

Citywide Hotel Text Amendment

Draft Scope of Work for Preparation of a Draft
Environmental Impact Statement

LEAD AGENCY



New York City Department of City
Planning

PREPARED BY



**VHD Engineering Surveying &
Landscape Architecture PC**

One Penn Plaza
Suite 715
New York, NY 10119
212.695.5858

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Draft Scope of Work

This Draft Scope of Work (Draft Scope) outlines the technical areas to be analyzed in the preparation of the Environmental Impact Statement (EIS) for the Citywide Hotels Special Permit proposal. The applicant, the New York City Department of City Planning (DCP), is proposing a zoning text amendment (the Proposed Action) to establish a special permit under the jurisdiction of the City Planning Commission (CPC) for new hotels, motels, tourist cabins, and boatels¹ in C1, C2, C4, C5, C6, C8, and Mixed-Use (MX) and paired M1/R districts.

Introduction

As of January 2020, New York City remained one of the world's most popular travel destinations, the third largest hotel market in the United States after Las Vegas and Orlando, and the largest hotel supply pipeline in the nation according to Lodging Magazine. In 2019, New York City drew a record 66.6 million visitors, a 2.4 percent increase over 2018 and reflective of an uninterrupted 12-year run of consecutive increases in visitor counts. 28 million of those visitors stayed in hotels in the city, accounting for over \$13 billion in direct and indirect business sales.

2019 also saw the continuation of an unprecedented boom in hotel development in New York City that began in 2007 and added over 54,100 hotel rooms since that year, a 73 percent increase in supply. While hotels directly supported 305,900 jobs in 2019 and accounted for \$940 million in property tax, \$634 million in hotel occupancy tax, and \$425 million in sales tax in fiscal year 2019, the rapid pace of new hotel development has introduced new activity that may conflict with existing businesses in commercial districts. In addition, while hotels are like residential uses in that they primarily contain sleeping accommodations, the transient nature of hotels can change the primarily residential character of some commercially zoned neighborhoods. At the same time, many C8 and mixed-use districts where new hotels have located lack amenities and services, while surrounding business activity and traffic may create hazards for guests.

Over time, the rapid growth of new hotels across the city has led the City Planning Commission (CPC) to adopt a variety of special permits to address myriad planning concerns, relating to residential development goals, neighborhood character, and conflicts with adjacent uses. Consequently, the City has an inconsistent and patchwork framework for new hotel development.

Although the COVID-19 pandemic caused an abrupt and precipitous drop in hotel occupancy and construction, visitation is expected to return by 2025 along with a demand for new hotels. When this occurs, a more uniform zoning framework for new hotels citywide could support more predictable development and limit the extent to which a hotel use may impair the future use or development of the surrounding area. Review of the project's

¹ The zoning definition of "motel or tourist cabin" requires that each sleeping unit have an exterior entrance, and the definition of "boatel" requires water access for boats. Since there are very few motels, tourist cabins, or boatels in New York City, and because of these limiting factors, few if any are expected to be developed in the future. This use of the term "hotel" in the EIS will, by implication, also refer to these other transient accommodations.

relationship to area context will result in better configuration of the use on the zoning lot to minimize conflicts with adjacent uses.

Accordingly, to create a more consistent zoning framework for new hotels; to address conflicts with nearby commercial, industrial, and residential uses that new transient uses may introduce; and to avoid the potential for hotel development to impair the future use and development of areas around a new hotel, the Department of City Planning (DCP) proposes a citywide zoning text amendment to establish a new special permit under the jurisdiction of the CPC for new hotels, motels, tourist cabins, and boatels in C1, C2, C4, C5, C6, C8, and Mixed-Use (MX) and paired M1/R districts.

In order to address the potential loss of hotel inventory citywide related to the closure of hotels due to the pandemic, DCP will also evaluate changes to discontinuance provisions for existing commercial hotels in all zoning districts citywide. The objective is to allow hotels that are closed on the date of enactment to retain the transient use (Use Group 5 or 7) as-of-right until after demand recovers.

The Proposed Action aims to create a more consistent framework for hotel development citywide and to ensure that new hotels are established on appropriate sites based on reasonable considerations regarding the hotel development's impact on the future use and development of the surrounding area.

Required Approvals and Review Procedures

The proposed Zoning Text Amendment encompasses a discretionary action that is subject to review under Section 200 of the City Charter, and the City Environmental Quality review (CEQR) process.

The Proposed Action is classified as Type I, as defined under 6 NYCRR 617.4 and 43 RCNY 6-15, subject to environmental review in accordance with CEQR guidelines. An Environmental Assessment Statement (EAS) was completed on December 18, 2020. A Positive Declaration, issued on December 21, 2020, established that the Proposed Action may have a significant adverse impact on the environment, thus warranting the preparation of an Environmental Impact Statement (EIS).

The scoping process is intended to focus the EIS on those issues that are most pertinent to the Proposed Action. The process allows other agencies and the public a voice in framing the scope of the EIS. The scoping document sets forth the analyses and methodologies that will be utilized to prepare the EIS. During the period for scoping, those interested in reviewing the Draft Scope of Work (Draft Scope) may do so and give their comments to the lead agency. The public, interested agencies, Community Boards, and elected officials are invited to comment on the Draft Scope, either in writing or orally, at a public scoping meeting.

In accordance with SEQRA and CEQR, this Draft Scope of Work has been distributed for public review. A public scoping meeting has been scheduled for Friday, January 22, 2021 at 2:00 PM, and the period for submitting written comments will remain open for ten days, or until close of business on Monday, February 1, 2021. In support of the City's efforts to contain the spread of COVID-19, DCP will hold the public scoping meeting remotely. Instructions on how to view and participate, as well as materials relating to the meeting, will be available at the DCP Scoping Documents webpage (<https://www1.nyc.gov/site/planning/applicants/scoping-documents.page>) and NYC Engage

website (<https://www1.nyc.gov/site/nycengage/events/index.page>) in advance of the meeting. After considering comments received during the public comment period, a Final Scope of Work will be prepared to direct the content and preparation of a DEIS.

Comments received during the public comment period will be considered and incorporated as appropriate into the Final Scope of Work (Final Scope). The Final Scope, which will incorporate all relevant comments made on the Draft Scope, and revises the extent or methodologies of the studies, as appropriate, in response to comments made on the Citywide Hotels Text Amendment EIS Draft Scope of Work made during scoping. The Draft EIS (DEIS) will be prepared in accordance with the Final Scope.

Once the lead agency is satisfied that the DEIS is complete, the document will be made available for public review and comment. A public hearing will be held on the DEIS in conjunction with the CPC hearing on the land use application to afford all interested parties the opportunity to submit oral and written comments. The record will remain open for ten days after the public hearing to allow additional written comments on the DEIS. At the close of the public review period, a Final EIS (FEIS) will be prepared that will incorporate all substantive comments made on the DEIS, along with any revisions to the technical analysis necessary to respond to those comments. The FEIS will then be used by the decision makers to evaluate CEQR findings, which address project impacts and proposed mitigation measures, in deciding whether to approve the requested discretionary actions, with or without modifications.

Current Zoning Regulations

Hotel Definition

In the NYC Zoning Resolution, transient hotels are defined as a building or part of a building in which:

- › Living or sleeping accommodations are used primarily for transient occupancy, and may be rented on a daily basis;
- › One or more common entrances serve all such living or sleeping units; and
- › 24-hour desk service is provided, in addition to one or more of the following services: housekeeping, telephone, or bellhop service, or the furnishing or laundering of linens.

Permitted accessory uses include restaurants, cocktail lounges, public banquet halls, ballrooms, or meeting rooms. Transient hotels are classified as Use Group 5.

Other forms of transient accommodations defined in the NYC Zoning Resolution are motels, tourist cabins, and boatels. These uses are classified as Use Group 7. Motels or tourist cabins are defined as a building or group of buildings which:

- › Contain living or sleeping accommodations used primarily for transient occupancy; and
- › Have individual entrances from outside the building to serve each such living or sleeping unit.

Boatels are defined as a building or group of buildings which:

- › Contain living or sleeping accommodations used primarily for transient occupancy; and
- › Are immediately accessible by boat.

Since there are very few motels, tourist cabins, or boatels in NYC, and because of these limiting factors, few, if any, are expected to be developed in the future. Therefore, this document uses the term “hotel” but will by implication also refer to these other transient accommodations.

Where Hotels Are Allowed As-of-Right

Transient hotels are permitted as-of-right in the following zoning districts: C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C2², C4, C5, C6, and C8. Hotels are also permitted as-of-right in Mixed Use districts (MX), paired M1/R districts, and in M1 zones at the City’s airports. Motels, tourist cabins, and boatels are permitted as-of-right in C6³ and C8 districts, and in C2 districts within a 1,000-foot radius of the entrance/exit of a limited-access expressway.

Where Hotels Are Allowed by Special Permit

Zoning Districts

To address land use conflicts, local planning goals, and community concerns related to rapid hotel development, the CPC has adopted a variety of special permits for new hotels in different geographies over the last 15 years (see **Figure 1**).

These areas include certain special districts in mixed-use and amenity-rich areas in Manhattan, such as special districts in Clinton, Hudson Square, Tribeca, Garment Center, and East Midtown, where a site-specific review and CPC approval of new hotels is required to ensure that the hotel use, which has characteristics of both residential and commercial development, does not impair the essential character of the surrounding area, or affect the future use and development of the surrounding area by creating conflicts that might limit opportunities for other types of desired uses, such as housing.

In 2018, the CPC adopted a zoning text amendment to require a special permit for new hotels in light manufacturing districts (M1).⁴ This text amendment was introduced to address conflicts between new hotels and the operations of industrial businesses.

Motels, tourist cabins, and boatels are permitted in C3 districts by special permit.

Special Permit Findings

The existing special permits have a variety of findings, considerations, and applicability. Consequently, the zoning for regulating hotel development citywide is inconsistent, resulting in a framework that establishes different standards for new hotels in different locations without a unified objective for hotel development citywide.

² In C2-1 through C2-4 districts, transient hotels may be located only within a 1,000-foot-radius of the entrance/exit of a limited-access expressway.

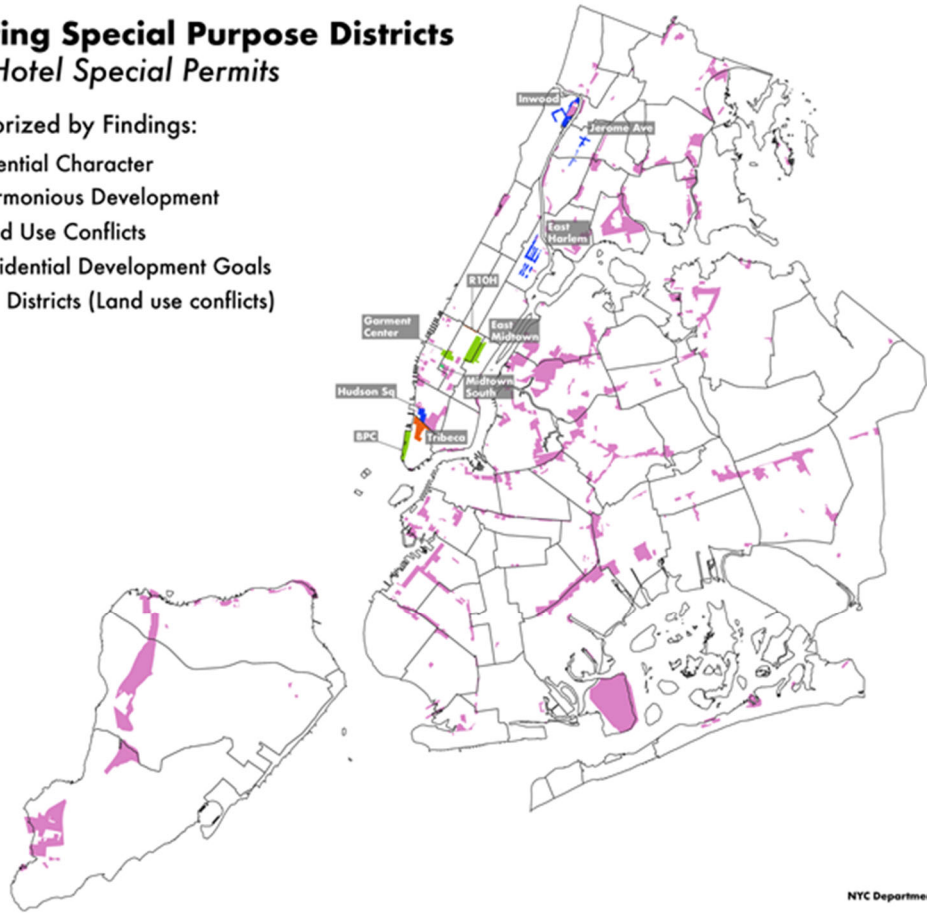
³ Except in C6-1A

⁴ This zoning text amendment includes provisions to exempt hotels in M1 districts operated for a public purpose.

Figure 1 Existing Special Purpose Districts with Hotels Special Permits

Existing Special Purpose Districts with Hotel Special Permits

- Categorized by Findings:
- Essential Character
 - Harmonious Development
 - Land Use Conflicts
 - Residential Development Goals
 - M1 Districts (Land use conflicts)



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Currently, there are four distinct types of hotel special permit findings:

- › First is a special permit requirement that ensures a transient hotel is located as not to impair the essential character of, or the future use or development of, the surrounding area, such as in Tribeca.
- › The second type of hotel special permit requires that a hotel development not only achieve a diverse and harmonious mix of uses in the surrounding area but also demonstrates that the design is appropriate and incorporates elements that are necessary to address any potential conflicts between the proposed use and adjacent uses.
- › The third type of special permit addresses the need for sufficient development sites to be available in the area to meet residential development goals of the surrounding area.
- › Lastly, East Midtown, Hudson Square, and M1 districts citywide, require a CPC special permit to minimize land use conflicts with adjacent uses and the potential to impair the growth and development of other uses.

Area of Applicability

The Proposed Actions would apply to the following zoning districts (see **Figure 2**):

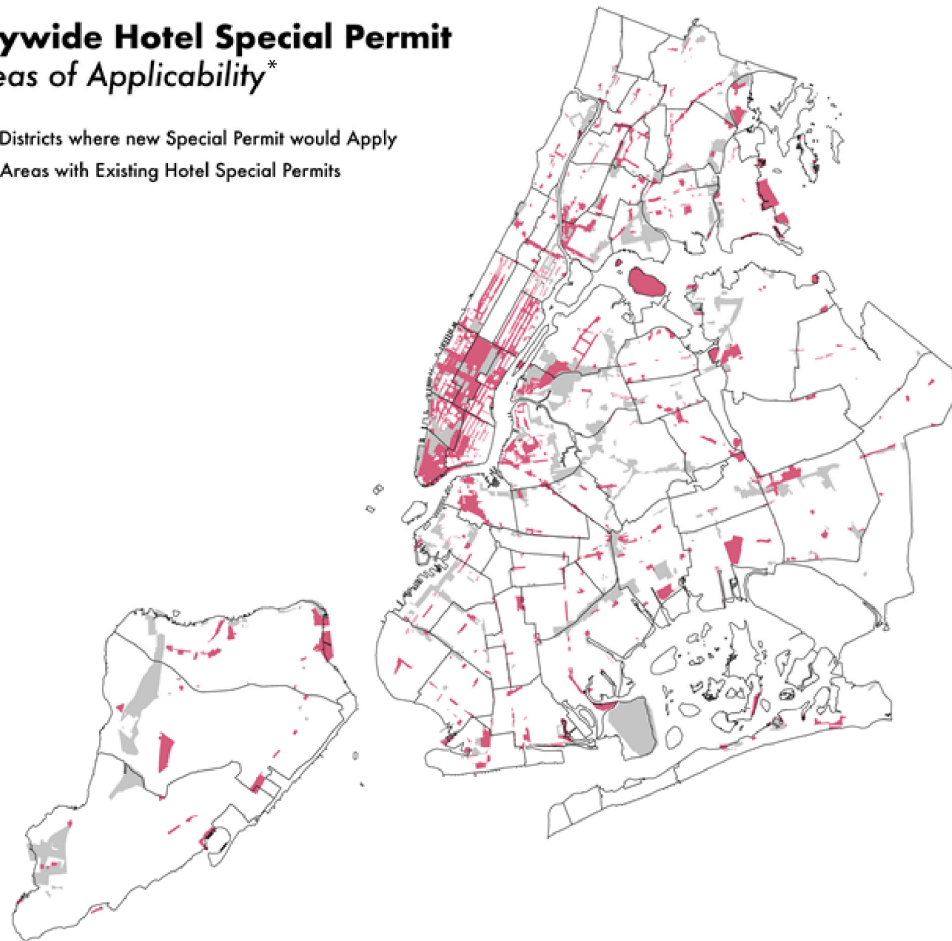
- › Commercial Districts: C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C2⁵, C4, C5, C6, and C8.
- › Mixed Use Districts: MX, paired M1/R districts,
- › Special Districts: Clinton, Hudson Square, Tribeca, Garment Center, and East Midtown

Together these represent the “Area of Applicability” for the Proposed Actions.

Figure 2 Areas of Applicability

Citywide Hotel Special Permit Areas of Applicability*

- Districts where new Special Permit would Apply
- Areas with Existing Hotel Special Permits



Note: *Any changes to discontinuance provisions would apply citywide

⁵ In C2-1 through C2-4 districts, transient hotels may be located only within a 1,000-foot-radius of the entrance/exit of a limited-access expressway.

Description of the Proposed Action

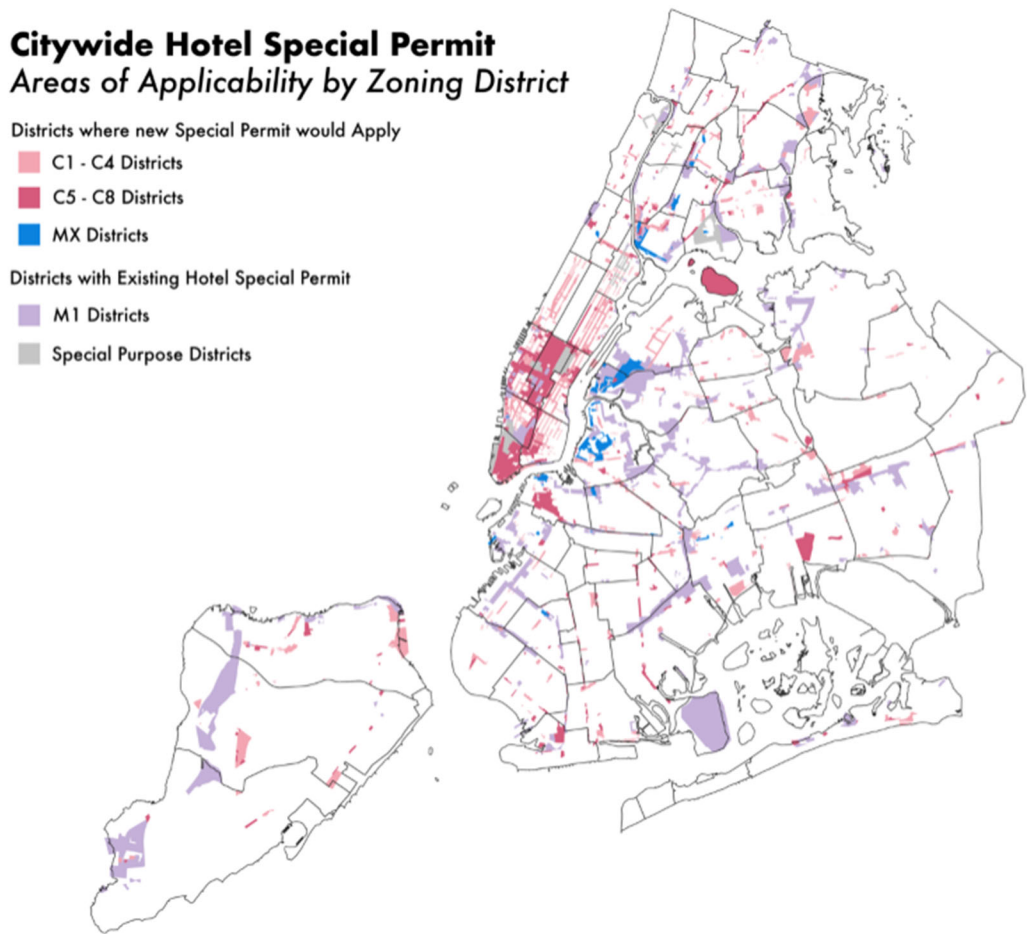
DCP is proposing a zoning text amendment to require a CPC special permit for new and enlarged transient hotels (Use Group 5), and motels, tourist cabins and boatels (Use Group 7). The new CPC special permit will replace existing special permits in Special Purpose Districts and require a CPC special permit citywide for new hotels and enlargements in C1, C2, C4, C5, C6, C8, Mixed Use (MX), and paired M1/R districts (see **Figure 3**). The proposed text amendment would retain existing findings and regulations for hotels in M1 districts where a special permit was adopted in December 2018. The Proposed Action would also retain provisions adopted in the 2018 text amendment to exempt hotels in M1 district operated for a public purpose.

In order to address the potential loss of hotel inventory citywide related to the closure of hotels due to the pandemic, DCP will also evaluate changes to discontinuance provisions for existing commercial hotels in all zoning districts citywide. The objective is to allow hotels that are closed on the date of enactment to retain the transient use (Use Group 5 or 7) as-of-right until after demand recovers.

The proposed zoning text amendment would affect every community district within the City since all community districts contain zoning districts that currently permit as-of-right hotel development, either in the form of commercial (C) districts or mixed-use (MX) districts. In addition, since changes to discontinuance provisions may apply to existing commercial hotels that are closed on the date of enactment and could apply in all districts citywide, the action has the potential to affect all community districts. By introducing a CPC special permit, DCP proposes to create a more consistent framework for hotel development citywide. The review process will allow the CPC to evaluate whether a hotel use and its configuration on the zoning lot has the potential to introduce conflicts or create nuisances on surrounding uses that could negatively affect the future use and development of the area. If there is the potential to introduce conflicts or create nuisances, the review process will allow the potential for these conflicts to either be avoided or mitigated.

This CPC special permit would allow for the consideration of the appropriateness of hotel development in commercial and mixed-use districts where—depending on the neighborhood, development patterns, and surrounding uses—some considerations regarding a potential nuisance of a hotel development are warranted.

Figure 3 Areas of Applicability by Zoning District



Source: NYC GOS Zoning Features, NYC DCP

Hotels existing within commercial and mixed-use districts listed above on the date of adoption of the Proposed Action would be considered a conforming use. DCP will evaluate expanding current special permit regulations regarding as-of-right enlargements and extensions of hotels existing on the date of adoption.

Because of the anticipated closure of many of the city’s existing hotels due to the COVID-19 pandemic, DCP will evaluate zoning mechanisms to limit the effect of reductions in supply when visitation and hotel demand recovers. Such changes could include, but would not be limited to, the extension of the standard discontinuance and vesting provisions, and the exclusion of some known hotel projects.

DCP will also evaluate whether Use Group 5 transient uses that are operated for a public purpose, such as those that do not operate as commercial hotels like emergency shelters and certain types of for-profit supportive housing, should be excluded from the proposal.

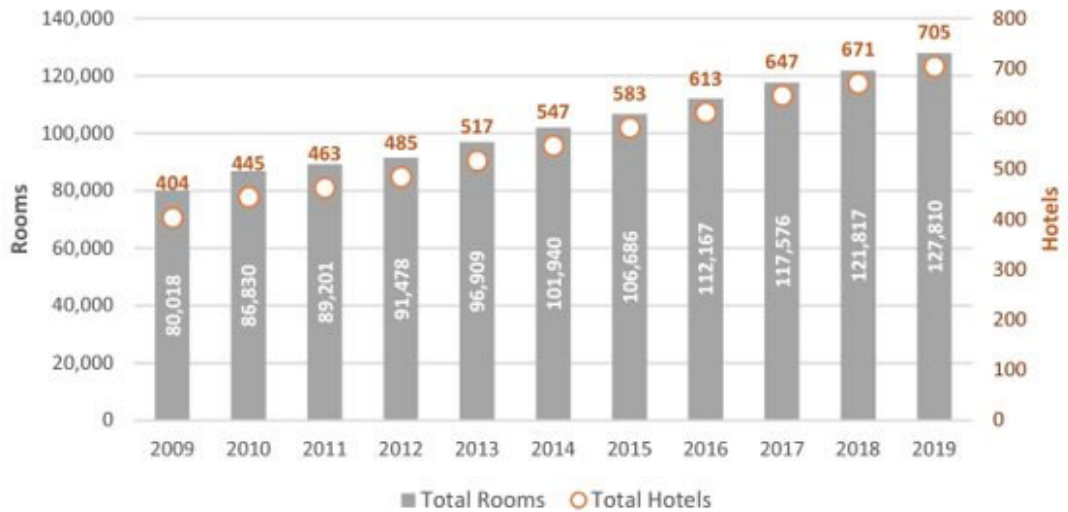
Purpose and Need

Prior to 2007, New York City’s supply of hotel rooms had not kept up with demand, resulting in some of the highest occupancy and nightly rates in the country. Between 1997 and 2007,

the supply of hotel rooms in Manhattan grew by only 17.7 percent.⁶ When the Brooklyn Bridge Marriott opened in 1998, it was the first new hotel built in Brooklyn in more than 60 years.⁷ Although commercial hotels were permitted without restriction in most commercial and light manufacturing districts across the City, there was little new hotel construction outside the Central Business District. In the years between 2003 and 2006, Manhattan lost hotel supply, with the net inventory of hotel rooms in the borough declining by 3 percent, from 66,627 hotel rooms to 64,587.⁸

However, this began to change in 2007, driven by a rise in tourism and new sources of financing for hotels. New York City has added over 54,000 hotel rooms since that year, a 73 percent increase in supply. This growth was remarkable for its endurance—as evidenced by the five years between 2015 and 2019, which saw over 21,000 hotel rooms come online in the City, a 40 percent increase over the number of rooms that came online during the previous five-year period (see **Figure 4** and **Figure 5**). Another feature of this period of hotel growth has been its occurrence across all five boroughs and not just Manhattan. Since 2010, Queens and Brooklyn have both seen hotel room count increases of over 50 percent, with similar growth rates in the smaller markets of the Bronx and Staten Island. Also noteworthy has been the expansion of hotel development into areas of the city that had never supported substantial hotel development before, including light manufacturing districts in every borough. 2019 saw almost 6,000 new hotel rooms added to the city’s supply, with almost 20 percent of the city’s hotel room inventory outside Manhattan. By 2019, New York City experienced record growth in the tourism industry and its hotel pipeline for the tenth consecutive year⁹. However, in M1 zoning districts, the City’s special permit requirement for new hotels, instituted at the end of 2018, resulted in no new hotel projects in these areas.

Figure 4 NYC Hotel and Room Supply 2009-2019



Source: STR, 2020

⁶ HVS International, 2010 Manhattan Hotel Market Overview

⁷ Muss Development’s Brooklyn Bridge Marriott to begin \$43 million renovation and reposition; NY Real Estate Journal, May 11, 2015

⁸ HVS International, 2010 Manhattan Hotel Market Overview

⁹ NYC&Co., 2019

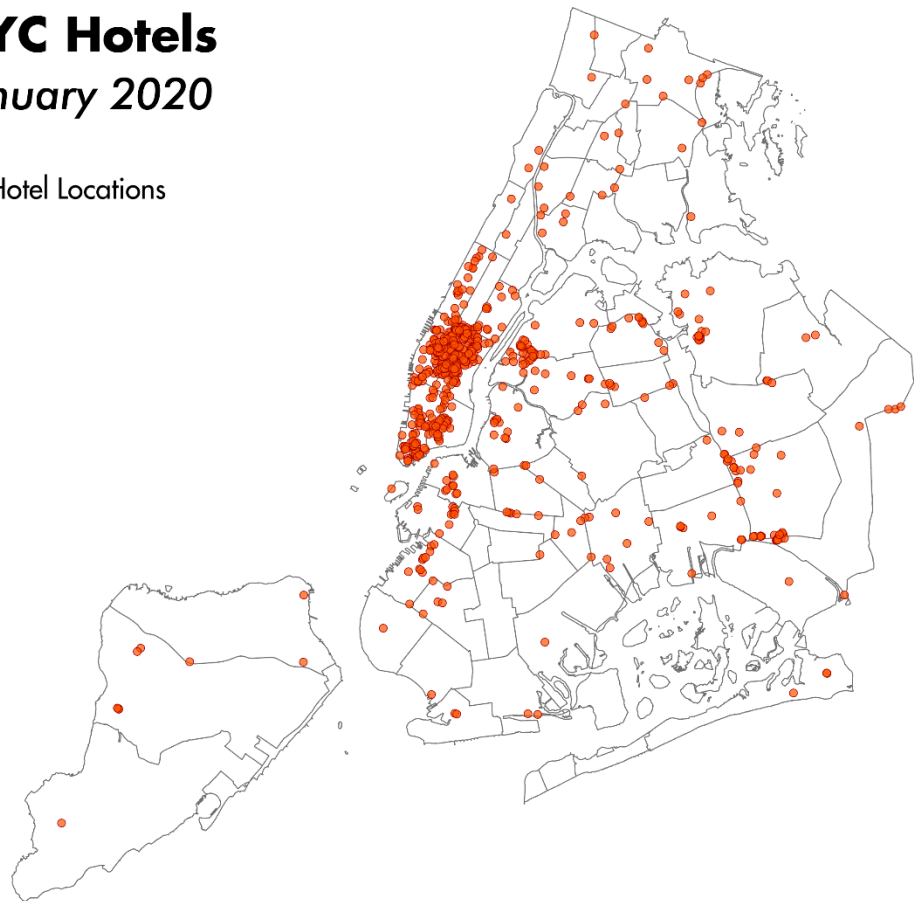
In 2019, there were over 127,800 hotel rooms in New York City, an all-time high. The city also attracted a record 67 million visitors that year, giving the New York City hotel market the highest occupancy rates of any major hotel market in the United States. However, New York City was also the only top 25 urban market in the nation that experienced negative RevPAR growth. RevPAR is measured by multiplying average daily rates times hotel occupancy rate. Multiple sources, including STR and the Hotel Association of New York, have recognized increased supply and competition from a broader choice of lodging types as a reason for depressed ADR in the New York market. Increased supply and the availability of short-term rentals also limits hotels' traditional abilities to charge higher rates during so-called "compression" periods, when room demand is higher.

Hotel industry analysts have also identified many of the same trends that are affecting the hotel industry nationwide, most notably high labor costs and third-party commission fees, to be the cause of decline of profitability of hotels in New York City.¹⁰

Figure 5 NYC Hotels in January 2020

NYC Hotels January 2020

● Hotel Locations



NYC Department of City Planning

Source: STR, 2020

Hotels are an important part of the city's business districts and economy lodging an estimated 28 million visitors and accounting for \$13 billion in direct and indirect business

¹⁰ Skift; Tourism is up so why is NYC's hotel market slumping?, Aug. 27, 2019

sales. In fiscal year 2019, hotels directly supported 305,900 jobs and accounted for \$940 million in Property tax, \$634 million in Hotel Occupancy tax, and \$425 million in sales tax.

Until the COVID-19 pandemic brought most new construction to a halt in March 2020, new hotels were outpacing other types of non-residential development in some parts of the city, in some instances introducing conflicts with adjacent uses and influencing development patterns in unanticipated ways. In addition, the rapid growth of hotels in commercial and mixed-use districts where hotels are currently allowed as-of-right presents land use challenges in the city's mixed-use business districts.

In these locations, hotels can create conflicts with adjacent uses and residences, and in less centrally located commercial areas, hotels may create nuisances on surrounding residents or local services. Additionally, less centrally located commercial areas often lack infrastructure to address the safety of or meet the needs of hotel guests. Although hotels are appropriate and desirable uses in the city's commercial, mixed-use, and light manufacturing districts, reviewing the project's relationship to area context of new hotels will result in better configuration of the use to minimize conflicts with adjacent uses and protect the safety of hotel guests.

In addition, while hotels are like residential uses in that they primarily contain sleeping accommodations, the transient nature of hotels can change the residential character of some neighborhoods. At the same time, many C8 and mixed-use districts where new hotels have located lack amenities and services, and surrounding business activity and traffic may pose unsafe conditions for guests.

As discussed above, to address land use conflicts, local planning goals, and community concerns related to rapid hotel development, over the last 15 years, the CPC has adopted a variety of different special permits for new hotels in different geographies (see **Where Hotels are Allowed by Special Permit** and **Figure 3**). This approach has resulted in an inconsistent zoning framework for regulating hotel development citywide. Although the COVID-19 pandemic caused an abrupt and precipitous drop in hotel occupancy and construction, visitation is expected to return along with a demand for new hotels. When demand returns, a more uniform zoning framework for all new hotels citywide can support more predictable development and limit the extent to which a hotel use may impair the future use or development of the surrounding area. Review of the projects within the context of an area around a new hotel will result in better configuration of the hotel to minimize conflicts with adjacent uses and protect the safety of residents and hotel guests.

The proposed text amendment will create a consistent zoning framework for new hotels and allow the CPC to evaluate hotel use to ensure it does not impair the future use or development of the surrounding area.

Analytical Framework for the EIS

As discussed above, the Proposed Action is a citywide text amendment that would establish a new CPC special permit for new hotels in the Area of Applicability (as defined above). Since the Proposed Action is a citywide action and has broad applicability, it is difficult to predict the universe of sites where development would be affected by the Proposed Action. For this reason, the Proposed Action is analyzed in this environmental review as a "generic action." Generic actions are programs and plans that have wide application or affect a range of

future alternative policies. Generic analyses must employ a methodology that identifies typical cases and a range of conditions, which this section seeks to do. In addition, as the citywide zoning text amendment would establish a new special permit under the jurisdiction of the CPC for new hotels, there is no new development increment associated with the Proposed Action and therefore, no projected or potential development sites. The environmental review therefore consists of an assessment of the potential effects of making hotel use subject to special permit requirements. In addition, the EIS will also include a conceptual analysis that considers whether there could be environmental impacts from a future application for hotel use that seeks the special permit.

The analytical framework for the EIS will be addressed through a Reasonable Worst-Case Development Scenario (RWCDs). A RWCDs is broadly defined as the potential development under both the future No-Action and With-Action conditions that is used to as the basis for analysis of the change in permitted development created by a discretionary action. The RWCDs begins with a description of “existing conditions” to establish a baseline, not against which the Proposed Action’s effects are measured, but from which future conditions can be projected. The prediction of future conditions begins with an assessment of existing conditions because these can be measured and observed. Then, using existing conditions as a baseline, conditions expected in the future without the Proposed Action are evaluated (the No-Action condition). The No-Action condition considers changes that are known or expected to be in place by the future analysis year (see **Analysis Year**, below), independent of the Proposed Action. The No-Action condition is the baseline against which the effects of the Proposed Action can be measured. The incremental difference between the No-Action condition and the With-Action condition serves as the basis for the environmental impact analyses.

Analysis Year

It is anticipated that the New York City hotel market will recover to 2019 levels by the year 2025.¹¹ An analysis year 10 years in the future is generally considered reasonable for generic projects as it captures a typical cycle of market conditions and generally represents the outer timeframe within which predictions of future development may usually be made without speculation. Therefore, an analysis year 10 years after the projected recovery year—or 2035—was chosen in order to account for the unique market effects of the COVID-19 pandemic.

Study Area or Directly Affected Area

As discussed under **Description of the Proposed Action** above, the Proposed Action would apply to the Area of Applicability (see **Figure 3**). Any hotel existing within the Area of Applicability on the date of adoption of the Proposed Action would be considered a

¹¹ *Travel Industry Turned Upside Down*, Joint report by McKinsey and Skift, Sept. 2020; *State of the Hotel Industry Six Months After COVID*, American Hotel & Lodging Association, Aug. 2020; McGeehan, Patrick, “Why NYC’s Recovery May Lag the Rest of the Nation,” Oct. 26, 2020, *New York Times*; Clark, Patrick, “With Prices Down by \$200, NYC Hotels Brace for More Pain,” Oct. 9, 2020, *Bloomberg News*; Kallergis, Katherine, “Hotel Owners in Big Cities Hit Major Tipping Point,” Oct. 19, 2020, *The Real Deal*; *The World Remade: Travel & Hospitality Scenarios*, Deloitte, May 2020; *For Corporate Travel, A Long Road Ahead*, McKinsey, Aug. 13, 2020

conforming use. DCP will evaluate expanding current special permit regulations regarding as-of-right enlargements and extensions of hotels existing on the date of adoption.¹²

Existing Conditions

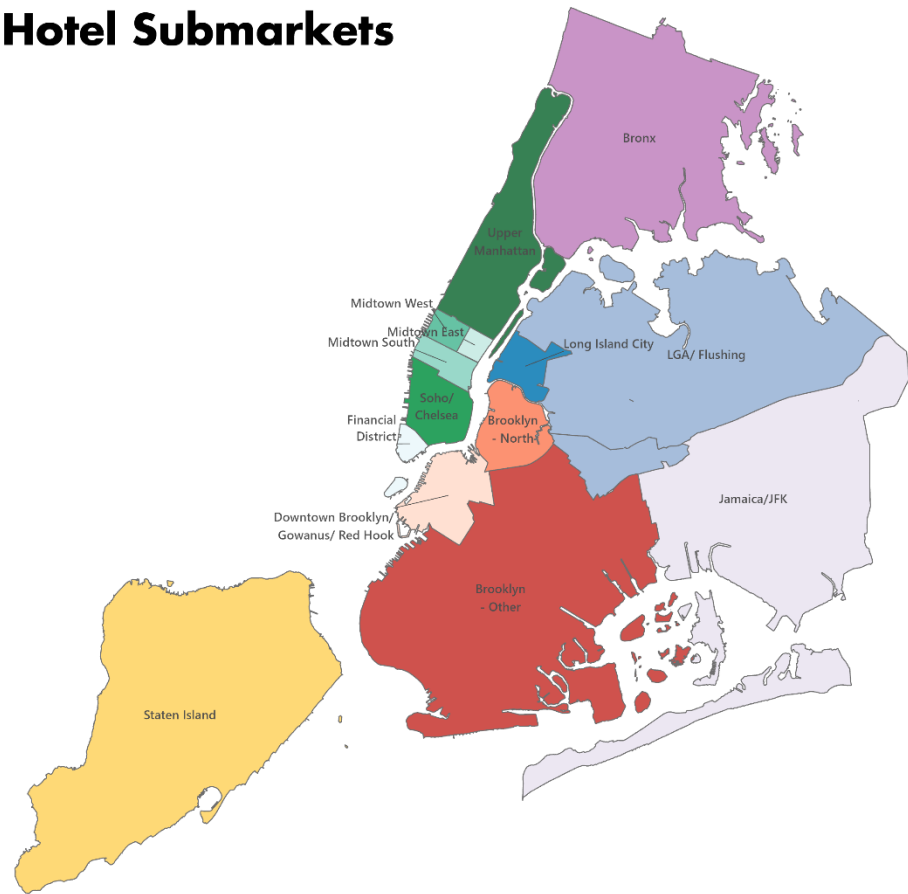
As discussed above, the identification of existing conditions is critical to establish a baseline, not against which the Proposed Action's effects are measured, but from which future conditions can be projected. To inform the understanding of existing conditions, DCP has engaged a socioeconomics consultant team to produce a market analysis of the City's hotel conditions in the past, current, and future context. Although this market analysis is not yet fully complete, preliminary findings are incorporated in this document where appropriate and is referred to as the preliminary Consultant Report.

The preliminary Consultant Report evaluated hotel development and tourism in New York City as a whole and in each of the five boroughs individually. Manhattan, Brooklyn, and Queens were furthermore distinguished into geographic submarkets, generally based on major existing tourism markets, or in the cases of Brooklyn and Queens, where recent hotel development clusters have arisen (see **Figure 6**). The differentiation into the various geographic submarkets was completed in order to better understand existing hotel markets and to facilitate the analysis of the potential effects of the Proposed Action.

¹² Enlargements and extensions as defined by the New York City Zoning Resolution

Figure 6 NYC Borough Hotel Submarkets

NYC Hotel Submarkets



NYC Department of City Planning

Source: Preliminary Consultant Report

In Manhattan, six submarkets were defined, consisting of areas above 59th Street, Times Square, Midtown East, Midtown South, Soho/Union Square, and Financial District. Queens was divided into three submarkets consisting of Long Island City, LaGuardia/Flushing, and JFK/Jamaica. Similarly, Brooklyn consists of Downtown Brooklyn, Brooklyn North, and other areas. The entirety of the Bronx and Staten Island boroughs are defined as individual submarkets.

As described in **Table 1**, there are currently 30,331 hotel rooms in the hotel pipeline. The pipeline consists of hotel projects that are (1) currently under construction and (2) in pre-construction, with hotels in pre-construction encompassing both those projects that have filed an application with the Department of Buildings and those that are in pre-application. Hotels under construction are defined as hotel developments with permits issued from Department of Buildings as of October 2020.

Table 1 Hotel Pipeline by Submarket

Submarket	Sum of Net Rooms	Borough Total
Bronx	2,288	2,288
Brooklyn – Downtown/Gowanus/Red Hook	1,470	6,335
Brooklyn – North	1,631	
Brooklyn – Other	3,234	
Manhattan – Financial District	2,026	
Manhattan – Midtown East	(950)	
Manhattan – Midtown South	6,247	
Manhattan – Midtown West/Times Square	2,875	11,939
Manhattan – Soho/Union Square/Village/Tribeca/Chelsea	1,295	
Manhattan – Upper East Side/Upper West Side/Harlem/Uptown	446	
Queens – Jamaica/JFK/114xx Zip Codes	3,613	9,273
Queens – LGA/Flushing/113xx Zip Codes	2,206	
Queens – Long Island City	3,454	
Staten Island	496	496
Total		30,331

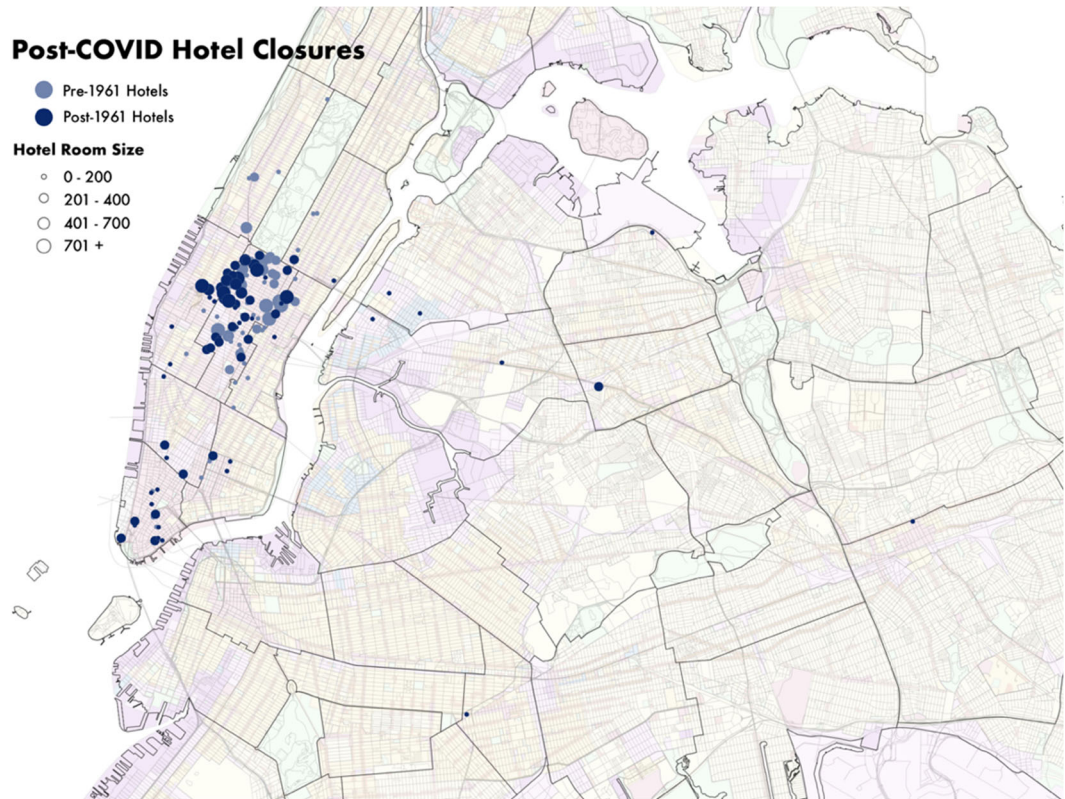
Source: New York City Department of Buildings, October 2020

Impact of the COVID-19 Pandemic

According to the preliminary Consultant Report, in 2019, New York City saw a record number of tourism and hotel inventory growth. However, in March 2020, the COVID-19 pandemic struck New York City and has had a substantial, ongoing effect on its hotel market. Between January and September 2020, a net total of 135 (out of 705) hotels and 39,244 (out of 127,810) rooms closed in New York City, representing a decline of 20 and 31 percent, respectively. With 96.3 percent of these room closures occurring in Manhattan, citywide trends are driven almost entirely by the pandemic's specific impact on the Manhattan hotel market, which experienced a 37 percent loss in total rooms. As seen in **Figure 7**, the majority of hotel closures since March 2020 are in Manhattan. As of September 2020, Manhattan's share of NYC hotel rooms has fallen to 65 percent, which is down from 81 percent in January.

Queens had the second-largest impact of any borough, with a net loss of five hotels and 595 rooms, representing a four percent loss. The number of hotels and rooms in the Bronx, Brooklyn, and Staten Island remained constant between January and September 2020. However, Brooklyn experienced a shift in hotel typologies, losing some upscale rooms and adding more economy rooms. Additional details on hotel closures are provided in the preliminary Consultant Report and will be discussed in more detail in the EIS.

Figure 7 Hotel Closures as of October 2020



Source: HANyc; NYS Department of Labor WARN Notices; STR, October 2020

Current forecasts estimate the recovery of New York City’s tourism sector to 2019 levels will not take place until the end of 2024 or the beginning of 2025. While typically projects in the pipeline with DOB permits are assumed to complete construction under the No-Action condition, a number of factors influence whether these projects are realized: global, national, and local economies affect hotel development decisions, trends in international and domestic tourism, the access to equity, the ease of obtaining financing, pace of pandemic recovery, and public policies. Therefore, it is difficult to determine how many of the projects in the pipeline will be completed by the 2035 build year. However, as discussed further under the No-Action condition, it is assumed that all pipeline hotels will come to market.

Future Without the Proposed Action (No-Action Condition)

This section provides an analysis of likely future conditions in New York City’s hotel market without the implementation of the proposed hotel special permit.

To project hotel room demand and supply growth across the City, the preliminary Consultant Report relied on visitation and employment projection data, as well as national tourism demand trends and NYC hotel pipeline information. The analysis hypothesized that in 2025, the NYC hotel market will have fully recovered, reaching 2019 demand levels. It is expected that without the Proposed Action, the market would respond to demand increases by increasing supply until the market reaches equilibrium. Therefore, the No-Action condition assumes that, with an expected recovery in 2025, that by the 2035 build year the hotel supply in the City will grow to reach an equilibrium with market demand. Overall, it is

estimated that by 2035, the City will be in demand of 154,420 rooms across the five boroughs, regardless of existing and future supply (see **Table 2**). However, given the unique circumstances under COVID-19 with temporary and permanent hotel closures throughout the city, an analysis evaluated two scenarios to determine a range of hotel rooms that would need to be developed in order to reach market equilibrium by 2035. The first scenario is Scenario A, where all confirmed closed hotels remain out of the inventory, but all temporarily closed hotels return. The second, Scenario B, where all permanently and temporarily closed hotels as of Fall 2020 permanently close before recovery in 2025. The number of future hotel rooms expected to come to market by 2035 equals the gross future demand less existing hotels and pipeline hotels. These two scenarios provide a range of hotel rooms expected to enter the supply chain under the future No-Action condition.

The total pipeline, discussed under **Existing Conditions** above, consists of approximately 30,331 pre-construction hotel rooms (see **Table 1**). This analysis assumes that all pipeline hotels will come to market under the No-Action condition. Under Scenario A, the construction of pipeline hotel rooms in addition to existing hotel rooms would yield a supply of 153,185 rooms in 2035 before accounting for future growth not currently in the pipeline (see **Table 2**). Under Scenario B, assuming temporarily closed rooms do not reopen, the supply would be 122,287 rooms before accounting for future growth not currently in the pipeline (see **Table 2**).

Table 2 Supply and Demand Conditions through 2035

Borough	Scenario A Supply ¹	Scenario B Supply ²	Gross Future Demand		
			2025	2030	2035
Bronx	3,672	3,627	1,384	1,521	1,672
Brooklyn	13,912	13,866	7,527	8,271	9,093
Manhattan	110,440	80,406	103,730	113,980	125,312
Queens	23,890	23,072	14,394	15,816	17,389
Staten Island	1,251	1,271	775	852	936
Total, All NYC	153,185	122,287	127,810	140,440	154,420

Source: Preliminary Consultant Report; STR, 2020; HANYC, 2020; BJH, 2020; BAE, 2020

Notes:

¹ Supply as of September 2020 plus reopened and temporarily closed rooms, and pipeline hotels

² Supply as of September 2020 and pipeline hotels

Unmet demand is calculated by taking the gross future demand less the supply under each scenario. Before adjusting for expected future geographic distribution, under Scenario A, Manhattan would be short of supply and will be in need of an additional 14,872 rooms to meet demand. Under Scenario B, assuming temporarily closed rooms do not reopen, by 2035, there will be demand for 44,906 rooms in Manhattan (see **Table 2**). The supply in every other borough, in both scenarios, would meet demand by 2035. However, physical constraints may lead to hotels being developed in locations outside of Manhattan consistent with more recent trends. Hotel development trends since 2010 and prior to COVID-19 have illustrated that development is increasingly occurring at a much faster pace in the boroughs outside of Manhattan. Therefore, while future citywide demand will continue to be driven by Manhattan, new hotel room supply is expected to be more evenly distributed throughout the city. Assuming that future supply will deliver geographically based on the distribution of

hotel rooms currently in the pipeline, remaining room demand was reallocated among the boroughs to reflect the pipeline distribution and recalculated under each scenario. With this calculation, under Scenario A, by 2035, there would be approximately 1,217 new rooms expected to come to market to satisfy unmet demand after adjusting the remaining room demand (see **Table 3**). However, under Scenario B, there would be almost 32,115 rooms expected to come to market (see **Table 4**). It is expected that future growth would meet most, if not all, of the unmet hotel room demand projected for 2035 in either Scenario. Therefore, it is estimated that between 1,217 and 32,115 hotel rooms would be developed in the future No-Action condition in order to reach an equilibrium with anticipated 2035 demand.

Table 3 Residual Unmet Room Demand, Scenario A, 2025-2035

Borough	Adjusted Distribution of NYC Residual Demand, 2035 ¹	Adjusted Remaining Room Demand ²			Residual Unmet Room Demand		
		2025	2030	2035	2025	2030	2035
Bronx	7.5%	394	1,327	2,380	0	0	92
Brooklyn	20.9%	1,092	3,673	6,589	0	0	254
Manhattan	39.4%	2,058	6,922	12,418	0	0	479
Queens	30.6%	1,599	5,376	9,645	0	0	372
Staten Island	1.6%	86	288	516	0	0	20
Total, All NYC	100%	5,229	17,586	31,548	0	0	1,217

Source: Preliminary Consultant Report; New York City Planning Department, 2020; BAE, 2020

Notes:

¹ The distribution of the remaining room demand by borough is adjusted to the distribution of rooms in the construction pipeline.

² Represents the number of additional supportable rooms once existing supply and distribution of residual demand are accounted for

Table 4 Residual Unmet Room Demand, Scenario B, 2025-2035

Borough	Adjusted Distribution of NYC Residual Demand, 2035 ¹	Adjusted Remaining Room Demand ²			Residual Unmet Room Demand		
		2025	2030	2035	2025	2030	2035
Bronx	7.5%	2,705	3,657	4,711	417	1,369	2,423
Brooklyn	20.9%	7,489	10,126	13,043	1,154	3,791	6,708
Manhattan	39.4%	14,115	19,084	24,580	2,176	7,145	12,641
Queens	30.6%	10,963	14,823	19,091	1,690	5,550	9,818
Staten Island	1.6%	586	793	1,021	90	297	525
Total, All NYC	100%	35,858	48,484	62,446	5,527	18,153	32,115

Source: Preliminary Consultant Report; New York City Planning Department, 2020; BAE, 2020

Notes:

¹ The distribution of the remaining room demand by borough is adjusted to the distribution of rooms in the construction pipeline.

² Represents the number of additional supportable rooms once existing supply and distribution of residual demand are accounted for

Future With the Proposed Action (With-Action Condition)

The Proposed Action introduces a discretionary approval process by CPC special permit for hotel development within the Area of Applicability (as defined above). CPC special permits generally present a disincentive to development that previously was as-of-right, since obtaining the special permit can add significant time, cost, and uncertainty to a project.

Because the Proposed Action introduces a discretionary approval process via a CPC Special Permit for hotel development citywide, 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 CPC special permit would have the effect of slowing the rate at which hotels would be developed in C and MX districts.

When the City introduces a new text amendment, with special permit provisions that would affect development, typical vesting provisions are assumed. Hotels with building permits issued at the Department of Buildings that have foundations in the ground and those that are expected to begin construction and complete foundations before the adoption of the Proposed Action would qualify for standard vesting provisions.¹³ As discussed under **Existing Conditions**, hotels in the pipeline are at many different phases of development. Therefore, the With-Action condition conservatively assumes that none of the hotels in the pre-construction pipeline would vest under standard rules.

Accordingly, in the With-Action Condition, the Proposed Action would have the potential to affect those hotel rooms in the pipeline and future hotel development. As discussed in the **No-Action Condition** section above, between 1,217 and 32,115 hotel rooms would be developed in the future in order to reach an equilibrium with anticipated 2035 demand. Therefore, under the With-Action condition, up to 32,115 future hotel rooms could be affected by the special permit, slowing or hindering their development. If the 30,331 pipeline hotels are also conservatively taken into account, up to 62,446 future hotel rooms could be affected by the special permit. The effects of the Proposed Action, and whether it would result in hotels not being constructed, thereby resulting in unmet room demand, will be evaluated in the EIS. DCP will also evaluate zoning mechanisms to limit the effect of reductions in supply when visitation and hotel demand recovers. Such changes could include, but would not be limited to, the extension of the standard discontinuance and vesting provisions, and the exclusion of some known hotel projects.

Proposed Scope of Work for the DEIS

As discussed above, DCP, on behalf of CPC as lead agency in the environmental review, has determined that the Proposed Action has the potential to result in significant environmental impacts in certain technical areas and, therefore, pursuant to CEQR procedures, has issued a positive declaration requiring that an EIS be prepared.

The EIS will be prepared in conformance with all applicable laws and regulations, including SEQRA (Article 8 of the New York State Environmental Conservation Law) and its implementing regulations found at 6 NYCRR Part 617, New York City Executive Order No. 91 of 1977, as amended, and the Rules of Procedure for CEQR, found at Title 62, Chapter 5 of the Rules of the City of New York.

The Proposed Action's EIS will cover the following technical areas: Land Use, Zoning and Public Policy; Socioeconomic Conditions and Neighborhood Character. The remaining CEQR impact categories have undergone analysis as part of an EAS for the Proposed Action. Under guidelines specified in the *CEQR Technical Manual*, the lead agency determined that further

¹³ The completion of foundations before a zoning change becomes effective usually determines whether a project vests.

analysis of these remaining CEQR impact categories is not required as there would be no potential for significant adverse impacts due to the Proposed Action.

Based on the conclusions and analyses of the Proposed Action's EAS, the EIS for the Proposed Action will include the sections outlined below. The EIS will follow the guidance of the *CEQR Technical Manual*, and will contain:

- › A description of the Proposed Action and its environmental setting;
- › A statement of the environmental impacts of the Proposed Action, including its short and long-term effects and typical associated environmental effects;
- › A description of mitigation measures proposed to eliminate or minimize adverse environmental impacts;
- › An identification of any adverse environmental effects that cannot be avoided if the Proposed Action is implemented;
- › A discussion of reasonable alternatives to the Proposed Action; and,
- › An identification of irreversible and irretrievable commitments of resources if the Proposed Project is implemented.

As noted above, the EIS will analyze the environmental effects that could be realized under the Proposed Action for the identified technical areas of concern. The specific technical areas to be included in the EIS, as well as their respective tasks and methodologies, are described below.

Task 1: Project Description

The first chapter of the EIS introduces the reader to the Proposed Action and sets the context in which to assess possible effects. This chapter will contain a description of the Proposed Action: its area of applicability; the background and/or history of the proposal; a statement of the purpose and need; a detailed description of the Proposed Action; and discussion of the approvals required, procedures to be followed, and the role of the EIS in the process. This chapter is the key to understanding the Proposed Action and its impact and gives the public and decision makers a base from which to evaluate the Proposed Action. In addition, the project description will present the planning background and rationale for the action being proposed. The section on approval procedure will explain the zoning text amendment processes, timing, and hearings before the Community Board, the Borough Presidents' Offices, the CPC, and the New York City Council. The role of the EIS as a full disclosure document to aid in decision-making will be identified and its relationship to the Proposed Action and the public hearings described.

Task 2: Land Use, Zoning, and Public Policy

A land use analysis characterizes the uses and development trends in the area that may be affected by a proposed action and determines whether a proposed action is either compatible with those conditions or whether it may affect them. Similarly, the analysis considers the action's compliance with, and effect on, the area's zoning and other applicable public policies.

The Proposed Action is a citywide zoning text amendment to establish a new special permit under the jurisdiction of the CPC for new hotels; hotel use would no longer be an as-of-right

use in any zoning district within the city. This change would not change the provisions of existing zoning districts (e.g., allowable floor area ratios, bulk provisions, parking requirements, etc.) other than to introduce the special permit for hotel uses.

This chapter will analyze the potential impacts of the Proposed Action on land use, zoning, and public policy, pursuant to the methodologies presented in the *CEQR Technical Manual*. Consistent with the Analytical Framework, the EIS will take a generic approach to this analysis since the Proposed Action has applicability citywide.

Task 3: Socioeconomic Conditions

As discussed in the **EAS Part II: Technical Screenings**, the Proposed Action is not anticipated to result in adverse impacts with respect to direct residential displacement, indirect residential displacement, direct business displacement or indirect business and institutional displacement. Therefore, these areas will not be analyzed in the EIS. The EIS analysis will focus on the Proposed Action's potential to result in adverse effects on specific industries since it would introduce a CPC special permit for the development of hotels citywide.

Based on the guidelines of the *CEQR Technical Manual*, as discussed in the **EAS Part II: Technical Screenings**, a detailed assessment of adverse effects on specific industries is warranted and will be explored in-depth in the EIS.

As noted in the *CEQR Technical Manual*, key to understanding potential impacts on specific industries or categories of businesses is to develop an understanding of the relationship between the Proposed Action and the business conditions experienced by potentially vulnerable industries or categories of businesses. The EIS will consider the effects of this Proposed Action on business conditions based on interviews, data collection, and market analysis as well as a review of underlying trends (e.g. economic and the COVID-19 pandemic). Potential effects to business conditions may range from changes in operations that may be of little overall consequence to the individual businesses, changes that may add costs but would not cause displacement or relocation, or changes that would result in displacement or relocation. In some cases, the project may directly or indirectly affect businesses that support or interact with other businesses or industries in the affected area, which would then be secondarily affected. If there is potential for these businesses to be affected, this will be described and analyzed. A significant adverse impact may occur if it is determined that the Proposed Action would affect operating conditions for certain categories of business by substantially impairing the ability of a specific industry or category of business to continue operating within the City. If a significant adverse impact is identified, mitigation measures will be explored under **Task 5: Mitigation**.

Task 4: Neighborhood Character

The *CEQR Technical Manual* defines neighborhood character as an amalgam of the various elements that give neighborhoods their distinct personality. These elements can include land use, socioeconomic conditions, open space, historic and cultural resources, urban design and visual resources, shadows, transportation, and noise, but not all of these elements contribute to neighborhood character in all cases. For neighborhood character, CEQR considers how those elements combine to create the context and feeling of a neighborhood, and how an action would affect that context.

According to the *CEQR Technical Manual*, an assessment of neighborhood character may be appropriate if the proposed action impacts any of those individual elements within a neighborhood. It is also possible that several moderate changes in the elements that contribute to a neighborhood's character could lead to a significant impact on neighborhood character. Generally, neighborhood character impacts are rare, and it would be unusual that, in the absence of a significant adverse impact in any of the relevant technical areas, a combination of moderate effects to the neighborhood would result in an impact to neighborhood character. Moreover, a significant impact identified in one of the technical areas that contribute to a neighborhood's character is not automatically equivalent to a significant impact on neighborhood character, but rather serves as an indication that neighborhood character should be examined.

Methodologies outlined in the *CEQR Technical Manual* will be used to provide an assessment of neighborhood character. The EIS will consider the Proposed Action's potential to affect neighborhood character based on the conclusions of land use, zoning, and public policy as well as socioeconomic conditions analyses.

Task 5: Mitigation

Where significant adverse impacts have been identified in the technical areas discussed above, measures will be identified to mitigate those impacts, to the extent practicable and feasible. Where impacts cannot be mitigated, they will be described as unavoidable adverse impacts.

Task 6: Alternatives

The purpose of an alternatives analysis is to examine reasonable and practicable options that avoid or reduce project-related significant adverse impacts while achieving the goals and objectives of the Proposed Action. The specific alternatives to be analyzed are typically finalized with the lead agency as project impacts become clarified. A No Action Alternative, which describes the conditions that would exist if the Proposed Action was not implemented, is required, and will be analyzed.

The alternatives analysis will be qualitative or quantitative as appropriate. Where action-related significant adverse impacts are identified, a quantitative assessment will be conducted. The level of analysis will depend on an assessment of project impacts determined by the analysis connected with the appropriate tasks.

Task 7: Conceptual Analysis

As noted above, the Proposed Action would create a new special permit under the jurisdiction of the CPC for new hotels in the Area of Applicability (as defined above). Future hotel development would be subject to review by the New York CPC since hotel use would only be allowed through the granting by CPC of a special permit; therefore, any future use proposal for hotel use would be assessed and disclosed to the public under and pursuant to a separate environmental review. Because it is not possible to predict whether a special permit would be pursued on any one site in the future, the RWCDs for the Proposed Action does not include consideration of specific development that would utilize the new special permit. Therefore, a conceptual analysis will be provided to generically assess the potential environmental impacts that could result from development pursuant to the special permit.

Task 8: EIS Summary Chapters

In accordance with CEQR guidelines, the EIS will include the following three summary chapters, where appropriate to the Proposed Action:

- › **Unavoidable Adverse Impacts**, which summarizes any significant adverse impacts that are unavoidable if the Proposed Action is implemented regardless of the mitigation employed (or if mitigation is not feasible).
- › **Growth-Inducing Aspects of the Proposed Action**, which generally refer to “secondary” impacts of a Proposed Action that trigger further development.
- › **Irreversible and Irretrievable Commitments of Resources**, which summarizes the Proposed Action and its impacts in terms of the loss of environmental resources (loss of vegetation, use of fossil fuels and materials for construction, etc.), both in the immediate future and in the long term.

Task 9: Executive Summary

The executive summary will utilize relevant material from the body of the EIS to describe the Proposed Action, potential environmental effects, mitigation measures, and alternatives to the Proposed Action.