Cambridge City Council | Item

To:	Executive Councillor for Planning and Sustainable Transport	
Report by:	Head of Planning Services	
Relevant scrutiny committee:	Development Plan Scrutiny Sub Committee	12/06/2012
Wards affected:	All Wards	

CAMBRIDGE HOTEL FUTURES

Non Key Decision

1. Executive summary

1.1 In April 2012, Development Plan Scrutiny Sub Committee considered a report from consultants on the performance and existing and future demand and supply for new hotels in the City and immediate surrounding area. Headline findings from the research included the identification of:-

- 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 will meet needs for most of the next plan period but will provide a mix, which is out of sync with, identified potential.
- An opportunity to better manage future proposals that better fits with future potential.

1.2 Final work has now been completed on the comparator historic town benchmarking and 'fair share analysis' which has explored the role of and breakfast and guesthouse sector in relation to recent expansion of budget hotel provision. This is suggesting planned and future budget provision in Cambridge is likely to have a detrimental impact on the guest house and small hotel occupancies and some establishments may be forced to exit the market.

1.3 As part of Issues and Options work for the Local Plan review, housing and employment forecasts have been updated this has resulted in some small changes to the hotel market growth projections to reflect the latest population and housing growth options now being consulted upon in Issues and Options stage.

1.4 This feeds in to the Council's evidence base for the review of the Local Plan and will help inform any decisions relating to applications for hotel development in Cambridge.

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 endorse the final report Cambridge Hotel Futures- by Hotel Solutions for use as an evidence base for the review of the Local Plan and as a material consideration in planning decisions.

3. Background

3.1 The National Planning Policy Framework requires decision-making on planning applications and Local Plan preparation should be informed by good evidence base of the quantitative and qualitative needs of all foreseeable types of economic development over the plan period. 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 has good prospects for continued growth.

3.3 Members considered the Draft Interim Hotel Solutions Report at the April meeting of Development Plan Scrutiny Sub Committee minute 12/19/DPSSC refers. This reviewed and updated the evidence base for hotels, in the Cambridge Area for the review of the Local Plan and advised the Council on issues and planning policy options to be considered.

Benchmarking

3.4 Since April further work has been completed on benchmarking hotel provision in Cambridge with comparator historic towns and this is attached to the main report at Annex 1.

3.5 The Annex 2 gives an updated picture within its Appendices on the current supply, past changes in supply and planned development in Cambridge and the five comparator historic towns. It then concludes upon what this means for the suggested priorities already identified for Cambridge.

3.6 The comparator cities include Bath, Chester, York, Oxford and Norwich and cover star rated and branded hotels, non inspected and guest accommodation rated hotels with 10+ bedrooms. 5 star guest accommodation establishments are also included. Locationally it also covers city centre/edge of centre and outskirts of each City.

3.7 Some of the key findings from the comparisons include:-

- Cambridge is ranked third equal with Oxford and Norwich in terms of total current supply. It sits behind York and Chester.
- York Chester and Bath have a greater city centre supply than Cambridge. Oxford and Norwich have a more even split in geographical provision between City centre/edge of centre and the outskirts.
- Cambridge is third equal with Norwich on 4 star supply behind Chester and York.

- Oxford and Cambridge are the leading cities in the supply of boutique hotel bedrooms.
- Cambridge is ranked third in the supply of three star and two star hotels.
- Cambridge is the only city with no 5 star hotels.
- Cambridge is ranked fourth after York Norwich and Chester for budget provision.
- Cambridge has the highest number of serviced apartments (118) of all cities. Bath is the only City with a purpose built serviced apartment complex of 43 units.
- Cambridge and Chester have seen the greatest increases in hotel supply over the last 6 years followed by York.
- No new 4 star hotels have been built in any cities since 2006. Those that have opened has mostly been from upgrades from 3 star hotels. All cities apart from Oxford have seen a reduction in 3 star provision as a consequence of this.
- Cambridge has the highest number of proposed new hotel bedrooms of all cities which, if they proceed would mean Cambridge overtaking Chester and have the second highest number of hotel bedrooms after York.

3.8 The conclusions make a series of suggestions on possible brands to consider confirm the previously identified potential for the development of a 5 star hotel. They also confirm the requirement to consider and 4 star hotel in the city centre along with further boutique hotel development. Cambridge is the only city without a 5 star guest accommodation establishment. Bath has eight.

Fair Share Analysis

3.9 More work has now been completed on a ‘fair share’ analysis to model the impact of new budget hotel supply on the bed and breakfast and guest house sector. This is attached within Annex 4 to the Final Report.

3.10 A fair share analysis models how average levels of room occupancy for this sector might change under the 3 different market growth scenarios having regard to the number of budget hotel bedrooms that might open in the City.

3.11 It is a hypothetical approach based on a series of assumptions identified in paragraph 2.2 of the Annex. The limitations must be recognized in interpreting results.

3.12 The analysis uses the same growth rates, which were applied, to other hotels in the study.

3.13 The baseline supply of guest house and B&B bedrooms identified amounts to 591 rooms.

3.14 The consultants have assumed an average room occupancy for this sector of 55% in 2012 based on data they obtained. This represents a significant reduction in the levels being achieved in 2009 and 2010 and a substantial reduction on the 2011 level.

3.15 They assumed the sector will not deny business in 2012 other than during graduations.

3.16 The model calculates the impact the following coming on stream in 2013 and 2014:-

- The Travelodge at Eastern Gate Newmarket Road opening 219 rooms in 2013.
- The proposed Premier Inn on Newmarket Road opening (assuming it gets permission) 121 rooms in 2014
- A further 100 bed budget hotel opening (possibly near the Station)
- A larger 200 bed budget hotel opening in 2014 (assuming a larger hotel near the Station).

3.17 The results are shown the Table on page 6 of the Annex and show that currently planned and future budget provision in Cambridge is likely to have a detrimental impact on the guest house and small hotel occupancies depending on how fast new budget provision comes on stream, how strongly the serviced accommodation market grows, how guest house operators respond to the new competition and how the supply changes.

3.18 The Travelodge opening at Eastern Gate in 2013 could result in a 5-6% drop in room occupancy and that they would be unlikely to recover this trade for 5-10 years, and it would take 10-15 years to get back to 2009 levels.

3.19 The opening of the Premier Inn in 2014 (assuming it receives permission) could result in a further 2-3 % reduction in occupancy and they would be unlikely to recover to 2012 levels for 6-12 years and only get back to 2009 levels by 2026 if the overall market growth rate follows the high scenario.

3.20 Should a further 100 or 200 bedroom hotel open in 2014 a further 2.5-5% drop is likely. This would mean occupancy falling 12-13% below 2012 levels and 23-28% below their 2009 levels.

3.21 The analysis concludes that the opening of the Newmarket Road Travelodge and any further new budget hotels will add significantly to downward pressures on room occupancies within the guest house and small hotel sector. Since 2009 the sector has already started to feel the effects of the opening of the new Premier Inn and Travelodge on Orchard Park.

3.22 It therefore seems likely that some guest houses will seek to exit the market but better quality and well located guest houses with a loyal customer base may be less effected.

4. Policy Implications For Local Plan Review

4.1 Annex 3 - Market Growth Projections Update

As part of the Local Plan review, housing and employment forecasts have been updated since April. This has resulted in some necessary changes to the hotel market growth projections to bring them into line with the latest population and housing growth options now being consulted upon in Issues and Options stage (Options 153 Additional Hotel provision based on a high growth scenario of around 1800 new bedrooms by 2031 and Option 154 medium growth around 1300 bedrooms.) This results in the number of hotel bedrooms overall changing from 1300 bedrooms to 1500 bedrooms by 2031 under the medium growth scenario and changing from 1800 bedrooms to around 2000 bedrooms under the high growth scenarios.

Next Steps

5.1 Emerging issues arising from the research are being consulted upon as part of the Local Plan Review Issues and Options consultation.

5.2 The evidence base within this report is a material consideration in terms of planning applications.

5.3 In terms of its role as a material consideration if a proposal for hotel development came forward, the work included in the strategy allows the Council to make a more informed judgment on whether the scale location and type of hotel fits with the identified requirements. The planning case officer would use the findings to enable them achieve, through negotiations, a better synchronization in the mix of hotels to meet these identified needs.

5.4 The final report is attached at Appendix A.

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 –Final Report

8. Inspection of papers

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

Author's Name:	Myles Greensmith
Author's Phone Number:	457171
Author's Email:	myles.greensmith@cambridge.gov.uk