

# The Impact of Unrestricted Hotel-To-Condo Conversions on Toronto's Meetings, Convention & Incentive Travel Market:

## The Case for a Hotel Preservation Strategy



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# The Impact of Unrestricted Hotel-To-Condo Conversions on Toronto's Meetings, Convention and Incentive Travel Market

## Executive Summary

Ontario's Meetings, Convention and Incentive Travel (MC&IT) sector contributes greatly to the economic well-being of the Province of Ontario and the City of Toronto. It generates \$8.6 billion in provincial GDP, \$2.8 billion in tax revenue and provides about 40,000 jobs in Toronto alone.

Competition to attract large meetings and conventions is fierce. Bidding wars against top tier U.S. jurisdictions have become more difficult due to an entirely home-grown threat: the loss of crucial downtown Toronto hotel stock to residential developments.

The tidal wave of residential development in Toronto now threatens large,

*Toronto's exceptional condo boom has seen more residential development in recent years than in Chicago, Boston, Manhattan, Atlanta, Los Angeles, San Francisco and Miami combined.<sup>1</sup>*

affordable downtown hotels essential to Toronto's MC&IT sector. Currently, Toronto faces about a dozen hotel to condo conversions, threatening about **4,000 hotel rooms** and up to **2,500 good jobs** in the hotel industry – most of which are ideal for accommodating large group business. The loss of hotel room

supply critical to Toronto's MC&IT sector undermines Toronto's position as a major North American convention and meeting centre and threatens to upset the existing balance between meeting spaces and hotel room supply in our city.

This report is meant to sound the alarm and to suggest an appropriate policy response to protect existing hotel stock from being turned into non-employment generating, residential uses. Without the immediate implementation of a strategy to protect and/or replace hotel room supply

in the downtown core, Toronto stands to lose lucrative conventions and events.

## Toronto: Canada's Meetings, Convention & Incentive Travel (MC&IT) Centre

MC&IT business is of growing importance to our Province's economy. In 2012, a third of all MC&IT events in Canada were held in Ontario, and Toronto held more events than any other city in the country.<sup>i</sup>

### MC&IT at a glance:

**\$8.6** billion GDP

**\$2.8** billion tax revenue

**40,000** Toronto jobs

FIGURE 1: MPI FOUNDATION CANADA (2014)

sector translates into hundreds of thousands of total hotel room-nights in bookings and millions of dollars in local visitor spending.

To illustrate, Tourism Toronto helped secure the 18 city-wide conventions Toronto hosted in 2017. MC&IT events during that year required a total of 618,111 hotel room-nights and generated \$634 million in delegate spending.<sup>ii</sup> Some leading MC&IT events hosted in Toronto in 2017 include the Microsoft Tech Summit, the Invictus Games and the International Development Council Annual Conference.

Toronto's MC&IT sector is concentrated in the downtown core, centred around facilities, such as the publicly operated Metro Toronto Convention Centre (MTCC) located at 255 Front Street West and the Enercare and Beanfield Centres located at Exhibition Place. In its Annual Report, the MTCC states that it contributes "a positive economic benefit to the City of Toronto of \$400 million to \$500 million each year, creating approximately

Tourism Toronto does much to improve Toronto's performance in the intense international and inter-regional competition to host MC&IT events. Large conventions and meetings are planned out years in advance and Tourism Toronto's MC&IT sales team helps secure many of these. A successful MC&IT

5,200 jobs annually and generating annual taxes of approximately \$150 million.”<sup>iii</sup>

Unfortunately, Toronto’s MC&IT business is being undercut by a home-grown threat: a dwindling supply of nearby hotel rooms needed to host large conventions and meetings taking place at the MTCC. This threat is well recognized. In the MTCC’s 2017-2020 Business Plan,<sup>iv</sup> we can read that:

*“Hotels in close proximity to the convention centre have already reduced the number of rooms they are willing to make available, on a confirmed basis, for future convention business. Without hotel room availability assured at pre-established prices, Toronto is put at a competitive disadvantage with destinations that offer more competitive packages. This is a destination issue that will require support from Tourism Toronto and the hospitality community to work towards a common solution.”*

### **A Shortage of Available Hotel Rooms & Change in Product Mix Harms Toronto’s Ability to Compete for MC&IT Business**

Toronto’s tourism industry is marked by a paradox. On the surface, Toronto’s tourism industry has never been doing better. Economic indicators such as hotel occupancy, average daily rates, and revenue per available room have been steadily rising for years and reached an all-time high in 2017. Despite all of this, the city is facing a serious challenge because of the uneven investment in hotel room capacity across the city, the kind of product that has been added to the downtown market (i.e. expensive boutique and luxury rooms) and the loss of affordable, mid-range hotels.

As indicated in the MTCC’s Business Plan,<sup>v</sup> major downtown convention centres are already struggling as a result of a reduction in the number of rooms made available in close proximity, on a confirmed basis, for future

convention business. This challenge is exacerbated by the fact that there are **over 4,000 hotel rooms** under threat of redevelopment into residential condo towers in the near future. Not only would these conversions negatively impact the **lives of approximately 2,500 workers** in the hotel industry; they would also risk Toronto’s status as one of Canada’s top MC&IT markets. The current redevelopment applications for just two critical hotels - the Courtyard by Marriott Hotel at 475 Yonge Street and the Chelsea Hotel at 33 Gerrard Street West - will reduce the hotel room supply near the MTCC by 1,500 rooms. Because these two hotels have traditionally supplied the MTCC with large blocks of available rooms and meeting space, the threat of losing these two properties poses a significant challenge to the city’s MC&IT sector.

While it is true that Toronto has seen hotel room growth, it has not been of the sort typically required by the MC&IT sector. Much of added hotel room capacity occurred in suburban areas, while Toronto’s downtown has lost much affordable and mid-range hotel room supply. Overall, Toronto’s downtown total room supply has remained stagnant, but we have seen a transformation in the product mix.

Closures		Openings	
Clarion Hotel	\$\$	Ritz Carlton	\$\$\$\$\$
Best Western Primrose	\$\$	Shangri-La	\$\$\$\$\$
Hilton Garden Inn	\$\$\$	St. Regis (Trump Hotel)	\$\$\$\$\$
Chestnut Hotel	\$\$\$	Thomson Hotel	\$\$\$\$\$
Sutton Place	\$\$\$\$\$	Hazelton Hotel	\$\$\$\$\$

While 5-star hotels are a welcome addition to the city’s tourism offerings, they do not typically support large meetings which rely on mid-range hotels that offer large blocks of affordable rooms.

The change in scale, size, and type of hotel product on offer has been accelerated by renovations to existing hotels.

Upgrading of Downtown Hotels			
Comfort Inn on Charles	\$\$	→	Anndorre House \$\$\$\$
Holiday Inn on Bloor W	\$\$\$	→	Kimpton St. George \$\$\$\$
Holiday Inn on King	\$\$\$	→	Hyatt Regency \$\$\$\$

Renovations are part of the lifecycle of any hotel, but many hotel owners are using renovations as a chance to up-brand as well as upgrade their properties. As a result, there will be even fewer affordable mid-range hotels left in downtown Toronto that can be easily booked en block when major events require 2,500-plus hotel room-nights.

Long term public investment in meetings and convention infrastructure will also be impacted by a loss of hotel space in the downtown core. Income to public bodies flow from the Metro Toronto Convention Centre (MTCC), the Enercare and Beanfield Centre or even the Sheraton Hotel, which is built on city-owned land.

### **Losing Out: Diminishing Supply of Large Room Blocks**

Larger, more affordable mid-scale hotels, centrally-located in Toronto's downtown, are vital to the city's ability to attract lucrative meeting and convention business.

When meeting and convention planners choose where to host an event, three of their five key considerations are hotel related.<sup>vi</sup> To scout out potential host cities, they look for great hotel amenities, ample meeting and hospitality space, central locations, and the ability to book large room blocks, among other factors. Smaller luxury or boutique hotels might be able to offer prime locations, but they lack other qualities that draw meeting and convention business, such as meeting space or overall room capacity.

Short-term rental companies like Airbnb are likewise ineffective in supplying Toronto's MC&IT market.<sup>vii</sup> While units may be centrally located, event planners need to book large blocks of available rooms, on a confirmed basis, for future convention business years down the road. Airbnb's decentralized room stock, controlled by thousands of independent individual hosts, is not conducive to making travel arrangement for large, lucrative events.

When Tourism Toronto has a request for a block of 2,500 plus rooms, a bid made up of several boutique hotels and/or Airbnb units is more difficult and time-consuming to put together and could put Toronto at a competitive disadvantage.

## Good Planning: Balancing Residential Development with Employment Preservation Strategies in the Downtown Core

Toronto’s exceptional condo boom has seen more residential development in recent years than in Chicago, Boston, Manhattan, Atlanta, Los Angeles, San Francisco and Miami combined. According to a recent report by city staff, Toronto is already well on its way to meet the Provincial residential growth targets for 2041:<sup>viii</sup>

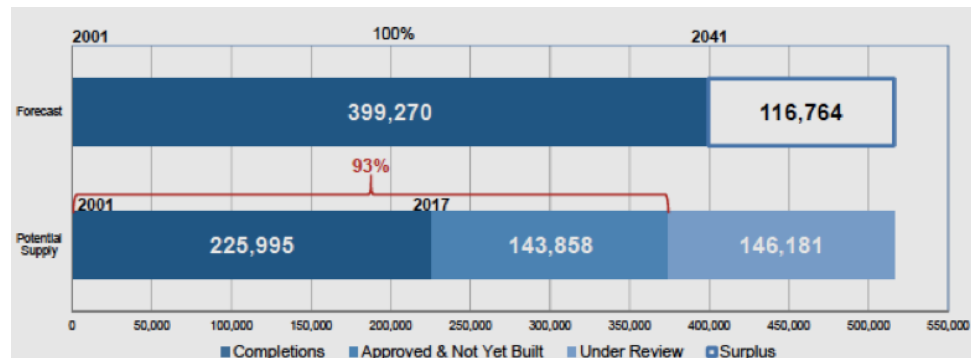


FIGURE 2: TORONTO IS WELL UNDERWAY TO MEET ITS PROVINCIAL GROWTH PLAN FORECASTS. SOURCE: CITY OF TORONTO (2018)

In other words, there is no need, from a good planning perspective, to convert employment generating sites into residential. If anything, employment uses have to be intensified to balance recent residential influx. There are limited developable spaces remaining in the downtown core; once hotel uses have been supplanted by residences, it is unlikely to change in any near-term time horizon. City planners and elected representatives need planning tools to ensure our downtown core remains vibrant, livable and competitive.

## Ways Forward: How to Retain Toronto’s Competitiveness

Late in 2017, the City of Toronto’s issued a report titled “Ensuring a Robust Hotel Supply to Strengthen Tourism.”<sup>ix</sup> The report expressed a desire to grow the MC&IT sector and attract lucrative conventions and conferences. Staff proposed the City’s Economic Development and City Planning Departments “review the potential for the implementation of a hotel accommodation replacement policy and or strategy to protect the existing supply of hotel space.”

Market	Room Supply
Las Vegas	167,000
Orlando	121,000
New York	117,000
Chicago	111,000
Washington	107,000
Los Angeles/Long Beach	98,000
Dallas	79,000
Houston	79,000
Boston	52,000
Miami/Hialeah	51,000
Toronto	44,000

For the wellbeing of Toronto’s MC&IT sector, such initiatives cannot come soon enough.

Other major North American cities, such as San Francisco, have successfully created convention districts.

A convention district applies to hotels that are located near convention space and helps to preserve sufficient hotel supply. In the case of San Francisco, there is a moratorium on hotel-to-condo conversion in the convention district; hotels in the convention district also remit a surcharge on the sale of hotel rooms which helped fund expansion of the Moscone Center.

Toronto could benefit from such an initiative, which would need to cover the large, centrally located hotels in the downtown core. The creation of a convention district would insure that our tourism and MC&IT sectors remain successful, while also raising money to reinvest in the sector.

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### **About Unifor:**

Unifor is Canada's largest union in the private sector, representing 315,000 workers in every major area of the economy. The union advocates for all working people and their rights, fights for equality and social justice in Canada and abroad, and strives to create progressive change for a better future. Unifor is one of the largest representatives of hospitality workers in Canada, with members in nine provinces, working together as the Hospitality and Gaming Sector Council. Its Local 7575 represents hospitality workers in the Greater Toronto Area (GTA).

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