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County considering bigger hotels in Bethesda, other communities

Critics question avoidance of zoning rules

by Alex Ruoff | Staff Writer

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Montgomery County Council members are considering a move that would allow larger hotels in commercial centers such as Bethesda.

A zoning change, proposed to the council June 22, would allow new hotels to qualify for additional density now provided to mixed-use construction in commercial business district zones in Bethesda, Wheaton, Silver Spring and Friendship Heights. If approved, new hotels designed as mixed-use developments could qualify for as much as a third more square footage than currently allowed.

County Executive Isiah Leggett (D), who is seeking the change, thinks more hotel space will be needed in the near future, specifically in Bethesda, where demand is expected to grow for several reasons. These include increased tourism, more conventions and the Department of Defense's Base Realignment and Closure efforts that will bring 2,500 new jobs to the National Navy Medical Center campus when the Walter Reed Army Medical Center relocates from Washington, D.C., in September 2011.

"It's a response to the times we're in," said Diane Schwartz Jones, Leggett's assistant chief administrative officer. "There's demand in these areas for good, viable mixed-use projects."

Montgomery County has 9,443 hotel rooms, 3,832 of which are in Bethesda's 13 hotels and motels.

Detractors say the change is another way to get around zoning rules, essentially creating situations where construction is permitted beyond capacity.

"It makes a mockery out of the master plan process, which sets the allowable densities in these communities," said County Councilman March Elrich (D-At Large) of Takoma Park. "Why have the rules if you are going to exempt anyone who says they want to build something that we don't allow?"

County Councilman Michael Knapp (D-Dist. 2) of Germantown supports the measure, as it focuses commercial growth in business centers. Knapp said additional density — in this case for a combination of retail, office and lodging space — helps incentivize construction in urban locations.

"As the county grows from a suburban community to a place of over 1 million people we can't expect to have it all spread out, we want dense, mixed-use corridors like this," he said.

Business concerns

Some in the hotel industry think that although developers might be willing to build larger hotels, growth in the county's lodging industry could be unsustainable.

"We're already going to see new hotels here as early as next year; any more will only saturate the market even more, and we're already pretty saturated right now," said Tom Wolf, general manager of the 390-room Hyatt Regency Bethesda. "... We're losing business as it is."

Worldwide lodging industry expert Smith Travel Research reported a gradual decline in Montgomery's hotel occupancy rates during the past four years, as well as a decline in the county's average daily costs.

In 2006, lodging facilities were charging about \$126.98 per room, filling about 65 percent of their capacity in Montgomery County. At the end of the first quarter of 2010, rates had dropped to \$119.73 with a 58 percent occupancy rate.

Estimated revenues for the industry in Montgomery reached \$270.68 million in 2008, but have since fallen to \$249.49 million in 2009 and \$57 million in the first quarter of 2010.

Kelly Groff, executive director of the Conference and Visitors Bureau of Montgomery County, said the county's hotel industry has seen a slow recovery

and rise in demand in recent months. In February, occupancy rates were up nearly 10 percent from February 2009; in March, they were up 15 percent.

Still, Wolf said, the Bethesda hotel industry mainly serves visitors coming from local small-business conferences and vacationers in the Washington, D.C. area. That is a customer base he does not believe is growing significantly.

"We see a lot of people coming for business meetings; we're not a big city with huge conventions — I don't see there being a big demand next year," he said. "Obviously, we're going to bounce back a little from the drop we saw, but I don't think demand will ever outgrow our supply."