

FEATURE New properties, acquisitions in play as Vancouver hoteliers position to cash in on the 2010 Olympics

Hotel shakeup

BRENDA BOUW/CP

WESTERN INVESTOR

British Columbia is seeing a rush of hotel construction – and refurbishing – in the two-year run up to the Winter Olympics, with at least six major projects underway in Greater Vancouver alone.

Great Canadian Gaming Corp. recently raised the stakes with its launch of an \$118 million expansion project.

The company, Canada's largest casino operator, said it plans to cash in on the tourism frenzy by developing a new five-storey, 191-room hotel at the River Rock Casino Resort in Richmond.

The development is in addition to the hotel's existing 222 rooms, and will also include extra parking, as well as retail and office space.

The project, already under construction, is expected to be complete by late 2009 or early 2010, just in time for the Olympics, which begin Feb. 12, 2010.

"By both increasing the number of hotel rooms at River Rock and upgrading its amenities and retail offerings, we will further establish the property as a destination resort," said company chairman and CEO **Ross McLeod**.

Other hotels being built in Vancouver include; the Shangri-La, a 119-room hotel that will occupy the first 15 floors of a new 61-storey building, the tallest in Vancouver; the Fairmont Pacific Rim, a 47-storey hotel with 415 rooms and 173 residential condominiums; the 19-storey, 220-room Coal Harbour Coast Hotel; the 300-room newly renovated Hotel Georgia; and the 77-room Loden Vancouver hotel.

Great Canadian Gaming's plans come as competitor **Gateway Casinos Income Fund** is set to open a 200-room Delta-managed hotel and convention centre in Burnaby, B.C., later this summer.

The organizing committee for the 2010 Olympics estimates about 16,000 rooms will be needed in the Vancouver area for the Games. The Greater Vancouver area is estimated to have about 23,000 hotel rooms.

James Chase, chief executive of the **British Columbia Hotel Association**, says both private and public money is driving the industry.

"There has been a tremendous attraction from capital markets to hotels as a form of investment, which has opened up new development," Chase said.

Last year alone, pension fund **British Columbia Investment Management Corp.** bought **Canadian Hotel Income Properties REIT**, which owns and manages 32 hotels under the Delta, Radisson, Marriott and Hilton brands.

As well, an investment group led by the **Caisse de depot et placement du Quebec**, Canada's largest pension fund, struck a \$2.5 billion deal to buy **Legacy Hotels Real Estate Investment Trust**, the country's largest hotel trust, and operator of luxury Fairmont and Delta hotels.

Chase said all economic indicators show Vancouver's commercial real estate market will remain hot for years to come, due largely to the Olympics.

"The exposure is going to be unprecedented," Chase said.

Rick Antonson, president and chief executive of **Tourism Vancouver** said what's important about the hotel development now underway in the city is that nobody is building for a two-week event only.

"All of this is in anticipation of the business boom that is already happening because we are hosting the Olympics," Antonson said.

Tourism officials say the billions of dollars in spending on the Olympics on everything from infrastructure, housing and hotels to entertainment and security will create thousands of jobs, but also sows the seeds for expanded tourism in



River Rock Casino is undergoing \$118 million expansion with a new 191-room hotel.

future from all parts of Canada and the world.

Howard Blank, vice-president of media and entertainment at Great Canadian Gaming, said current occupancy rates at the River Rock hotel prove there is already demand for more hotel space on site.

Great Canadian says it will also apply to the **British Columbia Lottery Corporation** to recover some or all of the costs over time, as is allowed under a special lottery corporation policy.

Great Canadian, which currently employs 5,500 people, generated revenues of nearly \$390 million but lost \$18.6 million in 2006.

Yale hotel

Meanwhile, in downtown Vancouver, **Will Lin**'s dream to replace Vancouver's aging Cecil Hotel with a 25-storey residential tower while upgrading the adjacent historic Yale Hotel is inching closer to reality.

The **Rize Alliance Properties** owner, who bought the Yale Hotel for approximately \$10 million in mid-2006 and the Cecil Hotel for "millions" of dollars soon afterward, has reached a tentative agreement with **City of Vancouver** planners for his 20,000-square-

foot Granville Street site at the north end of the Granville Bridge.

"The deal now is that we have a report to council as a major project coming down the pike, and it's going to be seeking council approval soon," said Lin. "There's a heritage revitalization agreement involved where we would upgrade and retain the Yale Hotel and the commercial space, the Yale pub. It will be designated a heritage building when completed."

Lin's tentative agreement with city staff requires that he retain and upgrade 44 subsidized housing rooms at the Yale that have single-room-occupancy (SRO) zoning. Lin will give those rooms to the city when his proposed project is complete. In exchange, he expects the city to allow him to build a 165,000-square-foot tower. Current density rules provide for a maximum 100,000-square-foot tower.

The City of Vancouver urban design panel has urged Lin to redesign his tower to be a taller and more slender 255 to 260 feet tall instead of its originally proposed 225-foot height.

Lin must still get city approval to change the site's zoning from "downtown district" to "comprehensive development." ♦