3

Socioeconomic Conditions

This chapter considers the potential for the proposed action to result in significant adverse impacts to the socioeconomic character of the surrounding area, which includes its population, housing, and economic activity.

Introduction

This chapter assesses whether the proposed introduction of a Special Permit for the development of hotels in light manufacturing districts (M1 districts) citywide (the "proposed action") would result in significant adverse impacts to the socioeconomic character of M1 districts, in addition to impacts such an action would have on the hotel industry and other affected industries. M1 districts, which currently permit hotels as-of-right, are widely mapped in the boroughs outside Manhattan. In the past decade, these four boroughs as well as some areas of Manhattan, such as Midtown South and SoHo, have experienced considerable growth in tourism. Commensurate with the growth in tourism in New York City, there has been a significant increase in the inventory of new hotel rooms, with over 43,500 new hotel rooms delivered across the city since 2008. Approximately 12,900, or almost 30 percent, of these recently delivered rooms are located in M1 districts. As of the end of the first half of 2018, there are a total of 16,300 hotel rooms located in M1 districts across the five boroughs of New York City.

Concerns regarding hotel development in M1 districts vary, ranging from potential land use conflicts with active industrial businesses, effects on neighborhood character resulting from rapid growth of hotels in certain M1 districts, and lost opportunities for development of a greater diversity of commercial and industrial uses. The introduction of a Special Permit requirement for hotel development in M1 districts would allow for the NYC Department of City Planning ("DCP") to more carefully evaluate the impact that individual proposed new hotel projects may present in specific neighborhoods within M1 districts and ensure that hotels are built only on appropriate sites.

The proposed action under study, however, has the potential to affect the hotel industry, an important economic driver in New York City, by introducing a discretionary approval for hotel development in areas of the city that have accommodated a significant portion of the recent hotel expansion. Therefore, the analysis will also evaluate whether any changes created by the proposed action would have significant adverse impacts on socioeconomic conditions or on the hotel industry as compared to the future No-Action Condition.

Principal Conclusions

The proposed action is not projected to have a significant adverse impact on the hotel industry in New York City. As the analysis and **Consultant Report** and **Consultant Report Amendment** show, growth in the tourism sector and hotel development is strong and expected to continue into the future. Nevertheless, the current rapid pace of hotel development is not expected to continue at the same rate as the recent past.

The hotel market is believed to be approaching a saturation point with growth expected to slow as the current hotel development pipeline of projects exceeds projected future demand through 2028. That demand, however, is not spread evenly throughout the city. Certain submarkets are expected to drive more demand for hotels than others~~.~~

Absent the proposed action, it is expected that much of the residual hotel demand will be met in M1 districts with strong demand drivers. Since future projects may be discouraged by the time and costs associated with the public approval process, it is expected that there will be less hotel construction in M1 districts as a result of the proposed action, particularly in sub-markets with strong demand drivers and some of this development may shift to nearby commercial or mixed use districts to meet residual demand for hotel rooms. Consequently, this shift in the production of certain hotel products could potentially affect the availability and cost of accommodations in certain submarkets. Because substantial areas of the City will continue to be available for hotel development on an as-of-right basis, it is expected that new hotels will continue to be developed and that the City will be able to accommodate the demand of visitors. Given the robust pipeline for development, the continued opportunities for redevelopment throughout the city and the substantial increase and diversification of the hotel market in NYC in recent years, the proposed action is not expected to significantly and adversely affect business conditions, impair the economic viability, or substantially reduce employment in the hotel industry in NYC.

Methodology

Overview

As defined in the *CEQR Technical Manual,* the socioeconomic character of an area includes its population, housing, and economic activity. An action may result in adverse socioeconomic impacts if it would directly displace a residential population or a substantial number of businesses or employees, eliminate a business or institution that is unusually important to the community, or bring substantial new development that is markedly different from existing uses and activities in the neighborhood, potentially leading to indirect displacement of businesses or residents from the area. Socioeconomic changes do not necessarily result in impacts under CEQR; however, they are disclosed if they would affect land use patterns, low income populations, the availability of goods and services, or economic investment in a way that changes the socioeconomic character of the area. The objective of the CEQR analysis is to disclose whether any changes created by the proposed action would have a significant adverse impact compared to what would happen in the No-Action condition.

An assessment of socioeconomic impacts distinguishes between impacts on the residents and businesses in an area and separates those impacts into direct and indirect displacement for both of these groups. Direct displacement occurs when residents or businesses are involuntarily displaced from the actual site or sites impacted by the proposed action. For example, direct displacement would occur if a currently occupied site were redeveloped with new uses. In such a case, the occupants of a particular structure or structures to be displaced can be identified and therefore the disclosure of direct displacement focuses on specific businesses and a known number of residents and workers.

According to the *CEQR Technical Manual*, indirect or secondary displacement occurs when residents, business, or employees are involuntarily displaced due to a change in socioeconomic conditions in the area caused by the proposed action. An example of indirect residential displacement would be lower income residents forced to move due to rising rents caused by higher income housing introduced by a proposed action. An example of indirect business displacement would be a similar process resulting in commercial tenants able to pay higher rents replacing manufacturing uses as the result of the introduction of a new use by a proposed project. Unlike direct displacement, the exact occupants that may be indirectly displaced are not known. Therefore, an assessment of indirect displacement usually identifies the type and size of groups of residents, businesses, or employees potentially affected.

Some land use actions may not directly or indirectly displace businesses but may affect the operation of a major industry or commercial operation in the city. In these cases, the CEQR analysis may involve an assessment of the economic impacts of the action on that specific industry.

Determining Whether a Socioeconomic Assessment is Appropriate

Under the *CEQR Technical Manual,* a socioeconomic assessment should be conducted if a land use action or project may be reasonably expected to create substantial socioeconomic changes that would not be expected to occur in the future without the project. The following circumstances would typically require a socioeconomic assessment:

› The action or project would directly displace 500 or more residents or 100 or more employees.

› The action or project would directly displace a business whose products or services are dependent on its location, is the subject of policies or plans aimed at its preservation or serves a population dependent on its services at its present location.

› The action or project would result in new development of 200 residential units or more, or 200,000 square feet or more of commercial use that is markedly different from existing uses, development, and activities in the impacted areas. This type of action or development may lead to indirect displacement.

› The action or project would result in a total of 200,000 square feet or more of retail on a single development site or 200,000 square feet or more of regional retail across multiple sites. This type of development may have the potential to draw a substantial amount of sales from existing businesses in the impacted areas, resulting in indirect business displacement due to market saturation.

› The action or project is expected to affect conditions within a specific industry, which could impact socioeconomic conditions if a substantial number of workers or residents depend on the goods or services provided by the affected businesses, or if it would result in the loss or substantial diminishment of a particularly important product or service within the city.

If an action or project would exceed any of these initial thresholds, an assessment of socioeconomic conditions is generally warranted.

As described in greater detail below, the proposed action would not result in the direct or indirect displacement of any residents or businesses, and therefore an assessment of potential socioeconomic effects due to direct and indirect displacement is not warranted. However, the proposed action does have the potential to create impacts in non-manufacturing zoning districts where hotels are permitted as-of-right and may see an increase in hotel development as a result of the proposed changes, in addition to impacts on the hotel industry. These impacts are addressed and evaluated in this chapter.

Data Sources

The principal data source for this chapter is 2017 *NYC Hotel Market Analysis and M1 Zone Impacts* (the "Consultant Report"), prepared for DCP by BJH Advisors, BAE Urban Economics, and VHB and released in September 2017. The Consultant Report relid on New York City hotel market data as of Quarter 2 of 2017 compiled by the firm STR; in July 2018, the consultant team received updated hotel market data ("Consultant Report Amendment") from STR that is current up to the end of Quarter 2 of 2018. In addition, the Consultant Report relied on data from NYC & Company, the New York City Office of Management and Budget ("OMB"), the New York Metropolitan Transportation Council, and DCP itself. The Consultant Report also cites national hotel and travel data and trends provided by the U.S. Travel Association, a nonprofit organization that represents and advocates for components of the domestic travel industry. This data has all been updated to 2018 where available. The Consultant Report also utilized information gathered from interviews with local stakeholders, including hotel developers, economic development officials, and directors of Business Improvement Districts (BIDs), specific geographical areas where local stakeholders oversee and fund the maintenance, improvement, and promotion of their commercial district. These interviews were primarily conducted in the spring and summer of 2017.

This chapter also relies on additional data prepared by DCP and presented in the Reasonable Worst Case Development Scenario. As described in the analytical approach in Chapter 1, Project Description, given the numerous possibilities for future development of hotels, a detailed, quantitative analysis of these potential developments and their environmental impacts in a site-specific manner would be very speculative. As such, this is a generic, city-wide action and the possible effects of hotel development in locations outside of M1 districts in the future No-Action and With-Action conditions were analyzed by means of a prototypical analysis, which was based on existing trends and reasonable projections for the future. Since the proposed action would not change any rules regulating as-of-right development outside of M1 districts, the prototypical sites are assessed to describe the possible effects of shifting from one use (such as a different commercial, residential or manufacturing use) in the No-Action condition to a commercial hotel use in the With-Action condition. Accordingly, such effects or differences would not be evaluated as or considered to be significant adverse impacts under CEQR.

To assess the possible effects of the proposed action, a Reasonable Worst-Case Development Scenario (RWCDS) was established using both the current zoning (future No-Action) and proposed zoning (future With-Action) conditions. The RWCDS identifies prototypical sites in seven different neighborhoods, the general locations of which are shown in Figure 3-1:

- Area 1: Manhattan below 59th Street
- Area 2: Long Island City, Queens
- Area 3: Jamaica, Queens
- Area 4: South Slope, Brooklyn
- Area 5: Downtown Brooklyn
- Area 6: Brownsville, Brooklyn
- Area 7: Williamsburg, Brooklyn

Figure 3- 1 Prototypical Site Locations

Note: This Figure was updated for the FEIS.

Preliminary Assessment

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 hotels in M1 districts citywide, limiting hotel development in M1 districts except where such development is determined to be appropriate. However, beyond the general selection of areas that fulfill the above criteria, the exact location of future hotel rooms cannot be projected. As a result of the proposed action, it is expected that development of hotels in M1 districts would be reduced and that some hotel development will shift from M1 districts to nearby commercial and mixed-use areas with strong demand drivers for new hotels (Long Island City, Jamaica, South Slope, Downtown Brooklyn, Brownsville, Williamsburg, and below 59th Street in Manhattan).

The proposed action would not directly displace any residents in M1 districts above what could be expected as a result of the No-Action scenario. This is because the With-Action condition is expected to reduce hotel development in M1 districts, making it far less likely for residential displacement to occur in those districts as compared with the No-Action condition.

While it is possible that the shift in hotel development to nearby commercial and mixed-use districts could result in a net decrease in other permitted uses in the area, these locations are dispersed throughout the city and have active commercial and residential markets. The shift in hotel development to some of these other areas is not expected to significantly alter patterns of development in any one neighborhood. Additionally, as demonstrated by the prototypical sites, any hotel development is likely to occur on soft sites that would have been considered for a wide variety of uses in addition to hotels. Since these sites could be redeveloped with a variety of other permitted uses, whatever potential there is for displacement is not specific to the construction of a hotel. Therefore, the proposed action would not result in significant direct or indirect residential displacement that could have the potential to change socioeconomic conditions in any of the study areas.

Direct Business and Institutional 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 CPC Special Permit for the development of new hotels in M1 districts is in effect a restriction, and as such, not development-inducing. The introduction of a CPC Special Permit for hotel development would create a discretionary action for the development of hotels in M1 districts citywide, allowing consideration of how new hotels contribute to the existing mix of businesses in the neighborhood. Since the character of M1 districts are so varied, and are expected to evolve, additional discretion is needed to assess the potential effect of new hotel development on land use and economic trends. For instance, depending on the business environments between different M1 districts, a hotel development may be appropriate in some areas and inappropriate in others. The proposed Special Permit will allow consideration of this.

In the Future No-Action condition, continued economic growth is predicted to occur in M1 zones, which are where the greatest opportunities remain, and much of this growth could be comprised of a wide variety of new non-residential uses. There would be continued, hotel development in M1 areas, since the current hotel development pipeline suggests that more are coming online. Hotels would be expected to develop opportunistically, both in places where there may be synergies with businesses in the areas, as well as in locations where they create land use conflicts with adjacent uses or where the surrounding businesses do not depend on or benefit from the proximity to hotel uses. In other words, some of these hotels may satisfy an already existing suite of needs while also helping existing businesses to continue to grow. Others, however, may introduce conflicts with existing businesses or new economic activities that could alter neighborhood conditions, making it difficult for existing businesses to stay in place. As a result, some existing businesses in M1 areas and surrounding districts could see rising rents and a changed business climate.

In the Future With-Action condition, each new hotel development will be evaluated in the context of how it may contribute to the existing fabric of businesses in the neighborhood. Each project would be considered on its potential to introduce conflicts with existing businesses or introduce new economic activity that could change neighborhood conditions that might make it difficult for existing businesses to stay in place. Each application for a Special Permit would be evaluated pursuant to CEQR and the hotel project's potential for direct displacement of uses would be disclosed.

While it is possible that the shift in hotel development to nearby commercial and mixed-use districts could result in a net decrease in other permitted uses, these locations are dispersed throughout the city and have active commercial and residential markets. The shift in hotel development to some of these other areas is not expected to significantly alter patterns of development in any one neighborhood. Additionally, as demonstrated by the prototypical sites, any hotel development is likely to occur on soft sites that would have been considered for a wide variety of uses besides hotels. Since these sites could be redeveloped with a variety of other permitted uses, whatever potential there is for displacement is not specific to the construction of a hotel.

The proposed action is a restriction and not an inducement for the development of hotels in M1 districts and therefore would maintain siting for industrial and all other non-hotel-related uses currently operating as-of-right in these districts. As such, the proposed action would be expected to decrease the direct displacement of businesses from sites in light manufacturing districts by hotels. Currently, there are approximately 16,300 hotel rooms located in M1 districts across the five boroughs, comprising almost 14 percent of the total supply of hotel rooms in the city. Existing hotels in M1 districts will remain conforming uses and continue to operate. Further, there are specific zoning provisions drafted as a part of this proposal to allow for them to undertake alterations or limited expansions as necessary.

Accordingly, the proposed action does not have the potential to directly displace any business or institution from any site.

Indirect Business and Institutional Displacement

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 hotels in M1 districts citywide, allowing consideration of how new hotels contribute to the existing mix of businesses in the neighborhood. Since the character of M1 districts are so varied, and are expected to evolve, additional discretion is needed to assess the potential effect of new hotel development on land use and economic trends. For instance, depending on the business environments between different M1 districts, hotel development may be appropriate in some areas and inappropriate in others. The special permit will allow consideration of this.

Furthermore, the proposed action will continue to allow existing hotels to operate and expand within the zoning lot as of date of enactment of the proposed action. This means that grandfathered hotels would benefit from similar rights as conforming buildings and existing businesses in the study area could continue to depend on existing hotels.

In the Future No-Action condition, continued economic growth is predicted to occur in M1 zones, which are where the greatest opportunities remain, and much of this growth could comprise a wide variety of new non-residential uses. There would be continued, hotel development in M1 areas, since the current hotel development pipeline suggests that more are coming online. Hotels would be expected to develop opportunistically, both in places where there may be synergies with businesses in the areas, as well as in locations where they create land use conflicts with adjacent uses or where the surrounding businesses do not depend on or benefit from the proximity to hotel uses. In other words, some of these hotels may satisfy an already existing suite of needs while also helping existing businesses to continue to grow. Others, however, may introduce conflicts with existing businesses or new economic activities that could alter neighborhood conditions, making it difficult for existing businesses to stay in place. As a result, some existing businesses in M1 areas and surrounding districts could see rising rents and a changed business climate.

In the Future With-Action condition, each new hotel development will be evaluated in the context of how it may contribute to the existing fabric of businesses in the neighborhood. Each project would be considered on its potential to introduce conflicts with existing businesses or introduce new economic activity that could change neighborhood conditions, making it difficult for existing businesses to stay in place. All Special Permit applications will be evaluated pursuant to CEQR for their potential to cause secondary displacement of businesses.

While it is possible that the shift in hotel development to nearby commercial and mixed-use districts could result in a net decrease in other permitted uses, these locations are dispersed throughout the city and have active commercial and residential markets. The shift in hotel development to some of these other areas is not expected to significantly alter patterns of development in any one neighborhood. Additionally, as demonstrated by the prototypical sites, any hotel development is likely to occur on soft sites that would have been considered for a wide variety of uses besides hotels. Since these sites could be redeveloped with a variety of other permitted uses, whatever potential there is for displacement is not specific to the construction of a hotel. The proposed action would also not result in the direct displacement of businesses in other districts where hotel development will continue to be allowed as-of-right. Where hotels ultimately would be developed in the With-Action scenario, the prototypical site analysis highlights the fact that they are likely to occur on soft sites where any potential for displacement is not specific to the construction of a hotel. These places are also dispersed throughout the city and any increase in hotel development in a given area is expected to be minor. Moreover, these tend to be commercial districts where hotels are generally compatible with and contribute services to the existing mix of businesses.

The proposed action is expected to reduce the number of new hotels in M1 districts, and as a result, there will be less likelihood of new hotels causing secondary displacement pressures on existing business within M1 Districts. Furthermore, since existing hotels can continue to operate after enactment, the proposal is not expected to affect the customer base of existing businesses that currently depend on the existing hotels.

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 M1 districts citywide.

Preliminary Assessment

The proposed action would introduce a Special Permit for the development of new hotels in M1 districts citywide. As outlined in this chapter, hotel development in M1 districts is largely concentrated in a small subset of such districts based on those districts' locations and amenities.

In the Future No-Action condition, there would be continued hotel development in M1 districts, since the current hotel development pipeline suggests that there are a number of hotels under construction that are expected to be completed in the next few years. Continued hotel growth is expected, and predicted to occur in M1 zones, where opportunities remain. Hotels would be expected to develop opportunistically, both in places where there may be synergies with businesses in the areas, as well as in locations where they create land use conflicts with adjacent uses or where the surrounding businesses do not depend on or benefit from the proximity to hotel uses. In other words, some of these hotels may satisfy an already existing suite of needs while also helping existing businesses to continue to grow. Others, however, may introduce conflicts with existing businesses or new economic activities that could alter neighborhood conditions, making it difficult for existing businesses to stay in place.

In the Future With-Action condition, each new hotel development will be evaluated in the context of how it may contribute to the existing fabric of businesses in the neighborhood. Each project would be considered on its potential to introduce conflicts with existing businesses or introduce new economic activity that could change neighborhood conditions, making it hard for existing businesses to stay in place.

While it is expected that a requirement for a CPC Special Permit for hotel use in M1 districts would result in fewer hotel developments in these districts, when or if there is a market for new hotels in these areas, developers would have the ability to obtain this 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 almost 30 percent of new hotel rooms delivered since 2008 located in M1 districts, the proposed action could have the potential to affect business conditions in the hotel industry or to impair its economic viability. Therefore, per the *CEQR Technical Manual* guidelines, further analysis is required to determine if there are adverse impacts on the hotel industry.

Detailed Assessment

Existing Conditions in the Hotel Industry

The New York City hotel market has experienced considerable recent growth, with citywide room inventory increasing by over one-third since 2010. As of June 2018, there were 120,300 hotel rooms in almost 650 hotel properties in the five boroughs. 83 percent of these rooms are in Manhattan.

Increased demand for accommodations outside Manhattan, however, has 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 20,800 hotel rooms currently existing in Brooklyn, Queens, the Bronx, and Staten Island, over half (54 percent) have been delivered since 2010. While this growth is slowing, 45 percent of hotel rooms identified in the construction pipeline in New York City are located outside of Manhattan. For instance, the number of hotel properties in Brooklyn and Queens has doubled over the past decade.

Based on evaluation of market reports and stakeholder interviews that were conducted as part of the Consultant Report described in the beginning of this chapter, principle 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 changes

New York City Hotel Market Projections

While the Consultant Report relies on data from the second quarter of 2017, recent hotel market reports largely confirm the continuation of trends identified in the Consultant Report. In January 2018, hospitality research firm HVS found that New York City is still in the midst of an ongoing hotel supply boom that will continue through 2020 as hotels in the development pipeline are completed. Almost 5,000 hotel rooms opened in New York City in the calendar year 2017, and the city's total hotel supply is expected to increase by five percent in each of 2018 and 2019.[1] LW Hospitality Advisors has predicted that, after this supply comes online, then for five years beyond 2021, there will likely be very little new hotel development in the five boroughs, though room rates and RevPAR will strengthen.[2] In recent months, however, there has been more activity than was initially assumed. So, while the rapid pace of hotel development is still expected to slow, it might not do so as quickly as was originally anticipated.

Current Hotel Market Conditions in M1 Districts

As of June 2018, there were 16,300 hotel rooms in M1 districts across New York City, representing just over 13 percent of the city's total inventory. Yet, as confirmed by the Consultant Report, these hotels in light manufacturing districts are generally concentrated in

[1] *HVS Hotel Market Report,* January 2018

[2] Rothstein, Ethan, "The Worst is Over for New York City's Rock-Solid Hotel Market," Bisnow, Jan. 8, 2018

only a few submarkets where hotel development has been robust and supported by strong demand. **Table 3-1**, below, shows the percentage of hotel rooms in each borough, and each submarket within the boroughs, that are currently located in M1 districts.

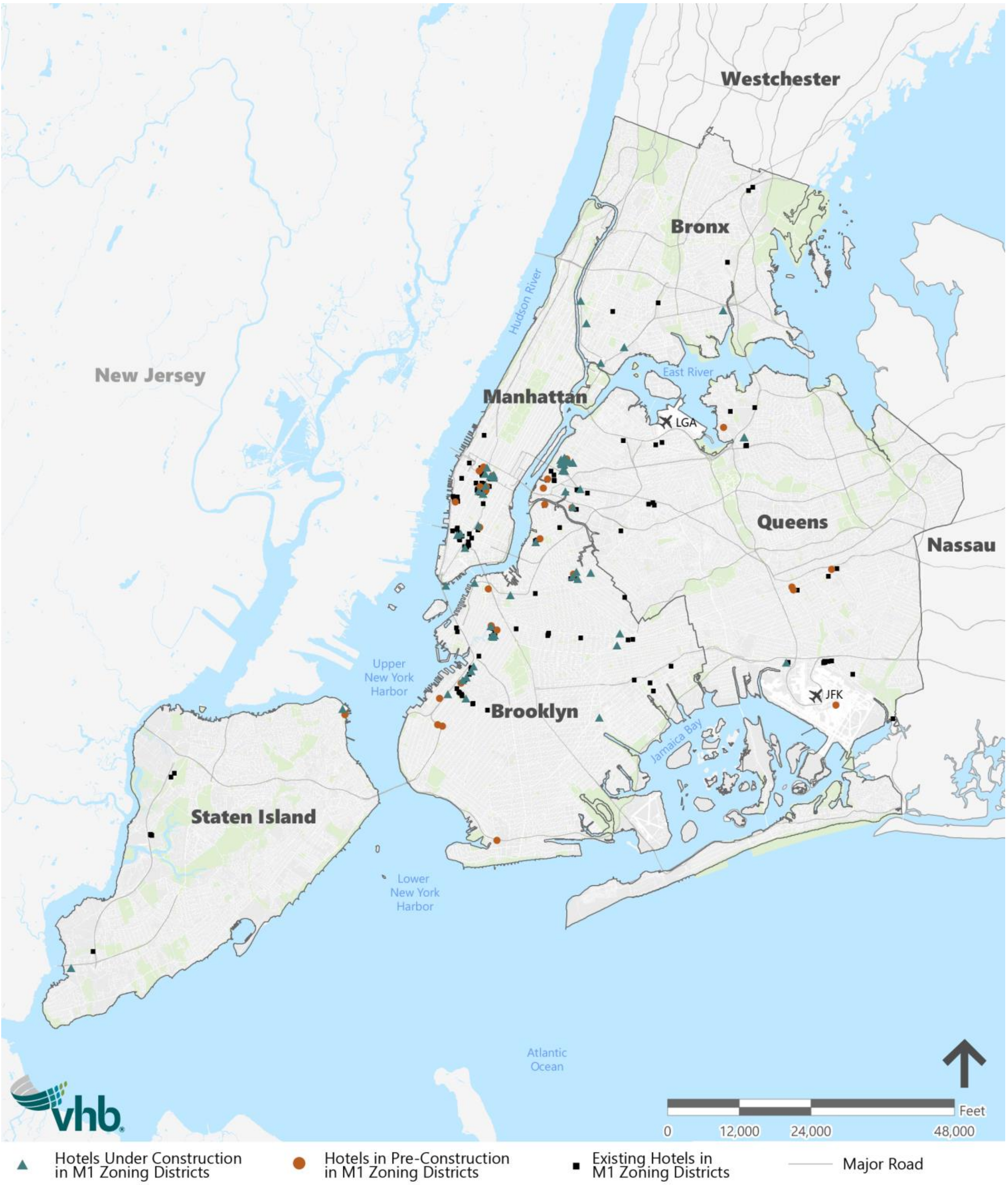
Table 3-1 M Zone Hotel Rooms as a Percent of Total Rooms by Submarket, 2018

Market	Total Hotel Rooms	Hotel Rooms in M1 Zones	M1 Rooms As Percent of Total
Manhattan, All	**99,552**	**10,005**	**10.1%**
Manhattan, Uptown	*6,037*	*0*	*0.0%*
Manhattan, Below 59th	*93,515*	*10,005*	*10.7%*
Brooklyn, All	**6,306**	**2,150**	**34.1%**
Brooklyn, Downtown, Gowanus, Redhook	*3,230*	*670*	*20.7%*
Brooklyn, North	*1,163*	*544*	*46.8%*
Brooklyn, Other	*1,913*	*936*	*48.9%*
Queens, All	**12,598**	**3,123**	**24.8%**
Queens, Long Island City	*3,088*	*1,159*	*37.5%*
Queens, LGA, Flushing, 113xx Zip Codes	*4,909*	*702*	*14.3%*
Queens, Jamaica, JFK, 114xx Zip Codes	*4,601*	*1,262*	*27.4%*
Bronx, All	**1,088**	**392**	**36.0%**
Staten Island, All	**778**	**639**	**82.1%**
NYC, Total	**120,322**	**16,309**	**13.6%**

Sources: STR, 2018.

Following the development factors for hotels that are cited above, M1 districts that are in Manhattan or that are near subway stations providing easy access to Manhattan, in addition to some M1 districts adjacent to JFK and LaGuardia Airports, have attracted more hotel development because this proximity is valued. M1 districts farther from Manhattan and/or not convenient to subway transit, excluding those M1 districts near airports, have experienced significantly less hotel development. A map of hotel rooms in M1 districts in New York City is provided in **Figure 3-2**, below:

Figure 3- 2 Hotel Rooms in M1 Districts



Over 60 percent of New York City's existing hotel rooms in M1 districts are located in Manhattan below 59th Street, largely on the West Side and in the M1 districts just north and south of Penn Station and Herald Square. These account for ten percent of all hotel rooms in the borough. Of the remaining 6,300 hotel rooms that are in M1 districts outside Manhattan, almost 60 percent are concentrated in just four submarkets – Long Island City and Jamaica/JFK in Queens, and Downtown/Gowanus and North Brooklyn in Brooklyn. All-together, almost one third (32 percent) of hotel rooms in these submarkets are located in M1 districts. North Brooklyn, encompassing Williamsburg, Bushwick, and Greenpoint, has the highest percentage of hotel rooms in M1 districts out of all the submarkets across the city, with 60 percent of its hotel rooms located in areas zoned for light manufacturing.

The typology or class of hotels developed in M1 districts is also distinct from the typology of hotels in the New York City market in general. Just eight percent of the 43,500 hotel rooms delivered in the past decade across the five boroughs are classified as Economy by STR, compared to the almost two-thirds that are classified as either Upscale or Luxury. However, if one considers just the 3,800 hotel rooms developed in M1 districts outside Manhattan since 2008, almost one-third (31 percent) are classified as Economy while only 22 percent are Upscale with zero Luxury class hotels developed in M1 districts since 2008. Generally, Upscale hotels in M1 districts can primarily be found in Manhattan Below 59th Street, Long Island City, and North Brooklyn while Luxury hotels in M1 districts are limited to just Manhattan.

This is noteworthy because Economy class hotels tend to be limited-service properties, meaning that they do not usually include the on-site conference, banqueting, and dining facilities that are generally found in Luxury, Upscale, and some Midscale properties.

A detailed breakdown of the typologies of hotels built in M1 districts since 2008 is provided in **Table 3-2** below:

Table 3-2: Percentage of Hotel Rooms Built Since 2008 by Type

	All Zoning Districts		M1 Districts			
	(All Boroughs)		(All Boroughs)		(Boroughs Outside Manhattan)	
Class Type	**Rooms**	**Percent**	**Rooms**	**Percent**	**Rooms**	**Percent**
Economy Class	3,633	7.8%	1,197	10.5%	1,197	31.1%
Midscale Class	12,455	26.7%	3,691	32.5%	1,789	46.5%
Upscale Class	24,889	53.4%	5,381	47.4%	859	22.3%
Luxury Class	5,653	12.1%	1,083	9.5%	0	0.0%
Total, All Class Types	**46,630**	**100%**	**11,352**	**100%**	**3,845**	**100%**

Sources: STR, 2018.

Future No-Action Condition

Many developers and others in the hotel industry who were engaged as part of the Consultant Report stated that the current hotel construction boom in New York City is a result of supply catching up with demand as there was relatively little new hotel construction in the ten-year period between 1997 -2007, particularly in the boroughs outside Manhattan, despite steady increases in demand for additional hotel rooms.

Currently, increases in tourism and employment continue to create demand for the development of new hotel rooms. However, as supply continues to increase to meet demand, new hotel development is expected to slow. Therefore, while the current pipeline of hotel rooms under construction and in pre-construction represents a one-third increase over the current supply of hotel rooms in the city, the steady occupancy rates and flat revenue per available room (RevPAR) rates that the market is now beginning to experience reflects a slackening demand and evidence that the current development boom is unlikely to continue through the 2028 build year.

Using visitation and employment projection data, along with national tourism demand trends and information about the current hotel development pipeline in New York City, the Consultant Report evaluated hotel room demand and supply growth for each of the five boroughs and New York City as a whole through 2028 in order to determine the residual demand for new hotel rooms over the next ten years. This projection was undertaken by way of a three-step approach.

Step 1: Project future hotel room demand by market segment (Leisure and Business).

Step 2: Identify total existing and future hotel supply.

Step 3: Subtract the result of Step 2 from the result of Step 1 to calculate the Residual Hotel Room Demand.

This approach assumes that an equilibrium between supply and demand will exist by 2028. Under this assumption, the supply of hotel rooms in 2028 would be the sum of the existing supply of hotel rooms, the hotel rooms currently under construction, and the additional hotel rooms needed to meet the residual demand calculated in Step 3. These additional hotel rooms would likely include some of those hotels that are in the pre-construction pipeline, but which have not yet filed for building permit applications. Further detail about each of these three steps is provided below.

Projecting Total Future Hotel Demand

In order to project future hotel demand for the leisure and business sectors, it is necessary to first identify existing hotel demand in this sector. This was done in the Consultant Report for each of the five boroughs, examining existing rooms, occupancy rates, and the relative share of leisure and business travel. This estimate is outlined in **Table 3-3** below:

Table 3-3 Existing Hotel Demand, 2017

Borough	Existing Rooms	Occupancy Rate	2017 Room Demand: Occupied Rooms/Total Demand (a)	Leisure (b)	Business (c)
Bronx	1,088	72.4%	787	627	160
Brooklyn	6,306	81.1%	5,116	4,075	1,042
Manhattan	97,892	87.6%	85,706	68,256	17,450
Queens	12,475	85.1%	10,622	8,459	2,163
Staten Island	778	70.2%	546	435	111
Total, All NYC	**118,539**	**86.7%**	**102,779**	**81,853**	**20,926**

Notes:
(a) Average occupied rooms per night, or total occupied rooms.
(b) Leisure demand as a share of total demand 79.6% (per NYC & Company
(c) Business demand as a share of total demand 20.4% (per NYC & Company) Source: STR, 2018.

In this table, using New York City hotel occupancy rates provided by STR, it can be determined that the overall occupancy rate for New York City hotel rooms is 87 percent, with the highest occupancy rates in Manhattan and Queens and the lowest in Staten Island and the Bronx. Current room demand for the leisure and business sectors is calculated using the distribution identified by NYC & Company, which assumes that leisure accounts for just under 80 percent of total demand for travel to New York City and business accounts for just over 20 percent. It should be noted that, while the total number of existing hotel rooms in New York City as of June 2018 is estimated by STR to be at 120,300, this table uses the latest occupancy data, from 2017, when the total hotel room supply was estimated at just over 118,500.

Table 3-4, below, shows projected hotel room demand through 2028 by borough and travel type. This projection assumes combined leisure and business annual demand growth of 1.6 percent from 2016 – 2020 and 1.9 percent for the period 2016 – 2028. The short-term 1.6 percent rate was projected in the Consultant Report by averaging data regarding the leisure and business travel sectors from the US Travel Association, NYC & Company, and New York City Office of Management and Budget (OMB) for the period 2016 – 2020. The longer-term growth rate, through 2028, was determined using projections from the New York Metropolitan Transportation Council's 2045 Regional Transportation Plan and national business travel projections from the US Travel Association.

This table also assumes that the distribution of demand and occupancy rates among the five boroughs will continue at the same proportions as they are currently, with Manhattan continuing to dominate. Assuming the current 86 percent vacancy rate, there will be demand for a total of 124,700 rooms in 2020 and a total of 146,500 rooms by 2028.

The total future long-term demand of 143,600 rooms is determined by taking the existing room demand, represented as the average number of existing, occupied rooms in each borough, and then calculating future demand by applying the 1.9 percent annual growth rate as described above, and then dividing the result by the hotel occupancy rate of 86 percent. The result is the total number of future hotel rooms required to meet projected demand in 2028, assuming the hotel occupancy rate in New York City remains the same.

Table 3-4 Projected Hotel Room Demand (2017 – 2028) by Borough

Borough	2017 Existing Room Demand	Total Future Room Demand[2]	Occupancy Rate	Total Future Room Demand with Vacancy
2017 - 2020				
Bronx	787	838	72.4%	1,144
Brooklyn	5,116	5,379	81.1%	6,629
Manhattan	85,706	90,102	87.6%	102,913
Queens	10,622	11,167	85.1%	13,155
Staten Island	546	574	70.2%	818
Total – All NYC	**102,777**	**108,060**	**86.7%**	**124,619**
2017 - 2028				
Bronx	787	973	72.4%	1,345
Brooklyn	5,116	6,324	81.1%	7,795
Manhattan	85,706	105,938	87.6%	121,000
Queens	10,622	13,129	85.1%	15,420
Staten Island	546	675	70.2%	962
Total – All NYC	**102,777**	**123,297**	**86.7%**	**146,521**

Notes:
[1]Represents number of occupied rooms as of 2017
[2]Average annual growth rates: 1.7% (2017 - 2020) and 1.9% (2017 - 2028)
Source: STR, 2018

Identifying Total Hotel Room Supply

The total hotel supply in New York City comprises the 120,300 current hotel rooms in the five boroughs plus those hotel rooms that are in the construction pipeline. According to data provided by DCP and augmented by data from NYC & Company, there are currently 20,200 hotel rooms under construction that can be expected to be completed by 2020. Therefore, by 2020 it is anticipated that there will be 140,500 hotel rooms in New York City. It should be noted that, since the hotel rooms under construction have already been approved, it is known that approximately 24,100, or 17.2 percent, of those 140,500 rooms would be located in M1 districts under both the proposed action and the No-Action conditions, with 54 percent of those rooms in M1 districts in Manhattan.

In addition to the 20,200 hotel rooms currently under construction, the Consultant Report also identified approximately 17,100 hotel rooms that are in various stages of pre-construction. However, while hotel rooms that are already under construction are very likely to be completed, there is less assurance regarding hotel properties in pre-construction, which may not yet have development approvals or financing in place.

Projecting Unmet Future Hotel Demand

Unmet future hotel demand in the near term and longer-term can be determined by subtracting the 140,500 hotel rooms that are both existing and under construction from the projected future demand for hotel rooms in 2020 and 2028, identified in **Table 3-4** above as 124,600 and 146,500 rooms respectively. This leaves no unmet demand for new hotel rooms in 2020 and residual demand for additional hotel rooms in 2028. In addition, while it is uncertain what portion of the 17,100 hotel rooms that are in various stages of preconstruction would eventually be built, only 35 percent of these would need to be constructed to meet long term unmet demand through 2028. Since any hotel development in the areas of applicability would either be required to have foundations complete by the adoption of the text amendment for the hotel special permit, or, for those projects with partial permits issued on the CPC referral date, have completed construction within three years of adoption, some of these projects may not be developed as a result of the proposed action.

As outlined in the Consultant Report, Manhattan is the only borough where projected net new room demand for 2028 is not exceeded by new hotel rooms already permitted and under construction. Due to capacity constraints, real estate competition, and other obstacles to development of new hotels in Manhattan, however, the Consultant Report determined it would be unlikely that all 6,000 of the hotel rooms needed to address residual demand by 2028 would be built in that borough. The Consultant Report therefore projected that some of the 2028 Manhattan residual demand would be met by new hotels in M1 districts outside of Manhattan, consistent with recent trends of more development in sub-markets outside Manhattan. In order to distribute the total 2028 residual demand among the five boroughs, the Consultant Report used the same proportions as the current construction pipeline. Using these ratios, over half of the hotel rooms that would meet unmet demand, or 3,300, would still be sited in Manhattan, while 1,440 would be located in Queens, 900 would be located in Brooklyn, and the remaining 360 rooms would be divided between the Bronx and Staten Island. These hotel units were then further divided between M1 districts and other zoning districts. The result is outlined in **Table 3-5**.

Table 3-5 Projected Residual Room Demand through 2028 after Accounting for Rooms Under Construction - Distributed by Borough and Zoning District

Borough	M1 Districts	Other Zoning Districts	Total
Manhattan	920	2,380	3,300
Bronx	80	160	240
Brooklyn	380	520	900
Queens	790	650	1,440
Staten Island	110	10	120
NYC Total	**2,280**	**3,720**	**6,000**

Sources: BJH/BAE 2018 New York City Hotel Market Analysis

Future With-Action Scenario

The proposed action could affect those hotels in M1 districts that are in the pre-construction pipeline, meaning that construction has not yet begun or building permits have not yet been filed. This encompasses 38 percent, or 2,280, of the 6,000 rooms that would be required citywide to fulfill residual demand through 2028. The 7,750 rooms already under construction in M1 zones in all five boroughs, would not be affected by the proposed action. Moreover, any additional developments that complete foundations by the adoption of the text amendment for the hotel special permit, or any development with partial DOB permits issued by April 23, 2018, that have completed construction within three years of adoption of the zoning text change would not be affected by the proposed action.

While the proposed action would not prohibit development of new hotels in M1 districts, it would create a discretionary approval process. Some developers may choose to develop a portion of these 2,280 hotel rooms in nearby commercial or mixed-use zoning districts where hotel development can take place as-of-right in the same submarket rather than deal with the costs, time, and uncertain outcomes of a discretionary review process. While this does not mean that future hotel supply will not be able to meet projected additional demand over the next decade, it should be noted that, in some commercial districts, hotel projects may face higher acquisition and construction costs. While it is not possible to identify the precise location or amount of hotel development that might shift from M1 districts to nearby commercial areas, it is probable that hotel development would continue to be concentrated in the strongest submarkets such as Manhattan Below 59th Street, Long Island City, Downtown Brooklyn/Gowanus, and North Brooklyn.

As noted, **Table 3-5**, above, provides a breakdown, under a No-Action condition, of the location by borough and zoning district of the additional hotel rooms that would meet the residual 2028 demand, including those additional rooms that are projected to be in M1 districts. Manhattan, Queens, and Brooklyn are expected to account for almost 95 percent of the rooms that would meet the residual demand through 2028 under the proposed action.

Potential Effects on Individual Submarkets and Hotel Types

As described in the Market Report, the distribution by typology of hotels built in M1 districts across the city in the past decade is very similar to the distribution by typology of hotels built in all zoning districts, with over half of the rooms classified as Upscale, over one-quarter Midscale, and the remainder distributed fairly equally between Economy and Luxury type hotels. However, while M1 districts in Manhattan accommodate a diverse range of hotel types, outside Manhattan, the typology of hotels built in M1 districts since 2008 is skewed toward Economy and Midscale, with almost one-third of the hotel room inventory being Economy and almost one half being Midscale. There are no Luxury class hotels in M1 districts outside Manhattan and the 22 percent of hotel rooms in M1 districts outside Manhattan that are classified as Upscale are largely concentrated in Long Island City and North Brooklyn. Generally speaking, however, while there may be some shift in the typology breakdown as a result of this action, there should still be outlets for budget options in lower density commercial areas like C2 or C8 districts.

The individual hotel submarkets identified in the Consultant Report differ greatly in the quantity and character of their hotel supply in addition to the opportunities for projected hotel growth outside of M1 districts. Therefore, it is important to consider the conditions and context within each of these submarkets.

The following provides a brief overview of each of the eight submarkets in the city where it is projected that, under a No-Action condition, some hotel rooms required to meet residual demand over the next decade would be located in M1 districts. These overviews consider recent trends in hotel development in M1 districts in each of these eight submarkets, in order to inform how hotel development might shift under the proposed action.

Manhattan Below 59th Street

Manhattan Below 59th Street has the largest estimated 2028 residual demand of all of the identified submarkets. It is also projected to have the largest number of hotels rooms in M1 districts under a No-Action condition, with about 40 percent of the total number of hotel rooms in M1 zones meeting residual 2028 demand. These hotel rooms would likely shift to nearby as-of-right districts under the proposed action. In the past decade, 6,515 hotel rooms have opened in M1 districts in this submarket, with large concentrations in Koreatown, near Penn Station/Herald Square, and West SoHo. 77 percent of these hotel rooms are in Upscale or Luxury class properties while 23 percent are in Midscale class properties. No Economy class hotels have opened in M1 districts in this submarket in the past decade.

The average room-count for hotels that have opened in M1 districts in Manhattan below 59th Street in the past decade is 197. Based on this precedent, it can be assumed that four or five typically-sized hotels would accommodate the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. If these hotels were not developed in M1 districts in this submarket due to the proposed action, it is likely that they would be constructed in the numerous contiguous areas in Midtown, the Far West Side, or Downtown where hotel development is permitted as-of-right and where substantial construction of Luxury, Upscale, and Midscale hotel properties has taken place in the past ten years.

Downtown Brooklyn/Gowanus/Red Hook

About three percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket. In the past decade, approximately 390 hotel rooms have been delivered in M1 districts in this submarket, with the largest concentration of these in the Gowanus neighborhood. It should be noted that the Central Business District of Downtown Brooklyn itself, where the majority of overall new hotel construction has taken place in this submarket, contains no M1 districts. The large majority, 73 percent, of hotel rooms currently in M1 districts in this submarket are Midscale, with Economy class rooms accounting for 15 percent and Upscale rooms accounting for 12 percent. There are no Luxury class hotels in M1 districts in this submarket.

The average room-count for hotels that have opened in M1 districts in this submarket in the past decade is 78. Therefore, based on precedent, it can be assumed that one typically-sized hotel would accommodate the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. The challenge in this submarket is that under the proposed action condition, there are few areas contiguous or proximate to existing M1 districts that could accommodate as-of-right hotel development, particularly near the Gowanus area that has been so popular for new Midscale hotels in recent years. In addition, while Midscale hotels predominate in the M1 districts in this submarket, the majority of newer hotels in the other as-of-right zoning districts in this submarket are Upscale, with almost 80 percent of hotel rooms built in the past decade in other zoning districts in this submarket being classified as such. As a result, it might be expected that fewer hotel rooms might be developed in this submarket under the proposed action than under the No-Action condition.

North Brooklyn

About nine percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket, which encompasses Williamsburg, Greenpoint, and Bushwick. In the past decade, approximately 540 hotel rooms have been delivered in M1 districts in this submarket with the largest concentration in the areas along Wythe Avenue and near McCarren Park. The North Brooklyn submarket is unique in that almost all of the hotel rooms in this submarket have been developed since 2008 and the hotel market here is dominated by independent Upscale properties. Over 80 percent of the hotel rooms in M1 districts in this submarket are classified by STR as independent Upscale, with the remainder being Economy or Midscale. Hotel rooms in non-manufacturing districts in this submarket are largely Midscale, while the remaining 64 Upscale rooms are located in a mixed M1/R6 district.

The average room-count for hotels that have opened in M1 districts in this submarket in the past decade is 90, with a trend toward larger hotels in more recent years. Therefore, based on precedent, it can be assumed that one typically-sized hotel would accommodate the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. Under a proposed action condition, there are multiple areas adjacent to the M1 districts in this submarket where hotels can be built as-of-right. There are several additional hotel properties currently in the pipeline in M1/R6 districts just to the south of the M1 districts near McCarren Park.

Southern and Eastern Brooklyn

About six percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket, which currently encompasses sizable clusters of hotels in Sunset Park and along the Atlantic Avenue corridor. In the past decade, almost 570 hotel rooms have been delivered in M1 districts in this submarket, more than twice as many hotel rooms as were delivered in non-M1 districts here. The large majority of these new hotel developments was in Sunset Park. Almost 83 percent of the hotel rooms developed in M1 districts in this submarket since 2008 are Economy or Midscale class, with the remaining Upscale rooms located at one hotel property in Sunset Park. The 410 hotel rooms built since 2008 outside M1 districts in this submarket are also Economy and Midscale class.

The average room-count for hotels that have opened in M1 districts in this submarket since 2008 is 57. Therefore, based on precedent, it can be assumed that one or two typically-sized hotels would accommodate the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. Under the proposed action condition, while there are numerous as-of-right zoning districts for hotels in this submarket – including the 86th Street corridor, the Coney Island Avenue corridor, and the Utica Avenue corridor – many of the nearby locations do not exhibit the characteristics that have driven recent development in the area. In fact, there are very few areas that are zoned as-of-right for hotel development adjacent to the existing M1 clusters in Sunset Park and along Atlantic Avenue, though Fifth Avenue in South Slope and Greenwood Heights are two areas near Sunset Park where hotel development may be able to shift.

Long Island City

Long Island City is the largest submarket for hotels outside of Manhattan, with about 27 percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition located in this submarket. Long Island City is notable for being dominated by M1 and M1/R districts. Of its 2,270 hotel rooms that have come online since 2008, 30 percent are in M1 districts and 67 percent are in M1/R districts. No hotels have been developed yet in the small Commercial district surrounding Court Square. While both zoning districts are dominated by Midscale hotel properties, the M1 districts contain a far larger share of Economy class hotel rooms (285 rooms vs. 100 rooms in the M1/R district). While the M1/R districts contain 424 Upscale hotel rooms, the large majority of which are contained in two new hotel properties that opened in 2016, there are no Upscale hotels currently in the M1 districts.

The average room-count for hotels that have opened in M1 districts in this submarket since 2008 is 115. Therefore, based on precedent, it can be assumed that between five and six typically-sized hotels would accommodate the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. Under the proposed action, the hotels projected for M1 districts would likely shift to the adjoining M1/R districts. The M1/R districts in this submarket more favorably meet the locational factors for hotel development as they are proximate to the subway and amenities hubs at Queens Plaza and Court Square. This proximity may be a factor attracting recent development of large Upscale hotels in these areas. Current Economy class hotels are largely clustered in the M1 district in the Ravenswood neighborhood in the northern part of this submarket. It may be less financially viable for new Economy class hotels to shift to the M1/R districts where there has been less demand for this product.

LaGuardia/Flushing/Northern Queens

About three percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket, which is dominated by a cluster of hotels near LaGuardia Airport and a smaller cluster of hotels in Downtown Flushing. Since 2008, approximately 170 hotel rooms have been delivered in M1 districts in this submarket, largely in College Point and Elmhurst. These hotel rooms are equally distributed between Economy and Midscale class properties. No new hotels have been developed adjacent to LaGuardia Airport in the past decade, other than two new properties in a non-M1 district in Corona. The almost 1,360 new hotel rooms that have been delivered since 2008 in non-M1 districts in this submarket are largely located in the commercial districts of Downtown Flushing and Fresh Meadows, including some new Upscale class properties.

The average room-count for hotels that have opened in M1 districts in this submarket since 2008 is 105. Therefore, based on precedent, two typically-sized hotels would exceed the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. Under a proposed action condition, there are a number of new hotels in the development pipeline that are planned to be built in as-of-right commercially zoned districts in this submarket which would be expected to be able to accommodate any 2028 residual demand that would shift from M1 districts.

Jamaica/JFK/Southern Queens

About five percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket. This submarket comprises two principal clusters of hotels – a more established cluster along the Belt Parkway near JFK that primarily serves the airport and a newer, emerging cluster in Downtown Jamaica around the LIRR/AirTrain station. JFK Airport and much of the nearby areas that accommodate longstanding airport-related hotel development are zoned M1, though there are commercial districts north of the Belt Parkway, particularly along Rockaway Boulevard that also accommodate airport-related hotels. Hotel development in Downtown Jamaica is distributed between M1 and commercial districts. There are currently 1,260 rooms in M1 districts in this submarket, primarily classified as Economy or Midscale, with the exception of some airport-related hotels near JFK that are classified as Upscale. There are an additional 1,260 hotel rooms currently under construction in this submarket and 30 percent of these rooms are being built in M1 districts.

The average room-count for hotels that have opened in M1 districts in this submarket since 2008 is 100. Therefore, based on precedent, two typically-sized hotels would exceed the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket.

Staten Island

About five percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket. The Staten Island submarket comprises the entire borough. Hotel development is almost entirely limited to the West Shore, although a smaller, emerging cluster is developing in St. George. In the past decade, over 290 hotel rooms have opened in M1 districts in Staten Island, all on Wild Avenue near the West Shore Expressway. All of these new rooms have been Economy or Midscale class. Over 90 percent of the 300 rooms under construction are in M1 districts, primarily near the ferry terminal in St. George.

The average room-count for hotels that have opened in M1 districts in Staten Island since 2008 is just under 100. Therefore, based on precedent, one typically-sized hotel would exceed the residual 2028 demand that is projected to be met in M1 districts in a No-Action condition in this submarket. Under a proposed action condition, new hotels that would otherwise be built in M1 districts have limited options in Staten Island, though there are appropriate commercial districts near St. George, along Forest Avenue, and in the area around the Staten Island Mall. Based on stakeholder interviews conducted as part of the Consultant Report, it should be noted that new hotels across the Goethals Bridge in Union County, New Jersey have also become competitors to hotels on the West Shore of Staten Island.

The Bronx

About one percent of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be located in this submarket. The Bronx submarket comprises the entire borough. There are few neighborhoods with dense concentrations of hotels in the Bronx, though recent hotel development has taken place in Belmont, Mott Haven, and Soundview. While almost all hotels in M1 districts in the Bronx are Economy or Midscale, an Upscale property opened in an M1 district in 2015. Almost one-third of the 800 rooms under construction in the borough are in M1 districts

The average room-count for hotels that have opened in M1 districts in the Bronx since 2008 is 80 rooms. Therefore, based on precedent, one typically sized hotel would exceed the residual 2028 demand of 30 rooms that is projected to be met in M1 districts in a No-Action condition in this submarket.

Manhattan Above 59th Street

None of the hotel rooms that are projected to be located in M1 districts in order to meet 2028 residual demand under a No-Action condition would be expected to locate in this submarket.

Conclusion

The proposed action is not projected to have a significant adverse impact on the hotel industry in New York City. As the analysis in this section and the **Consultant Report** and **Consultant Report Amendment** show, growth in the tourism sector and hotel development is strong and expected to continue into the future. However, the current rapid pace of hotel development is not expected to continue at the same rate as the recent past.

The hotel market is believed to be approaching a saturation point with growth expected to slow as the current hotel development pipeline of projects exceeds projected future demand through 2028. That demand, however, is not spread evenly throughout the city. Certain submarkets are expected to drive more demand for hotels than others, particularly in Manhattan below 59th Street. Yet, given the cost of site acquisition and fewer redevelopment opportunities in Manhattan, it is expected that some of the future Manhattan demand, particularly for limited service hotels, will be met outside Manhattan. In recent years, parts of Queens and Brooklyn have proven themselves to be viable and more affordable hotel markets for travelers whose primary destination is Manhattan. As such, it is projected that neighborhoods like Long Island City and Gowanus that are currently experiencing robust hotel growth, would likely absorb a larger share of that 2028 residual demand that would get redistributed away from Manhattan than other weaker submarkets.

Absent the proposed action, it is expected that much of the residual hotel demand will be met in M1 districts with strong demand drivers. Since future projects may be discouraged by the time and costs associated with the public approval process, it is therefore expected that there will be less hotel construction in M1 districts as a result of the proposed action, particularly in sub-markets with strong demand drivers. It is expected that some of this development may shift to nearby commercial or mixed-use districts to meet residual demand for hotel rooms. The action could potentially result in less hotel development in certain submarkets or a shift in the production of certain hotel products, potentially affecting the availability and cost of accommodations in certain submarkets. Nevertheless, because substantial areas of the City will continue to be available for hotel development on an as-of-right basis, it is expected that new hotels will continue to be developed and that the City will be able to accommodate the demand of visitors. Given the robust pipeline for development, the continued opportunities for redevelopment throughout the city, and the substantial increase and diversification of the hotel market in NYC in recent years, the proposed action is not expected to significantly and adversely affect business conditions, impair the economic viability, or substantially reduce employment in the hotel industry in NYC.