

## UNFINISHED BUSINESS

### 2. Exploring New Forms of Hospitality and Housing Tenure to Support Purpose Built Rental

Submitted by Councillor Fry

#### WHEREAS

1. More than half of the population of the City of Vancouver rent their home;
2. Rents are high and vacancy rates are low, which has been characterized as a crisis;
3. The City of Vancouver has committed to a target of 20,000 new purpose-built rental units to be approved by 2027;
4. Developer Cost Levies (DCLs) are an important source of revenue for City facilities like Parks, Childcare facilities, Social and non-profit housing, and Engineering infrastructure;
5. The City of Vancouver waives Developer Cost Levies (DCLs) to encourage the construction of purpose-built rental through the Moderate Income Rental Housing Pilot Program, and for “For Profit Affordable Housing” through the Rental 100 program;
6. Rents under Rental 100 typically exceed the measure of affordability for the median Vancouver household income (less than \$80,000);
7. Hotel and traveler accommodations support one of Vancouver and the region’s primary industries. In 2017, tourism contributed approximately \$4.8 billion to the Metro Vancouver economy and supported over 70,000 full time jobs;
8. For the last 15 years, the number of Vancouver hotel rooms have been in decline. The loss of hotel supply has put upward pressure on the market and the average costs of the remaining hotel stock are consistently among the highest in Canada;
9. Tourism Vancouver warned the City risks losing its competitive edge as a tourism destination over hotel room shortages; potentially over \$2 billion in visitor spending over 12 years (*Tourism in Vancouver: Hotel Demand, Supply and Impact - 12 April, 2019*);
10. Tourism Vancouver have undergone 2030 planning, and have recommended that between 3,000 - 4,000 hotel rooms are required to meet visitor demand;
11. Modern traveler preferences for Do-it-yourself (DIY) apartment-style accommodations have led to growth in individually-owned peer-to-peer (P2P) “short term rentals” (STRs) like Airbnb and VRBO; variously marketed under the slogan “live like a local.”;

12. P2P STRs like Airbnb and VRBO can replace long-term local (resident) rental housing supply with short-term visitor accommodations. Despite regulations, anecdotal reports and self-appointed watchdogs suggest P2P STRs are a threat to long-term rental stock;
13. Modern traveler preferences for Do-it-yourself (DIY) apartment-style accommodations are also inspiring the growth of “tech-enabled hospitality” options in the new form of corporate-run apartment-hotel hybrids like Stay Alfred, Lyric, and Sonder;
14. The tech-enabled hospitality model avails:
  - a. Locations in purpose-built rental, strata, or commercial buildings;
  - b. Forgoing lobby, concierge, and otherwise traditional hotel amenities;
  - c. Opportunities to “live like a local,” with locations potentially inside or outside of traditional hotel districts;
  - d. An alternative to P2P STRs for the DIY traveler;
  - e. A discrete experience that is minimally impactful on long term local residents and neighbourhoods: Suites and floors are accessed by coded key fob, apps link guests to services operated out of remote locations, and sound monitors support good neighbour agreements;
15. The tech-enabled hospitality model can also avail:
  - a. A financial incentive for developers to build new Purpose-Built Rental leveraging a time-limited master lease for a portion of hospitality use in the building.
  - b. The increased supply of new market rental, supported by tech-enabled hospitality units in new Purpose-Built Rental (PBR) buildings;
  - c. The increased supply of new market rental, once the tech-enabled hospitality units themselves are released from their lease;
16. The Canadian company Sonder (named in *Forbes* as one of 2018’s Next Billion Dollar Startups) have undertaken master leases for entire floors of units in new purpose-built apartment buildings, and helping to build new PBR buildings. For example, in Central Philadelphia, Sonder have committed to master leases on hundreds of units in planned buildings which in turn has provided developers with financial security to build;
17. Members of the development community have expressed interest in this model and tech-enabled hospitality providers have expressed interest in the Vancouver market, but the city lacks a comprehensive policy, so the barrier to entry is too high.

THEREFORE BE IT RESOLVED

- A. THAT Council direct staff to explore new forms of hospitality and housing tenure with development and construction industry, tech-enabled hospitality operators, and lenders including CMHC.

- B. THAT Council direct staff to consider how limited term master leases for tech-enabled hospitality might function with regard to covenants, change of use, split classification tax, licensing, legal, zoning, and city-wide planning.
- C. THAT Council direct staff to consider in their July 2019 report on Rental Incentive Program Review if tech-enabled hospitality models in lieu of DCL waivers might improve the financial performance and delivery of for-profit purpose built rentals.
- D. THAT Council direct staff to include in their July 2019 report on Rental Incentive Program Review any budget and resource considerations.
- E. THAT Council direct staff to include in their Winter 2019 report back on Rental 100, how incentive (specifically tech-enabled hospitality models) options other than DCL waivers that might improve financial performance and delivery of for-profit purpose built rentals.

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