Committee(s)	Dated:
Local Plans Sub (Planning and Transportation) Committee	23/05/2023
Subject: City Plan 2040 - Hotels	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**1,2,4,7,9,11,12**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Gwyn Richards, Planning & Development Director, Environment Department	**For Discussion**
Report author: Peter Shadbolt, Head of Planning Policy	

Summary

The adopted and draft City Plans set out a permissive approach to visitor accommodation which allows hotel development where it supports the business City and does not detract from the City's primary business function or impact on residential amenity.

Despite a reduction in visitor numbers to the City through the Pandemic and uncertainty due to the current economic downturn, there remains strong demand for hotel development in the City. An increased emphasis on visitor accommodation in the City is needed to ensure that there is sufficient accommodation to meet growing visitor numbers and to complement the Destination City programme and continuing office floorspace growth. A hotel need study undertaken for the City Corporation projects a need for an additional 350 hotel bedrooms per year up to 2037.

This report sets out how policies in the City Plan could be updated to reflect these changes.

Recommendation(s)

Members are asked to:

- Advise on the proposed policy directions in relation to policies on hotels and visitor accommodation.

Main Report

Background

1. The current approach to hotel development in the City Plan is largely unchanged from 2011. A hotel need survey was undertaken in 2009 to inform the 2011 Core Strategy which indicated there was a shortfall in hotel space to meet corporate and leisure demand and recommended an increase in hotel provision concentrated near to tourist landmarks. This was reflected in the Core Strategy and carried forward into the 2015 Local Plan. The 2015 Local Plan allows new hotel development where it is complementary to the City's primary business and cultural roles and in locations where it would not result in amenity issues for residents or businesses. Clustering of hotels in the west of the City near to St Paul's and in the east of the City near to the Tower of London was encouraged.

2. The draft City Plan which was issued for consultation in early 2021 took a broadly similar approach to hotel development in the City, encouraging hotels where they would not prejudice the primary business role of the City or result in the loss of viable office floorspace, and where there would be no adverse amenity impacts. The policy was expanded to require the provision of publicly accessible complementary facilities within new hotel development and there was specific encouragement for hotels in and around the identified Culture Mile area in the North West of the City where hotel provision would support the City's cultural and visitor development ambitions. Consultation responses were supportive of this approach and generally sought a greater diversification of hotel supply in the City to meet varying needs.

3. The London Plan 2021 seeks to strengthen London's visitor economy, planning for growth in visitor accommodation of 58,000 bedrooms by 2041. Within the CAZ, visitor accommodation is supported where it aligns with CAZ strategic functions, including the retention and provision of additional office accommodation.

4. The City Corporation's Destination City programme sets out a renewed vision to make the City more resilient, ensuring that it continues to be a global business centre and a leading destination for workers and visitors. It's strategic aim is to drive footfall 7 days per week and create places and experiences in the City with an enhanced social and cultural offering. A key element of this programme is ensuring that the City has sufficient visitor accommodation to enable those who want to come to the City to stay in the City.

Current Position

5. The London Plan serviced accommodation forecasts, which underpinned the draft City Plan, predate the Covid-19 pandemic. In the final quarter of 2021 domestic and international visitor nights to London were down 40% on the equivalent quarter in 2019, and the associated spend was down by 60%. GLA tourism forecasts in 2022 predicted that the number of overnight stays in London and associated spend will not reach pre-pandemic levels until at least 2025.

6. Although there have been short term impacts on the tourism industry as a result of the Pandemic and the current economic downturn, the attractions of the City and of London as a visitor destination remain strong. Visitor accommodation is important to cater for business visitors wishing to stay in the City, as well as leisure visitors. The amount of office floorspace in the City is planned to increase in the next 20 years, with demand for business accommodation also likely to increase.

7. Alongside business visitors, leisure visitor numbers in the City are also expected to increase in the longer term. The delivery of Destination City will lead to increased footfall and increased demand for visitor accommodation. The future demand for visitor accommodation has been reflected in growing levels of interest from developers and hoteliers for suitable sites within the City.

8. To better understand future demand for hotel and visitor accommodation in the City and how the City Plan could support the further development of Destination City and the business accommodation sector, Avison Young were commissioned to undertake a hotel and visitor accommodation study. This study was published in January 2023.

9. The Hotel study identified significant growth in visitor accommodation in the City over the period since 2013, with a 41% growth in the number of hotels, to 42, and a 51% increase in bedrooms, concentrated largely in the 4 star and limited service (i.e. clean and comfortable en suite facilities, 24-hour reservations and a consistent level of facilities) sectors.

10. The study identified a number of fundamentals which signalled healthy future hotel demand, despite the impact of Covid and the economic downturn:

    - office floorspace growth and increased business tourist demand;
    - improvement in accessibility driven principally by the Elizabeth Line;
    - Destination City programmes, leading to increased visitor numbers and footfall;
    - strong demand from hotel brands, operators and developers for new and additional visitor accommodation in the City.

11. Modelling undertaken for the study indicated an overall need for hotel bedrooms in the City of 4,012 bedrooms up to 2037. In addition to the 1,483 hotel bedrooms already in the development pipeline at December 2022, an additional 350 hotel bedrooms are projected to be needed each year up to 2037. In terms of hotel quality, demand was identified across all grades, highlighting a need for a flexible approach in planning.

12. The study also recommended that the City Corporation consider the identification of hospitality clusters and the creation of leisure destinations, particularly in the Smithfield and Aldgate and Tower areas of the City.

Policy Options

13. There is a clear need for the City Plan to address hotel demand to meet business accommodation needs and to ensure a range of visitor accommodation is available to meet the needs of visitors attracted to the City through initiatives such as Destination City. Two alternative policy options are set out below and Members are asked to advise on their preferred way forward.

14. The first options would be no substantive change in approach from the current draft Plan, with continued support for hotel development where it does not impact adversely on the City's primary business role or impact on residential amenity. This could include support for clustering of hotels but without specifically identifying areas and including a target of 4,000 bedrooms as a monitoring target in the supporting text. Encouragement could be given to a range of hotel types and grades, but decisions on location and grade largely left to the market.

15. This option would continue the current approach which has gained broad support in earlier draft City Plan consultation, but would not provide the more positive, forward-looking approach to visitor accommodation recommended by the Hotel Study and which would be necessary to underpin and complement the Destination City programme.

16. A second and alternative approach would be to set out a more positive and forward-looking strategy to visitor accommodation in the City, which provides more positive encouragement for hotels and visitor accommodation in specific areas of the City, allowing more easily for change of use from office to hotels and which specifically recognises the complementarity between visitor accommodation and

- office and business growth and the need to meet business tourism needs;
- the ambitions of the Destination City programme in bringing people back into the City and increasing footfall and visitor spend.

17. The policy could signal the benefits of clustering of such accommodation, identifying preferred clusters near to major London-wide tourist destinations, such as the Tower of London, St Paul's Cathedral and the Museum of London. The policy could include a numerical target, but this should be expressed as an indicative 10 year target, rather than an annual figure, to give flexibility. Encouragement for a range of hotel types and grades, which also deliver a range of publicly accessible facilities such as bars, cafes, restaurants, viewing areas and community/cultural spaces should also be set out. This approach would most clearly complement Destination City and establish a positive framework for future hotel and visitor accommodation development and is the preferred option.

Corporate & Strategic Implications

18. The preparation of the City Plan is informed by and will contribute to the implementation of the Corporate Plan (2018-23). The City Plan will support the delivery of key Corporate priorities, along with proposals to ensure a sufficient

supply of business space and complementary uses to meet future needs. Preparation of the revised City Plan is being undertaken alongside the review of the Transport Strategy and the revised end date of the City Plan (2040) will align with the key net zero target in the Climate Action Strategy.

Financial implications

19. None.

Staff Resource implications

20. Preparation of the revised pre-submission Regulation 19 City Plan is being carried out in-house by the Development Plans Team, working alongside and supported by Development and Design colleagues in the planning service and by other services as appropriate.

Legal implications

21. There are no specific legal requirements, other than the ongoing requirement to ensure that all relevant statutory processes are complied with during production of the City Plan.

Equalities implications

22. Preparation of the City Plan has been informed by an Integrated Impact Assessment. A separate Equality Assessment is also being undertaken. Any material changes to the Plan will be subject to further Equality Assessment.

Risk implications

23. The December 2021 report to the Grand Committee identified the risks associating with preparing a revised pre-submission Regulation 19 City Plan as compared to submitting the current version for examination. The Grand Committee agreed to revise the City Plan and officers will continue to monitor and report back on any changes to the risk assessment as the project progresses.

Climate implications

24. The City Plan is one of the key mechanisms for achieving those targets in the Climate Action Strategy which relate to the Square Mile rather than the City Corporation's own operations, in particular the net zero target for the Square Mile by 2040. The inclusion of policies that seek to provide suitable visitor accommodation in accessible locations close to major visitor attractors and public transport networks will align with the City Corporation's climate ambitions.

Security implications

25. There are no direct security implications.

Conclusion

26. This report sets out two potential policy approaches

Background Papers

- None

Appendices

- None

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