

HIGHEST AND BEST USE STUDY:

FORMER KINSMEN BUILDING

400 STONE STREET NORTH

GANANOQUE, ON

Prepared for:
Town of Gananoque

Prepared by:
ZanderPlan Inc. and Shore-Tanner & Associates

November 15, 2017

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1. EXECUTIVE SUMMARY

On behalf of the Town of Gananoque, this Highest and Best Use Study has been carried out by ZanderPlan Inc.¹ and Shore-Tanner & Associates. Its purpose is the identification and recommendation of the highest and best uses for a Town-owned building located at 400 Stone Street North in the Town of Gananoque, presently occupied by a tenant on a temporary basis. In order to formulate specific recommendations for the Town, a number of tasks were undertaken, including: a visit to the site and tour of the building by the consultant team; a detailed demographic and socio-economic analysis; interviews with Town staff and key stakeholders; an online survey; and a public open house.

The main findings of the study are summarized below, followed by more detailed substantiation in the main body of the report and its appendices.

¹ The lead consultant for this multi-disciplinary study was ZanderPlan Inc. The Official Plan, Land Use and other planning tasks, as well as client liaison and some of the public consultation activities were carried out by ZanderPlan. Market demand research, analysis of highest and best uses, and some of the public consultation tasks were undertaken by Shore-Tanner & Associates.

2. OVERVIEW AND RECOMMENDATIONS

A. Subject Site

The Subject Site is known as the former Kinsmen Building located at 400 Stone Street North in the Town of Gananoque. It is a two-storey structure built in 1991, shown in Figure 1 below. It is approximately 7,000 sq. ft. in size, approximately half of which is used by the Thousand Islands Daycare Centre. Until mid-2016, the other half was occupied by a service organization called the Kinsmen Club of Gananoque. Since then, their half has been vacant.



Figure 1: Google Streetview image of the Subject Site

On October 19, 2017, the consultant team, the Town's Chief Building Official and the Town CAO toured this building. The various characteristics of this building are further described later in this Report. Based on the tour of the building, discussions with Town staff, and a review of relevant documents, we understand that the building is solid, provides ample power, and is ready to be occupied by a highest and best use entity with minor renovations and expenses.

B. Environs

The Subject Site is shown in Figure 2 below. It is bounded on the west side by the Gananoque River, and on the east side by Stone Street North, which is a two-lane roadway primarily developed with low-density residential dwellings in this area. On the south side, there is an elementary school, a 2,500 square foot grocery store, and low-density, small and medium-size

single family housing units. King Street, which is Gananoque's major commercial district, is about a five minute drive from the Subject Site.



Figure 2 – Aerial View of the Subject Site at 400 Stone Street North

On the north side of the former Kinsmen Building are small and medium-size single family housing units for a distance of about a half kilometre. Thereafter, there are the following businesses on both sides of Stone Street (sizes are estimated):

- Two parcels of vacant land for sale
- Ford Motor Dealership
- An Esso station with a car wash and a restaurant
- A 10,000 sq. ft. Eastern Marina Services store (including boat storage)
- An 8,000 sq. ft. Napa Auto Parts for trucks and trailers

- A small plaza called North Gate Plaza, consisting of:
 - Thousand Islands Veterinarian Services
 - McGregor Veterinarian Services
 - Gananoque Hearing Clinic
 - Thousand Islands Wine Cellar
 - Battery Outlet
 - Custom Carts
- A 50,000 sq. ft. Home Hardware
- A 40,000 sq. ft. storage building (for boats, RVs, motorcycles, watercraft)
- Runnings Auto Services
- Helicopter Tours

The Subject Site is in a green, open space area with mature trees and a park setting; a waterfront trail runs along the Gananoque River. The surrounding area is quite peaceful and pleasant. Within about five minutes drive north of the Subject Site are access ramps to Highway 401 East to Brockville and Ottawa, and Highway 401 West to Kingston and Toronto.

C. Planning Context

The subject property is designated Open Space on Schedule "I" to the Town's Official Plan, as shown on Figure 3; Open Space lands are generally intended for passive or active recreational uses, and may also be evaluated in the context of a broader recreation master plan. It is anticipated that an amendment to the Official Plan will be required to support a change in land use for the subject building. Lands to the south and east fall within the Residential Policy Area shown in Schedule "B" to the Official Plan. The goal in this area is to encourage a range of housing styles and types while also supporting complementary uses such as local commercial, institutional and recreation-type land uses.

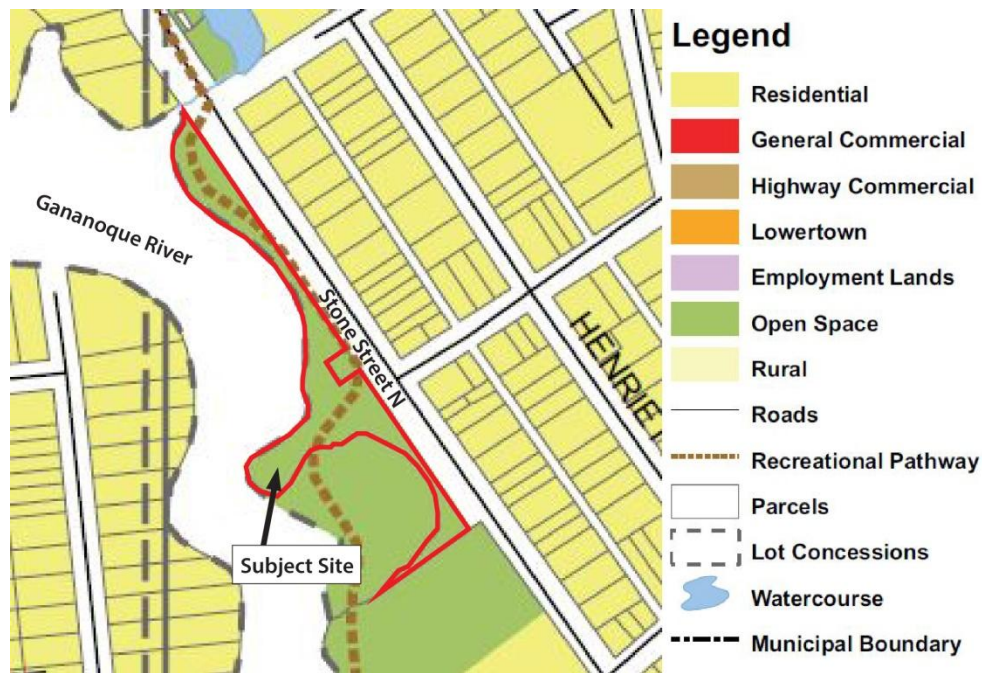


Figure 3 – Town of Gananoque Official Plan Schedule I – Land Use

Schedule "E" to the Official Plan depicts Rural and Open Spaces, and the subject property is shown here as Open Space lands. A recreational pathway is shown running along the Gananoque River on the subject property, on this and a number of the other Official Plan Schedules. A small pocket of Unstable Slopes is shown along the shoreline of the subject property on Schedule "G" to the Official Plan. The property faces to Stone Street North, which is classified as an Arterial Street in Schedule "H" to the Town's Official Plan. Arterial roads are intended to carry large volumes of traffic and form the major transportation network in the municipality, as well as providing direct connection to Provincial Highway 401.

The Town operates with a Development Permit By-Law, which was adopted by the Town in October of 2010. The Development Permit By-Law functions in a similar way to a Zoning By-Law, while streamlining the zoning, site plan and minor variance processes. The subject property is designated Open Space on Schedule A of the Town's Development Permit By-Law, as shown in Figure 4. As with the Official Plan, the Open Space designation in the DP By-Law permits a very limited range of uses, in addition to the existing uses on the site. An amendment to the Town's DP By-law will likely be required to accommodate future land uses.



**Figure 4 – Town of Gananoque Development Permit By-Law
Schedule A – Development Permit Areas**

D. Major Findings

1. Population growth in the Town of Gananoque, the Township of Leeds and the Thousand Islands, and the United Counties of Leeds & Grenville (UCLG) was quite low from 2011 to 2016 (average annual loss of 7 or 0.13%, increase of 38 or 0.41%, and increase of 248 or 0.25% respectively).

2. In 2016, the median ages were:

| | |
|-----------|------------|
| Gananoque | 50.6 years |
|-----------|------------|

| | |
|----------------------|------------|
| Leeds & 1000 Islands | 50.5 years |
|----------------------|------------|

| | |
|------|------------|
| UCLG | 49.3 years |
|------|------------|

3. The proportion of the single and two person households were:

| | | |
|-----------|-------|--------------|
| Gananoque | 74.6% | or 7.5 in 10 |
|-----------|-------|--------------|

| | | |
|----------------------|-------|--------------|
| Leeds & 1000 Islands | 66.2% | or 6.6 in 10 |
|----------------------|-------|--------------|

| | | |
|------|-------|--------------|
| UCLG | 68.3% | or 6.8 in 10 |
|------|-------|--------------|

4. There are two significant implications from 1-3 above:
 - a) Population growth, especially number of births, is quite likely to further decline in the coming years (at least in the next five years).
 - b) Demand for regular, as well as complementary and alternative health care services will increase quite strongly.
5. Gananoque's economy is dominated by two main industries: tourism and healthcare. They account for 894 or 64.3%, and 450 or 32.3% of the Town's total of 1,391 jobs respectively.
6. The number of new jobs is optimistically estimated to increase by an average of 49 annually for the period 2016-2021 (Table 5).
7. The best types of jobs to attract to Gananoque are those in the knowledge-based and artificial intelligence industries. These are the jobs of the future as they typically pay quite well, have large economic multipliers,² and generally, most employees in these industries are young, highly educated and in the family-forming age groups.
8. Service jobs are also growing in most economies, and there is a wide variety of them in terms of quality, pay, etc.
9. In areas where the aging of the residents is rapid, demand for healthcare, wellness, mental as well as physical well-being increases fast. Wages and salaries for most of the employees in these services are average to very high.
10. The Gananoque area already has many tourist attractions and hotels, and it already receives the significant economic benefits which they generate. This industry is durable, and can be expected to be stable with small growth fluctuations, mostly in the economies of Ontario and the State of New York.

E. Recommendations

1. Owning properties which are not essential for the operations of municipalities is questionable, can lead to conflicts of interest, or take a disproportionate amount of resources to maintain them. **It is, therefore, recommended that the Town of Gananoque terminate its ownership of the former Kinsmen Building.**

² One job in these industries can potentially create two or more jobs in other local, regional and provincial economies.

2. For the above and other related purposes, we recommend that the Town commission an appraisal study for both the land and the subject building on an as-is basis (i.e., no money to be spent on repairs or upgrades since generally these do not increase the property's value by as much as the costs involved).
3. Our recommendations for the highest and best use of the former Kinsmen building are as follows, in the descending order of priority:

- a) A knowledge-based privately-owned company, specializing in Artificial Intelligence industries.

For example, Big River Technologies, which is in this category, has expressed interest in purchasing the former Kinsmen Building and moving its current 15 employees there. In this case, the Thousand Islands Day Care Centre may be able to continue to stay there until Big River Technologies would need the entire building (logistics would have to be worked out).

- b) A privately operated healthcare/wellness centre to serve the growing demand of the aging residents of the Gananoque area.

With at least 15 professionals, this centre could provide a wide variety of traditional medical services, as well as complementary, alternative health and wellness services.

- c) Sale to the Thousand Islands Daycare Centre, or the Township of Leeds and the Thousand Islands, or the United Counties of Leeds and Grenville at fair market value.

- d) Outright Sale to the Highest Bidder

- e) Rent of Part of the Building to a Business Incubator

Table 1 provides a comparison of the estimated economic contributions of each of these options (the annual budgets for the first three are our estimates).

F. Other Important Factors

1. The current day care, the food bank and other social-service organizations that have expressed interest in the former Kinsmen Building are all excellent and much needed components of the Town of Gananoque and the region's quality of life, and its humanistic values. The Thousand Islands Day Care Centre is vital to Gananoque from the viewpoints of social and family benefit values, in our opinion. However, it cannot afford to purchase the real estate asset that it needs to operate. Also, at 7,000 sq. ft., the entire building is too large for its operations. While it may grow and use all 7,000 sq. ft. in the next few years, its future

success is uncertain due to the expected low population growth, as well as its inevitable reliance on grants which rarely last for more than a couple of years. Additionally, due to the nature of its operations (i.e., health, safety and security), it cannot easily co-exist with other tenants during the day. Therefore, whether it buys the former Kinsmen Building at full or partial market price, it would not be the highest and best use of the building.

2. For the current day care, the food bank and other social service organizations, there is another factor to consider. The former Kinsmen Building is an asset for all taxpayers of Gananoque. From strictly an economic/financial point of view, it is not possible to justify subsidizing the use of this public asset by any one particular social service organization.
3. At present, approximately 50% of the children at the Thousand Islands Day Care Centre are from the Township of Leeds and the Thousand Islands. Since this Township's population is larger and younger than the population of the Town of Gananoque, it is quite possible that the current 50% may increase in the future. The food bank and other social service organizations, as well, serve some of the residents of the Township. It is, therefore, valid for the taxpayers of the Town of Gananoque to question the use of this highly desirable town asset by non-residents free of charge or on a Town-subsidized basis.
4. On the other hand, most of the benefits generated by the 10+ hotels, the boat lines and the casino remain in the Town of Gananoque. Therefore, another valid issue to address is the extent to which these benefits should be shared with the Township of Leeds and the Thousand Islands.
5. The above clearly point to the competing and conflicting interests in the former Kinsmen Building. The objective of this study has been the identification of the highest and best uses for this building. As a result, any use of the former Kinsmen Building at less than market price purchase or rental rates would not be its highest and best use.
6. Our top recommendation for the former Kinsmen Building (i.e., a company in the knowledge-based/artificial intelligence sector) would potentially generate many large and different economic benefits, would be a highest and best use of the building, and its employees would generally be young, family-oriented or in the family-formation stages, all of which are highly desirable for the Town of Gananoque.
7. In view of the options addressed in this report, and perhaps other considerations, the Town Council may quite legitimately decide, in its wisdom, that the social, family and other humanitarian benefits and values are more important for the future use of the former

Kinsmen Building than a highest and best use. There are good options for the building for both types of future uses.

| Table 1 Highest and Best Uses Evaluated | | | |
|----------------------------------------------------|--------------------------------------|------------------------------------|-------------------------------|
| Type or Name of Use | Expected No. of Employees | Estimated Annual Budget | Our Recommendation |
| 1. Knowledge-Based, Artificial Intelligence | 40 | \$3 million | Yes |
| 2. Big River Technologies ¹ | 15 | \$1 million | Yes |
| 3. Health & Wellness Centre | 15 | \$4 million | Yes |
| 4. Thousand Islands Day Care Centre | 9 | \$0.3 million | No |
| 5. Business Incubator | 10 | \$0.175 million | No |
| 6. Sale to the Highest Bidder | — | — | Yes |

¹ This rapidly growing company already exists in Gananoque, its owner is potentially interested in purchasing the former Kinsmen Building at fair market value, and we believe it is the best option for this building.

Source: Shore-Tanner & Associates.

3. SOCIO-DEMOGRAPHIC ANALYSIS

A. STUDY AREA

The Subject Site is in the Town of Gananoque, a separated town not under the authority of the United Counties of Leeds and Grenville. The Town is surrounded on three sides by the Township of Leeds and the Thousand Islands, while the St. Lawrence River forms the southern boundary. At approximately 7,000 sq. ft. in size, the building's current use (i.e., day care) and a number of other potential uses would serve a much larger area beyond the Town of Gananoque.

The Township of Leeds and the Thousand Islands is adjacent to the Town of Gananoque. As reported by the General Manager of the Day Care Centre, approximately 50% of its toddlers and children come from this Township. If the day care were to occupy all 7,000 sq. ft. of the space, instead of the 3,600 sq. ft. which has historically been the case, more than 50% of the children would be from the Township of Leeds and the Thousand Islands.

Several of the uses which would likely be the highest and best use of the Subject Site would also have a regional capture, market or service area. Based on these factors, our field and other research, we have provided and analyzed the socio-demographic data for:

1. The Town of Gananoque
2. The Township of Leeds and the Thousand Islands
3. The United Counties of Leeds and Grenville

The boundaries between the Town and the Township (and to a lesser extent the United Counties) are political/municipal, and not economic. In fact, the Thousand Islands OLG Casino, Gananoque Boat Line, Home Hardware, Metro Supermarket and several other businesses serve (i.e., draw customers from) the Town, the Township, the Counties and beyond (including international tourists).

The recommended highest and best uses for the Subject Site are therefore, in part, based on the socio-demographics of the Township and the United Counties, in addition to the Town of Gananoque.

B. Total Population by Age Groups

1. The key population data for these three areas for 2011 and 2016 are presented as follows:

| Year | Gananoque | Leeds & 1000 Islands | Leeds & Grenville U.C. |
|-----------------------------------|------------------|---------------------------------|-----------------------------------|
| 2011 | 5,194 | 9,277 | 99,306 |
| 2016 | 5,160 | 9,465 | 100,545 |
| Average Annual Change: 2011-2016: | | | |
| Numeric | -7 | 38 | 248 |
| % | -0.13 | 0.41 | 0.25 |

Growth in all three areas has thus been quite low.

2. Another important aspect of the total population is the median age. For these three areas, the median ages in 2016 were:

| | |
|----------------------|------------|
| Gananoque | 50.6 years |
| Leeds & 1000 Islands | 50.5 years |
| UCLG | 49.3 years |

3. The age structure of the total population is another key indicator of its present status, and future growth prospects. For these three areas, selected age groups are shown in Table 2, as follows:

| Area | % under 19 | % 20-34 | % 35-65 | % 65 + |
|----------------------|-------------------|----------------|----------------|---------------|
| Gananoque | 18.4 | 14.0 | 41.3 | 26.2 |
| Leeds & 1000 Islands | 19.0 | 12.3 | 45.6 | 23.1 |
| UCLG | 19.7 | 14.0 | 43.1 | 23.2 |

Overall, therefore, the population of the Town of Gananoque is the oldest, and that of the United Counties of Leeds and Grenville, the youngest of the three areas.

C. Households by Size

Demand for numerous products and services are generated by the number and sizes of households (e.g., housing, refrigerators, financial services). The number of households by size for the three areas studied is presented below.

1. As noted, the overall average household sizes in 2016 were:

| | |
|----------------------|--------------|
| Gananoque | 2.14 persons |
| Leeds & 1000 Islands | 2.45 persons |
| UCLG | 2.35 persons |

2. The proportions of the single and two-person households combined were:

| | | |
|----------------------|-------|--------------|
| Gananoque | 74.6% | or 7.5 in 10 |
| Leeds & 1000 Islands | 66.2% | or 6.6 in 10 |
| UCLG | 68.3% | or 6.8 in 10 |

The average household sizes are quite small, and proportions of the single and two-person households combined are very high in all three areas. There are certain implications of the figures in Tables 2 and 3:

3. Demand for small units, especially small rental and condominiums, can be expected to increase rapidly within the next 5-10 years, and beyond.
4. Health care services and products will increasingly be demanded in the coming months and years.
5. There is a strong and growing latent demand for complementary health care services, such as physio-therapy, acupuncture, yoga, wellness services, mindfulness, homeopathy, Ayurveda, reflexology, etc.

D. Largest Employers

In 2013, there were seven (7) large employers in the Gananoque area, with a total of almost 1,400 employees (Table 5). This number is believed to be at least 1,600 as of late 2017.

The casino and the boat line companies, which fall into the tourism/hospitality industry, accounted for 594 or 43% of the total in 2013 (and most likely higher now). The single largest

employer, however, was Covidien (health products) with 450 employees (now called Cardinal Health).

The tourism/hospitality, and the health-related jobs at Cardinal Health have high economic multipliers. Several hundred other jobs in the Town of Gananoque, and more generally, within the United Counties of Leeds and Grenville, depend on the health and growth of these two sectors.

E. Employment Growth

For the period 2016-2021, the incubator report³ of February 2017 has projected an average employment growth of 49 jobs annually in the Town of Gananoque. The top three growing industries are as follows, according to this report:

1. Machinery, Equipment, Supplies, 10 per year
and other Manufacturing
2. Arts, Entertainment & Recreation 7 per year
3. Finance & Insurance 5 per year

Employment projection is a highly analytical and comprehensive undertaking. In view of the low growth of Gananoque's population from 2011 to 2016, as well as its median 2016 age of 50.6 years, we are of the opinion that:

- The average annual increase of 49 jobs may be optimistic.
- Growth of jobs in Professional & Scientific industries is too low (eg. Big River Technologies, which was started with a couple of employees in early 2017, already has 15 employees in Gananoque).
- The increase of only 16 jobs for five years in the Nursing and Residential Care sector is also quite likely to be too low.

³ *Incubator Feasibility Study* by Second Order, February 7, 2017 (pages 33 and 35).

| Table 2 | | | | | | |
|---------------------------------------------|------------------|--------------|---------------------------------|--------------|----------------------------------------------|--------------|
| Total Population By Age Groups: 2016 | | | | | | |
| Name | Gananoque | | Leeds & 1000 Islands | | Leeds & Grenville United Counties | |
| | No. | % | No. | % | No. | % |
| Under 19 | 950 | 18.4 | 1,800 | 19.0 | 19,740 | 19.7 |
| 20-34 | 725 | 14.0 | 1,165 | 12.3 | 14,050 | 14.0 |
| 35-49 | 855 | 16.6 | 1,695 | 17.9 | 17,515 | 17.4 |
| 50-64 | 1,275 | 24.7 | 2,620 | 27.7 | 25,860 | 25.7 |
| 65-74 | 700 | 13.6 | 1,390 | 14.7 | 13,775 | 13.7 |
| 75 & Older | 655 | 12.7 | 795 | 8.4 | 9,605 | 9.6 |
| Total | 5,160 | 100.0 | 9,465 | 100.0 | 100,545 | 100.0 |
| Median Age | 50.6 years | | 50.5 years | | 49.3 years | |
| Total 2011 Population | 5,194 | | 9,277 | | 99,306 | |

Source: Shore-Tanner & Associates based on the 2016 census data.

| Table 3 | | | | | | |
|---------------------------------|------------------|--------------|-------------------------------|--------------|----------------------------------------------|--------------|
| Households By Size: 2016 | | | | | | |
| Name | Gananoque | | Leeds and 1000 Islands | | Leeds & Grenville United Counties | |
| | No. | % | No. | % | No. | % |
| One Person | 845 | 35.1 | 775 | 20.0 | 11,305 | 26.4 |
| Two Persons | 950 | 39.5 | 1,780 | 46.1 | 17,890 | 41.8 |
| Three Persons | 305 | 12.7 | 600 | 15.5 | 6,130 | 14.3 |
| Four Persons or More | 305 | 12.7 | 705 | 18.3 | 7,425 | 17.4 |
| Total | 2,405 | 100.0 | 3,860 | 100.0 | 42,750 | 100.0 |
| Average Size | 2.14 | | 2.45 | | 2.35 | |
| Single and Two Persons Combined | 1,795 | 74.6 | 2,555 | 66.2 | 29,195 | 68.3 |

Source: Shore-Tanner & Associates based on the 2016 census data.

| Table 4 | | | | | | |
|-------------------------------------|-----------|-------|---------------------------|-------|--------------------------------------|-------|
| Household Income Distribution: 2016 | | | | | | |
| Income Class (\$) | Gananoque | | Leeds and 1000 Islands | | Leeds & Grenville United Counties | |
| | No. | % | No. | % | No. | % |
| Under 40,000 | 815 | 33.9 | 750 | 19.4 | 11,110 | 26.0 |
| 40,000-59,999 | 495 | 20.6 | 660 | 17.1 | 7,375 | 17.2 |
| 60,000-79,999 | 350 | 14.6 | 640 | 16.6 | 6,540 | 15.3 |
| 80,000-99,999 | 260 | 10.8 | 580 | 15.0 | 5,400 | 12.6 |
| 100,000-124,999 | 205 | 8.5 | 445 | 11.5 | 4,590 | 10.7 |
| 125,000-149,999 | 140 | 5.8 | 310 | 8.0 | 3,040 | 7.1 |
| 150,000 and over | 140 | 5.8 | 475 | 12.3 | 4,695 | 11.0 |
| Total | 2,405 | 100.0 | 3,860 | 100.0 | 42,750 | 100.0 |
| 80,000 and over | 745 | 31.0 | | | 17,725 | 41.5 |
| Median Income (\$) | 55,296 | — | 76,300 | — | 68,305 | — |

Source: Shore-Tanner & Associates based on the 2016 census data.

| Table 5 | | |
|----------------------------------------------------------------|--------------|-------------------|
| Number and Types of Largest Employers: Gananoque Region | | |
| Name of Enterprise | No. | % of Total |
| Cardinal Health (formerly Covidien: health products) | 450 | 32.3 |
| Thousand Islands OLG Casino | 419 | 30.1 |
| Home Hardware | 127 | 9.1 |
| Canada Border Agency | 120 | 8.6 |
| Metro Supermarket | 100 | 7.2 |
| Gananoque Boat Lines | 95 | 6.8 |
| Rockport Boat Lines | 80 | 5.7 |
| Total | 1,391 | 100.0 |

Note: The total of the jobs at the above companies is estimated to be at least 1,600 as of late 2017.

Source: Shore-Tanner & Associates based on *Gananoque Ontario*, by Economic Development Department of the Town of Gananoque, 2013.

| Table 6 | | |
|-----------------------------------------------------|-------------------------------------------------------|-------------------|
| Projected Job Growth in Gananoque: 2016-2021 | | |
| Sector/Type | Growth Projection (No. of Additional Jobs) | |
| | No. | % of Total |
| Arts, Entertainment & Recreation | 33 | 13.5 |
| Educational Services | 19 | 7.8 |
| Healthcare & Social Services | 18 | 7.4 |
| Wholesale Trade | 18 | 7.4 |
| Finance & Insurance | 25 | 10.2 |
| Professional & Scientific | 7 | 2.8 |
| Real Estate Rental & Leasing | 5 | 2.0 |
| Other Services (non-governmental) | 13 | 5.3 |
| Machinery, Equipment & Supplies | 20 | 8.2 |
| Other Manufacturing | 29 | 11.9 |
| Motor Vehicle Dealer & Parts | 15 | 6.1 |
| Nursing & Residential Care | 16 | 6.6 |
| Total | 244 | 100.0 |
| Average per year | 49 | — |

Note: In our estimation, the projections for “Professional & Scientific” and “Nursing and Residential Care” sectors are too conservative.

Source: Shore-Tanner & Associates based on *Gananoque Incubator Study*, by Second Order, February 7, 2017 (pages 33 and 35).

4. PUBLIC CONSULTATION

Given that the Subject Site is an important asset to the Town of Gananoque, it was deemed important to consult with the public as well as key stakeholders to gain additional insight. For this component of the study, a number of major tasks were undertaken as described below.

A. Online Survey

The consultant team administered a public survey from October 19th to October 31st, 2017. The survey was available to the public through the Town's website and Facebook page, and was also available in paper format at the public Open House on October 30th, which is further described below. Four questions were included in the survey (survey is attached at Appendix 1 and results are attached at Appendix 2), and it included two questions related to the use of the building and two questions for statistical purposes. A total of 323 responses were received between the online and written submissions.

When asked what individuals would like to see the former Kinsmen building used for, 65% indicated a daycare, while 21% indicated a community centre would be the best use. It is notable that, in the comment section on the survey, many respondents noted that they felt the building could accommodate the daycare in addition to other uses. When asked what the best use to convert the building to would be, 66% responded with daycare and 21% said recreation uses. Again, many respondents indicated that they felt the building could be used for multiple purposes. The majority of the survey respondents were female (72%) and 60% were between the ages of 31 and 60 years.

B. Public Open House

On Monday, October 30, 2017, the consultant team hosted a public Open House at the Lou Jeffries Arena in Gananoque from 5-7 pm. Approximately thirty people attended, and discussion ensued in a round-table format with informal questions from the public. The Town CAO attended along with several members of Town Council, and assisted in answering questions and providing information as necessary. There was a significant amount of discussion around the importance of the daycare centre, along with a lengthy discussion about the local foodbank and the feasibility of utilizing the Subject Site for this purpose. In addition, there was discussion

about using the Subject Site for municipal staff offices. A summary of the discussion is included at Appendix 3.

C. Individual Interviews

The consultant team carried out a number of interviews in person, by telephone, and/or email, with several organizations and individuals with a potential interest in the former Kinsmen Building. The results are as follows:

1. Big River Technologies

The owner of this company provided the following information:

- a) At present, the total number of its employees is 15.
- b) The company is in a rapid growth phase, expects to double the number of employees within a year, and hire many more thereafter.
- c) It is the only Information Technology company in Gananoque, and is committed to stay in Gananoque.
- d) The company is potentially interested in purchasing or renting the entire Kinsmen Building at market price.

2. Keys Job Centre: Business Incubator

The director of this organization has been working hard in the last few years to start a business incubator. Grants of approximately \$350,000 have already been obtained for two years, a couple of studies about all aspects of business incubators have been completed, and they are ready to get started, but need space. The grants cannot be used for the purchase of any capital assets, and therefore, they are interested in the free use of the former Kinsmen Building (may be able to pay some rent, but not at fair market value).

For the first year, they envision having 10 incubator businesses, requiring approximately 1,000 sq. ft. of space.

3. Thousand Island Day Care Centre

The Town of Gananoque's CAO and the two consultants had an extensive interview with the director of the Thousand Island Day Care Centre, and obtained the following information:

- a) There are currently 34 toddlers and preschoolers attending the day care centre.
- b) The total number of employees at this day care is 7 full, and 2 part-time.

- c) The day care's total annual budget is between \$300,000 and \$350,000.
- d) In total, approximately 3,600 sq. ft. of the building's total of 7,000 sq. ft., is being used by the day care.
- e) Approximately 50% of the children live in the Leeds and the Thousand Islands Township.
- f) The day care can use all 7,000 sq. ft. of the space since it has already had a long waiting list, and increasing the number of children as much as double the current numbers would not be a problem.
- g) The day care cannot afford to purchase the former Kinsmen Building at fair market value.
- h) A significant part of the day care's budget is from County grants. As such, the continuation of funding from the County cannot be taken for granted for more than one or two years at a time.
- i) Due to safety, hygiene and security concerns, it is questionable whether the day care would be able to share any part of the space with another tenant in the building during the day.

The consultant team also observed how clean, organized and well-run the Thousand Island Day Care Centre is. The day care's director and employees care a great deal about the facility, put their "heart and soul" into it, are an integral part of the community, and some of the children's parents themselves attended this day care as children.

4. Manager of Community Development

The Manager of Community Development noted in a phone interview that the subject site is currently in the Open Space designation in the Town's planning documents and that future development will likely require amendments to the Official Plan and Development Permit By-Law. She noted that Stone Street is one of the key gateways to the Town, a highly travelled street, and the property is located in a primarily residential area; any future activity on the site should have consideration for the surrounding land uses. She indicated that public access to shoreline walkways and trails is a policy direction in the Town's Official Plan and therefore the protection of the existing trail will be important. Finally, she indicated that the open space to the north of the subject building should be retained by the Town, as public access to the waterfront from a public street is important.

5. Parks and Recreation Manager

The Parks and Recreation Manager indicated in a phone interview that the Town is embarking on a Recreation Master Plan, in partnership with the Township of Leeds and the Thousand Islands. The goal of that project is to develop a plan to guide the two municipalities for recreation facilities, and recreation and leisure programming for the next ten years. The target for completion of this project is June of 2018. The Parks and Recreation Manager noted the importance of public pathways and ensuring access for public use.

6. Gananoque Fitness

The owner of Gananoque Fitness was also interviewed. He was interested in purchasing the former Kinsmen building in the past, but no longer. At present, the fitness centre occupies approximately 2,500 sq. ft. of space and has a total of three employees. In his view, the current day care is the best use of the building and this should continue. The second choice for him would be a swimming pool which is very much needed, none exists in the Town at present, and the closest pool is in the Township. This is especially important since in winter months, there are not that many choices for recreational or sports activities. His third choice would be for the Town to sell the entire property (building and land), but keep the water front for the public's use.

7. Gananoque Public Library Program and Outreach Coordinator/Gananoque and Area Food Access Network Member

The Program and Outreach Coordinator at the Gananoque Public Library, who is also a member of the Gananoque and Area Food Access Network, discussed the possibility of a recreational library for the Subject Site during a phone interview. This would function as an extension of the current library, and could share the building space with the existing day care centre. It could offer a wide variety of additional services beyond the current library facility, such as a tool and equipment lending library, a maker space, community activities and classes, and a community food centre. It is her recommendation that the building be retained for public use, and that grants may be available to fund programs such as those noted here.

8. Town of Gananoque Acting Economic Development Manager

The Acting Economic Development Manager for the Town indicated that the subject site would be an ideal location for a business incubator, and that there is room to accommodate this use while leaving the daycare in its current space. There is government funding available immediately that can be used to retrofit the building, bring in equipment, etc. and the business incubator would be an important asset to the Town to attract technology

businesses and create jobs. The business incubator would occupy the space for approximately five years, and the centre would be run by another organization (ie. not Town staff) while paying rent to the Town through one or more anchor tenants. Once the business incubator space is no longer required, the building would be well set to house a future technology or similar business.

5. IDENTIFICATION OF HIGHEST AND BEST USES

A. Context

In order to identify the highest and best uses for the subject site, it is helpful to first identify the strengths and weaknesses of the area being studied, businesses and industries which are lacking or inadequate, and new or expected economic trends. For the Town of Gananoque and the United Counties of Leeds and Grenville, we have addressed these issues below.⁴

1. The dominant features of Gananoque area's economy are water-based recreational, and casino-based tourism. Both are strong, generating ample number of jobs and other economic benefits. The approximately 10 hotels and motels, and many of the restaurants in Gananoque, depend on tourism. The water and other nature-based tourism, and perhaps to a lesser extent, the casino-based tourism, are strong, durable and likely to grow somewhat in the coming years.
2. Economies in most parts of Canada (and USA), particularly in small and rural towns, have had challenging experiences in the last couple of decades. Manufacturing and most other traditional industries have declined drastically. The desirable, and economically solid, jobs of the future are in the knowledge-based industries, especially in the Artificial Intelligence sectors (software engineering, communications, information technology, internet businesses, etc.). These jobs require a highly educated and technically sophisticated labour force. For employees in the rapidly expanding and dominating Artificial Intelligence sector, quality of life is among the most important factors. Cleanliness, safety, ample recreational, sports, leisure, and cultural facilities and services have become even more important than wages and

⁴ For this purpose, we have reviewed the following publications:

- *Gananoque Incubatore Feasibility Study*, by Second Order, February 7, 2017
- *River Launch Business Plan*, by MDB Insight, April 2017
- *Gananoque, Ontario, Canada*, by Economic Development Manager, Town of Gananoque

As well, we have interviewed in-person, by telephone, and/or email, and a number of community and business leaders, held a public open house meeting on October 30, 2017, provided an online survey for the public, and were interviewed by the local radio station.

salaries for many employees in the Artificial Intelligence sectors. In the Gananoque area, the number, quality and influence of knowledge-based jobs have historically been quite weak, and need to be strengthened.

3. Population growth in the United Counties of Leeds and Grenville in general, and in the Gananoque area in particular, has been quite small in the last decade. In 2016, the median age of the residents in the Town of Gananoque as well as in the Township of Leeds and Thousand Islands was over 50 years. In all three areas, the number of single and two-person households combined represented 66.2% to 74.6% of the total (i.e., 6.6 to 7.5 in 10 of all households consisted of only one or two persons). These characteristics point to a low-growth and even more rapidly aging population in the coming years. As such, demand for small dwelling units, rental apartments, medical and complementary alternative health care, and wellness services are expected to increase at unprecedented rates in the coming years.
4. The objective of this study, based on its terms of reference, has been the identification and evaluation of the highest and based uses for the former Kinsmen Building. Any other potential uses of this building, which may be excellent from a social or other points of view, have also been considered below as long as they meet the criteria of highest and best uses.

B. Identified Highest and Best Uses

B.1. Knowledge-Based and Artificial Intelligence Enterprises

A private business, university-based, or government research centre in Artificial Intelligence, Communications, Biology, Pharmacology, other High Technology industries would be the highest and best use of the former Kinsmen Building, in our opinion.

These businesses have a high multiplier factor, generate a large number of direct, indirect and induced jobs, significantly increase economic activities, and have the potential to grow to companies such as Shopify, Stantec, Iogen Corporation or even Telus or BlackBerry.

At approximately 7,000 sq. ft., the former Kinsmen Building can house approximately 40 employees. The natural beauty of the building's environment, the river, the quick Highway 401 access to Kingston and Toronto (west), Ottawa and Montreal (east), and the U.S.A. are all the types of requirements of companies in the knowledge-based industries.

At up to 40 employees, we estimate that such a company would have an annual budget of at least \$3 million.

The Town of Gananoque is lucky to have Big River Technologies at present. As we understand, this company has been in business since January 2017. Its total number of employees has rapidly increased to 15 already, and its growth expectations and prospects are extremely favourable. The type and size of a company such as this represents the highest and best use of the former Kinsmen Building; its future growth is quite favourable, and the entire Gananoque region, the United Counties, Ontario and Canada would be the recipients of the vast benefits it is expected to generate in the coming years.

B.2. Privately Owned and Operated Healthcare and Wellness Centre

The large and growing number of single and two-person households, most of which are composed of people who are older than 60 years of age, and others over the age of 70, need a wide variety of health and wellness services. Their needs, moreover, will increase very rapidly over the next 10 years and beyond, requiring more medical doctors, dentists, psychologists, specialists, and nursing services. As well, various complementary or alternative health and wellness services are rapidly being demanded, and thus have to be provided. Physiotherapy, spa, yoga, acupuncture and nutritional services are among the examples of complementary healthcare and wellness treatments demand for which has been increasing rapidly.

We believe that the former Kinsmen Building would be suitable for a large number of traditional and new medical and wellness services. At approximately 7,000 sq. ft., this building can potentially house up to 20 such professionals and services. As such, the services and treatments would be quite efficient, and cost-effective, while convenient, and time-saving for patients.

At present, not all of these services exist, or are spread around in various locations in Gananoque and Leeds and The Thousand Islands. Since the need for these services is certain to grow, the former Kinsmen Building provides a good opportunity to be developed into a large medical, healthcare and wellness centre.

Assuming that no more than 15 professionals would comfortably fit into the former Kinsmen Building, the revenues they would generate could be as much as \$4 million or more annually.⁵

⁵ It is true that some or even all of this \$4 million may be a simple transfer of existing healthcare and wellness businesses to the former Kinsmen Building. It would still be one of the highest and best uses for this building

B.3. Business Incubator

The case/need for a business incubator⁶ in Gananoque has been well made in the reports previously mentioned which we have carefully reviewed.

Development, financial and other support for business incubators have generally had good economic results in North America. It often takes 2 to 4 years for one or more of the businesses from these incubator organizations to succeed and grow. When this happens, the number of jobs, economic activities, and tax revenues generated significantly exceed the costs of creating and funding the incubators.

As such, investment in business incubators is money quite well spent from an economic mid-term point of view. These investments are initially made by various levels of government, sometimes with financial and other assistance from business organizations and/or individuals. It is a well-known fact that many highly successful businesses were started in basements, garages, or other marginal space. In addition to the physical space and equipment, business incubators provide training, networking, introductions, and other promotional activities to help their members succeed, enter into the marketplace, grow, and thus create numerous direct, indirect and induced economic benefits.

The former Kinsmen Building is generally in an excellent location for a business incubator, in our opinion. It is very close to King Street, which is the main commercial district in Gananoque. It is also a few minutes away from the entrance ramps in both directions of Highway 401.

Based on the research carried out for this study, the interviews (Chapter 4), and our knowledge of competing economic interests and forces, our opinion is as follows:

1. The proposed business incubator by River Launch for Gananoque is an excellent initiative, should be supported by all levels of government, chambers of commerce and other business organizations.
2. For this proposed business incubator, the former Kinsmen Building is not suitable or practical because:

regardless. This would be no different than if a shoe store, for example, relocates from building A to B: a loss for A, but a gain for B).

⁶ Typically consist of space in a building where rents, furniture, computers, supplies and other operating costs are fully or partially paid for by the initiating organization (often governments) to help individuals with business/product/service ideas to test, prepare, finalize their product, present them to the market and begin to grow, then move out to their own places of business.

- a) No more than up to 1,000 sq. ft. of the building would be required, whereas the building is approximately 7,000 sq. ft. in size.
- b) There is a budget of approximately \$350,000 in grants available for this incubator, but only for operational expenses, and not for purchase of capital assets.
- c) There is no guarantee of continued grants, and therefore, after 2 to 3 years, the future of the proposed incubator would be questionable.
- d) For the first 2-4 years, there is likely to be little or no economic benefits generated from the proposed incubator.

B.4. Thousand Islands Day Care Centre

The day care centre has 7 full and 2 part-time employees, a total of 34 childcare spaces, and a total annual budget of approximately \$300,000 to \$350,000.

The benefits of day care facilities are not limited to families and their towns/cities, or only from a social or life-style points of view. By providing the option of work for (mostly) mothers, and generally better family life, day cares significantly contribute to the generation of economic activities, benefits, and tax revenues. The parents are the direct, and the society at large, the indirect recipients of these benefits. It is not known how many parents of the 34 children at the Thousand Islands Day Care Centre go to work, or otherwise contribute to Gananoque's economy due to the availability of the day care spaces. Regardless, we are of the following opinion:

- 1. Day care facilities are strong economic generators.
- 2. The Town of Gananoque, the Township of Leeds and The Thousand Islands, and the United Counties of Leeds and Grenville should support this day care, ensure the continuation of its loving, caring and educational services, and expansion as needed.
- 3. Strictly from an economic highest and best use point of view for the former Kinsmen Building, we would not recommend this day care or any other day care because:
 - a) The Thousand Islands Day Care Centre has been using only about half of the 7,000 sq. ft. of the building.
 - b) Its total annual budget is in the order of \$300,000 to \$350,000.
 - c) Even if the entire 7,000 sq. ft. were to be used (reportedly there is enough demand for this purpose), and assuming that the number of employees would double, the centre's total

annual budget may increase to \$600,000 at most, which is significantly lower than options B.1 and B.2.

- d) Demand for child care space and thus day care revenues fluctuate. In view of the past low population growth and rapid aging of an already old population, the Thousand Islands Day Care Centre or any other day care centre cannot count on adequate revenues year after year.
- e) Similar to the proposed business incubator, this day care does not have the funds to purchase the former Kinsmen Building at fair market value.

B.5. Sale to the Highest Bidder

This option would free the Town of Gananoque from having to choose from a number of competing options and interested parties regarding the former Kinsmen Building.

The property would be listed on the MLS, one realty company would be selected for this purpose and, of course, all other realtors could bring potential buyers and offers to the Town (the logistics, including sufficient time for the current day care, would have to be worked out).

The new owner of the former Kinsmen Building would have more choice, and fewer restrictions than the Town of Gananoque. They may decide to keep the current day care, and fill up the remaining space with one or more tenants, or make whatever other decisions they wish, similar to any other private landlord.

The Town Council would then have the option of choosing what to do with the proceeds of the sale. This decision does not necessarily have to qualify as the highest and best use of the money since this decision would have already been made with the sale of the former Kinsmen Building. The Town Council, in its wisdom, may decide to provide financial aid to the current day care, to the food bank, other social/charity organizations or any other Town priorities.

B.6. Other Uses

Based on social, political, family-life values, planning or other considerations, any of the above, or another valid, prudent use may ultimately be chosen for the former Kinsmen Building. Any economic highest and best use, however, would have to be similar to the uses identified in B.1 and B.2, in our view.

6. SUMMARY OF FINDINGS

The consultant team conducted a detail analysis of the subject site, evaluated a number of social and economic factors in the Town of Gananoque, and interviewed key stakeholders. Although a number of options have been considered within this Report which Council may consider, overall it is the consultant team's recommendation that the highest and best use of the subject site would be for the Town to terminate its ownership of the Kinsmen building.

All respectfully submitted by:



Tracy Zander, M.Pl, MCIP, RPP
Principal Planner, ZanderPlan Inc.

Barry Nabatian. A.A.S., B.Sc., M.Sc.
Director, Market Research Division
Shore-Tanner & Associates

APPENDIX 1:
COPY OF SURVEY

400 Stone Street North - Highest and Best Use Feasibility Study

Introduction

ZanderPlan Inc. and Shore-Tanner and Associates are conducting a Highest and Best Use Feasibility for the former Kinsmen building located at 400 Stone Street North in Gananoque. Your comments and input are greatly appreciated, and will be considered in the final report to be presented to Town Council.

1. What would you like to see the former Kinsmen building used for?

- ☐ Community centre (eg. pickle ball, dance studio, recreational activities, etc)
- ☐ Day care centre
- ☐ Business Incubator Centre
- ☐ Commercial property (office space, retail space, etc)
- ☐ List the property for sale with the proceeds going to the Town's capital reserves

Other (please specify)

2. What use(s) would it be best to convert the building to?

- ☐ Recreation
- ☐ Business Centre
- ☐ Daycare
- ☐ Retail/commercial

Other (please specify)

3. For statistical purposes, please indicate your gender:

- ☐ Male
- ☐ Female
- ☐ Prefer not to answer

4. For statistical purposes, please indicate your age range:

- ☐ under 20 years old
- ☐ 21-30 years old
- ☐ 31-40 years old
- ☐ 41-50 years old
- ☐ 51-60 years old
- ☐ over 60 years old
- ☐ prefer not to answer

APPENDIX 2:
SUMMARY OF SURVEY RESULTS

SUMMARY OF SURVEY RESULTS

A public survey was administered through Survey Monkey between October 19th and October 31st, 2017. The survey was available on the Town's website and Facebook pages, and was also available in paper form at the Open House held on October 30th. A total of 323 responses were received online and in writing.

The following results were obtained (Note: not all questions were answered by all respondents):

Question 1: What would you like to see the former Kinsmen building used for?

| | |
|-----------------------------|------|
| Community Centre: | 21% |
| Daycare Centre: | 65% |
| Business Incubator Centre: | 3% |
| Commercial property: | 3% |
| List the property for sale: | 8% |
| Total: | 100% |

Other suggestions:

- Senior's centre
- Food bank
- Makerspace
- Municipal offices instead of the addition at the Town Hall
- Sell the building but retain the waterfront area
- Recreational library

Question 2: What use(s) would it be best to convert the building to?

| | |
|--------------------|------|
| Recreation: | 21% |
| Business Centre: | 10% |
| Daycare: | 66% |
| Retail/commercial: | 3% |
| Total: | 100% |

Other suggestions:

- food bank/community kitchen
- municipal offices
- senior's centre
- not retail uses
- intergenerational learning opportunities
- housing

Question 3: Gender?

| | |
|-----------------------|-----|
| Male: | 21% |
| Female: | 72% |
| Prefer not to answer: | 7% |

Question 4: Age range?

| | |
|-----------------------|-------|
| <20 years old: | .5% |
| 21-30 years old: | 10.5% |
| 31-40 years old: | 21.5% |
| 41-50 years old: | 20% |
| 51-60 years old: | 18.5% |
| over 60 years old: | 23% |
| Prefer not to answer: | 6% |
| Total: | 100% |

APPENDIX 3:
SUMMARY OF PUBLIC OPEN HOUSE
COMMENTS

SUMMARY OF PUBLIC OPEN HOUSE COMMENTS, Monday, October 30, 2017

A public Open House was held on Monday, October 30th from 5-7 pm in the lobby of the Lou Jeffries Arena in Gananoque. It was a "round table" format with informal questions and answers in a group setting; an aerial photo of the subject site was available for review. Approximately thirty people participated in the discussion.

Discussion and suggestions for the building included the following:

- Many people indicated that the daycare is a very important asset to the community and should remain in this building
- Others said this is waterfront property that is valuable to the Town
- It was noted that the catchment area goes well beyond the Town limits into the Township of Leeds and the Thousand Islands
- Questions were raised about the current costs to operate the building
- There were comments that anything that happens in the building needs to be sustainable and not result in a tax burden for the taxpayers
- It was noted that there is economic as well as social value to the building
- One attendee noted that there are some memorial trees located on the property near the building and they should be protected
- A multi-generational centre that is accessible to all age groups should be considered
- A community kitchen that includes classes and connects to the community garden could be located here (eg. comparison to the Table centre in Perth)
- This space could be considered for the food bank, as it is accessible and has kitchen facilities; they would require approximately 2000 square feet for their needs
- Some said this should be a community building owned by the Town and made available to various community groups
- There was discussion around sharing some of the space with local service clubs
- Some participants suggested that the building should be used for municipal staff, rather than constructing an addition to the current Town Hall