

East Sussex Hotel & Visitor Accommodation Futures

RETAINING HOTELS & GUESTHOUSES IN HASTINGS

Final Report

Prepared for:
Hastings Borough Council & Tourism South East

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- 1 Key Findings of the 2007 Hastings, Bexhill and 1066 Country Hotel Futures Study



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RETAINING HOTEL ACCOMMODATION IN HASTINGS

Guidance Note

1. Background and Context

This report has been commissioned by Hastings Borough Council and Tourism South East as part of a wider programme of hotel and visitor accommodation studies for other East Sussex local authorities (Lewes, Rother, Eastbourne, Wealden) that Hotel Solutions has undertaken in 2008/09.

Whilst the focus and level of detailed coverage in each local authority area has differed according to their particular information needs, the overall purpose of the hotel and visitor accommodation futures programme is to inform the preparation of the Local Development Framework regarding planning policies for the development of the hotel and visitor accommodation sector, as well as to support development control functions in assessing hotel and visitor accommodation planning applications and inform other actions required by the public sector partners to support the development of the sector.

As a detailed appraisal of the hotel sector was undertaken for Hastings together with Rother as part of the 'Hastings, Bexhill and 1066 Country Hotel & Guest Accommodation Futures' study in 2007, an in-depth review of performance and potential was not required. The 2008/2009 inputs seek to build on this earlier report, and where necessary up-date any key findings.

For completeness, this document should be read alongside the 2007 report. A summary of the key findings of the 2007 report as they relate to Hastings is attached at Appendix 1.

2. Objectives and Outputs

The issue of hotel and guest accommodation retention is one that has been of concern to Hastings Borough Council for a number of years. Whilst this issue was addressed in the 2007 study, there have been some additional, significant losses since this time. Clearly the planning policy framework is also changing, and the LDF process is a little further down the line than at the time of the previous report.

The priority for Hastings Borough Council and principal focus of work for this report is therefore to provide more detailed guidance on the issue of serviced accommodation retention, drawing on Hotel Solutions' earlier work in Hastings, the guidance developed by Hotel Solutions with Tourism South East, and knowledge of good practice elsewhere.

The report makes recommendations about the best way ahead for Hastings Borough Council to further develop, support and implement these policies, but it is the intention that the guidance provided will help fill a gap in the interim, and bring greater clarity around the issues of evidence and process until revised policies are in place.

3. National Planning Guidance

Planning Guidance for tourism was contained in PPG21 and set out specific guidance on the retention of visitor accommodation:

"The conversion of hotel stock to alternative uses can weaken a (seaside) town's ability to retain its status as a tourism destination. This problem needs to be addressed in local plans for such areas. Well defined, but economically realistic policies should be consistently applied. Authorities should not however, seek to use the planning system to attempt to perpetuate outdated forms of tourist activity and accommodation for which there is no longer a market", (5.24).

However, PPG 21 was cancelled in September 2006, being replaced by a 'Good Practice Guide on Planning for Tourism'. Whilst this document contains a specific appendix on tourist accommodation, it deals principally with tourism facilities and the location of accommodation, and does not provide detailed guidance on accommodation retention issues.

The Guide does feature Bournemouth as a case study of analysing trends in the tourism industry and then adopting a planned approach to diversifying tourism facilities whilst at the same time retaining essential tourist accommodation (3.17).

'Bournemouth Local Plan and Supplementary Planning Guidance

Bournemouth Local Plan, adopted 2002 and Supplementary Planning Guidance (SPG) on Tourism, adopted in 2004 both emphasise the need to diversify tourism facilities. This need manifested itself in particular through the continued loss of hotels despite planning policies aimed at retention. This loss was generally caused by inconsistent decisions on appeal resulting from a lack of structure to the Planning Authority case and an over-reliance on the policy weighed against strong financial arguments from the applicants. In its analysis, the Bournemouth Local Plan has noted that the resort's popularity as a prime holiday destination has been maintained by other markets opening up, such as short breaks, activity holidays and business and conference tourism.

The Local Plan recognised the need to respond to this and for the seaside resort to serve a variety of functions and widen its economic base as a shopping and commercial centre. In response to this, the plan contains policies for the defined Town Centre Tourism Area and Tourism Core Areas as the hub of tourism facilities containing major tourism related facilities such as theatres, cinemas, night clubs, shops and restaurants, the Gardens, Pier and beach; Bournemouth International Centre; and hotels, guest houses and blocks of self catering accommodation.'

4. Regional Policy

Regional policies for tourism are set out in the emerging South East Plan. These policies were developed initially in 'Destination South East', a land-use and planning strategy for the tourism industry that was approved in November 2004 as a formal alteration to RPG9. RPG9 has now become the adopted Regional Spatial Strategy as amended at November 2004, and is being rolled forward as the South East Plan. Policy TSR 5 sets out policies in relation to tourist accommodation, and includes a specific policy on retention:

'Development Plans should include policies to protect the accommodation stock where there is evidence of market demand'.

The South East Plan also advocates:

'Active monitoring of demand for and the supply of tourist accommodation to inform planning decisions, including monitoring the cumulative impact of small losses of accommodation stock'.

These general principles are adopted in a statutory document and as such have the same status as the Local Plan. They seek to guide local authorities in the preparation of the new Local Development Frameworks.

5. Hotel Sector Planning Policy Guidance

Tourism South East has worked with Hotel Solutions and partner local authorities in the South East Region on a number of accommodation studies over the past 7 years. These studies have resulted in a series of best practice planning guidance documents being produced which are intended to aid local authority Planning, Tourism and Economic Development Units in shaping future policy and action with regard to the accommodation sector. Of particular relevance to this study is guidance produced in 2006 focusing on hotel retention and loss. We summarise its key messages overleaf.

'Here To Stay' – Tourist Accommodation Retention and Loss (October 2006, Tourism South East)

This document looks at the case for retaining tourist accommodation and various approaches to accommodation retention policy across a range of destinations. It then identifies key issues and guiding principles relating to retention policy and sets out an evaluation tool that can be used by local authorities and adapted as required to local circumstances.

With more and more cases going to appeal, particularly where a residential permission is likely to deliver a hotel owner a significantly higher return than the sale of the property as a going concern, many local authorities have recognised the need to tighten up their policies and procedures.

It is worth highlighting here the key retention policy planning principles that should guide policy preparation in this area. Policies should be:

- **Well-defined and transparent** - clearly spelled out in terms of the rationale behind the policy and how it will be implemented.
- **Consistently applied** - out of fairness to applicants but also so that officers, members, inspectors and applicants/their advisors cannot challenge the Council in its approach.
- **Objective** – criteria/evidence-based - criteria-based policies seem to be the way forward, and provide a set of requirements that the applicant must respond to and provide evidence against.
- **Economically realistic** - viability is at the core of many of the change of use arguments requiring an understanding by the Council and inspectors of the economics of hotel operation.
- **Reasonable** - in terms of knowing when to let establishments go, both in terms of the individual circumstances surrounding a property and the contribution it is making to the bigger picture.

- **Related to prioritised needs of the destination** - in terms of identified core areas where it is desirable that accommodation is retained.
- **Linked to tourism strategy** - to support identified market priorities and priorities for the location of development/investment.
- **Flexible** - responsive to changes in the market, the economy and the destination (albeit that timeframes may require determination).
- **Market-led** - which requires the monitoring of market and performance trends.
- **Should not perpetuate accommodation for which there is no market** - again requiring an understanding of market needs and the required product response.
- **Based on consultation with the local tourism/hotel industry.**

Application of these principles requires a local authority to:

- Think through how the implementation of policies will impact on the destination;
- Set out clearly the criteria and evidence to be presented by any change of use applicant;
- Have the support tools and data to be able to debate and indeed where required counter the argument being put forward by the applicant with the benefit of commercial assessments and advice.

The starting point for developing the policy approach and system for evaluation should be a clear vision for the destination and the role the accommodation sector plays in this. What are the accommodation needs of different markets and where should this be located? What mixture of new development, retained stock and managed loss will best achieve this? This needs to be based upon sound market evidence and not unrealistic aspirations.

In relation to retention, the evaluation tool set out in the guidance identifies:

- The criteria against which applications should be assessed, principally:
 - Proof of marketing for sale;
 - Evidence of business performance;
 - Evidence of professional management;
 - Evidence of attempts to save the business.

- The type of evidence sought from applicants to demonstrate that they meet these criteria – or otherwise, including:
 - Independent valuation;
 - Sales marketing materials and responses ;
 - Accounts;
 - Occupancy and achieved room rate data;
 - Business plans;
 - Marketing Plan, schedule and brochures;
 - Investment schedule and plans;
 - Details of plans to up-grade/re-position with full costings.

- The response required from the local authority, including sources of information and expertise, which could include:
 - Tourism Strategy inputs/consultation with Tourism Team;
 - Independent property valuations/local agent inputs on hotel sales;
 - Monitor of supply, loss and development;
 - Monitor of demand across the destination and by area;
 - Assessment of hotel standards and fitness for purpose;
 - Benchmark data on business performance by size and type;
 - Accountancy inputs on viability of current business and possible development options;
 - Surveyor inputs on required investment costs.

6. Local Plan Policy

The current policies relating to hotel development and change of use in Hastings are policies T3 and T4 of the Hastings Local Plan 2004.

POLICY T3

Hotels and Guest Houses – Serviced Accommodation

The Borough Council will grant planning permission for new and enhanced serviced accommodation (hotels and guest houses), including bed and breakfast establishments on the seafront. Alternative locations will be considered if they are acceptable on amenity grounds and are suitably accessible to visitors to the town.

POLICY T4

Change of Use of Hotels and Guest Houses

Where an application for change of use of hotels and guest houses is made it will only be granted planning permission where:

- (a) Detailed evidence can be provided that the building is no longer viable as visitor accommodation; and*
- (b) The proposal would result in a major upgrading of the structural condition of the building.*

The rationale behind these policies recognises:

- The need to improve the quality of the existing stock;
- Concern at the significant loss of stock over a prolonged period and resultant small base of serviced accommodation;
- The need to retain accommodation particularly along the seafront;
- The desire to increase the number of staying visitors and attract new higher spending markets.

These policies are not supported by an SPD that details the criteria that businesses would need to meet to demonstrate non-viability. In reality, the Planning Department relies on the inputs of the Tourism Marketing Manager who has an informal system in place for evaluating proposals that appears to look at all the key criteria e.g. marketing for sale, cost of upgrading etc, but is not formally articulated. Specialist inputs are sometimes brought in e.g. quantity surveyors, business analysts, accountants and hotel marketing consultants.

At the time of the 2007 Hotel Futures study there had been only a handful of change of use applications coming forward in the previous couple of years and no significant recent losses. However since that time the Adelphi Hotel in Warrior Square has been granted permission on appeal for change of use of the whole building (having already negotiated partial loss to other commercial uses) and a key establishment in the Old Town of Hastings has also been granted permission to exit.

There are no sites allocated for new hotel development in the Local Plan – although the Seafront Strategy recognises the potential for new hotel development e.g. at Pelham Place and boutique development at the Stade/in the Old Town.

7. Local Development Framework

The Local Development Framework is now in preparation and policies T3 and T4 of the Local Plan have been saved in the interim. The Core Strategy, which sets out the vision and big issues for the Borough for the period to 2026, has been through Issues and Options stage and the Preferred Options went to consultation between May and July 2008. A more detailed version of the Core Strategy, 'Shaping Hastings – Core Strategy', will be submitted to the government for independent examination. The final version will be adopted in August 2011. Work is starting on various SPDs and the Site Allocations Development Plan Document during 2009.

Tourism features within the Local Economy section of the Preferred Options document, and the approach continues to encourage new development, up-grading and resist loss. The seafront along with the Old Town, Warrior Square and the Town Centre are identified as key tourist areas where loss will be resisted. It also refers to the preparation of an SPD.

PREFERRED APPROACH 28: Tourism

Encourage the provision of new hotels in the area, and the upgrading of existing facilities. There will be a presumption against the loss of bedspaces in the key tourist areas of the Old Town, the Town Centre, the Seafront and Warrior Square, unless the facility is no longer viable or is incapable of improvement to a good standard. A Visitor Accommodation Supplementary Planning Document, to be prepared during 2008, will support this policy approach.

There is no reference to developing a 'Core Zone' as such as a focus for retention or of a more permissive approach to loss outside this/the priority areas. The 2007 Hotel Futures study does not appear to be part of the evidence base for the LDF.

8. Recommendations and Way Forward

In terms of future policy direction, the emerging LDF needs to include specific policies relating to both the retention of tourist accommodation and new accommodation development.

Hastings has lost a significant amount of serviced accommodation to residential use in the past 10-20 years, including some recent losses of concern. With the current slowdown in the residential property market, the pressure for further conversions of hotels and guesthouses to residential use has clearly reduced: the Council is not receiving many change of use applications currently. A revival in the residential property market is however likely to bring renewed interest and pressure for converting hotels and guesthouses into residential apartments. Our interviews with guesthouses in Hastings in 2007 also identified a number of guesthouse operators that were looking to exit the market, particularly those operating in locations away from the seafront.

In such circumstances, we suggest that Hastings Borough Council needs to tighten up its policies on accommodation retention.

Currently there is a reliance on informal procedures and guidelines, drawing heavily on the knowledge of the Tourism Team. There is a need to be much more transparent and clearly documented, explaining the criteria against which applications for change of use will be assessed and the evidence any applicant needs to present to make their case. This may or may not be in the form of an SPD, but it is our understanding that retention policies will have more teeth if they are supported by an SPD, and evidence from Bournemouth suggests such documents act as a major deterrent against speculative applications for change of use.

The priority for accommodation retention in Hastings is along the seafront. The 2007 Hotel Futures research demonstrated that anything with a sea view is sought after by the market and provided it is of the right quality has the potential to perform well and to be upgraded as the resort develops. One option here would be to define a seafront Core Zone, also taking in the Old Town as a key tourism area, in which change of use will not be considered. Outside this zone, a policy of resistance to change of use could still apply, but with a little more flexibility to allow for managed loss. Saleability and demonstrating that the property has

been marketed with specialist and local agents at a realistic price might be the key criteria here, or a combination of this with the viability and other tests outlined in the TSE guidance. Where smaller 'lifestyle' businesses are concerned, commercial viability arguments are often more difficult to test as the performance of such businesses varies so much depending on the business objectives, aspirations and acumen of owners and how the purchase of the business has been financed. In such cases proof of marketing for sale may be sufficient on its own.

Whilst we understand the concern to retain a critical mass of accommodation in Hastings in order for it to seriously remain in the tourism market, there are also elements of the current offer that it is difficult to see a future for – poorer quality establishments making little profit, not investing and with little aspiration to up-grade or re-position. Whilst those that are well-located or have something special to offer as a building might be bought up and redeveloped by new owners, those without these advantages seem destined to a downward spiral moving further away from the expectations of the modern day market. The development of further budget hotel provision in the resort will further weaken the position of such establishments. In locational terms, we do not see proximity to the station as a key driver in terms of choice of accommodation as by far the large majority of visitors arrive by car. Indeed the availability of car parking on site or nearby is a more relevant criterion.

One route to retaining serviced accommodation businesses and achieving and improvement in the quality of their accommodation offer would be to allow some flexibility to negotiate a partial loss of rooms in return for investment in the remaining part of a hotel or guesthouse, secured by legal agreement. This has worked well in other destinations, and is one way of enabling or helping fund investment in, and re-positioning of existing hotels and guesthouses.

It will be very important to continue to monitor performance in terms of the changing balance of demand against supply. Should new hotel accommodation be developed ahead of market growth, encouraged by the regeneration of the destination and positive planning policies, there is likely to be an impact on the performance of existing stock. Depending upon the nature of any new supply, in such situations a cascade effect will often result in the weaker elements of the supply being hit the hardest. In these circumstances it seems a little unfair to resist all loss – particularly if supply at an overall level is growing - and logical to permit some exit of less well-located properties.

Whilst this report is primarily concerned with policies relating to the retention and loss of tourist accommodation, for completeness it is worth re-iterating here forward priorities for LDF policy development in relation to new hotel development. The 2007 study identified potential and interest in the expansion, up-grading and re-positioning of existing hotels, the development of further budget hotel accommodation, and opportunities for the development of small and medium-sized boutique hotels and guest accommodation establishments as the seafront and resort infrastructure improves and the leisure and cultural offer and gay scene develop. The generic nature of existing policies relating to new development will permit this, directing development towards the seafront. The policies could be more specific in terms of spelling out locational priorities. In addition to identifying the seafront as a priority for new hotel development, the Old Town is also a key tourist area to highlight for further accommodation development. Sites close to generators of demand, in locations supported by other destination facilities and motivators to visit, and in the case of budget hotels sites located on main arterial routes should also be prioritised.

There is no clear evidence of the need for the allocation of sites specifically for hotel development in the LDF. A number of the sites identified in the Seafront Strategy as 'zones of change' have a hotel as part of the potential mix, and planning policies should support this. There would seem to be some interest locally in delivering these hotels as part of mixed-use schemes providing the commercial terms are right. The planning issues in such circumstances are more about enabling development that will support/cross-subsidise a hotel than allocating sites. However there will need to be pressure on the preferred developer to ensure that the hotel element of a scheme is actually delivered, as there is always a danger that hotels can be squeezed out by higher value residential, office or other commercial uses. This should be borne in mind in pulling together Development Briefs and Masterplans and in the Councils' own negotiations on any sites where they have an element of ownership.

9. Tourist Accommodation Retention Toolkit

It is understood that Hastings Borough Council is considering the preparation of an SPD to support tourist accommodation policies, subject to resources being available to deliver this. We have attached in the appendices to this report the SPDs of Bournemouth and Eastbourne as examples of good practice. We would suggest that these documents together with the 'Toolkit' set out in TSE's 'Here to Stay' Guidance should be the starting point for this. By working through these, and taking on board the advice set out in this report, the Council should be able to quite readily get to a draft document for consultation, and to identify the support in terms of specialist inputs it requires to implement this.

Overleaf we have included the Toolkit extract from the 'Here to Stay' Guidance.

AN EVALUATION TOOL
For Use in Applications for the
Change of Use of Hotel Accommodation

A - An Introduction to the Viability Test

The Local Authority needs to set out clearly why this is a priority for the destination and how the policy will be applied, including:

- Why does the Council wish to retain tourist accommodation
 - Where/to whom do these policies apply
 - The onus is on the applicant to make the case for change of use
 - The need for the viability test to accompany the change of use application
 - Encouragement of pre-application discussions to guide and steer applicants and avoid applications with insufficient support material to make their case
-

B - The Criteria

The criteria against which any application will be assessed need to be set out, with an explanation of the evidence sought in each case; this is what the applicant must provide to make the case for change of use. The key criteria are:

- **Proof of marketing for sale**
Has there been a realistic attempt to sell the business as a hotel over a reasonable period of time?
 - The business should have been marketed for sale as a going concern for a minimum period of time (12-18 months)
 - Reputable local or specialist national agents should be used
 - The property should be marketed at a realistic/competitive price (determined through an independent valuation)
 - Evidence of sale marketing should be provided (brochures, advertisements, records of response, interest and offers);

- **Evidence of business performance**

Is the business performing profitably and in line with levels of occupancy typical of industry/destination norms?

- Occupancy and achieved rate data for the past 3 years;
- Copies of accounts for the past 3 years
- An explanation of factors driving this performance and their impact on profitability and viability

- **Evidence of professional management**

Has the business been professionally managed, marketed and invested in?

- Details of management experience
- Marketing plan and support material to be provided demonstrating attempts to attract business with copies of brochures and advertising schedule
- Business Plan for the past 3 years and evidence of forward business planning
- Investment schedule demonstrating investment in the property over the past 3 years and proposals for maintenance and improvement works

- **Evidence of attempts to save the business**

Have alternative scenarios for the future been thoroughly examined and professional business support engaged?

- Details of schemes to up-grade and re-position the business, partially convert to an alternative use in return for investment in the remaining rooms, and conversion to self-catering, as appropriate, with costs and performance forecasts
 - Evidence of assessments and inputs by business support agencies and hotel advisors
-

C - Developing a Commercial Understanding of Hotel Operation

In order to assess the evidence supplied by applicants, it is critically important to have a commercial understanding of hotel operation – this applies to both the Local Authority determining the initial application and to Planning Inspectors determining appeals. Whilst most Local authorities would not have these skills in house, it is possible to draw on external expertise and to build up a database of key performance information. This ensures, for example, that more emphasis is given to the potential trading performance of the business (through projections of Earnings Before Interest, Tax, Depreciation & Amortisation) rather than to costs that are peculiar to the current owner (such as debt charges on high levels of borrowing).

To understand and if necessary challenge the case being put forward by hotel operators, the local authority will need supporting data and advisory inputs in the following areas:

- **Location**

Is this a priority area for tourism activity?

- If zones or clusters have been identified, the location should be related to these.
- How does this location relate to the tourism strategy
- What is the quality of environment like
- Is the hotel close to generators or potential generators of demand

This information can be provided by a combination of the Tourism and Planning Teams

- **Accommodation Offer**

What range of facilities is on offer and to what standard?

- Is there an identified need for this type/size/standard of accommodation in the tourism/marketing strategy
- Has the accommodation been inspected and graded
- Is there evidence of investment in the property
- Is the property fit for purpose
- Does it have adequate parking and access (Council standards), including by public transport

This information could be provided by:

- *Tourism Team/TIC inspection*
- *Independent hotel advisor/assessor inspection*
- *Planning Team re parking standards*

- **Development Potential**

Does this property and location have the potential for up-grading or re-positioning whilst still keeping it in tourist accommodation use?

- What works would be required
- What would the cost of these works be
- Are the costs of redevelopment put forward by the applicant realistic
- Could the re-modelled offer meet identified market needs in the tourism strategy
- Is there potential for better use of the site? Could there be an enabling development to retain or improve the tourism use.

This information could be provided by:

- *Independent consultant/surveyor*
- *Tourism Team re type of accommodation sought to meet market need*
- *Accountancy input re forecasts for trading and viability*

- **Historic/Current Trading**

What levels of demand has the hotel experienced in the past 3 years and how profitable has it been?

- How does the hotel's income, costs, and profitability (often expressed as EBITDA – Earnings Before Interest Tax Depreciation and Amortisation) compare to similar operations in the destination
- What is the detailed breakdown of the income and expenditure of the business over the last 3 – 5 years trading
- What has the hotel's occupancy and Achieved Room Rate been
- What markets has the hotel attracted and what have been the trends in these markets
- How does occupancy, ARR and market trend compare with other hotels in this area and in the destination as a whole
- What are the main reasons for a decline in demand and profitability and under-performance compared to benchmark establishments

This information could be provided by:

- *Independent consultant/accountant to review performance and input industry/local comparator performance data*
- *Tourism Team re market analysis and overview*
- *Demand monitor – could be run by the Council Tourism Team, Tourism South East or an independent consultancy – to collect occupancy and ARR data*
- *Hotels Association/individual hotel operator 'beacons' – to provide examples of benchmark property performance*

- **Management**

Has the management of the business contributed to its demise, and if so could it be viable with a more professional approach to its operation?

- Do the owners/managers have a background in hotels and the appropriate skills for the business
- Have they/their staff made use of training opportunities
- Have the owners/managers taken business advice to find a route to secure the future of the business
- Are there Business Plans in place and clear attempts to deliver these

This information could be provided by:

- *Independent hotel/business advisor/accountant*
- *Tourism Team*

- **Marketing**

Has there been a concerted attempt to attract tourist business using the normal routes for a business of this size and nature

- Is there a Marketing Plan in place
- Is the hotel inspected and graded under the Tourist Board/AA/RAC schemes or any locally implemented grading scheme in the destination
- Does the business work with the TIC and provide details of availability
- Is there a minimum marketing package in place eg advertising in local destination guide, own brochure, own website, participation in Tourist Board marketing campaigns
- How does the hotel's marketing package and marketing spend compare with benchmark hotels

This information could be provided by:

- *Independent hotel/business advisor/accountant*
- *Tourism Team*

- **Sale as a Going Concern**

Has the business been adequately marketed as a going concern

- Has a reputable agent been used
- Is the price being asked realistic
- Has the property been on the market for at least 12/18 months
- Have similar properties sold in this period
- What is the market currently like for the sale of businesses of this type/size/location

This information can be provided by:

- *Local/specialist hotel agent*
- *Monitor of supply – Tourism Team/independent consultant*

- **Viability**

Is the business viable in its current form and/or is it capable of being so in the future

- What is the underlying profitability of the current business, and is this in line with industry norms in the destination and sufficient to support a viable and sustainable business
- What levels of profitability could be achieved with adequate marketing, professional management and the right investment in the offer; could this business be viable and sustainable in the future

This information could be provided by:

- *Independent hotel advisor/accountant*
- *Benchmark data*

N.B. In drawing together and assessing the above information on the management, marketing and viability of the business, the experience from Bournemouth suggests that it is important to base this on the performance levels that could be reasonably expected from an Average Competent Operator. This ensures that the projections are reasonable and do not assume an abnormally high level of business expertise.

APPENDIX 1

KEY FINDINGS OF THE 2007 HOTEL FUTURES STUDY

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Introduction

- In 2007 a Hotel Futures study was undertaken for Hastings, Bexhill and 1066 Country by Hotel Solutions for Hastings Borough Council, Rother District Council and Tourism South East. The study covered hotels and guest accommodation, and addressed the potential for new hotel development, improvement to existing stock, and retention and loss. Below we have extracted the main findings in relation to Hastings.

Current & Planned Supply

- There were an identified 8 hotels (with a total of 39 letting bedrooms) and 31 guesthouses (with a total of 282 letting bedrooms) in Hastings/St Leonards.
- Supply has reduced significantly over many years, and there are further guesthouses wanting to exit the market.
- Quality appears to be low generally in Hastings with many hotels and guesthouses receiving little or no investment for some considerable time and few owners contemplating upgrading and re-furbishment at the time of the study.
- However, there have been some positive signs of new investment with the opening of the Zanzibar, the investment in the White Rock and the conversion of the Cinque Ports Hotel to a Travelodge.
- Hotels are relatively small with only 2 hotels having over 50 rooms.
- The seafront is a key location for hotels and guesthouses in Hastings with 46% of supply here (14 establishments, 271 rooms). The other main concentration is Cambridge Gardens (6 establishments, 63 rooms); generally the quality here is low and only one establishment is inspected.
- The only branded hotel representation here is Travelodge, Premier Inn and Best Western (Royal Victoria).

- There was at the time of the study some interest in new development including extensions to both the Travelodge and Premier Inn, and plans for new hotel development for 3 sites in and around the town (Ice House, Pelham Place, Observer Building).

Hastings – Current Supply – February 2007

| Standard | Hastings/St Leonards | |
|---|----------------------|------------|
| | Estabs | Rooms |
| Hotels | | |
| 5 Star | | |
| 4 Star | | |
| 3 Star | 4 | 133 |
| 2 star | 2 | 80 |
| 1 Star | | |
| Budget | 2 | 96 |
| Not Inspected/Awaiting Inspection | | |
| Total Hotels | 8 | 309 |
| Guest Accommodation | | |
| 5 Diamond | 3 ¹ | 22 |
| 4 Star/ Diamond | 7 | 57 |
| 3 Star/ Diamond | 7 | 93 |
| 2 Star/Diamond | 1 | 9 |
| 1 Star/Diamond | | |
| Not Inspected/Awaiting Inspection | 13 | 101 |
| Total Guest Accommodation | 31 | 282 |
| Total Hotels & Guest Accommodation | 39 | 591 |

Hastings – Supply by Size – February 2007

| Size of Establishment (No. Rooms) | Hastings/St Leonards | |
|---|----------------------|------------|
| | Estabs | Rooms |
| Hotels | | |
| 101+ | | |
| 51-100 | 2 | 104 |
| 31-50 | 3 | 136 |
| 21-30 | 2 | 53 |
| 11-20 | 1 | 16 |
| < 10 | | |
| Total Hotels | 8 | 309 |
| Guest Accommodation | | |
| 21-30 | | |
| 11-20 | 6 | 87 |
| < 10 | 25 | 195 |
| Total Guest Accommodation | 31 | 282 |
| Total Hotels & Guest Accommodation | 40 | 607 |

Current Demand

- The market here is primarily leisure-driven and seasonal.
- The corporate market is weak and there is limited residential conference business.
- 3 star occupancies are low by national standards.
- Budget hotel performance is strong with a good mix of demand from business visitors, contractors, leisure break visitors and people visiting friends and relatives.
- Occupancies for guesthouses are low.
- Achieved room rates are very low. The quality of hotels is a factor in this. The Zanzibar has shown there is a market for quality guest accommodation and that people will pay higher prices for this.
- The contractor market is strong in Hastings for budget and 2 star hotels and guesthouses.
- Occupancies have dropped sharply for guest accommodation away from the seafront since the conversion of the Cinque Ports hotel to a Travelodge; a number are looking to exit the market.
- Coach holidays are a key market for 2 hotels in Hastings – this is very low rated business.

Future Prospects

- This research suggested the following future prospects for the hotel and guest accommodation market in Hastings:
 - Modest and slow growth in corporate demand.
 - Growth in demand from the contractors market for budget-priced hotel and guest accommodation given the number of major construction projects that are planned in Hastings.

- Some (although limited) potential possibly to attract association meetings to the newly renovated Marina Pavilion in St Leonard's and the White Rock Theatre in Hastings.
- Good prospects for growth in leisure break business for hotels and guesthouses in Hastings given further improvement and development of the accommodation, leisure and cultural offer and effective marketing.
- Scope for growth in overseas tourist demand given the anticipated growth in inbound tourism in the UK.
- A possible reduction in coach holiday business as the hotels that cater for this market seek to build business from other higher paying markets.
- Slow growth in business from the weddings and functions and visiting friends and relatives markets as the area's population increases.

Identified Development Potential

- Potential for existing hotels and guesthouses to upgrade.
- Opportunities for the development of small and medium-sized boutique hotels and guest accommodation establishments as the seafront and resort infrastructure improves and the leisure and cultural offer and gay scene develop. Such businesses are most likely to be established through the conversion of existing hotels and guesthouses by new owners. New boutique hotels might also be developed through the conversion of suitable properties and possibly new-build developments on some of the key seafront sites, subject to a favourable deal for the hotel developer.
- Potential for further budget hotel provision, most likely to be achieved through the extension of the Premier Inn and/or Travelodge, and the possible development of a proposed Express by Holiday Inn.
- Investment in the upgrading of existing hotels and guesthouses and the development of new boutique hotels and guest accommodation establishments is likely to be a long slow process in Hastings without some form of financial or other assistance.

Hotel Developer Interest

- Over 30 hotel developers, operators and investors were contacted to test their interest in Hastings and 1066 Country. Of the 19 responses received, there was interest from only 7 companies. The bulk of the interest was either for budget hotel brands, or boutique offers. There was no interest from large 3 and 4 star branded hotel developers. Three of the 7 positive responses were from companies connected with the local area or wider region. Developers and operators saw more potential for leisure-driven and destination offers here and developments of a small scale (30-60 rooms). Hastings attracted most interest. A sea view, availability of parking and proximity to other demand drivers were key locational criteria. Budget operators also liked sites on main arterial routes.
- Barriers to investment include: a weak corporate base; poor access by road and rail; seasonality of trade; site values where residential was a competitor; a negative image and little knowledge of regeneration efforts and wins to date; poor positioning relative to stronger investment locations such as Brighton on the South Coast; the complexity of delivering mixed-use schemes and in some cases planning problems and delays. A number of developers felt there would need to be some sort of support for the development of a new hotel e.g. a favourable land deal.
- There is a range of sites available with potential for hotel development. Timescale to delivery, given surrounding or associated major development activity and the need for that development to both create the right environment and generate rooms demand is an issue with a number of the sites. Sites in Council or other public sector ownership or influence will generally be preferred by hotel operators/developers and present an opportunity for key public sector stakeholders to influence the development and the deal.

Future Policy Direction

- There is scope for policies relating to the development and retention of hotel accommodation to be tightened up in the emerging Local Development Framework for Hastings. In doing so, the Council should draw upon policy advice in the emerging South East Plan, the DCLG Good Practice Guide on Planning for Tourism, and accommodation policy guidance issued by Tourism South East on hotel retention and attracting hotel investment.

- Policies relating to new hotel development could be more specific in terms of locational priority in Hastings. The priority should be to direct hotel development to the seafront, but also close to generators of demand and in locations supported by other destination facilities and motivators to visit. The need for budget hotels to locate on main arterial routes should also be recognised. Policies should also look to support extensions of existing hotels, subject to usual development principles.
- There is no clear evidence of the need to allocate sites specifically for hotel development. The planning issues on many of the mixed-use sites where hotels are proposed relate to enabling development to support or cross-subsidise hotel development and influencing schemes through Development Briefs and Masterplanning.
- There remains a need to protect hotel accommodation in key locations; the pressure exerted by the housing market is likely to continue to push hotel operators to seek permission for change of use. In Hastings, the priority for retention is along the seafront (perhaps also taking in the Old Town); here policies should resist all loss. Outside this area, whilst policies should still resist change of use there could be scope for some managed loss, especially as new accommodation comes on stream.
- The current informal procedures followed by Hastings Borough Council in dealing with change of use applications need to be tightened up and made more transparent, clearly explaining the criteria against which applications will be assessed and the evidence the applicant needs to present. This may or may not be in the form of an SPD, but should be documented. In other destinations, retention policies are centred on proof of marketing for sale and non-viability. Where lifestyle businesses are concerned, commercial viability arguments are more difficult to test, in which case proof of marketing for sale may be sufficient on its own. We recommend that the Council reviews the good practice retention guidance issued by Tourism South East and decides which approach is most appropriate in terms of the resources and skills available to assess these applications.

Moving Forward

- Positive planning for hotels will be a key plank in delivering the identified potential for new hotel development and the up-grading, extension, re-positioning and retention of existing stock. This requires a package of LDF policies and support procedures and routes to enabling development particularly through mixed-use schemes.
- Hotel investment marketing should be targeted at independent investors and property developers from the local area and wider region, including existing 'beacon' hotel operators, investors from other South Coast resorts and gay and lesbian entrepreneurs. Operators of existing hotels in Hastings should also be targeted and encouraged to up-grade and re-position to face the challenge of new accommodation and the changing expectations of the market. There is also potential to tap into the networks of some of the 'beacon hotel' investors and operators, particularly contacts in the City, the media and the arts, to help create a positive destination image and further investment interest.
- Bringing hotel development forwards in Hastings is likely to need some form of incentivising, bearing in mind the dependence of the destination on the leisure market, the seasonality of trade and the levels of perceived risk associated with potential investments. This might include a mixture of favourable land deals, contributions to infrastructure or remedial works associated with sites and enabling development to cross-subsidise the hotel development in both mixed-use schemes and the re-positioning of existing offers. The availability of grant aid has the ability to make a significant difference in accelerating the process of up-grading existing stock, particularly if it is at level that can enable a step change in quality to be achieved.
- Supporting existing hotels and guesthouses in upgrading their facilities, raising their service standards and the quality of their food offer, and improving their marketing will be critical to the future success and development of the hotel and guest accommodation sector in Hastings. An initial step will be to share the findings of this study with the owners and managers of existing hotels and guesthouses through the circulation of a summary report and possibly a presentation to them. Business support and training measures should also be considered.

- The improvement and development of the hotel and guest accommodation sector in Hastings will depend very much on the development of the area's accommodation market. Key requirements in this respect will be:
 - The attraction of new companies and organisations that will generate new corporate demand for accommodation;
 - The development of the leisure tourism offer;
 - Effective marketing of the area for leisure breaks, particularly in terms of boosting off-peak periods;
 - Further investigation of the potential to attract association conferences to Hastings.