative cottage experience, which tends to correspond to the real estate product.

Significant changes in travel demand patterns, including the increased use of online tools for travel planning, more frequent short getaways, and last minute bookings to locations outside Canada, as well as the evolving interest in obtaining an alternative "cottage" experience, have already had a significant impact on the Muskoka resort experience.

Sustainable Development

Essential to the preservation of natural assets[6] for the enjoyment of future generations is their utilization and enjoyment, in a manner that does not degrade their attributes of environmental, social and economic wellbeing. Similarly, sustainability speaks to the pursuit of commercial endeavours in a way that prolong their financial returns, economic value and social benefit without damaging the environment.

Purandare (2009) described economic sustainability as being concerned with the maintenance of income and capital over a period of time. Economic sustainability can be achieved by the development of industry and infrastructure in a sensitive and stable manner. That author defined environmental sustainability as the sustainable use of natural resources, such as fresh water, and the application of methods in which the world can continue to develop economically and socially without damaging the planet.

Purandare also suggests that "environmental sustainability can be achieved in practice through sensitive design and continued monitoring of the environment post-development". Integrating resorts with the local community could help local communities buy-into the economic benefits of resort development and operations.

[6] The Organization of Economic Cooperation and Development (OECD) defines natural assets of the natural environment as biological assets, land and water areas in their ecosystems, subsoil assets and air.

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Areas which are of ecological interest and have natural beauty will attract tourists and, therefore, have an economic value. With careful planning at the design stage a resort can function without exploiting resources (Purandare, 2009).

The design of a resort should take into consideration the existing natural environment within the development area in order to ensure the success of existing ecosystems, as well as visitor appeal. Resorts which have not been designed and planned around the existing vegetation of a [development] site can contribute to environmental problems, such as accelerated erosion and damaged ecosystems. Development that is not environmentally conscious can result in damaged ecosystems that could reduce some of the appeal of aspirational destinations like Muskoka (Purandare, 2009).

At the same time many researchers note that sustainable development does not necessarily mean having less economic development (Selman 1996).

When planning for residential and commercial development tourist destinations whose natural environment is integral to the appeal of their tourism product should consider the value of their natural assets and the costs of potential degradation of those natural assets.

Natural assets produce an array of benefits known as ecosystem goods and services. These benefits are dependent on ecosystem functions, which are the processes or attributes that maintain ecosystems and the species that live within them. Our livelihood is reliant on the capacity of natural processes and systems to provide for human and wildlife needs.[7] These include products received from ecosystems (e.g. food, fibre, clean air and water), benefits derived from processes (e.g. nutrient cycling, water purification, climate regulation) and non-material benefits (e.g. recreation and aesthetic benefits).[8] Muskoka's intricate ecosystem provides water supply, prevention of soil loss, storage of silk in lakes and wetlands, nitrogen fixation, biodiversity, wildlife viewing, sport fishing boating, scenery etc.[9]

[7] De Groot, R.S. 2002. "A typology for the classification, description and valuation of ecosystem functions, goods and services." Ecological Economics. 41: 393-408.

[8] Millennium Ecosystem Assessment. 2003. Ecosystems and Human Well-Being: A Framework for Assessment. World Resources Institute, Island Press. Washington, D.C.

[9] Wilson, S. J. (2008a). Lake Simcoe Basin's natural capital: The value of the watershed's ecosystem services.

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For decades, researchers and environmentalists have been working on improving techniques for estimating the economic value of non-market ecosystem services. Some examples of these estimation methods are avoided cost and replacement cost for ecosystem valuation; contingent valuations; willingness to pay studies; and the benefits transfer method for placing monetary values on natural assets.

Adopting a method of valuing natural assets that allows policymakers to better plan for tourist attractions in an ecological manner could help Muskoka to achieve environmental and economic sustainability as it strives to balance economic development with the preservation of its natural environment and recreational charm. Such an approach to planned development could be instrumental in promoting sustainable amenities for residents and visitors.

The District encourages the continued recognition of the link between the natural environment and tourism economy (District of Muskoka, 2017). Given the importance of tourism and recreation to Muskoka's economy, adding the valuation of natural assets into cost benefit analysis when evaluating planned future development should be considered an imperative.

The Town of Aurora, which commissioned a report on the economic value of its natural capital assets has included green development and low impact development (LID) policies in its Official Plan, along with policies aimed at the protection of natural assets. LID policies, which are applied to all new developments, promote the use of more naturalized and energy-efficient developments, which mimic the natural environment in reducing the impact of stormwater runoff, improve energy efficiency, and improve water infiltration.[10]

The District and lower-tier municipalities should also consider integrating the value of natural assets into their economic strategies. It is believed that this approach would communicate [to stakeholders] the economic importance of development that integrates the protection of natural assets.

Tisdell (2003) introduced the concept of Total Economic Value (TEV) as a means of valuing natural assets in a manner that takes into consideration both the use and non-use values of natural resources in tourism and

[10] Kyle, J. (2013). The economic value of natural capital assets: Town of Aurora.

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recreation. Other researchers, such as Carlsen (1997) analyses economic valuations of natural areas to influence land-use planning and tourism decisions. Carlsen suggests identifying the areas that incur direct financial gain, compared to those that incur non-monetized gain such as tourists' knowledge of ecological preservation (Carlsen, 1997). In their seminal paper, Krantzberg & de Boer (2006) presented a valuation of ecological services in the context of the Great Lakes Basin ecosystem, with the goal of sustaining healthy communities and creating a dynamic economy. Examples of ecological services are forest, water, wetlands, protected lands, and croplands.

2.5 DATA AND METHODOLOGY

This section provides an overview of the data sources and estimation methods used in this study.

2.5.1 Economic and Demographic Data

Base economic and demographic data are primarily sourced from Statistics Canada and the Census of Population. The census is conducted every five years and the most recent census was conducted in 2016.

Population estimates and projections for the district as a whole are sourced from the Ontario Ministry of Finance.

2.5.2 Tourism Statistics

Census Division report for Muskoka District Municipality

The principal source of tourism statistics used for the District of Muskoka is the Ontario Ministry of Heritage, Sport, Tourism and Culture Industries' "*2017 Census Division report for Muskoka District Municipality*" data set. This dataset provides localized tourists visits and spending in Muskoka for the period 2012 to 2017. It should be noted that the results found in the ministry's dataset are attributed to tourists originating in Canada with Ontario accounting for 99% of Muskoka's tourists. Muskoka's primary geographic market is within a 4-hour drive from Muskoka and includes the Greater Toronto Area (GTA), accounting for 70% of the market; Southwestern

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Ontario (20%); urban areas in Northern Ontario (5%) and the National Capital region (5%).[11]

Some of the key indicators found in the abovementioned dataset are:

- Total Person Visits;
- Person Visits by Length of Stay, i.e. overnight and same-day visits;
- Person Visits by Main Purpose of Trip;
- Person Visits by Origin in Ontario;
- Person Visits by Accommodation Type;
- Number of Nights (i.e. visits per person per night);
- Number of Nights by Accommodation Type;
- Visitor Party Size and Composition;
- Total Visitor Spending;
- Visitor Spending by Length of Stay; and
- Itemized Visitor Spending in Muskoka (i.e. total spending by activities such as accommodation, food & beverage etc.).

Other sources of Muskoka tourism information explored were Muskoka Tourism Marketing Agency (MTMA), also known as Muskoka Tourism; and Explorers Edge RTO12.

2.5.3 Resorts Data Inventory

2.5.3.1 Description of Inventory

Various data sources were employed in order to create a data inventory of resorts that operate on Muskoka's waterfront, including:

District Municipality of Muskoka Resort Inventory, which listed resorts and other accommodations operating in Muskoka with details such as establishment name, status of operation, water frontage, land area occupied etc.;

District Municipality of Muskoka Final Resort Inventory by Municipality, provided waterfront frontage area estimates;

Business listings data were obtained from InfoCanada in order to create a database with a record of accommodation establishments in Muskoka and

[11] 2019 Marketing Plan, Muskoka Tourism Marketing Agency (MTMA).

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their characteristics such as establishment name, address, annual revenue, number of employees etc.;

Muskoka Tourism Marketing Agency (MTMA)/Muskoka Tourism's room inventory and non-member database;

Custom data for Muskoka were also obtained from STR (formerly Smith Travel Research). The STR data includes aggregate and/or averaged monthly Occupancy, Average Daily Rate (ADR), Revenue per Available Room (RevPar), room supply, room demand, and resort revenue for the period January 2017 to November 2018. The STR Muskoka data is based on a reporting sample of 4-6 of the largest resorts located in Muskoka;

Primary research such as interviews of select resort operators, resort website surveillance, and utilization of Google maps and Google Earth to complete missing waterfront frontage estimates, were also utilized.

Some of the key indicators found in the resort inventory are:

- Number of resorts (traditional and four-season);
- Number of rooms or suites;
- Resort revenue;
- Number of employees;
- Waterfront frontage;
- Occupancy rates;
- RevPar;
- Average Daily Rate; and
- Room utilization rates.

2.5.3.2 Accommodation Characteristics and Econ. Impact Model Inputs

The tourism statistics previously discussed allowed us to estimate and benchmark estimates of room nights, per person room nights, room revenue and non-accommodation tourist spending (the latter being an economic impact model input).

Based on Ontario hotel performance indicators, and operational and financial trend statistics of hotels in Ontario[12], STR resort custom data for Muskoka, InfoCanada data and a resort proforma, we were able to estimate the financial and operational activities of a typical Muskoka resort that provides

[12] "Trends in the Hotel Industry, Canadian Edition, 2010", published by PKF Consulting, was a source of Ontario hotel performance indicators, and operating and financial information.

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accommodation and other guest services (See **section 4.2.2**). All Muskoka resort indicators and estimates are based on an analysis of all the relevant data, including 3rd party data such and STR and InfoCanada data, data from the District, consultations with hotel and resort owners, etc. The various data sources allowed us to estimate total Muskoka waterfront resort spending, critical inputs for our economic impact model (more on this in **sections 4 to 8**).

2.5.4 Seasonal Cottages Inventory

2.5.4.1 Description of Inventory

The creation of an inventory of seasonal cottages in the District of Muskoka relied on three key sources:

Municipal Property Assessment Corporation (MPAC) Assessment data for the District Municipality of Muskoka provided counts of first tier and second tier waterfront seasonal/recreational dwellings, and counts of waterfront year-round residences;

GIS data with lake perimeters from the District Municipality of Muskoka were used to calculate the proportion of the shoreline that is occupied by cottages; and

Statistics Canada's 2006, 2011 and 2016 Census Profiles of the District of Muskoka, which provided a baseline of the number of total dwellings, occupied dwellings and vacant/seasonal dwellings by district and lower tier municipalities of Muskoka.

Muskoka's Economic Development Profiles 2011 and 2019 were also useful sources of data, while the District of Municipality of Muskoka 2017 Second Home Study was a valuable resource for estimates of annual household spending of cottage and short-term rental owners.

2.5.4.2 Accommodation Characteristics and Econ. Impact Model Inputs

The tourism statistics enabled us to estimate and benchmark estimates of room night stays in seasonal cottage, per person room nights in seasonal cottages and non-accommodation spending of tourists accommodated in seasonal cottages (an economic impact model input).

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Non-accommodation spending was estimated by multiplying non-accommodation per night visitor spending by the number of room nights spent in seasonal private cottages.

We relied on Muskoka's 2017 Second Home Study and Statistics Canada's Survey of Household Spending to estimate and benchmark other model inputs such as total annual spending by owners of seasonal private cottages. Study area seasonal cottage owner spending was grossed up by 67% based on factors such as:

- Relative property assessment values[13]; and
- Relative spending of District waterfront resorts and study area waterfront resorts[14].

2.5.5 Short-term Rentals Data Inventory

2.5.5.1 Description of Inventory

Short-term rentals are an important contributor to Muskoka's accommodation stock. Increasingly, travellers are using short-term rentals as an alternative to resort and hotel accommodation. Popular home-sharing platforms such as Airbnb and HomeAway have increased the marketing potential and customer reach of short-term rental properties.

Our primary source of short-term rental data is AirDNA LLC, a research company that provides market intelligence, investing, and pricing data from Airbnb and HomeAway. The dataset included all properties with listings on the Airbnb or HomeAway platforms during the period 2016-2019. Key metrics include occupancy rates, annual revenue, number of bookings, number of bedrooms, average daily rate, cleaning fees and the latitude/longitude associated with each individual listing. Quantum Geographic Information System (QGIS) was used to estimate:

- The number of short-term rentals located on the waterfront of the District of Muskoka; and

[13] On average Study Area property assessment values of seasonal cottages are about 100% higher than District wide property assessment values of seasonal cottages. Therefore 100% was viewed as a ceiling for the gross up factor.

[14] Study Area accounts for about 40% of total tourism accommodation spending and 61% of resort spending. These factors where considered as a gross up factor floor.

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- The number of short-term rentals located in the study area (the waterfront of Lakes Muskoka, Joseph and Rosseau).

There are other rental arrangements between property owners and visitors that are arranged through other property brokers or on a one-on-one basis. Therefore, it was necessary to augment the AirDNA short-term rental inventory with short-term rental properties listed with other third-party brokers, provided that those properties were not cross-listed on any of the home-sharing online platforms. We estimate that the District of Muskoka's waterfront short-term rental market consists of 1,538 properties. It is estimated that of those properties, 674 short-term rental properties are in the study area.

Some of the key indicators found in the AirDNA dataset are:

- Total number of Short-Term Rental Properties;
- Number of Waterfront Short-Term Rental Properties;
- Number of Short-Term Rental Properties located on the Waterfront of Lake Muskoka, Lake Joseph or Lake Rosseau;
- Occupancy Rates for Short-Term Rental Listings;
- Number of Nights;
- RevPAR (Revenue per Available Room);
- Room Revenue attributable to Short-Term Rental Accommodation; and
- Non-Accommodation Tourist Spending.

The completed database of short-term rental properties was analysed and triangulated with the seasonal cottages inventory and various online sources, including but not limited to commercial cottage websites. We were able to estimate that short-term rental cottages represent about 8% of the seasonal waterfront cottage inventory.

2.5.5.2 Accommodation Characteristics and Econ. Impact Model Inputs

The tourism statistics enabled us to estimate and benchmark estimates of room night stays in short-term rentals, per person room nights in short-term rentals and non-accommodation spending of tourists accommodated in short-term rentals (an economic impact model input).

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Non-accommodation spending was estimated by multiplying non-accommodation per night visitor spending by the number of room nights spent in short-term rentals.

Accommodation spending of tourists that stayed in short-term rental accommodation (that is, short-term rental revenue) is based on an aggregate of annual short-term rental revenue from the AirDNA waterfront database.

We relied on Muskoka's 2017 Second Home Study and Statistics Canada's Survey of Household Spending to estimate and benchmark other model inputs such as total annual spending by owners of short-term rentals. However, adjustments were made to the annual spending estimates on construction/renovation and retail, taking into account spending factors of commercial cottages. Study area seasonal cottage owner spending was grossed up by 67% based on factors such explained in **section 1.6.4.2**.

2.6 STAKEHOLDER CONSULTATIONS

Over the course of 12 weeks, telephone consultations were conducted with some 10 key Muskoka accommodation sector stakeholders. Of about 20 stakeholders contacted, 10 facilitated 20-30-minute discussions of various subjects relevant to the sustainable development of Muskoka's accommodation sector and the preservation of Muskoka's ecology. The purpose of the consultations was to gain localized insights into the features of Muskoka's resort, recreational cottage, and short-term rental industries. The aim was to gain context for this study as well as to better understand the history of the accommodation sector, its market trends, industry dynamics, development challenges, environmental and operational challenges.

Stakeholders consulted included:

- Large resort operators;
- Small traditional resort operators;
- A cottage rental brokerage;
- Municipal planning departments;
- A municipal economic development department; and
- A tourism marketing and development agency.

The subjects discussed with stakeholders included:

- Ownership structures;

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- Property characteristics (such as room/cottage inventory, amenities, and revenue streams);
- Performance indicators (occupancy);
- Competitive forces;
- Operational challenges;
- Market trends;
- Expansion plans;
- Waste management systems; and
- Environmental concerns.

The consultations were undertaken in confidence. This section provides a summary of the comments of key stakeholders consulted and notable findings arising from the interviews:

Resort Ownership

Family-owned and operated resorts have been on the decline on the waterfront of the big three lakes.

One of the resort stakeholders consulted indicated that they had a fractional ownership structure while noting that two larger competitors also had a similar structure.

Another resort stakeholder indicated that their resort operated a "strata owners" model. Strata owners are participants in the business and wholly own the rooms. They are permitted to use their rooms/suites for a limited number of weeks per year. All rooms are a part of the resort's rental pool and are not rented by individual owners. Less than half of the resort's rooms were strata owned. This model is distinct from fractional ownership and time-share.

One of the stakeholders consulted operated a traditional family-owned "housekeeping" cottage resort that rented about 11 cottages. Many of Muskoka's traditional resorts were commercial cottage clusters with amenities. Many of the smaller resorts in operation in Muskoka are similarly structured and privately or family owned.

Resort Amenities & Services

Resort respondents identified an extensive array of amenities including:

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- Dining;
- Conferences services;
- Sports, spas and fitness centres; and
- Recreational activities on the beach and lake.

Some smaller traditional resorts outsource cleaning and housekeeping services, while some resorts also cater to weddings, and family vacations/reunions.

Cottage Rentals Services

Common services provided to guests are housekeeping and/or cleaning services. One respondent indicated that their company also facilitates and coordinates repairs and maintenance for rental cottage owners.

Resort Occupancy Rates

Occupancy rates from a small sample of the larger resorts varied from 65% to 70% to 85% to 95% in the summer and varied from 40% to 55% during the offseason.

According to one resort operator, the occupancy of some resorts during the offseason is driven by the frequency and size of conferences hosted.

Small traditional seasonal resorts typically operate from May to August and have occupancy rates ranging from 75% to 80% during that period.

Commercial Cottages Occupancy Rates

Occupancy rates from a small sample of commercial cottages were 75% to 99% in July and August.

Resort Market Trends

Some respondents have observed a trend of larger party sizes and increasing demand for larger rooms with many customers seeking their own bedroom, even within resort rooms. Suites with more than one bedroom were said to be in higher demand.

Customers are increasingly seeking larger rooms/suites with living space and separate bedrooms.

One of the stakeholders consulted, indicated that all of their rooms are large as it is a luxury accommodation, but during the summer period their

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premium rooms are sold out first. This observation supports other observations of an emerging trend of demand for larger rooms.

One respondent from a larger resort observed that a trend of shorter-lag times for bookings was emerging – a lot of last-minute bookings.

Stakeholders emphasized that a conference base is critically important to operating a resort with a four-season business model as it allows the resort to operate during the fall, winter and spring, and capitalise on demand from guests seeking an accessible getaway vacation during school holiday periods (Family Day, March Break, Easter, Summer, Thanksgiving, and Christmas Break). The market capture of conference services are large group events.

Outside of the peak summer season, there is moderate demand for individual getaways.

It was generally observed that there is an increasing presence of millennials and newcomers visiting Muskoka.

Traditional resorts (cluster of cottages with amenities) have been closing or are being replaced by other types of developments.

Fractional resort ownership appears to be emerging in the Muskoka accommodations market.

Typical size profile of Muskoka's commercial cottages is a 2/3-bedroom cottage. Commercial cottages refer to those cottage clusters that are owned by a single entity or family, whether they provide amenities or not.

Competitive Environment

The Muskoka accommodation sector has been experiencing increasing competition featuring an expansion of the accommodation product offerings, e.g. chain resorts, cottage rentals on platforms such as Airbnb and cottage rental brokerages.

One stakeholder noted that Muskoka is a good fit for their business because it is a vacation and leisure destination for affluent people.

In the opinion of one of the stakeholders that we interviewed, Muskoka's sole branded luxury resort has no natural competitors in Muskoka. Its competitors were said to be resorts across Ontario, all of which are not branded or luxury. A representative of that resort expressed the view that if someone is looking for familiar luxury resort brand, their offerings are all

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that they're going to find in Muskoka. Globally branded luxury resorts include resort brands such as Four Seasons, Ritz Carlton, JW Marriott, St Regis, and Fairmont.

Though Muskoka's sole luxury branded resort competes province-wide and further afield, its representative acknowledged that short-term luxury rentals are competitors. However, the respondent stressed that in the summer there is more demand than their resort can satisfy so they see short-term cottage rentals as giving people more accommodation options. The respondent also indicated that though short-term rentals may have a negative impact on their occupancy during the offseason, it is recognised that cottages provide tourists with a different kind of experience than a full-service luxury resort.

Resort respondents typically didn't see rental cottages as a competitive threat. Cottages aren't viewed as a direct competitor to resorts. The view was expressed that some visitors to Muskoka are looking for a cottage experience, which is a different market segment.

One traditional resort respondent indicated that they have a solid customer base of repeat families. The respondent also stated that though other traditional resorts, Airbnb and HomeAway cottage rentals would be their natural competitors, their business was not set-up to be a competitive business. The respondent described their business as a family-owned commercialized "hobby".

Several resort and cottage rental operators viewed their segment of the market as niche and their customer base as "repeat/loyal". Whether it was a large contemporary resort, a small tradition resort or a cottage rental accommodation, various stakeholders expressed the view that what they offered their customers were a relatively unique experience – a relax atmosphere vs. the formality of a resort experience or a fully catered luxury resort experience.

One commercial cottages stakeholder indicated that though their competitors are other commercial cottage rental companies and Airbnb, HomeAway etc., they didn't feel any competitive pressures and were confident in their strong repeat guest rate and their annual rental inventory expansion. The respondent also indicated that owner and renter satisfaction was very high.

Labour Market (Resorts)

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Though anecdotal, year-round resort respondents cited on average a 100% higher level of payroll employment during the summer.

It was observed that most employment in the accommodation sector is seasonal, and the seasonal employment is typically low skilled labour.

Wages at the larger resorts are about $17/hour and up.

Challenges

1. Seasonality

Respondents indicated that it was a challenge developing a four-season year-round business due to the seasonality of the Muskoka tourism sector. They said that high seasonality and high demand swings made it hard to both manage a resort and retain employees.

Many of the larger contemporary resorts operate year-round by leveraging conference facilities.

Many of the smaller resorts and cottage rental offerings are seasonal. Some cottages are available for rent for up to 90 days between June and August. Smaller resorts, typically those traditional resorts that feature a cluster of cottages with amenities operate from May to August and are closed for the rest the year.

2. Skilled Labour Shortages

Various resort operators identified the difficulty of finding skilled workers as their biggest challenge. Skilled labour was defined as jobs in operations, housekeeping, culinary services, engineering, food and beverages and executive positions. A lack of mass or low-cost transportation, affordable housing and the seasonality of some employment positions were all cited as contributors to the difficulty in securing sufficient skilled labour.

Cottage rental operators also lamented the “massive” labour shortages in Muskoka. The factors that are believed to be responsible for labour shortages are the seasonal nature of the accommodation sector and a lack of (affordable) housing.

3. Overhead Costs

The costs and management of wastewater treatment plants and septic systems was identified as a challenge. One respondent lamented a septic systems failure despite subcontracting its management to a specialised firm.

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4. Public Infrastructure

Some resort and cottage properties are remotely located away from the major urbanized areas of the various Townships of Muskoka. As a result, there is an over reliance on private transportation, private roads and privately owned and managed septic systems.

A lack of public transportation and affordable housing options were cited as a major cause of the difficulty in sourcing skilled labour. It is also believed that more access to municipal wastewater management systems would be better for the environment and more cost effective for commercial accommodations.

Environmental Concerns

Some of the environmental concerns raised by stakeholders were run off from golf courses (including fertilizers), septic systems that aren't well regulated and maintained, and increasing boating traffic. Other concerns discussed were:

- The possible loss of the tranquillity and peacefulness of the natural environment, which is a part of Muskoka's appeal to visitors and residents; and
- The prospect of over usage of the lakes resulting in lake water pollution. Some accommodations establishments rely on lake water and inhouse purification systems for potable water.

One cottager respondent stated, "I believe that Muskoka has an environment that people are very attracted to, including clean waters and being very peaceful. If there is too much development that goes on, it will impact the nice thing that we have right now. I am not a huge believer in a lot of development up here." The cottage rentals entrepreneur expressed concern about the possibility of overdevelopment ruining the lakes and the beauty of Muskoka.

One resort operator expressed concerns about the environmental impact of the clientele of rental cottages that rely on platforms such as Airbnb and HomeAway. They observed that those cottages were rented over capacity, typically featuring larger party sizes and a younger demographic that stress septic systems, the lakes and other cottagers. The respondent also expressed

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the view that the patrons of Airbnb and HomeAway cottages negatively impacted the peace and tranquillity of the environment by being noisy well into the night and breaching bylaws associated with burning, the use of fireworks etc. Indiscriminate use of boats was also cited as a problem.

The following is a compendium of the Perspectives of City Planners & Economic Development Specialists:

History

Historically, resorts played a central role in the Muskoka Lakes economy, particularly in Minett, where the main destination accommodation was traditional resorts typically owned by one person or family and featured a main lodge and several cabins rented on a nightly or weekly basis. Muskoka's townships were formed as a result of resorts and their spin-off economic and community benefits.

There's always been a strong cottage rental market in Muskoka Lakes. Maybe renting out your cottage for a couple of weeks in the summer when you're not using it helps to paydown the costs of owning a cottage.

Resort Market Trends

1. Ownership Structures

In recent years, some resorts have been adopting a fractional or part-time ownership model. Though this structure of resort development and ownership has generated some excitement, it has not grown in popularity. Some developers have been opting for a structure of ownership and/or a development model that redevelops existing resorts into condominium-resort properties.

Factors which may be giving rise to these emerging ownership/development structures are very high land values along the waterfront and high overhead costs associated with operating a resort in remote areas of Muskoka – e.g. installation, maintenance and management of septic systems, provision of residential accommodation for employees, water and wastewater management systems, high property taxes etc. The seasonal nature of the tourism sector also makes it difficult to operate a resort profitably and generate a reasonable return on investment. Given these high costs it seems that developers adopt models of fractional ownership or condo resorts to

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provide enough capital infusion to make the resort development or redevelopment viable.

Nevertheless, resort development with fractional ownership structures and condominium-resorts pose some challenges. For example, fractional ownership and condominium-resorts limit the rental pool of accommodation and potentially circumvent the objectives of existing planning policy to preserve resort lands as employment lands designated for visitor accommodation and tourism related economic activity and jobs. How do the municipalities get unit owners to function collaboratively and operate as a resort? Many of the condo owners are not necessarily in the resort business or industry. Municipalities are struggling to put a framework around this new development trend.

2. Room Sizes

There is a big push for constructing larger accommodation units (rooms, suites, cottages), likely due to larger parties seeking accommodation. Demand for larger rooms appears to be increasing in the accommodations market as people travel in larger groups (either groups of friends, extended family or parents travelling with children) and seek more privacy. Travellers are looking for accommodation with a small kitchen to save money on breakfast and lunches, separate bedrooms for the kids, and common space to enjoy the property. These preferences appear to be becoming more common.

3. Downzoning

The high property prices are also resulting in investors "downzoning" traditional resorts into residential use, that is, purchasing the older "mom and pop resorts" and creating 200-300 foot waterfront parcels as "cottage residential lots" as opposed to operating a resort where there is a lot of overhead, taxes, etc.

Despite the appeal of downzoning, Muskoka Lakes Official Plan limits this practice. Resorts are identified as employment lands under the Provincial Policy Statement. Due to the difficulty associated with getting approval to downzone, resort owners that want to sell their property to retire or exit a business that is struggling financially have few options but to retain ownership of their property. As a result, these resorts become stagnant, dilapidated or are turned into quasi-residential-family compounds.

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Cottage Market Trends

Cottages seem to be doing better than (traditional) resorts. The cottage rental market appears to be strong. For many years, traditional cottage owners have rented out their cottages as a means of subsiding their mortgage payments, and/or costs of maintenance and repairs.

Some small cottages are being demolished and replaced with much larger luxury cottages.

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3 MUSKOKA DEMOGRAPHIC & ECONOMIC OVERVIEW

Muskoka is home to some 65,000 persons and its resident population is primarily located across three urban areas (Gravenhurst, Bracebridge and Huntsville), which collectively account for some 79% of the census population. The economy of Muskoka has a lot of ties to the Greater Toronto Area (GTA), and the pace of population growth in recent years reflects important trends for the local economy.

The accommodation and food services; arts, entertainment and recreation; and integrated sectors such as wholesale and retail trade are integral to the Muskoka economy. The richness of the recreation and tourism economy in Muskoka is manifest in:

- The concentration of employment in the accommodation and food services; and related sectors; and
- The form of visitors to the region and in recreational properties owned by persons who regularly live outside of the region.

With thousands of own-use recreational and short-term rental cottages dotted across the landscape, Muskoka is also known as "cottage country". Despite the prevalence of cottages, Muskoka's waterfront accommodation sector offers a variety of experiences – four-season resorts, traditional seasonal resorts, hotels, lodges, cabins and cottages. Properties that make up Muskoka's accommodation sector cater to a wide spectrum of tourist preferences and budgets – from small or rustic properties to modest, contemporary, grand or luxurious properties.

3.1 DEMOGRAPHICS

According to estimates by the Ontario Ministry of Finance, in 2018 Muskoka had a population of some 65,000 persons, up 8% from just under 60,000 persons in 2006. The pace of population growth in recent years reflects important trends for the local and broader provincial economies. Population growth in the decade from 2006 to 2016 averaged just over 300 persons per

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year and has accelerated considerably since 2016 to an estimated 1,150 persons per year, largely driven by intra-provincial migration.[15]

The economy of Muskoka has a lot of ties to the Greater Toronto Area (GTA), so a comparison is natural. While historical population growth has lagged the GTA (in 2006-2016 Muskoka's growth was 0.5% per year compared with GTA's 1.4%) it has since converged and even surpassed the GTA (since 2016 Muskoka's growth is estimated at 1.8% compared with the GTA's 1.6%).

Muskoka's resident population is primarily located across three urban areas (Gravenhurst, Bracebridge and Huntsville), which collectively account for some 79% of the census population.

According to 2016 census data, there were some 46,200 residential dwellings in Muskoka – about 25,400 year-round occupied dwellings and 20,800 seasonal dwellings. Muskoka's average household size was 2.3 persons, compared with 2.7 in the GTA, and its average total household income was $88,996, compared with $109,090 in the GTA. The GTA is a major source of temporary cottage-owner residents, investment, tourists and tourist spending in Muskoka.

Hemson Consulting estimates that during the peak-tourism summer period, Muskoka receives an influx of residents that temporarily boosts its population by about 135% annually. The additional temporary residents make up what is sometimes referred to as Muskoka's seasonal population, which on average is 35% higher than the year-round population and is a major contributor to economic activity in the thriving accommodation and food services sector.

3.2 ECONOMY

The accommodation and food services sector is an integral part of Muskoka's economy. The sector is a primary driver of employment and economic growth, and indirectly, makes a significant contribution to the growth of the wholesale and retail trade; construction; and arts, entertainment and recreation sectors. Retail trade and the accommodation & food services sectors collectively accounted for one in three jobs located in Muskoka (see

[15] Canada has experienced a notable increase in population growth in recent years due to remarkably strong growth in immigration. Many of these immigrants settle in Ontario. It is believed that Muskoka has been experiencing the spill over effects of these population trends.

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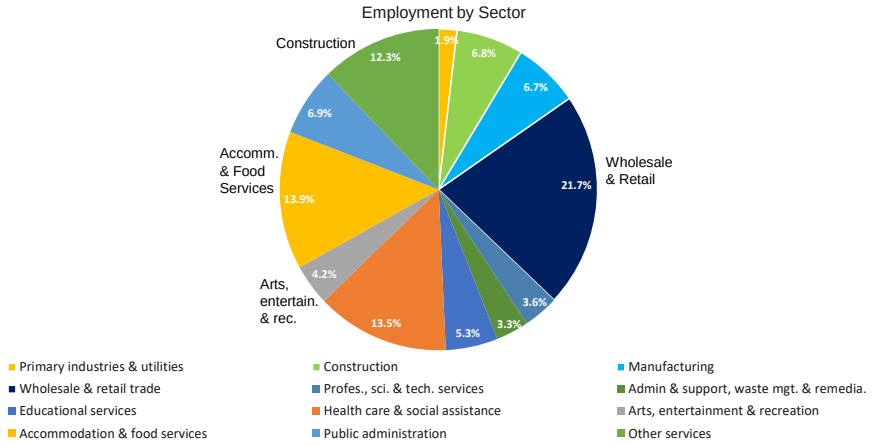
Figure 4 and Figure 5). Growth in total jobs has been lacklustre with little change between 2006 and 2016.

Figure 4

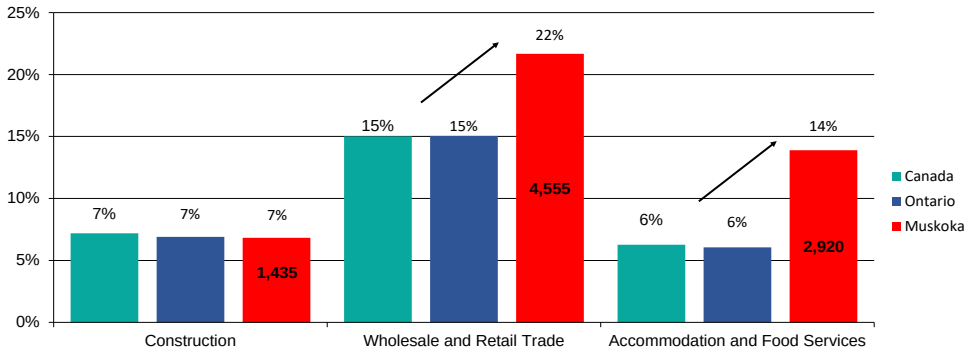
District of Muskoka Employment by Sector



Source: Altus Group Economic Consulting based Statistics Canada, 2016 Census

Figure 5

Share of Jobs in Muskoka Connected to Accommodation Sector



Note: There are 21,025 jobs in Muskoka.
Source: Altus Group Economic Consulting based on Statistics Canada, 2016 Census (Employment Place of Work).

There were an estimated 21,000 jobs in Muskoka in 2016 according to the Census, and 82% of those persons employed lived in Muskoka. The accommodation sector, which accounted for about 14% of employment also contributes to employment in sectors such as wholesale and retail trade; and construction (See Figure 6).

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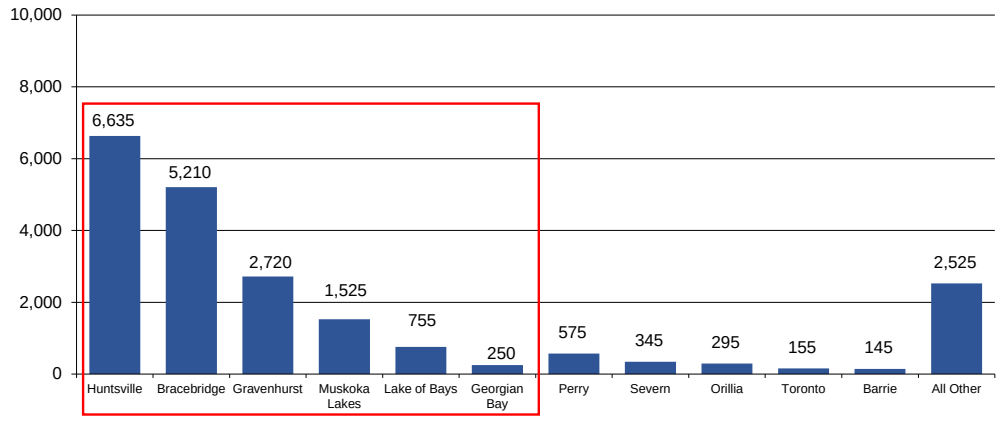
Figure 6

Workers in Muskoka – Where Do They live?



Note: There are 21,025 jobs in Muskoka, 82% of those workers live in Muskoka.
Source: Altus Group Economic Consulting based on Statistics Canada, 2016 Census (Employment Place of Work).

The recreational properties owned by persons who regularly live outside of Muskoka and the socioeconomic form of visitors to the region are manifestations of the richness of the recreation and tourism economy in Muskoka. According to the Census of Canada, in 2016 there were some 20,776 residential dwellings in Muskoka that were not occupied by regular residents. The vast majority of these dwellings are used for recreational or seasonal purposes. On this basis recreational properties account for some 45% of the housing stock in Muskoka.

According to our analysis of property assessment records, there are some 46,207 residential properties in Muskoka and 52% of these are considered either waterfront properties or waterfront adjacent. In terms of recreational properties not occupied by usual residents, the assessment data suggests that there are some 20,776 properties in the district that are waterfront properties and of those 4,873 are located in proximity to the big three lakes.

Visitor accommodation is understandably a very large and important industry in Muskoka. Muskoka is currently home to some 32 waterfront resorts. A resort is defined as a business offering nightly or weekly accommodation and substantive amenities for visitors such as recreation services and/or food and beverage services. In addition to these resorts there are several hotels offering nightly accommodation.

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4 TOURISM IN MUSKOKA

Muskoka's lakes, waterfront and wilderness, are major tourism attractions. Many visitors to Muskoka also go there for a cottage or resort leisure experience. In addition to its lakes, Muskoka's natural assets; including its beaches, pristine foliage, tranquillity, outdoor trails and camp sites, are integral to the travel experience vacationers seek. Many of Muskoka's resorts are destination resorts; patronised by guests as much for the destination experience as the inclusive "leisure experience" on offer.

There are various segments of the accommodation sector in Muskoka catering to a range of consumer preferences and income levels. The Muskoka tourism and leisure market provides a mix of private and commercial accommodation such as resorts, hotels, motels, cottages, cabins and RV-camp sites. All offer overnight visitors a unique accommodation experience at different price points. Though each accommodation industry is differentiated in the marketplace they all offer visitors the "Muskoka experience". Though they are in competition with each other for a share of the tourism pie they occupy a different market niche.

A cottage experience is distinct from a resort experience. Similarly, a traditional Muskoka waterfront resort experience is unlike a contemporary waterfront resort experience, each appealing to different consumer preferences. One of the contemporary resort operators, which we interviewed had this to say when asked about competition posed by cottages:

> "*Some visitors to Muskoka are looking for a cottage experience, which is a difference market segment, we do not view cottages as a direct competitor to resorts.*"

Again, drawing on anecdotes from accommodation sector stakeholders, one traditional resort operator made the point that they have a solid customer base of repeat families. Similarly, several resort and cottage rental operators viewed their segment of the market as niche and their customer base as loyal repeat customers. It appears that there are two types of competition between resorts, cottages, and short-term rentals; competition among operators within each accommodations industry, and competition across industries for the use of land for residential and commercial development (access to Muskoka's natural assets).

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Though this report is primarily focused on Muskoka's waterfront resorts, seasonal recreational cottages, and short-term rentals, the next two sub-sections of this report provide an overview of Muskoka's tourism market.

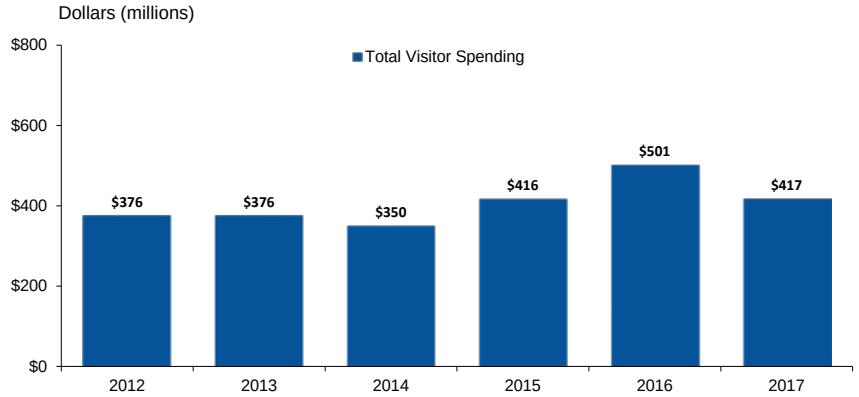
4.1 PERSON VISITS AND VISITOR SPENDING

In 2017, 2.9 million visitors to Muskoka spent an estimated $417.0 million, 17% lower than the half a billion dollars spent in 2016 (See Figure 7). Notwithstanding the decline in tourists spending in 2017, spending trended higher over the preceding four years. There were 1.3 million same-day person visits and 1.7 million overnight person visits to Muskoka in 2017, accounting for 5.2 million nights of accommodation. Overnight visitors represent about 56% of visitors to Muskoka (See Figure 9), and stay for one or more nights.

Sixty-two percent of visitors to Muskoka do so for pleasure, while 32% of visitors do so to visit friends and family. Some 96% of visitors comprise the potential visitor market for entertainment and recreational (See Figure 11).

Figure 7

District of Muskoka Total Visitor Spending



Note: The largest shares of itemized visitor spending are food/beverage (41% of total spending, accommodation (24%) and transportation (20%).
Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

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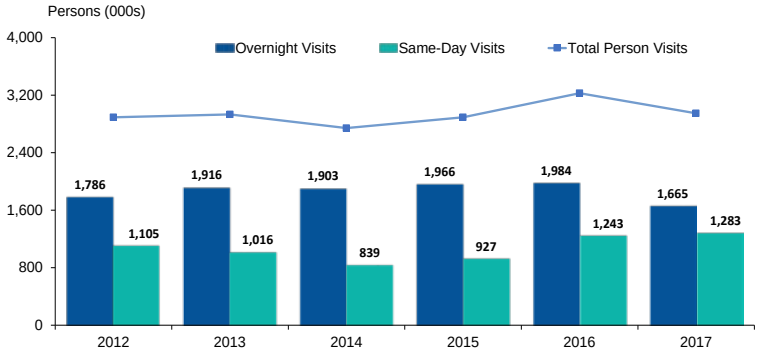
Figure 8

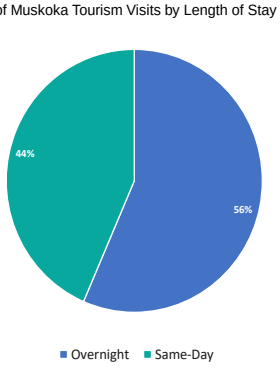
District of Muskoka Tourism Visits



Note: Overnight visitors account for 64% of total visits over the 2012-2017 period.
Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

Figure 9

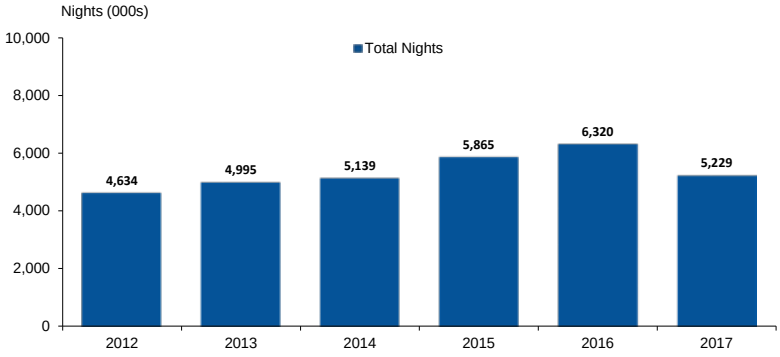
District of Muskoka Tourism Visits by Length of Stay



Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

Figure 10

District of Muskoka Number of Accommodation Nights



Note: The largest suppliers of accommodation nights are private homes/cottages (70% of total) and roofed commercial (18%).
Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

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Figure 11

District of Muskoka Tourist Visits - Main Purpose of Trip

	Person Visits	Share
Pleasure	1,822,890	62%
Visiting friends and relatives (VFR)	934,499	32%
Shopping	17,067	1%
Conventions (personal)	17,532	1%
Conventions (business) & conferences	19,270	1%
Business (other)	66,252	2%
Other personal	70,233	2%
Total	2,947,744	100%

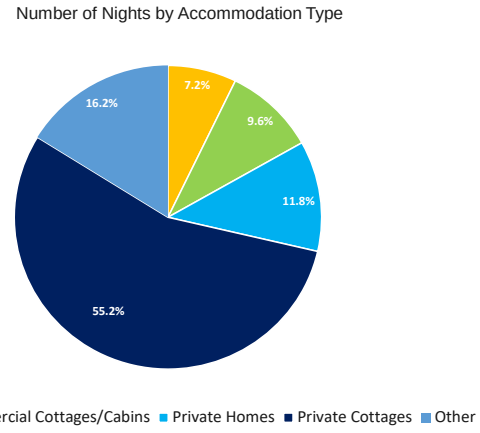
Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

4.2 VISITOR ACCOMMODATION

Visitor accommodation spending was about $110.8 million in 2017, 27% of total visitor spending, a higher share than the 23% averaged over the previous five years. In 2017, 55% of accommodation nights were provided by seasonal recreational cottages, while 10% were provided by commercial cottages and cabins, and 7% by hotels/resorts (See Figure 12).

Figure 12

District of Muskoka Accommodation Nights by Type - 2017



Note: Other includes nights in motels, other roofed commercial and camping/RV facilities.
Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

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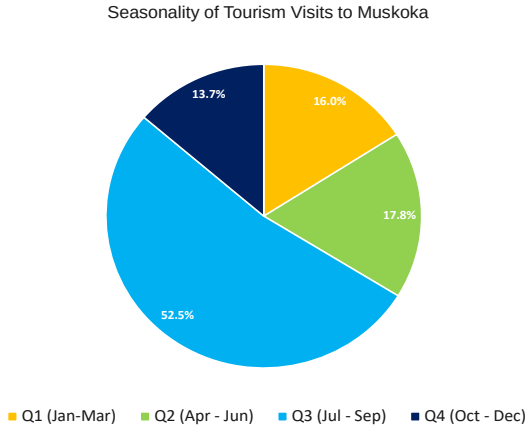
Fifty-three percent of overnight person visits to Muskoka take place during July to September, another 18% visit during the months of April to June (See Figure 13). Seasonality of tourists visits to Muskoka creates a financial challenge for commercial accommodation industries such as resorts, commercial cottages/cabins, and short-term rentals. Though some resort operators provide year-round accommodation, conferences services and winter recreation activities, the seasonal demand for room nights can still adversely impact the financial viability of a resort.

Figure 13

District of Muskoka Seasonality of Tourism Visits



Source: Altus Group Economic Consulting based on Ministry of Ontario Ministry of Tourism data. See Appendix A4, No. 3 and 4.

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5 MUSKOKA'S ACCOMMODATION SECTOR

5.1 OVERVIEW

The primary focus of this analysis is the economy directly related to the commercial resorts, residential cottages and short-term rental accommodation on Muskoka's waterfront and in the study area.

Muskoka has a long history as a destination for intraprovincial and interprovincial tourists. The uniqueness of the beautiful expanse of lakes and ecology has made it the perfect getaway for Ontario residents seeking convenient, short and relatively frequent getaways to an oasis of peace, tranquility, recreation and outdoor adventure. Muskoka has become an aspirational destination for those looking for a cottage experience or a nearby resort enclave.

One by-product of Muskoka's success as a tourism destination is the competition among the various accommodation market segments for lakefront property development. Muskoka's accommodation offerings include resorts, seasonal recreational cottages, short-term rentals, lodges, cabins, boat houses, and camping/RV facilities. The increasing competition for lakefront land use, particularly between resorts and cottages, has been increasing the cost of lakefront property and its redevelopment. This has resulted in the changing character of Muskoka's accommodation property mix, which if not well managed, could erode the serenity and integrity of Muskoka's natural environment.

Traditional family owned resorts and modest cottages are becoming less prevalent, giving way to more contemporary resorts with much higher densities and larger, more expensive cottages on bigger lots. This trend has been creating challenges for municipal planners and existing owners of traditional resorts challenged by increasing operating overhead costs, and a planning framework that makes it difficult to achieve a viable investment exit strategy. The net effect is an accommodation room stock that may not be keeping pace with accommodation demand and the consumer preferences of tourists.

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5.1.1 SWOT Analysis

A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis is a framework that allows for the evaluation of the competitive environment of Muskoka's waterfront accommodation sectors.

Strengths

Muskoka's waterfront accommodation sector is relatively diverse, comprising of resort villages, resorts, traditional resorts, seasonal recreational cottages, short-term rentals, lodges, cabins, and boat houses. By catering to a variety of market needs and preferences these diversified offerings reduce the risk of market and environmental exposure to saturation and a precipitous fall in demand in any one market segment.

Muskoka has a historic tourist-commercial character, which attracts repeat tourists and those with aspirations of having the Muskoka cottage experience.

Muskoka's deliberative municipal planning framework regulates development along the waterfront in a manner that seeks to balance the environmental sustainability of the lakes with the recreational aspirations of the community, and the economic potential of the region's natural assets.

With its natural beauty, unique ecology and spectacular lake system, Muskoka is an idyllic getaway within a two-hour drive of the bustling lifestyle in the Greater Toronto Area. These attributes make Muskoka an ideal vacation or recreational summer destination.

Weaknesses

Skilled labour shortages due to precarious nature of seasonal employment, lack of affordable housing options near accommodation enterprises and inadequate public transportation infrastructure.

Insufficiently nimble land-use planning policies could constrain the organic evolution of residential and commercial development, leading to sub-optimal outcomes including but not limited to foregone economic opportunities and environmental disamenities.

The large expanse of territory including a landlocked lake system creates a degree of remoteness that makes public infrastructure expensive and sub-optimal. As a result, some commercial properties are too remote to benefit from municipal roads, sewer and water facilities.

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Muskoka's lakes have insufficient natural buffers from excess nutrient loads that can cause algae blooms and e-coli bacterial level contamination.

Sub-optimally managed septic systems.

Opportunities

The development of more year-round recreational offerings could put Muskoka on a path towards becoming more of a year-round destination and less of seasonal one.

Strategic creation of recreation nodes with a critical mass of services such as dining, sports, spas, and attractions that cater to cottagers and traditional resort visitors.

Improvement of Muskoka's accessibility by building public infrastructure needed to support sustainable commercial and residential development along the waterfront. For example, the construction of more municipal roads, extension of municipal water and sewer services outside existing boundaries, and public-private sector partnerships to build affordable housing in proximity to commercial resort and recreational activities.

Preparation and implementation of a stormwater management, construction and sedimentation plan in order to address the water quantity and quality impacts of runoff into the lakes.

Municipal partnerships with developers and cottagers to ensure that own-use infrastructure is compatible with future municipal infrastructure development, and public recreational access to the lakes is preserved.

Sustainable development that preserves the integrity and aesthetic qualities of Muskoka's lakes

Threats

Climate change ushers in the prospect of more frequent storm events and warming temperatures that could have an adverse impact on the water quality of Muskoka's lakes.

Excessive concentrations of development could negatively impact not only the natural environment but also the attributes that make Muskoka an attractive tourist destination. For example, the tranquility, exclusivity, beauty and clean freshwater lakes that give Muskoka its allure can be compromised if development is not well balance with effective environmental sustainability management.

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Contaminated sediments pose a threat to the health and vitality of the lakes, and their use for recreation and drinking water.

Degradation of the water column from increased nutrient and contaminant loads. Algae blooms are a plausible threat.

Inadequately managed stormwater treatment and sewer systems.

Erosion of Muskoka's cohesive community spirit and natural character, as second homes grow to dominate the housing stock and more full-services and quasi fractional resorts dot the landscape.[16]

5.1.2 Best Practices

Tourism accommodations development best practices[17]:

- Development should be preceded by careful strategic planning of the entire region, examining existing tourism locations.
- Infrastructure planning should be sophisticated and should not overexploit non-replaceable natural resources.
- Waste produce from resorts [and cottages] should be treated to a high degree and the effluent disposed of in a controlled and secure manner.
- Water supply should come from a sustainable source, without compromising existing ground water levels or the water table.
- Tourism accommodations development should positively influence the existing ecosystems, rather than adversely affect them.
- Architecture should respect the traditional values of the local area/region.
- Buildings should be constructed from sustainable materials, local if possible, and from a sustainable source.
- Existing mature vegetation should be protected, and any development should be planned around and incorporated into the existing natural environment.
- Any proposed planting and landscape design should be sensitive to the natural environment and not pose risks or competition to existing vegetation.

[16] Characteristics of Successful Destination Resort Communities, Background Report, Design Workshop Inc.

[17] Purandare, J. Sustainable Resort Development in Sensitive Environments, Internal Journal of Small Economies Vol. 01, (2009).

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- Densities of buildings should be controlled, with a certain percentage allocated for conservation and open space.
- Resorts should provide benefits for local communities and should not compromise local values, the local economy or the local people's sense of ownership.

5.2 MARKET ANALYSIS

Visitor accommodation is understandably a large and important industry in Muskoka. Muskoka is currently home to some 32 resorts, which are defined as businesses offering nightly or weekly accommodation to visitors and substantive amenities for the visitors such as recreation services and/or food and beverage services. Of the 32 resorts, some 14 are within the study area of the three large lakes. These resorts currently have an offering of approximately 2,097 suites[18]. The word suite is used here, but depending on the resort may be a room, a cottage, a hotel suite or a condominium apartment unit which has been pooled within the resort's responsibility. There is a seasonality to the visitor trips to Muskoka, with visits during the summer months being most prevalent. The occupancy rate of suites varies throughout the year, averaging 80% during the peak summer period, 57% during fall and 41% during winter and spring[19].

Across all resorts our estimates are that in 2018 there were some 521,581 night-rentals across the district, of which 216,552 were located at resorts in the study area.

Resorts only account for some of the visitor accommodation in Muskoka's waterfront economy. According to our analysis of property assessment records, there are some 46,207 residential properties in Muskoka and 52% of these are considered either waterfront properties or waterfront adjacent. In terms of recreational properties not occupied by usual residents, the assessment data suggests that there are some 20,776 properties in the district that are waterfront properties and of those 4,873 are located in proximity to the big three lakes.

Among Muskoka's 21,000 recreational properties, there exists a substantial economy of its own with property owners renting out suites or cottages to

[18] For the purposes of this analysis suites are defined as a single unit governed by a single rental contact. They can include a room, a suite, or a multi room apartment, house or cottage..

[19] STR customized key performance indicators for Muskoka resorts.

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visitors on a daily, weekly or monthly basis. This activity, the short-term rental economy, has deep roots in Muskoka. Rental arrangements between property owners and visitors may be arranged on a one-on-one basis, arranged through third-party mediators such as realtors or other property brokers, or, and very prevalently in recent years, through third-party on-line applications such as Airbnb and HomeAway.

There were some 1,538 properties in Muskoka available for rent through third-party on-line applications or other brokers, of which 674 were located in the study area. In 2018 short-term rentals accounted for a total of 290,856 night-stays and 88,296 of these were in the study area of the three big lakes.

5.2.1 Key Trends

This section of the report provides the reader with some of the headline market trends that have emerged in the Muskoka travel and accommodations market in recent years:

- Over time traditional resorts have been going out of business as a result of rising operating costs, the retirement/elderliness of their owners, planning restrictions that impede economically viable options for redevelopment, or a combination of the foregoing. The consequence is that many traditional resort properties in the study area have become dilapidated or discretely used as residential accommodation for family members. Resort owners, developers and tourism market reports have lamented that fractional ownership, timeshare, resort-condos and other mixed-use resort development options are more economically viable for resort development due to rising property, construction and operational costs. This phenomenon is not unique to Muskoka. It is a dilemma facing many destination resorts markets including those in the Caribbean.

- In recent years, larger party sizes (couples, family groups, and friend-groups) and increasing demand for bigger suites and cottages have been featuring across accommodation segments in Muskoka. According to Muskoka tourism statistics reported by the Ontario Ministry of Heritage, Sport, Tourism and Culture Industries, party sizes of two or more persons increased by 16% from 2012 to 2017.

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- With resort summertime occupancy rates in Muskoka averaging 80.5% over the last three years (2017-2019), performance indicator benchmarks suggest that there is more demand for resort night stays during the summer than the Muskoka waterfront resort industry can satisfy. In this regard, short-term rental cottages offer vacationers more accommodation options. The strong summer occupancy north of 70% suggests that, notwithstanding the development costs and planning approval constraints faced by developers/investors, Muskoka's waterfront resort operators are "leaving money on the table" as demand for resort room nights during the summer months has been outstripping supply.

- One feature of the global tourism marketplace is the increased use of online tools for travel planning20 (Airbnb, HomeAway, Expedia, and Trivago are some examples) and bargain hunting (i.e. in search of discounts and bundled value for money packages). Online platforms like Airbnb have been having a disruptive impact on the accommodations sector, enabling property owners to easily market their homes, cottages and condos for rent. The impact on the hotel and resort industry has become so significant that jurisdictions around the world have been considering legislation to limit the impact on hotels, resorts and local residential rental markets.

- The Muskoka tourism accommodations market has been experiencing more last-minute bookings, and shorter holiday stays in recent years. According to PKF Consulting, "significant changes in travel demand patterns, including the increased use of online tools for travel planning, more frequent short getaways, and last-minute bookings to locations outside Canada, have already had an impact on the Muskoka resort experience." This finding was reinforced by the experiences of Muskoka accommodation sector stakeholders, which we consulted.

- Repeat visitors and customer loyalty have been featuring more prominently.

[20] Muskoka Report and Tourism Official Plan Policy Review, Interim Options Report, February 2013, PKF Hospitality & Tourism Business Advisors

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- Shortage of skilled labour, a lack of affordable housing and public transportation are constraints to future resort development and expansion of existing resorts.

5.2.2 Business Profile of a Typical Resort

A business profile of a "typical" four-season Muskoka waterfront resort is a useful tool to depict the financial activities of the typical resort as it performs its usual function of providing accommodation and other guest services, and to provide context for the estimates and projections contained in this report.

Considering that in actuality there is no such thing as a typical Muskoka resort, what is presented here is a stylized profile of a hybrid Muskoka waterfront resort. This "typical resort" is therefore an illustration of a resort that typifies the financial operations of the average of the compendium of resorts operating on the shores of Muskoka's waterfront. The characteristics of Muskoka's resorts vary from the traditional "mom and pop" family-owned resorts[21] to contemporary full-service resorts[22] and four-season luxury resorts with various ownership structures and operating models[23].

A typical/average waterfront resort in Muskoka earns about $7 million in revenue annually and spends just under 95% of its revenue procuring and providing food & beverages; repairs, maintenance and cleaning services; professional services; sales & marketing; utilities; and the provision of entertainment, recreation and transportation services. This spending in addition to the non-accommodation spending by tourist staying overnight at resorts make a substantial contribution to the local economy in terms of economic activity, jobs, wages and salaries, business earnings and government revenue. See Figure 14 for proforma of a typical Muskoka waterfront resort, with major expenditures expressed as a percentage of revenue.

[21] Traditional resorts are clusters of family-owned commercial/rental cottages that provide entertainment and recreation amenities. Some of these resorts also provide food and beverages and have a restaurant and/or common area lodge onsite.

[22] Contemporary resorts are full-service resorts with high room density and a range of inhouse amenities (restaurants, spas, fitness centers, sports etc.). Some of Muskoka's contemporary resorts feature golf clubs, others feature conference services and health and wellness.

[23] Ownership structures and operational models include equity ownership models, fractional (rooms) ownership, and strata ownership where investors are participants in the business and wholly own some of the rooms. Some of these resorts are also condo resorts.

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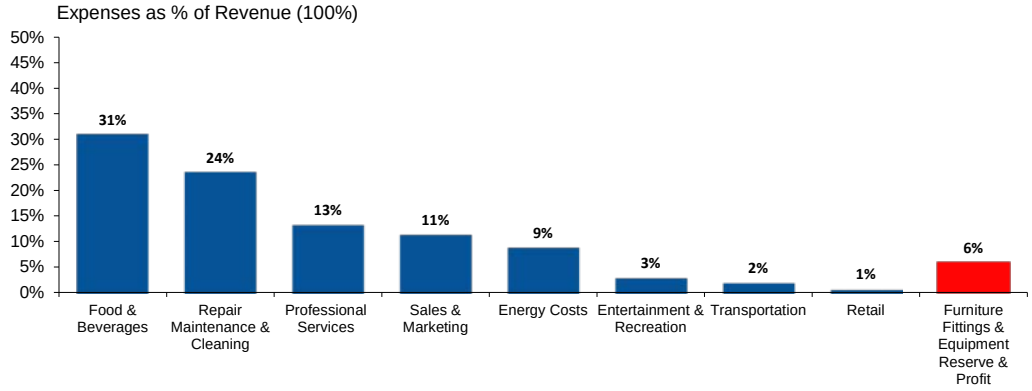
Figure 14

Typical Resort Profile
Major Expenses of a Typical Muskoka Waterfront Resort



Note: Typical Muskoka Waterfront resorts earn approximately $7 million in revenue
Source: Altus Group Economic Consulting based on various sources.

5.2.3 Size of Resort Market and Traveller Demand

In 2018, Muskoka's 32 waterfront resorts earned around $215 million in revenue, including room revenue of about $70 million from 521,581 visitor night stays. The spending associated with resort operations and overnight visitors to Muskoka's waterfront resorts, generate considerable economic activity. We estimate that the accommodation and non-accommodation spending of visitors staying at resorts, and resort expenditures generated about $297 million of economic activity in Muskoka in 2018.

Many of the resorts in Muskoka are large and will have long and geographically diverse supply chains. So even though these resorts have a fairly substantial share of the waterfront economy in terms of, say, night stay revenue, the share of total indirect and induced economic activity, GDP, jobs, wages and business earnings located within Muskoka may be relatively low, as a notable share of the indirect and induced economic benefits will be located elsewhere in Ontario or across the country.

In addition to the $297 million of economic activity generated by Muskoka's waterfront resort industry, $295 million of indirect and induced economic activity is generated or sustained across Ontario and Canada. Resorts provide employment on both a full-time permanent basis and on a seasonal or part time basis depending on needs. Across Muskoka's 32 resorts, in 2018

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we estimate that between the full time, seasonal and part time employment that some 2,325 person years of employment were accounted for within these activities. Resorts within the three big lakes accounted for 1,203 or 53% of these direct person years of employment. When we consider indirect and induced employment that is sustained across Muskoka, Ontario and Canada, Muskoka waterfront resorts generate and sustain a total of some 3,949 jobs (person years of employment). Of those jobs were 2,078 jobs, related to activity at resorts and other spending by resort tourists on the big three lakes.

In **sections 6.1 and 7.1** the other direct, indirect and induced economic benefits of Muskoka's waterfront resort industry, such as GDP ($326 million), personal income ($197 million), business earnings ($117 million) and provincial and federal government revenues ($54 million) are presented.

Spending Associated with Resorts

Resorts generate expenditure, which are related to supplies, equipment, repair and maintenance, professional services, sales and marketing, entertainment and recreation, just to name a few. Indeed, the tourists who stay at those resorts also spend on a range of activities besides accommodation – transportation, recreation and entertainment, retail and of course food and beverages. In 2018, waterfront resorts in Muskoka spent an estimated $202 million, while waterfront resort tourists spent $95 million. On the three big lakes resorts spent $124 million and resort tourists spent $36 million.

All of this spending, in turn generates employment at the companies supplying the goods and services to resorts, restaurants, attractions and retailers. There is also a round of "induced" economic activity and job creation, which is related to the spending by employees at the resorts and other tourism establishments, and by employees of suppliers in the local and broader economy.

Moreover, according to Ontario Ministry of Heritage, Sport, Tourism and Culture Industries and Muskoka Tourism the average overnight visitor spends about $48 per overnight visit on ancillary services for a total of $25 million across the District and $10 million to the study area.

Traditional Resorts Market

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Muskoka has a long and rich history of "traditional" family owned resorts characterized by a cluster of commercial cottages with some dining or recreational amenities. Some traditional resorts may also have a lodge or cabins as part of their accommodation mix. In recent years, traditional resorts have been closing due to rising overhead costs, aging ownership and challenges associated with planning approval to develop larger more contemporary self-contained resorts.

Figure 15

District of Muskoka Waterfront Economy, 2018
Size of Resort Market and Traveller Demand

	District	Study Area
Resorts	32	14
Visitor night stays	521,581	216,552
Economic Impacts		
Jobs (total)*	3,949	2,078
Direct jobs*	2,325	1,203
Economic activity (total)**	591.3	318.1
Direct economic activity**	296.7	159.8
Expenditure		
Resort**	201.8	123.6
Tourists**	94.9	36.2

* Person-years of employment
** $ millions
Source: Altus Group Economic Consulting based on data from Ministry of Tourism, PKF Consulting, Info Canada, District of Muskoka and Statistics Canada. See Appendix A4, No. 3, 4, 5, 6, 7, 8, 9, 10 and 11.

5.2.4 Size of Seasonal Cottages Market and Traveller Demand

Muskoka is renowned as "cottage country", and for good reason. Ontario residents own thousands of secondary homes (cottages) on the shores of the beautiful lakes and waterways of Muskoka. Many Ontario residents aspire to fulfil the Canadian dream of owning a cottage "up north" to recreate and retreat from the bustle of urban living. Muskoka cottages range in characteristics from modest cabins to large multimillion-dollar exclusive luxury properties concentrated in the study area.

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According to our analysis of property assessment records, in the District of Muskoka there are some 20,298 waterfront properties or waterfront adjacent properties not occupied by usual residents, and of those 4,873 are located in proximity to the big three lakes. Most of these seasonal waterfront recreational properties, some 18,760 suites or cottages are used exclusively by owners and their families and friends. The shores of Muskoka's big three lakes are home to 4,199 seasonal own-use waterfront recreational properties.

Based on tourism statistics from the Ontario Ministry of Heritage, Sport, Tourism and Culture Industries, we estimated that own-use or private seasonal cottage owners and their guests accounted for about 1,671,172 room nights in 2018, that's 32% of Muskoka's visitor demand for room nights in 2018. Spending by overnight visitors to seasonal private recreational suites and cottages make a substantial contribution to Muskoka's economy. In 2018, Muskoka's seasonal waterfront cottage industry generated some $925 million in economic activity ($454 million in direct economic activity and another $471 million in indirect and induced economic activity, most of which likely takes place within Muskoka). Secondary home/cottage ownership is very beneficial to the local economy. Apart from financing costs, much of the costs of property maintenance – cleaning services, construction and renovations, landscaping and retail spending, support and sustain local artisans and businesses.

In addition to the $454 million of direct economic activity generated by Muskoka's waterfront seasonal cottages industry, 6,200 jobs (person years of employment) are attributable to this important accommodation industry. Seasonal cottages near the three big lakes accounted for 2,400 or 39% of these direct person years of employment. When we also consider indirect and induced employment that is sustained across Muskoka, Ontario and Canada, Muskoka waterfront seasonal cottages generate and sustain a total of some 8,700 jobs (person years of employment). Of those jobs, 3,400 were related to spending of owners of cottages on the shores of the big three lakes and their visitors.

In **sections 6.2 and 7.2** other direct, indirect and induced economic benefits of Muskoka's waterfront seasonal cottages industry, such as GDP ($543 million), personal income ($368 million), business earnings ($168 million) and provincial and federal government revenues ($89 million) are presented.

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Spending Associated with Seasonal Cottages

We estimate that owners of recreational properties in Muskoka and the study area of the big three lakes spend up to $374 million annually on goods and services such as retail; recreation and entertainment; and equipment, repair, maintenance and capital improvements. Another $80 million was estimated to have been spent by tourists staying overnight at waterfront seasonal recreational cottages in 2018. Of the total own-use recreational properties we estimate that some $177 million was spent in the study area in 2018 by cottage owners and their visitors.

Figure 16

District of Muskoka Waterfront Economy, 2018
Size of Seasonal Cottages Market and Traveller Demand

	District	Study Area
Seasonal waterfront properties	18,760	4,233
Visitor night stays***	1,671,172	584,910
Economic Impacts		
Jobs (total)*	8,671	3,391
Direct jobs*	6,176	2,416
Economic activity (total)**	925.3	361.6
Direct economic activity**	454.1	177.6
Expenditure		
Cottages**	374.0	149.6
Tourists**	80.1	28.0

* Person-years of employment
** $ millions ***tourist only
Source: Altus Group Economic Consulting based on Ministry of Tourism, District of Muskoka and Statistics Canada data. See Appendix A4, No. 3, 4, 7, 11, 12, 13, 14, 15 and 16.

5.2.5 Size of Short-term Rental Cottages Market and Traveller Demand

Just 10% of Muskoka's seasonal waterfront recreational suites or cottages are rented out to visitors on a daily, weekly or monthly basis, constituting the nucleus of Muskoka's thriving short-term rental market. This activity represents a substantial short-term rental economy, which has deep roots in Muskoka. Rental arrangements between property owner and visitors may be

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arranged on a one-on-one basis, arranged through third-party mediators such as realtors or other property brokers, and very prevalently in recent years, through third-party on-line applications such as Airbnb and HomeAway.

In 2018, tourists staying in Muskoka's short-term rentals accounted for 290,856 room nights compared with 521,581 room nights in resorts. The operational spending of owners together with tourists spending associated with commercial cottages in Muskoka contributed some $132 million in economic activity ($66 million in direct economic activity and $66 million in indirect and induced economic activity, most of which likely took place within Muskoka). Apart from financing costs, much of the costs of property maintenance – cleaning services, construction and renovations, landscaping and retail spending, support and sustain local artisans and businesses.

Muskoka's short-term rental cottages industry also generated and sustained a total of some 1,100 jobs (person years of employment). A majority of the indirect, or supplier, jobs are thought to be located within Muskoka.

Short-term rental cottages on the shores of the big three lakes accounted for 88,296 room nights in 2018, $62 million of economic activity, and 523 direct, indirect and induced jobs, most of which are expected to be generated and supported generally within the District.

In **sections 6.3 and 7.3** the other direct, indirect and induced economic benefits of Muskoka's waterfront short-term rental cottages industry, such as GDP ($73 million), personal income ($47 million), business earnings ($25 million) and provincial and federal government revenues ($11 million) are presented.

Spending Associated with Short-term Rental Cottages

In 2018, overnight guests staying at waterfront short-term rental properties spent an estimated $47 million on their accommodation and non-accommodation commercial and recreational activities. Property owners, in turn, spent an estimated $19 million related to equipment, cleaning, repair and maintenance and capital improvements of these properties. Spending in the community by short-term rental visitors to the study area was $17 million, while owners of short-term rental properties in the study area spent an estimated $14 million.

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Figure 17

District of Muskoka Waterfront Economy, 2018
Size of Short-Term Rental Market and Traveller Demand

	District	Study Area
Number of waterfront rental cottages	1,538	674
Visitor night stays	290,856	88,296
Economic Impacts		
Jobs (total)*	1,090	523
Direct jobs*	737	359
Economic activity (total)**	132	62
Direct economic activity**	66	31
Expenditure		
Rental cottages**	19.2	14.1
Tourists**	46.7	17.2

* Person-years of employment
** $ millions

Source: Altus Group Economic Consulting based on data from Ministry of Tourism, District of Muskoka, Statistics Canada and AirDNA LLC. See Appendix A4, No. 3, 4, 7, 11, 13, 14, 16 and 17.

5.2.6 Year-Round Residential Waterfront Properties

Based on property assessment records, there are 3,522 year-round single-family detached residences on Muskoka's waterfront. Though these private homes are not formally a part of Muskoka's accommodation sector, they are a vital part of the waterfront economy, providing a steady stream of spending annually ($86 million).

In 2018, year-round residential waterfront properties contributed some $183 million in economic activity ($86 million in direct economic activity and $97 million in indirect and induced economic activity, most of which likely took place within Muskoka). Much of the costs of property maintenance – construction and renovations, landscaping and retail spending, support and sustain local artisans and businesses.

Muskoka's year-round residential waterfront properties also generated and sustained a total of some 1,800 jobs (person years of employment). A majority of the indirect, or supplier, jobs are thought to be located within Muskoka.

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There are 437 year-round residential waterfront properties on the shores of the big three lakes, generating and sustaining $38 million of economic activity, and 362 direct, indirect and induced jobs, most of which are expected to be generated and supported generally within the District.

In **sections 6.4 and 7.4** the other direct, indirect and induced economic benefits of Muskoka's year-round residential waterfront properties, such as GDP ($105 million), personal income ($67 million), business earnings ($33 million) and provincial and federal government revenues ($17 million) are presented.

5.2.7 Accommodation Sector – A Comparative Analysis[24]

5.2.7.1 Market Share

Two key measures of the size of Muskoka's waterfront resort, cottages, and short-term rental accommodation market are:

- Demand for room nights (actual visitor overnight stays in any given year); and
- Economic activity generated from the various industries of the accommodation sector.

[24] Readers should note that the locality of economic impacts will vary for each accommodation segment of the market. Economic impact modelling does not facilitate measurement of the magnitude of local impacts, either by sector, accommodation segment, or type of spending. Direct economic benefits tend to be mostly local while indirect and induced economic impacts are local, provincial and national depending on the breadth and depth of the supply chains associated with the economic agent responsible for the spending and the characteristics of the spending. For example, the larger the resort the longer its supply chains are likely to be. Therefore, the large/branded resorts in Muskoka are more likely to generate a greater share of indirect and induced economic benefits outside of Muskoka than smaller resorts and cottages. However, it is important to note that Muskoka benefits from economic impacts such as jobs that are supported and created outside of its borders. For example, an increase in jobs or jobs quality in Toronto benefits Muskoka in the form of cottage buyers and tourists to Muskoka.

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Figure 18

District of Muskoka Waterfront Economy, 2018
Economic Profile of Year-Round Residences

	District	Study Area
Year-round waterfront properties	3,522	437
Visitor night stays	n.a	n.a
Economic Impacts		
Jobs (total)*	1,752	362
Direct jobs*	1,224	253
Economic activity (total)**	183.0	37.8
Direct economic activity**	86.4	17.9
Expenditure		
Year-round properties**	86.4	17.9
Tourists**	n.a	n.a

* Person-years of employment
** $ millions

Source: Altus Group Economic Consulting based on data from District of Muskoka and Statistics Canada. See Appendix A4, No. 11, 12 and 16.

This comparative analysis focuses primarily on Muskoka's waterfront resorts, seasonal recreational cottages, and short-term rentals industries, but the role of year-round waterfront residences in economy is also recognised.

In 2018, Muskoka's 22,395 suites provided 1.7 million nights of accommodation. When measured by demand for room nights by overnight visitors, the size of Muskoka's waterfront accommodation market was 1.7 million nights of accommodation in 2018. In terms of economic activity, Muskoka's waterfront resort, cottages, and short-term rentals represent a $817 million[25] accommodation market. (See Figure 19 and Figure 20 for comparative statistics on suites, visitor nights, industry spending and direct economic impacts.)

Of the three accommodation industries under review, own-use recreational cottages are the Muskoka waterfront's single largest accommodation

[25] This figure represents the **direct** economic activity collectively generated by resorts, own-use recreational cottages and short-term cottage rentals in 2018. The contribution of year-round waterfront residences is excluded from this figure.

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industry accounting for 84% of visitor suite stock in 2018, 67% of visitor nights and 56% of economic activity. In the study area own-use recreational cottages accounted for 73% of the available suites, 66% of visitor nights and 48% of (direct) economic activity.

With respect to the commercial waterfront accommodations industries, namely resorts and short-term rentals, 9% of available suites in 2018 were provided by resorts, which commanded a 21% market share of visitor night stays. In the study area resorts accounted for 16% of the available suites, and 24% of visitor nights. Study area resorts generated 43% of waterfront (direct) economic activity, compared with 36% for waterfront resorts in the District as a whole.

In 2018, the waterfront short-term rentals industry accounted for 7% of the available suites, 12% of visitor nights and 8% of (direct) economic activity.

In the study area short-term rentals provided 12% of the available suites, held market share of 10% of visitor nights, and accounted for 8% of (direct) economic activity.

Figure 19

District of Muskoka Waterfront Economy, 2018
Accommodation Sector Summary Statistics

	Suites / Units	Visitor Nights	Industry Spending	Visitor Accommo-dation Spending	Visitor Food & Beverage Spending	Other Visitor Spending
			($millions)			
Resorts						
District	2,097	521,581	201.8	69.9	14.1	10.9
Study Area	908	216,552	123.6	25.8	5.9	4.5
Short-term Rentals						
District	1,538	290,856	19.2	32.7	7.9	6.1
Study Area	674	88,296	14.1	13.0	2.4	1.8
Own-use Recreational Cottages						
District	18,760	1,671,172	374.0	-	45.2	34.9
Study Area	4,199	584,910	149.6	-	15.8	12.2
Year-round Waterfront Residences						
District	n.a	n.a	86.4	n.a	n.a	n.a
Study Area	n.a	n.a	17.9	n.a	n.a	n.a
Total Waterfront Economy						
District	**22,395**	**2,483,609**	**681.5**	**102.6**	**67.2**	**51.8**
Study Area	**5,781**	**889,758**	**305.2**	**38.8**	**24.1**	**18.6**

Source: Altus Group Economic Consulting based on data from Statistics Canada, Ministry of Tourism, District of Muskoka and AirDNA LLC. See Appendix A4, No. 2, 3, 7, 11, 12, 13, 14, 15, 16 and 17.

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Figure 20

District of Muskoka Waterfront Economy, 2018
Economic Impact of Accommodation Sector

	Direct Jobs	Total Jobs	Direct Economic Activity	Direct GDP	Direct Wages	Direct Business Earnings	Personal & Corporate Income Tax
					($millions)		
Resorts							
District	2,325	3,949	296.7	165.6	111.6	42.3	77.4
Study Area	1,203	2,078	159.8	90.0	60.7	22.8	40.5
Short-term Rentals							
District	737	1,090	65.9	37.7	27.8	8.9	22.5
Study Area	359	523	31.3	18.9	14.4	4.2	10.8
Own-use Recreational Cottages							
District	6,176	8,671	454.1	284.1	233.9	49.6	182.2
Study Area	2,416	3,391	177.6	111.7	92.0	19.4	71.2
Year-round Waterfront Residences							
District	1,224	1,752	86.4	49.9	39.2	7.6	37.1
Study Area	253	362	17.9	10.3	8.1	1.6	7.7
Total Waterfront Economy							
District	**10,462**	**15,462**	**903.2**	**537.3**	**412.5**	**108.4**	**319.3**
Study Area	**4,231**	**6,354**	**386.6**	**230.9**	**175.2**	**48.0**	**130.2**

Source: Altus Group Economic Consulting based on data from Statistics Canada, Ministry of Tourism, PKF Consulting, District of Muskoka and AirDNA LLC. See Appendix A4, No. 2, 3, 6, 7, 11, 12, 13, 14, 15, 16 and 17.

5.2.7.2 Employment

Waterfront resorts, seasonal recreational cottages, short-term rentals, year-round residences, and the overnight visitors they accommodated, supported some 15,500 direct, indirect and induced jobs in 2018. About 10,500 of those jobs were direct jobs, mostly in Muskoka's local communities (See Figure 20). These direct jobs represent persons employed full-time and part-time by the accommodations and food services sector, and related sectors such as wholesale and retail trade; arts, entertainment and recreation; and construction.

The number of jobs supported by the resorts, seasonal recreational cottages, and short-term rentals industries, and year-round residences in the study area were 6,400 jobs. Sixty-seven percent or 4,200 of those jobs were direct employment.

As the largest waterfront accommodation industry by market share, own-use recreational cottages also accounted for the largest number of jobs, 8,700 or 56% of the total[26]. In the study area, the corresponding numbers were 3,400 jobs or 53% of the total.

[26] Total of the four waterfront accommodation industries that are the focus of this study. See Figure 15.

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Resorts along the shores of Muskoka's waterfront supported 4,000 jobs or 26% of waterfront accommodation sector total (2,300 were direct jobs). Those resorts that are in the study area supported about 2,100 jobs, 1,200 of which were direct jobs.

Short-term rentals supported 1,100 jobs or 7% of waterfront accommodation sector total (700 were direct jobs). Short-term rentals in the study area supported about 500 jobs, almost 400 of which were direct jobs.

5.2.7.3 Operational Efficiency

Muskoka's resorts only occupy 0.4% of the total waterfront shoreline. In contrast, seasonal recreational cottages occupy 53% of Muskoka's waterfront shoreline[27]. The data suggests the presence of resorts on Muskoka's waterfront constitutes a much smaller development footprint on the lakefront than may be generally accepted. In terms of physical presence, in aggregate, resorts are much less imposing on Muskoka's waterfront ecology than cottages. From a land-use perspective, the use of resort accommodation and tourism development is far more efficient than cottages.

The seasonal own-use recreational cottages industry is by far the most significant contributor to Muskoka's waterfront economy, based on our economic benefits assessment and market analysis of the accommodation sector.

Own-use recreational cottages are responsible for more than 50% of the economic impact of the three accommodations industries that are the primary focus of this study. Seasonal own-use recreational cottages are also an important part of Muskoka's reputation as a unique, authentic nature sanctuary. However, the waterfront resorts industry, which is the larger of the two commercial waterfront accommodations industries[28], provides more bang for the buck.

[27] Altus Group calculations based on MPAC Assessment data and GIS data with lake perimeters from the District Municipality.

[28] The other being the waterfront short-term rental industry.

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A closer look at Figure 19 and Figure 20 and the findings presented in **section 3.2.7.1** reveals that:

- Own-use recreational cottages accounted for over 80% of the available suites and 67% room night stays but just around 56% of economic activity and jobs;
- Resorts captured 21% of the room night stays with 9% of the available suites, and yet contributed to 36% of the waterfront; accommodation sector's economic activity and 22% of its direct jobs;
- Similarly resorts in the study area captured 24% of the room night stays with 16% of the available suites, and contributed to 43% of the waterfront accommodation sector's economic activity and 28% of its direct jobs;
- Short-term rentals facilitated 12% of visitor night stays and accounted for 7-8% of economic activity and jobs.

A reasonable conclusion is that **the waterfront resorts industry appears to be more operationally efficient than the seasonal recreational cottages and short-term rental industries**.

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6 OVERVIEW OF ECONOMIC IMPACT ANALYSIS

6.1 ECONOMIC BENEFITS ASSESSED

This report analyzes economic benefits related to resorts, seasonal cottages (private/own-use), and short-term rental cottages (commercial) that are located on Muskoka's waterfront. Care is also taken to demonstrate the economic benefits associated with these three accommodation industries of the waterfront of Muskoka's big-three lakes. The benefits are generated by:

- **The ongoing operations of each accommodations industry**: Main activities related to the on-going operation of these industries include maintaining the properties, procurement of supplies, sales and marketing, transportation & utilities, professional services, and various retail activities; and
- **The construction of resorts and cottages**: Construction activity associated with building waterfront tourism accommodation contributes significantly to Muskoka's economy and generate substantial "spinoff" benefits.

Several measures of economic benefits are assessed in this report:

Economic Activity: the volume of goods and services consumed related to resorts, seasonal cottages, and short-term rental cottages, including indirect and induced benefits;

Contribution to GDP: the value-added component of the economic activities, a measure of the contribution to Gross Domestic Product from waterfront resorts, seasonal cottages, and short-term rental cottages;

Jobs: The number of jobs (person-years of employment) directly and indirectly tied the waterfront accommodations industries, including induced jobs;

Income: The volume of income generated through the construction and operation of the waterfront resorts, seasonal cottages, and short-term rental cottages and income earned by households through wages and other earnings;

Federal and Provincial Taxes: Estimated labour and business income taxes as well as indirect taxes on production such as CPP and EI contributions

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generated from Muskoka's waterfront accommodations expenditure and related tourist spending.; and

Other related benefits.

This report presents a review of these estimates. It measures the magnitude of economic benefits to the District of Muskoka from the presence of waterfront resorts, seasonal cottages, and short-term rental cottages.

This study relies on analysis from the Input Output Model of the Canadian Economy, which is maintained by Statistics Canada.

6.2 CONTEXT BEHIND ECONOMIC IMPACT ANALYSIS

This report presents analysis on economic impacts of Muskoka's waterfront resort industry, own-use recreational cottages industry, short-term cottage rentals industry, and year-round waterfront residences. These economic benefits are estimated using the Input-Output Multiplier Model developed and maintained by Statistics Canada.

The impact of the construction and on-going operation of waterfront resorts, seasonal cottages, and short-term rental cottages will take three principal forms:

The **Direct Production and Jobs Generated** by expenditures on construction, on-going operation of waterfront resorts, seasonal cottages, and short-term rental cottages; and those related to tourists/visitors to Muskoka's waterfront accommodations;

The **Indirect Production and Jobs Generated** from the demand for materials and services used in the direct round of activities. These indirect impacts also include the subsequent rounds of indirect impacts[29]; and

In addition to the direct and indirect economic production impacts, many economists point to a third round of **"Induced" Economic Impacts** from an economic event. This third round of impacts acknowledges that the increased production in the direct and indirect rounds will itself spur further positive economic effects through the labour income it creates that ultimately

[29] For example, for the operations of a resort – the first round of indirect impacts are jobs created by companies supplying goods or services to the resort – such as a wholesaler – and the second round would be jobs created by companies supplying goods or services to the wholesaler company – such as food manufacturing companies. Subsequent rounds of impact would be those jobs generated even earlier in the production chain, for example farmers.

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stimulates further economic activity through personal consumption. For example, people directly employed at resorts will spend part of their income on consumption items such as food, rent or recreation, thus supporting jobs in the economy.

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7 ESTIMATED ECONOMIC BENEFITS – DISTRICT

7.1 ECONOMIC BENEFITS ASSOCIATED WITH RESORTS

The waterfront resort industry delivers economic benefits by generating:

- About **3,949 person-years** of direct, indirect and induced employment;
- About **$591 million** in direct, indirect and induced economic activity;
- About **$326 million** in net contribution to GDP;
- About **$197 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$117 million** in operating business earnings; and
- Some **$54 million** in personal and business taxes (Figure 21).

An array of economic benefits results from the operations of Muskoka waterfront resorts, and the accommodation and non-accommodation spending of resort visitors. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of tourists spending and resort spending on procuring and providing food & beverages; repairs, maintenance and cleaning; professional services; sales & marketing; utilities; and the provision of entertainment, recreation and transportation services.

The personal and business income taxes estimated, also include indirect taxes on production such as CPP and EI contributions.

Figure 21

Estimated Economic Benefits of Waterfront Resort Operations: Resort Expenditures and Spending of Resort Tourists, Muskoka Waterfront Economy

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	296.7	167.6	127.0	591.3
Gross Domestic Product ($millions)	165.6	87.9	73.0	326.4
Number of Jobs*	2,325	916	708	3,949
Wages ($millions)	111.6	51.4	34.3	197.4
Business Earnings ($millions)	42.3	37.0	37.4	116.7
Tax Revenue ($millions)				
Personal & Business Income Taxes				54.1

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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7.2 ECONOMIC BENEFITS ASSOCIATED WITH SEASONAL COTTAGES

The seasonal waterfront recreational cottage industry delivers economic benefits by generating:

- About **8,671 person-years** of direct, indirect and induced employment;
- About **$925 million** in direct, indirect and induced economic activity;
- About **$543 million** in net contribution to GDP;
- About **$368 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$168 million** in operating business earnings; and
- Some **$88 million** in personal and business taxes (Figure 22).

An array of economic benefits results from the upkeep of Muskoka waterfront cottages and the non-accommodation spending of cottagers. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of cottager visitor spending and cottage owners spending on construction & renovations, entertainment & recreation, vehicle operations, landscaping, professional services, and retail.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 22

Estimated Economic Benefits of Waterfront Own-use Recreational Cottages: Owner Expenditures & Tourists Spending, Muskoka Waterfront Economy

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	454.1	226.6	244.7	925.3
Gross Domestic Product ($millions)	284.1	118.4	140.5	543.1
Number of Jobs*	6,176	1,173	1,323	8,671
Wages ($millions)	233.9	67.6	66.1	367.6
Business Earnings ($millions)	49.6	52.8	65.7	168.1
Tax Revenue ($millions)				
Personal & Business Income Taxes				87.8

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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7.3 ECONOMIC BENEFITS ASSOCIATED WITH SHORT-TERM RENTAL COTTAGES

The short-term rentals industry delivers economic benefits by generating:

- About **1,090 person-years** of direct, indirect and induced employment;
- About **$132 million** in direct, indirect and induced economic activity;
- About **$73 million** in net contribution to GDP;
- About **$47 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$25 million** in operating business earnings; and
- Some **$11 million** in personal and business taxes (Figure 23).

An array of economic benefits results from property owners' spending on equipment, cleaning, repair and maintenance and capital improvements, and visitor accommodation and non-accommodation spending. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of cottager visitor spending and cottage owners spending on construction & renovations, entertainment & recreation, vehicle operations, landscaping, and professional services.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 23

Estimated Economic Benefits of Waterfront Short-term Rental Cottages: Owner Expenditures & Tourists Spending, Muskoka Waterfront Economy

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	65.9	35.5	30.7	132.1
Gross Domestic Product ($millions)	37.7	17.7	17.6	73.1
Number of Jobs*	737	186	168	1,090
Wages ($millions)	27.8	10.4	8.3	46.5
Business Earnings ($millions)	8.9	7.4	8.3	24.5
Tax Revenue ($millions)				
Personal & Business Income Taxes				11.1

* Person-years of employment

Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

The following delegations to attend at 9:00 a.m.: Al Shaw or Representat...

7.4 ECONOMIC BENEFITS ASSOCIATED WITH WATERFRONT YEAR-ROUND RESIDENCES

The expenditure of residents living year-round on the Muskoka waterfront deliver economic benefits by generating:

- About **1,752 person-years** of direct, indirect and induced employment;
- About **$183 million** in direct, indirect and induced economic activity;
- About **$105 million** in net contribution to GDP;
- About **$67 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$33 million** in operating business earnings; and
- Some **$17 million** in personal and business taxes (Figure 24).

An array of economic benefits results from the retail spending of residents living year-round on the waterfront. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of household retail spending.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 24

Estimated Economic Benefits of Waterfront Year-round Residences: Household Expenditures, Muskoka Waterfront Economy

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	86.4	51.3	45.3	183.0
Gross Domestic Product ($millions)	49.9	28.5	26.0	104.5
Number of Jobs*	1,224	276	253	1,752
Wages ($millions)	39.2	15.9	12.2	67.3
Business Earnings ($millions)	7.6	13.6	12.0	33.2
Tax Revenue ($millions)				
Personal & Business Income Taxes				37.1

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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7.5 MUNICIPAL REVENUE

A fiscal impact analysis measures the value of municipal government revenues through property taxes and other levies derived from a sector balanced against the magnitude of municipal services required to support it. While this report is not a fiscal impact analysis, it does acknowledge the very valuable contribution all waterfront sectors make in supporting municipal government activities through these taxes and levies.

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8 ESTIMATED ECONOMIC BENEFITS – STUDY AREA

8.1 ECONOMIC BENEFITS ASSOCIATED WITH RESORTS IN STUDY AREA

The waterfront resort industry delivers economic benefits by generating:

- About **2,078 person-years** of direct, indirect and induced employment;
- About **$316 million** in direct, indirect and induced economic activity;
- About **$177 million** in net contribution to GDP;
- About **$107 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$63 million** in operating business earnings; and
- Some **$24 million** in personal and business taxes (Figure 25).

An array of economic benefits results from the operations of Muskoka waterfront resorts, and the accommodation and non-accommodation spending of resort visitors. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of tourists spending and resort spending on procuring and providing food & beverages; repairs, maintenance and cleaning; professional services; sales & marketing; utilities; and the provision of entertainment, recreation and transportation services.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 25

Estimated Economic Benefits of Resort Operations,
Big Three Lakes, Muskoka Waterfront Economy:
Resort Expenditures & Spending by Resort Overnight Tourists

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	159.8	89.6	68.7	318.1
Gross Domestic Product ($millions)	90.0	47.4	39.4	176.8
Number of Jobs*	1,203	492	382	2,078
Wages ($millions)	60.7	27.7	18.5	107.0
Business Earnings ($millions)	22.8	20.0	20.4	63.2
Tax Revenue ($millions)				
Personal & Business Income Taxes				24.1

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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8.2 ECONOMIC BENEFITS ASSOCIATED SEASONAL COTTAGES IN THE STUDY AREA

The seasonal waterfront recreational cottage industry delivers economic benefits by generating:

- About **3,391 person-years** of direct, indirect and induced employment;
- About **$362 million** in direct, indirect and induced economic activity;
- About **$213 million** in net contribution to GDP;
- About **$144 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$66 million** in operating business earnings; and
- Some **$34 million** in personal and business taxes (Figure 26).

An array of economic benefits results from the upkeep of Muskoka waterfront cottages on Lakes Muskoka, Joseph and Rosseau, and the non-accommodation spending of cottagers. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of cottager visitor spending and cottage owners spending on construction & renovations, entertainment & recreation, vehicle operations, landscaping, professional services, and retail.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 26

Estimated Economic Benefits of Own-use Recreational Cottages, Big Three Lakes, Muskoka Waterfront Economy: Cottage-owner Expenditures & Spending by Overnight Cottage Tourists

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	177.6	87.9	96.0	361.6
Gross Domestic Product ($millions)	111.7	46.1	55.2	213.0
Number of Jobs*	2,416	456	519	3,391
Wages ($millions)	92.0	26.3	25.9	144.3
Business Earnings ($millions)	19.4	20.6	25.8	65.8
Tax Revenue ($millions)				
Personal & Business Income Taxes				34.4

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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8.3 ECONOMIC BENEFITS ASSOCIATED WITH SHORT-TERM RENTAL COTTAGES IN THE STUDY AREA

The short-term rentals industry delivers economic benefits by generating:

- About **523 person-years** of direct, indirect and induced employment;
- About **$62 million** in direct, indirect and induced economic activity;
- About **$36 million** in net contribution to GDP;
- About **$23 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$12 million** in operating business earnings; and
- Some **$5 million** in personal and business taxes (Figure 27).

An array of economic benefits results from study area property owners' spending on equipment, cleaning, repair and maintenance and capital improvements, and visitor accommodation and non-accommodation spending. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of cottager visitor spending and cottage owners spending on construction & renovations, entertainment & recreation, vehicle operations, landscaping, and professional services.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 27

Estimated Economic Benefits of Short-term Rental Cottages:
Big Three Lakes, Muskoka Waterfront Economy: Cottage-owner Expenditures & Spending by Overnight Rental Cottage Tourists

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	31.3	15.6	15.3	62.1
Gross Domestic Product ($millions)	18.9	7.9	8.8	35.5
Number of Jobs*	359	82	83	523
Wages ($millions)	14.4	4.6	4.1	23.1
Business Earnings ($millions)	4.2	3.3	4.1	11.6
Tax Revenue ($millions)				
Personal & Business Income Taxes				5.4

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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8.4 ECONOMIC BENEFITS ASSOCIATED WITH WATERFRONT YEAR-ROUND RESIDENCES IN THE STUDY AREA

The expenditure of residents living year-round on the waterfront of Lakes Muskoka, Joseph and Rosseau deliver economic benefits by generating:

- About **362 person-years** of direct, indirect and induced employment;
- About **$38 million** in direct, indirect and induced economic activity;
- About **$22 million** in net contribution to GDP;
- About **$14 million** in personal income tied to the creation of direct, indirect and induced jobs;
- Some **$7 million** in operating business earnings; and
- Some **$4 million** in personal and business taxes (Figure 28).

An array of economic benefits results from the retail spending of residents living year-round on the waterfront. Jobs, economic activity, GDP, personal income, business earnings and government revenues are sustained or generated annually as a result of household retail spending.

The personal and business income taxes estimated also include indirect taxes on production such as CPP and EI contributions.

Figure 28

Estimated Economic Benefits of Waterfront Year-round Residences:
Big Three Lakes, Muskoka Waterfront Economy: Household Expenditures

	Direct	Indirect	Induced	Total
Economic Activity ($millions)	17.9	10.6	9.4	37.8
Gross Domestic Product ($millions)	10.3	5.9	5.4	21.6
Number of Jobs*	253	57	52	362
Wages ($millions)	8.1	3.3	2.5	13.9
Business Earnings ($millions)	1.6	2.8	2.5	6.9
Tax Revenue ($millions)				
Personal & Business Income Taxes				3.5

* Person-years of employment
Source: Altus Group Economic Consulting based on Input / Output Model and Other Sources

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9 MUSKOKA'S ACCOMMODATION SECTOR OUTLOOK

9.1 TOURISM & ACCOMMODATION SECTOR FORECASTS

9.1.1 Approach & Methodology

Forecast estimates of future person visits to Muskoka are determined, and forecasts for future night stays by accommodation type are projected to provide an estimate of the magnitude of future demand for accommodation in Muskoka.

Data inputs for the tourism model are obtained from the Ontario Ministry of Heritage, Sport, Tourism and Culture Industries (MoT) and include weighted annual person visits to Muskoka Region originating from all other Ontario Census Divisions (CDs). Consistent with sound forecasting methodology, a "2018 base year" estimate for all the forecasted components based on a stabilized average of activity over the 2015-2017 period. This approach minimises the distorting effects that undue annual fluctuations could have on the forecast variables.

The top 14 Origin CDs with the most person visits to Muskoka are presented in Figure 29 along with their overnight and same-day person visit estimates, with the rest of CDs combined into 'Other Ontario CDs' as they have relatively fewer person visits to Muskoka.

9.1.1.1 Base Year 2018 Overnight and Same-Day Visits

The base year data shows that the City of Toronto represents the highest proportion of total visitors to Muskoka (23.6%), followed by Simcoe County (9.6%), Halton Region (9.1%), York Region (8.0%) and Peel Region (7.1%).

To determine an estimate for the number of same-day and overnight person trips originating from Census Divisions (CDs) around Ontario, propensities/factors were assigned to each of the top 14 CDs and 'Other Ontario CDs', based on their distance from Muskoka, population and income and our professional opinion on the proportion of person visits that would include an overnight stay. CDs such as Niagara, Hamilton and Peel are anticipated to have higher proportions of overnight visitors than from Simcoe or Parry Sound, for example. Total estimated overnight trips for each CD sum to the same overnight person trips figure reported by MoT.

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Figure 29 shows the estimated base year breakdown between day and overnight person visits from Origin CDs. There were approximately 2.98 million visitors in 2018 based on the average total person visits between 2015-2017. The total person visits were comprised of some 1.8 million overnight person visits (62%) and 1.15 million same-day person visits.

Figure 29

Overnight and Day Person Trip Distribution by Origin in Ontario, 2018

	2018 Base Year		
Origin Census Division (CD)	Total Person Visits	Overnight	Day
		Persons	
CD20: Toronto Metropolitan Municipality	703,792	563,034	140,758
CD43: Simcoe County	351,315	87,829	263,487
CD24: Halton Regional Municipality	272,883	218,306	54,577
CD19: York Regional Municipality	239,834	143,901	95,934
CD21: Peel Regional Municipality	210,575	168,460	42,115
CD44: Muskoka District Municipality	176,120	44,030	132,090
CD18: Durham Regional Municipality	164,807	98,884	65,923
CD25: Hamilton-Wentw orth Regional Municipality	122,365	97,892	24,473
CD30: Waterloo Regional Municipality	83,755	67,004	16,751
CD26: Niagara Regional Municipality	69,518	55,615	13,904
CD48: Nipissing District	66,881	16,720	50,161
CD23: Wellington County	63,764	51,011	12,753
CD49: Parry Sound District	57,805	17,342	40,464
CD06: Ottaw a-Carlton Regional Municipality	55,304	44,244	11,061
All Other Ontario CDs	345,651	164,078	181,573
Total	**2,984,370**	**1,838,348**	**1,146,022**

Souce: Altus Group Economic Consulting based on data from Ministry of Tourism

9.1.1.2 Total Person Visits Forecast

To forecast total person visits from the Origin Ontario CDs, propensities to travel to Muskoka were applied to the 2018 base year person visit numbers (average of 2015-2017) based on existing trends of person visits to Muskoka over the past 5 years and forecast population growth for CDs, income and an understanding of the broader economy and macroeconomic environment. Population growth forecasts for the Ontario CDs are based on Statistics Canada data, 2011-2018, and Ontario Ministry of Finance projections up to 2046.

For the purposes of this analysis, the proportion of Visits/Population for each Ontario CD in base year 2018 is held constant over the 2018-2046 forecast period. These proportions are then applied to their respective forecast population growth estimates of each to project future person visits. It is

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noted that the actual visitor numbers may deviate from these projections depending on future unforeseen local, economic or political circumstances.

To determine the proportion of overnight person visits to same-day person visits from each CD, 'overnight trip' propensities were assumed and applied to the total forecasted number of visitors, based on factors such as distance from Muskoka Region and socioeconomic factors (i.e. age, incomes). CDs situated further away from Muskoka and those with higher than average household incomes are assumed to have a higher propensity of travelling to spend an overnight stay in Muskoka, compared to those living in CDs closer to Muskoka Region.

9.1.2 Total Person Visits to Muskoka from Ontario Forecast

Figure 30 presents the projected number of tourist person visits to Muskoka Region originating from CDs in Ontario over the 2018-2046 forecast period.

Overall, it is estimated that on average total person visits will grow by some 41,900 person visits per year, from some 2.98 million person visits in 2018 to 4.16 million person visits in 2046, representing an average annual growth of 1.2% per year.

Figure 30

Projected Total Tourist Person Visits to Muskoka Originating from CDs in Ontario, 2018 - 2046

Origin Census Division (CD)	Base Year 2018[1]	2021	2026	2031	2036	2041	2046	Average Annual Growth, 2018-2046	
				Person Visits ('000s)					*Percent*
CD20: Toronto Metropolitan Municipality	704	758	811	857	906	959	1,017	11.2	1.3%
CD43: Simcoe County	351	372	402	429	455	480	503	5.4	1.3%
CD24: Halton Regional Municipality	273	287	311	336	360	385	410	4.9	1.5%
CD19: York Regional Municipality	240	249	269	289	309	329	349	3.9	1.3%
CD21: Peel Regional Municipality	211	225	252	278	303	329	355	5.2	1.9%
CD44: Muskoka District Municipality	176	182	189	196	202	208	214	1.4	0.7%
CD18: Durham Regional Municipality	165	172	183	194	205	215	225	2.2	1.1%
CD25: Hamilton-Wentw orth Regional Municipality	122	127	135	142	150	158	166	1.5	1.1%
CD30: Waterloo Regional Municipality	84	89	96	102	107	113	119	1.3	1.3%
CD26: Niagara Regional Municipality	70	72	76	79	82	84	87	0.6	0.8%
CD48: Nipissing District	67	68	69	69	69	70	70	0.1	0.2%
CD23: Wellington County	64	67	71	75	79	83	87	0.8	1.1%
CD49: Parry Sound District	58	59	61	62	64	65	66	0.3	0.5%
CD06: Ottaw a-Carlton Regional Municipality	55	59	63	67	71	74	78	0.8	1.2%
All Other Ontario CDs	346	357	370	381	391	401	411	2.3	0.6%
Total	**2,984**	**3,143**	**3,357**	**3,555**	**3,753**	**3,953**	**4,157**	**41.9**	**1.2%**

[1] Base year 2018 is the average of the latest 3 years of avaialble data (2015-2017)
Note: Numbers are rounded to the nearest thousand
Source: Altus Group Economic Consulting based on data from Ministry of Tourism

It is projected that the municipalities of Peel (CD21), Halton (CD24), Toronto (CD20), Waterloo (CD30) and Hamilton (CD25) will have the greatest increases in the growth rate of average annual person visits to Muskoka over

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the forecast period, due to their relatively higher forecast population growth and recent trends of increasing person visits to Muskoka Region originating from these municipalities.

Given Toronto's size and significant population, it will continue to be the source market with the greatest number of average annual person visits to Muskoka, with an estimated 112,000 additional person visits annually over the 2018-2046 period.

This is followed by Simcoe County, Peel Region and Halton Region with estimated annual growth of 54,000, 52,000 and 49,000 person visits respectively over the period, largely due to their closer proximity to Muskoka Region and higher than average forecast population growth rates. Factors that will influence future person visits to Muskoka may include the following:

Based on the projected increase in population across the GTA and in Toronto, and growth in professional service and technology-focused jobs and associated incomes, it is anticipated that increasing numbers of the population from municipalities with higher incomes, within the GTA will choose to visit Muskoka Region for a vacation or weekend getaway in the future. Population growth in other regions and counties (census divisions) outside of the GTA are still forecast to increase, but to a lesser extent than those in the GTA.

Other major considerations that will influence the future person (tourist) visits to Muskoka from within Ontario include:

- Fluctuations in the value of the Canadian dollar, as if the value of the Canadian dollar increases, Ontarians may be more likely to travel internationally as it would be cheaper to do so. Conversely, if the value of the Canadian dollar declines over the forecast period, more Ontarians would be more likely to vacation within Canada, meaning potentially higher projected visitor numbers during those years.
- Global health and safety risks and uncertainties, such as disease outbreak or terrorism events can also be expected to impact the demand for domestic and international travel, as an increase in these global uncertainties and risks may deter more Canadians from travelling internationally and encourage more Ontarians to vacation within their own Province.

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On balance, the forecast for travel from the targeted Ontario municipalities accounts for a modest uptick in propensities for international and interprovincial travel and a modest decline in propensities for intra-provincial travel that masks a moderating effect on the Muskoka visitor forecast.

9.1.3 Overnight and Same-Day Person Visits Outlook

To forecast future overnight and same-day person visits, the propensities for overnight visits are applied to the projected total person visits forecasts over the 2018-2046 period to determine a reasonable estimate for the number of overnight and same-day person visits originating from each CD in Ontario. Figure 31 shows the overnight and same-day trip breakdown for forecast years 2021, 2036 and 2046 compared to base year 2018.

Overall, total person visits to Muskoka Region originating from Ontario CDs will increase by approximately 28,700 overnight person visits and 13,200 same-day person visits on average annually over the 2018-2046 forecast period. By 2046 it is forecast that Muskoka Region will have an estimated 2.64 million overnight person visits and 1.51 million same-day person visits.

Over time, it is anticipated that the overall number of overnight person visits will grow at a faster rate than same-day person visits, with a forecast average annual growth rate of 1.3% for total overnight visitors, and 1.0% for total same-day person visits over the forecast period, resulting in a compounded growth rate of 44% for overnight person visits compared to 32% for same-day person visits between 2018 and 2046.

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Figure 31

Forecast Overnight and Day Person Visits to Muskoka Region Originating from Ontario, 2018 - 2046

Origin Census Division (CD)	2018		2026		2036		2046		Average Annual Change, 2018-2046	
	Overnight	Day	Overnight	Day	Overnight	Day	Overnight	Day	Overnight	Day
	Person Visits ('000s)									
CD20: Toronto Metropolitan Municipality	563	141	649	162	725	181	813	203	8.9	2.2
CD43: Simcoe County	88	263	100	301	114	341	126	378	1.4	4.1
CD24: Halton Regional Municipality	218	55	249	62	288	72	328	82	3.9	1.0
CD19: York Regional Municipality	144	96	161	108	185	124	209	139	2.3	1.6
CD21: Peel Regional Municipality	168	42	202	50	243	61	284	71	4.1	1.0
CD44: Muskoka District Municipality	44	132	47	142	51	152	54	161	0.3	1.0
CD18: Durham Regional Municipality	99	66	110	73	123	82	135	90	1.3	0.9
CD25: Hamilton-Wentw orth Regional Municipality	98	24	108	27	120	30	133	33	1.2	0.3
CD30: Waterloo Regional Municipality	67	17	77	19	86	21	95	24	1.0	0.3
CD26: Niagara Regional Municipality	56	14	61	15	65	16	70	17	0.5	0.1
CD48: Nipissing District	17	50	17	51	17	52	17	52	0.0	0.1
CD23: Wellington County	51	13	57	14	63	16	70	17	0.7	0.2
CD49: Parry Sound District	17	40	18	43	19	44	20	46	0.1	0.2
CD06: Ottaw a-Carlton Regional Municipality	44	11	50	13	56	14	62	16	0.6	0.2
All Other Ontario CDs	164	182	203	166	215	176	226	185	2.2	0.1
Subtotal Overnight & Day Person Visits	**1,838**	**1,146**	**2,110**	**1,248**	**2,371**	**1,383**	**2,642**	**1,515**	**28.7**	**13.2**
Total Person Visits	**2,984**		**3,357**		**3,753**		**4,157**		**41.9**	

Note: Numbers are rounded to the nearst thousand
Source: Altus Group Economic Consulting

9.1.4 Night Visits by Accommodation Type Outlook

9.1.4.1 Forecast by Major Accommodation Type

Having forecasted the total overnight person visits to Muskoka, projections of the total number of nights can be estimated based on the average number of nights per overnight visits, which was 3.1 nights in 2018. The total number of nights forecast over the 2018-2046 period are distributed among the four main accommodation types:

1. Roofed Commercial (includes hotels, motels, commercial cottages and others);
2. Private homes/cottages;
3. Camping/RV Facilities; and
4. Other.

For the purposes of this analysis, the distribution of total nights among accommodation types in base year 2018 is held constant over the forecast period. In 2018 base year, there were an estimated total of 5.8 million nights spent in Muskoka Region, with the majority of total nights (69%) spent in Private homes/cottages, followed by Roofed Commercial (18%), Camping/RV Facilities (11%), and Other (3%). Figure 32 presents the estimated forecasts of

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number of nights by accommodation type spent by Ontarians in Muskoka region over the 2018-2046 forecast period.

In forecasting the number of nights by accommodation type, factors were considered that could either increase or decrease the respective shares among accommodation types. Although the distribution of total number of nights may fluctuate over the forecast period, adopting the 2018 base year distribution provides a reasonable and justifiable measure for projecting the distribution of total nights among these accommodation types.

Figure 32

Projected Number of Nights by Major Accomodation Type Spent in Muskoka Region, 2018-2046

Accomodation Type	2018	2026	2036	2046	Average Annual Change, 2018-2046
			Number of Nights		
Roofed Commercial	1,061,896	1,218,580	1,369,354	1,526,047	16,577
Private homes/cottages	3,980,071	4,567,337	5,132,449	5,719,746	62,131
Camping/RV Facilities	611,544	701,778	788,609	878,848	9,547
Other	151,097	173,391	194,845	217,140	2,359
Total	**5,804,607**	**6,661,087**	**7,485,256**	**8,341,781**	**90,613**

Source: Altus Group Economic Consulting

Over the 2018-2046 forecast period, total number of nights are forecast to increase from 5.8 million nights to approximately 8.3 million nights in 2046, representing an average annual growth of 1.3% or some 90,600 additional nights per year.

- Total number of nights in Roofed Commercial accommodation is expected to grow by approximately 16,600 nights per year on average and reach an estimated 1.5 million nights by 2046.
- Private homes/cottages are forecast to grow by some 62,000 nights per year on average, reaching approximately 5.7 million nights in 2046.
- Camping/RV Facilities are estimated to average some 9,500 additional nights per year, reaching approximately 878,800 nights in 2046; and
- Nights in Other accommodation types are forecast to grow by some 2,400 nights per year on average, reaching an estimated 217,000 total nights in 2046.

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9.1.4.2 Forecast by Waterfront Accommodation Type

For the purposes of this study of the Muskoka waterfront economy, the standard major accommodation types identified in the previous sections are further broken down into sub-categories that distinguish between the various types of commercial and private properties in Muskoka Region identified as being situated on the waterfront. Accommodation sub-categories of particular interest are:

- Waterfront resorts;
- Waterfront short-term rentals (commercial cottages); and
- Waterfront private cottages (excluding private year-round residences).

Primary and secondary research and analysis of the waterfront accommodation inventory in Muskoka was used to estimate the number of room nights for the 2018 base year. It was found that a total of approximately 2.3 million room nights were spent in waterfront accommodations, comprising nights in resorts, short-term rentals and private cottages.

When forecasting waterfront accommodation types, the relative growth rate of resorts and short-term rentals have been adjusted over the forecast period to appropriately reflect the growing trend and impact of short-term rental accommodations on traditional waterfront resort and hotel communities. The market share of traditional resorts has been assumed to slowly diminish over time as the market share for short-term rental has been forecast to slowly grow its market share. For the purposes of this study, the market share for waterfront short-term rentals are anticipated to increase by 1 percentage point every 5 years offset by a similar change in the market share for waterfront resorts as the trend toward a broader array of vacation options continues.

Forecasts for each of the sub-categories of waterfront accommodation properties are presented in Figure 33 and summarized in the following sections. Overall, it is estimated that total nights spent in waterfront accommodations in Muskoka are forecast to increase from some 2.48 million nights in 2018 to **approximately 3.57 million total nights in 2046**, representing average annual growth of some 38,700 nights (1.3% per year).

The residual number of night stays for each major category, after accounting for waterfront properties related to this analysis, are grouped into 'other

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roofed commercial' and 'other private homes & cottages', which represent all other commercial and private properties in Muskoka not situated on the waterfront.

Figure 33

Projected Number of Nights Spent in Muskoka Region by Accomodation Type, Total and Waterfront Properties, 2018-2046

Accomodation Type	2018	2026	2036	2046	Average Annual Change, 2018-2046
			Number of Nights		
Roofed Commercial	1,061,896	1,218,580	1,369,354	1,526,047	16,577
Waterfront Resorts	521,581	574,169	617,824	657,999	4,872
Waterfront STRs	290,856	358,144	429,844	509,551	7,811
Other Roofed Commercial	249,459	286,267	321,686	358,496	3,894
Private homes & cottages	3,980,071	4,567,337	5,132,449	5,719,746	62,131
Waterfront Private Cottages	1,671,172	1,917,756	2,155,038	2,401,635	26,088
Other Private Homes & Cottages	2,308,900	2,649,581	2,977,411	3,318,111	36,043
All Other Types	762,641	875,169	983,453	1,095,988	11,905
Total Muskoka Region Nights	**5,804,607**	**6,661,087**	**7,485,256**	**8,341,781**	**90,613**
Total Waterfront District Nights	**2,483,609**	**2,850,069**	**3,202,705**	**3,569,185**	**38,771**

Source: Altus Group Economic Consulting

9.1.5 Demand for Resorts Night-stays Outlook

Based on the projected total number of nights spent in Roofed Commercial accommodation, estimates of forecast night stays for the Waterfront Resorts accommodation type, a sub-category of roofed commercial properties, were derived.

- In base year 2018, waterfront resorts represented some 21% of total nights in roofed commercial properties or approximately 521,600 night stays.
- Nights stays in waterfront resorts are forecast to increase by some 4,870 people on average annually, reaching an estimated 617,800 nights in 2036 and 658,000 nights by 2046 (Figure 33).

9.1.6 Demand for Cottage Night-stays Outlook

Based on the projected total number of nights spent in private homes/cottages accommodation, estimates of forecast night stays for the waterfront private cottage accommodation type, a sub-category of private homes/cottages, were derived.

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- In base year 2018, waterfront private cottages represented some 67% of total nights in private homes/cottage properties or approximately 1.67 million night stays.
- Nights stays in waterfront private cottages are forecast to increase by some 26,100 people on average annually, reaching an estimated 2.15 million nights in 2036 and approximately 2.40 million nights by 2046 (Figure 33).

9.1.7 Demand for Short-term Rental Cottage Night-stays Outlook

Based on the projected total number of nights spent in roofed commercial accommodation, estimates of forecast night stays for the waterfront short-term rental (STR) accommodation type, a sub-category of roofed commercial properties, were derived.

- In base year 2018, STRs represented some 12% of total nights in roofed commercial properties or approximately 290,900 night stays.
- Nights stays in STRs are forecast to increase by some 7,800 people on average annually, reaching an estimated 430,000 nights in 2036 and **510,000 nights by 2046** (Figure 33).

9.2 ACCOMMODATING FUTURE NEED

All told, this forecast scenario implies the need to accommodate some 2.54 million additional annual person night stays across the District by 2046, some 1.08 million of which will be on the waterfront. This represents an estimated 90,600 nights on average annually for the entire Muskoka District, of which an average annual of approximately 38,800 nights within the Waterfront District.

Current market trends and sustainable practices can provide guidance on the appropriate accommodation structure to achieve this forecast. The waterfront economy – four season resorts, traditional resorts, short term rentals and private cottages – account for the majority of visitor night accommodation at present, and are expected to continue to do so in the future. The economic impact of these sectors taken together is important, as they are the backbone of the Muskoka economy.

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9.2.1 Future Trends

Figure 33 illustrates that waterfront resorts which currently account for an estimated 521,581 person night stays per year will accommodate a component of the growth. The number of person night stays at resorts will grow to about 658,000 by 2046, which implies an annual average growth of some 4,800 person night stays.

The share accommodated at resorts will likely lag the share in other waterfront accommodation, such as short-term rental and private cottages.

This report differentiates trends and expectations for the traditional seasonal waterfront resorts of Muskoka from the larger four-season resorts. There has been little growth in the traditional resort sector, as the dominant trend has been toward conversion of properties to other uses.

Figure 34

Accomodation of Future Visitor Night Stays in the Waterfront Economy

	Person Night Stays		
Waterfront Accomodation Type	2018	2046	Change
Traditional Seasonal Resorts	88,603	100,000	11,397
Four-Season Resorts	432,977	557,999	125,022
Short Term Rentals	290,856	509,551	218,695
Private Cottages and Homes	1,671,172	2,401,635	730,463
	Room Nights		
	2018	2046	Change
Traditional Seasonal Resorts	61,128	68,991	7,863
Four-Season Resorts	298,716	384,970	86,254
Short Term Rentals	103,700	181,672	77,972
	Occupancy Rates (%)		
	2018	2046	Change
Traditional Seasonal Resorts	27.5	32.5	5.0
Four-Season Resorts	55.0	60.0	5.0
Short Term Rentals	18.5	21.0	2.5
	Available Rooms/Suites		
	2018	2046	Change
Traditional Seasonal Resorts	609	582	(27)
Four-Season Resorts	1,488	1,758	270
Short Term Rentals	1,538	2,373	835

Source: Altus Group Economic Consulting

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An additional trend that will affect the patterns of growth going forward is occupancy and seasonality. Occupancy rates in Muskoka are generally below those in the accommodation sector across Ontario, and much of that relates to the traditional seasonality of the accommodation business in Muskoka. The analysis in this report has shown that "off-season" visits are growing, partially addressing this issue, and that more of this will happen through the forecast.

In terms of the likely impact on the waterfront industry, these trends imply the following going forward:

- Higher occupancy rates. Occupancy rates are generally 10-15% below provincial averages. Given this existing gap, and trends and factors reviewed in this report suggestive of improving occupancy rates, in part due to increased off-season travel, the consultants rely on a modest forecast assumption that occupancy rates will improve across all resort accommodation types through the forecast period by some 5 percentage points, which narrows the gap between the District and the province by about one-third. Occupancy rates are very low for short-term rentals, due in large part to the nature of the stock and the nature of the type of visitor. A more modest gain in occupancy rates may occur among short-term rental.
- A shift in activity away from traditional seasonal resorts and toward four-season resorts and short-term rentals.

All told, the future growth scenario set out in Figure 34 illustrates the need for new units over the forecast period. The analysis in the figure shows that in consideration of the approximately 1.1 million annual visitor night stays expected by 2046 to be accommodated on the Muskoka waterfront, the implications for additional required units are:

- Traditional Seasonal Resorts: there will be some reduction in the need for suites across this segment. Although there is forecasted growth in room nights, this requirement is more than offset by a modest rise in occupancy rates. Expect the stock of traditional seasonal resort suites to undergo a very modest reduction through the forecast period.
- Four Season Resorts: The growth in need for four-season resort rooms nights should be met in part through the anticipated rise in occupancy, and through the need for net new suites. In total the analysis suggests a need for some 270 net new suites, which is likely

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met with about one new resort, or a series of expansions across existing resorts.

- Short-term Rentals: Trends suggest that short-term rentals will be responsible for accommodating a significant amount of the need for revenue visitor night stays through the forecast. There may be a very modest rise in occupancy of the existing stock of STRs to accommodate some of this need, but the remainder should be accommodated through the addition of some 835 new units over the forecast period.

Accommodating the potential growth in the cottage stock that may be implied by the rise in need for STRs and, potentially, in the rise in the number of tourist overnight visitors to seasonal cottages should be the subject of a growth management study.

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10 RECOMMENDATIONS

Among stakeholders there is a genuine divide about the relative importance of resorts, seasonal recreational own-use cottages and short-term rentals. There are competing views about:

- Which industry contributes more to the economic and social development of Muskoka; and
- Which industries present the most economic and environmentally sustainable options for future investment in expanding the waterfront's accommodations capacity.

Recommendations

- The analysis of future waterfront accommodation needs does not support the case for a new resort village in Muskoka.
- Any efforts to maximise the economic gains of Muskoka's waterfront accommodation industries, when considering future development should consider the relative operation and land-use efficiency of resorts, but acknowledge that the need for additional resort type accommodation from a demand perspective (after accounting for modest improvements in occupancy) is limited. It should also be recognised that the supply of additional resort units beyond 270 net new rooms could create a more challenging business environment for resort incumbents and new players.
- The District should consider greater flexibility in zoning as it applies to older, smaller resorts, as the economic analysis suggests that these lands are not critically required to accommodate future accommodation needs. Permitting more downzoning is not likely to harm the growth and development of the accommodations sector. Consideration should also be given to permitting integrated resorts that combine larger four-season amenity-rich resort business along with condominium real estate bridge across multiple needs as these developments can accommodate the demand both for resort stays and short-term rentals. This development model is known as "mixed-use resort development". PKF defined mixed-use development as a combination of destination resort and resort residential product. The earnings from the residential component of the project offsets the shortfall from resort hotel development while providing for further

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opportunities to expand both resort and private accommodation and recreation opportunities.

- 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. This could result in:
    - The retention of exiting resort lands for resort development;
    - Fewer traditional resort properties with the conversion of older properties in need of significant capex and repair; and
    - Revitalization and rejuvenation of traditional family-owned resort properties, particularly where elderly owners are seeking an exit.

Resorts and short-term rentals provide tourists and prospective visitors to Muskoka accommodation options with greater accessibility than private cottages, particularly in the more exclusive study area. For decades, traditional Muskoka resorts[30] provide access to the Muskoka experience. Short-term rentals have the potential to provide more mass-market accommodation access, but it is important to recognise that that industry relies in part on a stock of privately-owed cottages, condo-resort rooms and other types or fractional ownership.

[30] Family-owned clusters of multiple cottages with amenities, and in lodge in some cases.

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11 CONCLUSION

In 2018, Muskoka was home to some 32 waterfront resorts; 18,760 waterfront seasonal recreation cottages; and about 1,538 short-term rentals on the waterfront. In the study area there were 14 resorts; 4,199 waterfront seasonal recreation cottages; and 674 waterfront short-term rentals.

Market Analysis

Muskoka has a waterfront accommodation market[31] of 1.7 million nights of accommodation and $817 million of economic activity.

Of the three accommodation industries under review, own-use recreational cottages are the Muskoka waterfront's single largest accommodation industry accounting for 84% of visitor room stock in 2018, 67% of visitor nights and 56% of economic activity. In the study area own-use recreational cottages accounted for 73% of the available suites, 66% of visitor nights and 48% of (direct) economic activity.

Nine percent of available suites in 2018 were provided by resorts, which commanded a 21% market share of visitor night stays. In the study area resorts accounted for 16% of the available suites, and 24% of visitor nights. Study area resorts generated 43% of waterfront (direct) economic activity, compared with 36% for waterfront resorts in the District as a whole.

In 2018, the waterfront short-term rentals industry accounted for 7% of the available suites, 12% of visitor nights and 8% of (direct) economic activity.

Muskoka's resorts only occupy 0.4% of the total waterfront shoreline. In contrast, seasonal recreational cottages occupy 53% of Muskoka's waterfront shoreline. From a land-use perspective, the use of resort accommodation and tourism development is far more efficient than cottages.

The seasonal own-use recreational cottages industry is by far the most significant contributor to Muskoka's waterfront economy. Own-use recreational cottages are responsible for more than 50% of the economic impact of the three accommodations industries that are the primary focus of this study.

[31] This refers to Muskoka's waterfront resort, cottages, and short-term rentals accommodation market.

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Industry Efficiency

The waterfront resorts industry appears to be more operationally efficient than the seasonal recreational cottages and short-term rental industries:

- Own-use recreational cottages accounts for over 80% of the available suites and 67% room night stays but just around 56% of economic activity and jobs;
- Resorts capture 21% of the room night stays with 9% of the available suites, and yet contribute to 36% of the waterfront accommodation sector's economic activity and 22% of its direct jobs. Similarly resorts in the study area capture 24% of the room night stays with 16% of the available suites, and contribute to 43% of the waterfront accommodation sector's economic activity and 28% of its direct jobs; and
- Short-term rentals facilitate 12% of visitor night stays and account for 7-8% of economic activity and jobs.

Forecast

Forecast suggest that by 2046 there will be a need to accommodate some 2.5 million additional annual person night stays across the District of Muskoka. Some 1.1 million of those additional annual person night stays will be on the waterfront.

- The number of person night stays at resorts is projected to grow to about 658,000 by 2046, which implies an annual average growth of some 4,800 person night stays.
- The share of nights stays accommodated at resorts is projected to lag the share in other waterfront accommodation, such as short-term rental and private cottages. There has been little growth in the traditional resort sector, as the dominant trend has been toward conversion of properties to other uses.

Occupancy rates in Muskoka are generally below those in the accommodation sector across Ontario, and much of that relates to the traditional seasonality of the accommodation business in Muskoka. "Off-season" visits are growing, partially addressing relatively lower occupancy. This trend is expected to continue through the forecast horizon.

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The future growth scenario illustrates the need for new units over the forecast period. In consideration of the approximately 1.1 million annual visitor night stays expected to be accommodated on the Muskoka waterfront by 2046:

- The stock of traditional seasonal resort suites is expected to undergo a very modest reduction through the forecast period.
- The analysis of future waterfront accommodation needs suggests a need for some 270 net new four-season resort suites, which could be met by one new resort, or a series of expansions across existing resorts.
- Trends suggest that short-term rentals will be responsible for accommodating a significant amount of the need for commercial visitor night stays through the forecast horizon. There may be a very modest rise in occupancy of the existing stock of STRs to accommodate some of this need, but the remainder should be accommodated through the addition of some 855 new units over the forecast period.

Recommendations

- The analysis of future waterfront accommodation needs does not support the case for a new resort village in Muskoka.
- Any efforts to maximise the economic gains of Muskoka's waterfront accommodation industries, when considering future development should consider the relative operation and land-use efficiency of resorts, but acknowledge that the need for additional resort type accommodation from a demand perspective is limited. It should also be recognised that the supply of additional resort units beyond 270 net new rooms could create a more challenging business environment for resort incumbents and new players.
- The District should consider greater flexibility in zoning as it applies to older, smaller resorts, as the economic analysis suggests that these lands are not critically required to accommodate future accommodation needs. Permitting more downzoning is not likely to harm the growth and development of the accommodations sector. Consideration should also be given to permitting integrated resorts that combine larger four-season amenity-rich resort business along with condominium real estate bridge across multiple needs as these

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developments can accommodate the demand both for resort stays and short-term rentals.

- 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.

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13 ECONOMIC IMPACT METHODOLOGY

The on-going operations of each accommodations industry and related construction and renovation spending contributes significantly to Muskoka's waterfront economy and generate substantial "spinoff" benefits. The main activities related to the on-going operation of waterfront resorts, seasonal cottages, and short-term rentals include maintaining the properties, procurement of supplies, sales and marketing, transportation & utilities, professional services, and various retail activities. In addition, the retail spending of year-round residential households also generates on-going economic benefits.

The impact of the construction and on-going operation of waterfront resorts, seasonal cottages, and short-term rental cottages take three principal forms:

- The **Direct Production and Jobs Generated** by expenditures on construction, on-going operation of waterfront resorts, seasonal cottages, and short-term rental cottages; and those related to tourists/visitors to Muskoka's waterfront accommodations;
- The **Indirect Production and Jobs Generated** from the demand for materials and services used in the direct round of activities. These indirect impacts also include the subsequent rounds of indirect impacts[32]; and
- In addition to the direct and indirect economic production impacts, many economists point to a third round of **"Induced" Economic Impacts** from an economic event. This third round of impacts acknowledges that the increased production in the direct and indirect rounds will itself spur further positive economic effects through the labour income it creates that ultimately stimulates further economic activity through personal consumption. For example, people directly employed at resorts will spend part of their income on consumption items such as food, rent or recreation, thus supporting jobs in the economy.

Several measures of economic benefits are assessed in the report:

[32] For example, for the operations of a resort – the first round of indirect impacts are jobs created by companies supplying goods or services to the resort – such as a wholesaler – and the second round would be jobs created by companies supplying goods or services to the wholesaler company – such as food manufacturing companies. Subsequent rounds of impact would be those jobs generated even earlier in the production chain, for example farmers.

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- Economic Activity: the volume of goods and services consumed related to resorts, seasonal cottages, and short-term rental cottages, including indirect and induced benefits;
- Contribution to GDP: the value-added component of the economic activities, a measure of the contribution to Gross Domestic Product from waterfront resorts, seasonal cottages, and short-term rental cottages;
- Jobs: The number of jobs (person-years of employment) directly and indirectly tied the waterfront accommodations industries, including induced jobs;
- Income: The volume of income generated through the construction and operation of the waterfront resorts, seasonal cottages, and short-term rental cottages and income earned by households through wages and other earnings;
- Federal and Provincial Taxes: Estimated labour and business income taxes as well as indirect taxes on production such as CPP and EI contributions generated from Muskoka's waterfront accommodations expenditure and related tourist spending.

Estimating the economic impacts of expenditures generated from Muskoka's waterfront accommodations sector

Estimates of the economic impact of the expenditures that are generated by waterfront resorts, seasonal recreational cottages, short-term rentals, year-round residential cottages and the spending associated with the tourists who stay in these accommodations were derived through the use of Statistics Canada's Interprovincial Input-Output Model. An input-output model is used to estimate the impacts of various types of economic activities. It is an accounting framework of an economy's production system. It shows the interconnections that exist between the various sectors of the economy when goods and services are produced. The model can take an estimate of expenditures on a given economic activity (in this case, the spending of Muskoka's main waterfront accommodations industries and the tourists that stay in such accommodation) and translate it into the impacts on various industries – and ultimately, the amount of output, GDP, income and jobs created. Appropriate adjustments for inflation were made to model estimates.

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An input-output model includes a full array of input structures that have been estimated for all industries in the economy. Use of the model in this analysis involves estimating the impacts of spending that are incurred as a result of the operations of Muskoka's waterfront accommodations industries. To generate these estimates, it was necessary first to determine an "input structure". An input structure literally splits the original expenditure among all the different inputs that are used in that economic activity. For example, in operating a resort or short-term rental, expenditures are incurred in a variety of industries – wholesale and retail of food and beverages, food manufacturing, agriculture, renovation and cleaning, various service industries, etc.

The input structure for the waterfront related expenditures mentioned above are estimates of expenditures for food and beverages; retail; repair maintenance and cleaning; professional services; sales and marketing; energy costs; entertainment and recreation; transportation; construction and renovations; auto services; and landscaping. Visitor (tourists) spending includes spending on accommodation; transportation; food and beverages; recreation and entertainment; and retail. These expenditures were then converted into the input categories used by the Statistics Canada Interprovincial Input-Output model to generate estimates of economic activity, GDP, income and jobs.

Expenditures of Muskoka's waterfront accommodations industries were as follows:

- With the help of a typical resort proforma, we were able to determine the expenditure profile of a Muskoka waterfront resort. For instance, resort operating expenditures were classified and expressed as a percentage of revenue – wholesale (32%); repair maintenance and cleaning (24%); professional services (13%); sales and marketing (11%), energy costs (9%); entertainment and recreation (2%); and transportation (2%). Muskoka's waterfront resort expenditure was estimated by multiplying the aforementioned revenue shares to total waterfront resort revenue of the 32 Muskoka waterfront resorts.
- The waterfront seasonal recreational cottages expenditures were estimated based on the number of seasonal recreational cottages and the average annual cottage expenditures from Muskoka's 2017 Second Homes Study and Statistics Canada's Survey of Household Spending.

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- The waterfront short-term rentals expenditures were estimated based on the number of short-term rentals and the average annual cottage expenditures from Muskoka's 2017 Second Homes Study and Statistics Canada's Survey of Household Spending. Adjustments were made to spending categories based on the spending profile of short-term rentals, for example, average annual renovation spending was grossed up by 10% to account for higher renovation and cleaning expenses associated with rental activity.
- The waterfront year-round residences expenditures were estimated based on the number of year-round residences and the on information from Statistics Canada, Retail Trade Survey (Monthly) and Annal Demographics data.

Expenditures of overnight visitors (tourists) that stayed at Muskoka's various waterfront accommodations were estimated based on modelled estimates of:

- Aggregate room revenue (accommodation spending) by accommodation type;
- Overnight stays by accommodation type;
- Non-accommodation spending per night by accommodation type and category of spending.

Model inputs were sourced from tourism statistics published in Ontario Ministry of Heritage, Sport, Tourism and Culture Industries' 2017 Census Division 44 (Muskoka) report, and AirDNA LLC and other third party brokers and included estimates such as average visitor spending per overnight visit by spending category and accommodation type.

Federal and provincial tax revenues include personal and business income taxes as well as indirect taxes on production such as CPP and EI contributions.

- The applicable federal and provincial tax rules and rates were applied to labour and business income generated by the Interprovincial Input-Output model to estimate personal and business income taxes, and CPP and EI contributions.

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14 TABLES

Appendix A 1

Resort Database - Summary Statistics

	District Waterfront	Study Area
Total Number of Resorts	32	14
Room Count (Suites)	2,097	908
Person Room Nights	521,581	216,552
Total Number of Employees	2,004	1,189
Revenue Per Available Room	$ 107	$ 120
Total Room Revenue	$ 69,857,493	$ 25,791,785
Total Revenue	$ 214,570,550	$ 131,437,574
Total Expenditure	$ 201,849,538	$ 123,645,177

Source: Altus Group Economic Consulting, Resort Database based on District of Muskoka; Info Canada; Muskoka Tourism Members List; Muskoka Tourism Non-members List, various establishment websites; and District of Muskoka 2017 Second Home Study.

Appendix A 2

Short-Term Rental Database - Summary Statistics

	District Waterfront	Study Area
Number of Rental Accommodations	1,022	448
Number of Room Nights	64,683	19,636
Total Annual Revenue	$ 32,744,848	$ 12,979,864
Total Annual Expenditure	$ 19,236,914	$ 14,050,098
Average Daily Rate	$ 289	n.a.
Average Number of Bedrooms	3.8	n.a.

Source: Altus Group Economic Consulting, Short-term Rental Cottages database based on AirDNA LLC, and Other third party brokers.

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Appendix A 3

Cottage Database - Summary Statistics

	Seasonal Cottages	Year round residence
Total Number of Properties in District	20,298	3,522
Total Number of Properties in Study Area	4,873	437
Lake Muskoka	3,167	334
Lake Rosseau	1,066	65
Lake Joseph	640	38
Total Waterfront Frontage in District (feet)	5,671,968	800,440
Total Waterfront Frontage in Study Area (feet)	1,540,618	95,682
Lake Muskoka	885,070	64,423
Lake Rosseau	401,016	20,806
Lake Joseph	254,532	10,453
Average Assessment Value in District	$ 728,313	$ 620,318
Average Assessment Value in Study Area	$ 1,380,799	$ 1,267,461
Lake Muskoka	$ 1,134,093	$ 1,044,088
Lake Rosseau	$ 1,700,881	$ 1,635,519
Lake Joseph	$ 2,116,740	$ 1,804,204
Total Annual Expenditure		
District	$ 374,010,948	$ 86,416,230
Study Area	$ 149,604,379	$ 17,865,050

Source: Altus Group Economic Consulting, Cottages and Year-round Residences databases based on Municipal Property Assessment Corporation (MPAC) Assessment data for the District Municipality of Muskoka, and District of Muskoka 2017 Second Home Study.

Appendix A 4

List of Data Sources, Figures 4 - 20

1. Statistics Canada, 2016 Census
2. Statistics Canada, 2016 Census (Employment Place of Work)
3. Ontario Ministry of Heritage, Sport, Tourism and Culture Industries's 2017 Census Division 44 (Muskoka) report.
4. Ontario Ministry of Heritage, Sport, Tourism and Culture Industries's Regional Profile - Region 12 Muskoka Parry Sound and Algonquin Park.
5. Various sources.
6. PKF Consulting's Trends in the Hotel Industry Canada Edition 2010.
7. District of Muskoka.
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11. Statistics Canada's Provincial Input-Output Multipliers.
12. Municipal Property Assessment Corporation (MPAC) Assessment data.
13. District of Muskoka 2017 Second Home Study.
14. District of Muskoka Economic Profile 2011 and District of Muskoka Economic Development and Community Profile 2019.
15. Statistics Canada Retail Trade Survey.
16. Statistics Canada Survey of Household Spending.
17. AirDNA LLC and other third party brokers.

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