



## POLICY REPORT

Report Date: June 28, 2018  
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Meeting Date: July 10, 2018

TO: Vancouver City Council  
FROM: General Manager of Planning, Urban Design and Sustainability  
SUBJECT: Interim Hotel Development Policy and Related Amendments to the Downtown Official Development Plan

### **RECOMMENDATION**

- A. THAT, in order to retain hotel uses downtown, the General Manager of Planning, Urban Design and Sustainability be instructed to make application to amend the Downtown Official Development Plan (the "DODP") to add hotel as a conditionally permitted land use in Area N and Area L1, generally as set out in Appendix A, and that the application be referred to a Public Hearing; and

FURTHER THAT the Director of Legal Services be instructed to prepare the necessary amending by-law generally in accordance with Appendix A for consideration at the Public Hearing.

- B. THAT Council adopt the *Interim Hotel Development Policy*, generally as presented in Appendix B, to inform community planning initiatives and for the consideration of rezoning and development applications and enquiries; and

FURTHER THAT Council consider the adoption of *the Interim Hotel Development Policy* at the Public Hearing when the text amendments of the *Downtown Official Development Plan By-law (DODP)*, in Recommendation A, are being considered by Council.

- C. THAT Council direct staff to continue monitoring the supply of hotel rooms and consider policy options and zoning supportive of hotel development as part of future planning programs including the Broadway Plan and City Core 2050.

## **REPORT SUMMARY**

In 2007, Council adopted the *Metro Core Jobs and Economy Land Use Plan* (Metro Core Plan). The Metro Core Plan directed staff to provide opportunities for new hotels to locate close to and within the CBD and along Broadway and to report back with a hotel conversion policy. The Plan also resulted in zoning changes in the Central Business District (CBD) and CBD shoulder areas that resulted in significant increases in commercial development and the development of some new hotels.

Although the economy related to tourism and conferences has continued to grow, the number of hotel rooms in the city has declined by 1,105 rooms over the past decade. A further 1,674 hotel rooms are at risk in the short and medium term for redevelopment, primarily to residential. This will constrain job growth in the tourism industry and put further pressure on the use of residential homes for short term rentals. Tourism Vancouver is projecting the city will lose our competitive edge when competing for conferences due to challenges securing hotel room blocks at a price comparable to other major centres.

Over the past few years, illegal short-term rental (STR) of residences in the downtown and adjacent neighbourhoods have met some of the increased demand for tourist accommodation. While staff acknowledges the benefit STRs provide to the tourism industry, in the face of an affordability crisis and record low vacancy rates, the City had to prioritize housing to people who want to live and work in Vancouver. In 2017 Council introduced new regulations on short-term rentals to minimize the loss of rental housing to STR use by limiting STRs to those associated with principal residences. The deadline for registering a STR unit is August 31, 2018. In the fall staff will have an updated summary of STR marketing in Vancouver, and may propose further action.

The policies and zoning changes recommended in this report will moderate the loss of hotel rooms and encourage increases in hotels development. By increasing the supply of hotel rooms, staff are hopeful that this will not only help to expand and support the tourism economy, but will also reduce the STR use of residential apartments by tourists. Staff anticipate the conversion of rental apartments to hotel use that may occur as a result of the recommendations in this report will not have a significant impact on achieving the City's affordable housing targets. The policies do not apply to affordable housing designated under the *Single Room Accommodation By-law*.

This report recommends two zoning changes, a hotel conversion policy and planning policies that support future opportunities for hotel development. The proposed zoning changes include two amendments of the *Downtown Official Development Plan* (DODP) to permit hotel as a land use within Area N and Area L1 (see Figure 1) in Downtown South. In Area L1, hotel, similar to currently permitted non-residential land uses, would be limited to 1 FSR so the neighbourhood remains a primarily residential area. Recommended policies also seek to minimize the loss of rental housing stock. Staff project that there will continue to be significant increases in the downtown stock of rental housing and social housing through the West End Plan policies and other development applications and planning initiatives.

It is recommended that Council consider the adoption of an *Interim Hotel Development Policy* at the public hearing when Council considers the text amendments recommended above. The interim policy (see Appendix B) will to guide hotel-related approvals and minimize potential losses pending work on City Core 2050 and related planning programs. Specific consideration

will be given to opportunities for hotels in the downtown peninsula and Broadway through area plans and site-specific rezonings. As an interim policy, there should be no net loss in the city's hotel room stock until the Broadway Plan and City Core 2050 are completed and longer term targets for hotel development can be set.

Figure 1. Downtown Official Development Plan Area with Area N and L1 highlighted



### **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

On July 30, 1991, the downtown zoning was amended and hotels were removed as a permitted land use in some areas, including Area N and Area L1 of the DODP. Existing hotels remained as legally non-conforming.

On July 10, 2007, Council adopted the *Metropolitan Core Jobs and Economy Land Use Plan: Issues and Directions Report*. The policies highlighted the importance of hotels in the Metro Core's economy and called for providing opportunities for new hotels to locate close to and within the central business district and on Broadway. It also directed staff to develop a hotel conversion policy for existing hotels.

On October 26, 2017, Council amended the *Zoning and Development By-law, Licence By-law* and *Ticket Offences By-law* to allow residents to conduct short-term rentals in their Principal Residence Unit. The amendments prohibit short-term rentals of residences, secondary suites or laneway houses which are not Principal Residence Units.

### **CITY MANAGER'S/GENERAL MANAGER'S COMMENTS**

The City Manager recommends approval of the foregoing.

### **REPORT**

#### **Background/Context**

#### **(a) Hotels Play a Critical Role in Supporting the City and Region's Economy**

Tourism, business travel, and conferences / conventions contribute:

- approximately \$4.8 billion to the Metro Vancouver economy in 2017 and supports over 70,000 full time jobs<sup>1</sup>;

<sup>1</sup> Tourism Vancouver figures

- more to the provincial GDP (\$7.9B) than any other primary resource industry, except the oil & gas extraction industry<sup>2</sup>;
- on an average per day, a visitor to Vancouver spends more than double what a resident does in locals shops, restaurants and on local services<sup>3</sup>;
- hotels provide critical support for key growth job sectors such as high-tech firms by providing meeting facilities and accommodation for business travel. The current significant increase in office space downtown will result in more demand for hotel rooms for employees of local firms that are in Vancouver for a short term period.

According to Tourism Vancouver data, the city has the majority (57%) of the 23,000 hotel rooms in Metro Vancouver. Metro Vancouver visitor numbers have increased over the past decade by approximately 1.7 million visitors, to 10.3 million visitors in 2017, with visitor growth consistently increasing from 2013 to present.

### ***(b) The Growing Gap Between Demand and Supply for Hotel Rooms***

The increases in annual visitors and the net loss of hotel rooms have resulted in a growing supply gap (see Figure 2). In this period, land values have risen substantially for strata, rental residential and office space, resulting in proposals for the conversion or redevelopment of existing hotels, primarily for residential.

Since 2013, this trend has been more evident with significant annual increases in visitors to the city. This has put pressure on the city's rental housing stock via short-term rentals with visitors looking for affordable and uniquely local accommodation.

Of the hotel rooms lost, approximately one third of the losses are related to the conversion of hotel rooms to rental housing and the remaining hotels were in buildings that were demolished.

See Appendix C for further analysis on the demand for and supply of hotel rooms.

### ***(c) Where and how we have fostered the development of new hotels***

There have been some additions to the City's supply of hotel rooms in the last decade. For example, Council approved changes to the zoning of the central business 'shoulder areas' that are south and east of the central business district which required a minimum of 2 FSR of commercial development on each site. Also, in Northeast False Creek the policies and zoning of the area has required commercial development resulting in the development of two large hotels.

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<sup>2</sup> Destination BC

<sup>3</sup> StatsCan International Travel Survey Microdata & CANSIM data, 2014

Figure 2. Trend comparison between annual visitors to Metro Vancouver and the number of hotel rooms, produced with CBRE data<sup>4</sup> with assistance from Tourism Vancouver.



### Strategic Analysis

Although hotels are currently permitted throughout the city in commercial districts, including many parts of the downtown, such as the West End and historic area districts, staff project a continuing net decline of hotel rooms in the city and downtown unless there are adjustments in City policy. The policy and recommended zoning amendments will ensure hotels are recognized as an important part of the city and its economy and their development is encouraged.

### PROPOSED INTERIM HOTEL DEVELOPMENT POLICY

The proposed *Interim Hotel Development Policy* will inform how staff and Council respond to proposals for new hotels and development proposal that would result in the loss of hotels. This will be an interim policy pending Council’s approval of City Core 2050 and the Broadway Plan planning programs. These planning initiatives will consider a broad range of public interest/benefit, land use and built form issues. Establishing targets for hotel development will be informed by this work.

The policy will be referenced by staff when providing advice on rezoning enquiries. Area plans will also be an important tool to foster future hotel development. In addition, land use policies and rezonings that increase the supply of hotel rooms should be considered as part of these programs.

The proposed interim hotel development policy in summary:

- Reaffirms the importance of hotels and related meeting facilities to the city’s economy, especially in the downtown and emerging office areas.

<sup>4</sup> Source: Data from CBRE Limited with reproduction and use of information subject to CBRE Limited Disclaimer / Terms of Use as detailed at [www.cbre.ca](http://www.cbre.ca)

- Establish a policy objective that, pending completion of the City Core 2050 and the Broadway Plan there should not be a net loss of hotel rooms in Vancouver.
- Encourages the consideration of opportunities for new hotel supply (e.g. identifying opportunities for hotels as part of rezoning applications and permitting hotels in existing zoning).
- Addresses the forecasted loss of existing hotels by encouraging the replacement of the hotel rooms when a hotel site is being redeveloped.
- Encourages variety in hotel locations through area planning initiatives such as the Broadway Plan and City Core 2050 and as part of site-specific rezoning applications. In these initiatives, the development of new hotels should be a priority, in addition to other City priorities such as office space and affordable housing.
- Address the retention and provision of new modestly-priced hotel by the consideration of new hotels with smaller room sizes and retaining clusters of existing modestly priced hotels (e.g. Granville Street, south of Nelson Street).
- Maintaining and increasing the rental stock should be carefully weighed when considering the conversion of hotel rooms to rental housing or the conversion of rental housing to hotel. Losses of rental housing stock should be minimized.
- Mixing hotel rooms on floors with rental or condominium apartments is not supported.
- Allow for the consideration of the conversion of single-owner strata (ie there is one owner for all the strata units) residential units to a hotel in the Downtown District and commercially zoned areas. Conversions are not supported in the case of buildings which are owned and occupied by multiple owners, unless 100% of the owners agree to the conversion and it is permitted by the site's zoning.
- Rezoning and development applications in cases where the hotel rooms are proposed to not be replaced or conversion proposals (hotel converted to residential or residential converted to hotel), may be the subject of an Issues Report to Council. This will apply to buildings where the hotel use occupies 20,000 square feet or more (1,858 square metres) floor space.

## **PROPOSED DOWNTOWN DISTRICT ZONING AMENDMENTS**

The recommended Downtown District zoning amendments facilitate the continued operation of the three hotels in Area N as legal conforming uses and allow for future hotel development up to the permitted density in the sub-area. They provide limited development options for hotels in Area L1 with hotel use being limited to 1.0 FSR (see Figure 1 for the location of zoning Areas N and L1). A number of non-residential land uses are currently permitted in Area L1 up to a maximum of 1.0 FSR. Residential is permitted in Area L1 up to a maximum of 5.0 FSR. Downtown South will continue to be a primarily residential neighbourhood.

To be certain that the addition of hotel use to these areas will not have a major impact on residential or the stock of rental housing, staff addressed this in the interim policy, described above.

The proposed zoning amendments (Appendix A) will:

- Add hotel as a conditionally permitted use in Area N and Area L1;
- Allow for businesses ancillary to a hotel (such as a restaurant);
- In Area N, allow for existing hotels to operate as a business legally in conformance to the zoning;

- In Area N, new hotels could be considered up to the permitted density for residential; and
- In Area L1, hotels will be limited to the current 1.0 FSR density maximum for non-residential land uses.

### **NEXT STEPS**

Staff will continue to work with the tourism sector through industry stakeholders to monitor development activity in the hotel sector. Recent experience has shown that identifying opportunities for hotel space as part of area planning initiatives was effective at encouraging new hotels (e.g. the Metro Core Plan). Supportive zoning or policy options for hotels should be considered as part of City Core 2050 and area planning programs, such as the Broadway Plan. Staff believe a hotel room target should be part of future policy and this will be brought to Council as part of City Core 2050.

Staff will continue to monitor the gains and losses of hotel rooms in the city. At a minimum, pending completion of City Core 2050 and the Broadway Plan, the city should have no net loss in hotel room stock.

The recommended zoning amendments and the *Interim Hotel Development Policy* will be considered by Council at a public hearing.

### **Public/Civic Agency Input**

Tourism Vancouver staff have advised that maintaining a supply of hotel rooms in a variety of locations is important to support the city's tourism economy and associated jobs. Maintaining an adequate supply of hotel rooms is necessary for Vancouver to compete with other cities in booking conventions. This requires securing associated hotel room blocks at a price competitive with other major centres. Tourism Vancouver staff emphasized the importance of a hotel room target as a desirable future policy.

Staff held a stakeholder meeting with representatives from Tourism Vancouver, Downtown Vancouver Business Improvement Agency (BIA), Robson Street BIA, Yaletown BIA, and West End BIA and the Hotel Association of Vancouver. The BIAs, particularly the West End BIA emphasized the importance of hotels to the local economy. Representatives from the Hotel Association of Vancouver emphasized the need for development or zoning levers to facilitate a regular supply of units; but cautioned in drawing false projection conclusions by examining data at the peak of a tourism growth period.

Staff also presented policy proposals to representatives from the Board of Trade. They suggested that to be effective in encouraging hotels, there is a need to consider special provisions for hotels in planning programs, and consider floor-space ratio incentives in areas having choice of use between hotels and office.

Notification and application information, as well as an online comment form, were provided on the City of Vancouver webpage related to zoning amendments for Area N. A total of 5,021 notices were distributed within the neighbouring area on April 13, 2018 advertising the open house.

An open house regarding the proposed zoning amendments for Area N was held on April 30, 2018 with 30 attendees present, and 11 written submissions received. Public comments identified the importance of limiting short-term rental uses in rental and condominium buildings, maintaining residential uses, in particular rental room stock in the area. Public comments in support of the proposal pointed out the shortage of hotels in the downtown area. The proposed addition of hotel use in Area L1 of the Downtown District (limited to 1.0 FSR) was added subsequent to our open house in response to advice received from stakeholders, although staff note that the existing zoning already permits 1.0 FSR of non-residential use and this change would add hotel as another potential non-residential use.

***Implications/Related Issues/Risk***

***Financial***

It is anticipated that the proposed policy will not result in material financial implications for the City.

***CONCLUSION***

The Interim Hotel Development Policy clarifies that Council recognizes the significance of hotels, tourism and the associated jobs in Vancouver. Ensuring no net loss in the stock of hotel rooms in the city will also reduce the pressure to use residential properties for short term stays by visitors to the city and therefore, address Council's affordable housing objectives.

Further proposals involving hotels will form part of the preparation of the Broadway Plan and City Core 2050.

The Downtown Official Development Plan amendments proposed in this report serve to support existing hotels in DODP Area N, and enable limited hotel opportunities in Area L1.

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**PROPOSED AMENDMENTS TO THE  
DOWNTOWN OFFICIAL DEVELOPMENT PLAN BY-LAW**

Note: An amending by-law will be prepared generally in accordance with the provisions listed below, subject to change and refinement prior to posting.

1. This By-law amends the indicated provisions of the Downtown Official Development Plan By-law No. 4912.
2. In section 14(g) Service Uses under Section 1 – Land Use, Council adds “Hotel,” after “Bed and Breakfast Accommodation,”.
3. Council strikes out the note starting with “Ground floor retail, retail-commercial and service uses prohibited” in Map 2 under Section 2 – Retail Use Continuity, and substitutes the following:

“Ground floor retail, retail-commercial and service uses prohibited, except:

  - (a) in corner sites where up to 2,500 sq. ft. of retail, retail-commercial, and service uses are permitted;
  - (b) along Mainland Street frontage between Nelson and Smithe Streets, and along Nelson and Smithe street frontages between Mainland and Cambie Streets, for the life of the building existing as of December 11, 2001; and
  - (c) when permitted as accessory uses customarily ancillary to a hotel in the area denoted by the letter ‘N’ on Map 1.”.
4. In clause L of section 1 under Section 3 – Density, Council:
  - (a) strikes out the words “office uses, institutional uses, and cultural and recreational uses shall not in total exceed floor space ratio 1.00” and substitutes “office uses, institutional uses, cultural and recreational uses, and hotel use in the area denoted by the letter ‘L1’, shall not in total exceed floor space ratio 1.00”; and
  - (b) strikes out the words “retail and service uses are more particularly limited as follows:” and substitutes “retail and service uses, except hotel, are more particularly limited as follows:”.
5. Council strikes out clause N of section 1 under Section 3 – Density, and substitutes the following:

“N in the area denoted by the letter ‘N’, the maximum density for all uses shall be floor space ratio 5.00, except that:

  - for a hotel use existing on or before [insert date of enactment], the floor space ratio shall not exceed the greater of the floor space ratio existing on [insert date of enactment] plus any difference in area excluded in the computation of floor space ratio of the existing use, or a maximum floor space ratio of 5.00;

- office uses, institutional uses, and cultural and recreational uses shall not in total exceed floor space ratio 1.00;
- retail and service uses, except hotel, are more particularly limited as follows:
- on Davie Street to a maximum of 10,000 square feet per site;
- on Burrard Street to a maximum of 20,000 square feet per site; and
- in all other locations to corner sites and to a maximum of 2,500 square feet per site;”.

\* \* \* \* \*

## Interim Hotel Development Policy

### 1 Application and Intent

This policy will be used in the evaluation of enquiries and applications for the development of new hotels, the expansion of hotels and the demolition of existing hotels. It also addresses the conversion of existing hotels to residential use or residential use to hotel where zoning provides the option of both commercial and residential uses.

The Interim Hotel Development Policy applies throughout the city. This policy does not apply to affordable housing designated under the *Single Room Accommodation By-law*.

The policy reaffirms the City's interest that new or existing hotels will be considered as part of neighbourhood planning programs, as well as rezoning and development applications and enquiries. This policy emphasises the importance of existing and new hotel rooms in the City Core, especially downtown.

### 2 The Supply of Hotel Rooms

#### Monitoring Hotel Supply / No Net Loss

Staff will continue to monitor the gains and losses of hotel rooms in the city. There should be no net loss in the city's hotel room stock until the Broadway Plan and City Core 2050 are completed, when new targets will be brought forward to Council for consideration.

#### Create Opportunities for Hotels

Development and rezoning enquiries applications will be reviewed with consideration of this objective. Development should consider the retention or replacement of hotel rooms on the development site.

During area planning initiatives, consideration will be given to the appropriateness, necessity, and supply of sites for hotel uses. Sites in the downtown and City Core areas are particularly important due to their proximity to major convention facilities, major offices, the concentration of tourism destinations and regional economic importance.

#### Price and Experience: Encourage a Variety of Options

In the City Core area, especially downtown, there is a recognized need for hotel options that are modestly priced. This can be accomplished through retention of existing hotels (where feasible), mixed-use projects incorporating hotel and support for the development of innovative hotel options with modest room sizes.

Opportunities for variety in visitor experience and choice should be encouraged. This will be furthered through variety in hotel locations and price throughout the City Core and elsewhere in the city in commercially zoned districts. Variety in room choice, especially pricing, is important to enable visitor diversity, and resilient visitor growth to Vancouver.

Maintaining price diversity can be achieved by retaining, where possible, mid-price range tourist hotels.

#### Hotel Facilities

New hotels will be required to have lobby areas for checking in guests and back of house facilities for housekeeping staff. Hotel floor plans and facilities should be clearly distinguishable from a residential building.

### **3 Hotel Conversions**

#### **Residential to Hotel Considerations**

- 3.1 The review of proposals to convert a residential building to hotel use will be considered in cases where:
- (a) one owner owns all the strata lots; or
  - (b) 100% of the strata owners agree to the conversion of all or a portion of the strata lots to hotel use;
  - (c) the zoning permits hotel use; and
  - (d) if appropriate, securing a housing agreement for the residential units are occupied as rental apartments.
- 3.2 The following should also be considered:
- (a) access to the hotel rooms should be separated from the remaining residential units;
  - (b) hotel parking access should be separate from resident parking; and
  - (c) mixing hotel rooms on floors with rental or condominium apartments is not supported.

#### **Council – Issues Reports on Hotel Room Losses**

- 3.3 Rezoning and development applications where the existing hotel rooms are proposed to not be replaced or conversion proposals (hotel converted to residential or residential converted to hotel), may be the subject of an Issues Report to Council. This will apply to buildings where the hotel use occupies 20,000 square feet or more (1,858 square metres) floor space.
- 3.4 The Issues Report will assess rezoning and development application proposals for conversion based on consideration of the following criteria:
- (a) The current supply of hotel space and the projected demand for the next 3 years both for the city, and where applicable, the downtown.
  - (b) The amount of hotel space being converted and the general pace of hotel room losses and gains.
  - (c) Whether (i) the building is on the Vancouver Heritage Register (VHR) or (ii) is deemed of heritage value and worthy of being added to the Register, following the preparation of a 'Statement of Significance or (iii) the building is a post 1940 building worthy of inclusion on the VHR, and (iv) it is concluded that the building is at risk and (v) heritage designation will result.
  - (d) The proposal's ability to address job space targets.
- (e) The proposal's ability to address housing policy goals, in particular, the provision of social housing or secured market rental housing.

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## City of Vancouver Hotel Gains and Losses January 2008 – May 2018

Tourism Vancouver predicts that a continued shortfall in hotel rooms will constrain future growth of the city's tourism market. Tourism Vancouver has experienced, and is predicting increased challenges in securing room blocks for conferences and tour operator reservations at competitive prices. If this trend continues, it will become difficult to reliably secure major citywide conference bookings. Continued lack of accommodation supply, either for hotel rooms or short-term rentals may lead to constrained growth in the leisure tourism and hospitality industry.

Staff has seen a shift in hotel development patterns, similar to what is occurring in other major North American cities. All major new hotels built over the last decade in Vancouver have been mixed use buildings, a deviation from prior single-use hotel construction. Only the casino-hotel Parq Vancouver has not had a residential component. This is due to the floorplate similarities between hotel and residential development, and the ability to jointly share services like concierge or gymnasium facilities between hotel and residential buildings.

Staff have been monitoring hotel room inventory since the Metro Core Report was created in 2007. The gains and losses of hotel rooms that have taken place in the City since 2008 are summarized in Table 1, shown below by subarea<sup>5</sup>. Staff have concluded that 1,674 hotel rooms are currently at risk of redevelopment based on site redevelopment potential.

Table 1. Summary of Hotel Room Changes January 2008 – June 2018

	2008 Rooms	2018 Rooms	New Rooms Constructed	Room Conversions & Demolitions	Net Room Change
Downtown	13,000	12,807	1,451	-1,644	-193
Central Broadway / Granville Island	868	475	0	-393	-393
Midtown / South Outside of the City Core Area	1,162	643	6	-525	-519
<b>TOTAL</b>	<b>15,030</b>	<b>13,925</b>	<b>1,457</b>	<b>-2,562</b>	<b>-1,105</b>

### Existing Hotels Zoned DD in Area N of the DODP

Table 2. Hotels Zoned DD in Area N of the DODP

Hotel Name	Date of Construction	Built FSR (DD zone permits a max. of 5.0)	Number of Rooms
<b>Landis Hotel &amp; Suites</b> 1200 Hornby Street	1993	2.4	52
<b>Executive Hotel Vintage Park</b> 1379 Howe Street	1994	5.87	98
<b>Residence Inn by Marriott Vancouver Downtown</b> 1234 Hornby Street	1989	7.04	201

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<sup>5</sup> Note that this information accounts for hotels outside of downtown, hostels and long-term stay residences.