3

Socioeconomic Conditions

This chapter considers the potential for the Proposed Action to result in significant adverse impacts to socioeconomic character, which includes an area's population, housing, and economic activity.

Introduction

According to the *2020 CEQR Technical Manual*, an analysis of socioeconomic conditions may be warranted when a project would directly or indirectly change an area's socioeconomic character (population, housing, and economic activity); the assessment usually considers the socioeconomic conditions of area residents separately from those of area businesses, although projects may affect both in similar ways. An assessment of socioeconomic conditions is warranted when a project would result in:

- Direct displacement of residential population on a development site;
- Direct displacement of existing businesses or institutions on a development site;
- Indirect displacement of residential population in a study area;
- Indirect displacement of businesses or institutions in a study area;
- Indirect displacement of businesses due to retail market saturation; and
- Adverse effects on specific industries.

This chapter assesses whether the proposed introduction of a City Planning Commission (CPC) Special Permit (the "Special Permit") for the development of new hotels citywide (the "Proposed Action") would result in significant adverse impacts to the socioeconomic character of those zoning districts where hotels are currently allowed to be built as-of-right,

in addition to the impacts such an action would have on both the hotel industry and secondary industries that are affected by the hotel industry or by those overnight visitors to New York City who stay at hotels.

In 2019, New York City drew a record 66.6 million visitors, a two percent increase over 2018 and reflective of an uninterrupted 12-year run of consecutive increases in visitor counts. Over 40 percent, or approximately 28 million of those visitors stayed in hotels in the city, accounting for over $13 billion in direct and indirect business sales. Commensurate with this growth in tourism, 2019 saw a continuation of an unprecedented expansion of hotel development in New York City that had begun in 2007 and added 54,100 hotel rooms to the city's inventory over the following 12 years, a 73 percent increase in supply. In the more recent period between 2015 and 2019, over 21,000 hotel rooms came online in the five boroughs, a 40 percent increase over the number of rooms that came online during the previous five-year period. Since January 2020, however, the COVID-19 pandemic has had a devastating impact on the hotel and tourism sectors in New York City. ~~As of~~ Between January 2020 and March 2021, a net total of 131 (out of 705) hotels and 38,100 (out of 127,810) rooms closed in New York City, representing a decline of 19 and 30 percent, respectively. As of June 2021, many temporarily closed hotels have reopened; approximately ~~4,930~~7,217 hotel rooms have permanently closed and approximately ~~33,170~~2,415 rooms have temporarily closed. As of June 2021, New York City has a hotel room inventory of 121,820 rooms, approximately 95 percent of the inventory that was available in January 2020.[1] Current forecasts estimate that the recovery of the New York City tourism sector to 2019 levels will not take place until 2025.

While the introduction of a Special Permit requirement for new hotel development citywide would allow for the NYC Department of City Planning to more carefully evaluate the impact that individual proposed new hotel projects may present in specific neighborhoods, the Proposed Action also has the potential to affect the hotel industry, an important economic driver in New York City, by imposing a discretionary approval for hotel development in all areas of the city, including those that have historically accommodated hotel expansion, and would be poised to again once the global effects of the COVID-19 pandemic recede. The Special Permits requirement generally presents a disincentive to development that previously was as-of-right, since obtaining a special permit can add significant time, cost, and uncertainty to a project. Because the Proposed Action introduces a discretionary approval process, DCP projects less hotel development under the With-Action condition than the No-Action condition, and accordingly, it is reasonable to assume that the Proposed Action would have the effect of slowing the rate at which hotels would be developed. Therefore, the analysis will evaluate whether any changes created by the Proposed Action (under the Future With-Action condition) would have significant adverse impacts on socioeconomic conditions, and, as shown in the Initial Screening Assessment below, with regards to the hotel and tourism industries as compared to the Future No-Action condition.

Principal Conclusions

The Proposed Action would not have the potential to result in direct or indirect residential displacement or direct or indirect business displacement, in accordance with the standards

[1] Inventory data from June 2021 as reported by STR, accounting for permanent closures reported by HANYC.

set forth in the *CEQR Technical Manual*. However, an assessment of adverse effects to specific industries was warranted. The assessment concluded, as discussed below, that the Proposed Action would have the potential to result in significant adverse impacts to the hotel and tourism industries.

Adverse Effects on Specific Industries

According to the *CEQR Technical Manual*, a Proposed Action may have a significant adverse impact on specific industries if the action significantly affects business conditions in any industry or category of business within or outside of the study area—in this case the study area being defined as the entire city of New York. An impact of a project that would substantially impair the ability of a specific industry or category of businesses to continue operating within the city may be considered significant and adverse, requiring consideration of mitigation. While the Proposed Action has been crafted to minimize adverse impacts on existing hotels in the five boroughs, it would uniquely impede this industry from serving future projected demand. As the majority of overnight visitors to New York City stay in hotels, the Proposed Action also has the potential to diminish future visitor spending in the broader tourism sector in the city. In this manner, the Proposed Action is *sui generis*, and the *CEQR Technical Manual's* relatively narrow definition of what constitutes adverse impacts on a specific industry or category of business was broadened for this analysis. It was found that the Proposed Action would result in a scale of lost rooms—as much as 25 percent of the projected 2035 inventory—and the resulting loss in visitation may substantially affect the ability of the hotel and tourism industries to grow and meet future anticipated demand. Therefore, there would be potential for significant adverse impacts to the hotel and tourism industries due to socioeconomic conditions in the future with the Proposed Action. This finding warrants discussion of potential mitigation measures (see **Chapter 5, Mitigation**).

Hotel Industry

While the Proposed Action would not have an impact on existing hotels in New York City—nor would it, due to the proposed Recovery Provisions, impact hotels in the development pipeline—the Proposed Action would affect future hotel supply in the City, which under existing conditions has been significantly decreased due to the COVID-19 pandemic.

In the No-Action condition, hotel supply in 2035 is estimated to be 174,730 rooms and in the With-Action condition it is estimated to be 127,660 rooms. Therefore, for the hotel sector in 2035, the imposition of the Special Permit is projected to result in approximately 47,070 fewer hotel rooms than in the No-Action condition. The analysis year of 2035 is used for the assessment of economic effects. Estimated values are not cumulative but are annual values for that year only. The analysis showed that the foregone direct gross output on the local economy is estimated to be $5.3 billion in 2035, from $19.8 billion in the No-Action condition to $14.5 billion in the With-Action condition. An employment analysis based on current worker-per-room ratios indicates that in the No-Action condition the hotel industry would directly employ approximately 70,420 workers and generate $4.7 billion in direct wages in 2035. In the With-Action condition, the industry would directly employ 51,450 workers and generate $3.5 billion in direct wages in 2035. As such, there would be approximately 18,970 fewer direct workers and $1.3 billion fewer direct wages in the hotel sector in the With-Action condition in 2035. All dollar amounts are in 2019 dollars.

The approximately 47,070 fewer hotels rooms in the With-Action condition represents a 27-percent decrease in the hotel room supply as compared to the No-Action condition. This reduction in room supply would have a significant adverse impact on the ability of the city's Accommodation sector to grow and meet anticipated future demand, resulting in significant loss of projected future overnight visitors who cannot be accommodated as well as opportunity costs both for the hotel industry and the broader tourism industry in New York City. Therefore, the Proposed Action would have a significant adverse impact on the hotel industry due to socioeconomic conditions. This finding warrants discussion of potential mitigation measures (see **Chapter 5, Mitigation**).

Tourism Industry

For the broader tourism sector in New York City—which encompasses food and beverage establishments, retail, arts/entertainment/recreation, and local transportation in addition to the lodging sector itself—the Proposed Action would likely diminish future potential visitor spending, as it would create the supply gap of approximately 47,070 hotel rooms noted above. Not all of the spending associated with those 47,070 rooms would be lost, as some visitors would shift to online short-term rentals or friends/family stays.

As outlined in this chapter, it is anticipated that approximately two-thirds of the visitors unable to secure hotel rooms in New York City due to the supply gap in the With-Action condition would nevertheless still travel into the city, while the remaining one-third would cancel their travel plans entirely. Of the two-thirds of these visitors that would still travel to New York, the analysis assumes that one half of this cohort would find non-hotel accommodations in the five boroughs and the other half of the cohort would choose to stay in hotels in the metro region outside of the city. The analysis assumes that the first half of the cohort that is staying overnight in New York City would still maintain their non-hotel visitor spending at levels similar to hotel guests in the No-Action condition. The analysis assumes that the second half of the cohort that is staying overnight elsewhere in the metro area would still consider New York City their primary destination and therefore would likely spend the majority of their activity and non-hotel spending in New York City. It is assumed that approximately two-thirds of this group's non-hotel spending would take place in New York City and the remaining one-third of their non-hotel spending would occur outside the five boroughs, closer to where they are staying.

Of the one third of the visitors that would cancel their travel plans entirely, a cohort representing 15,690 hotel rooms, all corresponding spending in the broader tourism sector would be entirely forfeited. An analysis based on 2019 numbers shows that each occupied hotel room in New York City generates approximately $300,000 in annual visitor spending. Therefore, the loss of these future hotel rooms under the Proposed Action and its restriction on tourism industry growth would constitute a significant adverse impact on the city's tourism industry. This finding warrants discussion of potential mitigation measures (see **Chapter 5, Mitigation**).

Methodology

Following *CEQR Technical Manual* guidelines, an analysis of socioeconomic conditions begins with an initial screen that considers threshold circumstances identified in the *CEQR*

Technical Manual that can lead to socioeconomic changes warranting further assessment (see **Initial Screening Assessment**, below). If the initial screen determines that further assessment is warranted, a preliminary assessment is undertaken. The purpose of the preliminary assessment is to learn enough about the effects of the Proposed Action to either rule out the possibility of significant adverse impacts or determine that a more detailed analysis is required to inform the determination of impact. Once it is determined that a detailed analysis is required, the detailed assessment undertakes an analysis of existing conditions, conditions in the future without the Proposed Action (No-Action condition), and conditions in the future with the Proposed Action (With-Action condition).

As described below, the **Initial Screening Assessment** concluded that a detailed analysis of Adverse Effects on Specific Industries was warranted. The methodology specific to this analysis is provided below under **Detailed Assessment—Adverse Effects to Specific Industries**.

Initial Screening Assessment

According to the *CEQR Technical Manual*, a socioeconomic assessment should be conducted if a project may be reasonably expected to create substantial socioeconomic changes within the area affected by the proposed action that would not be expected to occur without the proposed action. The following screening assessment considers threshold circumstances identified in the *CEQR Technical Manual* that can lead to socioeconomic changes warranting further assessment.

- **Direct and Indirect Residential Displacement**: *Would the project directly displace residential population to the extent that the socioeconomic character of the neighborhood would be substantially altered? Displacement of fewer than 500 residents would not typically be expected to alter the socioeconomic character of a neighborhood.*

  Would the project comprise 200 units or more? Would the project introduce or accelerate a trend of changing socioeconomic conditions that may potentially displace a vulnerable population – particularly renters living in unprotected privately held units – to the extent that the socioeconomic character of the neighborhood would be changed?
- **Direct Business Displacement**: *Would the project directly displace more than 100 employees, or would the project directly displace a business whose products or services are uniquely dependent on its location, are the subject of policies or plans aimed at its preservation or serve a population uniquely dependent on its services in its present location? If so, assessments of direct business displacement and indirect business displacement are appropriate.*
- **Indirect Business Displacement due to Increased Rents**: *Would the project markedly increase property values and rents throughout the Study Area, making it difficult for some categories of businesses to remain in the area?*
- **Indirect Business Displacement due to Retail Market Saturation**: *Would the project result in a total of 200,000 sf or more of retail on a single development site or 200,000 sf or more of region-serving retail across multiple sites? Would the project create retail or commercial uses that draw substantial sales from existing businesses in the Study Area?*
- **Adverse Effects on Specific Industries**: *Would the project significantly affect business conditions in any industry or any category of businesses within or outside the study area?*

Would the project indirectly substantially reduce employment or impair the economic viability in the industry or category of businesses?

Direct and Indirect Residential Displacement

Direct displacement (also called primary displacement) is the involuntary displacement of residents or businesses from a site or sites directly affected by a proposed project. Examples include a proposed redevelopment of a currently occupied site for new uses or structures, or a proposed easement or right-of-way that would take a portion of a parcel rendering it unfit for its current use. The occupants and the extent of displacement are usually known, and the disclosure of direct displacement can therefore focus on specific businesses and a known number of residents and workers. Indirect displacement (also known as secondary displacement) is the involuntary displacement of residents, businesses, or employees that results from a change in socioeconomic conditions created by the proposed project. An analysis of direct and indirect residential displacement would be needed if the Proposed Action had the potential to cause direct or indirect residential displacement.

The Proposed Action would create a discretionary action for the development of new hotels citywide. The Proposed Action would not induce development and therefore would not directly or indirectly displace any residents. Therefore, the Proposed Action would not result in significant direct or indirect residential displacement that could have the potential to change socioeconomic conditions in the study area.

Direct Business Displacement

The *CEQR Technical Manual* defines direct business and institutional displacement as the involuntary displacement of businesses from the site of (or a site directly affected by) a Proposed Action. The establishment of a Special Permit for the development of new hotels citywide is in effect a restriction, and as such, not development-inducing. The introduction of a Special Permit for hotel development would create a discretionary action for the development of new hotels citywide, allowing consideration of how new hotels contribute to the existing mix of businesses in the neighborhoods where they are proposed.

In the Future No-Action condition, post-COVID-19 economic recovery is expected to occur by 2025, after which the hotel market and demand are expected to return to 2019 conditions and growth trends. Hotels would be expected to develop opportunistically in those zoning districts across the city where they are permitted as-of-right, where there is demand for new hotels, and which have seen considerable new hotel development since 2009. This includes, in particular, Manhattan south of 59th Street, Downtown Brooklyn, Long Island City and Williamsburg, but also areas of Upper Manhattan and locations along subway lines that are easily accessible to Manhattan, the city's central business districts, and primary visitor attractions.

In the Future With-Action condition, each new hotel development would be evaluated in the context of how it may contribute to the existing fabric of existing uses in the neighborhood. Each project would be considered on its potential to impair the future use and development of the surrounding area. Each application for ~~a~~the Special Permit would be evaluated pursuant to CEQR and the hotel project's potential impacts.

The Proposed Action is a restriction and not an inducement for the development of new hotels in the city. Existing hotels currently in operation in the city would remain conforming uses and would be allowed to continue to operate. ~~Currently, there are approximately 33,170~~In March 2021, there were approximately 33,170 hotel rooms in the city that were temporarily closed due to the COVID-19 pandemic. As of June 30, 2021, there are still approximately 2,415 hotel rooms in the city that have been temporarily closed since the advent of the COVID-19 pandemic. Recognizing the significant financial and operational challenges these hotel businesses face in reopening their facilities and resuming operations, the Proposed Action contains Recovery Provisions, including discontinuance provisions, that would allow hotels that are temporarily closed until six years from the date of adoption to reopen and resume business without being subject to the Special Permit requirement. Existing hotels located in any zoning district that are converted to other uses would also be permitted to convert back to a hotel until six years from the date of adoption without obtaining a special permit.

In addition, until six years from the date of adoption, the Proposed Action would vest hotel projects in the development process that have filed a New York City Department of Buildings ("DOB") application by the date of referral and received DOB zoning plan approval by the date of adoption. However, applications for hotels filed at DOB prior to 2018 must also obtain a foundation permit by the date of adoption.

Accordingly, the Proposed Action does not have the potential to directly displace any business or institution from any site, and therefore, further analysis is not warranted.

Indirect Business Displacement due to Increased Rents

In terms of indirect business and institutional displacement, the objective of the preliminary assessment is to determine whether the Proposed Action would introduce trends that would make it more difficult for existing businesses to remain in the area. In most cases, the issue for indirect displacement of businesses is that an action would markedly increase property values and rents throughout the study area, making it difficult for some categories of businesses to remain in the area. Additionally, indirect displacement of businesses may occur if a project directly displaces any type of use that either directly supports businesses in the area or brings a customer base to the area for local businesses, or if it directly displaces residents or workers who form the customer base of existing businesses in the area. Such displacement can be of concern when it could result in changes to land use, population patterns, or community character.

The Proposed Action would create a discretionary action for the development of new hotels citywide, allowing consideration of how new hotels contribute to the existing mix of businesses in the neighborhood. All Special Permit applications would be evaluated pursuant to CEQR for their potential to cause secondary displacement of existing businesses.

The Proposed Action would not induce development and, therefore, would not cause secondary displacement pressures. Therefore, no further analysis is warranted with respect to indirect business displacement due to increased rents.

Indirect Business Displacement due to Retail Market Saturation

Since the Proposed Action would not result in the development of 200,000 square feet of commercial or other use, no potential for indirect business and institutional displacement per the manual.

Adverse Effects on Specific Industries

The Proposed Action has the potential to affect business conditions in the hotel industry (or a submarket of the hotel industry) by requiring new hotels to seek a Special Permit. Furthermore, the Proposed Action would have the potential to affect secondary industries. Therefore, a detailed socioeconomic analysis of the Proposed Action's potential to affect a specific industry is warranted.

According to the *CEQR Technical Manual*, a Proposed Action may have an adverse impact on specific industries if the action significantly affects business conditions in any industry or category of business within or outside of the study area—in this case the study area being defined as the entire city of New York.

In the Future No-Action condition, there would be continued hotel development in the absence of ~~a~~the proposed Special Permit. Hotels would be expected to develop opportunistically in those zoning districts across the city where they are currently permitted as-of-right, where there is demand for new hotels, and in places that have seen considerable new hotel development since 2009. This includes, in particular, Manhattan south of 59th Street, Downtown Brooklyn, Long Island City, and Williamsburg, but also areas of Upper Manhattan and locations along subway lines that are easily accessible to Manhattan, the city's central business districts, and primary visitor attractions.

In the Future With-Action condition, each new hotel development would be subject to a Special Permit, limiting development of hotels citywide. It is expected that a requirement for a Special Permit for hotel use would result in fewer hotel developments in the city; however, should there be a market for new hotels in specific areas or neighborhoods of the city, developers would have the ability to obtain this proposed Special Permit. Nevertheless, given the generally restrictive nature of the Proposed Action and the fact that the hotel market in New York City has grown significantly in the past decade, with a 73 percent increase in supply in the twelve years between 2007 and 2019, the Proposed Action could have the potential to affect business conditions in the hotel industry in New York City or to impair its economic viability, as established in the Reasonable Worst-Case Development Scenario (RWCDS).

Therefore, per the *CEQR Technical Manual* guidelines, a detailed analysis is required to determine if there are adverse impacts on the hotel industry, categorized as 721 (Accommodation) under the North American Industry Classification System (NAICS). In addition, hotels are a unique business category, as they accommodate a customer base—overnight visitors to New York City—who generate a significant amount of spending on multiple secondary industry sectors related to tourism. Under NAICS, these include codes 7223/7224/7225 (Restaurants and Drinking Places, in addition to Specialized Food Services, such as caterers), 44/45 (Retail Trade), 71 (Arts, Entertainment, and Recreation, such as Performing Arts/Theater, Spectator Sports, Museums/Zoos/Botanical Gardens, Historical Sites, and Amusement Parks) and 485 (Transportation), which primarily includes local urban

transportation systems, such as taxis and limousines and urban public transit, in addition to a relatively small number of airline flights and interurban rail purchased on-site in New York City.

Detailed Assessment—Adverse Effects to Specific Industries

Methodology

As discussed above, in the **Initial Screening Assessment**, an Adverse Effects to Specific Industries assessment is warranted. In the No-Action and With-Action conditions, the assessment of Adverse Effects to Specific Industries examines the RWCDS, as defined in **Chapter 1, Project Description.** The conclusions in this analysis are based upon information provided through public data sources and by key stakeholders and participants in the sector (see **Data Sources**). The RWCDS is used to assess the economic effects of the Proposed Action on the Accommodation industry (as defined by the North American Industry Classification System code or NAICS code of 721) by estimating total gross output (sales), earnings, and number of employees in the 2035 Analysis Year. To analyze economic effects, the Bureau of Economic Analysis's RIMS II Multipliers are used. The assessment of the Proposed Action's impact to specific industries evaluates whether the Proposed Action would result in significant adverse impacts on either the hotel industry or the tourism sector that depends on overnight visitors to New York City who stay in hotels. As such, the assessment also includes an analysis of hotel market conditions, as well as broader tourism industry conditions with descriptions of visitation, spending, and pricing. The difference between these conditions in the No-Action and With-Action conditions is used to assess the effect that the loss of hotel rooms under the future with the Proposed Action will have on the socioeconomic conditions of the hotel and tourism industries.

The principal focus of the socioeconomic analysis with respect to the tourism industry is its potential effect on future overnight visitation to New York City and the ability of hotels in the city to accommodate projected visitor demand in the Analysis Year. The economic effects of the Proposed Action are an indicator of the magnitude of visitor loss on secondary industries, particularly the broader tourism sector in New York City. While the inability to accommodate future demand for overnight visitation to New York City would result in fiscal losses in the form of lost Hotel Room Occupancy Tax and sales taxes related to visitor spending, the quantification of fiscal impacts is outside the scope of CEQR.

The *CEQR Technical Manual* has guidance for assessment of temporary impacts to specific industries. Temporary impacts are those generally associated with construction activity from development of the RWCDS. Because the Proposed Action would impede hotel development, it is not expected to generate incremental new construction activity in the With-Action condition above what would be expected to occur in the No-Action condition. Therefore, an assessment of temporary impacts, or those associated with construction activity, is not warranted.

Data Sources

The principal data source for this chapter is the 2020 *NYC Hotel Market Analysis* (the "Consultant Report"), prepared for DCP by BJH Advisors and BAE Urban Economics and released in January 2021 and updated in August 2021 (see **Appendix B**). Recognizing the severe impact that COVID-19 has had on the New York City hotel sector and that any market data from post-March 2020 would be aberrative, the Consultant Report relied on New York City hotel market data as of January 2020, compiled by the travel data firm STR, which reflected the pre-COVID-19 2019 hotel market. The Consultant Report also relied on STR data compiled as of September 2020 in order to clearly contrast the difference between the pre-COVID-19 and COVID-19 market conditions. Further, it is assumed in the Future With-Action condition that a portion of New York City hotel room demand that cannot be met in New York City will instead be met by hotels in nearby areas of the metropolitan region that are outside the five boroughs. This chapter is relying on STR data regarding hotel inventory and market trends in those geographies—specifically Hudson, Essex, and Bergen Counties in New Jersey and Nassau and Westchester Counties in New York.

The Consultant Report and this chapter also rely on data from NYC & Company, the Hotel Association of New York (HANYC), and DCP. Additionally, the Consultant Report utilized information gathered from interviews with local stakeholders, including hotel developers and industry organizations. These interviews were primarily conducted in the fall of 2020 and winter of 2021. Interviews to assess recent updates to the hotel market were conducted in the summer of 2021. This chapter also relies on additional data prepared by DCP and presented in the RWCDS.

The analysis in this chapter uses RIMS II Multipliers from the Bureau of Economic Analysis. The multipliers for New York City are used to calculate the total economic effect of the Proposed Action, including direct, indirect, and induced economic output, jobs, and wages. For this analysis, the chapter also relies on employment data from the Bureau of Labor Statistics and wage data from the New York State Department of Labor. Analysis of the Proposed Action's effects on the broader tourism sector and overnight visitor spending relied on data and completed analysis from NYC & Company.

Impact Criteria

If a citywide regulatory change is expected to affect conditions within a specific industry, and a substantial number of residents or workers depend on the goods or services from that industry, or if the regulatory change would result in the loss or substantial diminishment of a particularly important product or service within the city, it may affect the operational conditions of certain types of businesses or processes that may in turn affect socioeconomic conditions. The *CEQR Technical Manual* guidance (Section 430, Effects on Specific Industries) states that an impact of a project that would substantially impair the ability of a specific industry or category of businesses to continue operating within the city may be considered significant and adverse, requiring consideration of mitigation.

This guidance is considered in this analysis, but it is noted to be a relatively narrow definition of what constitutes adverse impacts on a specific industry or category of business because, in its focus on existing business, it does not account for future growth. Therefore, the impact criteria for the analysis of the Proposed Action have been broadened for this analysis to also

consider the future of the industry, and the increment between No-Action and With-Action conditions will be considered in the determination of impact.

Existing Conditions

Current Hotel Market Conditions and Recent Trends

Current Supply

According to STR, as of January 2020, there were 127,810 hotel rooms in over 705 hotel properties in the five boroughs of New York City. Manhattan had the highest share of hotel rooms at 81 percent. The New York City hotel market has experienced considerable growth in recent years, with citywide room inventory increasing approximately one-third since 2010. During the five years between 2015 and 2019, New York City saw a significant growth of hotel supply, with a 40 percent increase in rooms coming on-line over the previous five-year period. Another feature of this period was hotel supply growing across all five boroughs and not just Manhattan. **Table 3-1** shows the historic trends in hotel room inventory. Data was not available for the outer boroughs for 2010-2018, however in 2019 Brooklyn had 7,530 hotel rooms, the Bronx had 1,380 rooms, Queens had 14,390 rooms, and Staten Island had 780 rooms.

As described in **Chapter 1, Project Description**, between January 2020 and ~~March~~June 2021 there was a decrease in the number of hotel rooms in New York City's inventory due to the COVID-19 pandemic and associated economic downturn. ~~The number~~As of ~~rooms~~ June 2021, many temporarily closed hotels have reopened, and room occupancy and RevPAR rates have started to rebound, as described in the ~~inventory decreased by~~Consultant Report (see **Appendix B)**. Approximately 7,210 rooms were permanently closed, an increase of approximately ~~30~~2,280 rooms since March 2021. However, only 2,415 rooms remained in hotels that were temporarily closed, a large decrease since March 2021. Additionally, approximately 3,630 rooms have come to market in newly constructed or renovated hotels between January 2020 and June 2021. Therefore, as of June 2021, New York City has a hotel room inventory of 121,820 rooms, approximately 95 percent ~~due to temporary and permanent closures.~~ of the inventory that was available in January 2020.[2] As cited in the Consultant Report, although there has been some return to travel in the City, recovery projections citing a 2025 recovery of the hotel industry remain the same, as the City is not yet experiencing "post pandemic" conditions. While hotel occupancy has increased, along with hotel revenue, since the height of the pandemic they remain well below the 2019 levels. Uncertainty surrounding the impacts and duration of the Delta variant exemplify remaining uncertainty in the tourism and hotel markets, and it is possible that hotels that are in business as of June 2021 may not represent the inventory upon recovery.

[2] Inventory data from June 2021 as reported by STR, accounting for permanent closures reported by HANYC.

Table 3-1 Total Hotel Rooms, 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manhattan	74,570	75,890	77,050	81,910	85,450	89,030	92,810	96,420	99,770	103,730
All Other Boroughs	12,260	13,320	14,420	15,000	16,490	17,660	19,360	21,160	22,050	24,080
Total NYC	**86,830**	**89,210**	**91,470**	**96,910**	**101,940**	**106,690**	**112,170**	**117,580**	**121,820**	**127,810**

Source: STR

Notes: Numbers are rounded to the nearest tens

Current Demand

Increased demand for hotels outside Manhattan has also been an emergent trend in New York City in recent years, and this has been reflected by substantial growth in hotel development in the other four boroughs during the same period. Of the approximately 24,100 hotel rooms currently existing in Brooklyn, Queens, the Bronx, and Staten Island, over half (54 percent) have been delivered since 2009. While this growth is slowing, over 50 percent of hotel rooms identified in the construction pipeline in New York City are located outside of Manhattan, and the number of hotel properties in Brooklyn and Queens has doubled over the past decade.

Based on an evaluation of market reports and stakeholder interviews that were conducted as part of the Consultant Report, in addition to an earlier Hotel Market Report completed in 2018, principal factors driving hotel growth in New York City in the submarkets outside Manhattan are:

- Relative proximity to Manhattan
- Access to public transportation (principally subway lines)
- Presence of services and amenities in neighborhood
- Significant office or commercial market
- Existing critical mass of hotels in neighborhood (most hotels are market followers, not market leaders)
- Land value
- Proximity to airports
- Proximity to residential neighborhoods (for family visitation)
- Ability to develop hotels as-of-right without zoning change

The hotel industry in New York City depends on demand from both domestic United States-based travelers and overseas visitors. As New York City is a larger international destination than most other markets in the U.S., New York City hotels have historically been more dependent on international visitors, who tend to stay longer and spend more. In 2019, New York City drew a record 66.6 million visitors, reflective of an uninterrupted 12-year run of consecutive increases in visitor counts.

There are two major hotel demand drivers in New York City and the nation as a whole—leisure travel, which includes both tourism and visitation of family and friends; and business travel, which includes conference and group travel as well as individual business travel.

According to both NYC & Company and U.S. Travel Association data, leisure travel in New York City historically comprises approximately 79 percent of room demand and business travel has historically made up the remainder, or approximately 21 percent.

In March 2020, New York City's tourism sector came to a sudden halt as the global coronavirus pandemic spread widely in the city. Hotels shuttered, some temporarily and some permanently, as discretionary travel to the city abruptly ceased. The pandemic has since—and through the publication date of this EIS—significantly reduced the inventory of hotel rooms, particularly in Manhattan, and affected occupancy rates and room pricing, both of which have dropped significantly compared to pre-pandemic levels.

Historic Occupancy Rates

Prior to 2020, New York City had exhibited stable hotel market conditions in terms of room occupancy, with occupancy rates in the mid- to high-80s for much of the past decade. This high occupancy rate sustained itself, even with the remarkable growth in supply during this period, indicating that demand had grown steadily with supply increases. New York City's occupancy rate also consistently exceeded the national average occupancy rate for the five-year period 2015 to 2019, by about 20 percentage points.

STR data showed that the annual average hotel occupancy rate in New York City in 2019 was 86.7 percent, a slight decrease from 2018, when the average annual occupancy rate was 87.2 percent. However, this was the highest average occupancy rate among major markets in the country, slightly higher than that of San Francisco and considerably higher than those of Washington, DC, Miami, and Chicago, all of which were in the 70 to 79 percent occupancy range.

At the borough level, Manhattan, Queens, and Brooklyn each had occupancy rates above 80 percent, on par with or above the average occupancy rates of New York City's peer markets, as noted above. Manhattan, Queens, and Staten Island each experienced declines in occupancy rates between 2018 and 2019, while the Bronx and Brooklyn experienced increases in occupancy rates. The Bronx experienced the most notable increase in occupancy rates, from 76 percent to 82 percent over the past year, suggesting that new rooms are being absorbed at a relatively positive rate, likely due to proximity to attractions in Upper Manhattan.

Historic Pricing (Average Daily Rates)

Between 2013 and 2019, increases in New York City hotels' average daily rates (ADR), measured in dollars, were generally healthy in areas outside of Manhattan, from 18 percent in Queens to 11 percent in Brooklyn to nearly 7 percent in Staten Island. Despite significant ADR growth in these boroughs between 2013 and 2019, ADRs in Manhattan dropped by nearly five percent over the same time frame. The more recent two-year period between 2017 and 2019 demonstrated similar trends, with declining ADRs in Manhattan and increasing ADRs in the remaining boroughs. More specifically, between 2017 and 2019, Bronx ADRs rose by 15.7 percent, Staten Island ADRs increased by 15.4 percent, and Queens and Brooklyn demonstrating ADR increases of roughly seven percent. Over the 2017 to 2019 timeframe, Manhattan ADRs dropped by roughly one percent.

Despite the trends, average ADRs in Manhattan still remain well above ADRs nationally and in the other boroughs. In 2019, average ADRs in Manhattan were roughly $272 per night.

This rate was roughly 40 percent higher than that of Brooklyn, 52 percent higher than the Bronx, 61 percent higher than Queens, and 86 percent higher than Staten Island daily room rates. Based on the trends noted above, these changes in ADRs seem to indicate that hotels outside of Manhattan are experiencing increasing demand due to lower room rates relative to Manhattan hotels.[3]

Pricing and Occupancy since COVID-19

~~As of September 2020, citywide occupancy rates were down from 90 percent in September 2019 to 40 percent in September 2020, which was an unprecedented low for New York City. Similarly, ADRs were down 52 percent citywide from $307 in September 2019 to $137 in September 2020. The Revenue per Available Room metric, or RevPAR, was $53.13 in September 2020, which was down from $253.52 at the same point in 2019. As with all COVID-19-related and general hotel trends, New York City's RevPAR is driven by Manhattan's, where the RevPAR was $43.61 in September 2020, the lowest among the five boroughs.~~

Hotel occupancy rates, average daily rates (ADRs) and RevPAR have all substantially improved from their positions in the fall of 2020 though they are still well below 2019 average occupancy and revenue rates for both June 2019 and 2019 as a whole.

The overall citywide hotel occupancy rate began climbing in November 2020, when it was well below 40 percent, and reached 62.7 percent in June 2021, higher than the nationwide average. This compares to an occupancy rate for New York City of over 90 percent in June 2019. Similarly, the citywide ADR was $193 in June 2021, a 41 percent increase over September 2020, when it was $137. However, this compares to a June 2019 ADR of almost $275.

RevPAR has more than doubled since the early fall of 2020 and is now at $121 as of June 2021, 42 percent higher than the national average. Nevertheless, this is still less than 60 percent of New York City RevPAR in June 2019, when it was $210.

While the effects are alarming for both New York City and its hotel industry, the occupancy rate citywide has not dipped below ~~38~~35 percent since March 2020. Interviews with hotel industry professionals suggest that approximately 28 percent of this occupancy rate has come from government contracts for emergency shelters or essential worker housing, leaving approximately ten percent coming from traditional lodgers. Because the vast majority of all hotel rooms in New York City are located in Manhattan, the citywide occupancy rate and ADR averages are heavily skewed by conditions in Manhattan, suggesting there is a floor of demand for lodging in New York City.

Historic Trends in Accommodation Industry's Employment and Wages

New York City employment figures in the Accommodation industry are reported by the Quarterly Census of Employment and Wages (QCEW), developed through New York State Department of Labor and the U. S. Bureau of Labor Statistics. The Accommodation industry is defined by the NAICS code of 721. The QCEW classifies an employee as anyone working

[3] Note that ADR does not include additional revenue received by hotels in the form of non-room rate fees, such as resort fees. This potential additional revenue has not been considered in this analysis.

full-time, part-time, permanently, or temporarily and includes executive, supervisors, and entry-level employees.[4] The QCEW reports annual employee numbers as an average of each month's numbers. In this analysis, employment numbers for the Accommodation industry includes a wide range of positions, such as hotel executives and housekeeping staff.

Total sector employees citywide in 2019 was 52,730 employees. **Table 3-2** shows a borough breakdown of employees from 2010 through 2019, with Manhattan having the highest number for each year. In 2019, the number of Accommodation employees in Manhattan was 87 percent of the city's total. Manhattan's higher employee figures are due to the fact that it has the largest number of hotels compared to the other boroughs, as well as having most of the larger format conference hotels.

Table 3-2 Total Accommodation Industry Employees, 2010-2019

Borough	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manhattan	38,190	40,310	41,830	42,000	44,200	44,350	45,210	45,590	45,700	46,020
Brooklyn	910	1,070	1,310	1,540	1,680	1,810	1,950	2,160	2,260	2,360
Bronx	320	320	310	340	390	430	470	500	520	540
Queens	2,440	2,660	2,820	3,110	3,190	3,320	3,270	3,300	3,270	3,420
Staten Island	340	340	380	450	420	390	370	390	390	390
Total	**42,200**	**44,700**	**46,650**	**47,440**	**49,880**	**50,300**	**51,270**	**51,940**	**52,140**	**52,730**

Source : QCEW, BLS. Accommodation (NAICS 721)
Notes: Numbers are rounded to the nearest tens

In 2019, according to the QCEW, New York City Accommodation sector employees made approximately $69,010 on average per year. Wages are defined as total compensation paid. Compensation includes salaries, bonuses, stock options, severance pay, tips, and other gratuities. Total annual wages are a sum of each quarter and each quarter is an average of the three months within the quarter.[5] **Table 3-3** shows the trend by borough from 2010-2019. Over this period, Accommodation sector employees in Manhattan had higher wages than employees in other boroughs; in 2019, an Accommodation employee working in Manhattan made on average approximately $73,340 per year. Manhattan has a larger number of luxury hotels, union jobs, and high-level executive jobs than the other boroughs. Consequently, the shift in hotel development to the other boroughs, as evidenced in the hotel supply pipeline, could put downward pressure on the citywide average wage per employee in the sector. **Table 3-4** shows a trend of total wages by borough.

[4] Source : https://www.bls.gov/opub/hom/cew/concepts.htm
[5] Source : https://www.bls.gov/opub/hom/cew/concepts.htm

Table 3-3 Total Wages Per Accommodation Industry Employee, 2010-2019

Borough	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manhattan	$53,150	$55,200	$56,940	$59,420	$63,250	$64,560	$65,660	$69,090	$69,490	$73,340
Brooklyn	$36,330	$35,450	$35,650	$36,390	$37,860	$35,680	$37,360	$40,060	$42,380	$45,720
Bronx	$22,010	$22,570	$22,500	$21,880	$21,840	$23,350	$24,190	$25,600	$28,040	$29,920
Queens	$31,830	$31,600	$32,270	$32,710	$37,530	$32,860	$32,260	$33,040	$37,330	$37,820
Staten Island	$21,500	$21,300	$19,940	$20,030	$19,850	$21,500	$22,110	$22,200	$24,160	$26,360
Average	**$51,060**	**$52,830**	**$54,320**	**$56,280**	**$60,060**	**$60,740**	**$61,760**	**$64,830**	**$65,550**	**$69,010**

Source : QCEW, BLS Accommodation (NAICS 721)

Table 3-4 Total Wages from 2010-2019

Borough	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manhattan	$2.0B	$2.2B	$2.4B	$2.5B	$2.8B	$2.9B	$3.0B	$3.2B	$3.2B	$3.4B
Brooklyn	$33M	$38M	$47M	$56M	$64M	$65M	$73M	$87M	$96M	$108M
Bronx	$7M	$7M	$7M	$7M	$9M	$10M	$11M	$13M	$15M	$16M
Queens	$78M	$84M	$91M	$102M	$120M	$109M	$106M	$109M	$122M	$129M
Staten Island	$7M	$7M	$8M	$9M	$8M	$8M	$8M	$9M	$9M	$10M
Total	**$2.2B**	**$2.4B**	**$2.5B**	**$2.7B**	**$3.0B**	**$3.1B**	**$3.2B**	**$3.4B**	**$3.4B**	**$3.6B**

Source : QCEW, BLS Accommodation (NAICS 721)

Using QCEW and STR data, it is estimated that in 2019, the employee-per-room ratio in the Accommodation industry in New York City was 0.41 employees. **Table 3-5** shows the 2010-2019 trend of this ratio. Note that this ratio is only available for boroughs other than Manhattan starting in 2019. In that year, 2019, Manhattan had the highest employee-per-room ratio at 0.44, with Brooklyn having 0.31, and Queens having 0.24. This is likely due to a higher share of Manhattan hotels being full-service.

Table 3-5 Total Employees per Hotel Room Ratio, 2010-2019

Borough Breakdown for 2010-2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Manhattan	0.51	0.53	0.54	0.51	0.52	0.50	0.49	0.47	0.46
All Other Boroughs	0.33	0.33	0.33	0.36	0.34	0.34	0.31	0.30	0.29
Total NYC	**0.49**	**0.50**	**0.51**	**0.49**	**0.49**	**0.47**	**0.46**	**0.44**	**0.43**

Borough Breakdown for 2019

	2019
Manhattan	0.44
Brooklyn	0.31
Bronx	0.39
Queens	0.24
Staten Island	0.50
Total NYC	**0.41**

Source: QCEW, BLS Accommodation (NAICS 721) and STR

Existing Conditions in the Broader Tourism Industry

Tourism is New York City's fifth largest industry and is a critical revenue and employment generator. NYC & Company reports that in 2019, New York City's 66.6 million visitors accounted for $47.4 billion in direct spending, which supported over 305,000 jobs. This spending represented a two percent increase over 2018 visitor spending, making 2019 the tenth consecutive year of visitor spending growth in New York City.

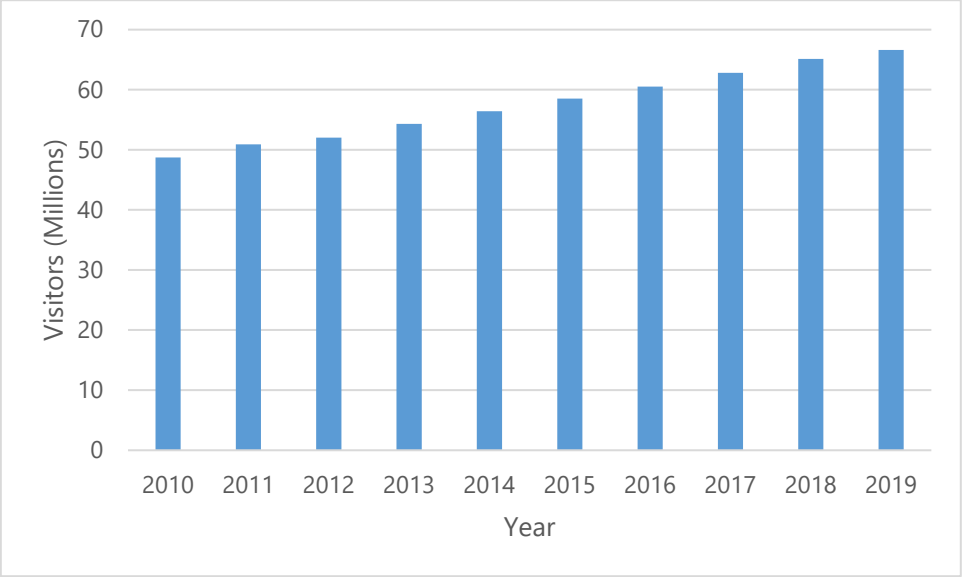
New York City has also historically been the nation's primary "gateway city", attracting 13.6 million foreign travelers from over 170 countries. In 2018, foreign visitors to New York City accounted for one-third of the U.S. total. On average, these international visitors stayed longer and spent four times as much as their domestic counterparts.

As a major industry in New York City, tourism drives spending and jobs in multiple other sectors. In addition to the Hotels/Lodging category, which accounts for the largest share of spending from overnight visitors to the city, other spending categories include Food & Beverage; Shopping & Retail; Local Transportation; and Recreation and Arts & Entertainment.

Visitation Growth to New York City

In the ten-year period from 2010 to 2019, visitation to New York City increased by 17.9 million, or 37 percent, from 48.7 million visitors in 2010 to 66.6 million visitors in 2019. As shown in **Figure 3-1** below, this period saw year-over-year increases in visitors to New York City, with average annual growth of 4 percent.

Figure 3-1 Visitation Growth to New York City (2010 – 2019)

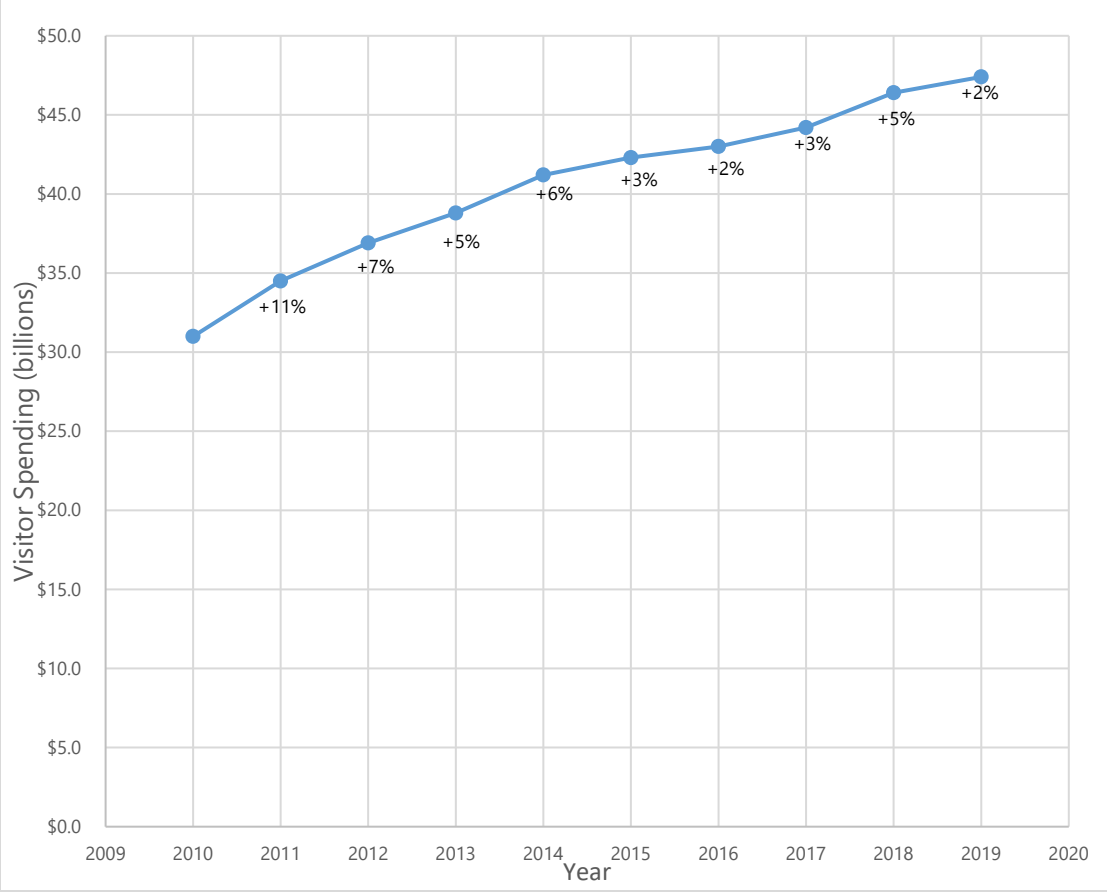


Source: NYC & Company

Visitor Spending Growth

In the ten-year period from 2010 to 2019, annual direct visitor spending in New York City increased by $16.4 billion, or 53 percent, from $31 billion in 2010 to $47.4 billion in 2019. As shown in **Figure 3-2**, below, this period saw year-over-year increases in direct visitor spending in New York City, with an average annual growth of five percent. It should be noted, however, that the growth of year-over-year direct visitor spending slowed markedly in the second half of the decade as compared to the first half. This could be explained by the dramatic recovery from the 2008-2010 recession that was experienced in the first four years of the decade when annual year-over-year growth in visitor spending averaged seven percent, versus three percent in the last four years of the period.

Figure 3-2 Visitor Spending Growth in New York City (2010 – 2019)



Source: NYC & Company

Visitor Spending by Sector Category

As described above, visitors to New York City concentrate their spending on five principal industry categories:

1. Hotels/Lodging
2. Food & Beverage
3. Shopping & Retail
4. Local Transportation
5. Recreation and Arts, & Entertainment (this includes Broadway theater and other performing arts; spectator sports; museums, zoos, botanical gardens; and other cultural attractions)

NYC & Company maintains data on visitor spending by sector only back to 2015, and **Table 3-6** provides an overview of this spending for the period 2015 - 2019. Over this period, visitor spending grew from a total of $42.4 billion in 2015 to $47.4 billion in 2019, reflecting a compound annual growth rate of three percent, with Food & Beverage and Recreation and Arts & Entertainment having the largest compound annual growth rates. The Hotels/Lodging industry, which also includes Airbnb and other short-term rental platforms, is the largest industry sector affected by tourism. Employment in this sector is almost fully dependent on visitor spending and, at 28 percent in 2019, Hotels/Lodging accounted for the largest share

of direct visitor spending dollars, followed by Food & Beverage and Shopping & Retail. However, it should be noted that over the past five years, Food & Beverage has been growing much faster in its share of total visitor spending in New York City than all other categories, while Hotels/Lodging and Local Transportation have seen slight declines in their respective shares of total visitor spending.

Table 3-6 Visitor Spending in NYC by Industry Sector Category and Growth, 2015 – 2019 ($ in Billions)

	2015		2016		2017		2018		2019			
	Spending	Share	Spending	Share	Spending	Share	Spending	Share	Spending	Share	Allocation	Compound Annual Growth Rate
Hotel/Lodging	$12.4	29%	$12.4	29%	$12.9	29%	$13.5	29%	$13.5	28%	29%	2.1%
Food & Beverage	$8.5	20%	$9.1	21%	$9.8	22%	$10.2	22%	$10.5	22%	21%	5.5%
Retail	$8.9	21%	$8.7	20%	$8.6	19%	$8.9	19%	$9.3	20%	20%	1.1%
Recreation, Arts & Entertainment	$4.8	11%	$5.1	12%	$5.3	12%	$5.5	12%	$5.6	12%	12%	3.9%
Transportation	$7.8	18%	$7.8	18%	$7.8	18%	$8.1	17%	$8.5	18%	18%	2.3%
Total	**$42.4**		**$43.1**		**$44.4**		**$46.4**		**$47.4**			**2.9%**

Source: NYC & Company
Note: Amounts in billions of dollars

Overnight and Day Visitors

Visitation to New York City can be divided into two groups: (1) day trippers, who in 2019 comprised 47 percent of all visitors to the city; and (2) overnight visitors, who in 2019 comprised 53 percent of visitors to the city. However, when it comes to spending, overnight visitors accounted for a significant majority of the total spending—87 percent, or $41.4 billion—compared to 13 percent, or $6 billion for day trippers.

Of the 53 percent, or nearly 35.3 million, overnight visitors to New York City in 2019, approximately 80 percent or 28 million stayed in hotels.[6] The remaining 20 percent stayed at lodging secured through online short-term rentals, primarily Airbnb, or with friends or family who live in the city.

Spending by Overnight Visitors

As described above, overnight visitors account for the large majority of visitor spending in New York City. As to be expected, overnight visitors are responsible for 100 percent of visitor spending on lodging, including both hotels and non-hotel platforms such as Airbnb. Yet overnight visitors also account for 83 percent of non-lodging visitor spending. However, while overnight visitors spend significantly more than day visitors, spending on non-lodging categories can be allocated by similar proportions for both overnight visitors and all visitors as a whole. This allocation is outlined in **Table 3-7** through **Table 3-9.**

The top portion of **Table 3-7** outlines the distribution of the $47.4 billion spending by all visitors to New York City (both overnight and day) for all tourism industry sectors. The bottom portion of **Table 3-7** assumes that the entire $13.5 billion spent on Hotels/Lodging is accounted for within the $41.4 billion spent by overnight visitors, leaving the remaining $27.9 billion to be distributed between non-hotel industry sectors.

[6] 80 percent is estimated based on interviews with NYC and Company and other industry representatives

Table 3-7 Tourism Spending (All Sector Categories), 2019

	Spending (billions)	% of Spending
All Visitors		
Hotels/Lodging	$13.5	29%
Food & Beverage	$10.5	22%
Retail/Shopping	$9.3	20%
Local Transportation	$8.5	18%
Recreation, Arts & Entertainment	$5.6	11%
All Visitors Total	**$47.4**	**100%**
Overnight Visitors		
Hotels/Lodging	$13.5	33%
All Other Categories	$27.9	67%
Overnight Visitors Total	**$41.4**	**100%**

Source: NYC & Company

Table 3-8 outlines visitor spending on all non-lodging sectors both for all visitors and for overnight visitors. This allocation assumes that all visitors distribute their spending on non-Hotel/Lodging sectors by the same proportions (i.e., 31 percent of non-Hotel spending on Food & Beverage, 27 percent on Retail/Shopping, 25 percent on Local Transportation, and 17 percent on Recreation, Arts & Entertainment).

Table 3-8 Tourism Spending (Non-Lodging Sector Categories), 2019

	Spending (billions)	% of Spending
All Visitors		
Food & Beverage	$10.5	31%
Retail/Shopping	$9.3	27%
Local Transportation	$8.5	25%
Recreation, Arts & Entertainment	$5.6	17%
All Visitors Total	**$33.9**	**100%**
Overnight Visitors		
Hotel/Lodging	*$13.5*	
Food & Beverage	$8.6	31%
Retail/Shopping	$7.6	27%
Local Transportation	$7.0	25%
Recreation, Arts & Entertainment	$4.6	17%
Overnight Visitors Total[1]	**$27.9**	**100%**

Source: NYC & Company

Notes:[1] Total does not include Hotel/Lodging

Table 3-9 then reintroduces Hotel/Lodging spending in order to calculate the percentage of direct spending by overnight visitors for all industry sectors, both hotel and non-hotel. This table distributes spending per category by the same values as shown in **Table 3-8** above and then recalibrates each category's percentage share when Hotel/Lodging is included.

Table 3-9 Overnight Tourism Spending (All Sector Categories), 2019

	Overnight Visitor Spending	% of Spending
Hotel/Lodging	$13.5	33%
Food & Beverage	$8.6	21%
Retail/Shopping	$7.6	18%
Local Transportation	$7.0	17%
Recreation, Arts & Entertainment	$4.6	11%
Total	**$41.4**	**100%**

Source: NYC & Company and BJH Advisors

Overnight Visitor Spending per Hotel Room

Table 3-10 outlines the calculation for overnight visitor spending per occupied hotel room in 2019. It should be noted that there is not definitive data on the percentage of spending by overnight visitors who stay in hotels versus overnight visitors who secure alternate accommodations, such as Airbnb. However, based on conversations with NYC & Company, this analysis assumes that hotel guests account for 80 percent of spending by overnight visitors. Therefore, by dividing the $33.1 billion in direct spending by hotel guests (representing 80 percent of the total $41.4 billion spent by overnight visitors in 2019) by the 111,200 occupied hotel rooms in New York City in 2019 (assuming 127,800 rooms with an occupancy rate of 87 percent), the annual visitor spending per occupied hotel room in New York City in 2019 is calculated to be approximately $300,000.

Based on **Table 3-9** above, it can be assumed that 33 percent of that amount, or approximately $100,000, was spent on Hotel/Lodging (excluding spending on non-hotel lodging such as Airbnb); 21 percent, or $63,000; was spent on Food & Beverage; 18 percent, or $54,000 was spent on Shopping & Retail; 17 percent, or $50,000 was spent on Local Transportation; and 11 percent, or $33,000 was spent on Recreation and Arts & Entertainment.

Table 3-10 Overnight Visitor Spending per Occupied Hotel Room, 2019

Overnight Visitor Spending in NYC (Total 2019, in thousands)	$41,400,000
Overnight Visitor Spending in NYC (Hotel Guests Only, 2019, in thousands)[1]	$33,120,000
Number of Hotel Rooms in NYC (2019)	127,800
Average Occupancy Rate (2019)	87%
Number of Occupied Hotel Rooms in NYC (2019)	111,200
Annual Spending per Occupied Hotel Room in NYC, (2019, in thousands)	**$300**

Sources: NYC & Company, BJH Advisors

[1] Assume 80 percent of total overnight visitor spending is spending by hotel guests

Summary of Existing Conditions

When analyzing the No-Action and With-Action conditions in the following sections of this chapter, certain key economic indicators and assumptions from this **Existing Conditions** section are used as a basis for projecting conditions into the future. **Table 3-11** and the explanatory notes below it summarize this information.

Table 3-11 Summary of Key Indicators and Assumptions

Room Supply	
Pre-COVID-19 (January 2020)	127,810
Recovery Year Baseline (2025, 75% of 2020 level)	95,860
Room Distribution by Borough (Future Supply)	
Manhattan	75%
Brooklyn	8%
Bronx	2%
Queens	14%
Staten Island	1%
Demand Assumptions	
Leisure Segment Growth Rate	3.7%
Business Segment Growth Rate	1%
Labor Indicators (2019)	
# of Employees in Accommodation Sector	52,730
Wages Per Employee	$69,010
Total Sector Earnings	$3.6 billion
Employee Per Room Ratio	0.41
Visitor Spending	
All Visitor Spending (2019)	$47.4 billion
Overnight Visitor Total Spending (2019)	$41.4 billion
Overnight Visitor Non-Lodging Spending (2019)	$27.9 billion
Leisure Segment % of Total (2020-2035)	79%
Business Segment % of Total (2020-2035)	21%

Room Supply: In January 2020, hotel room supply was 127,810. As described more fully in **Chapter 1, Project Description,** 75 percent of this number is used as the baseline amount of hotel rooms projected for 2025, at which time demand will return to normal levels, while the remaining 25 percent is assumed to be lost to the market due to the pandemic-related economic downturn. Although the number of fully reopened hotel rooms as of June 2021 exceeds 75 percent of the January 2020 hotel room supply, because of uncertainties that still face the hotel sector - including new variants of the coronavirus and continued restrictions against international travelers - this analysis is maintaining the 75 percent baseline assumption. Using this 75 percent assumption, a total of approximately 95,860 rooms from

the existing hotel supply would be available in 2025 under both the No-Action and With-Action conditions.

Room Distribution by Borough (Future Supply): In order to estimate the distribution of total hotel rooms and total employees by borough in the No-Action and With-Action conditions, a weighted average percentage of the existing borough distribution and the pipeline borough distribution is used.

Demand Assumptions: Hotel demand in both the No-Action and With-Action conditions combine projections for room stays from both the leisure and the business segments of the travel industry. The segment analysis below is sourced from the Consultant Report.

- *Leisure Segment***:** The leisure segment includes tourists visiting destinations, as well as leisure travelers visiting family and friends, some of whom stay in hotels during their visits. According to NYC & Company and U.S. Travel Association data, the leisure segment has historically comprised approximately 79 percent of demand. Based on leisure segment growth rates from 2009 through 2019, it is estimated that yearly demand will increase by 3.7 percent in this segment. Since the pandemic's long-term effects on visitation are unclear once the travel and tourism market recovers, this analysis conservatively assumes stable growth at these pre-COVID-19 levels. The 3.7-percent historic average annual growth rate used to project leisure travel through 2035 indicates that leisure demand for hotel rooms will increase to 2019 levels (87,916) by 2025, increasing to nearly 105,400 rooms in 2030 and over 126,400 rooms in 2035. It should be noted that, as of August 2021, the leisure travel segment is performing better nationally than the business segment and analysts expect a quicker recovery for this segment.
- *Business Segment:* The business segment includes people traveling for work, such as for conferences and group travel. According to NYC & Company and U.S. Travel Association data, the business segment has historically comprised approximately 21 percent of demand. Business travel grew annually at approximately 1 percent per year, pre-COVID-19. This growth rate is lower than that of leisure travel, though still positive. Some of this relatively slower growth, compared with leisure, is attributable to the maturity of New York City's labor markets and the increase in room supply in a variety of secondary metro-area commercial markets.

As of August 2021, industry analysts have forecast that business travel continues to face a slower recovery than leisure travel and that trends in remote work and other factors may continue to impact the recovery of the business travel segment. While some industry analysts question whether business travel and lodging patterns will ever return to pre-COVID-19 levels, others offer that peer pressure to conduct face-to-face business and attend meetings in competitive industries will drive demand back to pre-COVID-19 levels. For the purposes of this analysis, and given that the impacts of the coronavirus on business travel is still uncertain, it is assumed that growth rates will return to pre-COVID-19 levels after 2025. Demand from business travelers will be able to support more than 23,300 rooms by 2025, 24,500 rooms by 2030, and 25,700 rooms by 2035.

Labor Indicators (2019): As of 2019, the number of employees in the Accommodation sector was 52,730. The average wage in the industry was $69,010, resulting in a total sector

earnings of approximately $3.6 billion. The employee-per-room ratio for the sector was 0.41 in 2019.[7]

Visitor Spending: In 2019, visitors to New York City generated approximately $47.4 billion in direct spending. Of this, 87 percent, or $41.4 billion, was from overnight visitors. Overnight visitors dedicate approximately one-third of their spending to Hotel/Lodging and the remaining two-thirds, or $27.9 billion, on Food & Beverage, Retail/Shopping, Recreation, Arts & Entertainment, and Local Transportation based on the proportions above. In 2019, assuming that 80 percent of overnight visitor spending came from hotel guests and a citywide hotel room occupancy rate of 87 percent, then it can be estimated that each occupied hotel room generated $300,000 in annual visitor spending.

No-Action Condition

The Future No-Action condition assumes that approximately 95,860 rooms from the existing hotel supply would be available in 2025. **Table 1-4** in **Chapter 1, Project Description** shows projected hotel room demand through 2035 by borough. These projections are based on the historic growth rates for the leisure and business travel segments outlined in **Table 3-11.**

Table 3-12 below shows supply and demand from 2025 through 2035 in the No-Action condition. It is estimated that based on historic growth patterns, the demand for hotel rooms will increase from 127,810 rooms in 2025 to 174,730 rooms in 2035. Assuming efficient market dynamics, supply over this period would also increase by 46,920 rooms. From the baseline of 95,860 rooms in the existing hotel supply, approximately 78,870 rooms would be expected to come to market under the No-Action condition to satisfy this demand. Some of this demand would be satisfied by the current pipeline of hotel rooms, as identified by DOB and described in **Chapter 1, Project Description**,[8] and some would be satisfied by new future hotel development. This analysis assumes that under the No-Action condition, hotel development will quickly occur after the recovery year of 2025 to meet the estimated unmet demand. As such, the shortage of rooms estimated in 2025 is expected to give way to supply meeting demand by 2030 and continuing to meet demand through the Analysis Year of 2035.

Table 3-12 No-Action Condition Supply and Demand, 2025-2035

Year	Supply	Demand	Unmet Demand
2025	95,860	127,810	31,950
2030	149,230	149,230	0
2035	**174,730**	**174,730**	**0**

Source: STR and RWCDS

Note: Numbers are rounded to the nearest tens

As **Table 3-11** notes, to project 2035 room distribution across each borough, this analysis uses a weighted average of the distribution of existing hotel rooms and the distribution of pipeline hotel rooms. Using these weights results in the following distributions for the

[7] When projecting the employee-per-room value for the No-Action and With-Action conditions, any future technological changes in the hotel industry that may occur and affect the number of employees per room is not accounted for. For example, in the future, fewer employees may be needed due to innovations in robotic housekeeping or online concierge support.

[8] According to DCP analysis of DOB data, there is a current pipeline of 31,800 hotel rooms in active projects.

174,730 rooms in 2035: Manhattan,130,250; Brooklyn, 14,330; the Bronx, 3,920; Queens, 24,800; and Staten Island, 1,430.

Hotel Industry Assessment

Future Pricing

Between 2014 and 2019, the ADR for hotels citywide declined by 4 percent, from a high of $271 in 2014 to a low of $255 in 2019. This coincided with tremendous growth in hotel room inventory in the city during this period, as the hotel room supply across the five boroughs increased by 32 percent during this same period. However, during this period, ADR increases were strongest in areas outside of Manhattan, from 18 percent in Queens to 11 percent in Brooklyn to nearly 7 percent in Staten Island. Manhattan ADRs dropped by nearly 5 percent over the same time frame, though remain much higher from an absolute dollar value than in the other boroughs. Once the tourism and hotel industries recover to their 2019 conditions, estimated to occur in 2025, it may be expected that ADRs citywide will see modest growth over the following ten years, tracking overall consumer price index changes, if hotel supply and demand are in equilibrium.

Employee and Wage Projections

To estimate the total Accommodation industry employees in the No-Action condition, the 2019 employee-per-room ratio for each borough from **Table 3-5** is multiplied by the 2035 projected room distribution for each borough. Assuming a total supply of rooms in the No-Action condition of 174,730, the total employees in the Accommodation industry in 2035 is projected to be 70,420. Manhattan shows the greatest number, at 57,790 employees, and Queens shows the second highest number at 5,890 employees. **Table 3-13** shows the total projected employee distribution across the boroughs.

Table 3-13 No-Action Condition- Adjusted Employee Distribution, 2035

Borough	2035 Adjusted Room Distribution	2019 Employees Per Room	2035 Adjusted Employee Distribution
Manhattan	130,250	0.44	57,790
Brooklyn	14,330	0.31	4,490
Bronx	3,920	0.39	1,530
Queens	24,800	0.24	5,890
Staten Island	1,430	0.50	720
Total	**174,730**	**0.41**	**70,420**

Source : QCEW, BLS Accommodation (NAICS 721).

Notes : Employees distributed by the Average Distribution of rooms. Average is of Pipeline and Existing distributions. Numbers are rounded to the nearest tens

Based on the projected employee counts and room volumes for 2035, the total employee-per-room ratio in 2035 is estimated to be 0.40, a slight decrease from the 2019 ratio of 0.41. The ten-year historic trend has been lower employee-per-room ratios in boroughs other than Manhattan. Therefore, it follows that as Manhattan has lost share of supply growth, the employee-per-room ratio would also trend downward. (see **Table 3-5**).

In the No-Action condition, total yearly wages per employee in 2035 is estimated to be approximately $67,180. This is slightly less than the 2019 wage per employee of $69,010. Manhattan has historically had a higher average yearly wage in the sector than the other boroughs. With more and more hotel development occurring outside of Manhattan, it follows that citywide wages per employee would decrease if historic wage patterns persist. The total wages for the 70,420 employees in the Accommodation industry in 2035 is projected to be $4.7 billion in the No-Action condition.

Economic Activity: Spending, Employment and Wages

As mentioned in the Error! Reference source not found. section, economic activity is defined as spending in the economy, employment, and wages from the project's temporary/one-time and permanent/ongoing activity. This report analyzes permanent/ongoing economic activity in the Accommodation industry. The analysis in this section estimates the economic activity using 2019 dollars for wages and output.

The estimate of permanent jobs is provided by multiplying the 2019 employee-per-room ratio in the sector by the RWCDS's estimate of rooms in 2035. Average wages for employment in the sector were obtained from the Bureau of Labor Statistics and New York State Department of Labor.

Job estimates were used as the basis for generating direct industry spending or output using RIMS II Multipliers from the Bureau of Economic Analysis (BEA). The analysis framework uses multipliers relevant to the study area and surrounding communities and the economic sectors conducting activities therein. For a given region, input-output models and their multipliers can produce estimates of three types of multiplier effects—direct, indirect, and induced. The effects can be expressed by gross output (i.e., spending), earnings (i.e., wages) or number of jobs. Indirect effects include the gross output, earnings, and jobs related to business-to-business expenditures or increased input demand. Induced effects include gross output, earnings, and jobs related to consumer spending created by direct or indirect workers spending household incomes in the local economy.

Under the No-Action condition, given the estimated number of hotel rooms as described above, the 2035 direct employee and wage inputs for the RIMS II model are total employees of 70,420 and total wages of $4.7 billion in the Accommodation industry. These inputs were derived using the analysis outlined earlier in this chapter. These numbers are combined with the RIMS II Multipliers for the Accommodation industry in New York City to calculate the direct annual gross output of the industry. Together with the projected earnings and employment estimates, a total picture of direct effects is presented, which in turn with the RIMS II Multipliers, is used to estimate "indirect" and "induced sector effects."

The RIMS II Multipliers used in this analysis are based on 2019 regional data compiled by the BEA, the most recent year available. These 2019 RIMS II Multipliers are being used to project economic effects in 2035. However, future innovations in the hotel industry and other sectors may signficantly change the interrelationship of inputs between hotels and secondary industries. These potential changes would likely affect the assumptions behind the 2019 RIMS II Multipliers for indirect and induced effects. To account for this uncertainty, while the indirect and induced effects in 2035 are presented in the tables in this chapter, the narrative accompanying the tables focuses only on the direct effects to the hotel industry.

The analysis year of 2035 is used for the assessment of economic effects. Estimated values are not cumulative but are annual values for that year only.

Table 3-14 summarizes the estimated direct, indirect, and induced effects on the New York City economy in 2035 for the No-Action condition. The 70,420 jobs are associated with approximately $4.7 billion in direct wages. The direct output from the hotel sector is estimated to be $19.8 billion in 2035.

Table 3-14 No-Action Condition – Economic Effects

	Direct	Indirect	Induced	Total
Gross Output	**$19,799 M**	$7,468 M	$4,896 M	$32,164 M
Earnings	**$4,731 M**	$1,716 M	$1,058 M	$7,505 M
Employment	**70,420**	17,710	15,160	103,290

Source: QCEW, BLS Accommodation (NAICS 721) and RIMS II Multipliers 2019.
Note: Gross output for final-demand change = total wages/ (final demand earnings multiplier/direct effect earnings multiplier). Numbers are rounded to the nearest tens

Broader Tourism Industry Assessment

Visitor Spending

It is expected that once the tourism industry in New York City recovers to 2019 conditions, assumed to occur in 2025, and hotel development moves forward so that supply meets demand, visitor spending between 2025 and 2035 would resume to an approximately 3-percent year-over-year annual growth rate, as seen in the years between 2015 and 2019.

Visitor Spending by Sector Category

As described in **Existing Conditions**, visitor spending in New York City is concentrated on five principal industry categories:

1. Hotels/Lodging
2. Food & Beverage
3. Shopping & Retail
4. Local Transportation
5. Recreation and Arts, & Entertainment (this includes Broadway theater and other performing arts; spectator sports; museums, zoos, botanical gardens; and other cultural attractions)

Visitor spending in all of these categories saw a positive compound annual growth rate between 2015 and 2019, as shown in **Table 3-6** in **Existing Conditions**, with Food & Beverage growing the fastest at 5.5 percent, followed by Recreation and Arts, & Entertainment at four percent. Although Shopping & Retail saw among the largest annual growth in spending between 2018 and 2019, at four percent, it saw the slowest compound annual growth rate in the period from 2015 through 2019, at only one percent. This was followed by Hotels/Lodging at two percent, which was also the only industry sector to experience a decline in visitor spending between 2018 and 2019, at -0.3 percent. Local Transportation experienced modest growth in spending between 2015 and 2019, at two percent, though it saw a large growth rate of 5 percent between 2018 and 2019.

It is expected that once the tourism industry in New York City recovers to 2019 conditions, and hotel supply moves forward to meet demand, visitor spending by sector category would be allocated similarly as it was in the period from 2015 to 2019, with some slight adjustments based on current trends. These trends could place the share of Food & Beverage spending slightly higher at 21 to 23 percent, Shopping & Retail slightly lower at 18 to 20 percent, Recreation, Arts, & Entertainment slightly higher at 12 to 14 percent, and Local Transportation about the same at 18 percent. Share of visitor spending on Lodging/Hotels could range from 25 to 30 percent.

Spending by Overnight Visitors

It is expected that once the tourism industry in New York City recovers to 2019 conditions, assumed to occur in 2025, and hotel supply moves forward to meet overnight lodging demand, then spending by overnight visitors would recover to 2019 levels and grow annually at approximately three percent until 2035. Reflecting the adjustments made for all visitor spending categories above defined, the allocation of spending by overnight visitors would be expected to be in the ranges outlined in **Table 3-15** in 2035.

Table 3-15 Overnight Visitor Spending by Sector Category, 2025 - 2035

Sector	% of Spending
Hotel/Lodging	27 – 35%
Food & Beverage	21 – 23%
Retail/Shopping	17– 19%
Local Transportation	16 - 18%
Recreation, Arts & Entertainment	11 – 13%
Total	**100%**

Source: BJH Advisors

With-Action Condition

As **Table 3-11** shows, the Future With-Action condition assumes that approximately 95,860 rooms from the existing hotel supply would be available in 2025. In addition, the City assumes the following hotel supply projections, as described in **Chapter 1, Project Description**:

- By 2028, 25,290 of the existing pipeline rooms come online through vesting provisions;
- By 2035, 2,300 rooms come online through projects that were excluded from the proposed Special Permit; and
- By 2035, 4,210 rooms come online from projects seeking the proposed Special Permit.

These assumptions result in a total supply of hotel rooms of 127,660 in 2035. In the With-Action condition, room supply is not projected to meet room demand; it is estimated that New York City would have a total shortage of hotel rooms in 2035 of approximately 47,070, a gap that represents more than one-quarter of the projected room demand in that year (see **Table 3-16)**.

Table 3-16 With-Action Condition- Supply and Demand, 2025-2035

Year	Supply	Demand	Unmet Demand
2025	95,860	127,810	31,950
2030	121,150	149,230	28,080
2035	**127,660**	**174,730**	**47,070**

Note: Assumes demand recovers in 2025 and is at 75% of January 2020 demand. Assumes Leisure demand 79% of total demand and grows 3.7% per year. Assumes Business demand 21% of total demand and grows 0.957% per year. Numbers are rounded to the nearest tens.

As **Table 3-11** notes, to project 2035 room distribution across the boroughs, this analysis uses a weighted average of existing and pipeline room distributions. Using these weights results in the following room distribution for the 127,660 rooms: Manhattan 95,170; Brooklyn 10,470; the Bronx 2,860; Queens 18,120; and Staten Island 1,040.

Hotel Industry Assessment

Future Pricing

The supply gap in the With-Action scenario would likely have an effect on future hotel pricing. Though the socioeconomic analysis provided in this chapter does not undertake a specific estimate of future pricing effects in terms of dollar amounts given different supply and demand scenarios, average daily rates would be expected to increase together with occupancy rates due to the suppression of new supply resulting from the Proposed Action. This would be particularly true during "compression periods" and other times of exceptionally high demand for hotel rooms.

Employee and Wage Projections

To estimate the total employees in the Accommodation industry in 2035, the 2019 employee-per-room ratio for each borough from **Table 3-5** is multiplied by the 2035 adjusted room distribution for each borough. Assuming a total supply of rooms in the With-Action condition of 127,660, the total employees in the Accommodation industry in 2035 is estimated to be 51,450. Manhattan is projected to continue to employ the greatest number of workers at 42,220, with Queens having the second highest number of employees at 4,310 (see **Table 3-17).**

Table 3-17 With-Action Condition- Adjusted Employee Distribution, 2035

Borough	2035 Adjusted Room Distribution	2019 Employee Per Room Ratio	2035 Adjusted Employee Distribution
Manhattan	95,170	0.44	42,220
Brooklyn	10,470	0.31	3,280
Bronx	2,860	0.39	1,120
Queens	18,120	0.24	4,310
Staten Island	1,040	0.50	520
Total	**127,660**	**0.41**	**51,450**

Source : QCEW, BLS. Accommodation (NAICS code 721). Employees distributed by the Average Distribution of rooms. Average is of Pipeline and Existing distributions. Numbers are rounded to the nearest tens

Using these adjusted room and employee numbers for 2035 results in an employee-per-room ratio in 2035 of 0.40. This is a slight decrease from the 2019 ratio of 0.41 (see **Table 3-5**). In the With-Action condition, total yearly wages per employee in 2035 is estimated to be on average approximately $67,190. This is slightly less than the 2019 wage per employee of $69,010. The total wages for employees in the Accommodation industry in 2035 is projected to be $3.5 billion, a decrease from the No-Action condition due to fewer number of rooms and, therefore, workers in the sector.

Economic Activity: Spending, Employment and Wages

The RIMS II methodology that is used for both the No-Action and With-Action conditions is outlined in the section **Economic Activity: Spending, Employment and Wages,** above, for the No-Action condition. For the With-Action condition, given the estimated number of hotel rooms described above, the 2035 direct employee and wage inputs for the RIMS II model are total employees of 51,450 and total wages of $3.5 billion. The analysis year of 2035 is used for the assessment of economic effects. Estimated values are not cumulative but are annual values for that year only.

Table 3-18 summarizes the estimated direct, indirect, and induced effects on the New York City economy in 2035 for the With-Action condition. The 51,450 direct jobs are associated with approximately $3.5 billion in wages in the Accommodation industry in 2035. The direct hotel sector output, in terms of spending, is estimated to be $14.5 billion in 2035.

Table 3-18 With-Action Condition- Economic Effects

	Direct	Indirect	Induced	Total
Gross Output	**$14,466M**	$5,456M	$3,577M	$23,500M
Earnings	**$3,456M**	$1,254M	$773M	$5,483M
Employment	**51,450**	12,940	11,070	75,460

Source: QCEW, BLS Accommodation (NAICS 721) and RIMS II Multipliers 2019.
Notes: Gross output for final-demand change= total wages/ (final demand earnings multiplier/direct effect earnings multiplier). Numbers are rounded to the nearest tens.

Broader Tourism Industry Analysis

Visitation to New York City and the Supply Gap

In the No-Action condition, the New York City tourism industry would expect to recover to 2019 levels in 2025 and then the growth patterns seen in the period from 2010 through 2019 would likely resume. If New York City attracted 66.6 million visitors in 2025, similar to as in 2019, with a historic annual growth rate of 3.5 percent, then it would be expected that New York City would see 93.9 million visitors in 2035. Based on historic trends between 2015 and 2019, approximately 47 to 50 percent of these visitors, or 44.1 to 47.0 million, would be expected to be overnight visitors.

Allocation of Unmet Demand

In the With-Action condition, where there is a shortage of 47,070 hotel rooms to meet demand in the Analysis Year, it is expected that approximately one-third of those hotel rooms, or 15,690, and the overnight visitors they represent, would simply cancel their trips

and not come to New York City. Based on stakeholder interviews with New York City tourism industry representatives, in addition to trends observed and noted in **Existing Conditions**, this analysis assumes that approximately two-thirds of those visitors unable to secure hotel rooms in New York City would still come to the city but not stay in New York City hotels. While this analysis has assumed vacancy rates at hotels based on historic precedent, hotels in New York City, particularly Manhattan, can reach almost full occupancy during compression periods and other periods of high demand.

The allocations are based on a review of existing trends and further informed by conversations with NYC & Company. Of the two-thirds of overnight visitors who would still travel to New York City despite the unavailability of hotel rooms, it is projected that approximately half of this cohort, representing approximately 15,690 hotel rooms, would stay in New York City, either at lodgings secured through Airbnb or another short-term rental platform, with friends and family who live in the city, or through an as-yet unknown innovative accommodation model in the city that may be developed with new technologies. While it is difficult to project where in the city these travelers would stay, it is expected that, based on current regulations restricting short-term rentals and the fact that a portion of these accommodations would be friends and family, these rooms would be relatively dispersed throughout the city and not concentrated in any particular neighborhood.

The other half of this two-thirds cohort would be expected to travel to New York City but secure hotel accommodations in jurisdictions proximate to but outside of the five boroughs. Hudson County, primarily Jersey City, has seen a significant increase in the number of hotel rooms over the past ten years, and many of these hotels' demand is driven by travelers whose prime reason for traveling is to be in Manhattan. Additionally, Nassau County and Westchester County have seen much more modest growth in their hotel room inventory over the past decade. While these locations are less convenient to Manhattan than Hudson County and other areas of northern New Jersey, it is expected that a smaller percentage of overnight visitors would be likely to stay in hotels there and make day trips into New York City. For visitors to the Bronx and parts of Queens and Brooklyn, Westchester and Nassau Counties are more convenient. This cohort differs from more traditional day visitors to the city as described in **Existing Conditions** as this group would be overnight visitors who have secured hotel accommodations outside the city but whose primary destination is still New York City. Unlike traditional day visitors into the city, this group's non-hotel spending would reflect the higher levels of other overnight visitors.

Due to uncertainties of the projections, it is estimated that these distributions could fluctuate up to 10 percentage points in each direction.

Allocation of Overnight Visitor Spending by Cohort

In 2019, overnight visitors accounted for $41.4 billion in direct spending, accounting for 87 percent of all spending by visitors to New York City. Between 2015 and 2019, direct spending by visitors to New York City experienced an annual growth rate of three percent. Assuming that the tourism industry recovers to 2019 conditions in 2025 and historic growth patterns resume at that time, it could be expected that, by 2035, annual direct spending by overnight visitors to New York City would represent $55.6 billion, not accounting for inflation. As estimated in **Table 3-9** in **Existing Conditions**, in 2019, each occupied hotel room in New

York City represented approximately $300,000 in annual visitor spending, 67 percent of which is non-hotel spending.

However, as noted above, in the With-Action condition, New York City would face a shortfall of almost 47,070 hotel rooms to meet visitor demand in 2035 and, while one-third of this demand would find alternate accommodations in the five boroughs, two-thirds would not, including one-third that would cancel their travel plans entirely. **Table 3-19** provides an overview of the spending estimates for each of these three cohorts.

Table 3-19 With-Action Condition- Allocation of Unmet Demand Visitor Spending[1]

No.	Unmet Demand Cohort	Share of Unmet Demand	Number of NYC Hotel Rooms Represented	Visitor Spending
1	Stay in NYC at Airbnb, Friends/Family, New Technology Platform	1/3	15,690	100% non-hotel visitor spending retained
2	Stay in hotels in Northern NJ, Nassau, and Westchester	1/3	15,690	67% of non-hotel visitor spending retained
3	Cancel Travel Plans entirely	1/3	15,690	0% of non-hotel visitor spending retained

Source: BJH Advisors

Notes:

[1] Share of unmet demand is a projection and could fluctuate +/- 10 percent for each cohort

Cohort 1: Secure Alternate Lodging in NYC via Online Platform, Friends or Family, or new Innovative Technology

The New York City lodging market, like many urban lodging markets in the United States and elsewhere, has been reshaped in recent years by a significant increase in the number of short-term rentals, many in neighborhoods that have not had or are not zoned for hotel development. While there are a number of online platforms that offer access to short-term rentals, the large majority in New York City are offered through Airbnb[9]—though other platforms, including Lyric, Domio and Sonder have entered the New York City market. Although it was recently surpassed by Los Angeles, New York City has been Airbnb's largest US market, with some estimates showing 50,000 Airbnb units in the city as of 2019.[10] This would represent between 25 and 30 percent of New York City's total lodging supply. It should be noted that studies by STR have shown that only approximately 25 percent of the Airbnb supply, or 12,500 units, is comparable to hotel lodging, largely studio and one-bedroom units.[11] As the online short-term rental industry matures and New York City regulations regarding such rentals have become stricter, however, supply growth of short-term rental units is slowing. Nationwide, short-term rental supply grew by 26 percent in 2019, down from 39 percent growth in 2018 following seven years of exponential growth.

[9] Office of the NYC Comptroller Scott Stringer, April 2018, *Impact of Airbnb on NYC Rents.*

[10] New York Times; Jan. 14, 2019

[11] Hotel News Now (published by STR); Sept. 10, 2019

As Airbnb and other short-term rental platforms have become an increasingly popular alternative for many travelers to New York, even for some business travelers, it is expected that a significant portion of unmet demand would shift to this option. In addition, before the COVID-19 pandemic upended the hotel industry beginning in March 2020, the hotel sector nationwide and in many of New York's peer global city markets was influenced by a series of dynamic industry and technological trends in addition to short-term rental platforms that have had an effect on the traditional lodging business structure. It is expected that new technological innovations in place in 2035 that cannot be foreseen at this time will be able to meet some lodging demand in New York City.

Finally, NYC & Company has found that many overnight visitors to New York City choose to stay with friends or family, either because it is a less expensive option, their friends or family live in areas of the city that are not well served by hotels, or this is simply their preference. It is expected that a portion of unmet demand for hotel rooms in 2035 would shift to this option as well.

Visitor Spending Implications

The approximately 15,690 hotel rooms that would shift to this cohort would still represent overnight visitors staying in New York City and allocating 100 percent of their non-lodging spending in the city. In addition, for those visitors choosing to secure lodging through Airbnb or another online short-term rental platform, while that spending will not go to the hotel industry, it would still be considered spending on the Hotel/Lodging sector.

Cohort 2: Stay in hotels in Northern New Jersey, Nassau County, or Westchester County and make day trips into New York City

The counties of Hudson, Essex, and Bergen in New Jersey, in addition to Nassau and Westchester Counties in New York State, together make up a hotel market in 2019 of 250 hotel properties comprising almost 32,900 rooms. In the past decade, these jurisdictions together have added 5,500 hotel rooms, a growth rate of 20 percent.[12] Representatives from NYC & Company have noted a growing trend of visitors to New York City choosing to stay in hotels outside the city, primarily in northern New Jersey, which offers the easiest and most convenient access to Manhattan of all of these areas. It is expected that this trend would only continue after 2025 and that, under a Future With-Action condition, approximately one-third of the unmet demand, or 15,690 hotel rooms, would shift to this cohort.

Hudson County

Over the past decade, the hotel market in New Jersey's Hudson County, and particularly in Jersey City, has seen tremendous growth. Since 2015, the county's hotel room supply has grown by one-third; of the 6,500 hotel rooms in the county as of 2020, approximately 35 percent were delivered since 2009 and approximately 25 percent were delivered in the past five years since 2015.[13] Hudson County currently has 25 percent of the total supply of hotel rooms in the five counties outside of New York City examined for this chapter. In 2019, the hotel occupancy rate in Hudson County was 77.3 percent, compared to 77.5 percent in 2015,

[12] STR data, March 2021, BAE Economics

[13] STR data, March 2021, BAE Economics

indicating that Hudson County has the capacity to absorb a sizeable portion of New York City's unmet hotel room demand by 2035, even if new hotel construction activity slowed.[14] During the same five-year period, ADR in Hudson County increased from $165 to $168, considerably lower than New York City's 2019 ADR of $255.

A hotel industry roundtable convened by *Real Estate New Jersey* reported that New York City tourism is the biggest driver of new development and investment in the New Jersey hotel industry, in addition to the fact that New Jersey hotels can offer more competitive rates than their New York City counterparts and growing demand from both tourism and business.

Essex, Bergen, Nassau, and Westchester Counties

While the remaining four counties analyzed for this Chapter contain almost 26,400 hotel rooms, in addition to being less convenient to Manhattan than Hudson County's hotel rooms, the remaining counties' hotel room stock is generally much older. Approximately 12 percent of these counties' total hotel room supply was delivered since 2009 and only five percent has been delivered in the past five years since 2015.[15] In 2019, the combined hotel occupancy rate for these four counties was 74 percent, compared to almost 75 percent in 2015, indicating that these counties' hotel rooms also have the capacity to absorb a portion of New York City's unmet demand by 2035, even if the trend of little new construction continues. During the same five-year period, the combined ADR in these four counties increased from $134 to $138, again considerably lower than New York City's 2019 ADR and lower than Hudson County's 2019 ADR as well.

Visitor Spending Implications

If approximately one-third of New York City's unmet hotel room demand in 2035 is instead met by hotels in the surrounding five counties identified here, then it is clear that New York City will lose 100 percent of the overnight visitor spending allocated to the Hotel/Lodging sector. However, these visitors will still be coming to the New York City region primarily to visit and/or do business in the city, even if they are unable to secure a hotel room in the city. It can therefore be assumed that they will be spending the majority of their daytime activities, and associated spending, in the five boroughs. As previously mentioned, 67 percent of overnight visitor spending has been allocated to non-lodging activities. High-level evaluations by NYC & Company have shown that many day visitors to New York City spend as much on Food & Beverage, Retail, Recreation, Arts & Entertainment and Local Transportation on a per-diem basis as overnight visitors.[16] Therefore, it can be assumed that this would be true as for visitors whose primary destination is New York City but who are staying outside the city. Presuming that these visitors will allocate some of their non-lodging spending, such as some Food & Beverage and Transportation, to the jurisdictions where they are staying, this analysis assumes that two-thirds (67 percent) of this cohort's specific non-lodging spending in New York City would be retained in 2035.

[14] STR data, March 2021, BAE Economics

[15] STR data, March 2021, BAE Economics

[16] Conversation with NYC & Company, March 2021

Cohort 3: Cancel Travel Plans Entirely

This analysis assumes that, if New York City's hotel room supply faces a shortage of 47,070 hotel rooms to meet demand in 2035, then approximately one-third of the travelers represented by those hotel rooms, or 15,690, would simply cancel their plans entirely. This is a cohort that highly values the service and comfort associated with hotel accommodations, in addition to the convenience of staying in New York City, and is not willing to stay at non-hotel lodging secured via an online short-term rental platform nor stay at a hotel outside the city. In addition, it is assumed that this cohort would not have friends or family with whom they would be able, or be willing, to stay.

Visitor Spending Implication

As this cohort would not be traveling to New York City at all, then none of its non-lodging spending would be retained.

Overnight Visitor Spending in the With-Action compared to the No-Action

Overnight visitors to New York City accounted for $41.4 billion in direct tourism spending in 2019, or $300,000 annually per occupied hotel room. In the No-Action condition, it is assumed that all visitor spending associated with 174,730 hotel rooms at 87 percent occupancy would be retained. In the With-Action condition, it is assumed that 47,070 hotel rooms would not be delivered to market, representing 25 percent of the total hotel room supply in the No-Action condition. Of that 25 percent, one-third would stay in alternate accommodations in New York City and retain 100 percent of their non-hotel visitor spending and an additional third would stay in lodging near to New York City and retain 67 percent of their non-hotel visitor spending. This reduces the 25 percent visitor spending loss to approximately 12 percent, meaning that non-hotel overnight visitor spending in the With-Action condition would be approximately 88 percent of spending in the No-Action condition.

Change over the No-Action Condition

Table 3-20 shows a comparison of direct economic effects to the Accommodation industry between the No-Action and With-Action conditions in 2035. The analysis year of 2035 is used for the assessment of economic effects. Estimated values are not cumulative but are annual values for that year only. The difference of 47,070 rooms between the No-Action condition and With-Action condition translates to 18,970 fewer employees and associated foregone wages of approximately $1.2 billion in 2035. The foregone direct spending by hotels (as measured by gross output) to the local economy is estimated to be $5.3 billion in 2035. Overnight visitor spending is estimated to be 88 percent of No-Action non-hotel spending in 2035 under the With-Action condition. **Table 3-21** shows the Proposed Action's estimated effect on economic activity in terms of foregone direct, indirect, induced, and total effects in 2035.

Table 3-20 No-Action and With-Action Economic Effect Comparison, 2035

	No-Action	With-Action
Supply of Rooms	174,730	127,660
Shortage of Rooms	0	47,070
Total Direct Employees[1]	70,420	51,450
Total Direct Wages[1]	$4.7 billion	$3.5 billion
Total Direct Gross Output[1]	$19.8 billion	$14.5 billion
Total Overnight Visitor Spending	$41.4 billion ($27.9 billion non-hotel) in 2019	88 percent of No-Action non-hotel spending

Source: QCEW, BLS Accommodation (NAICS 721), and RIMS II Multipliers 2019

Notes: Numbers are rounded to the nearest tens

[1] From Accommodation industry employees

Table 3-21 Potential Foregone Economic Effects, 2035 (Comparison of With-Action to No-Action condition)

	Direct	Indirect	Induced	Total
Gross Output	**$5,334M**	$2,012M	$1,319M	$8,664M
Earnings	**$1,274M**	$462M	$285M	$2,022M
Employment	**18,970**	4,770	4,090	27,830

Source: QCEW, BLS Accommodation (NAICS 721) and RIMS II Multipliers 2019.

Impact Assessment

The Proposed Action aims to ensure that there is a more consistent framework for hotel development citywide and sufficient opportunities to support the stable growth of a variety of new types of businesses. A citywide Hotel Special Permit is not a ban on hotels, but a requirement to consider the appropriateness of new hotel development.

~~In the past year~~From January 2020, as a result of the COVID-19 pandemic, roughly ~~42,000~~7,217 hotel rooms have closed. More hotels could permanently close as there is still uncertainty surrounding the impacts and duration of the Delta variant of the coronavirus and its effects on the tourism and hotel markets. In order to moderate the loss of hotels from the pandemic, the Proposed Action includes Recovery Provisions in an effort to allow hotel inventory to return to pre-pandemic levels. The Proposed Action would, however, present a disincentive to the development of hotels throughout the city, since obtaining ~~a~~the Special Permit ~~can~~could add significant time, costs, and uncertainty to a project.

The *CEQR Technical Manual* specifies that a proposed action may have a significant adverse impact on a specific industry or category of business if it would substantially impair the ability of that specific industry or category of business to continue operating within the city. In this manner, the *CEQR Technical Manual* is narrow in how it defines what may constitute a significant adverse impact to specific industries. In other technical areas, the difference between the No-Action and With-Action conditions is used as the basis for the determination of impact significance. Therefore, this increment has been taken into account for this determination due to the Proposed Action's unique nature: it would affect the hotel

industry's ability to meet future demand but would not impair operations of the industry that exists today.

By creating impediments to market-based growth and expansion of hotels across the five boroughs, the Proposed Action would prevent the Accommodation sector from meeting future anticipated demand by overnight visitors to New York City, the large majority of whom prefer to stay in hotel rooms. Overnight visitors are also a significant source of spending in the broader tourism industry in New York City, which by some estimates was, by 2018, the fourth largest job sector in the city. The scale of the lost hotel rooms under the With-Action condition, as much as 27 percent of the projected inventory in 2035 under the No-Action condition, and the resulting loss in visitors and their associated spending as outlined in this chapter would result in a significant adverse impact both to the hotel industry and those sectors that make up the broader tourism industry. This finding warrants discussion of potential mitigation measures (see **Chapter 5, Mitigation**).