



Kingston Conference Centre Hotel Capacity Research Paper

KINGSTON

◁ Accommodation Partners ▷

KINGSTON CONFERENCE CENTRE HOTEL CAPACITY RESEARCH PAPER

The Research Paper is intended to analyze the potential impact of a new hotel attached to a conference centre project proposed by the City of Kingston based on information readily available presently. Information included within this study is for general informational and discussion purposes only. The contents of the Research Paper reflect input from several sources and assumptions based on best practices within the industry. External conditions related to the industry such as post-pandemic recovery timelines, supply inventory change and final construction and implementation plans may alter assumptions presented.

Introduction

In July 2021, Kingston Accommodation Partners contracted FLOOR13 to develop a research paper regarding the impact on the destination's existing and growing hotel inventory of the proposed conference centre and hotel project in downtown Kingston, and its future effect on overall hotel demand and occupancy levels.

The research paper is intended to demonstrate, on the basis of additional conference and hotel space being developed on Block 4, the following:

- whether there is realistic potential for a quantum increase in conference and meetings events taking place in Kingston
- whether the additional space will enable the facilitation of lost business currently taking place
- whether the additional hotel inventory will be adequately absorbed by the increased conference and events business

FLOOR13's approach to this mandate is to explore:

- the merits of the business events segment as an economic driver
- existing data and results from previous studies such as the Twenty31/FLOOR13 report of 2020
- Tourism Kingston's historical data of lost conference business
- a future occupancy forecast
- the scale and type of hotel associated with the development
- recommendations on how to properly position the destination on a path towards the achievement of a successful project.

Augmenting the research, stakeholder input and data contained within the 2020 report was a site visit conducted by FLOOR13 in August 2021, which was beneficial in determining the views

and opinions of the downtown hotel community, and that of senior executives of the City of Kingston, Tourism Kingston and Kingston Accommodation Partners.

Situational Analysis

The City of Kingston is one of Ontario's top urban destinations for leisure and events-related travel. Situated on the confluence of Lake Ontario and the St. Lawrence River and easily accessible by car and rail from Toronto, Ottawa and Montreal, it is home to many historic attractions, entertainment and sporting venues, as well as a variety of downtown hotels. The downtown core is rich in heritage buildings, many restored to accommodate restaurants, bars and retail operations. The core is also highly accessible to the City's harbour and marina as well as a host of natural attractions, making for a compelling destination particularly during the Spring, Summer and Fall seasons. Kingston is also home to a impressive base of post-secondary learning institutions, including Queen's University, Royal Military College and St. Lawrence College.

Facilities and attractions such as these would normally make Kingston a compelling destination for meetings and conferences, particularly from the provincial association and corporate meetings markets. However, Kingston's share of business from these markets has been restricted due to the absence of a purpose-built conference and events centre. Tourism Kingston has recorded a lengthy list of potential conference opportunities that have been turned away over the past several years, often because of a lack of adequate meeting and banquet space under one roof. While most of the downtown hotels offer a limited amount of meeting and event space, that space better serves the purpose of helping those hotels fill their guestrooms rather than enabling Kingston to compete for highly-valued meetings and city-wide conferences. As a result, Kingston is far better known as a strong leisure, sport tournament and film production destination than it is known for its ability to host large conferences.



Approximately 8 years ago a study was commissioned by the City of Kingston, Kingston Economic Development Corporation (KEDCO) and Tourism Kingston to determine the feasibility of developing Block 4, a land parcel in the downtown core currently being used as a parking lot and situated across the street from the Leon's Centre, the City's arena for their Junior A hockey team. The study was re-commissioned in 2020 and confirmed the site as an excellent location for a multi-use development centered around a conference facility.

Both studies confirmed that the conference centre is unlikely to turn an operating profit, and most likely will need to be subsidized in order to operate successfully. As a result, the City's preferred

development model is to provide the land on favourable terms to a private developer and enable the developer to add profit-generating components to the project, such as a 100 room 4-star hotel, adequate parking, retail and commercial tenants, and to build strong partnerships with neighboring entities such as the Leon's Centre and the Kingston Frontenacs. Currently a private sector partner has yet to be determined, although talks are ongoing.

Due to the fact that a hotel will almost assuredly be a part of the development, it is important to ensure support for the project by the local hotel community. While the long-term benefits of adding a conference centre and an attached hotel are obvious as an enhancement to the overall destination and a boost to its competitiveness, there may be concern on the part of hotel management and ownership about adding more rooms to the City's hotel inventory, particularly as the industry continues to grapple with the effects of the Covid pandemic. As the hotel community plays a vital role in the City's overall destination offering and funds the efforts of Tourism Kingston and Kingston Accommodation Partners through the 4% municipal accommodations tax, it will obviously be critically important to assess the industry's level of support for the Block 4 project, and address any concerns and/or resistance regarding the hotel component of the project.

Present Hotel Inventory

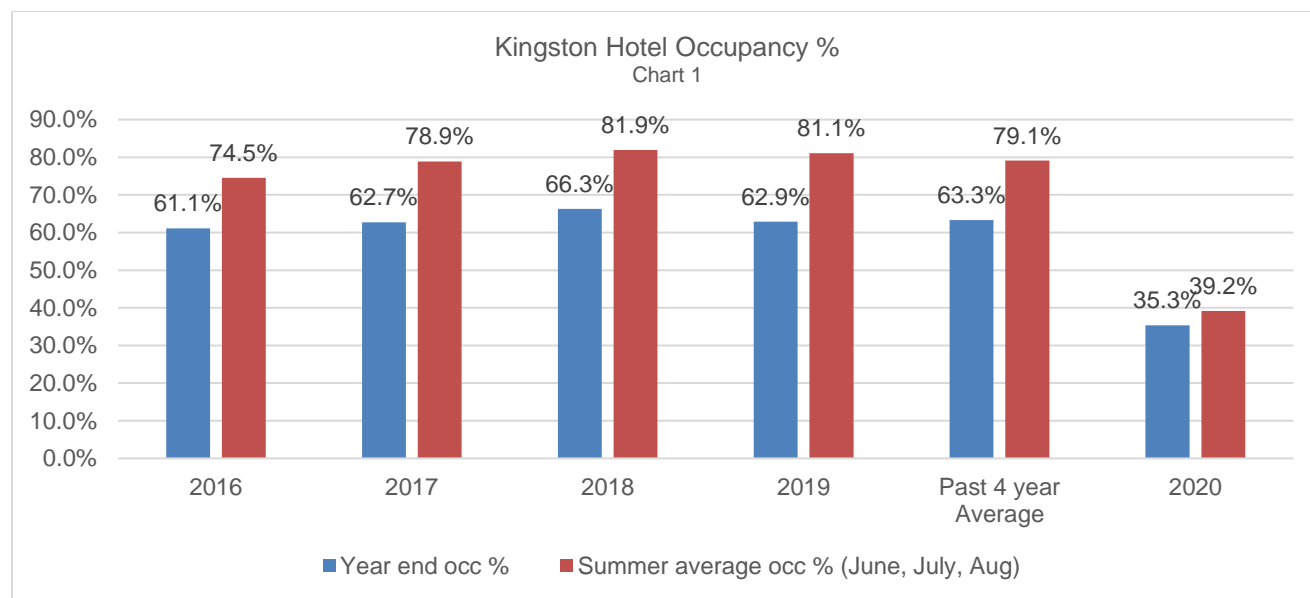
The city of Kingston presently has a total inventory of approximately 2576 hotel rooms available in thirty seven hotels and motels across the city. Of these, eight centrally-located properties (1233 rooms) make up the bulk of the conference hotels in the city while the other twenty-nine hotels (1343 rooms) have very little meeting space and generally cater to both leisure and business transient guests. The largest and most flexible meeting space is concentrated in two hotels, the Ambassador (22,281 sq ft) and Four Points Sheraton (12,505 sq ft).

Hotel	Distance to Block 4	# of Rooms	Total meeting space (sq ft)	Largest room (sq ft)	# of meeting rooms
Ambassador Resort Hotel (rebranding to Hilton)	6 km	251	22,281	7,200	22
Holiday Inn Waterfront	3 blocks	197	9,225	3,468	8
Four Points Sheraton	4 blocks	171	12,505	4,559	12
Quality Inn & Conference Centre	5 km	161	9,470	5,605	9
Residence Inn Water's Edge	7 blocks	141	4,831	4,032	3
Delta Waterfront	6 blocks	127	5,740	2,242	5
Confederation Place Hotel	2 blocks	95	8,942	4,210	7
Donald Gordon Hotel & Conference Centre	4 km	80	6,960	2,145	11

When considering the city for a large event, planners and/or organizers would generally consider a selection of these eight hotels for potential room blocks in order to avoid a large scattering of their delegates. As well, planners do not typically consider splitting up their meeting space within several hotels, again limiting the size of any one group considering Kingston as a conference destination.

The limited potential to overall growth in visitations to the city has led to a fairly predictable pre-pandemic occupancy level as illustrated in *chart 1* below. Knowing that, in normal

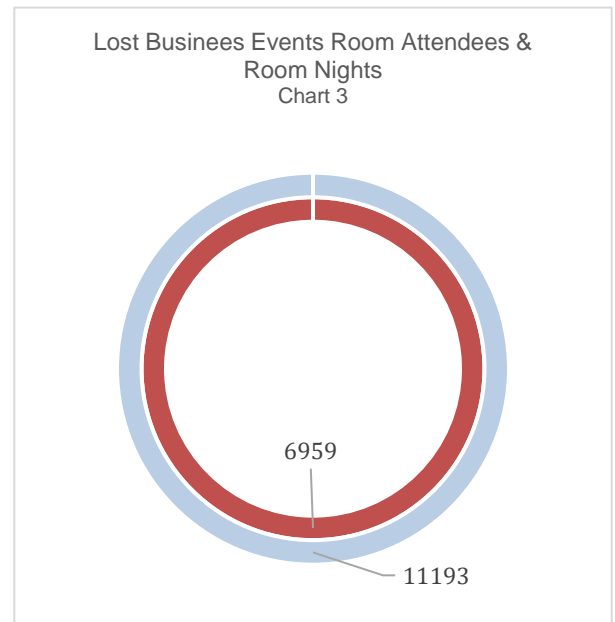
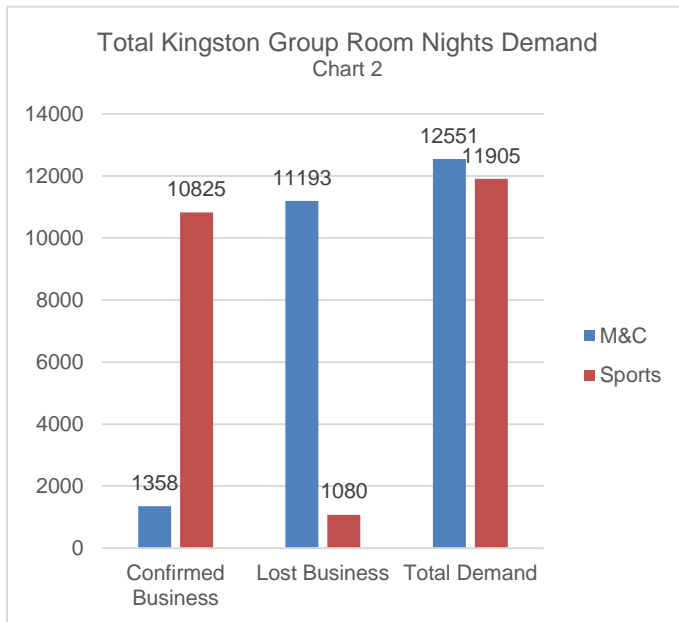
circumstances, the summer visitor season is already fully saturated, leaving little room for growth, spring, fall and winter seasons become the prime opportunity periods for growth. The pre-pandemic four-year average for the city was only 63.3%, therefore leaving room for more targeted business such as meetings, conventions, sports and special events, a great deal of which comes during the shoulder and winter seasons. As Tourism Kingston has been limited in its sales and marketing efforts to smaller business events, adding more and larger flexible meeting space downtown with an adjoining hotel would certainly open up the destination to a wider array of targeted business segments.



Source: CBRE national market report

Lost Business Analysis

An analysis of Tourism Kingston's 2019 pre-pandemic group demand was conducted in order to base this report on a normal operating year and gauge potential demand for the destination. The following charts 2 & 3 indicate that the total demand of both meetings and conferences, as well as sports groups, was almost 25,000 room nights. Due in part to the lack of available conference and meeting space the city was able to convert just over 50% of that demand, with roughly 90% being sport related business which typically produces a lower average rate. These totals are solely based on requests to Tourism Kingston and do not take into account lost business data from the Kingston hotel community.



Based on the 2020 Conference Centre Business Case report commissioned by Tourism Kingston, planners surveyed stated that Kingston would be a destination considered for meetings and conventions if adequate space was available. Its central location close to three major cities (Toronto, Ottawa and Montreal) make it an ideal destination for regional, provincial and some national business events.

Looking ahead at the impact a new 100 room hotel would have on the destination, the following charts outline the minimal impact a new hotel would have on city occupancy. The following assumptions were taken into consideration for this analysis:

- The pre-covid four-year average was used as a base line going forward
- 2021, year-end forecast was based on the CBRE predictions (*Kingston was based on Toronto's forecast*)
- 2022, year-end prediction was baselined at 50% for all destinations
- 2023 and 2024, year-end was baselined to return to the pre-covid four-year average
- Kingston occupancy was based on the full city inventory of 2576 rooms available
- Using 2023 as the Year 1 of full operation of the new conference centre (a longer time period would be needed to build a new facility but 2023 was used in order to project occupancy based on post-covid recovery with a new centre)

Chart 4 highlights Kingston's occupancy predictions and compares them to the city's main feeder markets as well as Kitchener/Waterloo, which is a similar sized city with many of the same physical attributes.

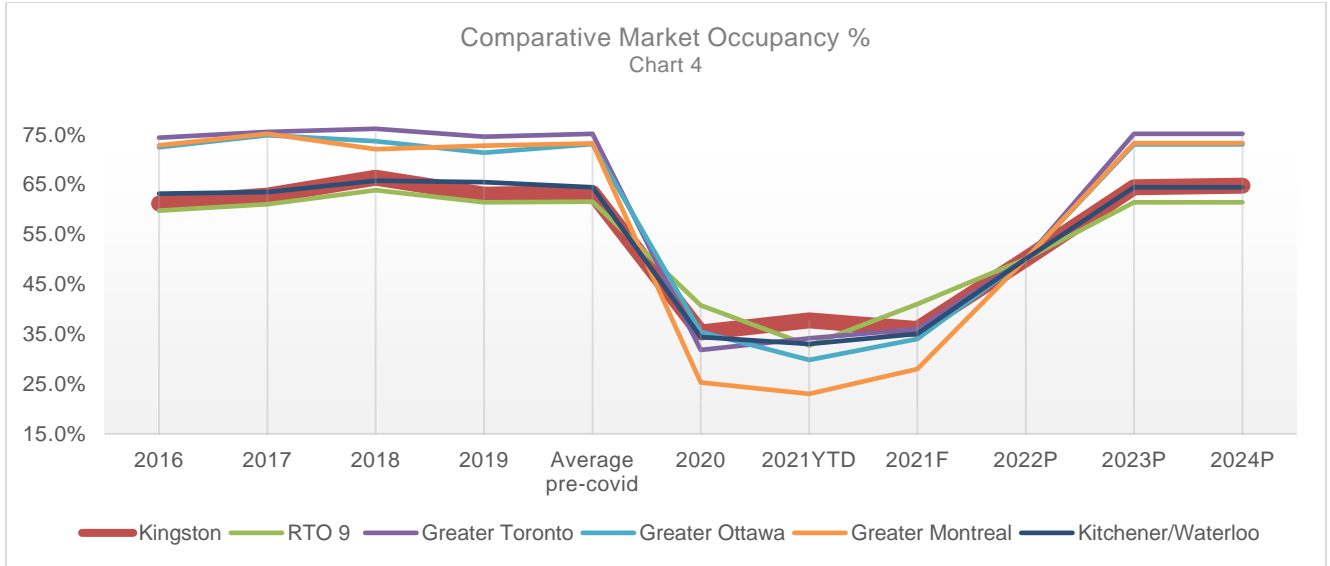
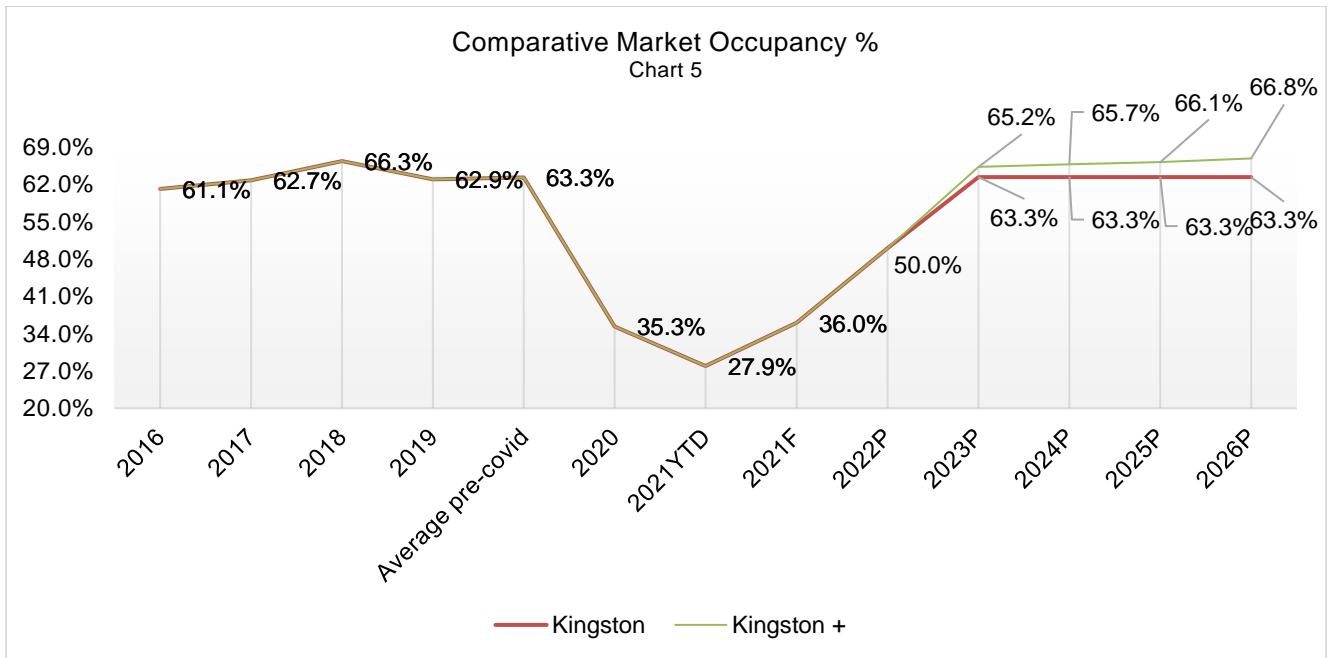


Chart 5 indicates the impact of adding a 100 room hotel (36,500 room nights available/year) to the city’s inventory while also taking into consideration the ability to capture more group business due to a new conference centre.

In order to project the potential occupancy increase resulting from a new conference centre a room capture rate was estimated on the new business booked at the centre. See Annex A for full capture rate assumptions.



As indicated above the effect on the overall occupancy of the city is positive as of year one of the new centre and hotel, based on assumed capture rates. The increased demand on the city

should positively affect average rates and revpar and consequently increase accommodations tax revenues. Again, this is if the conference centre and hotel were to open in 2023 as year 1 example. This of course not being the case, post-pandemic recovery will have a longer time to take effect, improving this scenario with every passing year until the centre and hotel become operational.

The post-pandemic environment is still yet to be determined, however several recent studies by Destination Canada, Destination International, Professional Conference Managers Association and Institute for Incentive Research have indicated a pent-up demand for a return to in-person business events. As the pandemic recedes, demand will first return at a local and national level, followed gradually by US and international demand. Canada stands to benefit early on as its reputation for safety, wide open spaces and smaller population will be heavily marketed by all national, provincial and local destination marketing organizations. Kingston is sure to benefit from this increased demand once adequate meeting space with an adjoining hotel is added to its inventory.

Recommendations:

In order to support the City's efforts to bring this project to fruition, and to ensure strong support for the project from the hotel industry and business community, it is proposed that Tourism Kingston and Kingston Accommodation Partners jointly move forward with the following recommendations:

1. TK and KAP to co-chair a Project Committee comprised of the tourism industry and broader business community, aimed at providing ongoing project support in the way of data, rationale and project component input.
 - Demonstrating strong project support to elected officials, from both the hotel industry and broader business community, is a key component to success.
 - Such a committee will provide valuable input in the way of project rationale, supporting data, and project components such as scale and functionality.

2. Project Committee to propose an appropriate scale and type of hotel for the project.
 - Enabling the hotel industry, through the Project Committee, to provide input as to the ideal type and size of hotel to be developed will result in not only a valuable transfer of knowledge from the industry to the project, but also a stronger buy-in from the hotel industry related to the final product.

3. Project Committee to provide input into scale and operating principles/guidelines for the conference centre.
 - While the scale, mandate and operating principals of the centre will largely be the purview of the developer/owner, the Project Committee may wish to have an opportunity to provide relevant input into this aspect of the project. Issues to be considered include:
 - the centre's financial mandate (economic loss-leader or for-profit operation);
 - business mix (guestroom-producing business only such as conferences, meetings and sporting events, or local business opportunities as well such as banquets, local meetings, and social events);
 - the scale and functionality of the centre, including room types and sizes, depending upon the needs of the desired markets. Technology needed to meet the needs of the targeted clientele.

4. TK to determine a pre-opening marketing and sales strategy for the destination.
 - A strong conference destination is made up of many components that are deemed to be desirable and necessary by meeting planners. Once the conference centre development has been confirmed, TK will need to be ready to market Kingston as Ontario's newest conference destination to the conference markets in Ottawa, Toronto and elsewhere. The 2-3 year construction period should be looked upon as the time when Kingston is aggressively seeking and signing future conference business, so that the centre opens to a strong inventory of current-year and future-years business-on-the-books.
5. KAP to initiate a program of collecting lost conference and event business data from its hotel partners.
 - There is no more compelling argument for the development of new conference space than the factual realization of lost business and economic opportunities. While TK has done an admirable job of tracking this data, it appears that the downtown hotels have not collected, or have not shared, this data in the past to any great extent. KAP should take on the role of collecting lost business data from Kingston's major hotels and transferring it to TK so that it can be added to their data base.
6. TK to initiate a conversation with the owners/developers as to the sales and marketing responsibilities of the new centre.
 - Is there an opportunity for TK to take on a contractual sales agreement with the ownership of the centre to manage overall sales of the conference facility? (Victoria model)
 - Consider an MOU so that TK has first rights on key high demand dates
 - Set a clear booking policy to optimize space revenue and booking windows

Annex A

Events production assumptions

	National Average/CC	Kingston # of events assumption				Average pax/event		Room night production				Occupancy % impact			
		2023	2024	2025	2026	-	-	2023	2024	2025	2026	2023	2024	2025	2026
Conventions	29	15	18	20	25	250 pax/night * 3 nights =	750	11250	13500	15000	18750	1.15%	1.38%	1.54%	1.92%
Meetings	185	75	100	125	150	40 pax/night * 2 nights =	80	6000	8000	10000	12000	0.61%	0.82%	1.02%	1.23%
Exhibits	18	5	5	5	5	40 pax/night * 3 nights =	120	600	600	600	600	0.06%	0.06%	0.06%	0.06%
Banquets/Social	131	25	35	50	75	40 pax/night * 1 night =	40	1000	1400	2000	3000	0.10%	0.14%	0.20%	0.31%
Total	363	120	158	200	255			18850	23500	27600	34350	1.93%	2.41%	2.83%	3.52%
Increase %			31.7%	26.6%	27.5%				24.7%	17.4%	24.5%		24.7%	17.4%	24.5%

The chart below indicates the pre-pandemic levels of total business events recorded within the conference centres that are members of the Convention Centres of Canada.

Convention Centres of Canada Average Events Breakdown		
	All Events	Average per venue
Conventions	640	29
Meetings	4080	185
Exhibits	400	18
Social/Banquet Events	2880	131
Total	8000	364

Source: FLOOR13 based on publicly available CC of C data 2016