



# 1

## Project Description

This chapter provides descriptive information about the requested discretionary land use action. The purpose of this chapter is to convey project information relevant to environmental review.

### Introduction

As of January 2020, New York City has 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 affect neighborhood conditions in unexpected ways by creating conflicts with existing businesses or altering the economic character of 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.

The rapid growth of new hotels across the city has led to calls from communities and elected officials to better regulate the development of hotels to limit land use impacts and slow the pace of development in some locations. Over time, the City Planning Commission (CPC) has adopted 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 relationship to area context ~~will result~~would 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~~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.

To address the potential loss of hotel inventory citywide related to the closure of hotels due to the pandemic, DCP proposes provisions that ~~will~~would allow adaption, expansion of reopening of existing hotels, and modified vesting provisions to allow hotel projects in the development process with a filed application by date of referral and DOB zoning plan approval by the date of adoption to move forward. Applications for hotels filed prior to 2018 must obtain a foundation permit by the date of adoption. In addition, active or recently approved applications with DCP or BSA facilitating new hotels ~~will~~would be excluded from the Proposed Action.

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.

## 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 currently permitted as-of-right in the following zoning districts: C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C2<sup>1</sup>, 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 C6<sup>2</sup> 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 1-1**).

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. The proposed Gowanus

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<sup>1</sup> 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.

<sup>2</sup> Except in C6-1A

Neighborhood plan also includes an area-specific hotel special permit that would be replaced by the proposed Citywide Special Permit if approved.

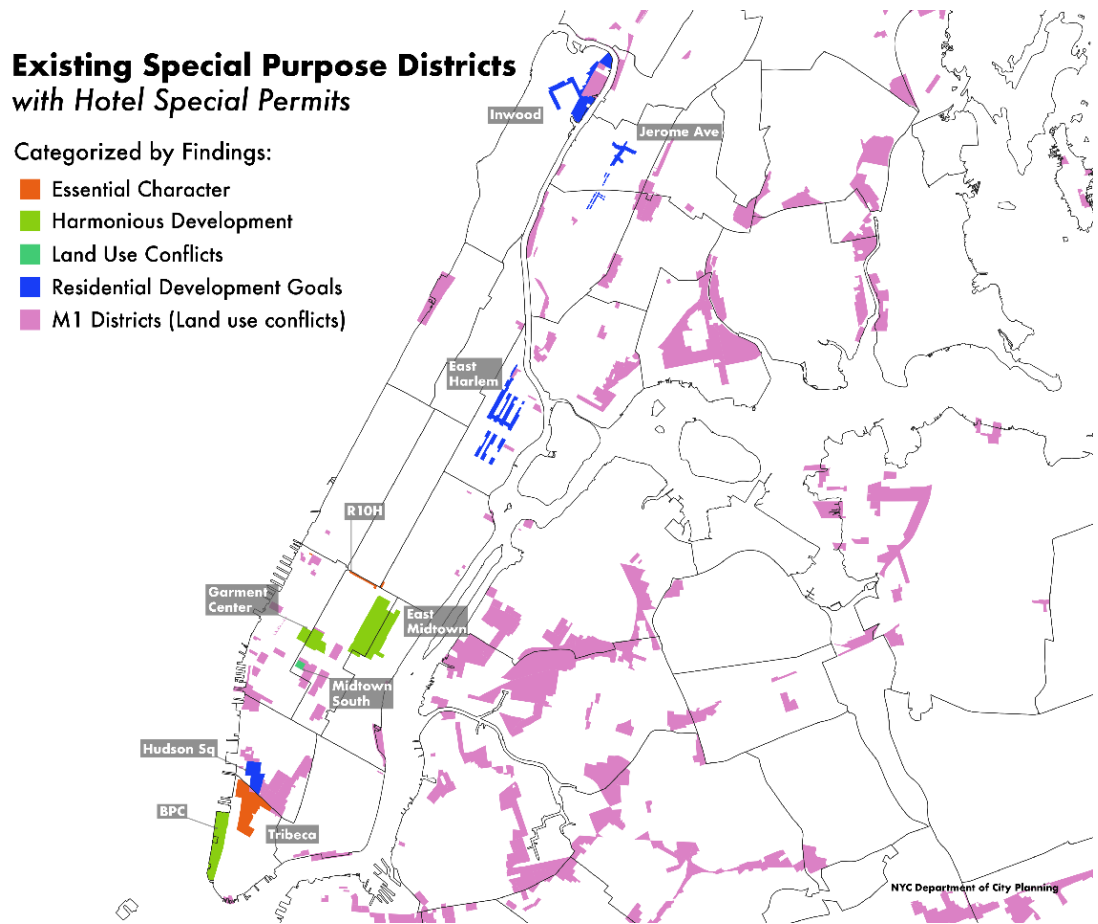
In 2018, the CPC adopted a zoning text amendment to require a special permit for new hotels in light manufacturing districts (M1).<sup>3</sup> This text amendment was introduced to address conflicts between new hotels and the operations of industrial businesses.

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 (see **Figure 1-1**). 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.

**Figure 1-1 Existing Special Purpose Districts with Hotels Special Permits**



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

<sup>3</sup> This zoning text amendment includes provisions to exempt hotels in M1 districts operated for a public purpose.

- › 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.

In the past decade, approximately 4,210 rooms were built through DCP facilitated special actions that met the various findings above.

## Description of the Proposed Action

DCP is proposing a zoning text amendment to require a CPC ~~special permit~~ Special Permit for new and enlarged transient hotels (Use Group 5) and motels, tourist cabins, and boatels (Use Group 7) (see **Appendix A** for proposed zoning text). A special permit is a discretionary action by the CPC, subject to ULURP review, which permits certain uses of modified use, bulk, or parking regulations if certain conditions and findings specific in the Zoning Resolution are met. The process of establishing findings and the approval of these findings is detailed below under **Public Review Process for the Proposed Action**.

The new CPC ~~special permit will~~ Special Permit would replace existing special permits for hotels in Special Purpose Districts. These include the Inwood, Jerome Avenue, East Harlem, Midtown, Garment Center, Hudson Square, 125th Street, Clinton, ~~and Tribeca~~ and CPC approved Gowanus Special Purpose Districts.<sup>4</sup> It would also require a CPC ~~special permit~~ Special Permit citywide for new hotels and enlargements in C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C2<sup>5</sup>, C4, C5, C6, C8, Mixed Use (MX), and paired M1/R districts. This is the "Area of Applicability" for the Proposed Action (see **Figure 1-2**). 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 districts operated for a public purpose.

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

<sup>4</sup> Since the application's referral into public review, the Gowanus Neighborhood Plan (C 210177 ZMK), which has a separate hotel special permit applicable in the new Special Gowanus Mixed Use District, has been approved by the Commission. Consistent with its citywide approach, it is anticipated that the Commission will modify the Citywide Hotels Text Amendment to remove this area-specific hotel special permit in the Gowanus area. The provisions of the Citywide Hotels Text Amendment will apply. This change is administrative and would have no implications for the analysis presented in the EIS.

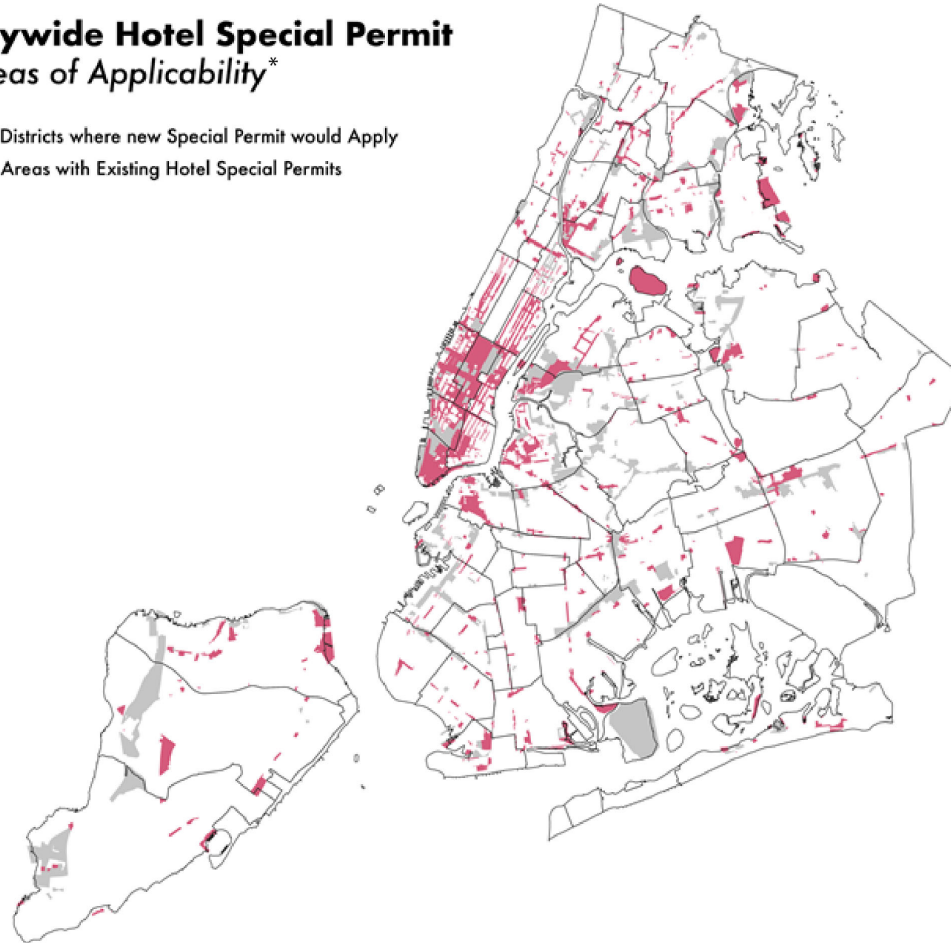
<sup>5</sup> In C2-1 through C2-4 districts, transient hotels may be located only within a 1,000-foot-radius of the entrance/exit of a limited-access expressway.

addition, since changes to discontinuance provisions described below 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.

**Figure 1-2 Areas of Applicability**

**Citywide Hotel Special Permit  
Areas of Applicability\***

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



Source: NYC GIS Zoning Features, NYC DCP

Because of the anticipated closure of many of the city’s existing hotels due to the COVID-19 pandemic, DCP proposes several zoning mechanisms to limit the effect of reductions in supply when visitation and hotel demand recovers. These “Recovery Provisions” include the following actions:

- › Existing hotels would be considered conforming uses to allow limited enlargements, alterations, and extensions, and to allow the reconstruction of hotels in the event of damage or destruction.
- › Current zoning that discontinues nonconforming uses that are vacant for two or more years would be suspended for existing hotels in all zoning districts until six years from the date of adoption, thereby allowing hotels existing on the date of enactment to reopen as a hotel without a ~~special permit~~ Special Permit.
- › Existing hotels located in any zoning district that are converted to other uses would also be permitted to convert back to a hotel until six years from the date of adoption without obtaining a ~~special permit~~ Special Permit.

- › Hotel projects in the development process with a filed DOB application by the date of referral and DOB zoning plan approval by one year after the date of adoption ~~will~~would be vested under current zoning until six years from the date of adoption. However, applications for hotels filed at DOB prior to 2018 must also obtain a foundation permit ~~by~~within one year after the date of adoption.
- › Projects and land use actions supporting hotel development approved by DCP or BSA after January 1, 2018, or that have filed, including an application for an extension of time to complete construction, with BSA or been ~~approved~~certified by the CPC before the date of adoption, would be excluded from the Proposed Action until six years from the date of adoption.

Use Group 5 transient uses that are operated for a public purpose, such emergency shelters and certain types of for-profit supportive housing that do not operate as commercial hotels, ~~will~~would also be excluded from the proposal. It is a legal obligation of the City to provide shelter to all eligible persons within the five boroughs, and the City must maintain the existing flexibility in zoning that permits temporary housing for the homeless in all districts to ensure it has sufficient capacity to meet census demand for temporary accommodations. This is in line with the Administration's recently released plan, called "Turning the Tide," to address homelessness in the City. The plan involves a borough-based approach to shelter siting, as the City seeks to end shelter programs in cluster apartments and commercial hotels (NYC Office of the Mayor, 2017b). Any hotel operated for a public purpose that exists within applicable districts on the date of adoption of the Proposed Action would be permitted to cease its public function and return to operating as a commercial hotel without seeking the proposed ~~special permit~~Special Permit.

## 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.<sup>6</sup> When the Brooklyn Bridge Marriott opened in 1998, it was the first new hotel built in Brooklyn in more than 60 years.<sup>7</sup> 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 approximately 66,630 hotel rooms to 64,590.<sup>8</sup>

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 1-3** and **Figure 1-4**). 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,

<sup>6</sup> HVS International, 2010 Manhattan Hotel Market Overview

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

<sup>8</sup> HVS International, 2010 Manhattan Hotel Market Overview

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 year<sup>9</sup>. 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 1-3 NYC Hotel and Room Supply 2009-2019**



Source: STR, 2020

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 growth in Revenue Per Available Room (RevPAR).<sup>10</sup> RevPAR is measured by multiplying average daily rates by 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.<sup>11</sup>

<sup>9</sup> NYC&Co., 2019

<sup>10</sup> RevPAR is a metric calculated by dividing a hotel's total guestroom revenue by the room count and number of days in the period being measured

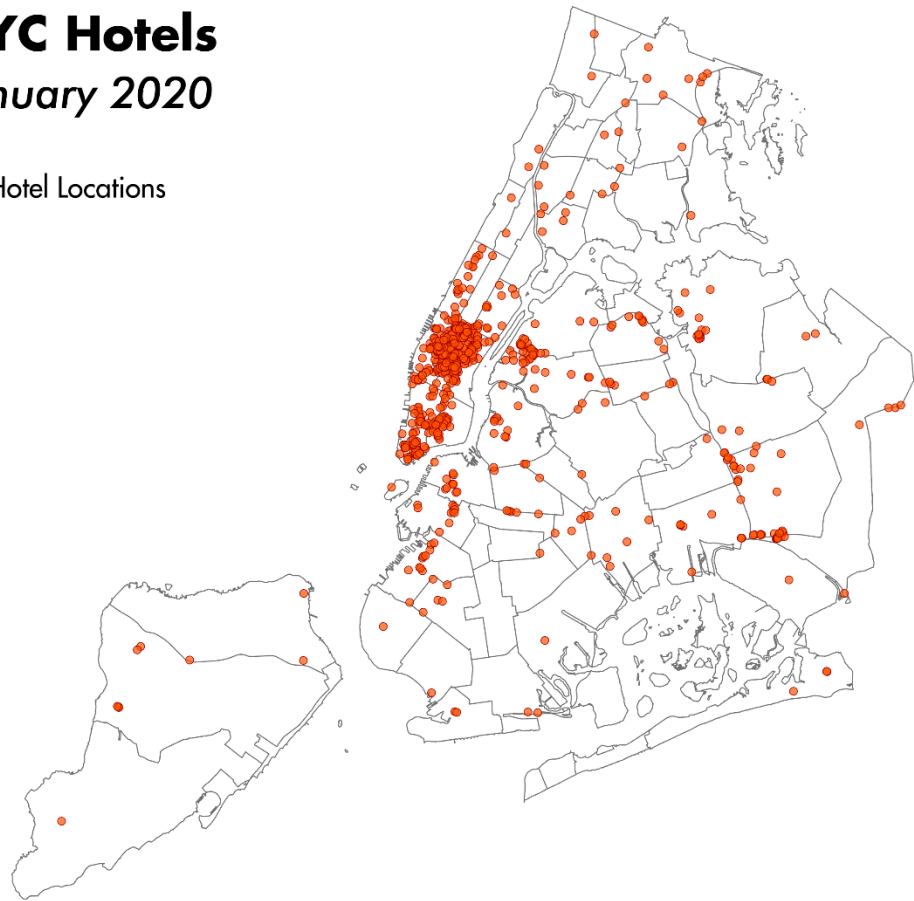
<sup>11</sup> Skift; Tourism is up so why is NYC's hotel market slumping?, Aug. 27, 2019



**Figure 1-4 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 sales per year. 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 to 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 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. The rapid growth of hotels across the city, especially in locations that had not historically experienced much hotel development, has raised concerns in communities and led to calls for better review of development to address conflicts and potential nuisances.

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 1-2**). 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~~would result in better configuration of the hotel to minimize conflicts with adjacent uses ~~would result and to~~ protect the safety of residents and hotel guests.

The proposed text amendment ~~will~~would 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 and Reasonable Worst-Case Development Scenario**

As discussed above, the Proposed Action is a citywide text amendment that would establish a new CPC ~~special permit~~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~~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, as discussed below under **Conceptual Analysis**, as part of the EIS, a conceptual analysis will consider whether there could be environmental impacts from a future application for hotel use that seeks the ~~special permit~~Special Permit.

The analytical framework is 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.<sup>12</sup> 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 a typical market cycle plus 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 1-2**). Any hotel existing within the Area of Applicability on the date of adoption of the Proposed Action would be considered a conforming use, allowing as-of-right enlargements and extensions of hotels existing on the date of adoption.<sup>13</sup> A conforming use is a use that is occupied in compliance to the use regulations of the applicable zoning district’s zoning ordinances in a particular area.

## 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 engaged a socioeconomics consultant team to produce a market analysis of the City’s hotel conditions in the past, current, and future context, referred to as the “Consultant Report” (see **Appendix B–3: NYC Hotel Market Analysis**).<sup>14</sup>

The 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

<sup>12</sup> *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

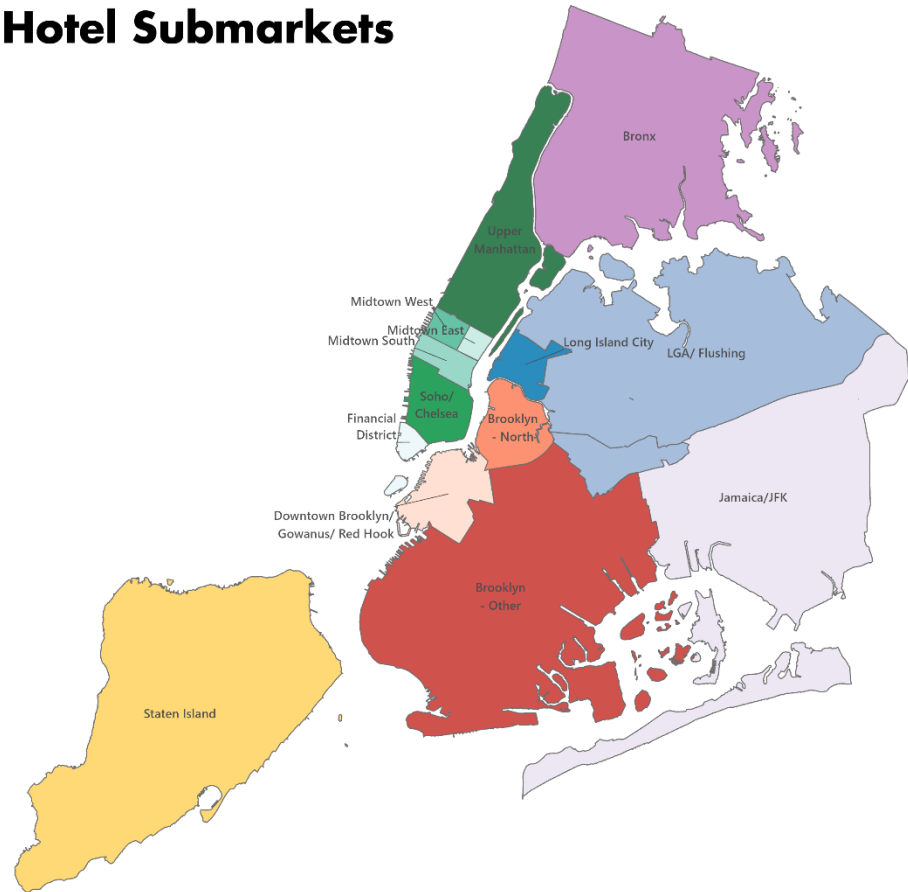
<sup>13</sup> Enlargements and extensions as defined by the New York City Zoning Resolution

<sup>14</sup> <https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/citywide-hotel/nyc-hotel-market-analysis.pdf>

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 1-5**). The differentiation into the various geographic submarkets was completed to better understand existing hotel markets and to facilitate the analysis of the potential effects of the Proposed Action.

**Figure 1-5 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 detailed above, in January 2020, there were over 127,800 hotel rooms in New York City before the COVID-19 pandemic.<sup>15</sup> In addition, as described in **Table 1-1**, there are currently were approximately 31,800 hotel rooms in active projects in the hotel pipeline,

<sup>15</sup> All numbers in the project description have been rounded for clarity and to convey that they are approximations

consisting of hotel projects that have filed or approved applications or are permitted for construction with the Department of Buildings (DOB) as of March 2021.

**Table 1-1 Active Hotel Pipeline by Submarket as of March 2021**

Submarket	Sum of Net Rooms	Borough Total
Bronx	2,430	2,430
Brooklyn – Downtown/Gowanus/Red Hook	1,230	
Brooklyn – North	1,740	6,150
Brooklyn – Other	3,180	
Manhattan – Financial District	1,790	
Manhattan – Midtown East	190	
Manhattan – Midtown South	6,050	
Manhattan – Midtown West/Times Square	3,600	13,460
Manhattan – Soho/Union Square/Village/Tribeca/Chelsea	1,570	
Manhattan – Upper East Side/Upper West Side/Harlem/Uptown	260	
Queens – Jamaica/JFK/114xx Zip Codes	3,740	
Queens – LGA/Flushing/113xx Zip Codes	1,970	9,260
Queens – Long Island City	3,550	
Staten Island	500	500
<b>Total</b>		<b>31,800</b>

Source: New York City Department of Buildings, March 2021

An analysis of the DOB pipeline as of March 2021 showed that there ~~are~~were approximately 28,540 hotel rooms in zoning districts outside of M1 districts (see **Table 1-2**). Of these, approximately 21,440 rooms ~~are~~were active DOB projects, and 7,100 ~~are~~were inactive projects, meaning that there ~~has had~~ been no action on the project for three years. In M1 districts, where a special permit ~~will take~~took effect in June 2021, there ~~are~~were approximately 12,040 hotel rooms in the DOB pipeline. Of these approximately 10,360 ~~are~~were active projects and 1,680 ~~are~~were inactive projects.

**Table 1-2 Hotel Pipeline Details (as of March 2021)**

Zoning District	Number of Hotel Rooms in Active DOB Projects
Non-M1	21,440
M1	10,360
<b>Total</b>	<b>31,800</b>

Source: New York City Department of Buildings, March 2021

An analysis of updated data as of June 2021 shows that the number of rooms in active DOB projects is substantially the same as it was in March 2021. There are also a number of projects that are not in the DOB pipeline but are working towards approval with the City, and are in the public review process with either DCP (approximately 2,590 rooms across 20

projects) or the New York City Board of Standards and Appeals (BSA) (approximately 330 hotel rooms across two projects).

### Impact of the COVID-19 Pandemic

According to the 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 2020 and March 2021, a net total of 131 (out of 705) hotels and 38,100 (out of 127,810) rooms closed in New York City, representing a decline of 19 and 30 percent, respectively (see **Table 1-3**). With approximately 98 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 36 percent loss in total rooms (see **Figure 1-6**). As of March 2021, Manhattan’s share of NYC hotel rooms had fallen to approximately 74 percent, which is down from 81 percent in January 2020.

**Table 1-3 Existing Hotel Supply Accounting for Covid-19 Impacts**

<b>Borough</b>	<b>January 2020 Supply</b>	<b>Permanently Closed Rooms</b>	<b>Temporarily Closed Rooms</b>	<b>March 2021 Supply</b>
Bronx	1,380	0	0	1,380
Brooklyn	7,530	0	50	7,530
Manhattan	103,730	4,930	32,300	66,980
Queens	14,390	0	820	13,800
Staten Island	780	0	0	780
<b>Total</b>	<b>127,810</b>	<b>4,930</b>	<b>33,170</b>	<b>90,470<sup>1</sup></b>

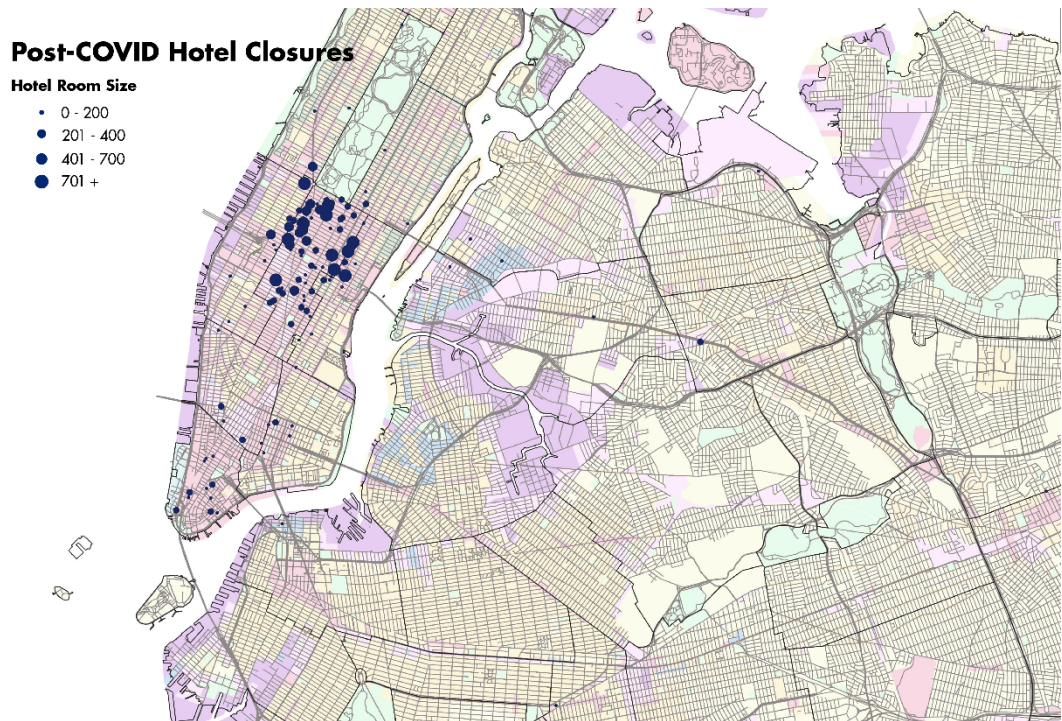
Source: STR 2020, HANYC 2021

Notes:

<sup>1</sup> Approximately five new hotels with 790 hotel rooms came to market between January 2020 and March 2021

Queens had the second-largest impact of any borough, with a net loss of seven hotels and 820 rooms, representing a 4 percent loss. The number of hotels and rooms in the Bronx, Brooklyn, and Staten Island remained relatively constant between January 2020 and March 2021. 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 Consultant Report, which may be updated between publication of the Draft EIS and Final EIS if conditions have changed, to reflect the most current information available.~~

**Figure 1-6 Hotel Closures as of March 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, several factors influence whether these projects are realized—global, national, and local economies affecting 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.

### **Impact of COVID-19 Pandemic: March 2021-June 2021**

As of June 2021, many temporarily closed hotels have reopened, and room occupancy and RevPar rates have started to rebound, as described in the Consultant Report (see **Appendix B**). Approximately 7,210 rooms were permanently closed, an increase of approximately 2,280 rooms since March 2021. However, only 2,415 rooms remained in hotels that were temporarily closed, a large decrease since March 2021. Additionally, approximately 3,630 rooms have come to market in newly constructed or renovated hotels between January 2020 and June 2021. Therefore, as of June 2021, New York City has a hotel room inventory of 121,820 rooms, approximately 95 percent of the inventory that was available in January 2020.<sup>16</sup> As cited in the Consultant Report, although there has been some return to travel in the City, recovery projections citing a 2025 recovery of the hotel industry remain the same, as the City is not yet experiencing "post pandemic" conditions. While hotel occupancy has increased, along with hotel revenue, since the height of the pandemic they remain well below the 2019 levels. Uncertainty surrounding the impacts and duration of the Delta variant

<sup>16</sup> Inventory data from June 2021 as reported by STR, accounting for permanent closures reported by HANYC.

exemplify remaining uncertainty in the tourism and hotel markets, and it is possible that hotels that are in business as of June 2021 may not represent the inventory upon recovery.

## 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~~. Special Permit.

To project hotel room demand and supply growth across the City, the 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, and then grow by 3.7% each year to reach a demand of approximately 174,730 rooms by 2035 (see **Table 1-4**). 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 future supply will deliver geographically based on the distribution of hotel rooms currently in the pipeline, hotel room demand was reallocated among the boroughs to reflect the pipeline distribution.<sup>17</sup>

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, 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 approximately 174,730 rooms across the five boroughs, regardless of existing and future supply. Demand conditions are estimated assuming demand recovery in 2025; historic 3.7% annual growth rate in the leisure sector; and that demand in the business sector will increase by approximately 1 percent per year for 2025 through 2035, based on historic annual average growth rates. Demand was distributed among the boroughs with a weighted adjustment to account for historic distribution and the distribution of active pipeline hotels. However, given the unique circumstances under COVID-19 with temporary and permanent hotel closures throughout the city, assumptions were made to establish an estimated hotel supply in 2025 so that a number of hotel rooms that would need to be developed in order to reach market equilibrium by 2035 could be determined. Industry based estimates show that 25 percent of the hotel supply as of January 2020 will not return to market.<sup>18</sup> The January 2020 hotel room inventory, as established in the Consultant Report, was approximately 127,810 rooms: (see **Appendix B**). Therefore, it is estimated in 2025 that hotel room supply would be approximately 95,860 rooms, about 5,390 more rooms than were open as of March 2021. **Table 1-4** shows the estimated supply by borough in 2025 given these assumptions.<sup>19</sup> Therefore, from 2025 to 2035, 78,880 hotel rooms would be expected to come to market to meet estimated 2035 demand. Some of this demand would be satisfied by the current pipeline of 31,800 hotel rooms in active DOB projects discussed above under the **Existing Conditions** section, as well as known projects.

As described above under **Existing Conditions**, as of June 2021, the hotel inventory has increased, nearing January 2020 conditions. However, more hotels have permanently closed

<sup>17</sup> Only rooms that are likely to develop given their pipeline status was accounted for in demand adjustments

<sup>18</sup> HANYC, December 2020 and June 2021

<sup>19</sup> 2025 hotel room supply was estimated by assuming that temporary rooms would reopen proportionally to where closures took place.



since publication of the DEIS, and the City has not reached a post pandemic economy. Due to this continued uncertainty in the market, the FEIS maintains the assumption that the 2025 hotel room supply will be 75 percent of the January 2020 supply. This will provide a conservative estimate of conditions in an uncertain market.

**Table 1-4 Hotel Room Supply and Demand Conditions through 2035**

Borough	Estimated Supply	Gross Future Adjusted Demand (Hotel Rooms)		
	2025	2025	2030	2035
Bronx	1,380	2,860	3,350	3,920
Brooklyn	7,540	10,490	12,240	14,330
Manhattan	72,300	95,280	111,250	130,250
Queens	13,860	18,140	21,180	24,800
Staten Island	770	1,040	1,220	1,430
<b>Total, All NYC</b>	<b>95,850</b>	<b>127,810</b>	<b>149,240</b>	<b>174,730</b>

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

Notes:

Demand conditions are estimated assuming demand recovery in 2025 and a blended average of business and leisure travelers for 2025- 2035. Demand was distributed among the boroughs with a weighted adjustment to account for historic distribution and the distribution of active pipeline hotels

### With-Action Condition

The Proposed Action introduces a discretionary approval process by CPC ~~special permit~~Special Permit for hotel development within the Area of Applicability. 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~~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~~Special Permit would have the effect of slowing the rate at which hotels would be developed in C and MX districts.

The proposed text amendment will have provisions to allow for the hotel industry to recover from COVID-19 pandemic impacts, including provisions that address discontinuance, vesting, and exclusions. These are described in detail above under **Description of the Proposed Action**. The estimated hotel supply in 2035 is described below and shown in **Table 1-5**. As in the No-Action condition, it is estimated that 25 percent of the hotel supply as of January 2020 will not return to market due to economic impacts from the pandemic. This means that of the ~~89,570~~ rooms on the market in ~~March 2021~~ and the ~~33,170~~ temporarily closed hotel rooms as of ~~September 2020~~June 2021, approximately 95,860 total existing rooms are expected to be opened between 2021 and 2025 when the market is recovering, same as above under the No-Action condition. Some of these temporarily closed hotels looking to reopen ~~will~~would be able to through the discontinuance provisions in the text discussed above. It is also estimated that the text provisions would allow for an additional 25,290 hotel rooms in the pipeline to vest before the effective date, and 2,300 hotel rooms currently in

applications for existing special permits with city agencies to be excluded.<sup>20</sup> This would result in a hotel room inventory of approximately 123,450 in 2035, comprised of existing hotel rooms and hotels in the pipeline or in applications with the city that are able to vest or be excluded from the ~~special permit provision~~. Special Permit provision. As described above under the **Existing** and **No-Action Conditions**, as of June 2021, the hotel inventory has increased, nearing January 2020 conditions. However, more hotels have permanently closed since publication of the DEIS, and the City has not reached a post pandemic economy. Due to this continued uncertainty in the market, the FEIS maintains the assumption that the 2025 hotel room supply will be 75 percent of the January 2020 supply. This will provide a conservative estimate of conditions in an uncertain market.

Therefore, under the With-Action condition, for supply to meet market demand, it is estimated that approximately 51,280 future hotel rooms could be affected by the ~~special permit~~ Special Permit, slowing or hindering their development. However, it is expected that an additional 4,210 rooms ~~will~~ would come to market between the effective date and 2035 through seeking the proposed ~~special permit~~ Special Permit, based on those that have sought ~~special permits~~ non-discretionary actions, such as City Planning Commission Chair Certifications, for hotels in the past decade. Therefore, it is estimated in the With-Action condition, that there would be a supply of approximately 127,660 hotel rooms, and there would be an estimated unmet demand of approximately 47,070 hotel rooms in 2035.

The effects of the Proposed Action, and the anticipated unmet room demand, are evaluated in this EIS.

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<sup>20</sup> Hotels that are likely to vest are active DOB projects that are moving through the pipeline at a pace that historically ensures they would complete before the actions take effect.

**Table 1-5 Hotel Room Supply Estimated in Future Conditions**

	<b>No-Action Condition Hotel Rooms</b>	<b>With-Action Condition Hotel Rooms</b>	<b>Increment</b>
Supply Post Pandemic <sup>1</sup>	95,860	95,860	-
Additional Rooms through Vesting and Exclusion provisions <sup>2</sup>	-	27,590	-
Rooms Expected to seek Special Permits	-	4,210	-
Future Development without Special Permit <sup>3</sup>	78,880	-	-
<b>Total 2035 Supply</b>	<b>174,730</b>	<b>127,660</b>	<b>(47,070)</b>
<b>Total 2035 Demand</b>	<b>174,730</b>	<b>174,730</b>	<b>-</b>

Source: DCP, Consultant Report

Notes:

<sup>1</sup> Estimated at approximately 75% of the January 2020 supply of 127,810

<sup>2</sup> ~~includes~~includes development that would occur as-of-right under the With-Action condition

<sup>3</sup> Includes development from within the existing DOB pipeline and future unknown development

## Public Review Process for the Proposed Action

The Proposed Action described above is subject to public review under the CPC Referral Process per Section 200 of the City Charter as well as City Environmental Quality Review (CEQR) procedures. The CPC Referral Process and CEQR review processes are described below.

### City Environmental Quality Review (CEQR)

CEQR is a process by which agencies review discretionary actions for the purpose of identifying the impacts those actions may have on the environment. The City of New York established CEQR regulations in accordance with the State Environmental Quality Review Act (SEQRA). Pursuant to SEQRA (Article 8 of the Environmental Conservation Law) and its implementing regulations found at 6 NYCRR Part 617, New York City has established rules for its own environmental quality review in Executive Order 91 of 1977, as amended, and 62 RCNY Chapter 5, the Rules of Procedure for CEQR. The environmental review process provides a means for decision-makers to systematically consider environmental effects along with other aspects of planning and design; to propose reasonable alternatives; and to identify, and mitigate when practicable, significant adverse environmental impacts. CEQR rules guide environmental review, as follows:

- › *Establish a Lead Agency.* Under CEQR, the “lead agency” is the public entity responsible for conducting environmental review. In accordance with CEQR rules (62 RCNY §5-03), DCP, acting on behalf of the CPC, is serving as the CEQR lead agency for environmental review and will coordinate the review of the Proposed Action.
- › *Environmental Review and Determination of Significance.* The lead agency determines whether the proposed action(s) may have a significant impact on the environment. To

do so, DCP, in this case, evaluated an Environmental Assessment Statement (EAS) dated December 18, 2020 for the Proposed Action. Based on information contained in the EAS, and as the Proposed Action is classified as a "Type I Action," DCP determined that the Proposed Action may have a significant adverse impact on the environment, as defined by statute, and issued a Positive Declaration on December 18, 2020, requiring that an EIS be prepared in conformance with all applicable laws and regulations.

- › *Scoping.* Along with its issuance of a Positive Declaration, DCP issued a Draft Scope of Work for the EIS, marking the beginning of the comment period on the Draft Scope. "Scoping," or creating the scope of work, is the process of identifying the environmental impact analysis areas, the methodologies to be used, the key issues to be studied, and creating an opportunity for others to comment on the study areas, methodologies, and areas of analysis presented in the scoping document. CEQR requires a public scoping meeting as part of the process. A public scoping meeting was held on January 22, 2021 at 2:00 PM and, in support of the City's efforts to contain the spread of COVID-19, the public scoping meeting was held remotely. The public review period for agencies and the public to review and comment on the Draft Scope of Work was open through February 1, 2021. Modifications to the Draft Scope of Work for the project's EIS were made as a result of public and interested agency input during the scoping process. A Final Scope of Work was issued on May 3, 2021.
- › *Draft Environmental Impact Statement (DEIS).* This DEIS was prepared in accordance with the Final Scope of Work and followed the methodologies and criteria for determining significant adverse impacts in the 2020 CEQR Technical Manual. The lead agency reviewed all aspects of the document, calling on other City agencies to participate where the agency's expertise is relevant. Once the lead agency was satisfied that the DEIS was complete, it issued a Notice of Completion and circulated the DEIS for public review.
- › *Public Review.* Publication of the DEIS and issuance of the Notice of Completion signals the start of the public review period. During this time, the public has the opportunity to review and comment on the DEIS either in writing or at a public hearing convened for the purpose of receiving such comments. When the CEQR process is coordinated with the CPC Referral Process (see discussion below), the public hearings are held jointly. The lead agency must publish a notice of the hearing at least 14 days before it takes place and must accept written comments for at least ten (10) days following the close of the hearing. All substantive comments received at the hearing become part of the CEQR record and are summarized and responded to in the FEIS.
- › *Final Environmental Impact Statement (FEIS).* After the close of the public comment period for the DEIS, the FEIS is prepared. The FEIS addresses relevant comments on the DEIS, either in a separate chapter or in changes to the body of the text, graphics, and tables. Once the lead agency determines the FEIS is complete, it will issue the Notice of Completion and circulate the FEIS.
- › *Findings.* To document that the responsible public decision-makers have taken a hard look at the environmental consequences of a proposed action, agencies taking discretionary actions must adopt a formal set of written findings, reflecting their conclusions about the significant adverse environmental impacts of the Proposed Action, potential alternatives, and potential mitigation measures. The findings may not be adopted until ten (10) days after the Notice of Completion has been issued for the FEIS. Once findings are adopted, the lead and involved agencies may take their actions.

Accordingly, the CPC must wait at least ten days after the FEIS is complete to take action on the application.

## Public Review Process

The CPC Referral Process, mandated by Section 200 of the New York City Charter, is a process specifically designed to allow public review of a Proposed Action at four levels: Community Board, Borough Presidents (and, if necessary, Borough Boards), CPC, and City Council. During this time, as with the DEIS, the public has the opportunity to review and comment on the application either in writing or at each of the public hearings convened for the purpose of receiving such comments.

The process begins with acknowledgement by CPC that the DEIS is complete, which includes satisfying CEQR requirements (see discussion above) and that the land use application for the proposal is also deemed completed. The application is then referred to the affected community boards and borough boards (in this case, all community and borough boards in New York City) for a time period set by the CPC (typically 60 days for citywide actions). The Community Boards and Borough Presidents (and, if necessary, the Borough Boards) will then review and discuss the Proposed Action, hold a public hearing, and adopt an advisory resolution regarding the actions. CPC then reviews the application, during which time a CPC public hearing is held. Following the hearing and completion of the FEIS, CPC may approve, approve with modifications, or deny the application.

If the proposal is approved, or approved with modifications, it moves to the City Council for review. The CPC decision as submitted to City Council is required to include copies of all written recommendations of community boards, borough boards and borough presidents with respect to the decision being filed. The City Council has 50 days to review the application and hold a public hearing on the Proposed Action. In the event the Council proposes to modify the application, the modifications are referred to the CPC for a determination whether they are within the scope of the land use and environmental review; the referral of modifications to the CPC tolls the Council time clock by 15 days. The Council may thereafter act to approve, approve with modifications, or disapprove. The City Council vote is final—unless the Mayor chooses to veto the Council’s decision. The City Council can override the Mayoral veto by a two-thirds vote. The mayor has ~~ten~~ five days to veto the City Council’s actions, and the City Council may override the Mayoral veto within ~~ten~~ {10} days.