

May 23, 2018

Memorandum to: Maurizio Rogato
 Solmar Development Corporation

From: Daryl Keleher, Senior Director
 Altus Group Limited

Subject: Two Sisters Resorts - Economic Benefits Analysis
Our File: P-5852

This memorandum provides an overview of the economic benefits that the proposed Two Sisters Resort development, to be built at the intersection of John Street and Charlotte Street, in the Town of Niagara-on-the-Lake, would generate.

SUMMARY

The Two Sisters Resort development would generate the following economic and fiscal benefits for the Town and Region:

- \$593,300 in development charge revenues, including \$232,400 for the Town and \$360,900 for the Region;
- \$689,700 in additional annual property tax revenues, including \$108,400 for the Town, \$273,800 for the Region and \$307,500 for education;
- An estimated 218-290 permanent jobs in the operation of the hotel, restaurant and conference centre;
- Increase the tourist visits to the Region by 7,900 visits per year, which will inject \$493,500 in annual spending within the local economy.



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OVERVIEW OF DEVELOPMENT

The subject site is located within the Niagara/Old Town urban area, on the south side of John Street, and east of Charlotte Street. The property is situated within the former Rand Estate and is enclosed on the north and west sides by a high stone wall. The subject lands are currently occupied by three buildings, the Randwood House, Devonian House and Coach House.

The development consists of a new six-storey hotel building with a one-storey function hall while the existing buildings will remain and be incorporated into the overall use of the site. The development will consist of 145 hotel rooms in the new building.

Figure 1

Summary of Development Statistics, Two Sisters Resort

	Restaurant, Function Halls
	<i>Square Feet</i>
Existing	17,273
New Construction	<u>32,960</u>
Total	50,233

Source: Altus Group Economic Consulting based
on plans provided by client

ON-GOING BENEFITS

Property Tax

We have based our property tax estimates on assumed assessment values for the hotel units and function hall space. Our methodology for generating the assessment assumptions was based on assessment values of similar hotels in the Town of Niagara-on-the-Lake that also include both function halls and restaurants.

Based on the above described property assessment modelling and posted 2018 property tax rates, the development would generate approximately \$27.0 million in additional assessment value, and produce approximately \$690,000 in additional annual property tax revenues, of which \$108,000



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annually would accrue to the Town, \$274,000 would accrue to the Region each year and \$307,000 would be for education purposes.¹

Figure 2 Property Tax Assessment and Annual Revenues at Build-Out: Two Sisters

	Estimated Assessment Value per Room	Number of Rooms	Assessment Value	
	<i>\$ / Unit</i>	<i>Units</i>	<i>Dollars</i>	
Hotel	186,000	145	26,970,000	
2018 Property Tax Rates				
	Town	Region	Education	Total
Tax Class	<i>Percent</i>			
Commercial	0.402074%	1.015129%	1.140000%	2.557203%
Property Tax Revenues				
	City	Region	Education	Total
Tax Class	<i>Dollars</i>			
Commercial	108,439	273,780	307,458	689,678

Source: Altus Group Economic Consulting

Permanent Employment and Income

Industry standards indicate that a budget hotel would have an employee ratio of 0.5 jobs per room, while a full service property would have a 1:1 ratio, however that ratio can increase depending on the level of service offered and the hotel class. Based on the upscale nature of the proposed hotel and facilities, we have assumed a ratio ranging from 1.5 to 2.0 employees per room.² Based upon the 145 rooms in the proposed hotel, it is estimated that there would be approximately 218-290 permanent jobs upon completion, which would include part-time and full-time positions.³

¹ The properties will generate approximately \$127,000 in property taxes for the 2018 tax year. The \$689,700 estimated in this report represents additional tax revenue over and above the amounts already generated by the properties.

² Vallen & Vallen "Check-In Check-Out Managing Hotel Operations", 2012

<http://biblio3.url.edu.gt/Libros/2012/check/1.pdf>

³ By comparison, Langdon Hall, has 60 guest rooms, a full-service spa, and 5-star restaurant, and has 160 employees, for an overall ratio of 2.6 jobs per room <https://www.cambridge.ca/en/learn-about/resources/CambridgeCommunityProfile.pdf>



Based on Statistics Canada data regarding average weekly income for jobs in Food and Accommodation sector in Ontario, the 218-290 permanent jobs can be expected to produce \$5.1 to \$6.8 million in annual income.

Estimated Tourism Impact

The provision of 145 new guest rooms will allow for additional tourists to visit and stay in the Town and Region and provide a boost to tourism-oriented attractions, stores, and services.

Hotel occupancy in the Town is roughly 70%⁴, which indicates that demand for hotel rooms in the market exceeds available supply, meaning that tourist lodging in the Town is being displaced to other parts of the regional market, or other tourism locales. It is estimated that the increased supply would reduce occupancy rates in the Town but would, on net, increase the number of night stays in the hotel market by 4,400 new room nights per year. Assuming an average of 1.8 occupants per room, this translates to 7,920 additional tourist-days in the Town and Region per year.⁵

Based on the Ministry of Tourism, Culture and Sport's Tourism Regional Economic Impact Model the additional 7,920 visitors can be expected to have the following impacts:

- \$493,500 in annual spending within the local economy;
- An increase of \$396,700 in GDP annually, of which 89% will accrue to Niagara Region;
- An annual increase of \$224,100 in additional labour income, of which 87% will be generated within Niagara Region;
- Result in demand for five (5) additional jobs, over and above the jobs directly generated at the Two Sisters Resort;
- \$159,100 in annual taxes including:
 - o \$69,300 in federal taxes annually;
 - o \$87,900 in provincial taxes annually;
 - o \$1,900 in municipal taxes annually (over and above the incremental municipal property taxes generated by the new facility);

⁴ Altus Group

⁵ Could be interpreted as 7,920 visitors staying for one night, or 3,960 visitors staying for an average of 2 nights, 2,640 visitors staying for an average of 3 nights each, etc.



ONE-TIME BENEFITS

Development Charge Revenues

Under the Town's Official Plan, the subject site is within the Urban Area, meaning that development is subject to a DC rate of \$7.05 per square foot of non-residential space from the Town and a rate of \$10.95 per square foot of non-residential space from the Region. The Niagara Catholic District School Board charges education development charges, but those charges do not apply to lands in Niagara-on-the-Lake, nor do they apply to non-residential development.

Figure 3 shows the estimated DC revenues from development. In total, the development would generate \$593,300 in DC revenues, including \$232,400 for the Town and \$360,900 for the Region.

Figure 3

Estimated DC Revenues, Two Sisters Resort

		DC Rates			
	GFA	Town	Region	Education	Total
Type	SF	Dollars / Square Foot			
New Non-Residential	32,960	7.05	10.95	-	18.00

		DC Revenues			
		City	Region	Education	Total
Type		Dollars			
New Non-Residential		232,368	360,912	-	593,280

Source: Altus Group Economic Consulting based on Town and Region DC Rates, in effect as of January 2018

Development of Tourism Amenities is Consistent with Economic Development Objectives of Town and Region Official Plans

The economic impacts of the proposed development are well-aligned with the economic development objectives of the Town and Region. This section reviews the pertinent planning policies in the Niagara Regional Official Plan and the Town of Niagara-on-the-Lake Official Plan.

Niagara Regional Official Plan

The Niagara Regional Official Plan establishes a strategic direction to guide planning and development within the Niagara Region. Chapter 2 of this plan is focused on economic development within the Region. According to Objective 2.5, it is an aim of the region to:



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Improve regional self-reliance through long-range economic development planning and economic diversification

A component of attaining this goal is identified as being the:

b) Creation of tourism development opportunities

Objective 2.7 recognizes the importance of employment opportunities to the Region's quality of life. This policy states that it is a regional objective to:

Undertake and support those activities which improve the quality of life for the Niagara community.

To accomplish this, this Objective speaks to the:

a) Importance of quality of life in community development through housing, employment, services, agriculture, environmental quality, and natural features.

Section 2.A of the Official Plan further emphasizes the tourism industry as a component of the Regional economy. The growth of the tourism industry within the region is supported by Objective 2.A.1.2:

The Region supports and encourages the continued expansion and development, within Settlement Areas, of opportunities related to tourism and recreation.

Section 2.D of the *Niagara Regional Official Plan* identifies the subject site as located within an area that is of special importance to the wine and hospitality industries of the region. The town of Niagara-on-the-Lake is one of four towns that are denoted by this plan as "Wine Country" communities. Objective 2.D.1.1 is intended to:

Support high quality wine, culinary, and hospitality tourism related development within existing "Wine Country" Urban Areas that respects and is compatible with the character of existing communities and is consistent with local municipal, Regional and Provincial Plans and policies.



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Town of Niagara-on-the-Lake Official Plan

The *Town of Niagara-on-the-Lake Official Plan* is intended to guide physical growth in the Town of Niagara-on-the-Lake in a manner which addresses a wide variety of social, economic, and environmental concerns.

Schedule “B” of the Official Plan designates the subject site as being within the Urban Area Boundary. According to Section 6.A.3.1 in Part 2 of the Plan, this area is intended to accommodate much of the future employment growth within the Town:

The Urban Area will accommodate most of residential and employment growth in the Town ...

The Growth Strategy Objectives detailed in Section 6.A.3.2 of Part 2 of the Plan recognize the importance of diversifying employment opportunities in the Town. According to Objective 3.2.1, the Town aims to:

Develop compact, complete communities that include a diverse mix of land uses, a range of local employment opportunities and housing types...