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Gay Abbate

The joys of cottage life, at a fraction of the costs…

Interval ownership means a lakefront getaway has multiple owners who not only use it themselves but can also rent it out

Glenn Scott reluctantly sold the cottage he designed and built in Haliburton, Ont., so he could buy a house in the city for his growing family. With prices of vacation properties skyrocketing, he thought that owning another cottage would remain an impossible dream. That was until the day he read an ad for a new type of cottage ownership — fractional.

Despite being nervous about the new venture, Mr. Scott bought one share of a cottage in the William's Landing development in Haliburton. For $48,000, he bought the right to use a fully furnished waterfront cottage for five weeks each year in perpetuity.

"The day I went to the cottage the first time I was so impressed I called my realtor and bought a share in another cottage there," he says.

Fractional ownership is essentially the old-fashioned time-share: A number of people each pay for the right to use a facility for a specific period of time each year. The twist is that, as a fractional owner, you receive a deed for your share of the cottage and can sell it, rent it out or leave it to your heirs.

The William's Landing cottage development in Haliburton, Ont., was the first project of developers John Puffer and Joe Giglio. *(Chandler Point Corp.)*

Most fractional developments offer cottages of two or three bedrooms on the water, well separated for privacy, with a fireplace, a dishwasher, washer and dryer, satellite, a screened-in porch and barbecue. Most complexes also provide tennis courts, a pool, hiking trails, canoes, kayaks, paddle boats and sailboats, and docks for those with motorboats. In the winter, most have ice skating and cross-country skiing.

There are currently 14 completed fractional cottage developments in Ontario, says Gloria Collinson, past president of the Canada Resort Development Association. Ten of the projects are sold out, but resales do come on the market. There are also developments in British Columbia, Alberta and the Maritimes.

"Fractional cottages are the fastest-growing segment of the tourism industry," Ms. Collinson says.

Most fractional cottage developments operate as non-profit organizations with boards of directors. The developer operates the project for one or two years until the cottages are all sold and then hands the operation over to the board, which hires a management company to look after the property.

One share, also called an interval, varies among the developments, but five weeks is the standard.

That means that each cottage has 10 owners with the other two weeks set aside for maintenance. Owners are guaranteed one week during the peak summer months and another week in each of the other three seasons. A fifth week is allocated on a rotation basis.

Some developments offer a choice of intervals. The Lodge at Pine Cove on the French River, about 270 kilometres north of Barrie, sells six-month intervals. At Canadian Water Vacations in Brockville, about 235 kilometres east of Toronto, you can choose either a one-tenth or a one-fifth share, which gives you a week every 10 weeks.

Information about all the existing Ontario fractional cottage developments, as well as new ones planned, is available online (www.fractions.ca).

Share prices can vary dramatically between developments, location being the determinant.

A single share in a cottage in the Muskokas can cost $147,000 to $275,000, compared with $29,900 to $54,000 elsewhere, Ms. Collinson says. The average price is between $60,000 and $80,000.

A lakefront property similar to a fractional cottage would sell for $350,000 to $2-million, she says.

Fractional owners must also pay an annual maintenance fee, which is set every year by the board of directors. It can range from about $2,000 to more than $4,000. The fee covers property taxes, insurance, a reserve fund, building and property maintenance, housekeeping and utilities.

Fractional cottages were first offered in Ontario in 1999 by developers John Puffer and Joe Giglio, who borrowed the idea from ski resorts in Colorado. William's Landing was their first project.

Mr. Puffer, a cottager himself, says he realized that most cottages sit empty for much of the year. And with cottages out of reach for most, he says, fractional ownership allows more people to enjoy a cottage life.

There are other advantages to fractional ownership besides its affordability. Because they are maintenance-free, owners can spend all their time at the cottage relaxing instead of doing repairs. Being fully equipped with everything from sheets to cutlery, owners need only pack food and clothes for their stay.

Mr. Puffer says he has never heard of anyone being unhappy with their purchase. In fact, many people buy more than one share. One family bought seven, five-week shares in one of his developments.

Another plus is that fractional cottages have increased 15 per cent in value over the past four years. Ms. Collinson, who has sold fractional cottages since they came on the market in Ontario, expects values to continue to increase. Mr. Scott sold his two shares in 2005 for $70,000 each and turned around and bought three intervals in one cottage in another of Mr. Puffer's developments.

There are some disadvantages, however. Maintenance fees could skyrocket. You have to buy more than one share to spend two weeks in a row at the same cottage. With so many owners, you cannot leave personal belongings for your next visit. And you cannot change the paint colour or furnishings without the co-owners' approval.

Smokers may find that their cottage is smoke-free and face a hefty fine if they light up inside. And some cottages may not permit pets.

If you want to change something in the development, all shareholders must agree — something that could prove impossible, says Mr. Scott, who is president of his board of directors.

Fractional developments are not popular with all owners of private cottages. "There is a bit of angst about incremental changes in cottage country where it is a bit of a wild area," says Terry Rees, executive director of the Federation of Ontario Cottagers' Associations.

"Instead of having one family use the place for a short period of time during the year, you have a situation with more people there all the time."

That raises concern about the impact on water resources and the quality of the lakes, Mr. Reese says. However, if fractional development is done with foresight and good planning, "there is the potential to be a positive thing on the landscape," he adds.

Some developers are going green with their projects. Mr. Puffer says his four developments are environmentally friendly with energy-efficient cottages.

Jonathan Westeinde of Windmill Development Group says sustainability is the goal of his Whitewater Village on Rocher-Fendu Lake, about a one-hour drive west of Ottawa. All dwellings, which just went on the market, will use half the energy of typical cottages, he says.

Walls will be made of interlocking logs, only "green" cleaning products will be used, and cars will be banned on the property. In addition, solar-powered golf cart cards will be provided.

All these measures increase the capital costs but will reduce the operating costs, Mr. Westeinde says.