Service-Growth

Analysis of the Probable Economic Impact of The George Hotel and Residences on the Town of Gibsons

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Executive Summary

If the design of The George Hotel and Residences met the terms and conditions of the current Zoning Bylaw and the OCP specifications for form and character, there would be no need for a detailed economic impact analysis. However, the developer is requesting rezoning to a new zone with custom heights and setbacks quite different from those in the portion of the OCP that is applicable to the property lots in question. As a major selling point for the significant concessions being sought, the developer has repeatedly asserted that The George Hotel and Residences, as proposed, will have a lasting and positive impact on the economy of the Town.

At issue is *not* whether a resort hotel is desirable, although that is the manner in which the issue is being posed: “Are you for or against The George?” Rather the issue is whether a resort hotel, which is intended to contribute positively to the community, has to be designed as massively as The George has been designed, significantly out of compliance with the OCP. During the past year, each iteration has seen the plans for The George grow larger rather than being modified to fit with the character specified for the Landing.

Could a profitable hotel of a smaller size (i.e., 56 rooms) be built that was in keeping with the village character of the Landing? The answer is clearly, “Yes.” In fact, a smaller hotel would be less expensive to build and operate, could conform approximately to the existing height and setback provisions of the OCP, would have a higher profit margin, and would be less likely to have a negative impact on local businesses (see Appendix A). The attached analysis demonstrates that the developer’s assertion that “the viability of the project depends on a hotel size of at least 100 rooms” is not accurate.

The present design is problematic not only in its lack of conformity to the OCP but also in its lack of conformity to industry standards for profitable hotels (see Appendix B):

- The staff to room ratio of 157:118 is 215% higher than the industry average.
- The conference space of 14,000 square feet is 237% larger than the industry average.
- The spa facility of 9,000 square feet is 225% larger than the industry average.
- The staffing pattern is top-heavy with an unsustainable wage scale that is not in keeping with industry averages.

The attached detailed analysis demonstrates both that the "best case" scenario presented by the developer is unlikely to occur and that the current design is likely to produce the following results:

- Annual municipal property tax revenues from the hotel and condos of $255,068 (not $1 million), with a net present value over 25 years of $4.8 million.
- A negative profit margin of -45.5%, which could result in the developer asking Council for a tax holiday on the municipal portion of the property tax assessment.
- Unknown employment levels for Gibsons residents or new hires who move to Gibsons, with the possibility that employees actually living in Gibsons could be less than ten.
- An average wage of $35,948 for employees below the senior management level, with 43% of those employees earning less than $24,000 a year.
- A loss of local and visitor business for current merchants as purchasing consolidates at the new community hub, The George.

In summary, there is no economic rationale for Council to create a new zone along the waterfront, with significantly higher height allowances and more limited setbacks, in direct violation of the community's stated desire to maintain a village character in the Landing. It *is* in the Town's best interest for a resort hotel project (if it passes the scrutiny of geotechnical and hydrological experts) to be profitable and not become a "white elephant" along the waterfront, with a resulting negative impact on tourism activities.

Directing the developer to conform more closely to the existing OCP height intentions by reducing the size of the hotel to no more than 12.5 metres (or four storeys) and the condo building to no more than 9.5 metres (or three storeys) – both figures as measured from Gower Point Road – and complying with existing setbacks would create a commercial venture that could indeed have a positive impact on the economy of Gibsons.

The Context of the Economic Impact Analysis

The proposal for The George Hotel and Residences proposal asserts that it will provide "benefits to the residents of the Sunshine Coast and can be considered to be beneficial not only in the short term, but more importantly to the long term wellbeing of the community." This assertion has been marketed by the developer in the community, to the Gibsons Advisory Planning Commission, and to the Gibsons Town Council as justification for requesting significant variances from the Official Community Plan for a portion of the Harbour Area (among other accommodations). Much of the vocal community support for The George rests on this assertion. Therefore, a careful analysis of the likely economic benefits is a critical input for Council and the community at large in determining what trade-offs are actually in the best interest of the community.

As is usual, the developer's listing of economic and financial benefits represents a "best case" scenario – and one that is statistically unlikely to occur. The analysis in this memo will address both the "worst case" scenario (the risks that need to be avoided, mitigated, or managed) and the "likely" scenario. Only a portion of the relevant financial data, representing a mixture of hotel sizes and reference years, has been made available by the developer. For the purposes of this analysis, the data provided by G.P. Rollo for a 94-room hotel have been extrapolated for a 118-room hotel and the 2008 figures given have been updated where possible.

Economic Assumptions Underlying Discussion of the Proposal

There are several underlying assumptions in the debate surrounding the proposal and implicit in the proposal itself that need to be identified and examined before proceeding to the specific benefits promised:

a. *The overall health of the Gibsons economy*: Like most other municipalities that began in conjunction with resource-based industries, Gibsons has gone through a recent industrial restructuring that has involved a shift away from lower skill production-based jobs towards higher skill jobs such as business and professional services. The specifics of the Gibsons current economy are provided in Appendix C. Much of the actual dynamism of the Gibsons economy lies in the 80 percent of often-invisible business-to-business activity rather than in the 20 percent of visible consumer services such as retail, hospitality, and tourism.

   While there is always room for additional economic drivers, Gibsons already has a relatively low unemployment rate (**4.8%** compared with 7.8% in Sechelt and 7.5% across BC), dynamic software development and arts and culture sectors, and a tourism sector of comparable size to that of the province as a whole. The 22.5% decrease in residents with less than a high school education and the 10.5% increase in those with post-secondary education (who now comprise 62% of the Gibsons population) is another positive signal of economic vibrancy.

b. *Employment opportunities for young residents*: The issue of employment generation for young residents is complex. Little has yet been done locally to develop work-study programs with the range of businesses that currently exist. Age-range data from Statistics Canada show that youth in the 20-34 year old age group tend to move off-

Coast, which would be natural during post-secondary training and initial employment years.

While the creation of additional employment in the hotel and hospitality industries is attractive, the industry wage average for entry-level positions appropriate for young residents, is $10.25 an hour, or a maximum annual wage of $21,320. There are other career paths possible for young residents, which have brighter earnings opportunities.

c. *The likelihood that The George will serve as an anchor to stimulate retail activity in The Landing*: The use of the term "anchor" calls to mind shopping malls where a popular large retail outlet serves as the attractor, with other retailers benefiting from the shopper traffic. The relationship between The George as proposed and The Landing merchants is quite different.

At the present time, visitors enter The Landing along Marine Drive or through Five Points, seeing before them the array of retail options available. They are able to park and stroll past the different stores and restaurants, purchasing in multiple locations.

The George Hotel is being positioned as a resort hotel in that it provides not only lodging but also multiple food and beverage options, a spa, a conference facility, and retail outlets. The George Hotel intends to receive the majority of its guests by water, meaning that they will not have the experience of driving past the various Landing merchants. If they are bussed in from the ferry, they will not walk past Landing merchants. Given that The George experience is designed to occur within a one-stop, self-contained facility and that The George is being positioned as a new community hub, it is unclear how much retail activity outside of its own facility it will actually stimulate. It is more likely to draw visitors and local residents away from current businesses in The Landing.

The Optimal Size for The George Hotel

The developer has stated that, If the project is to go forward, the hotel must be at least 100 rooms in size and has provided a letter from Stephen Darling in support of that position. Since the number of rooms and their size lie at the heart of an architectural design well in excess of OCP guidelines, the rationale for this position needs examining.

Research in the hotel industry indicates that the primary driver of profitability is occupancy or "heads in beds",[1] not size. Other revenue streams (i.e., food and beverage, conference facilities, spa, retail, marine services), if well designed and managed, should support the accommodation portion of the project, not be supported by it. Other successful resort hotels on the Coast are less than 40 rooms in size.

While an argument could be made for the proposed number of hotel rooms, it is not clear from material provided by the developer that demand for the rooms can be generated in a manner that is beneficial to Gibsons. In the Gibsons area, there are at present 150 hotel rooms with an average room rate of $120 and an average annual occupancy rate of 50%. On the Coast, there are already 114 resort rooms. Is it feasible to more than double current demand for resort-type lodging? If not,

1 J.W. O'Neill and A.S. Mattila, "Strategic hotel development and positioning: The effects of revenue drivers on profitability." *Cornell Hotel and Restaurant Administration Quarterly* 2006, 47(2):146-154.

then The George will move into direct competition with the existing Gibsons room inventory and likely supplant existing hotel room and B&B occupancy, thus putting current owners out of business.

Stephen Darling, in his letter on behalf of the developer, states as his primary rationale for a size of at least 100 rooms the fact that conference planners look for properties with at least 100 rooms and 5,000 square feet of meeting room space. What he does not say is that conference planners also look for meeting space that is close to a transportation hub like the Vancouver International Airport (to minimize travel time and costs for participants) and that is surrounded by a range of other attractions and business development opportunities that would be of interest to participants and their families. Vancouver itself (the point of entry for most of the conference delegates envisioned) has an over-supply of conference space[2] and very competitive packages to attract conference planners. While the sports attractions of Whistler might draw a conference planner outside of the conference space in metro Vancouver, there is no such strong draw in Gibsons.

Rather than undertaking an expensive promotional initiative to create that "draw," the developer could turn to at least three types of groups who would be interested in utilizing conference/meeting space at The George and, moreover, would be likely to generate repeat business if they had a positive experience (while conferences frequently change locations each year). First, there are groups in metro Vancouver looking for meeting, retreat, or training space outside of the city who would find a trip to Gibsons a pleasant getaway (and who would not require the expense of a dedicated ferry service). These could include corporate executives wanting strategic planning space away from the office and who could arrive by float plane from Vancouver. Second, there are residents of Gibsons and area who are planning events like weddings or large reunions for whom The George could be a good match. Third, there is a range of organizations on-Coast looking for space for AGMs, public meetings, workshops, training sessions, craft fairs, exhibitions, dances, etc. Any of these groups represent potential customers, and only the off-Coast groups would need concerted marketing to reach.

Descriptions of costly international marketing campaigns, meeting space more than double the size warranted, spa space more than double the size warranted, and more food and beverage options than would be usual in a hotel property of this size all point to a design that is grandiose and uneconomical. It makes no sense to increase room numbers in the hopes that those additional room revenues will pay for the additional construction and marketing costs. Similarly, it is poor business practice to create a hotel that must be supported by revenue from other sources – such as the condo portion of the project. Further, a larger property presents a greater potential to damage the existing Gibsons economy by taking significant business away from existing hotels, B&Bs, restaurants, day spas and massage therapists, and retailers in order to fund its larger size. Developing in a manner that is synergistic with the existing business community offers a less risky and more profitable solution.

A 56-room hotel would offer an optimal and more profitable size in keeping with the scale of a village atmosphere (see a comparison of profitability by size in Appendix A). Projections for a 56-room hotel, approximately half the size of the current proposal, are provided for comparison throughout some of the analyses below. Assuming that room revenues are 64% of total revenues

2 See one source of oversupply at Heywood Saunders, "A consulting groups fairy tale spurred construction of $883 million Vancouver Convention Centre," *Georgia Straight* 2009. http://www/straight.com/article-216510/consulting-groups-fairy-tale-spurred-construction-883million-vancouver-convention-centre.

and that staff wages are 45% of total expenses (see Appendix B), a 56-room hotel could generate a generous 52.5% pre-tax profit margin at the proposed average daily rate (ADR) of $223 per night. In fact, the ADR could be reduced to $125 per night (a very competitive price) and the hotel would still generate a respectable 15.1% pre-tax profit margin. In addition, a 56-room hotel would be easier to fill to optimum capacity during the low and shoulder seasons, would be cheaper to build, would entail a less expensive marketing initiative, and would be more in keeping with the OCP.

Financial Benefits Promised

Financial Benefit #1: Annual property of approximately $1 million (at build-out, est. as 2017)

Projected property tax revenues are a critical part of the promised financial benefits as they are the only way, other than one-time DCCs, that the Town's finances would benefit directly from a new development project. Revenues generated by The George or other Gibsons businesses would be retained by those businesses, while sales taxes would revert to the province; there is no municipal sales tax as a source of municipal revenues (as there is in the U.S.).

The cited figure of $1 million is misleading as it includes the portion of property tax that would accrue to other levels of government and is a mixture of Class 01 (residential) and Class 6 (commercial) tax figures. Five adjustments are needed in order to arrive at a realistic figure for the net revenue that could accrue to the Town:

a. G.P. Rollo's memo indicates an estimate of $315,675 flowing annually to the Town for municipal property taxes from The George Hotel and Residences. Of this figure, **$253,806** would be Gibsons municipal tax on the commercial portions of The George Hotel.

b. The owners of the property lots in question are already paying property tax, a portion of which already comes to the municipality. Therefore, the property tax benefit from The George Hotel needs to be calculated as $253,806 **less the amount already being received from the current property owners**. Estimates of the Gibsons municipal taxes already assessed are approximately **$11,845**.[3] Thus, the net new property tax from The George could be estimated as being no more than **$241,961**.

c. If the hotel goes forward as being four storeys higher than the OCP allows, a significant number of residences upslope from The George will have their views of the waterfront and the water negatively impacted. **No view impact study has been submitted by the developer or required as of yet.**

   There are many types of view property in Lower Gibsons, some with a view towards the Georgia Strait and some with a view towards the mountains. This analysis is concerned with the properties upslope from The George whose main view is towards Keats Island and whose water/waterfront views would be partially or completely obstructed by The George as proposed. Since for those homes their property value is tied to the availability of a view, blocking or substantially impinging on that view would result in a drop in property value and an associated drop in property tax assessments. Thus, any net gain in municipal property taxes from The George Hotel would have to be offset against a

3 Calculated from assessment data at http://evaluebc.bcassessment.ca/Search.aspx.

possible loss in municipal property taxes from those homes whose view would be negatively impacted. A very preliminary estimate indicates **a possible decrease in annual municipal property tax revenues of $64,213**,[4] bringing the annual total down to **$177,748**.

d. Business and residential properties are taxed at different rates, with taxes assessed against business properties being higher than those assessed against residential properties. Should the developer's revenue projections be overly optimistic, portions or all of the hotel could be converted and sold as residential units. In that case, the annual net new property taxes could drop by $170,000 to approximately **$7,748** (as has been experienced in Revelstoke, which lost $209,395 in 2013 municipal tax revenue[5]).

e. Should the developer's revenue projections be overly optimistic or should the developer encounter construction cost overruns (both being conditions that occur frequently in projects of this nature), the developer could ask for a **tax holiday on the municipal portion** of the assessed property tax and Council would be hard-pressed to refuse.

Conclusion: Net new municipal property tax revenues will not be the $1 million stated. Instead, they are likely to be no more than $241,961 (net present value over 25 years of $3.4 million), and probably $177,748 (net present value over 25 years of $3.1 million) or even less than $10,000. While a smaller hotel size would reduce the net municipal tax received, in all likelihood there were not be a significant drop in residential property taxes from negative view impact. The likely annual municipal property tax from a 56-room hotel would be $162,114, or a difference from the municipal property tax from proposed 118-room hotel of only $15,634.

Financial Benefit #2: DCCs of $1,235,883

Development cost charges (DCCs) are the other direct way in which the Town benefits from a development project such as The George. G.P. Rollo has estimated the DCCs at $1,235,883, an attractive sum of cash infusion at a time when the Town has significant infrastructure replacement costs.

The developer has emphasized increased revenues for the Town, but there are also increased costs incurred by the Town in regard to a project like The George Hotel and Residences. A one-time cash infusion needs to be offset against the cost to the Town not only of creating supporting infrastructure and providing public services to The George Hotel and Residences, but also of their annual operation and maintenance.

When asked in the Smart Development Checklist if there were "*project features to reduce the long-term costs to the community of operating and maintaining related public services and infrastructure*," the developer answered, **"No."** Therefore, the estimated average annual operations and maintenance costs would need to be deducted from the one-time DDCs charged in order to determine whether or not there was a net benefit to the Town. If the cost of initial creation plus annual operations, maintenance, and eventual replacement of the supporting infrastructure and public service delivery were to average $65,500 per year,

4 Calculated from assessment data available through http://evaluebc.bcassessment.ca/Search.aspx.

5 "Assessment uncertainty new norm for City of Revelstoke," *Revelstoke Times Review*, 22 November 2013.

the net present value over 25 years of those costs would be $1,236,967, or more than the funds collected.

Conclusion: There could be a slight net loss over time to the Town in terms of funds needed to operate, maintain, and eventually replace the infrastructure related to The George and Residences. Reducing the size of the hotel would also lower the associated infrastructure and public service costs.

Financial Benefit #3: Annual hotel tax of $96,585 (at 2%)

The listing of hotel tax revenues in the original proposal was misleading because at the present time, there is no 2% hotel tax. Should a hotel tax be enacted by the province, the revenues would go to the Sunshine Coast Tourism Association for marketing purposes, not to the Town, and The George Hotel would be a major beneficiary.

However, these data are useful in calculating the revenue per available room (RevPAR) used in the developer's financial projections. The estimated hotel tax figure of $96,585 assumed an annual revenue stream from room occupancy of $4,829,250 for a 96-room hotel. Assuming an occupancy rate of 63%[6], the RevPAR would be $51,375, or an average daily rate (ADR) of $223.

Financial Benefit #4: Approximately 157 employees

The creation of good-paying jobs is one of the most attractive promised benefits for the Gibsons community. Analysis of this promised benefit is challenging as the original proposal and the subsequent "Employment Level at the George" document from Cayuga Hospitality provide varying employment figures. Any promised job creation needs to be qualified in eight ways:

a. The Hotel Association of Canada, on its *Hotel Industry Fact Sheet*, indicates that the appropriate ratio of staff to hotel rooms is 0.62 staff per hotel room. Larco Hospitality, a hotel management company in West Vancouver, reinforces such a ratio on its website, stating that they manage approximately 3,200 rooms with approximately 2,000 staff. Given the substantial portion of hotel expenses represented by staff wages, it is critical to profitability that The George not be over-staffed. **The appropriate number of staff for a 118-room hotel would be 73**, not 130 or 157.

b. It is not only the total number of staff but also their distribution that makes a difference in profitability, as that distribution is linked to wage scale. The table below compares the proposed staffing pattern from Cayuga Hospitality with industry norms for hotels with 118 and 56 rooms.

6 63% is the standard average occupancy rate cited by G.P. Rollo and published by the Hotel Association of Canada on its *Hotel Industry Fact Sheet*.

Staff Position	Proposed	Industry Standard	
Number of rooms	*118*	*118*	*56*
General Manager	1	1	1
Senior managers	8	-	-
Department heads	6	6	4
Outlet managers	7	3	-
Sales coordinators	5	3	2
Management Team	27	13	7
Front line associates, full time	66	30	14
Front line associates, part time	64	30	14
Total Staff	**157**	**73**	**35**

c. A striking number in the above table is the listing of 9 senior managers (GM and AGMs) in the proposal, with a total management team of 27 for a hotel the size of The George. This is both top-heavy and expensive in terms of salaries.

d. It should also be noted that 64 of the junior staff in the proposed staffing pattern would be part-time, working for only 9 months.

e. The placement of the recently-added 27 employees is unclear as they were not listed in the original staffing pattern of 130 employees. However, since the wage figure was increased by $1 million, they clearly represent paid staff rather than spin-off employees. The additional staff would raise the staff to room ratio from 1.1 to 1.33, more than double the industry standard of 0.62.

f. The simple creation of paid staff positions within the hotel does not guarantee that such positions would go to current Gibsons residents. It is equally possible that new employees would live elsewhere on the Sunshine Coast (thus creating a benefit for the Coast, but not for Gibsons) or would commute from Vancouver (as Coasters currently commute daily to Vancouver).

g. There is, of course, the possibility that hires from outside of Gibsons would then move to Gibsons. The developer, for example, is offering four of the condos as staff "affordable housing" units and has suggested that 10% of employees might move to Gibsons. If, in addition to the four employees in condo affordable housing, three other employees moved to Gibsons, that would create an additional $26,292 in local spending in Upper and Lower Gibsons.

h. There are references in the proposal to spin-off employment that would be created in local suppliers. Such spin-off employment would definitely occur in a metropolitan area like Vancouver. However, in order to be profitable, The George would need to purchase in bulk from wholesalers on the mainland, as many Gibsons businesses do.

Conclusion: If The George is to be a profitable venture, its staffing pattern needs to conform to industry standards of 0.62 staff to guest room. The likely consequences would be a total full-time staff of 35 with 38 nine-month positions. Only between seven and 20 of the staff positions are likely to go to Gibsons residents.

Financial Benefit #5: Annual salaried wages of over $6.2 million

Accurate wage projections are critical because wages typically comprise at least 45%, and usually 50%, of the cost structure of a hotel property. There are at least four problems with the figure of $6.2 million in salaried wages cited in the revised proposal:

a. Assuming wages as 45% of total expenses, a wage bill of $6.2 million would suggest an average operating expense structure of $13,778,024 before taxes or profit. The estimated ADR of $223, when calculated for 118 rooms, would give a revenue stream from room rentals of $6,062,250, which at 64% of total revenues would give a total pre-tax revenue figure of $9,472,266. In other words, the hotel would run a significant operating deficit. Assuming a 15% pre-tax profit and wages as no more than 45% of total expenses, annual salaried wages would need to be less than $3.6 million. This figure is possible only if staffing and salaries are kept within industry standards.

b. Some of the staff salaries cited by Cayuga Hospitality vary significantly from industry averages (see Appendix B). Given industry trends, it is likely that the developer plans to contract with a hotel management company, such as Larco Hospitality in West Vancouver, for actual operations. Working with that assumption, at a minimum Larco would bring in its own General Manager, which may be the reason for the excessively high average senior management salaries listed as $97,750. If the eight assistant general managers proposed were all given a salary of $90,000 (the top of the industry median), then the General Manager's salary would calculate out to $159,750.

c. On the Employment Level sheet, 64 front line associates are listed as working only nine months a year; however, their monthly salary has been multiplied by 12 months in order to annualize it. In the table below, the actual 9-month wages amount is listed rather than the annualized value.

d. For the three staffing patterns listed above, the average wages and wage totals are listed in the table below:

Staff Position	Ave. Annual Wage		Total Annual Wages		
	Cayuga	Industry	Cayuga	Industry: 118	Industry: 56
General Manager	159,750	90,000	159,750	90,000	90,000
Senior managers	90,000		720,000		-
Department heads	41,400	47,000	248,400	282,000	188,000
Outlet managers	59,964	47,000	419,750	141,000	
Sales coordinators	46,000	44,000	230,000	132,000	88,000
Front line associates, FT	48,831	28,000	1,946,016	840,000	336,000
Front line associates, PT	23,098	15,990	1,478,304	479,700	255,840
Subtotal			5,160,611		
Additional 27 associates	38,500		1,039,500		
Total Wages			**6,200,111**	**1,964,700**	**981,860**
Est. Total Expenses			13,778,024	4,366,000	2,181,911
Est. Total Revenues			9,472,265	9,472,265	4,495,313
Net Operating Income			-4,305,759	5,106,266	2,313,401
Net Profit Margin			-45.5%	53.9%	52.6%

Conclusion: The staffing and salary structure proposed by Cayuga Hospitality is not financially viable; however, using industry standard wages both the 118-room and the 56-room hotel are profitable.

Financial Benefit #6: Average annual income from new jobs of $39,298

If the salary assumptions in the above table are approximately correct, then the average annual wage for 157 staff would be $35,948 and for 73 staff would be $26,038. However, three cautions are noted:

a. 43% of the 157 staff (not counting senior managers) would be making $23,099 a year or, more likely, $15,990 if industry standards were followed.

b. The wage structure proposed by Cayuga Hospitality is not financially viable as the hotel would operate at a loss.

c. It is easy to forget that "average" means that some may earn significantly more and some significantly less.

Conclusion: A more realistic average annual income figure would be $26,038 for a 118-room hotel or $26,231 for a 56-room hotel.

Financial Benefit #7: Construction employment of 245 man years

Assuming a construction period of two years, 245 man years translates into 122 construction workers. G.P. Rollo indicates that the actual direct construction would be 183 man years, or 92 workers. Again, spin-off employment creation is likely to accrue to firms outside of Gibsons and probably off-Coast.

There is no actual stipulation or commitment regarding what proportion of these jobs would come to workers living on the Coast. It is even less clear what proportion of on-Coast employment would come to residents of Gibsons. A conservative estimate suggests ten.

***Conclusion*:** The maximum number of construction workers to be employed is likely to be **92 (for 183 man years), ten or less of whom are likely to be from Gibsons.**

Financial Benefit #8: Construction wages of $23.8 million

Data have not been provided on a trades breakdown. Simple arithmetic suggests an average annual salary per "man year" of $97,142.86, which seems unlikely. Annual wages in the construction industry on the Coast range from supervisory wages of $60,000 to $80,000 for the specialty trades down to $40,000 and under for other construction workers.

***Conclusion*:** The construction wage total is likely to be more like **$12.4 million**, of which an unknown portion would come to residents of Gibsons.

Financial Benefit #9: Annual conference and tourism-related spending in Gibsons of $7.9 million

It is difficult to see how any spending by hotel guests would occur outside of The George as currently proposed. If the figure of $7,943,634 in guest expenditures (from G.P. Rollo for a 94-room hotel) is divided by 32,423 guests (1.5 guests on average per occupied room in a 94-room hotel), the average expenditure per guest is $245.

Starting with the average room rate of $223 and dividing it by 1.5 guests, each of the guests would be spending $149 for lodging and $73 for meals (Treasury Board daily rate), for a total expenditure in the hotel of $222. Given the spa and the retail outlets in the hotel, there are also other opportunities to spend the remaining $23 in the hotel.

The Tourism BC's *2007 Sunshine Coast Visitor Study Findings* reports an average daily expenditure for business visitors and for overnight non-business visitors of $256, leaving $34 dollars to be allocated to other expenditures (such as the spa or hotel retail) after lodging and meal expenses are covered. Again, spa treatments alone could capture the balance of expenditures.

Conclusion: It is likely that the projected $7.9 million in new revenues would all accrue to The George Hotel and not to merchants in The Landing.

The Likelihood of a Profitable Hotel Venture

Whether or not The George, as proposed, is likely to be a profitable venture will determine the likelihood of any positive cash flow for the Town or employment generation for the community from The George or whether the community is left with a "white elephant" on the foreshore. The single biggest problem with The George Hotel, as proposed, is that it has consistently been designed in a manner that is larger and more expensive to operate than industry standards or industry best practices would dictate.

The viability and profitability of The George as proposed:

This report has already examined overall profitability (which is negative) and general staffing patterns and wages (which are not competitive). A few of the other issues related to viability are discussed below:

a. *Room rates*: The actual ADR remains in question. The original proposal clearly positioned The George as a resort hotel, in competition with The Rockwater (38 rooms), The Painted Boat (30 rooms), West Coast Wilderness Lodge (26 rooms), and the Sunshine Coast Resort and Marina (20 rooms) whose ADRs are approximately $217 a night. In that context, an ADR for The George of $223 could be realistic as a rate.

   Two factors call that ADR into question. First, the developer has stated that attracting conferences is a marketing priority. Conference planners expect a "conference rate" for their delegates – i.e., a discounted room rate. Second, the developer's proponent stated to the Advisory Planning Commission that The George would begin by charging a room rate of $105 (and on up), which is well below an operational breakeven point.

b. *Housekeeping staff*: The industry standard is one housekeeping associate for every 14 rooms, or 8 associates for a 118-room hotel.. The George proposes 14 9-month housekeeping associates and an unknown number of full-time associates, or significantly more than would be prudent.

c. *Food & beverage*: Insufficient data are available from the developer to analyze the food and beverage (F&B) component of hotel operations, which ought to contribute, approximately a 29% incremental share of hotel revenues.[7]
d. *Conferences & events*: The developer has allocated 14,000 square feet for conference and pre-event space, noting that "this is an offering that does not exist in the Gibsons area." The real question is whether or not there a rationale for such a large space allocation. This space translates to an event or events with 1,165 participants. The industry standard is a maximum of 50 square feet of meeting space for every hotel room,[8] which would be 5,900 square feet for a 118-room hotel. There are also handy online calculators that can be used to verify the amount of space needed for varying size meetings and seating configurations.[9] Using such an tool, one can calculate that 5,900 sq.ft. would be adequate for a 416-person event, or 333 persons if space for registration and refreshments were set aside. For a 56-room hotel, the maximum meeting space would be 2,800 sq.ft., which would be quite adequate for up to 250 people. It is also industry practice that 63.8% of groups using hotel conference facilities are from local sources of demand[10] – e.g., meetings, workshops, retreats, weddings, etc. It is difficult to imagine a local Coast event that would need space for more than 250 people, reinforcing the likelihood of success were the hotel be downsized to 56 rooms and positioned for small events for on-Coast and mainland groups.

e. *Spa*: The developer has allocated 9,000 square feet for spa facilities, while the industry standard for a profitable in-hotel day spa is approximately 4,000 square feet.[11] In support of this industry benchmark, the Inverness Hotel and Conference Center with 302 guest rooms (almost double the number planned for The George) recently added a spa of 4,500 square feet (or half the size planned for The George).[12]
f. *Other amenities*: The George is also planning to offer retail and marine-related services (moorage, refueling, provisioning, showers, etc.). All of the revenues from these activities will accrue to The George. Retail sales within the hotel and hotel boat provisioning will likely supplant revenues currently earned in the Landing from boaters.

The consultant does not have sufficient information to analyze the economic impact of having portions of Gibsons Marina, which makes lease payments to the municipality, taken over by The George. It is apparent, though, from informal discussions in the community that Hyak's abandonment of its marine services facilities has had a chilling effect on commercial and recreational opportunities in the harbour.

Potential gentrification of A Dock other marine areas is likely to discourage, if not forbid, mechanical refitting and other marine repair work. Converting the marine area around

7 "Why stepping up non-room related revenue could be a worthwhile effort," *Eye for Travel*, 13 August 2013.
8 HVS, "Benchmarking Canadian Hotel F&B Profitability," *Canadian Monthly Lodging Outlook* May 2013.
9 See one at http://www.hotelplanner.com/Common/Popups/SpaceCalculator.cfm.
10 Dave Arnold, "Conference centers: The recovery gathers speed," 13 November 2013. http://www.hotel-online.com/press_releases/release/conference-centers-the-recovery-gathers-speed
11 See industry data from the Day Spa Association at http://www.h-e-a-t.com/pdf/spa_benchmarks.pdf.
12 See http://www.invernesshotel.com/colorado-resorts.php.

The George properties into tourism-focused venues will create a lost opportunity for the Town to develop economic opportunities in hull maintenance, boat building, boating schools, and marine charter businesses. It is difficult to see this as a benefit to the Town.

Industry trends affecting the viability of The George:

One of the challenges in developing a hotel property is that industry trends can change dramatically between design and build-out. At the present time, BC hotel occupancy rates lag behind the rest of the country and range between 55.1% and 64.8%.[13] An industry expert in BC has been quoted as saying, “No one in their right mind would develop stand-alone hotels right now.”[14] Of course, demand could outstrip supply when The George reaches build-out, but one cannot count on a rapid reversal in industry trends. Victoria, for example, has had a recent unexpected decline in delegates at the Victoria Conference Centre.[15]

Mention has been made by the developer of the potential that non-resident conference delegates “typically spend more than four times what tourists do daily and many extend their stay with pre-and-post conference travel…[and] that more than 40% of non-resident delegates intend to return within a year.” This is certainly true in an urban area like Vancouver or Victoria where there are numerous business development opportunities and delegates can combine business with conference attendance. This would not be true for Gibsons. The negative experience in Sooke with creating a conference hotel that has remained mainly empty has been attributed to the lack of additional attractions or business opportunities in the area.

There is also the matter of trends in various meeting segments. Increasingly, businesses and community organizations are making use of video conferencing technology to meet remotely rather than incur the expense and lost time involved in travel to a destination. To some extent this drop in meeting travel has been offset by the increasing number of active seniors who are travelling; however, this segment is already well-served by organizations such as Elder Hostel that might or might not be interested in a destination like Gibsons. Finally, there is the huge Chinese tourist market; however, this market segment tends to travel in groups organized from within China and going to destination properties owned and run by Chinese (such as the new hotel property being built in Nanaimo). [16]

The competitive environment on-Coast for The George:

As stated earlier, increasing the Coast inventory from 114 rooms to 232 rooms raises the question of whether or not demand for resort-type accommodations can be more than doubled in a profitable manner. If the more modest and profitable approach were taken of limiting The George to 56 rooms, the inventory increase would be from 114 to only 170.

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13 HVS, “Canadian Lodging Outlook May 2013,” *Canadian Monthly Lodging Outlook* May 2013.

14 “B.C. hotel performance trails rest of Canada,” *Western Investor*, 24 April 2013.

15 Carla Wilson, “Decline in delegates at Victoria Conference Centre raises alarm,” *Times Colonist*, 8 May 2013. http://www.timescolonist.com/decline-in-delegates-at-victoria-conference-centre-raises-alarm-1.174161

16 Glen Korstrom, “Chinese buyers target B.C. hotels and resorts,” 15 October 2013. http://www.biv.com/article/20131015/BIV0106/131019979/chinese-buyers-target-bc-hotels-and-resorts.

If The George Hotel sustains room occupancy year round through conferences, at which participants expect discounted room rates, it is unlikely that the needed RevPAR of $51,375 per room can be met. The George would then be in a position of lowering its ADR in order to fill rooms and generate at least some income. Within the Gibsons area, a new facility such as The George would be at a competitive advantage to acquire guests from existing Gibsons hotels and B&Bs if it were to choose to increase occupancy through price cutting.

Economic Benefits Promised

Economic Benefit #1: Diversifies the Gibsons Economy

There are two components to this assertion. The first is the matter of diversification itself – does the Gibsons economy need further diversification? Analysis of local areas in BC[17] has rated the Sunshine Coast as having one of the most diversified economies already, with a diversity index of 73. As a point of reference, the diversity range in BC was from a high of 79 (Invermere) to a low of 51 (Stewart).

The second is the question of whether, if the Gibsons economy needs diversification, the proposed development project would achieve that end. When examined carefully, The George, as proposed, is more likely to generate consolidation than diversification in the Gibsons economy. There are already tourism-related revenues being generated by current merchants. By focusing accommodation-related and retail spending in a single location, The George would not lead to economic diversification.

Conclusion: While The George might be a positive development in Gibsons, economic diversification would not be its contribution.

Economic Benefit #2: Stabilizes Gibsons Economy

Tourism itself is a risky economic segment, being a discretionary expenditure influenced by a number of factors not under the municipality's or the developer's control. These factors include, among others, fluctuations in foreign exchange rates, social or political instability, environmental or weather disruptions, transportation costs, and travellers' financial outlook. The American College of Real Estate Lawyers has published the following statement: "Hotels are among the most economically fragile, capital intensive, failure-prone forms of real estate development."

Conclusion: While tourism is an important part of Gibsons' economy, it is not by its nature a stable core around which to strengthen an economy.

Economic Benefit #3: Reduces unemployment on the Sunshine Coast

There are two assumptions that need to be examined in this statement:

a. There is an explicit assumption that what matters is what is beneficial for the Coast as a whole, rather than for Gibsons. While benefits for the Coast are welcome, it is the residents of Gibsons that are being asked to make trade-offs in order to accommodate the terms of the proposed project.

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17 Garry Horne, *British Columbia Local Area Economic Dependencies: 2006*. BC Stats: March 2009.

b. There is an implicit assumption that unemployment is a problem in Gibsons. In actuality, Gibsons' unemployment rate in 2011 was only **4.8%** as compared with Sechelt's rate of 7.8% and the rate for BC as a whole of 7.5%. A lack of employment is not the issue. Rather, as in many communities, it is a matter of industrial restructuring away from the production jobs that did not require a high school education and towards jobs where interpersonal and computer skills are needed. Gibsons is in the process of meeting this shift, as reflected in the 10.5% increase in residents with post-secondary education.

Conclusion: The jobs projected to be created by The George are a "nice-to-have" rather than a "must-have" in terms of community quality of life.

Economic Benefit #4: Focal point in the community (new community hub culturally and socially)

The current design of The George supports the objective of shifting the community hub away from the primary commercial area of The Landing. Given the range of services on offer, The George is very likely to not only capture the focus and spending of its guests but also of local residents. The question becomes whether or not the shift in focus from Five Corners to The George is in the long-term interest of the community in general, and of The Landing merchants in particular.

It is difficult to imagine a scenario where Landing merchants benefit if both visitor and local resident spending shifts to The George, given the geographic distance that would exist between the two locations. While merchants may be able to create synergies in terms of customer attraction and then compete successfully with each other while side by side within a visually integrated space, that becomes very difficult when the competitor (The George) is located half a dozen blocks away in a visually separate space.

A further issue with this shift is that the developer, while stating that the hotel plaza will provide public access to the waterfront as well as to hotel amenities, has reserved the right to close the plaza between the hours of 10 pm and 6 am. Thus, a mixed message is sent. The new focal point is to be The George; however, the right to be at that focal point is limited by the hotel itself (not by the RCMP who would normally intervene in cases where a disturbance is being created).

As important is the issue of community identity and town branding. The iconic Five Corners area, with the memorable Molly's Reach sign, symbolizes Gibsons for many. Repositioning focus at The George undermines that branding.

Conclusion: The creation of a new focal point at The George will draw both visitors and local residents away from Five Corners, to the detriment of Landing merchants and the existing branding of Lower Gibsons.

Economic Benefit #5: Major contributor to stimulate the economy

The underlying assumption that the economy is in trouble and needs stimulating has already been addressed. More to the point is stimulating retail activity and customer (visitor or local) in The Landing.

It is difficult to see how Landing merchants will benefit from the inflow of guests at The George. Staying at The George will be a self-contained experience, with three dining options, recreational and wellness facilities, and retail outlets. Rather, Landing merchants and tourism-related establishments in Upper Gibsons are likely to lose at least $532,317 annually in revenues from visitors and local residents who choose to shop or dine at The George instead. Within the economy as a whole, that loss will be only partially offset by the up to $350,540 in local spending by residents of the new condos and new hires by The George.

Conclusion: The net effect of The George, as proposed, is likely to be a net loss of at least $181,777 in revenues to Gibsons merchants each year.

Economic Benefit #6: Waterfront amenities, including continuing the Seawalk

One of the stated intentions in the Harbour Area Plan is for the Town to acquire a 15 metre linear park along the waterfront as properties undergo development, resulting in a continuous Seawalk.

Conclusion: While positioned as an economic benefit, this item is actually one of compliance with the OCP.

Economic Benefit #7: Increase in marine tourism and support to marine industries

Hyak is currently "the" marine industry on the waterfront and so this item is a specific economic benefit for The George rather than for the community as a whole.

Conclusion: The developer has provided no evidence of benefit to the community beyond that to The George itself.

Economic Benefit #8: Increased business for local suppliers

A careful reading of the third column on page 8 of the developer's November 12, 2013 submission will suggest that this promotional material was taken from general (probably U.S.) material on conferences, rather than being crafted for the Gibsons context. Gibsons does not have municipal customs and immigration services. Sales tax revenues flow to the provincial government for roads, schools, and health care facilities, not to the municipality. Transportation expenditures would be primarily to BC Ferries or other non-Gibsons operators.

As mentioned previously, a hotel like The George is likely to contract with large mainland wholesalers for food and beverage products and other supplies and with mainland media companies for audio-visual support (or purchase the equipment and derive revenue from renting it to groups). There are only seven of the listed services that are likely to be contracted on-Coast and then not necessarily in Gibsons. So supplier spin-offs for Gibsons businesses are likely to be extremely limited.

Conclusion: It is unlikely that there will be much spin-off business for Gibsons suppliers.

The Residences Portion of the Proposal

The focus of this analysis has been primarily on the hotel component of the development project as the majority of promised benefits are linked to the hotel. However, there are five relevant issues to be raised in regard to the residences:

a. *Form and character – scale and massing*: There is no apparent economic reason why The Residences building needs to be so far out of conformance with the Harbour Area Plan in the OCP. A building containing 20 condo units appears to be just as economically viable (see Appendix A).

b. *Multi-family residences in the Landing*: With regard to the residential portion of the project, the inventory of condos on the lower Sunshine Coast is increasing rapidly. From the residential municipal property tax figure of $61,870 cited by G.P. Rollo for 32 residences, the average assessed value for each condo unit would be $937,954 (as compared with current Watermark condos for sale at $400,000[18]). Questions could be raised about the demand for high-end units when more modestly-priced, water-view units are available.

   In addition, the type of gentrification represented by the massive high-end condo development proposed as part of The George is not in keeping with either the village character of the Landing or the type of infill densification discussed during the creation of the Harbour Area Plan.

c. *Municipal property tax revenue from the condos*: Based on G.P. Rollo's figures, the total municipal property tax for 40 units would be $77,320. If the Residences were reduced to 20 units, the municipal property taxes would be $38,660. If a more modest average price point of $600,000 were targeted, the average municipal property tax for 40 units would be $49,461, or $24,730 for 20 units.

d. *Local spending by the occupants*: G.P. Rollo cites an average per person retail expenditure of $29,940, which converts to a per household annual retail expenditure of $62,874 based on an average of 2.1 persons per household in Gibsons.[19] There is an unstated assumption, given the context, that these retail purchases would be made from Gibsons merchants.
   In actuality, consumers are increasingly purchasing online and also have non-Gibsons on-Coast and off-Coast retail options. It is more likely, using data from the *British Columbia Survey of Household Spending 2010*, that the average annual household expenditures per household in Gibsons would be **$8,764**. This calculation would give a total "additional annual retail expenditure at build-out" (i.e., purchasing in Upper and Lower Gibsons) for 40 units of **$350,540**, not $2,006,000, with a **net present value over 25 years of $6.6 million**, not $121 million.

e. *Cross-subsidization*: There has been some discussion that the reason for the large condo development is in order to generate funds to subsidize The George Hotel. First, there is no reason why The George Hotel, properly designed and staffed, could not be profitable on its own (see Appendix A). Indeed, one would expect it to be. Second, there is a fatal timing issue embedded in the logic. The condo development will not breakeven and begin to generate excess revenue until well over half of the units have been sold. In this market, that could take up to five years. How would planned hotel deficits be underwritten in the mean time?

18 See current listings at http://www.realtylink.org.
19 See http://score.scrd.bc.ca/Population/gibsons.htm

If the Residences were approached as a separate profit centre with both the Hotel and the Residences needing to generate a profit, the chance of overall project success would increase.

Summary and Recommendations

Under the present design, The George poses more economic downside risks than upside benefits. Actual net positive cash flow to the Town is questionable. Actual employment for Gibsons residents, whether during construction or after build-out, is likely to be significantly less than that promised. Significant spin-off business for Gibsons merchants is unlikely. Direct competition with Gibsons merchants, resulting in an increase in local bankruptcies, is a very real possibility.

The current design is not only out of compliance with the OCP but is consistently excessive in relation to industry standards for a profitable hotel:

- The staff to room ratio of 157:118 is 215% higher than the industry average.
- The conference space of 14,000 square feeet is 237% larger than the industry average.
- The spa facility of 9,000 square feet is 225% larger than the industry average.
- The staffing pattern is top-heavy with an unsustainable wage pattern.

A smaller, more “village like” resort hotel of 56 rooms, accompanied by a residence with 20 units, would be financially more viable as well as more in keeping with the OCP. Appendix A outlines each option. A comparison is provided between The George as currently proposed, a version of the 118-room hotel with adjustments made (to staffing, salaries, and average condo price point), and a 56-hotel plus 20-condo alternative. The smaller hotel would contain decreases in the square footage of the conference and spa facilities to bring them in line with industry practices. As one can see from the figures in Appendix A, the smaller alternative could be as or more profitable as the current design and could be built to heights very close to the current OCP guidelines – e.g., the Residences could be less than 10 metres and the Hotel less than 12.5 metres.

A question has been raised in discussions as to whether or not the profitability of The George is any concern of the Town Council. If no variances or rezoning were being requested, the profitability of a commercial venture would be a matter for the developer, not Council. However, in the case of The George, profitability and general economic viability has become a concern of Council for several reasons:

a. The developer has marketed the project based on specific financial and economic benefits to the community, which will only be forthcoming if profitable.

b. The developer has given profitability as the reason for violating OCP guidelines and has insisted that, if not granted the variances and rezoning requested, the project is not viable.

c. If Council wishes the project to go forward, but not in a form that blatantly violates the OCP, then it is appropriate for Council to consider whether or not requesting changes to the developer’s plans in order to conform more closely to the OCP would still make it possible for the project to go forward in a profitable manner. Mr. Darling’s letter is a case in point. Unchallenged, that letter would indicate that rezoning in a manner quite different from the intention of the Harbour Area Plan is a necessity for the project to go forward (when it is not).

d. Council has a responsibility to consider risk to the Town and the community if a project of this magnitude is approved but then fails for lack of profitability. If Council allowed a major structure to be begun and then abandon on the foreshore, that could have a chilling impact on tourism in The Landing due to the visual impact.

The Director of Planning has raised an excellent point about the discrepancies between the OCP designation of area between the foreshore and Gower Point Road as Residential/Tourist and the existing height regulations in the Zoning Bylaw. This matter could be addressed by changing the zoning requirements for land between Gower Point Road and the water, from Winegarden Park through the Yacht Club area to allow heights of 10 metres (from Gower Point Road) for the property north of Winn Road where the Residences is planned and heights of 12.5 metres (from Gower Point Road) for the relevant property on the south side of Winn Road where the Hotel is planned.

Considering all of the issues raised in this economic impact analysis, Council could act to manage downside economic risk while preserving the intention of the Harbour Area Plan to “retain the scale and character of the Harbour Area” and achieving economic benefits for the Town and community by:

1. Rezoning the area between Gower Point Road and the foreshore (net of the “Park and Recreation” linear waterfront park area) as “Residential/Tourist” with height limits of 10 metres north of Winn Road and 12.5 metres south of Winn Road (both measured from Gower Point Road).
2. Directing the developer to submit new plans that conform to the height limits in #1 and retain a village, rather than an urban, character.
3. Communicating the expectation of Council that residents of Gibsons will have priority in regard to employment during construction and after build-out in recognition of the goodwill displayed by the Town in rezoning the project area, so that the promised employment benefits accrue specifically to Gibsons and its residents and not simply to the Coast as a whole.
4. Communicating that, given the very negative impact that would accrue to the finances of the Town should the aquifer be compromised in any way and given the particular vulnerability of the aquifer in the area targeted for the project, Council expects the developer to take every precaution at both the design and the construction stages to ensure that the aquifer remains uncompromised, to communicate this to all parties working on or around the project, and to bear the cost of independent professional oversight, by a party designated by the Town, through all stages of construction.

About the Consultant

Dr. Dorothy I. Riddle, CMC, is a certified management consultant with 27 years of experience in economic development and economic analysis in 84 countries, retained directly by federal or sub-federal governments or through development agencies such as the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank, the Commonwealth Secretariat, the Organisation of Eastern Caribbean States (OECS), and the Asian Development Bank. She has taught specialized economic analysis in MBA programs in Canada (Dalhousie University), China, Finland (Helsinki School of Economics), and the U.S. (where she was a tenured full professor before immigrating to Canada).

As part of her professional work in monitoring and analyzing industry trends in 30 service industries worldwide, Dr. Riddle has completed consulting projects on the drivers of successful tourism and hospitality development, particularly business tourism, in North America, Asia, the Caribbean, and eastern Africa. Her particular focus has been on the impact on small business of proposed economic development initiatives. Dr. Riddle has a doctoral minor in statistics and research methodology, has taught statistics and research methods at the graduate level, and has served on Statistics Canada's Advisory Committee on Services Statistics.

In recognition of her national and international work, Dr. Riddle was the first Canadian businessperson appointed by Prime Minister Chrétien in 1996 to represent the Canadian business community on the newly-formed APEC Business Advisory Council (ABAC), holding the small and medium size business portfolio for Canada.

Appendix A
A Comparison of Size Options

HOTEL	**Proposal**	**Proposal adjusted***	**Alternative**
Number of guest rooms	118	118	56
Revenue per available room*	$51,375	$51,375	$51,375
Occupancy rate	63%	63%	63%
Number of occupied days	230	230	230
Average daily rate**	$223	$223	$223
Room revenues @ 63% occ.	$6,062,250	$6,062,250	$2,877,000
Room revenue as % total	64%	64%	64%
Total hotel revenue	*$9,472,266*	*$9,472,266*	*$4,495,313*
Number of staff	157	73	35
Staff wages	$6,200,111	$1,964,700	$981,860
Wages as % total	45%	45%	45%
Total hotel operating expenses	*$13,778,024*	*$4,366,000*	*$2,181,911*
Net operating income (NOI)	-$4,305,759	$5,106,266	$2,313,401
Profit margin	**-45.5%**	**53.9%**	**51.5%**

Height from Gower Pt Road	**27.6m**	**27.6m**	**12.1m**
OCP height allowed	10m	10m	10m

RESIDENCES	**Proposal**	**Proposal adjusted#**	**Alternative**
Number of units	40	40	20
1 bedroom	2	2	2
2 bedroom	20	20	11
3 bedroom	18	18	7
Affordable units	4	4	2
Average sales price	*$937,954*	*$600,000*	*$600,000*
Gross sales revenue	$37,518,160	$24,000,000	$12,000,000
Total square feet constructed	62,380	62,380	20,900
Approximate construction costs	*$14,192,196*	*$14,192,196*	*$4,755,000*
Gross operating income	$23,325,964	$9,807,804	$7,245,000
Profit margin	**62%**	**41%**	**60%**

Height from Gower Pt Road	**19.7m**	**19.7m**	**9.1m**
OCP height allowed	7.5m	7.5m	7.5m

Notes:

*Number of staff and salaries adjusted to industry averages.

**Calculated based on G.P. Rollo: Hotel tax revenue/2% tax*94 rooms

#Average price point per unit adjusted.

Appendix B
Relevant Industry Standards or Averages

Below is a summary of the industry standards used in this report, with a brief notation regarding their source. The full citations are mentioned in the text itself.

Item	Standard	Source
Municipal property tax:		
Residential as a % of assessed value	0.20607%	BC Assessment
Commercial as a ratio of residential	2.9	BC Assessment
Ratio of hotel staff to room	0.62	Hotel Association of Canada
Hotel occupancy rate: Canada	63%	Hotel Association of Canada
Hotel occupancy rate: BC	55.1% - 64.8%	Canadian Housing Outlook
Median salaries: General Manager Department managers Sales & public relations Front line associate, food/beverage FT Front line associate, other FT Front line associate, 9-months	 $40-$90,000 $38-$57,000 $37-$44,000 $19-$31,200 $27-$31,200 $15,990	Canadian Tourism Study Compensation Study
Meeting room space per hotel room For 118-room hotel	50 sq ft 5,900 sq.ft.	Benchmarking Canadian F&B Profitability
Local users as % of meeting room users	63.8%	Conference centers: The recovery gathers speed
Day spa in a hotel	4,000 sq.ft.	Day Spa Association
Average annual local household spending	$8,764	BC Survey of Household Spending 2010
Daily allowance for meals: Breakfast Lunch Dinner Daily allowance for incidentals	$72.85 $15.75 $15.10 $42.00 $17.30	Treasury Board/National Joint Council
Expenditure on the Coast per business & overnight non-business tourists	$256	2007 Sunshine Coast Visitor Study Findings
Room revenues as % of total revenues	64%	Statisticbrain.com/hotel-revenue-statistics
Wage expense as % of total expenses	45%	PFK Consulting
Food & beverage as % of total expenses	29%	Statisticbrain.com/hotel-revenue-statistics

Appendix C
Economic Data on Gibsons

Some people in the community try to frighten others by saying that Gibsons is dying, but that's not what the data available from Statistics Canada and BC Stats (as of November 2013) show for the period 2006 to 2011:

Gibsons' population has increased modestly, in keeping with Sechelt and BC:

Gibsons +6.4% Sechelt +7.7% BC +7.0%

Gibsons' labour force has increased much more rapidly than Sechelt or BC as a whole:

Gibsons +84.5% Sechelt +18.1% BC +10.4%

Gibsons' unemployment rate has dropped, in contrast to Sechelt and BC:

Gibsons -46.1% Sechelt +88.0% BC +30.0%

Gibsons' unemployment rate is lower than Sechelt or BC as a whole:

Gibsons 4.8% Sechelt 7.8% BC 7.5%

The number of self-employed persons in Gibsons has increased, in contrast to Sechelt and BC:

Gibsons +11.4% Sechelt -23.0% BC -30.4%

The number of businesses incorporated in Gibsons has increased, in contrast to Sechelt and BC:

Gibsons +12.9% Sechelt -34.0% BC +9.4%

While the average total value of building permits has decreased, so have the total values in Sechelt and BC:

Gibsons -6.4% Sechelt -9.2% BC -5.3%

Contribution of leading economic sectors (2011 estimates):

Sector	% of Economic Activity	% of Jobs	Multiplier
Business & professional services	20.0%	11.5%	1.74
Construction	11.7%	6.7%	1.75
Retail	9.8%	10.8%	0.91
Tourism	4.4%	6.5%	0.68
Arts and culture	3.2%	2.6%	1.23