



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Consideration of a Moratorium on Hotel Development in Downtown

1. Introduction of Interim Urgency Ordinance Prohibiting Issuance of Entitlements and/or Permits for Hotel Development Projects, in the Downtown Specific Plan (DSP) Area;
2. Motion Directing Staff to Study and Review the DSP Hotel Use Incentive, DSP Hotel Demand, and DSP Hotel Design, Development and Land Use Standards in 2022;
3. Motion to Note and File report.

COUNCIL ACTION

Item Type: Action Item

Approved for October 5, 2021 **calendar**

EXECUTIVE SUMMARY

Council has requested the consideration of a moratorium on the development of new hotels within the Downtown Specific Plan area (DSP). This includes projects that are by-right and those that utilize the DSP hotel use incentive. The moratorium on new hotel development is necessary because the Council has indicated a desire to conduct a study of the demand for hotel rooms/uses in the DSP, and of how hotels are entitled, in order to determine if code amendments are warranted with respect to zoning, design and permitting standards and requirements. Council has requested that the draft moratorium contain “pipeline provision” options, to include an option to allow current new hotel development applications that have received at least a Stage I or II design review approval to move forward. This option, along with an option to allow only those new hotel development projects that have received a building permit to move forward, are included in the draft ordinance for introduction.

COUNCIL PRIORITIES

Economic Vibrancy: The moratorium is consistent with the Council’s desire to ensure that the growth and economic vibrancy of the DSP is befitting of the Council and community’s vision of a vibrant downtown, and to better understand whether any DSP hotel development standards should be amended, as well as the need and demand for new hotel rooms, without encouraging over-development.

RECOMMENDATION

Staff recommends that the City Council receive this report regarding a moratorium on new hotel development/uses and study of hotel demand and development standards in the DSP. If the City Council is inclined to adopt an interim urgency ordinance temporarily prohibiting the issuance of entitlements and/or permits for new hotel development, a draft ordinance with “pipeline provision” options is provided for introduction and adoption. If the Council introduces and subsequently adopts the moratorium, staff recommends that the City Council also direct staff to study and review DSP hotel development standards, the DSP Hotel Use Incentive, the process and conditions for permitting hotels in the DSP, and demand for hotels in the DSP.

BACKGROUND

The City Council requested a report regarding DPS hotel development and to consider introducing a moratorium on the development of hotels while studying the demand for hotels, the existing use incentive, and considerations for requiring a conditional use permit (CUP) or other regulations and development standards applicable to hotel development.

In 2017-2018, Glendale was reaping the benefits of a robust business climate, with Class A office vacancy at an all-time low, many of the new housing developments completed and filling up quickly with new residents, and a vibrant downtown filled with shopping, arts, dining, and entertainment for a lively pedestrian environment. With the success of an all-encompassing downtown, the City turned its sights towards tourism. Business travel had always kept the current hotels well above national occupancy rates, but Glendale sought ways to attract even more consumers and amenities to the downtown. A study was commissioned which outlined the current market in the tri-cities area and the need for additional development. The study took into account the completion of two proposed hotels. The study demonstrated that with the inclusion of these hotels, Glendale would be lacking in two categories – a true luxury hotel and extended stay hotels. The true luxury hotel may be deemed infeasible in the current economy due to the impacts of COVID-19 pandemic, and the extended stay hotel would require the Council to modify current zoning codes which do not allow for kitchens. A new study would allow staff to understand the need and demand for any additional hotels.

In 2020, staff presented a one-year look back on the amended DSP. This review was presented to Council to assess the performance of the DSP since its amendments in 2019, and also asked for the consideration of other changes to be brought back in a

series of updates and refinements to the plan. As part of that session, Council requested that staff study the hotel use incentive to identify whether the incentive was still necessary following recent hotel developments that had been completed. As part of this analysis, it was determined that a study was necessary to understand if the City had achieved its goals in hotel development and if there were any remaining needs regarding hotel type and quality.

Ultimately, a hotel study could not be conducted due to the Covid-19 pandemic. The study was put on hold, as the consequences of restrictions and the pandemic would not render an accurate status on hotel room demands and travel. While leisure travel has experienced a return towards normalcy, business travel remains lower than pre-pandemic levels. As such, it is not feasible to conduct a hotel demand study until travel – both leisure and business – return to pre-pandemic levels. During the September 14, 2021 Council meeting, Council requested that consideration be given to a moratorium that includes all hotel development in downtown, including those that utilize the hotel use incentive. Since hotels are currently a by-right development in the DSP, any moratorium on all new hotel development projects will require studying amendments to DSP hotel design or development standards, which could include an amendment to require hotels to obtain a conditional use permit. Part of that study should consider the requirements necessary to ensure compatibility with the surrounding built environment. It should be noted that if the requirements for a conditional use permit are met, a project would not be subject to denial, but rather special review.

ANALYSIS

Hotels can be developed by two different means. Currently, hotels are a permitted use in the DSP. Provided that a proposed project meets the development standards of the project's zoning (height, FAR, design, etc.), a project can be developed by-right. Hotels are permitted in all zones of the DSP. Like all downtown developments, the project must go through the Design Review process, including Stage I and II, as well as review by the Design Review Board.

Hotel developments can also utilize the hotel use incentive. As part of Chapter 7 of the Downtown Specific Plan (DSP), a hotel use is identified as a community benefit and is subject to increased density and building height. A hotel is defined as a community benefit based on its role as an important component of a thriving business district, and its ability to oftentimes provide amenities that are available for use by the general public. These amenities can include entertainment, restaurants, and meeting rooms. Hotels that participate in the community benefit program are required to provide ground floor designs that enhance the uses and activity of the pedestrian realm. This can be accomplished by including cafes, restaurants, or retail space at the ground level, as well as public art.

The hotel use incentive was included in the original iteration of the DSP, and maintained during the 2019 updates. The goal of the incentive has been to encourage the development of hotels, which had been identified as a needed use in the downtown.

This need has been based on what had been a deficiency of hotel rooms in Downtown Glendale, and the desire to create a more attractive destination for visitors within the region. In addition to creating vibrancy in the downtown, hotels generate revenue for the city by way of the transient occupancy tax (TOT). Encouraging hotels to be built could lead to increased revenue for the city as hotels begin to come online and open for business.

By meeting the objectives of the community benefit system, hotels may achieve the maximum allowable height and/or density within the proposed project's district as illustrated in the table below. In exchange, hotels covenant (or agree) to maintain the use as a hotel, and community benefit, in perpetuity.

	Alex Theater Area A	Alex Theater Area B	Broadway Center Area A	Broadway Center Area B	Broadway Center Area C	Civic Centers	East Broadway	Galleria	Gateway	Downtown "A & E"	Mid-Orange	Orange Central	Town Center	Transitional
Tier I Maximum Height & FAR by Right														
HEIGHT IN FEET	35'	65'	95'	185'	245'	N/A	65'	80'	275'	65'	65'	95'	TCSP	65'
PERMITTED FAR	2.00	2.00	3.00	5.20	7.00	N/A	2.00	2.75	7.25	2.00	2.00	3.00	TCSP	2.00
Tier II														
HEIGHT IN FEET	N/A	80'	170'	215'	275'	N/A	70'	N/A	N/A	80'	80'	170'	TCSP	80'
PERMITTED FAR	N/A	2.50	4.00	6.00	7.25	N/A	2.25	N/A	N/A	2.50	2.50	4.00	TCSP	2.50
Tier III Maximum Height & FAR with Community Benefits														
HEIGHT IN FEET	50'	95'	245'	245'	305'	N/A	80'	95'	380'	95'	95'	245'	TCSP	95'
PERMITTED FAR	2.25	3.00	5.20	7.00	7.50	N/A	2.75	3.00	7.50	3.00	3.00	5.20	TCSP	3.00

Three hotels have been completed since 2017, with all such hotels using the hotel use incentive.

- Hampton Inn – 315 S. Brand (94 rooms - Completed 2017);
- Hyatt Place – 225 W. Wilson (173 rooms - Completed 2019); and
- Residence Inn – 199 N. Louise (147 rooms -Completed 2020).

The three hotels completed have provided a total of 414 rooms.

Additionally, there are three hotels that have not yet been developed, but have received some level of discretionary approval. These are as follows:

- Hilton Expansion - 100 W. Glenoaks (Stage I approved), 226 rooms;
- AC Hotel - 120 W. Colorado (fully entitled and Development Agreement

approved in May 2021 for an additional three years to obtain building permits by May 2024), 130 rooms; and

- Hotel Indigo – 515-523 N. Central (fully entitled and in plan check), 122 rooms.

If fully entitled and/or built, these hotels would add an additional 478 hotel rooms to the City.

The transient occupancy tax represents 2.5% of the total General Fund resources in the fiscal year 2021-2022 adopted budget, totaling \$5.8 million. This tax is levied at 12.0% for occupying room(s) or other living spaces in a hotel, inn, tourist home/house, motel or other lodging for a period of 30 days or less. The TOT is authorized under Section 4.32 of the Glendale Municipal Code and the revenue is deposited into the General Fund. For FY 2021-22, TOT revenue is anticipated to increase by \$1.7 million or 41.5%, over the FY 2020-21 revised budget. This is due primarily to the anticipated completion of new hotels, mitigated by the continued effects of the COVID-19 pandemic. In FY 2018-19, the last full pre-pandemic year, TOT revenue totaled \$7.5 million. It is worth noting that in April of 2015, Glendale voters passed revenue ballot Measure O, which increased the transient occupancy tax (hotel tax) from 10.0% to 12.0%.

Council has expressed concern regarding the impacts of additional hotels on the City, as well as the actual need for any additional hotel rooms. These concerns include hotels' impacts on traffic and their use of resources such as emergency services, power, and water. Additionally, concerns have been raised regarding the capacity of some sites to be able to provide housing rather than hotels.

Moratorium Discussion

Under California Government Code section 65858, a city may adopt an interim ordinance to temporarily prohibit certain land uses that may be in conflict with a contemplated general plan, specific plan, or zoning proposal that the City Council is considering or intends to study within a reasonable time. The purpose of such an interim ordinance is to give the City time to maintain the status quo and prohibit the issuance of entitlements or permits what would be in conflict with new contemplated standards. The rationale for an urgency ordinance that takes immediate effect is to prevent a “rush to the counter” of applications to establish new uses before standards can be put in place. The delay in permits allows the city to subject all new uses to the new standards.

Urgency interim ordinances under Government Code Section 65858 require adoption by 4/5^{ths} vote of the Council and expire within 45 days, unless extended in the manner described below. An urgency ordinance may only be adopted if the Council finds that there is a current and immediate threat to the public health, safety and welfare, and that the approval of additional entitlements, permits, and other approvals would result in a threat to that public health, safety, or welfare. In this case, the findings in the attached ordinance identify the consideration of proposed changes to the DSP, including revisions to the allowable incentives given to a hotel use, as well as revisions to design or development standards. These findings would be legislative in nature, and would be

entitled to a presumption of conclusiveness if adopted by Council.

After notice and public hearing, an interim ordinance may thereafter be extended for a period not to exceed ten (10) months and fifteen (15) days, and then it may be extended once more for one year. An extension of an interim ordinance also requires a 4/5th vote of the Council.

Though the Council may utilize the moratorium mechanism while the City reviews potential changes to hotels in the downtown, the policy considerations may indicate that a moratorium might be premature unless some “pipeline” status is granted to those projects that have some level of approval. Primarily, the impacts of the planned or entitled developments have yet to be fully realized. While the recent number of hotels pursuing entitlement may be startling, the total number of rooms remains reasonable for a city of Glendale’s size. Per the prior hotel study, it was determined that there was a need for luxury or extended stay hotel rooms within the city. To date, the need for luxury hotels has not been met, and current zoning code standards will not permit extended stay rooms in the city.

Urgency Ordinance Procedures

The Council can introduce and subsequently adopt an urgency ordinance without following the typical procedures to amend the DSP/zoning code, which typically requires notice, public hearings before the Planning Commission and Council, introduction and adoption by the City Council, and a 30-day delay between the adoption and the effective date of the new law. An urgency ordinance can be adopted consistent with the Charter and state law by introduction at one Council meeting and adoption at a subsequent regular meeting and can become immediately effective. At least 10 days prior to the expiration of the urgency ordinance, the Council must receive and approve a report outlining the actions the City has taken to alleviate the conditions which led to the adoption of the ordinance. In other words, the City must provide a status report on the action it has undertaken with respect to any potential changes to the hotel use incentive identified in this report.

Urgency Options

If Council desires to introduce and adopt an urgency interim ordinance, staff has prepared a draft ordinance for consideration. Council would need to provide direction on what pipeline projects, if any, would be exempt from the proposed interim ordinance. Council has previously expressed the desire to exempt projects that have received either a Stage I or a Stage II Design Review approval from the application of the moratorium. An additional option, to exempt from the moratorium those projects that have received at least one building permit for a structure or a substructure or for shoring or grading, is also included for consideration. Projects with approved statutory development agreements will also be exempt from the moratorium’s application.

Non-Urgency Options

Council could wait to impose a moratorium until a hotel study can be executed. This study would seek to understand:

- If the hotel use incentive is still necessary to achieve economic development and DSP objectives.
- If the hotel use incentive should be modified to become more specific towards the types of hotel development of which the city may remain deficient.
- If the manner which hotels are permitted should be modified to ensure compatibility with the vision and built environment of downtown.
- If the standards for improvements or community benefit should be modified to improve the results of projects that utilize the hotel incentive.

Pending the return of business and leisure travel to pre-pandemic levels, staff anticipates the ability to conduct the demand study in mid-2022, but could develop alternatives to consider how hotels are permitted downtown-wide.

STAKEHOLDERS/OUTREACH

Stakeholder and public outreach would be conducted during any studies regarding demand and process.

FISCAL IMPACT

The action of placing a moratorium on land use entitlements/future hotel developments has no direct costs or financial benefits associated with it. Indirectly, the City would not gain the transient occupancy tax (TOT) and associated permit fees that would flow from future hotel developments. A moratorium would avoid any potential costs associated with extra City services.

ENVIRONMENTAL REVIEW

Community Development Department staff have evaluated the potential environmental effects of adoption of the proposed Interim Ordinance temporarily barring hotel development projects in the DSP within the City of Glendale within the meaning of and pursuant to CEQA, and have concluded that this action is consistent with classes of projects that do not have a significant effect on the environment, and thereby qualify for a Categorical Exemption pursuant to CEQA Guidelines Sections 15061(b)(3), 15307, and 15308; the action is therefore exempt from further environmental review or the preparation of an environmental document.

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES

1. The Council may note and file this report, decline to introduce an interim ordinance, and instead direct staff to engage in a hotel demand study to be

executed in 2022 to study hotel demand and potential modifications to the Downtown Specific Plan Hotel Use Incentive or the process by which hotels are permitted in the downtown.

2. The Council may introduce an interim urgency ordinance imposing a moratorium on all downtown hotel development projects, exempting any hotel development projects that have received at least a Stage II Design Review approval as of the date of adoption, or other “pipeline provision” options, and also direct staff to engage in a hotel study to be executed in 2022 to study hotel demand and potential modifications to the Downtown Specific Plan Hotel Use Incentive or process by which hotels are permitted in the downtown.
3. The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Submitted by:

Philip S. Lanzafame, Director of Community Development

Prepared by:

Bradley Calvert, Assistant Director of Community Development

Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS / ATTACHMENTS

None.