

COUNCIL MEMBERS' MOTION

3. Addressing the Hotel Supply Gap to Support Tourism Economy and Reduce Pressure on Local Housing

Submitted by: Councillor Kirby-Yung

WHEREAS

1. The lack of hotel capacity in Vancouver could cost the city billions in lost economic impact and thousands of unrealized full-time jobs. The latest Destination Vancouver modelling shows demand is poised to exceed supply as early as 2026;
2. In March 2023, Destination Vancouver identified that in order to close the gap between current supply and projected demand, 20,000 new hotel rooms are needed in Metro Vancouver by 2050; with 10,000 of those new hotel rooms necessary in Vancouver, according to the newest study *Economic Analysis of Hotel Supply and Projected Demand in Metro Vancouver*;
3. Without new rooms, the lack of hotel supply in Metro Vancouver will translate into significant losses to the provincial economy. Between 2022 and 2050, the cumulative economic impacts are projected to be:
 - \$30.6 billion in foregone output;
 - \$16.6 billion in forgone GDP;
 - 168,000+ FTEs of foregone employment; and
 - \$7.5 billion in foregone tax revenue for all three levels of government;
4. Vancouver's continued loss of hotel rooms was identified by the tourism sector prior to the pandemic and is due to development policies that provided geographic and zoning restrictions. The high cost of land is also resulting in alternate use of sites including conversion to residential housing, and the high costs of operating properties are also a barrier. Lengthy approval processes, view cone restrictions and stringent shadow protections have created additional challenges. With the advent of Covid-19, hotel inventory was further reduced through initiatives such as the Federal Government's Rapid Housing Initiative that resulted in the sale and acquisition of a number of properties for conversion to shelter and supportive housing;
5. The only new hotels that have been built and completed since, have been mixed-use hotel and market strata condo in areas where commercial uses (hotel is classified as 'service uses' under commercial) were mandatory while residential uses were allowed. Conversely, where commercial uses are not mandatory and residential uses are allowed, there is no reason for a proponent to consider hotel use since hotel will have a negative impact on overall financial performance due to a commitment to long-term high operating costs.

In commercial uses only areas, it's uncommon to see a mixed-use hotel and office development due to differing floor plate requirements; office usually

requires larger floor plates (12,000 square feet or more) whereas hotel usually requires smaller floor plates (approx. 7,500 to 9,000 square feet akin to residential sizing);

6. The future for our tourism industry looks bright if we can close the gap on new rooms. Over the next few years Vancouver will host tennis's Laver Cup, the Invictus Games, Grey Cup, and in 2026 the world's largest single sport event, the FIFA World Cup, and several significant and economy boosting business conventions and conferences;
7. Cities of a comparable profile have been building new hotels at a steady pace. At the same time, Vancouver's hotel supply has been contracting; Vancouver has lost 1,500 rooms since 2010. The pandemic removed an additional 550 rooms from the city's inventory, with purchases by BC Housing and City of Vancouver that converted those rooms to supportive housing;
8. According to Destination Vancouver data, the city has the majority (57%) of the 23,000 hotel rooms in Metro Vancouver but trends show this to be on the decline. A further 1,674 hotel rooms are at risk in the short and medium term for redevelopment. Continued loss of hotel accommodation will constrain job growth in the tourism industry and put further pressure on the use of residential homes for short-term rentals;
9. Over the past few years, legal and illegal short-term rental (STR) of residences in the downtown and adjacent neighbourhoods have met some of the increased demand for tourist accommodation, but the shortage of hotel rooms can put pressure on local housing stock. While City staff acknowledge the benefit STRs provide to the tourism industry, in the face of an affordability crisis and record low rental vacancy rates, the City has naturally prioritized housing for people who want to live and work in Vancouver;
10. 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. By increasing the supply of hotel rooms, it is hoped this will not only help to expand and support the tourism economy, but will also reduce STR use of residential apartments by visitors;
11. The Interim Hotel Development Policy approved by Council at Public Hearing on July 31, 2018, was put in place to flag issues related to loss of hotel rooms in the city. The Interim Hotel Development Policy does not provide incentives for the development of hotels, nor is it an enabling policy for rezoning. The policy aimed to:
 - a. Reaffirm the importance of hotels and related meeting facilities to Vancouver's economy, especially in the downtown and emerging office areas;
 - b. 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;
 - c. Moderate the loss of hotel rooms and encourage new hotels while limiting impacts to existing housing. This includes the introduction of a hotel conversion policy to minimize the loss of rental housing stock and of hotel rooms;

- d. Inform community planning such as the Broadway Plan and other City-wide planning initiatives;
 - e. Aim to produce no net loss in the city's hotel room stock until new targets are brought forward to Council for consideration;
 - f. Retain hotel uses in the downtown by including hotel as a conditional use in the Downtown Official Development Plan (DODP) Areas 'L1' and 'N';
12. The visitor economy plays a critical role in supporting the city and region's economy. In 2019, the direct spending impact to Vancouver was approximately \$8.5B supporting over 57,000 full-time jobs. In addition to:
- Delivering more to the Provincial GDP (\$4B) than almost any other primary resource industry;
 - Wages and salaries of \$2.8B;
 - Provincial, Regional and Municipal Tax Revenue of \$1.5B; and
 - On an average day, a visitor to Vancouver spends more than double what a resident does in local shops, restaurants and on local services;
13. Work to better understand options for increasing hotel supply has been emerging but not a key priority: the Phase 2 Report of the Employment Lands and Economy Review, approved by Council in October 2020, included the following direction for hotels: "Consider increasing capacity in mixed use and job only areas to meet needs over the long term, including land use tools to support new hotels.";
14. The City can play an important role in further enabling and prioritizing the delivery of new hotels to address the critical shortage of rooms to encourage new development;
15. Existing development applications and permits for additional hotel capacity submitted to the City of Vancouver are insufficient to replace the losses. The total estimate of approximately 1,100 new rooms in rezoning, planning, or permitting stages through to 2026 is not guaranteed; and
16. Lack of available hotel rooms will make visiting Vancouver even more expensive, and the city will be less competitive in attracting major conferences, large sporting events and leisure group travel, resulting in lost business and overall diminished global competitiveness. Vancouver is running short on time to prepare for the influx of visitors and the economic impact they contribute to the city. Those visitors will just go elsewhere.

THEREFORE BE IT RESOLVED

- A. THAT Council direct staff to consider and report back by the end of Q1 2024 on opportunities to build upon *The Interim Hotel Development Policy* to expand and encourage new hotels and hotel room supply, including but not limited to geographic expansion of this policy, building upon Council direction for hotel use in the Granville Entertainment District and Broadway Plan, mixed tenure developments that might include hotel and residential use, hotel and office use, or conversion of office to hotel, potential to amend the 2009 Rezoning Policy for the CBD and CBD Shoulder Areas to allow consideration of mixed-use hotel and

residential development recognizing that hotel can meet the commercial density requirements to ensure no net loss of job space, innovative hotel types, as well as other development policies and tools that would enable new units in the City to support the continued viability of Vancouver's visitor economy.

- B. THAT Council direct staff to bring back options to set targets for new hotel delivery and tracking of new rooms coming online, similar to the City setting targets for Housing Vancouver, in order to track progress towards addressing the shortage of 10,000 new rooms.
- C. THAT Council direct staff to identify and report back on all current hotel or mixed use hotel proposals at the LOE, rezoning or permitting stages, to highlight challenges and identify potential solutions in order to expedite the delivery of new hotels.
- D. THAT Council direct staff to engage with key relevant stakeholders including but not limited to Destination Vancouver, the Vancouver Convention and Exhibition Centre, the Vancouver Hotel Association, the Vancouver Hotel Destination Association, the British Columbia Hotel Association and the development sector for input on current challenges and potential policy solutions to better enable development of new hotels;

FURTHER THAT staff report on a potential Accommodations Strategy Task Force, including the participation of the above-referenced stakeholders.

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Report: [Economic Analysis of Hotel Supply and Projected Demand in Metro Vancouver, 2023 to 2050 \[assets.simpleviewinc.com\]](https://assets.simpleviewinc.com).