REBNY Testimony | October 25, 2021

The Real Estate Board of New York to

City of New York City Council Subcommittee on Zoning and Franchises Concerning N 210406 ZRY (CEQR No. 21DCP111Y) - Citywide Hotel Text Amendment

The Real Estate Board of New York (REBNY) is the City's leading real estate trade association representing commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople, and other organizations and individuals active in New York City real estate. REBNY strongly opposes the proposed text amendment to establish a citywide hotel special permit (N 210406 ZRY; CEQR No. 21DCP111Y) due to the devastating billions of dollars' adverse impact it will have on the city's economy and its complete lack of a land use rationale.

The City Planning Commission's (CPC or the Commission) Final Environmental Impact Statement (EIS) predicts that adoption of the text amendment will result in a failure to meet a projected demand for new hotel space by 47,000 rooms, resulting in nearly 28,000 forgone job opportunities and over $2 billion foregone earnings from hotel operations in New York City.

This is alone is a frank and sobering assessment, and the EIS correctly determines that this would be a significant adverse impact to the hotel industry.

But the EIS severely understates the overall impacts of the text amendment by failing to also consider the potential for significant adverse impacts on the City's construction industry and on the tourism sector overall. The hotel industry is part of a larger hospitality sector and a critical component of the city's economy1.

City Planning failed to study these impacts in the FEIS, despite requests to do so. For the full and more accurate picture of the total impacts of the text amendment, REBNY commissioned AKRF to do a study that, using standard economic modeling techniques, evaluates the impacts that the FEIS does not.

AKRF estimates that the text amendment will cost New York City:

Over 75,000 permanent job opportunities and forego approximately $9.9 billion in economic activity that would have resulted from non-hotel spending by 2035, when accounting for jobs within and outside of the hotel sector.

[1] The larger hospitality sector includes various businesses – restaurants, Broadway, retail shopping and other cultural and arts attractions – dependent upon the flow of tourists, visitors and business travelers that patronize hotels. This ecosystem employs roughly 562,0000 people in New York City each year, per https://statistics.labor.ny.gov/cesemp.asp, metrics include 'Leisure and Hospitality' and 'Retail Trade,' accessed on July 7, 2021.

the equivalent of 23,800 people working full time over the ten-year period, between 2026 and 2035, due to the reduction in hotel construction activity; and about $37.8 billion from the loss of construction in the city, from direct, indirect, and induced related economic activity, including labor income.

The EIS also does not consider the impact of the text amendment on City tax revenues; while it can be argued that fiscal impacts are not part of a SEQRA analysis, they are surely relevant for the City Council to consider in deciding whether this text amendment reflects sound planning that will promote the health, growth, and vitality of the city. A significant loss in tax revenues necessarily means that the city will have less ability to address the many needs of its residents.

If the text amendment is approved, AKRF estimates that the city would forgo over $8 billion in tax revenues between 2026 and 2035, and by 2035 the annual recurring cost to the city would be over $1.2 billion.

The text amendment would stifle multiple industries that have brought jobs, revenue, and growth opportunities to all five boroughs. During a pivotal time in New York City's economic history, the socioeconomic impacts found both in the FEIS and AKRF's further analysis are devastating.

While REBNY believes that a special permit should not be required at any location where hotels are permitted today on an as of right basis, the justification for a special permit is entirely lacking in central business districts and other high-density areas. Hotels have long been a part of the fabric of these areas, and they play a vital role in supporting the hospitality industry and the concentrations of office and other commercial uses in these locations. No evidence has been provided to support the need for a special permit in these areas, which include Times Square and the Theater Subdistrict, Lower Manhattan, Flushing, Jamaica Downtown Brooklyn, and Long Island City. There is no land use rationale for blanketing the entire City with a special permit requirement in plain disregard of the fact that hotels are appropriate uses in these areas and do not pose any land use conflicts which warrant further regulation.

City Planning failed to significantly scale back the scope of this dangerous action so that it applies only to the extent that facts – supported by careful analysis – so warrant. The City Council should act where the commission fell short. Thank you for the opportunity to provide comments and for consideration of these points.

CONTACT:
BASHA GERHARDS

Senior Vice President of Planning
Real Estate Board of New York

bgerhards@rebny.com