

Underperforming Hotels

April 25, 2017



ADDISON

Presentation Overview



ADDISON

- What does underperforming mean?
 - Four areas of concerns from Council
 - How Addison addresses currently
 - How does the Council define underperforming?
- How are other cities addressing hotels?
- Potential options for Addison
- Resource requirements

What Does Underperforming Mean?



- Four areas of concern articulated by the City Council:
 1. **Revenue**
 - Some hotel's appear to be remitting little hotel occupancy tax
 2. **Zoning**
 - Some hotels appear to operate more like housing than a hotel
 3. **Code Enforcement**
 - Some hotels are not being maintained appropriately to protect the health, safety, and welfare of the occupants and are a detriment to adjacent properties
 4. **Public Safety**
 - Some hotels consistently generate crime and necessitate a high level of attention from public safety staff

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1. Revenue



- **Council's Concern:**
 - Some hotel's appear to be remitting little hotel occupancy tax
- **Current Process:**
 - Finance Department meets with all hotels and audits 3-5 hotels annually
 - Goal to ensure all local hotel occupancy taxes are reported accurately with proper documentation provided
 - Lien can be placed on a hotel that does not pay
 - Increasing penalty associated with late payments
- If compliant, but payments are low, then this may indicate one of two things:
 - Poor business performance
 - Potential zoning issue

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2. Zoning



- **Council's Concern:**
 - Some hotels appear to operate more like housing for permanent residency, than a hotel

- **Current Process:**
 - All current hotels were permitted under a more vague definition
 - Council adopted a new definition in 2015 which was clearer to address future hotels
 - Citations can be issued to uses found to be in violation of zoning requirements
 - Up to a \$2,000 a day fine
 - Uses subject to the requirements (definition) in place at the time of permitting

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3. Code Enforcement



- **Council's Concern:**
 - Some hotels are not being maintained appropriately to protect the health, safety, and welfare of the occupants and are a detriment to adjacent properties

- **Current Process:**
 - One Property Standards Specialist
 - Occasional proactive inspections of the premises
 - Complaint based inspections of the premises or interior
 - Property standards set by the 2012 International Property Maintenance Code
 - Citations can be issued if a property owner does not address any violations
 - Up to a \$500 a day fine

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4. Public Safety

A blue circular logo with the word "ADDISON" in white capital letters.

- **Council's Concern:**
 - Some hotels consistently generate crime and necessitate a high level of attention from public safety staff.

- **Current Process:**
 - Hotel Business Retention Unit
 - Act as a resource to business owners and managers to ensure compliance
 - Investigate illegal activity and file charges when appropriate
 - Educate business community on laws, crime prevention and best practices

 - Patrol Division
 - Proactive patrols in high activity areas
 - Supplement Hotel Business Retention Unit

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What Does Underperforming Mean?

A blue circular logo with the word "ADDISON" in white capital letters.

- Four Areas of Concern Articulated by the City Council:
 1. Revenue
 2. Zoning
 3. Code Enforcement
 4. Public Safety

- Based on these areas of concern, how does the Council define underperforming?

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How Are Other Cities Addressing?



- Most of Addison's comparison cities do not have specific programs for addressing code enforcement and public safety issues at hotels
- 2 of the 13 comparison cities have similar programs:
 - Carrollton
 - Irving
- Staff found two other cities in the area with similar programs
 - Dallas
 - Grand Prairie

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How Are Other Cities Addressing?



- **Carrollton:**
 - Adopted additional standards beyond the Property Maintenance Code for hotels
 - Established a hotel license with inspection requirement
 - Created a tier system based on calls for service
 - Tier 1: Less than or equal to 1.0 calls for service per room per year
 - Tier 2: More than 1.0 calls for service per room per year
 - License denied if property maintains Tier 2 status for 12 months
 - License denied if property has 2.0 or greater calls for service per room per year

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How Are Other Cities Addressing?



- What if Addison adopted Carrollton's program?

Rooms	Hotel	2014	2015	2016
127	Motel 6	1.118	2.259	2.118
344	Suites of America	0.938	1.11	1.375
105	Red Roof Inn	0.276	0.552	1.295
62	Super 8	0.564	1	0.951
50	Best Value Inn	0.66	1.3	0.76
451	Crowne Plaza	0.101	0.137	0.197
559	Hotel Intercontinental	0.159	0.157	0.168
547	Marriott Quorum	0.078	0.164	0.138

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How Are Other Cities Addressing?



- Irving:
 - Adopted additional development requirements for hotels
 - Adopted additional standards beyond the Property Maintenance Code for hotels
 - Established a hotel license with inspection requirement
 - Adopted length of stay and occupancy limitations
 - Risk rating assessment for apartments (could be applied to hotels)
 - City uses combination of code enforcement activities and crime per capita
 - Rating of 1-4
 - Properties with a rating of 4 subject to additional requirements, must improve to rating of 3 within 12 months
 - If high crime, property must go through a crime reduction program with Police Department

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How Are Other Cities Addressing?



- **Grand Prairie:**
 - Adopted additional standards beyond the Property Maintenance Code for hotels
 - Established a hotel license with inspection requirement
 - Adopted length of stay limitations
 - Created a tier system based on a summary grading score including number and types of outstanding code violations, code convictions, and calls for service
 - Tier 1: Good/Excellent
 - Tier 2: Average
 - Tier 3: Below Average
 - Additional requirements and inspections for Tier 2 and 3 properties
 - Tier 3 properties must improve to a Tier 2 within 12 months

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Potential Options for Addison



- **Revenue:**
 - Enhance/expand current audit process
- **Zoning:**
 - Pursue properties in violation of zoning requirements, as applicable
 - Establish an amortization process to enable Town to close non-conforming uses after a period of time is granted for property owner to recover investment
 - Establish revised definition and development standards specifically for hotels
- **Code Enforcement/Public Safety:**
 - Adopt an annual hotel licensing process
 - Establish additional property maintenance requirements
 - Institute hotel inspection program
 - Create a tier/scoring system to address problematic properties

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Resource Requirements



- License and inspection process would require additional code enforcement staff
 - One additional Property Standards Specialist
 - Conduct field inspections, see that issues are addressed
 - One additional Department Clerk
 - Sending notices, preparing case files, records management, processing licenses

- Costs:
 - Estimated year one costs: \$208,000
 - Salaries and benefits: \$121,000
 - Miscellaneous administrative program costs: \$5,000
 - Office space modification and furniture: \$50,000
 - Vehicle and maintenance costs: \$32,000
 - Estimated recurring funding required: \$130,000

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Resource Requirements



- Funding Options:
 - License Fee:
 - Carrollton: \$13.00 per room
 - Irving: \$13.16 per apartment
 - Grand Prairie: based on Tier - \$8.10-16.20 per room
 - For full cost recovery, Addison fee would need to be approximately \$30.00 per room
 - General Fund
 - Staff researching if Hotel Fund can be utilized

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