

**COMMITTEE:** **PLANNING**

**DATE:** **21 June 2016**

**SUBJECT:** **Tourist Accommodation Retention Policy Review**

**REPORT OF:** **Senior Head of Regeneration, Planning and Assets**

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**Ward(s):** All

**Purpose:** To provide background and context to the issue of Tourist Accommodation retention, identify potential areas of change

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Recommendations:

**1. Planning Committee are asked for their views on:**

- What part of the existing TAA should constitute the Primary Zone?
- What criteria should loss of tourist accommodation in the Primary Zone be assessed on?

**2. Planning Committee are asked for their views on:**

- What part of the existing TAA should constitute the Secondary Zone?
- How much flexibility should be given to applications for change of use on the Secondary Zone?
- What should be included in the criteria to assess the loss of tourist accommodation in the Secondary Zone?
- Should additional flexibility be allowed on applications on lifestyle businesses, or where there is a proposal for partial conversion with an agreement to invest in the remaining accommodation?

## **1.0 Introduction**

- 1.1 Eastbourne is one of the largest providers of tourist accommodation in the South East outside London, and has the 16<sup>th</sup> highest supply of hotel rooms in the country. It is important that a seaside resort like Eastbourne has the right quality and quantity of tourist accommodation because it is important to the local economy.
- 1.2 Then current policy has been applied for development management purposes since the adoption of the local plan in 2003 and it is therefore considered that given the changing holiday and general economic market in the intervening years that a review of the effectiveness of this policy is undertaken.
- 1.3 The purpose of this report is to provide background and context to the issue, and identify where there may be the need for further discussions.

## **2.0 Background**

- 2.1 The existing policies on tourist accommodation are contained within the Eastbourne Borough Plan 2001-2011, adopted in 2003, and a Supplementary Planning Guidance (SPG), adopted in 2004, which sets out how the Borough Plan policies should be interpreted.
- 2.2 There is a belief amongst the local hotel industry that the current policy is overly restrictive, inflexible and does not reflect the current market trends.
- 2.3 Evidence gathered during the preparation of the Seafront Local Plan confirmed that there is an issue with the current planning policy relating to the retention of tourist accommodation in that it is creating an oversupply of accommodation that it part may be contributing a lowering of standards in order to be able to compete in a congested market place.
- 2.4 At the Local Plan Steering Group meeting on 5 April 2016, a report was presented that outlined the different options for reviewing the tourist accommodation retention policies. It was agreed that the recommended approach of producing a new Supplementary Planning Document (SPD) to provide a new interpretation of existing policies should be taken forward.

## **3.0 Existing Situation**

- 3.1 Eastbourne has a significant stock of tourist accommodation, including 46 hotels, 60 guesthouses and 144 self-catering units, amounting to approximately 3,500 bedrooms. Over 90% of Eastbourne's hotels and guesthouses/B&Bs are located within the area along the seafront defined as the Tourist Accommodation Area (Appendix 1).
- 3.2 The majority of the rooms (81%) are located within hotels. Although there is

one 5-star and two 4-star hotels in Eastbourne, the majority of supply is concentrated towards the three-star, two-star and budget categories of the market. In addition, dedicated coaching hotels account for 20% of the total hotel room supply.

- 3.3 In terms of Guesthouses/B&Bs, there is a good supply of 4-star guest accommodation, and 46.3% of the total supply of Guesthouses/B&Bs are graded three-star and above.
- 3.4 A survey of accommodation providers in the Tourist Accommodation Study (2015) indicated that the annual average occupancy for all serviced accommodation in 2014 was 54%, with average occupancy rates ranging from a high of c.80% in August, to a low of c.15% in January. However, anecdotal evidence suggests that some of the dedicated coaching hotels run at 90% occupancy for most of the year.
- 3.5 The average number of nights that an establishment was fully occupied was 30 nights in the year, which would usually occur during the high season and when major events such as the AEGON International Tennis and Airbourne take place.
- 3.6 Across all establishments, the annual average achieved room rate was £61 per night, ranging from an average low of £54 in the low season to an average high of £71 in the high season. However, some individual establishments do have significantly higher room rates.
- 3.7 Under-occupancy and low room rates, especially in the low season, could mean that some accommodation providers choose to accept non tourist residents in order for their businesses to survive. There are examples of this happening in Eastbourne.
- 3.8 In terms of property transactions, the Guesthouse/B&B sector has remained very active over recent years, with a number being sold to buyers with no prior hospitality sector specific experience looking for a lifestyle change. It is interesting to note that Guesthouses/B&Bs that have had a change in ownership have generally seen an increase in occupancy over the last five years, possibly due to improvements made by new owners.
- 3.9 However, the larger independent hotels have not been so popular on the market, probably due to intense competition at the lower end of the market and competition from dedicated coaching hotels that dominate the coaching market. It is difficult for smaller independent coaching hotels to convert their product to one that appeals to individual visitors booking directly, and therefore there is significant interest in such properties for residential conversion.

## **4.0 Existing Policy**

- 4.1 The existing policy on the retention of Tourist Accommodation comes from the saved policies from the Eastbourne Borough Plan 2001-2011 (adopted 2003).
- 4.2 Policy TO1 defines an area along the Seafront as being the Tourist Accommodation Area. The policy states that within this area, applications for proposals that are incompatible with tourist accommodation use should be refused.
- 4.3 Policy TO2: Retention of Tourist Accommodation identifies that within the Tourist Accommodation Area, applications for the redevelopment or change of use of tourist accommodation to any other use will be refused. The policy does provide exceptional circumstances for when permission will be granted for other uses, but this is dependent on the applicant demonstrating that the continuing use of land as tourist accommodation is not viable. The policy sets out the factors that will be taken into account in the determination of viability. The wording of the policy is provided in Appendix 2.
- 4.4 The Assessment of Financial Viability of Tourist Accommodation SPG was adopted in 2004. This provides information on how Policy TO2 is interpreted and what information is required in order to satisfy the policy.
- 4.5 It is intended that the Assessment of Financial Viability of Tourist Accommodation SPG will be replaced by a new Supplementary Planning Document (SPD) that will provide an updated interpretation of Policy TO2.

## **5.0 Evidence**

- 5.1 A Tourist Accommodation Study was completed by consultants Acorn Tourism Consulting Ltd in 2015. The Tourist Accommodation Study reviews the current tourism market and the tourist accommodation provision in Eastbourne, analyses tourist accommodation performance through interviews and surveys with accommodation providers, and reviews the planning policy framework to make recommendations for how tourist accommodation should be addressed in the future.
- 5.2 The Tourist Accommodation Study considers that there is an oversupply of lower quality accommodation, particularly that which previously catered for the coaching market. This oversupply means that average occupancy levels fall as the lower quality accommodation reduce their prices to attract custom, which in turn means other providers need to reconsider their pricing. This ultimately drives down the average room rate and occupancy levels, particularly during the low season, and means that owners are unable to continue to invest in the maintenance and upkeep of the property resulting in a downward spiral of poorer quality stock.

- 5.3 This has implications on how visitors perceive Eastbourne in terms of the quality of their visit and the likelihood of them returning or providing recommendations, and also on how investors perceive Eastbourne. This restricts the ability of the town to diversify the tourist accommodation offer attract a broader range of visitors to Eastbourne thereby enhancing the destination's overall competitiveness.
- 5.4 The conclusion of the Tourist Accommodation Study is that there is a need to rebalance and diversify the supply of tourist accommodation with future emphasis on quality rather than quantity. This will allow Eastbourne's tourist accommodation to develop more organically and in turn appeal to and attract new markets.
- 5.5 A rebalancing of the supply requires the adoption of a more flexible approach to managing the tourist accommodation supply, particularly within the Tourist Accommodation Area where properties are located in streets away the seafront. It is recommended that the main focus should be on gradually reducing poor quality stock in these locations that will not be fit-for-purpose in the medium to long term, which in turn should help stimulate investment in better quality accommodation appealing to a broader range of visitors.

## **6.0 Issues**

- 6.1 It is clear from the evidence that the current policy needs to be reviewed; however there are a number of issues that need to be considered through this review.
- 6.2 It is essential that Eastbourne has suitable retention policies to ensure that the town retains an appropriate amount of tourist accommodation to attract increased numbers of visitors, but also that the quality of the tourist accommodation remains high and that the policy is not too restrictive so as to allow poor quality accommodation to exit the market where there is no viable future for it.
- 6.3 An oversupply of poor quality accommodation in less prominent positions
- 6.3.1 The Tourist Accommodation Study identifies that Eastbourne has a large concentration of smaller independent two and three-star hotels, and those located away from the seafront are likely to be less appealing to visitors. Consequently, some of the smaller independent hotels are finding it harder to compete.
- 6.3.2 An oversupply of stock that is no longer responding to market needs represents a risk in terms of diluting the overall market occupancy and achieved average room rate, as price becomes the only differentiator. Poor trading conditions acts as a barrier to investment and upkeep of existing

properties and development and investment in new provision.

6.3.3 The Tourist Accommodation Study identifies that the main challenge is to find a long-term solution to properties with between 10 and 50 rooms that are too large for a lifestyle business, but at the same time too small to operate efficiently as a mainstream commercial hotel.

6.4 The loss of substantial amounts of tourist accommodation could weaken the town's ability to retain its status as a tourism destination

6.4.1 It is essential to ensure that there are sufficient bed spaces to continue to attract an increasing number of visitors, and that Eastbourne retains a critical mass of accommodation to maintain the town's reputation as a tourist destination. Staying visitors spend much more in the local economy than day visitors and this helps to support other tourism related businesses.

6.4.2 It is crucial that the accommodation stock remains fit for purpose and meets the requirements of current and future visitors to the area in terms of quality, type and quantity.

6.4.3 In addition, the availability of sites for hotel development is very limited, and there is pressure from competing higher value uses, particularly residential. As such, hotel sites relinquished to other uses are unlikely to be replaced by new hotel development.

6.5 The protection of character of the Seafront

6.5.1 The hotels fronting the seafront from the Western Lawns all the way down to the Redoubt gives the seafront a locally significant character that makes a particular contribution to the town as a destination.

6.5.2 The importance of well-maintained hotel façades is crucial to the character and appearance of the seafront. It is undesirable to allow the character of the seafront to be further eroded by allowing the buildings along the seafront frontage to convert from hotels to residential. It is therefore essential that this area has strong policy protection.

6.6 Policies need to be well defined, economically realistic policies and can be applied consistently

6.6.1 There is concern that the current SPG is too restrictive and does not provide a clear basis upon which applications can be determined consistently.

6.6.2 In order for policies to be effective, they need to be easily understood and applied consistently, which means that the requirements need to be set out clearly in terms of the information that is required in order to determine an application.

- 6.6.3 However, policies also need to allow for an element of sensitivity as to how they are implemented in order to reflect changing circumstances. It is important that planning policy does not seek to attempt to perpetuate outdated forms of tourist accommodation for which there is no longer a market.
- 6.6.4 It is also important that there is regular monitoring of changes in occupancy levels and room rates in order to understand how successful the policy is. This would also create a robust evidence base against which to compare the performance of an individual accommodation establishment.
- 6.8 Removal of 'hope' value to encourage owners to run their businesses effectively
- 6.8.1 The increasing demands for housing puts pressure on lower value uses to convert, meaning that a hotel could be worth significantly more than its business value if it becomes available for residential development. This could tempt some hotel owners to seek to sell for residential conversion instead of selling the hotel as an on-going concern. This does not necessarily mean that such hotels are no longer commercially viable or would not find buyers if they were put onto the market as tourist accommodation.
- 6.8.2 Providing a strong policy that provides certainty in terms of what would or would not be permitted will remove unrealistic expectations and provide encouragement to operators to make a success of their businesses. It will also ensure the premises are marketed at more realistic prices that would allow the purchase of an on-going concern if there is interest from the market.

### Lifestyle Businesses

A 'lifestyle business' is business set up and run by its founders primarily with the aim of sustaining a particular level of income and no more. In relation to Tourist Accommodation, the business is likely to be their home as well.

It is recognised that commercial viability arguments are more difficult for 'lifestyle businesses' as such businesses are often a blend of home plus income. It may be appropriate that owners of 'lifestyle businesses' could be provided with some additional flexibility over the use of such premises, especially when personal circumstances might change.

### 6.10 Houses in Multiple Occupancy

- 6.10.1 The provision of Houses in Multiple Occupancy (HMOs) is a significant threat to the attractiveness of the seafront. The presence of HMOs in the prime tourist areas may not portray a positive image of the destination, and may

adversely impact the visitor experience.

- 6.10.2 Some tourist accommodation may undergo an 'unofficial' conversion to an HMO where accommodation providers accept non tourist residents in order to maintain an income that the tourist accommodation is not providing. This activity may not necessarily require planning permission, although it is not straight-forward.
- 6.10.3 There is also a perceived risk that removing hotels from the protection offered by the tourist accommodation retention policy would mean that establishments could apply for planning permission for an HMO without significant changes being required to the building.

## **7.0 Basis for new policy interpretation**

- 7.1 At this stage it is not possible for a new policy to be created, although the SPD can provide a new interpretation on what is required in order to meet the existing policy. As such, the existing Tourist Accommodation Area (TAA) designated will need to be retained and evidence will still need to be submitted with a planning application for the loss of tourist accommodation in order to demonstrate non-viability.
- 7.2 However the SPD may set new criteria on what evidence is required in order to meet the expectations of the policy, or it may be more flexible with that certain proposals in certain situations.
- 7.3 One of the key recommendations of the Tourist Accommodation Study is that the boundaries of the TAA be amended. As the new SPD will need to be consistent with policy, it will not be possible to change the TAA. However in order to address this issue the SPD could apply criteria differently within different parts of the TAA, which suggests that primary and secondary zones within the TAA could be identified.
- 7.4 Primary Zone
  - 7.4.1 Within the Primary Zone , the criteria should remain strong with significant evidence required in order to demonstrate that the continuing use of land as tourist accommodation is not viable.
  - 7.4.2 It is considered that the criteria required to demonstrate non-viability in the Primary Area should be similar to those that are in the existing SPG. However, there may be scope to provide clearer requirements on what needs to be submitted with an application in order for decisions to be made on a consistent basis.



7.4.3 **Planning Committee are asked for their views on:**

- **What part of the existing TAA should constitute the Primary Zone?**
- **What criteria should loss of tourist accommodation in the Primary Zone be assessed on?**

7.5 Secondary Zone

- 7.5.1 Within the Secondary Zone, the criteria should not be as onerous as in the Primary Area in order to provide more flexibility for accommodation to exit the market and reduce the oversupply, but only where there is no market interest in the hotel use continuing. This suggests that a lower level of evidence should be required with a planning application for change of use or conversion.
- 7.5.2 In addition to the viability criteria, it may appropriate for losses in the Secondary Zones to be allowed in certain circumstances, as described below.
- 7.5.3 Proposals for conversion of a 'lifestyle business' into a Single Private Dwelling could be afforded additional flexibility where the establishment in the Secondary Zone is under a certain size.
- 7.5.4 Proposals for the partial conversion of serviced accommodation to residential could be permitted where there is an agreement to invest in the remaining tourist accommodation. The advantage is that it guarantees continuity of supply and, although this could be with fewer bed spaces, the compensation is the improvement in quality of what remains. This would only be appropriate on larger establishments in the Secondary Area where separate entrances could be created.
- 7.5.5 The principle of partial conversion of serviced accommodation to non-serviced accommodation (holiday flats) could also be permitted where there is a clear link in terms of the ownership and management of the hotel and holiday flats.
- 7.5.6 **Planning Committee are asked for their views on:**
- **What part of the existing TAA should constitute the Secondary Zone?**
  - **How much flexibility should be given to applications for change of use on the Secondary Zone?**
  - **What should be included in the criteria to assess the loss of tourist accommodation in the Secondary Zone?**
  - **Should additional flexibility be allowed on applications on lifestyle businesses, or where there is a proposal for partial conversion with an agreement to invest in the remaining accommodation?**

## 7.6 HMOs

- 7.6.1 Borough Plan Policy HO14: Houses in Multiple Occupation states that HMOs will not be permitted in the tourist accommodation area defined by Policy TO1. Retaining the Tourist Accommodation Area as it currently is means that this policy would still apply, and even where tourist accommodation in the Secondary area meets the tests to allow conversion, a conversion to a HMO would still be contrary to policy and would be resisted.

## 8.0 **Next Steps**

- 8.1 Feedback from Planning Committee and discussions with the Eastbourne Hospitality Association will assist in the development of the policy review.
- 8.2 The SPD will then be drafted and presented to Planning Committee for comments on 30 August, before being presented to Cabinet for authority to publish for consultation. Consultation is anticipated to take place between 16 September and 28 October.
- 8.3 Following consultation, the comments will be reviewed to allow a final version to be presented to Planning Committee and Cabinet, before adoption at the Full Council meeting on 22 February 2017.

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## **Background Papers:**

The Background Papers used in compiling this report were:

- Eastbourne Core Strategy Local Plan 2006-2027 (EBC, 2013)
- Eastbourne Borough Plan 2001-2011 (EBC, 2003)
- Tourist Accommodation Study (Acorn Tourism Consulting Ltd, 2015)
- Here to Stay: Tourist Accommodation Retention & Loss - Guidance for Local Authorities on the Development of Planning Policy (Tourism South East, 2006)
- National Planning Policy Framework (DCLG, 2012)

To inspect or obtain copies of the background paper, please refer to the contact officer listed above.

## **Appendix 1**

### Tourist Accommodation Area







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## Appendix 2

### Extract from the Eastbourne Borough Plan relating to Tourist Accommodation Retention Policies

#### **Accommodation**

- 11.5 Eastbourne is one of the largest providers of tourist accommodation in the South East, outside London. Since 1976 planning policy has actively sought to retain accommodation in the main tourist areas and it is clear that this has played a part in maintaining an adequate stock of serviced accommodation and in promoting the development of un-serviced accommodation which has increased by 25% since 1990.
- 11.6 Since 1990 the numbers of hotels and guest houses has declined, with a loss of almost 1000 rooms and over 2000 bed spaces. The greatest decline being in the number of small size establishments. However there has been a significant improvement in the quality of the remaining establishments, with 83% of serviced accommodation now providing en-suite facilities.
- 11.7 Maintaining the stock of serviced establishments is vital if Eastbourne is to seek to capitalise further on the increasing trend toward short-break holidays, especially for older couples with grown-up families. This stock is also important in the market for conference and business related tourism. It is, therefore, important to continue with the policy of retaining holiday accommodation in the areas of the Town where visitors expect to find such accommodation. In itself it would appear that the loss of one property providing serviced accommodation does not materially affect the stock of such accommodation available. However it is the cumulative effect of allowing a number of establishments to disappear that is of concern and which could, if uncontrolled, significantly affect Eastbourne's role as a major resort.
- 11.8 It is recognised that in exceptional circumstances the continued use as holiday accommodation may not be appropriate. In particular the Council accepts that tourist accommodation may no longer be financially viable, but it is important that objective criteria are available to enable proper consideration of such proposals in order to ensure that viable tourist accommodation establishments are retained. In addressing these criteria the Council would wish to see a full exploration of a property's suitability for modernisation or for conversion into un-serviced accommodation, as there continues to be a demand for high quality self-catering accommodation.
- 11.9 The Council recognises that operating costs must be met if the use of the land as tourist accommodation is to be viable. When considering profitability, it is recognised that for many small hotels and guesthouses the integration of a family home and the convenience and independence of working from home

have a value that pushes the market price above the pure business value of the premises. This makes a commercial return on investment targets inappropriate as a measure of viability. The policy acknowledges the reality of this sector of the business. Accordingly factor g) in Policy TO2 is only appropriate if the investment has the sole objective of generating a competitive commercial return. For smaller hotels and guesthouses, where the operator's private use represents at least 10% of the building (defined in terms of the proportion of the total habitable floor area, excluding hallways and landings), due consideration will be given to the value of non-financial factors in assessing whether the use as tourist accommodation is viable. Further explanation of the assessment of the viability of tourist accommodation will be set-out in Supplementary Planning Guidance.

11.10 An area for tourist accommodation is designated, and shown on the Proposals Map, which reflects the area of greatest demand for tourist accommodation. It includes most of the Town's larger hotels, as well as smaller less expensive establishments. It is important to recognise that this area is essentially a business area, with property values reflecting the tourist accommodation use, and it is appropriate that the needs of tourists should prevail in considering other developments within this area. This means that the different lifestyles, and special requirements, of tourists should be recognised in deciding whether a proposed development is compatible with the tourist accommodation use of the area. These requirements might include, for example, the important aspects highlighted in the 1998 Eastbourne Tourism Study of "a place that is clean and tidy", "an elegant seafront" and "a safe place to walk around at night". Day-time commercial uses may, therefore, be incompatible because tourists may feel vulnerable to crime when walking past such establishments at night. Whilst businesses open 24 hours a day may also be incompatible because of night-time noise and potential nuisance.

#### **Policy TO1: Tourist Accommodation Area**

Within the tourist accommodation area, shown on the Proposals Map, planning permission will be refused for proposals which are incompatible with the tourist accommodation use.

In considering proposals for development within this area regard will be made to the different lifestyles and special requirements of tourists. This consideration will include the following:

- the effect on residential and visual amenity (see Policies HO20 and UHT4);
- the likely hours of operation;
- c) safety and security implications.

#### **Policy TO2: Retention of Tourist Accommodation**

Within the tourist accommodation area identified on the Proposals Map planning



permission will not be granted for the redevelopment or change of use of tourist accommodation to any other use. In this Policy "tourist accommodation" means serviced tourist accommodation (Class C1 use) and un-serviced tourist accommodation.

Only in exceptional circumstances will planning permission be granted for any other use. This means that the applicant must demonstrate that the continuing use of land as tourist accommodation is not viable.

In determining viability the following factors will be taken into account:

- a) the location of the premises;
- b) the physical condition and cost of repair of the premises;
- c) the potential for refurbishment, including the cost of works;
- d) the potential for conversion to other tourist uses, including the cost of works;
- e) the market valuation of the property reflecting the above factors;
- f) whether the direct costs of running the business can be covered; and
- g) whether a commercial rate of return on investment can be achieved.

However, factor g) above will be excluded from the viability analysis in all instances where the operator has private accommodation on the premises comprising at least 10% of the building (defined in terms of the proportion of the total habitable floor area, excluding hallways and landings).

**Note:** Supplementary Planning Guidance will be prepared giving further details assessment of viability of tourist accommodation.