



NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

No.	2018-i13
To	Board of Directors
Date	2018-06-21

For DECISION

Subject/Title

Feasibility Study for Philippe Lake Campground in Gatineau Park

Summary

- Presentation of the feasibility study prepared by Tiree regarding options for the Philippe Lake Campground.
- Recommendations are made with a view to obtaining approval to move ahead with the recommended option.

Risks/Opportunities Summary

- Without investment/modernization, Philippe Lake Campground is likely to continue to record lower than market occupancy rates and to be unable to recover its full costs.
- If not updated to market standards (i.e.: Parks Canada, SÉPAQ), the NCC's reputation for quality, if not excellence, could be negatively affected as well as the visitors' perception of the Capital.

Recommendation

That the Board of Directors approve:

- The recommendations to modernize the Philippe Lake Campground and;
- advance design funding (20% of project cost) from the Multi-Year Capital Program for 2019-2020.

Submitted by:

Anne Ménard, A/Executive Director, Capital Stewardship Branch

Signature

1. Strategic Priorities

The public campground at Philippe Lake is a key asset that enables the NCC to deliver on several of its strategic objectives.

Current Corporate Commitments to maintain and improve the campground at Philippe Lake are found in:

- Corporate Plan (2016-2021) with no dedicated budget;
- Gatineau Park Outdoor Recreation Plan;
- Gatineau Park Master Plan.

The camping offer also helps to fulfill several strategic objectives and government priorities:

- Provides access and enjoyment of a natural shoreline environment at Philippe Lake, supported by recreational facilities (canoes, kayaks, hiking trails, playgrounds, beach access, picnics, and interpretation) (*Strategic Outcome: Access to shorelines*);
- Enables an immersive, meaningful way to actively experience a distinctive natural setting in the Capital Region (*Program Activity Architecture: Outdoor Experience*);
- Enables important opportunities for youth engagement and learning to promote appreciation, understanding, leading to environmental stewardship (*Government priority – Youth Engagement*);
- Attracts visitors to the municipality of La Pêche and is a driver for the regional tourism offer (*Strategic Outcome: Value Added Partner in the Region*);
- Provides affordable accommodation as a staging point for visitors to experience all that Canada's Capital has to offer (*NCC Mandate*).

2. Authority

- National Capital Act, paragraphs 10 (1) and 10 (2) f.
- NCC By-Laws, paragraph 3.2, subparagraph 3.2.5.

3. Context

The January 2016 Board submission entitled “Approval of the general approaches to the modernization of Philippe Lake Campground” and the June 2017 submission entitled “Update and options for the Philippe Lake Campground in Gatineau Park” stimulated much discussion.

As a result, on June 29, 2017, the Board of Directors approved a proposal stating that a feasibility study for the renewal and development of the Philippe Lake Campground shall be conducted and that a report be presented within 12 months. Tiree (Real Property Advisory Services) was engaged to do this work (see completed report in Appendix A).

4. Options Analysis

<i>Operating Model(s)</i>	<i>Advantages</i>	<i>Disadvantages/Risks</i>
1. Semi-Outsourced Model (Status Quo)	<ul style="list-style-type: none"> • No changes to services provided or the approach to management/operation; • NCC retains overall control but is removed from the day-to-day operations; • Current revenue split incentivizes the third-party operator to identify areas for improvement. 	<ul style="list-style-type: none"> • Current operating model yields negative financial performance for Philippe Lake; • NCC has full responsibility for all costs including capital costs.
2. Fully Outsourced Model	<ul style="list-style-type: none"> • Fully outsourced model provides greater incentive for the third-party operator to identify ways and means for financial improvement (greater “skin in the game” than under the current model); • Requirement for the NCC to directly contribute capital funding is eliminated. 	<ul style="list-style-type: none"> • Loss of NCC control over the Campground; • Market Interest risk – potential for limited or no market response to a single contract for Philippe Lake; • An outsourced operator is unlikely to invest in the campground, in this event the need for modernization would merely be delayed; • Potential impact on the larger Gatineau Park contract – Philippe Lake represents a significant proportion of the larger Gatineau Park contract and if removed could jeopardize the viability of the balance of the contract; • Adds oversight to the NCC – requires management of an additional contract; • Possible negative

		<p>publicity/reaction;</p> <ul style="list-style-type: none"> • Impact on delivery of the conservation mandate.
<p>3. Fully In House Model (NCC Operated)</p>	<ul style="list-style-type: none"> • Strongest possible control for the NCC. 	<ul style="list-style-type: none"> • Increases direct NCC costs; • Additional NCC management responsibilities; • Potential impact on the larger Gatineau Park contract – Philippe Lake represents a significant proportion of the larger Gatineau Park contract, if removed and managed in house could jeopardize the viability of the balance of the Gatineau Park contract.
<p>4. Capital Participating Model (Third party pays for capital investments)</p>	<ul style="list-style-type: none"> • No change in overall NCC control; • Model provides incentive for the third-party operator to identify ways and means for financial improvements; • NCC no longer responsible for up-fronting capital costs; • Can be implemented within the current contract - limited/no impact on the larger Gatineau Park contract. 	<ul style="list-style-type: none"> • Market Interest risk and contract complexities – potential for limited market response to a contract that requires capital participation; • Longer term commitment (contract length) would be needed to fund capital upgrades.

5. Financial Details

Proposed Investments - Philippe Lake Campground			
Item	Quantity	Per Unit/Site Cost (\$)	Total Estimated Cost (\$) including non-recovered taxes
Common Building	1	\$750,000	\$787,425
Kitchen Shelter	1	\$250,000	\$262,475
Additional Ready to Camp Units - 4 Season Tents	6	\$20,000	\$125,988
Additional Ready to Camp Units - Mini Chalets	12	\$40,000	\$503,952
Electricity & Water (to service camp sites)	75	\$5,000	\$393,713
Camping area infrastructure upgrades (water/sewer/electrical)		\$500,000	\$524,950
Campsite reconfigurations, roads, parking, signage, landscaping, WiFi & Other Improvements		\$750,000	\$787,425
Sub-Total:		\$3,225,000	\$3,385,928
Design & Soft Costs (20%)		\$645,000	\$677,185
Contingency/Risk Allowance (20%)		\$774,000	\$812,623
Approximate Budget:		\$4,644,000	\$4,875,736

Financial Summary		
	Thousands	Comments
Funding Requested	\$4,876	
Source of Funding	MYCP	
Total Estimated Project Costs	\$4,876	Class D
Funding From Partners	\$0	
NCC Funding Previously Approved	\$0	
Reserved Funding as per 2017-2018 Corporate Plan	\$0	
Impact on Future NCC Operating Costs: Net savings (costs)	\$565	\$565 from 2020-2021 to 2022-2023; \$301 per year long term
Internal Rate of Return (IRR): - Scenario 1 (Baseline/Most Likely)	0.2%	
Project Payback (in years):	16	Based on long term yearly incremental revenues (\$301)

Recommended improvements at Philippe Lake include construction and installation of a new central building, a kitchen shelter, additional ready to camp units, and additional services. Total investment is identified at approximately \$4.9M.

Improvements and additional services are expected to directly and positively impact overall demand with an associated increase in both occupancy and revenue. The investment is expected to result in:

- Higher overall occupancy – to approximately 60%, from the current 54%;
- Higher overall revenues – an increase in net annual revenue to the NCC of more than 30%;
- Break-even or better profitability (revenues less expenses, excluding capital) – a significant improvement compared to current annual losses; and
- A pay-back on the investment within approx. 16 years. The payback is lengthy due to the marginal nature of camping operations but is ultimately positive and will provide broader benefits for Gatineau Park users.

6. Opportunities and Expected Results

The current operating model for the Philippe Lake Campground and Gatineau Park represents a semi-outsourced model with maintenance and operations undertaken by a third party on a fee basis (plus a percentage of the gross revenues generated).

In this model, the NCC retains overall management control as well as direct responsibility for capital spending.

This approach is common in the operation of public sector campgrounds, and in the real property sector in general, although there are numerous examples where campground owners participate more than this (i.e., fully in house models) and also less so (i.e., fully outsourced models), with pros and cons to each.

The main drawback of the current model is the ongoing financial loss being recorded. However, the analysis suggests the losses have more to do with the marginal profitability of public campgrounds in general and their need for periodic recapitalization, and to the limited amenities and services offerings at the Philippe Lake Campground, than they do with the operating model.

Moreover, both the NCC and the third party operator report general satisfaction with the current arrangement, which motivates the operator – the revenue split formula provides incentive for the operator to identify possible additional sources of revenue, and this approach is working.

The current operating model is therefore recommended to be retained, with two possible changes:

- Provision of an incentive for the operator to identify cost saving measures – the operator to share in any savings, much like they do currently on the revenue side; and
- Provision of a capital participation clause, whereby the operator could fund capital improvements in exchange for a change/increase in the revenue split formula. The inclusion of this clause would provide flexibility to the NCC for sourcing needed capital.

7. Risks and Mitigation Measures

Without investment/modernization Philippe Lake Campground is likely to continue to record lower than market occupancy and not recover its costs.

Risk	Likelihood	Impact	Planned Response
Annual operating deficit.	High	Moderate	<ul style="list-style-type: none"> - Add 6 ready-to-camp four season tents in order to increase profitability while pursuing the planning of the modernization; - Continue marketing efforts.

8. Consultations and Communications

External consultations with:

- Demsis
- Tourisme Outaouais
- Camping Quebec
- Canadian Camping and RV Council
- Canadian Parks Council
- Huttopia Sutton
- Kampgrounds of America
- Logos Land
- Ontario Parks - Head Quarters and Campgrounds
- Parks Canada - Head Quarters and Campgrounds
- SÉPAQ - Head Quarters and Campgrounds
- Toronto and Region Conservation Authority - Headquarters and Campground
- United States National Park Service
- A for Adventure
- Biome Canada

Internal consultations with:

- Marketing
- Finance

9. Next Steps

If approved by the Board of Directors:

- | | |
|--------------------------------------------------|--------------|
| • Phase I - Install new ready-to-camp units | 2019-2020 |
| • Phase II – Cost validation & Design, approvals | 2019-2020 |
| • Seek funding for phase II implementation | MYCP process |

10. List of Appendices

- Appendix A: Feasibility Study, Gatineau Park – Philippe Lake Campground (Tiree 2018);
- Appendix B: Financial Analysis

11. Authors of the Submission

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THE NATIONAL CAPITAL COMMISSION (NCC)

FEASIBILITY STUDY

GATINEAU PARK - PHILIPPE LAKE

(EXECUTIVE SUMMARY)



Presented to: National Capital Commission

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Executive Summary

The National Capital Commission (NCC) is a Federal Crown Corporation created in 1959 with responsibility for the planning, physical development, use and preservation of all Federal Lands and assets within the National Capital Region (NCR), including the entirety of Gatineau Park. Gatineau Park is the largest single asset controlled by the NCC and extends north and west of Gatineau, Quebec and including parts of the municipalities of Chelsea, Pontiac, and La Pêche.

Gatineau Park provides local residents and tourists with opportunities and access to a variety of outdoor leisure activities in a pristine natural setting in close proximity to the urban core of Canada's Capital.

Available activities within the Park include hiking, skiing and camping, all of which are compatible with the NCC's mission to support recreational activities that conserve and protect the natural heritage of Gatineau Park.

The Philippe Lake campground is located in the northern part of Gatineau Park and is the largest area for camping within the Park. Camping was initiated in this area in the 1950s and reflected needs of the time, which focused mainly on traditional tent camping. In the intervening years, camping has grown and evolved within Gatineau Park and throughout Canada. Indeed, most of Canada's federal and provincial parks offer camping, and most offer greater features and amenities than those found at Philippe Lake.

The Philippe Lake campground includes four main camping zones with approximately 250 sites for tents/trailers/recreational vehicles as well as a small number of ready-to-camp units and group campsites. These camping zones are supported by a limited variety of amenities and facilities. Notwithstanding recent work to update campground infrastructure (sanitary blocks), Philippe Lake lacks the features and amenities found in most modern public and private campgrounds.

Despite its limitations, camping is still a key attribute and economic contributor for all of Gatineau Park, and the NCC is committed to maintaining and improving the campground at Philippe Lake. This commitment features within the NCC's Corporate Plan (2016-2021), the Gatineau Park Outdoor Recreation Plan, and the Gatineau Park Master Plan, and helps to fulfill the NCC mandate in the following ways:

- Camping provides access and enjoyment of the natural shoreline environment and enables participants to actively experience a distinctive natural setting in the Capital Region;
- Camping creates opportunities for youth engagement and learning that promotes appreciation and understanding, and leads to environmental stewardship;
- Camping and other recreational activities attract visitors to the municipality of La Pêche and is a key driver for regional tourism; and
- Camping within Gatineau Park provides affordable accommodation and a staging point for visitors to experience all that Canada's Capital has to offer.

Financial performance of the Philippe Lake campground has been poor with expenses associated with camping exceeding revenues every year since 2013-2014. The operating loss in 2017-2018 was more than \$260,000.

In view of its poor financial performance, and in alignment with previous Board direction, the NCC is assessing options and opportunities for the Philippe Lake campground including a review of the current operating model and options/opportunities to optimize recreational activities and revenues.

The NCC Board of Directors tasked the Gatineau Park team to produce a Feasibility Study to consider proposals to upgrade the campground, and to assess its business/operating model. The report herewith provides a detailed analysis of the existing conditions of the campground, looks at the business model, and makes recommendations for the future of the campground.

Key findings of this review can be summarized as follows:

- Camping has been provided within Gatineau Park since the 1950s;
- Camping is growing as an activity but also changing with campers increasingly seeking additional and higher levels of services and amenities. The term “glamping” or glamorous camping describes this trend whereby campers overnight in ready-to-camp units, which are equipped, furnished, and in some cases offer luxury accommodations;
- Campgrounds offering these types of facilities and amenities generally report higher occupancies and revenues, and better overall profitability;
- Philippe Lake offers lower levels of services, facilities, and amenities in comparison to these market standards:
 - Campsites at Philippe Lake are un-serviced (that is, there is no water, electricity, sewage services) available to the sites;
 - Campsites are small, generally lack privacy and do not meet modern standards;
 - Philippe Lake offers relatively fewer ready-to-camp units; and
 - Philippe Lake has limited common amenities.
- Financial performance of the Philippe Lake campground reflects these conditions, with lower than market occupancy and associated operating losses;
- The Philippe Lake campground requires modernization and investment if it is to remain competitive, and to improve its financial performance;
- Recommended improvements include construction and installation of a new central building within the campground area, a kitchen shelter, additional ready to camp units, upgrading services (water and electricity) and the reconfigurations of at least some of the campsites, some roads, signage, and landscaping to address privacy concerns and parking lot congestion, and other additional services, including Wi-Fi;
- Total investment is identified at approximately \$4.9M and is further outlined in the table below. A phased approach to the above upgrades is possible;

Proposed Investments – Philippe Lake Camping Areas			
Item	Quantity	Per Unit/Site Cost (\$)	Total Estimated Cost (\$) *
Common Building	1	\$750,000	\$750,000
Kitchen Shelter	1	\$250,000	\$250,000
Additional Ready to Camp Units - 4 Season Tents	6	\$20,000	\$120,000
Additional Ready to Camp Units - Mini Chalets	12	\$40,000	\$480,000
Electricity & Water (to service camp sites)	75	\$5,000	\$375,000
Camping area infrastructure upgrades (water/sewer/electrical)			\$500,000
Campsite re-configurations, roads, parking, signage, landscaping, Wi-Fi & Other Improvements			\$750,000
Sub-Total:			\$3,225,000
Design & Soft Costs (20%)			\$645,000
Contingency/Risk Allowance (20%)			\$774,000
Non-Recoverable Taxes			\$231,736
Approximate Budget:			\$4,875,736

* Notes/Assumptions:

- Approximate / Rough Order of Magnitude costs based on other/recent/similar projects and NCC estimates

- The current operating model for the Philippe Lake campground and for all of Gatineau Park represents a semi-outsourced model with maintenance and operations undertaken by a third party on a fee basis. In this model, the NCC retains overall management control as well as direct responsibility for capital spending, but is removed from the day to day operations;
- This approach is common in the operation of public sector campgrounds, and in the real property sector in general, although there are examples where campground owners participate more than this (i.e., fully in house models) and also less so (i.e., fully outsourced models), with pros and cons to each as highlighted herein;
- The main drawback of the current model are the ongoing financial losses being recorded. However, the analysis suggests losses have more to do with amenities and services offerings at the Philippe Lake campground (or the lack thereof), than they do with the operating model. Moreover, both the NCC and the third party operator report general satisfaction with the current arrangement, which does motivate the operator – a revenue split formula provides incentive for the operator to identify possible additional sources of revenue;
- A fully outsourced model was considered for the campground but has been rejected, as it:
 - May negatively impact the larger Gatineau Park contract;
 - Is likely too small/limiting to attract significant market interest or larger market participants;

- Is unlikely to result in an operator willing to invest; and
- Carries additional NCC management responsibilities.
- Additional operating models were also considered but also rejected, and accordingly the current operating model is recommended to be retained, with two possible changes:
 - Provision of an incentive for the operator to identify cost saving measures – the operator to share in any savings, much like they do currently on the revenue side; and
 - Provision of a capital participation clause, whereby the operator could fund capital improvements in exchange for a change/increase in the revenue split formula. The inclusion of this clause would provide flexibility to the NCC for sourcing needed capital.
- Implementation of recommended improvements and retention of the current operating model fully aligns with the National Capital Commission’s key strategies, plans and priorities and is expected to directly and positively impact occupancy and revenues at Philippe Lake:
 - An expected increase in overall occupancy – to approximately 60%, from the current 54%;
 - An expected increase in overall revenues – an increase in net annual revenue to the NCC of more than 30%;
 - Break-even or better profitability - a significant improvement compared to current annual losses; and
 - A pay-back on the investment within approximately 16 years. The payback period is lengthy due to the marginal overall nature of camping operations but is ultimately positive and will provide broader benefits for Gatineau Park and its users.
- Without investment/modernization Philippe Lake campground is likely to continue to record lower than market occupancy and to not cover its costs.

Camping Operations - Current & Forecast Financial Performance

	2017-2018	After Upgrading	Impacts/Changes
Net Revenue *			
Summer Camping	\$665,538	\$906,386	\$240,848
Winter Camping	\$135,452	\$195,664	\$60,212
Summer Concessions	\$11,435	\$11,435	\$0
Winter Concessions	\$260	\$260	\$0
Sub-total	\$812,685	\$1,113,745	\$301,060
Expenses			
Summer	\$768,825	\$768,825	\$0
Winter	\$308,295	\$308,295	\$0
Sub-total	\$1,077,120	\$1,077,120	\$0
Net Revenue	-\$264,435	\$36,625	\$301,060
Nights Occupied	19,896	25,881	5,985
Occupancy %	54.0%	59.4%	5.5%
<i>* excludes 25% paid to 3rd Party Operator</i>			