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LONG TERM TOURISM DESTINATION DEVELOPMENT STRATEGY – TOURISM DEVELOPMENT OPPORTUNITIES

The Planning and Economic Development Committee recommends the adoption of the recommendations contained in the following report dated May 4, 2010, from the Commissioner of Planning and Development Services.

1. RECOMMENDATIONS

It is recommended that:

1. This report and the supporting studies prepared by PKF Consulting be circulated by the Regional Clerk to the local municipalities for information and engagement.

2. PKF Consulting prepares investment attraction information packages on three tourism attractor development opportunities for use by the local Economic Development Departments.

2. PURPOSE

The purpose of this report is to provide the analysis, insights and conclusions of PKF Consulting on local hotel accommodation needs and tourism attractor opportunities that could be realized by the local municipalities.

3. BACKGROUND

PKF Consulting is a Canadian management consulting firm specializing in studies for the development of the hospitality, tourism and real estate industry. In May 2007, Regional Council approved retaining PKF Consulting to assist with the crafting of the Long Term Tourism Destination Development Strategy (LTTDDS) for York Region which was approved in October 2009. The LTTDDS provides the framework for managing growth while creating an environment that encourages investment and employment opportunities through tourism industries. Work to be completed by PKF Consulting included identifying potential tourism development opportunities in accommodations and attractors to support the LTTDDS objectives.

Tourism development aligned with sustainable growth policies and values

PKF Consulting work is to complete the tourism development component of the LTTDDS including assessing the Region's potential and capacity from an infrastructure, land use planning and competitive perspective as it relates to the ability to attract investment while ensuring alignment and compliance with York Region's sustainable growth development policies and values.

The tourism development strategy proposed by PKF Consulting:

- Adheres to the Regional and Provincial policies for growth planning
- Leverages existing tourism assets
- Strengthens competitiveness for attracting visitation and generating economic benefits
- Define areas of opportunity to attract and prioritize high quality commercial investments that benefit all municipalities in the Region
- Balance "desire" with reality
- Has long term potential and sustainability
- Preserves the natural environment and heritage
- Maintains and promotes a high quality of life
- Significantly differentiates York Region from other jurisdictions

4. ANALYSIS AND OPTIONS

Tourism development opportunities identified through extensive research analysis and market condition assessments

PKF Consulting facilitated a four phase methodology to determine the tourism development component of the LTTDDS which included:

Phase One

- Conduct in-depth interviews with stakeholders from each municipality including representatives of municipal agencies and private sector businesses to identify needs.

- Analysis of the existing tourism product including accommodation, attraction conference/meeting, food service, retail and recreation plus a review of the natural and cultural heritage assets and strengths to identify tourism development opportunities.

Phase Two

Facilitate an evaluation process to prioritize the opportunities identified in Phase One that demonstrated the highest level of tourism development potential based on the criteria:

- Market factors – the opportunities value as a tourism demand generator and as a standalone product in relation to other tourism assets within the surrounding market. The demand for the market and its market potential will be assessed.

- Potential tourism spinoffs – the ability to increase tourism expenditures in York Region through extending the visitor's length of stay or expanding the range of experiences.

- Complimentary thematic focus – the strategic fit within current and future branding strategies. (Issues such as "going green", sustainability, protecting natural heritage and maintaining a high quality of life. Incorporating major tourism development opportunities that reflect similar values as York Region is key in determining potential infrastructure opportunities).

- Location factors – overall site requirements based on the amount of land area required and its need for additional public infrastructure.

- Availability of suitable development sites – taking into account whether locations have already been identified or whether vacant land could be available.

- Investment potential – the investment potential is weighted heavily to provide appropriate financial returns from an investment perspective.

- Economic viability – it is essential that the tourism development and business opportunities are able to maintain and achieve an acceptable level of economic self-sufficiency.

- Requirements for public sector involvement – refers to both financial and management roles for government.

- Identified proponents – analyzing the opportunities by potential investors.

- Adherence to Provincial and Regional planning and policy implications.

Phase Three

Based on the needs identified through the Phase One and Two consultations, supported by feasibility and market research to prioritize tourism development opportunities that demonstrated the most economic potential for York Region, PKF Consulting developed the following four studies:

1. **Accommodations Needs Assessment for Each of the Nine Local Municipalities and Accommodation Needs Assessment for York Region**

   The accommodation needs analysis has been based on the supply and demand projections based on current market conditions. As well as, the impacts of the global economic recession has had on the hotel development, regional growth forecasts for

York Region in comparison to GTA benchmarks and an analysis of each of local municipality's market position within York Region. PKF Consulting prepared an accommodation needs assessment for York Region as a whole and individual studies for each of the municipalities. The Executive Summary of the York Region Accommodation Needs Assessment is provided as Attachment 1 and the individual municipal studies will be circulated to the municipalities.

2. Market Study and Business Plan for Potential Meeting and Convention Facilities

This study addresses two development opportunities for York Region. The development of a standalone convention centre to be located in the southern three municipalities in order to best located to existing hotel infrastructure, and the development of a hotel with adjacent conference centre, potentially located in the northern six municipalities. The Executive Summary for this study is provided as *Attachment 2.*

3. **Feasibility Study for an Oak Ridges Moraine Interpretive Centre**

The findings based on stakeholder and secondary research indicated that this attraction could be a significant sustainable tourism demand generator for York Region. This study provides preliminary market and financial feasibility analysis, along with suggestions for the centre's potential theme and programming.
The Executive Summary for this study is provided as *Attachment 3.*

4. **Market Feasibility Study Specialty Accommodation "Green" Hotel**

There are many resources that point to the significance of environmental or "green" travel and development trends in today's society. The potential green hotel is expected to adhere to ecologically sound practices and offer activities with an outdoor experiential focus.
The Executive Summary for this study is provided as *Attachment 4.*

Phase Four

Subject to Regional Council direction, PKF Consulting will complete the investment attraction information packages for the Oak Ridges Moraine interpretative centre, the green hotel and the meeting and convention centre. The investment attraction information packages will be provided to the local economic development offices for their use and will include a list of potential investors and partners and outline a development strategy to engage investors and developers.

Relationship to Vision 2026

The tourism development initiatives of the Long Term Tourism Destination Development Strategy support the Vibrant Economy, Engage Communities, and the Enhanced Environment, Heritage and Culture goals of Vision 2026. As well, the tourism development initiatives are aligned with the York Region Economic Strategy, Regional, Municipal and Provincial strategic planning and sustainability plans and documents.

5. FINANCIAL IMPLICATIONS

Funding has been allocated in the 2010 Economic Strategy and Tourism budget allocation for PKF Consulting to finish the terms of their contract by developing the investment packages identified in Phase Four.

6. LOCAL MUNICIPAL IMPACT

The Accommodation Needs Assessment provides extensive research and clear infrastructure and investment direction for each Municipality to leverage their competitive edge from a planning and economic development perspective.

The three other development studies and the preparation of the investment packages by PKF Consulting provide direction to complement and augment local municipal tourism efforts and foster strong urban/rural communities.

7. CONCLUSION

The studies prepared by PKF Consulting are aligned with the sustainable development priorities and policies defined by York Region and provide local municipalities infrastructure projects that support the York Region Long Term Tourism Destination Development Strategy objectives. The Government of Ontario, York Region and local Municipal official plans recognize and support the economic benefits of tourism to achieve economic vitality, a sustainable natural environment and healthy communities.

For more information on this report, please contact Brenda McGowan, Program Manager Tourism Development, Economic Strategy and Tourism Branch at (905) 830 4444 Ext. 1553.

The Senior Management Group has reviewed this report.

(The four attachments referred to in this clause are attached to this report.)

Council Attachment 1

ACCOMMODATION NEEDS ASSESSMENT FOR YORK REGION

Final Report – Executive Summary

In Conjunction with PHASE II of the TOURISM INVESTMENT DEVELOPMENT STRATEGY for YORK REGION

Prepared for:
York Region Tourism

Prepared by:
PKF Consulting

December 2009

EXECUTIVE SUMMARY

PKF's Accommodation Needs Analysis for York Region has been based on projected accommodation demand, hotel supply projects which are currently under construction, and consolidated growth patterns, according to 3 scenarios:

1. *Supply & Demand Projections for York Region based on Current Market Conditions;*
2. *The impacts that the Global Economic Recession has had on the hotel development cycle in York Region; and*
3. *Regional Growth Forecasts for York in comparison to GTA Benchmarks*

1. Supply & Demand Projections for York Region based on Current Market Conditions

Year-to-date results for September 2009 indicate that while hotel supply has increased by 5.3% compared to the same period in 2008, demand has declined by 4.8%, and the average daily rate has contracted by close to 6%. Therefore, based on the current market conditions, we are forecasting demand in the market to decrease by 5.5%, with rates projected to be down by 5.0% by year end 2009. With 1 hotel at 149 rooms currently under construction in York Region, and expected to open in 2010, York Region will be in a position to support a further ***259*** *hotel rooms between the period of 2012 and 2016, given the current market conditions. Furthermore, 825 rooms or about 7 hotel projects at 110 rooms each could potentially be supported in York Region by 2031,* ***for a total of 1,982 rooms*** *or* ***18 new hotel properties over the next 20 years.***

2. Impacts of the Global Economic Recession on Hotel Development in York Region

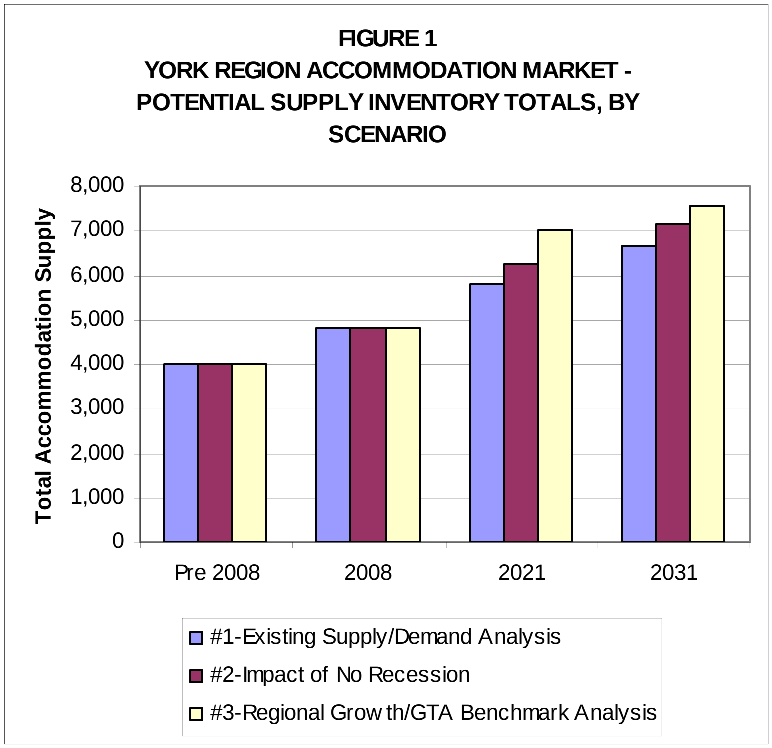
Had the global economic recession of late 2008 and 2009 not occurred, our analysis indicates that York Region could have potentially supported 2,479 new rooms or 23 properties at 110 rooms by 2031. In comparison to the projected supply and demand results under current market conditions, these results indicate that the ***recession has delayed the development of up to 5 hotels or 499 rooms in the short to mid term.***

3. Regional Growth Forecasts for York in comparison to GTA Benchmarks

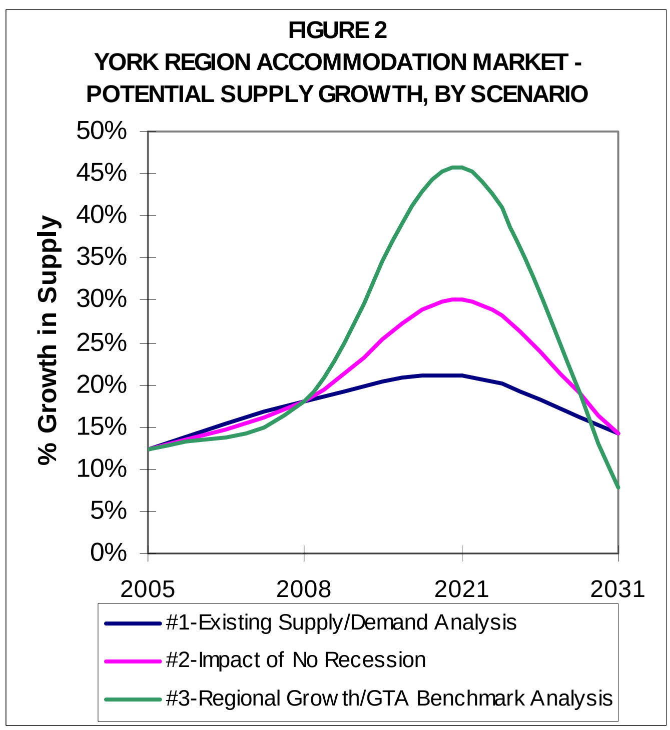
In examining the potential gaps in accommodation supply according to growth indicators to the overall 905 Region, our analysis indicates the potential for ***21 new hotel projects****,* ***representing 2,750 rooms by 2031****. This analysis identifies the need for a further 8 hotel projects within the Northern 6 Municipalities, representing 800 rooms, and 13 hotel projects, with 1,950 rooms within the Southern Municipalities over the next 20 years.*

In conclusion, our Accommodation Needs Analysis for York Region identifies the need for the development of ***18 to 21 hotel projects at a range of 100 to 150 rooms each over the next 20 years****. This is in line with the Region's historical accommodation development pattern, which has seen the development of 47 hotels between 1980 and 2008, representing an average of one new hotel per year over the past 30 years, at an average size of 145 rooms.*

Figures 1 and 2 graphically demonstrate the 3 potential growth scenarios for York Region's accommodation market.



Source: PKF Consulting



Source: PKF Consulting

Council Attachment 2

MARKET STUDY and BUSINESS PLAN for POTENTIAL MEETING & CONVENTION FACILITIES YORK REGION

Final Report – Executive Summary

In Conjunction with PHASE II of the TOURISM INVESTMENT DEVELOPMENT STRATEGY for YORK REGION

Prepared for:

York Region Tourism

Prepared by:

PKF Consulting

December 2009

EXECUTIVE SUMMARY

YORK REGION'S NEED FOR A CONVENTION CENTRE

Meeting space in York Region is currently quite limited, and this puts restrictions on the types of events and size of groups that will travel to York. Despite the numerous banquet halls, there are few unique and dedicated meeting facilities that can accommodate large groups. As such, there may be an opportunity to develop a Convention or large Conference Centre somewhere in York Region.

York Region accounts for approximately 11% of the GTA's hotel inventory, it has approximately 4% of the meeting space at GTA Trade Centres, Convention Centres, Conference Centre Hotels and Banqueting / Conference Centres. All of York Region's primary meeting space is concentrated in hotel properties, which are predominantly spread through the Markham, Richmond Hill, Vaughan and King Township. ***At 30 square feet of meeting space per hotel room, York Region is well below the GTA average of 85 square feet of meeting space per room;*** *and the surrounding Peel, Durham and Halton Regions in the 905 Area, which average 66 square feet of meeting space per hotel room.*

YORK REGION CONVENTION CENTRE DEVELOPMENT OPPORTUNITY

If a stand-alone Convention Centre were to be developed in York Region, it should offer approximately 50,000 square feet of rentable space to be competitive with our Tier 2 Convention Centres, for a total building size of 110,000 square feet. It would ideally be located in one of the 3 Southern Municipalities in close proximity to the Region's existing hotel infrastructure, restaurant, retail, recreation, attraction and cultural amenities, with direct access to major transportation routes and international airports. At an estimated capital cost of $41 Million (excluding land costs), the facility would be publically-owned, with capital costs shared by the various levels of government.

The Convention Centre is forecast to attract 357 events, 564 event days and 90,300 delegates by its stabilized year of operation. Based on our analysis, the publically-owned and operated Convention Centre is projected to operate at net loss of $300,000 to $555,000 per year, including a 4% reserve for capital replacement.

The Convention Centre is estimated to generate $33 Million in total delegate spending to York Region by its 5th year of operation, of which 45% of this spending will be new incremental revenues to the Region, equating to an estimated $15 Million. Furthermore, it is estimated that new delegate spending to York Region will generate annual direct benefits of $6.7 Million in GDP, $4.7 Million in labour income, 139 jobs and $3.4 Million in direct tax revenues to York Region.

SELECT SERVICE HOTEL & CONFERENCE CENTRE DEVELOPMENT OPPORTUNITY

As a second alternative, we have also examined the development of a 200-room Hotel with an adjacent Conference Centre offering 20,000 square feet of rentable space, as a private / public sector solution to the addition of Meeting and Conference facilities in York Region. This development should ideally be located in one of the Northern 6 Municipalities, as a strategy to also address the Accommodation Needs of the northern part of the Region.

Council Attachment 3

FEASIBILITY STUDY
OAK RIDGES MORAINE INTERPRETIVE CENTRE

Final Report – Executive Summary

In Conjunction with PHASE II of the TOURISM INVESTMENT DEVELOPMENT STRATEGY for YORK REGION

Prepared for:

York Region Tourism

Prepared by:

Consulting

December 2009

EXECUTIVE SUMMARY

Introduction

During Phase I of the Long-Term Tourism Investment Development Strategy Study for York Region, one of the opportunities that was identified by PKF Consulting, and selected by York Region for further investigation, was an ***Interpretive Centre for the Oak Ridges Moraine****. The subject study provides a preliminary market and financial feasibility analysis, along with suggestions for the Centre's potential theme and programming, however, it is beyond the scope of this project to develop a detailed concept and interpretive programming plan for the Centre.*

Policy & Concept Considerations

Based on a combination of stakeholder feedback and secondary research, our findings indicate that an Interpretive Centre could provide a significant sustainable tourism demand generator for York Region if the following considerations are incorporated into the development plans:

- *Meets all land use designation policies described in the Oak Ridges Moraine Conservation Plan;*
- *Explains the historic and environmental role of the Oak Ridges Moraine;*
- *Fits into the environment on an aesthetic level;*
- *Adheres to LEED certified building regulations;*
- *In a location that includes a Kettle lake, old growth forest, and other significant features that are unique to the Moraine;*
- *Explains the cultural history of the area (First Nations and/or Pioneer) – which will help visitors to connect to the area emotionally;*
- *Offers close proximity to transportation routes;*
- *Offers Meeting/Conference facilities – which will drive corporate and social markets to visit and spend money in the area, and increase profitability;*
- *Includes Food & Beverage facilities – this will help to extend length of stay and may assist in increasing profitability;*
- *Is located near accommodation and other tourist-related infrastructure;*
- *Benefits from a large volunteer base;*
- *Is authentic (i.e. offers an original experience that is true to reality);*
- *Offers student resources that fit with the curriculum offerings at local school boards;*
- *Includes a range of interactive and participatory exhibits using current technology and visitor engagement techniques; and*
- *Provides access to large outdoor decking spaces for special events and receptions.*

Since the potential Interpretive Centre will be focused on the natural heritage of the Oak Ridges Moraine, it is essential that the overall visitor experience to the Centre incorporates an outdoor programming component. The Centre itself will feature exhibits and resources, however, it will be expected that guests will also walk the trails and view actual physical environment of the Moraine when they visit the site.

It should be noted that these suggestions are general in nature, and that York Region should consider contracting the services of a qualified Interpretation Planner and Programmer, should this opportunity proceed to Phase III - Five Year Tourism Investment Development Strategy.

Comparable Analysis

With respect to the comparable analysis, our work program focused on analyzing six existing facilities that are considered comparable to the potential Oak Ridges Moraine Interpretive Centre attraction for York Region, and are part of a larger historic site or parkland area. The results determined that the average cost for construction at the six Centres was $8.1 Million (in $2009), or $429 per square foot, with an average $1 Million operating budget of which 50% was covered by admission and other revenues.

Attendance levels averaged at 104,000, with the majority of visitation (67%) deriving from tourist markets. Furthermore, most Interpretive Centres are owned and operated by Provincial Government agencies and affiliated organizations (i.e. Ducks Unlimited Canada), with additional support provided through public-private partnerships, and operate as not-for-profit organizations.

Management at these facilities provided various suggestions and feedback for the potential Oak Ridges Moraine Interpretive Centre. For instance, the facility should focus on the FIT and Educational markets, provide an authentic experience, and although operating revenues alone do not sustain these types of attractions, the Centre will need to offer an admission rate consistent with competitive attractions in the surrounding area.

Other comparable attractions in the GTA include the Robert Holland Interpretive Centre in Richmond Hill and Black Creek Pioneer Village, and there are a variety of new and proposed Interpretive Centre facilities that could provide competition for the subject Centre. For instance, the proposed Eco-Centre at the Oak Ridges Community Centre in Richmond Hill, and the Great Lakes Wetland Centre may be built at a similar scale to the potential Oak Ridges Moraine Interpretive Centre with similar programming themes. As mentioned previously, additional studies will need to be conducted to determine concept and programming options, should York Region decide to proceed with this potential Interpretive Centre opportunity.

Market Analysis

Potential visitor markets for the Oak Ridges Moraine Interpretive Centre include both local and regional resident markets, as well as tourist markets from Canada, the United States, and Overseas. PKF's estimates of the potential visitors markets to the Oak Ridges Moraine Interpretive Centre have been based on the most recent data available in each category. Resident market data was derived from York Region 2009 population statistics, School Group data came from 2008/09 fiscal year-end enrolment figures, and Tourist Market data were compiled using 2007 TSRC and ITS results for visitation to York Region. Using estimated population growth rates provided by York Region Planning & Development, Ontario Ministry of Tourism forecasts, school board projections, and PKF experience, we developed an estimate of the potential visitor markets available for the subject attraction by 2011.

Table 1 shows the existing resident, school group and tourist markets for York Region, and the estimated visitor markets by 2011.

TABLE 1 OAK RIDGES MORAINE INTERPRETIVE CENTRE - POTENTIAL VISITOR MARKETS			
Market Segment	**Existing Visitor Markets to York Region**	**Projected Growth Rate**	**Estimated Visitor Markets in 2011**
Local/Regional Residents	1,024,600	4.5%	*1,071,000*
School Groups	894,800	5.1%	*940,100*
Pleasure & VFR Visitors	2,502,000	1.4%	*2,536,100*
TOTAL AVAILABLE VISITOR MARKETS	**4,421,400**	**2.8%**	***4,547,200***

Source: PKF Consulting

Preliminary Facility Program and Capital Cost Estimate

Table 2 provides a preliminary facility program for the potential Interpretive Centre for the Oak Ridges Moraine. For the purposes of this analysis, we have evaluated the ***development of a publicly-owned Interpretive Centre for York Region at 15,550 square feet****.*

TABLE 2 OAK RIDGES MORAINE INTERPRETIVE CENTRE - FACILITY PROGRAM		
	Size (sq.ft.)	**Capacity**
Front Desk	500	
Exhibition Area	6,000	
Program Area	1,000	
Gift Shop	600	
Café (Lunchroom)	1,000	65 seats
Theatre	1,000	80 seats
Meeting Rooms	1,500	100 people
Administration/Offices	750	
Oak Ridges Moraine - Office Space	1,000	
Back of House*	2,200	
TOTAL SQUARE FOOTAGE	**15,550**	
Capital Cost Budget @ $650 per sq.ft.	**$10 Million**	

* Includes: washrooms, public areas, storage, utilities, etc.

Source: PKF Consulting

*At a preliminary estimate of $650 per square foot, inclusive of both construction and programming development costs, the **order of magnitude Capital Cost budget for the subject Interpretive Centre is estimated at $10 Million**. This cost includes development of both educational and public programming, however, the cost of surface parking and land has not been included in this analysis. Furthermore, the $10 Million estimated cost is exclusive of outdoor enhancements that will be integrated into the Interpretive Centre experience, such as development of boardwalks and outdoor signage, as the scope of these developments will be dependent on the size of the site itself.*

Subject Utilization Projections

*Table 3 summarizes the preliminary utilization projections for the subject Oak Ridges Moraine Interpretive Centre, which uses 2011 as a base year for the subject Centre's penetration into the available visitor and resident markets. It is projected that 29% of attendance at the subject Centre, or 27,400 visitors, will derive from local residents, 32% or 29,800 from local residents, and 39% or 36,400 visits from Tourists, for a **total potential of 93,600 visitors**. Typically, new attractions require 3 to 5 years to reach stabilized visitation levels.*

TABLE 3 OAK RIDGES MORAINE INTERPRETIVE CENTRE - PRELIMINARY UTILIZATION PROJECTIONS BY STABILIZED YEAR OF OPERATION				
Potential Visitor Markets		**Subject Interpretive Centre**		
Market Segment	**Estimate by 2011**	**Penetration Rate**	**Stabilized Projected Attendance**	**% of Total Attendance**
Local/Regional Residents	*1,071,000*	2.6%	27,400	29%
School Groups	*940,100*	3.2%	29,800	32%
Pleasure & VFR Visitors (Overnight & Same-Day)	*2,536,100*	1.4%	36,400	39%
TOTAL ATTENDANCE PROJECTIONS	***4,547,200***	**2.1%**	**93,600**	**100%**

Source: PKF Consulting

Financial Operating Projections

Based on the projected markets segmentation and seasonality, the average admission rate has been projected at $6.40 in $2009, inflated at a base inflation rate of 2.5% per annum to $6.89 by stabilized year of operation.

Without any operating grants or sponsorship options, the subject Interpretive Centre is projected to operate at a net loss in Year 3. Should York Region decide to proceed to Phase III with this opportunity, alternatives for funding and/or operating structure must be sought, with suggestions discussed in the following section of this report.

Table 4 shows the potential Centre ending the stabilized year at break-even, inclusive of $111,000 in operating grants and other sponsorship funding.

TABLE 4 OAK RIDGES MORAINE INTERPRETIVE CENTRE STABILIZED YEAR - SUMMARY OF OPERATING PERFORMANCE	
Departmental Revenues	$1,072,775
Grants & Sponsorships	$110,926
Departmental Expenses	$625,234
Undistributed Expenses	$520,920
Net Operating Income	**$0**

Source: PKF Consulting

In order for the potential Interpretive Centre to operate at break-even levels in stabilized year, then the average admission rate would need to increase to $8.15. However, at this average the Centre would then run the risk of lower attendance levels, as the industry norm is approximately $6.25 (in $2009).

Sources of Funding and Locational Considerations

*With respect to business structure, an Interpretive Centre would most appropriately operate as **a not-for-profit organization**, with a separate Board of Directors. Like other not-for-profit operations in North America, the subject Interpretive Centre would not be able to sustain operations on operational revenues, but will require other sources of financial support (i.e. government, corporate sponsors, fundraising, etc.).*

It is estimated that 31% of York Region is located within the Oak Ridges Moraine, and major recreational uses, such as a large-scale building or structure, are only permitted in the Countryside Areas. When considered the Oak Ridges Moraine designation spatial areas in York Region by Municipality (in square kilometres), those Municipalities that offer the greatest development potential for the subject Interpretive Centre are King, Whitchurch-Stouffville, and East Gwillimbury. The potential for any large recreational development in the Countryside Areas of Aurora, Georgina, Markham, Newmarket, Richmond Hill and Vaughan, is more limited from a planning perspective.

Social & Economic Benefits

Some of the most compelling benefits of the project include:

- *Interactive, environmental educational experiences*
- *Heritage interpretation and education*
- *Active learning opportunities, especially for youth*
- *Sustainable community development*
- *Increased exposure of York Region as a tourist destination of choice*

The new incremental visitation to York Region resulting from the development of the potential Oak Ridges Moraine Interpretive Centre, has been based on the following assumptions:

- *25% of Same-Day Pleasure & VFR Visits are new*
- *25% of Overnight Pleasure & VFR Visits are new*
- *20% of Other Primary Market Elementary & Secondary School Groups are new*

It is estimated that the incremental new leisure demand to York Region by stabilized year of operation includes ***12,200 person visits or 13% of total estimated visitation*** *to the subject Oak Ridges Moraine Interpretive Centre.*

Of the 12,200 incremental new visits to York Region, approximately 6,800 will be Same-Day Visits, 2,300 will be Overnight Visits, and 3,100 will be School Groups.

It is estimated that the $10 Million development of the potential Oak Ridges Moraine Interpretive Centre will generate direct benefits of $2.9 Million in GDP, $2.1 Million in labour income, 31 jobs and $1.6 Million in direct tax revenues to York Region.

The incremental new visitor and operational spending resulting from the development of the potential Oak Ridges Moraine Interpretive Centre has been estimated at $2.4 Million per annum. The estimated economic impacts of this new spending are estimated to generate direct benefits of $1.2 Million in GDP, $793,000 in labour income, 17 jobs and $542,000 in direct tax revenues for York Region.

Council Attachment 4

MARKET FEASIBILITY STUDY
SPECIALTY ACCOMMODATION – "GREEN" HOTEL

Final Report – Executive Summary

In Conjunction with PHASE II of the TOURISM INVESTMENT DEVELOPMENT STRATEGY for YORK REGION

Prepared for:
York Region Tourism

Prepared by:
PKF Consulting

January 2010

EXECUTIVE SUMMARY

Trends & Concept Considerations

There are many resources that point to the significance of environmental or "green" travel and development trends in today's society. The majority of people want to travel as they live, and many are looking to stay in accommodations that adhere to "green" rating systems.

For the purposes of the subject analysis, PKF believes that the most appropriate potential development concept for York Region lies somewhere between an eco-lodge and a typical hotel that adheres to environmentally-sound building development and operations.

Consequently, PKF suggests that the potential Green Hotel development in York Region:

- *Adheres to LEED development standards;*
- *Operates using the proprietary Energy and Environmental Management System (EEMS), and adheres to green waste management and other relevant building operations;*
- *Is situated in a rural environment, that also provides good transportation access, and is close to other demand generators;*
- *Offers outdoor activities that will make us of the natural surrounding, and enhance same-day and overnight visitation to the destination, such as a Zipline attraction, hiking/cycling trails, etc.;*
- *Includes green meeting facilities, to drive corporate and social markets to visit and spend money in the area;*
- *Provides Food & Beverage facilities, to help extend length of stay and increase profitability; and*
- *Offers accommodations in the range of 50 to 100 rooms.*

Comparable Specialty Accommodation Analysis

PKF conducted an analysis of facilities, programs and rate packages offered at comparable Eco-Lodges and Inns, and Green Hotel accommodations that focus on ecologically-sensitive initiatives across Canada, which would be expected to provide competition for York Region's potential specialty accommodation to varying extents.

According to our sample of comparable Canadian Eco-Lodges and Inns, these properties tend to be small, with between 6 and 20 rooms, and tend to be high-end with peak season (summer) rates averaging between $284 and $432. Comparable Canadian "green" hotels range from 45 to 117 rooms, and range between $161 and $191 in rate.

Facility Program and Capital Cost Estimate

The recommended program for an 80-room Green Hotel is comprised of 70 double rooms, 10 1-bedroom suites, 1 dining room with 75 seats, 5,000 square feet of meeting/conference space, a business centre, and fitness centre, which would require a site area of 2 to 3 acres, including decked parking or 5 to 6 acres with surface parking.

The Hotel would require capital cost of approximately $12.2 Million, or $151,875 per room. This includes the higher cost of building the property to LEED standards, which will ultimately reduce future costs relating to energy consumption. Land costs for the development are estimated at $800,000. The total capital cost estimate for the Green Hotel development in York Region is estimated at ***$13 Million.***

Subject Hotel Operating Projections

The positioning of the potential 80-room Green Hotel development would be somewhat unique. If the hotel is to be physically located in a rural, natural environment within York Region, this would allow it to compete within a set of Primary Competitive Ontario Resorts/Inns. The potential Green Hotel would therefore draw some of the leisure and small-sized meeting groups from other competition within the York Region Accommodation market, and from the Primary Ontario Resort and Inn Market.

Based on our analysis of existing and potential demand plus estimates of market penetration, the following table summarizes the respective projections for the potential 80-room development over the 2012 to 2014 projection period.

TABLE 1
POTENTIAL 80-ROOM GREEN HOTEL IN YORK REGION
PENETRATION INTO YORK REGION AND ONTARIO RESORT ACCOMMODATION MARKETS (2012-2014)

	2012	2013	2014
Market Occupancy – York Region	59%	61%	63%
Subject Penetration Rate	*90%*	*92%*	*92%*
Market Occupancy – Ontario Resorts and Inns	49%	50%	51%
Subject Penetration Rate	*108%*	*112%*	*114%*
Demand Captured (Occupied Room Nights)	15,500	16,400	17,000
Subject Occupancy	**53%**	**56%**	**58%**

Source: PKF Consulting

The potential Green Hotel is projected to stabilize at 58% occupancy, which is lower than the overall York Region market at 63%, yet higher than the Ontario Resort and Inn market at 51% occupancy.

As a new "resort"-type hotel asset, the subject Green Hotel is projected to achieve rates on par with the top hotels in the York Region accommodation market, and slightly below the current top rate performers within the Ontario Resort and Inn Market. As such, the potential Green Hotel is expected to position itself from a rate perspective about $46-$50 above the projected market average for the overall York Region market, and $20-$25 below the overall Ontario Resort and Inn market. It is expected that the subject property can achieve average daily rates of $161 in its first year of operation.

Table 2 summarizes the projected net operating income for the potential 80-room Green Hotel development.

TABLE 2
POTENTIAL GREEN HOTEL IN YORK REGION
PROJECTED NET OPERATING INCOME

80-Room Green Hotel	2012	2013	2014	2015	2016
Net Operating Income	$951,300	$1,086,600	$1,190,600	$1,208,300	$1,225,500
% of Revenue	19.6%	20.7%	21.4%	21.3%	21.1%

Source: PKF Consulting

Economic Analysis

As shown in Table 3, the supportable value for the potential 80-room development is estimated at about $11.2 Million, generating a Return on Equity of 9% by Year 3.

TABLE 3 POTENTIAL GREEN HOTEL FOR YORK REGION Summary of Operating Results (000's), 2014	
	Potential Green Hotel
Revenue	$5,555
Expenses	$4,365
Net Operating Income (NOI)	$1,191
Capital Cost	$12,950
Indication of Value	$11,154
Return on Equity (ROE)-Year 3	**9%**

Source: PKF Consulting

The potential Green Hotel and Zipline attraction development opportunity has many advantages, particularly given York Region's strategies for sustainability, protecting natural heritage, and maintaining a high quality of life. York Region has a wide variety of environmental assets, and appropriate planning documents and operational management teams have been put in place to ensure their protection and health. Furthermore, many travellers for all purposes are becoming increasingly conscious of sustainable tourism and the benefits of travelling in an environmentally respectful manner. These consumers want and demand to travel in the same way that they have chosen to live. The most positive aspect of the "green" hotel opportunity is the planning and policy implications.

While not suggesting that this is the most appropriate location for the potential Green Hotel, conservation area lands may present a viable opportunity, particularly if the developer intends to include outdoor programming provided the entire development is located in an appropriate location within the protected Oak Ridges Moraine and Green Belt lands in York Region.

There are many reasons why the potential Green Hotel development would be a considerable asset to York Region's tourism inventory. However, in order to attract private sector development interest, some provision is required to bridge the $2 Million gap between the $13 Million cost for the project and the $11 Million supportable value. A potential partner, such as one of the Conservation Authorities or the Oak Ridges Moraine Land Trust, may need to look at land leases or sales with favourable rates in order to enhance the potential business case for the Green Hotel development.