

## **REVIEW OF BARRIERS TO HOTEL DEVELOPMENT IN DOWNTOWN CALGARY**

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### **EXECUTIVE SUMMARY**

Council has previously directed Administration to review possible barriers to hotel development in downtown Calgary. Since the original motion in 2013 September, Administration has processed many applications and inquiries regarding new hotel developments. Over 2,300 hotel rooms are currently under review, approved or under construction within the Centre City overall. Administration continues discussions with hotel proponents to identify possible barriers to future hotel development. However, at this time, the most significant barrier is market conditions for hotels, not City bylaws or policies.

### **ADMINISTRATION RECOMMENDATION(S)**

That Council receive this report for information.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

At the 2014 June 09 meeting of Council, Council adopted the following:

Moved by Councillor Keating, Seconded by Councillor Magliocca that Administration Recommendations contained in Report C2014-0402 be adopted, as follows:

That Council:

1. Approves Administration's request to defer the report to allow for further engagement with the Downtown Advisory Sustainment Committee; and
2. Direct Administration to return with a report and any necessary amendments to the CR20-C20/R20 District no later than Q2 2015.

At the 2013 September 09 meeting of Council, the Commercial Residential District (CR20-C20/R20) was approved as Bylaw 33P2013, effective 2014 June 09.

At the 2013 September 09 meeting of Council, a Motion Arising was moved by Alderman Farrell, seconded by Alderman Mar that with respect to Report CPC2013-089, Council direct Administration to create an Advisory Sustainment Committee to provide an ongoing review of the new CR20-C20/R20 Districts.

At the 2013 September 09 meeting of Council, it was moved by Alderman Lowe, seconded by Alderman Pootmans, that Alderman Stevenson's proposed Motion Arising, as follows, be referred to the Advisory Sustainment Committee and to return to Council with a report no later than 2014 June:

Motion Arising, moved by Alderman Stevenson, Seconded by Alderman Chabot, that with respect to Report CPC2013-89, Council request Administration to undertake a review of the bylaws, policies and tools in an effort to reduce barriers and encourage the development of new hotel projects in the Centre City. Council also direct Administration to further engage with industry and community stakeholders regarding the 'Exceptional Design' criteria for hotel uses in the Downtown Land Use District with Land Use Bylaw (Section 8.22) 1P2007 and return to Council no later than 2014 October.

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### **BACKGROUND**

In 2013 September Council approved a new land use district for Downtown Calgary (CR20-C20/R20) that came into effect 2014 June. In the new district an updated incentive density system was introduced. Incentive density enables a development to achieve higher densities by providing public amenities. The new system includes a density incentive for hotel developments. Essentially the incentive considers the facilities that a hotel typically provides to be equal to the public amenities a development would otherwise have to provide for the same density. Among these “amenities” are the hotel’s lounge, restaurant, retail, cafe and conference spaces. A condition of receiving the density is that the hotel must meet exceptional design criteria.

Council questioned whether the incentive and its exceptional design condition were appropriate, or if The City has put in place regulatory or other barriers that are preventing the development of hotels in the Centre City. Administration was tasked with reviewing bylaws, policies and tools in an effort to reduce barriers and encourage the development of new hotel projects in the Centre City. Council also directed Administration to further engage with industry and community stakeholders regarding the exceptional design criteria for hotel uses in the Downtown Land Use District.

With the approval of the new Downtown District, Council also directed Administration to create an Advisory Sustainment Committee. The committee consists of industry stakeholders represented by members of the National Association of Industrial and Office Properties and City Administration and is tasked with providing an ongoing review of the new CR20-C20/R20 District.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Since 2014 June Administration has continued to engage in discussions with the development industry through various development applications and proposals that include hotel developments. Further since the CR20-C20/R20 District has been approved, there have been numerous hotel proposals within the Centre City that have been reviewed, approved and some are now under construction. Most notably the 300 room Hilton Hotel is now under construction in the East Village and a new 124 room Marriot Fairfield Inn and Suites has now completed construction and is open on the south east corner of 12 Avenue SW and 2 Street SW in the Beltline. See the Attachment for a list of other active proposals and planning applications.

In addition to the hotel proposals referenced in the Attachment, Administration has entertained several confidential pre-application meetings for other hotels. One proposal included a preliminary review of a design to determine compliance with the exceptional design criteria. Based on preliminary drawings and review, it did not seem like the design criteria would pose a major impediment to compliance. This design work included the architect working with the potential hotel tenant to confirm their operational and design needs would be met.

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### **Stakeholder Engagement, Research and Communication**

Of the hotels referenced in the Attachment, only the International Hotel is on a parcel that has the new CR20-C20/R20 Land Use District. However its Development Permit was approved prior to the new district coming into effect. As a result Administration has not undertaken a formal review of the district with the Downtown Advisory Sustainment Committee. Based on discussions with the applicants for the proposals identified in this report, land use and design regulations are not the principal barrier to attracting major hotel brands.

The principal concern identified by proponents is the fact that the market for hotel rooms in downtown Calgary is largely driven by business demand during the work week. Weekends are difficult to book due to a slower weekend market for the number of available rooms, except for event based weekends such as the Calgary Stampede. This is a challenging environment for a hotel brand to open a new block of rooms. It is noteworthy that many of the newer hotels are locating closer to the growing residential areas such as Beltline, East Village and Eau Claire where the hotels can benefit from proximity both to the downtown office market as well as the more diversified retail and attractions offered in more residential neighbourhoods adjacent to the downtown core.

Another barrier within the downtown is the high cost of land and development costs relative to other locations. Given the competition with the corporate office market, it is difficult for hotels to compete for standalone hotel sites and typically must be part of a larger mixed-use office or residential development. It is typical now for many mixed-use sites to include the opportunity for a hotel in the project. However, even if planned for, the hotel may not be realized unless market conditions are favourable at the time of development for the other mixed-use components.

Regardless there is currently considerable hotel interest in the Centre City overall with well over 2,000 new rooms either under construction, approved or under review. The main factor determining whether or not a hotel will proceed to construction is the market considerations of the hotel brands themselves, not necessarily the developer/landowner.

For these reasons Administration does not feel there is a need for additional research or engagement at this time that would yield any new information. City planning policies or regulations are not perceived as a major barrier at this time. The issue of hotel demand will be kept on the agenda of the Downtown Advisory Sustainment Committee as ongoing review of the CR20-C20/R20 district continues.

### **Strategic Alignment**

Not applicable

### **Social, Environmental, Economic (External)**

Not applicable

### **Financial Capacity**

#### **Current and Future Operating Budget:**

Not applicable

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**Current and Future Capital Budget:**

Not applicable

**Risk Assessment**

None associated with this report.

**REASON(S) FOR RECOMMENDATION(S):**

Given the considerable interest and the potential number of hotel rooms that could now be constructed pending market conditions, Administration does not feel there is a need for further research at this time. However it will be kept on the agenda of the Downtown Advisory Sustainment Committee in the future as we continue to review the performance of the new CR20-C20/R20 district.

**ATTACHMENT(S)**

Hotel Developments Currently in the Application System