



CITY OF GLENDALE, CALIFORNIA REPORT TO THE SPECIAL CITY COUNCIL

AGENDA ITEM

Report: Presentation of Results of Hotel Study Related to Hotel Moratorium and Direction on Code/DSP Amendments and/or Extension of Hotel Moratorium for an Additional One-Year Period

1. Motion to Note and File Report;
2. Motion Providing Direction and Initiating Zoning Code and/or DSP Amendments Related to Hotel Uses in the DSP;
3. Motion Directing Staff to Return with Ordinance for Introduction Extending Ordinance No. 5978 for an Additional One-Year Period.

COUNCIL ACTION

Item Type: Action Item

Approved for September 13, 2022 **calendar**

EXECUTIVE SUMMARY

This report discusses alternatives to address the current hotel moratorium that is in place the Downtown Specific Plan (DSP). The moratorium was enacted, in part, to study and gain an understanding of the current market conditions and demands for hotels, while also considering land use and zoning requirements related to the approval of hotel entitlements. This report will recap the market study that was completed in the summer of 2022, while also outlining potential alternatives to modifying the land use code and approval process for hotels within the DSP. The hotel market study identified that Glendale is behind its peers with respect to hotel rooms, which also equates to missed opportunities for transient occupancy tax collection for the City. The report also identified niche markets that are missing within the City. Potential changes to the zoning code could include removal of the hotel use incentive, conditional use permit, prohibiting the use within the DSP, and making no changes to the zoning code and the allowed use of hotels.

COUNCIL PRIORITIES

Economic Vibrancy: The hotel study presentation and potential zoning code amendments or moratorium extension are consistent with the Council's desire to ensure that the growth and economic vibrancy of downtown is befitting of the Council and community's vision of a vibrant downtown, and to better understand the need and demand for new hotel rooms without encouraging over-development.

RECOMMENDATION

Staff recommends that the City Council receive this report regarding potential resolutions to the hotel moratorium within the DSP and provide direction upon review of the hotel market study and the zoning code alternatives. If City Council desires, it may direct staff to return to extend the moratorium for an additional year while staff further studies and finalizes zoning code amendments.

BACKGROUND

On October 19, 2021 City Council adopted Interim Ordinance No. 5977, temporarily prohibiting new hotel development projects within the DSP. City Council extended the moratorium for 10 months at 15 days at a duly noticed public hearing on November 30 2021. The moratorium exempted projects that had an approved development agreement prior to the effective date, as well as any hotel project that had received at least a Stage I Design Review Approval. This moratorium was based on the potential impacts of hotels on Downtown, including several recent proposals that had been approved, and to also conduct a market study to identify expected future demand of hotels within the City.

As directed by Council, Community Development commissioned a hotel study with PKF in July of 2022. This delay was to allow travel the opportunity for pre-pandemic levels, as well as to wait for a subsequent increase in Covid cases that could impede travel behavior to subside. The study sought to better understand Glendale's current conditions, demand for hotel rooms, and gaps in the hotel marketplace to identify where the City may be oversaturating the market or could experience further economic growth.

PKF conducted a broad market study on hotel supply, demand, and current performance, as well as carefully consider residential, business, and entertainment/leisure growth patterns in Glendale and surrounding cities.

ANALYSIS

Market Study

The hotel market study found that Glendale's hotel supply is slowly revitalizing with recent new hotel additions; however, the majority of the rooms in the market are classified as limited service and/or older, lower quality product.

Beginning May of 2021, hotel occupancy has climbed to approximately 65 percent since the Covid low periods, while the hotel average daily rates (ADR) have actually surpassed 2019 levels, similar to other markets around the country. Pre-pandemic, the Glendale/Burbank submarket occupancy ranged from 82 to 84 percent and even higher

in the 3 and 4-star hotel categories. ADR levels ranged between \$156 and \$158. As of the first quarter of 2022, the Glendale/Burbank submarket remains at a steady occupancy level of approximately 60 percent with an ADR of \$164.

The Pasadena/Arcadia submarket had occupancy rates between 76 and 79 percent with ADR levels between \$145 and \$146, and upper tiered hotels higher in both ADR and occupancy. As of the first quarter of 2022, the occupancy levels were approximately 63 percent with an ADR of \$135.

Glendale offers 13 hotels and lodging properties, rated between 2 and 4 stars. There are a total of 1,688 rooms in the city, with an additional 537 receiving some level of entitlement approval, but not built. In comparison, Burbank offers 29 hotels and lodging properties with 1,813 rooms and Pasadena offers 39 hotels with 2,329 rooms.

In 2019, Glendale generated \$5,877,940 in transient occupancy tax (TOT) revenues, while the neighboring cities of Burbank and Pasadena generated \$9,343,816 and \$16,948,000 respectively. When compared to Burbank and Pasadena, Glendale currently has the lowest room count, resulting in lower TOT generation.

	Glendale	Burbank	Pasadena
Number of Rooms	1,688	1,813	2,329
Number of Properties	13	29	39
Transient Occupancy Tax (2019)	\$5,877,940	\$9,343,816	\$16,948,000

Once geopolitical factors, including inflation and Covid are normalized, it is believed that Glendale’s market occupancy will approach 80 percent by 2024, indicating a capacity to absorb more hotel rooms.

The analysis performed by PKF concludes that the quality of the existing hotels in Glendale does not meet the needs of Glendale’s citywide offerings. The underlining reasons for this assumption are as follows:

- Approximately 65 percent of the city’s rooms are lower quality and/or limited-service hotels.
- Few properties offer meaningful event space with high-quality catering, and typically only providing simple gyms and outdoor pools.
- No hotels offer spa amenities that would attract guests from a more regional expanse.

While the market study indicates that Glendale does not have a sufficient number of higher end hotels, and those that provide attractive amenities, the study also identified opportunities for boutique hotels. Given the current climate of inflation, as well as supply

constraints, PKF believes there is a market for conversion and rehabilitation work. It is recommended by PKF that incentives should be developed to promote the conversion of older, obsolete products into boutique offerings. PKF recommends that incentives should be developed for these kinds of properties, as well as amenity-rich, four star and higher properties. This include a modification of the existing incentive system that is part of the DSP, to be more focused on missing markets of hotels.

Zoning

In response to the market study, Council has several alternative to address the current moratorium that is in place. These alternatives are highlighted below.

Maintain Existing Zoning and Incentive System

Hotels can be developed by two different means. Currently, hotels are a permitted use in the Downtown. 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 downtown. 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 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 use incentive was included in the original 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, they 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

Council may elect to maintain this existing system which would continue to encourage hotel developments.

Modify Incentive System

The hotel market study identified gaps in the types of hotels provided in Glendale. These are mainly identified as higher end products and those that are amenity-rich. City Council may elect to maintain hotel uses as an allowable use, but to modify the hotel use incentive system. This could be accomplished by modifying the incentive so that additional density is only allowed for those projects that meet the amenity needs identified in the hotel market study. Those that do not meet the amenity criteria would still be allowed, per the Zoning Code, but would not receive any additional density.

Conditional Use Permit

A conditional use permit is often needed to ensure that a proposed use is compatible in design and operation with the surrounding neighborhood. Specific conditions can be applied to individual projects that address specific contextual challenges to ensure compatibility. Currently, all hotel projects in the DSP undergo Design Review which is reviewed by the City Council at both Stage I and Stage II, as well as an interview review by the Design Review Board. Each of these reviews present opportunities to provide feedback, guidance, and conditions to ensure that a project is contextually appropriate and responsive. Establishing a Conditional Use Permit, may prove to be redundant give the Design Review process. Council may elect to implement a Conditional Use Permit

process as well as provide direction regarding any modifications to the hotel use incentive. Staff would amend the Zoning Code and would include a public process with the Planning Commission and City Council

No Longer an Allowable Use in the DSP

Council may elect to no longer allow hotel uses in the DSP. This would apply to any future proposals that were not granted pipeline status at the time that the hotel moratorium was established. Staff would amend the Zoning Code to remove hotels as an allowed use, and would include a public process with the Planning Commission and City Council. It should be noted that no longer allowing hotel uses in the DSP would significantly impact any future Transient Occupancy Tax, which would have long-term consequences on the City's General Fund.

Moratorium Extension

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 that 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 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. On October 19, 2021, the Council adopted Interim Urgency Ordinance No. 5977, with the required findings, that imposed a 45-day moratorium on new hotel development projects in the DSP.

The ordinance would have expired on December 3, 2021, but the City Council voted to extend the ordinance on November 30, 2021, for an additional 10 months and 15 days (Ordinance No. 5978). Ordinance No. 5978 expires on October 18, 2022, but may be extended again for a period not to exceed 12 months following a noticed public hearing. If Council directs, staff will return prior to the October 18 expiration with an ordinance extending Interim Urgency Ordinance No. 5978 an additional 12 months.

STAKEHOLDERS/OUTREACH

N/A

FISCAL IMPACT

Noting and filing this report would have no fiscal impact. Initiation of zoning code or DSP amendments would not have an immediate fiscal impact outside of staff time needed to draft/prepare the amendments and return to City Council for consideration. Depending on the amendments enacted, further fiscal impacts may occur, and those would be evaluated at that time. Any extension of the moratorium would continue to impact the City's ability to increase the Transient Occupancy Tax (TOT) revenue, therefore impacting the City's General Fund. This would also include any associated permit fees with any new proposed hotel developments that are not provided pipeline status. A moratorium would avoid any potential costs associated with extra City services. Additional studies would also have a fiscal impact resulting from the cost of those studies.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

Community Development Department staff have evaluated the potential environmental effects of the Council's actions of either providing direction regarding zoning code/DSP amendments, and/or direction regarding bringing back an ordinance extending for an additional 12 months Ordinance No. 5978 temporarily barring hotel development projects in the DSP, and/or undertaking additional studies, within the meaning of and pursuant to the California Environmental Quality Act ("CEQA"), and have concluded that these actions are exempt from further environmental review under CEQA pursuant to Title 14 of the California Code of Regulations ("CEQA Guidelines") because these actions (providing direction on future actions that will be evaluated at the time they are prepared/presented for consideration) are not projects under CEQA Guidelines Section 15060 and 15378 because they will not result in a direct or reasonably foreseeable indirect physical change in the environment. Furthermore, these actions are exempt from further environmental review under CEQA pursuant to CEQA Guidelines Section 15262 because they involve only feasibility or planning studies for possible future actions which the City has not yet approved, adopted, or funded. Moreover, extension of the moratorium regarding hotel uses in the DSP 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; that 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. Council may choose to note and file this report and not provide direction or initiate any zoning code amendments related to hotel uses within the Downtown Specific Plan or any moratorium extension.
2. Council may choose to provide direction and initiate zoning code amendments related to hotel uses within the Downtown Specific Plan, and/or to direct staff to return with an ordinance to extend the moratorium for an additional 12 months, and/or to direct staff to conduct any additional studies or analysis regarding hotels

- as an allowed use within the Downtown Specific Plan.
3. Council may choose any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

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Approved by:

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

EXHIBITS/ATTACHMENTS

Exhibit 1: Hotel Market Study