To:	Executive Councillor for Planning and Sustainable Transport
Report by:	Head of Planning Services
Relevant scrutiny committee:	Development Plan Scrutiny Sub Committee 17/04/2012
Wards affected:	All Wards

INTERIM REPORT ON FUTURE HOTEL NEEDS IN CAMBRIDGE

Non Key Decision

1. Executive summary

1.1 In February 2012, the Council commissioned consultants to advise it on the performance and existing and future demand and supply for new hotels in the City and immediate surrounding area. This is in order to update the Council's evidence base for the review of the Local Plan and help inform any decisions relating to applications for hotel development in Cambridge. The headline findings of the research are showing: -

- A very strong hotel market with significant levels of growth to 2031
- Exceptional levels of performance by many hotels well above national benchmarks and a number of other heritage destinations
- A significant number of new developments many of which have planning consent and look set to come forward in the short to medium term.
- Strong levels of interest in the City but intense competition from alternative uses and high value land values are among the challenges in securing suitable sites.
- For a world class City and tourist destination Cambridge has a disappointing hotel offer in terms of quality of much of its City centre stock.
- Potential has been identified for a 4 or 5 star luxury hotel in the City centre along with smaller boutique hotels.
- A preference to be in the City centre but there is a shortage of sites here.

- Some potential in the outskirts driven by major planned developments there, which will minimise the need to travel.

- A significant level of existing commitments which almost meets forecast needs for the next 20 years. The mix of hotel types approved, however, does not match forecast needs.

- An opportunity to better manage future proposals that better fits with future potential.

1.2 The interim study which can be found at Appendix A has also been the subject of a stakeholder consultation on 29th March 2012.

1.3 Further work is in progress on comparator historic town benchmarking and 'fair share analysis' is exploring the role of the colleges, the bed and breakfast and guesthouse sector in relation to recent expansion of budget provision. Work on this will be concluded by the end of April. As part of the Local Plan review, housing and employment forecasts are being updated and the hotel forecasts will therefore be adjusted accordingly before the report is finalised.

2. Recommendations

2.1 This report is being submitted to the Development Plan Scrutiny Sub-Committee for prior consideration and comment before decision by the Executive Councillor for Planning and Sustainable Transport.

2.2 The Executive Councillor is recommended:

- To note the findings of the interim report (Cambridge Hotel Futures-by Hotel Solutions) and to support officer engagement in concluding the study and developing the implications within the Council's Issues and Options Consultation planned for the summer.

3. Background

3.1 Both decision-making on planning applications and Local Plan preparation should be informed by good evidence of market demand and hotel supply. This should also be kept up to date through plan monitoring. Consultation with hotel developers and operators should be an integral part of the consultation process when developing Local Plans, and their requirements should be reflected to ensure site development is realistic and deliverable.

3.2 The City has witnessed a rapid growth in the number of existing and proposed new hotel bedrooms over the last 3 years even with a national economic downturn. The Cambridge area economy remains very buoyant with relatively low unemployment and continued growth in research and knowledge based industries.

3.3 Many recent hotel applications have been accompanied by hotel needs assessments, which vary in approach and quality. There has been some polarisation in provision also with budget and the boutique market prospering and mid-market hotels suffering. The City Council is concerned about the overall quantity and pace of hotel development and whether the number of developments being approved will be sustainable in the longer term. Practice Guidance to Planning Policy Statement 4: Planning For Sustainable Economic Growth (PPS4) encouraged hotel assessments in plan making to provide a district wide framework against which planners can assess development on individual sites.

3.4 The National Planning Policy Framework now supersedes PPS4. This carries forward the principles of encouraging sustainable development and requires planners to be positive towards new development where it meets identified needs, established through evidence base, and where it helps economic growth.

3.5 Other guidance in National guidance for tourism development was contained in PPG21until its cancellation in September 2006. It has been replaced by a 'Good Practice Guide on Planning for Tourism'. This document contains a specific appendix on tourist accommodation, dealing principally with general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation).

Some of the key principles include:
• Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
• Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
• Outside the development plan process site selection should follow the sequential approach;
• There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
• New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
• The potential to convert and re-use historic buildings in the town and countryside should be considered;

• Extensions e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
• Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
• Lodges catering for stop-over traffic may require a location on a major route way, ideally edge of town rather than in open countryside.

3.6 Hotel Solutions was commissioned to review and update the evidence base, in the Cambridge area for the review of the Local Plan and advise the Council on issues and planning policy options to be considered. The project included 32 interviews with hotel operators and a wide range of stakeholders to assess recent performance levels, trends, and future prospects. An officer workshop, which included officers from across the Council, was held in early February and a stakeholder workshop was held on 29 March 2012 to inform the research and consider draft findings.

3.7 This debated a series of Issues and Options for the future development of Planning Policies. Problems identified with current policies included:

-the lack of information on the quantity of bedrooms need
-the policy does not prescribe the type of hotels needed
-a presumption in favour of residential use within the policy, which may encourage hotel owners to exit the market.
-lack of a policy, which seeks the retention of hotels and guesthouses in the city centre.
-the need to review the boundary of the City centre as it relates to hotel policy.
-some possible emerging issues with serviced apartments and aparthotels with no policy framework to encourage the extension and upgrade of existing hotels
-reconsider traffic and parking assessment and management
-lack of an overall Tourism Strategy and Hotel Strategy
-need for closer working with South Cambridgeshire.

3.8 The draft report is attached for information as Appendix A. Table 2 sets out that Cambridge currently has 32 hotels which provide some 2,104 bedrooms in a mix of 4 star, 3 star, budget hotels 2 boutique hotels 2 star and lower grade hotels, a wide range of quality Guest Houses and B&B accommodation and a new and growing offering of serviced apartments.

3.9 Most 4 star and boutique hotels are located within the city centre. The quality of some city centre hotels is variable with some having seen little recent investment. Additions to the budget supply have recently occurred at Orchard Park on the outskirts and on Newmarket Road.

3.10 Over the past 5 years 4 new hotels have opened in Cambridge adding 381 bedrooms. These comprised 2 boutique hotels in the City centre and 2 budget hotels on Orchard Park, which have doubled the City's budget supply in the last 3 years. Serviced apartments have also increased steadily.

3.11 Various extensions and refurbishments are proposed or underway with some hotels upgrading to 4 star and others developing as boutique/spa hotels.

3.12 Cambridge has a similar hotel supply to Oxford though Oxford has fewer City centre hotels. It has a smaller supply than Chester and significantly fewer hotels than York. Bath is similar to Cambridge in having a very constrained and historic City Centre. All of these Cities have seen boutique and budget provision expand. It is notable that Cambridge is the only historic city in the competitor benchmark set that doesn't have at least one 5 star hotel.

3.13 Expansions in stock can destabilise local markets temporarily and reduce occupancy levels. This was a concern expressed at the stakeholder workshop. This can however work through to a position of balance within a few years. Expansion can help tackle problems of quality. Some supply improvements can be achieved with refurbishments and rebranding rather than new build.

3.14 The survey found 4 star and boutique hotels are performing very strongly with frequent turn away business. Occupancy levels have been consistently high over the last 3 years 82-83%. Average occupancy indicating a good match of supply and demand is around 70%. City centre 3 star hotels averaged around 75% occupancy.

3.15 Budget hotels have been achieving around 80% occupancy and have been turning trade away in the last three years.

3.16 2 star and lower grade hotels trade at lower occupancies 61-68% and room rates.

3.17 Even 3 and 4 star hotels on the outskirts are achieving 67-73%.

3.18 A number of aparthotels and serviced apartments[1], have come on stream and achieving a high level of occupancy, in line with national performance.

3.19 Nationally Cambridge is 4th highest performing city on occupancy ahead of Oxford, Brighton, and Norwich. It the 5th highest performer recorded on the revpar monitoring system (net average room revenue per night after deduction of VAT breakfast if charged, discounts and commission charges).

3.20 Some 2 star hotels have lost market share to budget hotels but some have seen growth if they have responded to the challenge, invested in the product and actively marketed their offer.

3.21 Demand is being driven by international and UK corporate visitors to City centre, companies, the University and Colleges, international tourism and UK leisure guests. The University and Addenbrookes are planning new conference centre hotels. There would be scope to encourage more conference business given a more proactive approach.

3.22 Cambridge has 4.1 million tourists though only 835,000 were staying visitors. Overall numbers have declined by around 1% since 2008. 66% of staying visitor trips was from the UK and 34% were from overseas in 2010. UK trips have declined by 7% since 2008 whereas overseas staying trips have increased by about 7%. Newer BRIC markets (Brazil, Russia, India and China) are also stimulating overseas tourist demands.

3.23 Whilst overall visitor numbers have remained around the same level between 2008 and 2010 the total visitor spend has increased from £351 million in 2008 to £393 million in 2010.

3.24 The current hotel policy tries to increase new hotel provision to encourage longer stays. Leisure break demand is however primarily for one night stays.

3.25 Businesses are generating demands for executive and good quality accommodation, including luxury offers.

3.26 Contractors working on city projects are stimulating the demand for budget accommodation.

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1 Aparthotels and serviced apartments - a new generation of hotel accommodation that combines an element of self catering with hotel services including a reception , daily cleaning, linen and a hotel style booking system

3.27 The following table illustrates that although the quantity of commitments in terms in terms of numbers of bedrooms has a rough fit with the forecast growth in demand there remains a mismatch in some types of provision. Budget hotels are now fairly well catered for under this scenario.

Table 1 Projected Requirement For New Hotel Rooms

Standard and Location	Projected Requirements to meet market growth (medium scenario)				Firm Proposals Agreed or in pipeline
	2016 Rooms	2021 Rooms	2026 Rooms	2031 Rooms	
City centre 4 star /boutique	172	255	349	456	296
City Centre 3 star	(12)	(17)	49	86	70
Outskirts 3 & 4 star	135	188	248	316	576
Budget	197	263	337	421	477
Serviced apartments	15	25	39	48	
Total Need cumulative	347	748	1022	1327[2]	1419

Table 2 Proposals for New Hotel Rooms with planning approval or pending a decision

Location	Brand	Standard	No Bedrooms
City Centre			
Doubletree by Hilton - extension	Doubletree by Hilton	4 star	31
Edge of City Centre			
Red House CB1	O Calaghan Hotels	3 or 4 star	157
CB1 Station	Unknown	Unknown	200
Ashley Hotel-extension	Ashley	Boutique	19
Eastern Gate Newmarket Road	Travelodge	Budget	219 under construction
Intercell Coldhams Lane	Premier Inn	Budget	121

[2] Table 1 numbers above are cumulative bedrooms needed at 5 year intervals.
The numbers in brackets indicate an oversupply at a given point in time. Table 11 in Main Report gives detail.

(Pending)			
City Outskirts			
Cambridge Science Park	Radisson Blu	4 Star	296
Addenbrookes	Unknown	4 star	150
NW Cambridge	Unknown	3 star	130
Total			1323

4. Policy Implications For Local Plan Review

4.1 Policy 6/3 in the current Local Plan supports new hotel provision but does not provide any indication of the number of new bedrooms needed based on an assessment of need. Given the need for more housing, it also favors residential uses, which command higher value than hotels and can put pressure on hotel operators to exit the market. The current policy doesn't provide any locational priority to guide the development of new hotels or provide any certainty regarding the extension of existing hotels. Some City centre schemes have suffered from protracted negotiations to obtain planning permission.

4.2 Other policies aimed at design, protection of residential or employment land, S106 requirements, and BREEAM standards can impact on the ability of hotel schemes to stack up and operators may have only narrow windows of opportunity to secure viable sites and development opportunities e.g. during the recent recession when land values and difficulties of bringing forward other uses have enabled them to secure premises. Within City centres mixed-use schemes may be the only opportunity for hotel operators to obtain sites.

4.3 At present, the Council does not have an up to date Strategy for Tourism (last one being 2007) and there is an absence of any one body able to initiate improved destination management. The strategy in the past had the benefit of organisations like Horizons and EEDA and a Regional Tourism Board, which have been replaced by private sector organisations like Visit East Anglia. Realistically the private sector is going to be the only source of securing some kind of overall steer of destination management possibly following on from other initiatives such as the Business Improvement District proposal.

4.4 Future policies in the Local Plan are needed to better coordinate hotel provision and there is a need to work in a more coordinated way with South Cambridgeshire District Council. A hotel development strategy would provide a better basis to take a more holistic approach and proactively devise a suitable vision to develop a world class hotel offer that matches the City's other credentials as a centre of excellence and leading international business and academic research centre. If we leave it for the market to decide we may end up with a mismatch in provision that doesn't achieve this vision. The ability of the planning system to meet such aspirations is very limited; planning permission is granted for a hotel use, not a specific type or standard of hotel. Other public sector intervention is likely to be needed, e.g. in terms of robust hotel market and performance information, dialogue with property and hotel developers, and building aspirations into master plans and development briefs, to try to influence hotel development activity in line with destination development objectives.

4.5 Other areas to be considered for new policy are to support the expansion and conversion of suitable city centre properties to hotels. There is potential for a 4 or 5 star hotel to be delivered in one of the larger, more characterful public buildings if the public body decide to vacate the premises during the plan period.

4.6 Given the desirability and demand for hotels in the city centre and the difficulty in finding new sites, it may be appropriate to consider the need for a retention policy given that hotel sites are so precious, it's the most sustainable location and it's where the market wants to be.

4.7 The Issues and Options Report will also need to explore options for addressing the sustainable growth of serviced apartments and aparthotels and what impact this may have on the loss of permanent residential accommodation. There is clearly a demand in Cambridge from academic and corporate and business markets for longer stay accommodation. The Council has also had to take enforcement action following concerns about loss of permanent residential apartments and limitations in planning laws currently to prevent changes of use. This will be an issue the Local Plan Review will have to give clarity on.

4.8 The Local Plan should include a locational strategy for new hotels along with guidance on how applications in non-priority locations will be dealt with. There is also a need to ensure closer liaison with South Cambridgeshire in respect of sites on the City fringes. Other matters to consider are traffic and parking impacts and how schemes will deal with these issues. Again, this will need to be explored through the Issues and Options Report.

Next Steps

5.1 There are some elements of the work commissioned which have not yet been completed in the short timescale available.

5.2 This includes the production of an Executive Summary and technical appendices on the forecasts. More work is also proposed via a fair share analysis to model the impact of new supply on the bed and breakfast and guest house sector.

5.3 The consultants have completed a large number of other hotel studies in other historic cities. They will deliver a series of benchmarking outputs, comparing hotel supply and development activity in Chester, Bath, Exeter, Cambridge, York, Stratford-upon-Avon and Oxford by location (city centre/outskirts), standard, size and brand representation. They last delivered this module of work for Bath two years ago. With the baseline data now in place for Cambridge they will be able to provide us with a benchmarking assessment for Cambridge.

5.4 The report will be finalised by the end of April and will be brought back to DPSSC in June 2012. Emerging issues arising from the research will be consulted upon as part of the Local Plan Review Issues and Options consultation.

6. Implications

Financial Implications

6.1 There are no direct financial implications arising from this report. Policy recommendations will be considered as part of the review of the Local Plan, which has already been included within existing budget plans.

Staffing Implications

6.2 The review of the Local Plan has already been included in existing work plans. There are possibly new dimensions to the delivery of the Council's vision and destination management along with economic development activity to proactively target beneficial brands and other research e.g. conference market. This will need to be considered and discussed with partner agencies.

Equal Opportunities Implications

6.3 The development of new hotels will need to bear in mind the needs of different ethnic groups within their guests and in particular the needs of the disabled.

Environmental Implications

6.4 The development of an evidence base will enable the locational strategy towards new hotels to have regard to sustainability principles. The construction of hotels will need to follow the Council's sustainable construction guidelines.

Consultation

6.5 The Report is a technical study and has not been subject to direct public consultation. However, the development of any future planning policies related to hotels will be subject to full public consultation as part of the review of the Local Plan.

Community Safety

6.6 There are no direct community safety implications arising from this report.

7. Background papers

7.1 These background papers were used in the preparation of this report:

- Appendix A: Cambridge Hotel Futures –Interim Draft Report
- Best Practice Guide Tourism
- NPPF

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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