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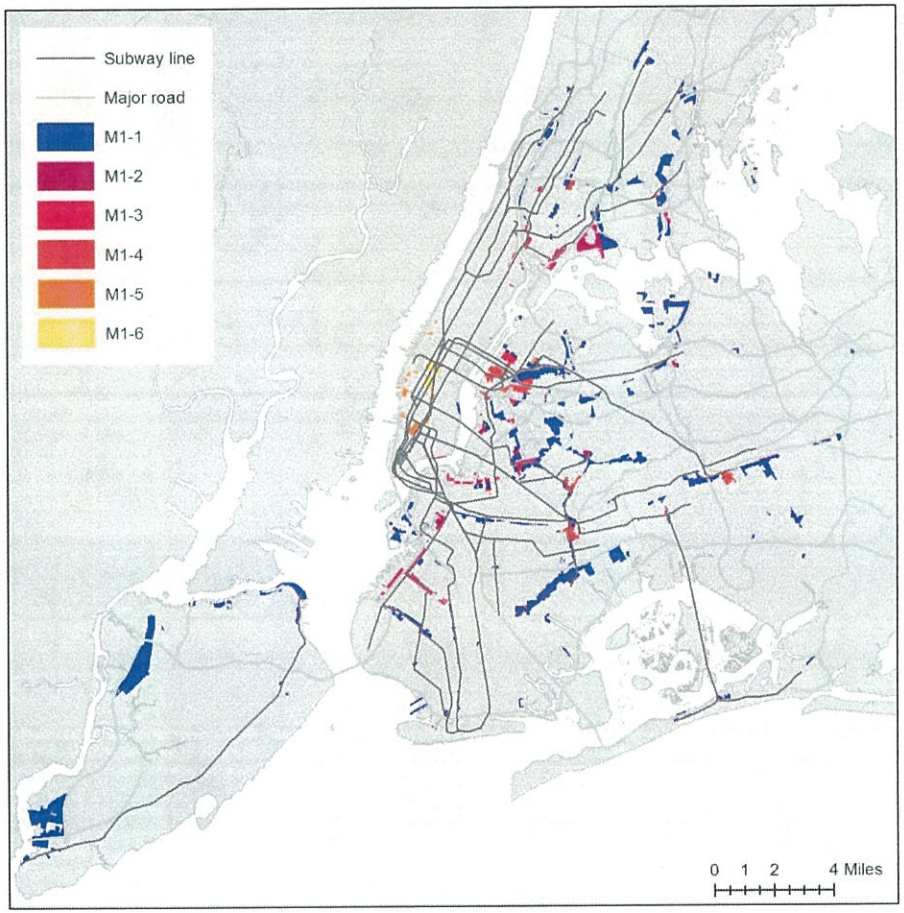
M1 HOTEL ZONING TEXT AMENDMENT

City Council Zoning Subcommittee

November 1st 2018

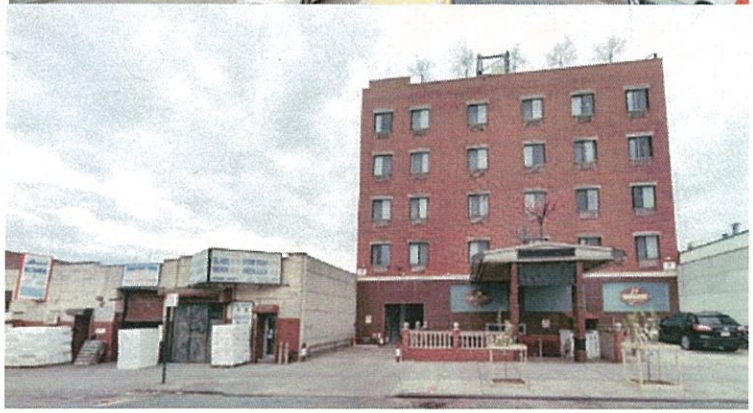
NYC PLANNING

Hotel Development in M1 Districts



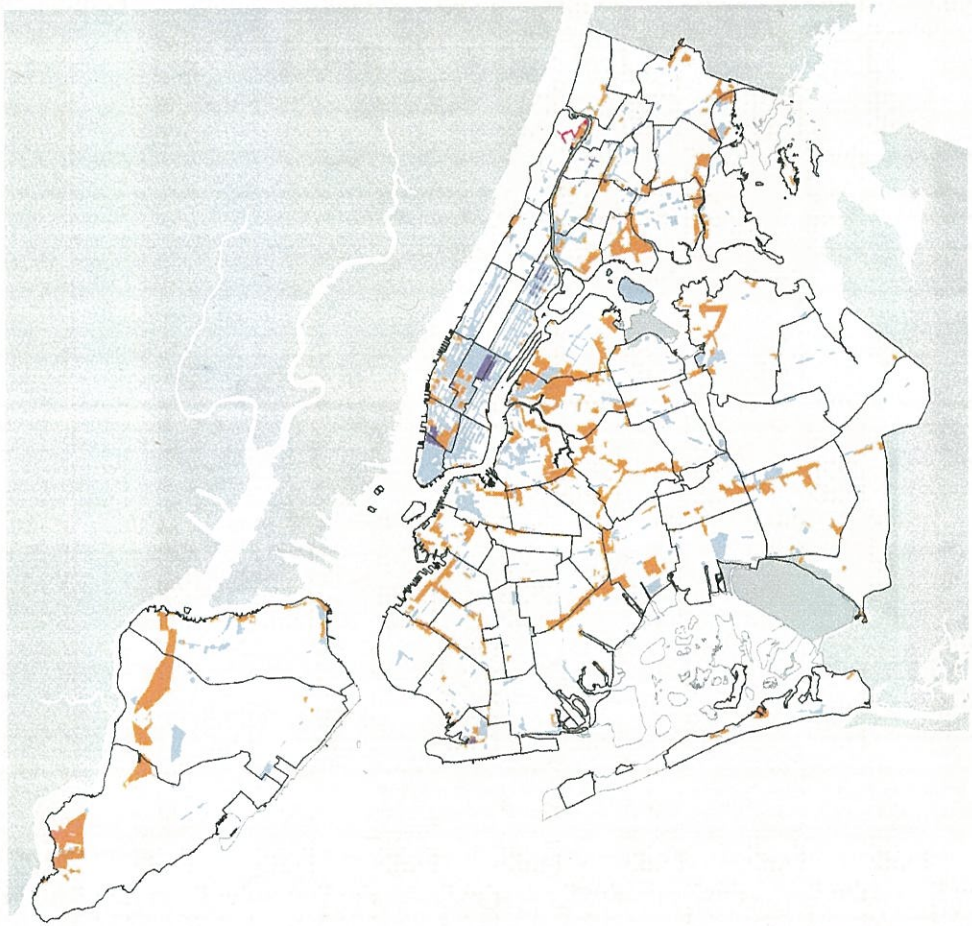
M1's varied Neighborhood Character [Source: 2018 cyclomedia.com]

Conflicts posed by Hotel Developments



Hotels in LIC and South Brooklyn [Source: 2017 cyclomedia.com]

Proposed M1 Hotel Zoning Text Amendment



- M1 district where new hotel development would be subject to Special Permit
- District with Special Permit for new hotel development; under Public Review
- District with Special Permit for new hotel development; existing
- Zoning district or overlay where new hotel development would still be permitted
- M1 districts exempt from hotel Special Permit
- Community District

Current zoning in areas left blank does not permit new hotel development

This map is illustrative and for general reference purposes only
NYC Department of City Planning, April 2018

NYC PLANNING

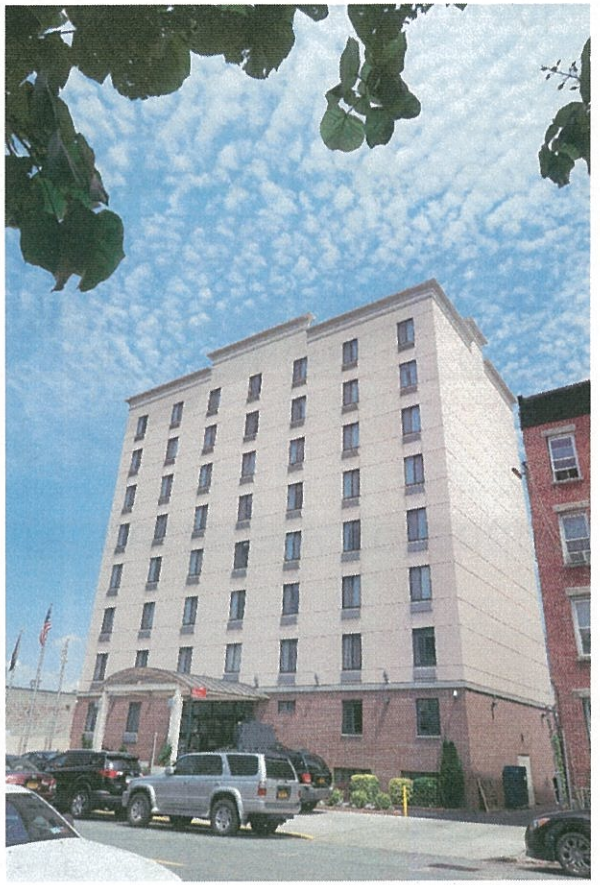
Proposed Special Permit Findings

New transient hotels will be permitted by Special Permit when the City Planning Commission finds the following:

- The proposed site plan includes elements that are necessary to address potential conflicts between the hotel and adjacent uses
- The proposed site plan demonstrates that the street wall location and design will not impair the character of the existing streetscape
- The new hotel development will not cause undue vehicular or pedestrian congestion on local streets.
- The proposed new hotel development will not impair the essential character or future use of the surrounding area.

Proposed M1 Hotel Zoning Text Amendment

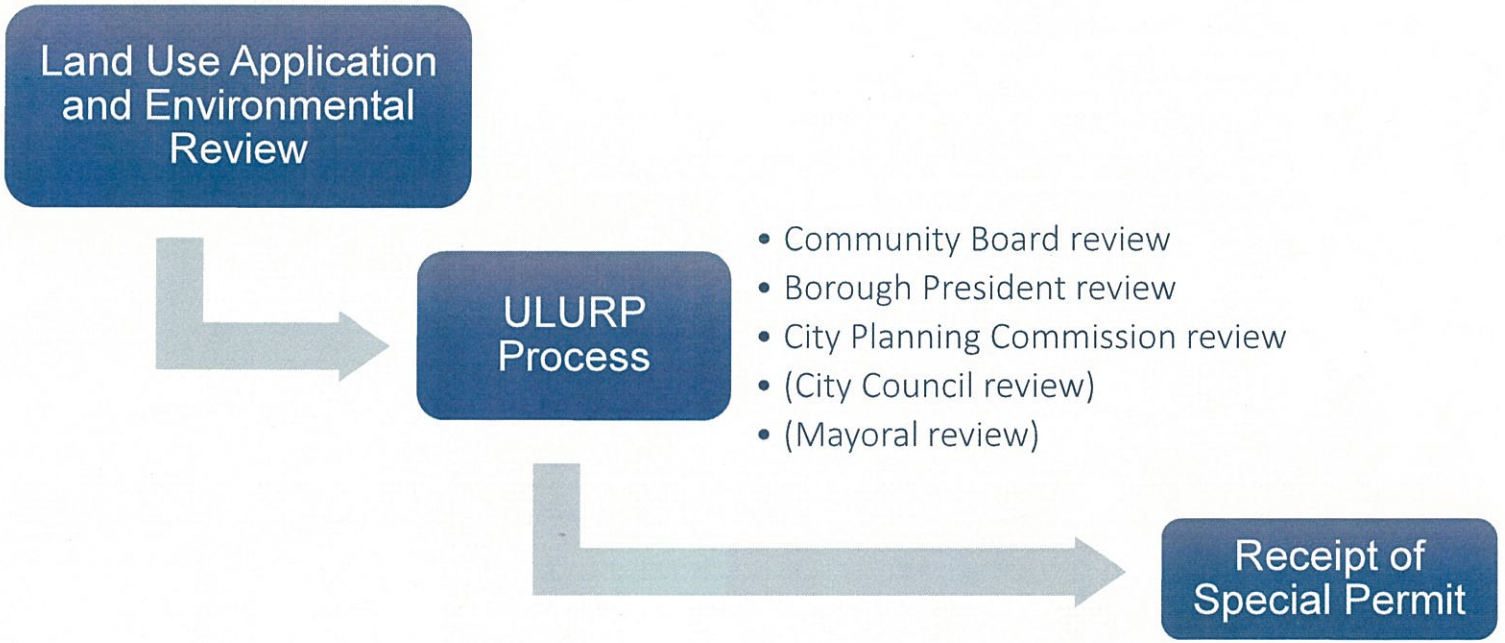
- Existing hotels will be considered conforming use.
- Hotel developments with a permit before referral would be vested. From the date of adoption, these projects will have 3 years to either complete construction or receive a certificate of occupancy.
- Rules for transient hotels developed exclusively for a public purpose of housing assistance will not change.



Hotel in Queens

CPC Special Permit Application Process

A Special Permit is a discretionary action subject to full ULURP review, which may modify use, bulk, or parking regulations if certain conditions and findings specified in the Zoning Resolution are met.



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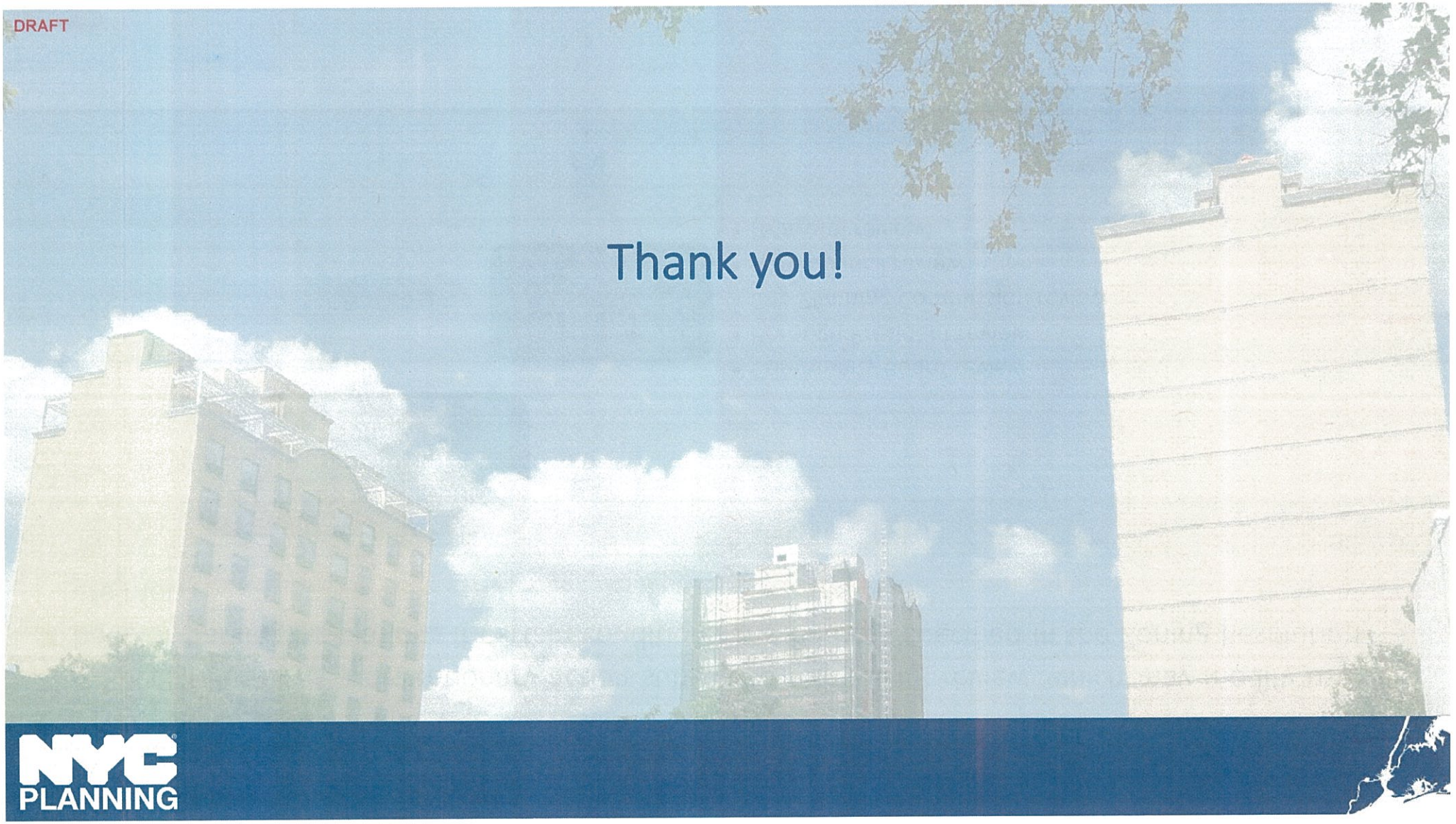


Landmarks in M1 Districts

No.	Landmark Name	Address	Block/ Lot	Community District	Use	Gross Floor Area	Number of Floors
	Manhattan						
1	369th Regiment Armory	2367 Fifth Avenue	1740/17	10	Public Facility/Institution	152,421 sf	3
2	Serbian Orthodox Cathedral	13 West 25th Street	827/22	5	Public Facility/Institution (Church)	47,600 sf	1
3	130 W. 30th Building	130 West 30th Street	805/7501	5	Mixed Residential & Commercial	111,225 sf	19
4	Gilsey House	1200 Broadway	831/20	5	Residential	101,808 sf	8
5	Grand Hotel	1226 Broadway	832/66	5	Mixed Residential & Commercial	133,394 sf	12
6	Hotel Wolcott	4 West 31st Street	832/49	5	Commercial ***Hotel***	90,633 sf	13
7	23rd Police Precinct Station	134 West 30th Street	805/82	5	Public Facility/Institution	36,702 sf	5
8	Mills Hotel #3	485 Seventh Avenue	812/7501	5	Commercial	27,945 sf	17
9	Former Lord & Taylor Building	901 Broadway	848/68	5	Commercial	15,245 sf	5
10	Gorham Building	889 Broadway	848/12	5	Residential	44,140 sf	9
11	Theodore Roosevelt House	26 East 20th Street	848/55	5	Public Facility/Institution	15,030 sf	5
12	Haskins & Sells Bldg.	35 West 39th Street	841/18	5	Commercial	51,000 sf	12

13	434 Lafayette Street	434 Lafayette Street	545/37	2	Residential	13,683 sf	5
14	432 Lafayette Street	432 Lafayette Street	545/38	2	Residential	17,745 sf	3.5
15	430 Lafayette Street	430 Lafayette Street	545/39	2	Residential	16,327 sf	5
16	428 Lafayette Street	428 Lafayette Street	545/40	2	Residential	9,565 sf	5
17	Astor Library	423 Lafayette Street	544/16	2	Commercial	61,420 sf	3
18	DeVinne Press Bldg.	393 Lafayette Street	544/1	2	Commercial	101,936 sf	7
19	Old Merchant's House	29 East 4th Street	544/71	2	Public Facility/Institution	4,237 sf	3
20	37 East 4th Street House	37 East 4th Street	544/67	2	Residential	9,620 sf	4
21	Firehouse Engine Co. 33	42 Great Jones Street	531/49	2	Public Facility/Institution	13,308 sf	4
22	376-380 Lafayette Street Building	380 Lafayette Street	531/7504	2	Commercial	45,071 sf	6
23	Bayard-Condict Bldg.	65 Bleecker Street	529/72	2	Commercial	104,775 sf	13
24	Robbins and Appleton Building	1 Bond Street	529/7504	2	Mixed Residential & Commercial	50,052 sf	6
25	Odd Fellows Hall	165 Grand Street	235/13	2	Industrial & Manufacturing	44,034 sf	6
26	E. V. Haughwout Building	490 Broadway	483/1	2	Commercial	28,829 sf	5
27	57 Sullivan Street House	57 Sullivan Street	489/2	2	Residential	2,898 sf	3
28	Holland Plaza Bldg.	431 Canal Street	226/1	2	Commercial	993,903 sf	16
29	32 Dominick House	32 Dominick Street	578/64	2	Residential	2,732 sf	2.5

30	34 Dominick House	34 Dominick Street	578/63	2	Residential	3,210 sf	2
31	36 Dominick House	36 Dominick Street	578/62	2	Residential	3,272 sf	3
32	No. 254-260 Canal Street	254 Canal Street	196/21	1	Commercial	42,500 sf	5
	Brooklyn						
1	William Ulmer Brewery	81 Beaver Street	3135/27	4	Industrial & Manufacturing	43,000 sf	4
2	William Ulmer Brewery	31 Belvedere Street	3135/34	4	Industrial & Manufacturing	3,550 sf	2
3	William Ulmer Brewery	28 Locust Street	3135/16	4	Residential	19,500 sf	3
4	Brooklyn Clay Retort & Fire Brick Works Storehouse	76 Van Dyke Street	598/30	6	Industrial & Manufacturing	15,600 sf	2
5	Weir Greenhouse	750 Fifth Avenue	655/31	7	Commercial	4,000 sf	1
6	Firehouse Engine Company 28	436 39th Street	709/19	7	Public Facility/Institution	5,008 sf	2
7	23rd Regiment Armory	1164 Atlantic Avenue	1199/15	8	Public Facility/Institution	164,320 sf	1
8	Hubbard House	2138 McDonald Avenue	7087/30	11	Residential	1,151 sf	2
	Queens						
1	Steinway House	18-33 41st Street	802/31	1	Residential	7,258 sf	2.5
2	Paramount Studios Building No.1	34-12 36th Street	643/1	1	Commercial	280,000 sf	3

3	Adrian and Ann Wycoff Onderdonk House	18-20 Flushing Avenue	3412/1	5	Public Facility/Institution	2,290 sf	2
4	Poppenhusen Institute	114-02 14 Road	4067/1	7	Public Facility/Institution	29,100 sf	4
	Bronx						
1	Bronx Grit Chamber	593 East 132nd Street	2546/15	1	Transportation & Utility	n/a	n/a
2	American Bank Note Company Printing Plant	1201 Lafayette Avenue	2739/15	2	Commercial	367,472 sf	5
3	Administration Building at East 180th Street	461 Morris Park Avenue	4011/210	6	Transportation & Utility	n/a	n/a
4	Firehouse Engine Company 46[1]	451 East 176th Street	2909/40	6	Public Facility/Institution	11,720 sf	3
	Staten Island						
1	Neville House	806 Richmond Terrace	70/24	1	Residential	5,225 sf	2.75
2	Kreischerville Worker's Houses	85 Kreischer Street	7590/138	3	Residential	1,200 sf	2
3	Kreischerville Worker's Houses	83 Kreischer Street	7590/137	3	Residential	720 sf	2
4	Kreischerville Worker's Houses	81 Kreischer Street	7590/136	3	Residential	720 sf	2
5	Kreischerville Worker's Houses	77 Kreischer Street	7590/134	3	Residential	1,440 sf	2
6	Kreischerville Worker's Houses	71 Kreischer Street	7590/131	3	Residential	1,440 sf	2

[1] In an MX district, but not paired with a residential district.

7	Kreischer House	4500 Arthur Kill Road	7465/115	3	Commercial	3,300 sf	2.75
8	Westfield Township District School	4212 Arthur Kill Road	7315/7	3	Public Facility/Institution (Public School)	9,520	2
9	St. Peter's German Evangelical Church Rectory	25 Winant Place	7400/166	3	Residential	1,800 sf	2
10	St. Peter's German Evangelical Church and Parish Hall	19 Winant Place	7400/171	3	Public Facility/Institution (Church)	2,750 sf	1

Source: Department of City Planning website / ZoLa

New York Hotel and Motel Trades Council, AFL-CIO • 707 Eighth Avenue, New York, NY 10036 • Telephone (212) 245-8100 • Fax (212) 977-5714 • www.hotelworkers.org

Testimony of the New York Hotel & Motel Trades Council, AFL-CIO regarding the Proposed Special Permit Requirement for Hotels in M1 Zones

Subcommittee on Zoning and Franchises
November 1, 2018

The New York Hotel Trades Council represents 36,000 women and men working in and around New York City in the hospitality industry. Our union's members are the heart of the hospitality industry, which serves as one of the city's key economic engines.

The Union has closely monitored the hotel development boom that has occurred over the last decade and we are keenly aware of the large number of hotels that have been built in manufacturing zones across the city.

We agree with the city's findings that this type of hotel development is imbalanced and out of context. Since 2005, hotels have been built in areas of the city that no one would have imagined. This development has been, in many cases, in direct conflict with the various public land use plans and policies for these communities. And local communities have responded, with calls for the city to put a stop to hotel towers rising next to homes or replacing once-thriving light-industrial businesses, taking away manufacturing jobs from hard-working New Yorkers.

Furthermore, we believe that the proliferation of hotels in manufacturing zones is ultimately not good for the city's tourism economy. We have already seen the negative effects of oversaturation borne out in recent declines in Average Daily Rates and Revenue Per Available Room.

A special permit requirement for hotels is a proper tool to ensure that another boom of out-of-context hotel development does not occur, and we are heartened that the city agrees, as is witnessed in the inclusion of hotel special permit language in various recent rezonings, most notably the East Midtown rezoning, where hotel special permits will serve the city's aim to revitalize the area with world-class office development.

The New York Hotel Trades Council supports the city's proposed requirement of a special permit for hotels in light manufacturing zones. The Union believes that it is the most sensible means of ensuring that any new hotel development fits within the context of its surrounding community and guarantees that when developers seek to build hotels in manufacturing zones, all stakeholders will have a seat at the table.

PRATT CENTER
FOR COMMUNITY DEVELOPMENT

Support for Hotel Special Permits

Testimony before the New York City Council,
Subcommittee on Zoning and Franchises
Adam Friedman, Executive Director
November 1st, 2018

Good morning and thank you for the opportunity to testify. I am Adam Friedman, Director of the Pratt Center for Community Development.

Pratt Center supports the creation of a special permit for the siting of hotels in manufacturing zones. We've been advocating for such a provision along with special permits for other non-industrial uses for more than a decade and stood with the Mayor when he announced his commitment to special permits in 2015.

The rationale for creation of a special permit process is simple: it will slow the intrusion of hotels into manufacturing areas and dampen the real estate speculation which has threatened both the direct and indirect displacement of manufacturers from the city's industrial areas – including the Industrial Business Zones, areas targeted by the City to be preserved for industrial uses.

In *Hotel Development in NYC: Room For Improvement* (2015), we analyzed the extent to which hotel development was conflicting with city priorities in selected areas of the city, such as the preservation of manufacturing space and Class B office space, and the promotion affordable housing. We looked at the extent to which return on investment from hotels outpaced returns on other investments in these other uses. This report was written under contract to the Hotel Trades Council which provided us with data on hotel financing, investment and operations.

To cut to the chase, hotel development yielded a far higher rate of return, often several multiples higher, than other investments which the city had prioritized.

The result, absent a special permit process, is that property owners price their property in anticipation of conversion to hotel uses, whether that scenario is realistic or not. In addition, manufacturers see hotels going up around them, sense that their time at that location may be limited and defer investment, leading to a downward spiral. The loss of manufacturing becomes a self-fulfilling prophesy.

Today's hearing is a very welcome milestone on the road to a better planned city, one where space is preserved for the activities essential to the functionality of the city. In 2003, Pratt, Evergreen, SBIDC, GMDC, BOC and numerous other industrial stakeholders launched the *Zoning For Jobs Campaign* which recommended special permits for non-industrial uses to preserve space and create jobs. It should not take another 15 years to develop a new and comprehensive framework for meeting our future space needs.

Pratt Center looks forward to working with the City Council and the Administration to our zoning and land use support a healthy, vibrant and diverse city.

For more information, please contact:
Adam Friedman, afriedman@prattcenter.net (718) 637-8640

Hotel Development in NYC is available at
https://prattcenter.net/research/hotel-report

NOTE: This testimony was prepared by the Pratt Center for Community Development. It does not necessarily reflect the official position of Pratt Institute.

NYC INDUSTRIAL ACTION PLAN
- 3 YEARS LATER -
A PROGRESS REPORT

Invest in City-Owned Properties	A
Advance Use Group Reform	C
Create New Zoning Models For Diverse Neighborhoods	F
Stop Conversion of Manufacturing to Residential in Core Industrial Areas	B
Launch Non-Profit Industrial Developer Fund	A-
Launch Futureworks NYC	B
Expand Brownfields Jumpstart Program	A
Relaunch Industrial Business Service Providers Network	A
Launch Industry Partnerships	B
Establish Manufacturing Career Centers	B

INTRODUCTION

Three years ago this week, the de Blasio Administration announced its 10-Point Industrial Action Plan, an important and forward-thinking effort aimed at strengthening job opportunities in the city's industrial and manufacturing sector by using a policy toolkit that included land use, mission-driven development, financing, and workforce development strategies. Recognizing that the industrial and manufacturing sector is an essential source of good-paying jobs with low barriers to entry, the Administration set out to more effectively combine existing policy tools, as well as craft new tools to support the industrial and manufacturing sector as part of a broader City approach to address economic inequality. At the release of the 10-Point Industrial Action Plan, the Mayor, City Council, and advocates gathered in North Brooklyn to praise the ambitious plan to tackle displacement, grow jobs, and create new opportunities for equitable economic development.

The three-year anniversary of the Plan is an important opportunity to look back at what has been accomplished and evaluate where the Administration has fulfilled its own vision, where it has fallen short, and suggest where some additional steps forward can be taken. The Administration's focus on preserving and expanding job opportunities in the industrial and manufacturing sector is an urgent policy goal. With average wages twice that of the retail sector, the industrial and manufacturing sector has historically played a central role in providing decent job opportunities and economic mobility. Advocates of equitable economic development have been concerned that the competition for land in our strong-market city has led to a rapid loss of our industrial and manufacturing infrastructure, driven by real estate developers pushing for the significantly higher profit margins that high-end residential development brings.

As this report card shows, some components of the Industrial Action Plan have been implemented while others have stalled. The Industrial Jobs Coalition believes that the policy, zoning, and funding commitments made by the Administration have made important progress in some areas, and built a meaningful foundation for City industrial policy to support good-paying jobs for residents who most need them. **We look forward to working with the City towards the goal of a more inclusive and equitable economy.**

As this report card shows, some components of the Industrial Action Plan have been implemented while others have stalled.

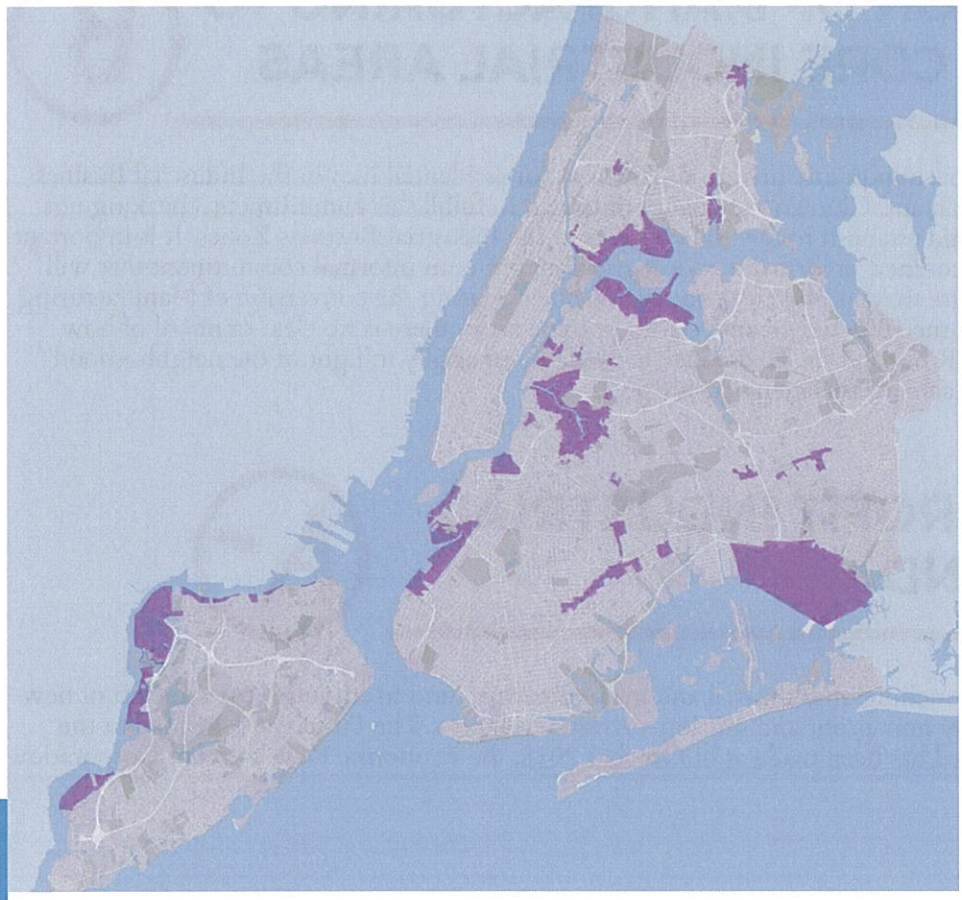
ASSESSMENT

INVEST IN CITY-OWNED PROPERTIES

The Administration committed to investing a total of $442 million in City-owned industrial properties. This commitment was kept, with investments happening across the Brooklyn Army Terminal, Brooklyn Navy Yard, Sunset Park's Made in NY campus, and the Hunts Point Peninsula. Additionally, Brooklyn Navy Yard's master plan for new and innovative development is a forward-thinking approach to urban manufacturing.

ADVANCE USE GROUP REFORM

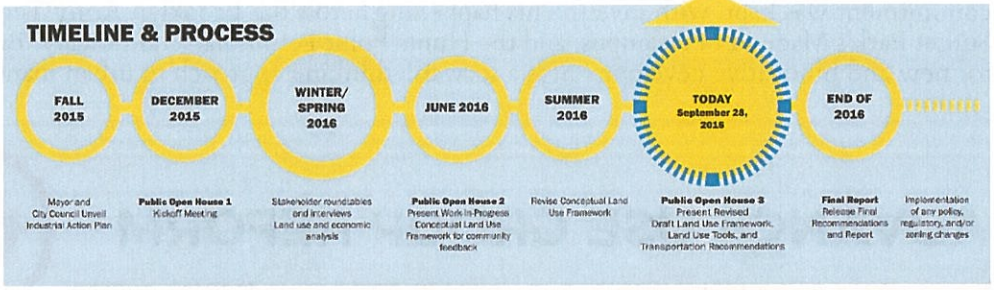
The Administration committed to restricting self-storage and hotel development in the City's 21 Industrial Business Zones (IBZs) as a way to preserve space for manufacturing uses. While the self-storage text amendment was introduced by the City in the Spring of 2017, the Department of City Planning (DCP) presented a significantly weakened version of the text that undermined the original intent of the policy. However, it was the City Council that led the successful effort to pass a text amendment that restricted self-storage, codified the IBZs in zoning maps, and created a land use foundation for future restrictions. On hotels, the restriction was delayed, giving hotel projects more time to get in the ground ahead of any zoning action. The hotel restriction is currently going through the land use process, but further use group restrictions on competing uses are needed to achieve the Administration's policy goals. Currently, the Department of City Planning has yet to commit to any additional restrictions.



> *It was the City Council that led the successful effort to pass a text amendment that restricted self-storage, codified the IBZs in zoning maps, and created a land use foundation for future restrictions.*

CREATE NEW ZONING MODELS FOR DIVERSE NEIGHBORHOODS

The Administration committed to working with stakeholders to develop a zoning framework for "Innovation Districts," leveraging the ongoing North Brooklyn study as a blueprint for land use policy in all 21 Industrial Business Zones (IBZs). The City failed to advance a zoning framework for Innovation Districts, and the Department of City Planning missed its publicly announced end of 2016 release date for the long-awaited North Brooklyn study. As a result, mixed use projects and neighborhood rezonings with manufacturing areas are moving forward without an overall framework. The Department of City Planning's lack of leadership on this issue, including the absence of any enforcement reform, has left communities scrambling to assemble their own solutions. At the rate that North Brooklyn is changing and given the number of neighborhood rezonings, the absence of any zoning models to inform local zoning debates is a failure that will become more pronounced.



> *The Department of City Planning's lack of leadership on this issue, including the absence of any enforcement reform, has left communities scrambling to assemble their own solutions.*

STOP CONVERSION OF MANUFACTURING TO RESIDENTIAL IN CORE INDUSTRIAL AREAS

The Administration committed to not support any private applications for residential uses in the Industrial Business Zones (IBZs). Both the Administration and City Council have continued to fulfill this commitment, speaking out against possible conversions that would establish residential uses within the Industrial Business Zones. It is important to note that this commitment is not codified in formal text or legislation, but is an informal commitment that will require the continued support of future mayors and city councils. While opposing the conversion of Manufacturing (M) to Residential (R) zoning within the IBZs has created clarity in these areas, there is no clear standard of how the City handles conversion of M to R beyond the IBZs. Such a standard, especially in light of the neighborhood rezonings, is a necessary next step to achieve this item's policy goals.

LAUNCH NON-PROFIT INDUSTRIAL DEVELOPER FUND

The Administration committed to launching an industrial and manufacturing fund to stimulate the creation of new industrial and manufacturing space by non-profit and mission-driven developers. The Fund was launched in the Spring of 2016. While only one award has been made as of October 2018, the Economic Development Corporation

has modified the program design and is on track to make full and effective use of the available program funds. At a time when there are few financing options available for the creation of below-market industrial space, the Fund has played a crucial role in making non-profit development of industrial space possible.

LAUNCH FUTUREWORKS NYC

The Administration committed to create an Advanced Manufacturing Center to serve as a cornerstone of a new Advanced Manufacturing suite of programs and services called "Futureworks NYC," which launched in the Spring of 2017. However, the closure of Tech Shop, the originally proposed operator for the Advanced Manufacturing Center in October 2017, slowed down an otherwise more aggressive programmatic rollout. This closure also prompted the Economic Development Corporation to release a new request-for-proposals for operators, selecting Staten Island Makerspace to manage operations of the Center beginning early 2019. Since then, the Economic Development Corporation successfully launched the Futureworks Incubator, a hardware startup incubator; Futureworks Shops, a network of fabrication and prototyping facilities; and Ops21, a multi-faceted program aimed at making advanced technology, knowledge, and resources more accessible to New York City manufacturers. To date, workshops on advanced materials, digital manufacturing, and robotics have had a positive response from participating manufacturers. Given the course correction required in 2017, it is too early to determine whether or not this program has been fully successful.

EXPAND BROWNFIELDS JUMPSTART PROGRAM

The Administration committed to expand its Brownfield Jumpstart program, which will help businesses enroll in the New York State Brownfield Cleanup Program, opening up additional sites and space for new industrial and manufacturing businesses. Although originally conceived for affordable housing, the JumpStart Grant funding's expansion to commercial and industrial development provides increased grant accessibility for job creating development. This program has led to over $4.5 billion in new investment, with 40% of new development being job-producing retail, commercial, industrial, and office space. The results have been recognized with Mayor's Office of Environmental Remediation's launch of EPIC Community - a new website to track brownfield projects, celebrate success stories, and learn how grant funds can be leveraged by community groups.

RELAUNCH INDUSTRIAL BUSINESS SERVICE PROVIDERS NETWORK

The Administration committed to relaunch and baseline funding for the Industrial Business Service Providers (IBSPs) network, which provides technical support for businesses across the city. Over the three years of stable funding, the IBSPs have supported local small businesses with education, promotion, access to financing, and incentives as well as workforce services and job placement. IBSPs also help to promote and advance industrial policy commitments and enroll firms in public programs. The providers have been largely successful during the 3-year baseline period, such as facilitating over $31 million in lending and grants over the past 12 months. The City should increase funding for needed services and baseline the IBSP network for another three years. Such a commitment will ensure that local businesses will continue to have access to the vital services they have enjoyed since the relaunch of the network.

LAUNCH INDUSTRY PARTNERSHIPS

The Administration committed to launching an Industrial and Manufacturing Industry Partnership as part of its broader *Career Pathways* initiative. Since *Career Pathways*, the Administration released its *New York Works* report, which seeks to overhaul the workforce and jobs system around manufacturing and three other sectors. Building off of the manufacturing industry partnership, the Department of Small Business Services and Economic Development Corporation launched ApprenticeNYC, an 18-month program to connect manufacturers with participants with paid, full-time apprenticeships as computer numerical control machinists. As ApprenticeNYC has only launched earlier this year, it is not possible to fully gauge the success of this new initiative. However, it is worth recognizing that such a program would not have been possible without the collaboration of the City and the local manufacturing industry.

The City should increase funding for needed services and baseline the IBSP network for another three years.

ESTABLISH MANUFACTURING CAREER CENTERS

Based on the success of the Industrial and Transportation Career Center in Jamaica, the Administration committed to create up to five additional satellite career centers in select IBZs. Career centers have been opened in Port Morris in the Bronx, the North Shore of Staten Island, and the Brooklyn Army Terminal. Coupled with the aforementioned industry partnerships and specifically the ApprenticeNYC initiative, the workforce pipeline is beginning to take shape. The efficacy of this new pipeline, however, remains unproven.

CONCLUSION

The Administration's progress on the Industrial Action Plan has been uneven, and there have often been different outcomes based on which City agency was responsible for implementing a specific component of the plan. For example, the Department of Small Business Services has been primarily responsible for the energetic workforce development components of the plan and the successful work of the Industrial Business Service Providers (IBSPs). Similarly, the Economic Development Corporation launched the Industrial Developer Fund and has led much of the City's industrial investment strategy. However, many of the components of the Industrial Action Plan that were led by the Department of City Planning have fallen short. **Given the heightened pace of neighborhood rezonings and growing willingness of communities to push forward new ideas on industrial zoning and land use, the lack of progress on zoning reform severely hinders the otherwise commendable work done by the Administration to advance the industrial and manufacturing sector.**

INDUSTRIAL JOBS COALITION

Association for Neighborhood and Housing Development – Business Outreach Center Network – Evergreen: Your North Brooklyn Business Exchange – Fifth Avenue Committee – Greenpoint Manufacturing and Design Center – Neighbors Helping Neighbors – Ridgewood Local Development Corporation – Pratt Center for Community Development – Southwest Brooklyn Industrial Development Corporation

PRATT CENTER
FOR COMMUNITY
DEVELOPMENT

HOTEL DEVELOPMENT IN NYC: ROOM FOR IMPROVEMENT

FEBRUARY 2015

ACKNOWLEDGEMENTS

This policy brief was coauthored by Adam Friedman and Paula Crespo and edited by Vicki Weiner, Rebekah Morris, and Nepal Asatthawasi.

GIS and financial analyses were conducted by Sadra Shahab, Jan Dierk Stolle, and Korin Tangtrakul.

Cover photo credit: Lauren Naefe
Report design: Nepal Asatthawasi

The Pratt Center for Community Development has worked for the past 50 years for a more just, equitable and sustainable city for all New Yorkers by empowering communities to plan for and realize their futures. As part of Pratt Institute, we leverage professional skills – especially planning, policy analysis, and advocacy – to support community-based organizations in their efforts to improve neighborhood quality of life, attack the causes of poverty and inequality, and advance sustainable development.

For more information or to sign up for our monthly e-mail bulletin, please visit www.prattcenter.net.

Pratt Center thanks the New York Hotel & Motel Trades Council for funding support for this study.

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I. SUMMARY

This policy brief considers the impact and implications that the recent proliferation of hotel development has had on neighborhoods and land use patterns in New York City. It calls for expanding the use of special permits to guide this development citywide. The tourism and hospitality sector has grown dramatically in the City and this growth, in concert with the economics of the hotel industry, has made hotel development extremely profitable. Meanwhile many other land use objectives, from office uses to manufacturing to affordable housing, are undermined by this rampant growth. New York City needs a diverse economy that includes a healthy tourism sector; however, the growth of land uses associated with this sector should be balanced with other land use needs. The creation of a special permit process for hotels would provide the opportunity for communities and elected officials to balance competing land uses, to channel hotel development to where it is most appropriate, and to negotiate for better quality hotel jobs that can potentially go to local residents.

II. RECENT HOTEL DEVELOPMENT: CONFLICTING POLICIES AND PROBLEMATIC LOCATIONS

New York City's tourism and hospitality industry is booming and successive mayoral administrations have relied on this sector to help diversify and expand the City's economy. Over the past ten years, the number of visitors to the City increased from 37.8 million to 54.3 million, an increase of 43.6%. During the same time, visitor spending grew from $18.49 billion to $38.8 billion.[1] Hotel development mirrored this trend with 180 hotels built between 2004 and 2013, an increase of 35%.[2]

However, this growth in tourism and hotels does not necessarily translate into good jobs for New Yorkers as the recent proliferation of non-unionized hotels in the outer boroughs shows. A 2013 study by the CUNY Graduate Center's Labor Market Information Service found that people who worked in Manhattan's traveler accommodation industry earned an average of $55,390 a year, a much higher figure than Brooklyn at $35,276 or Queens at $31,695. The study related this disparity to the concentration of unionized hotels in Manhattan.[3]

The growth of tourism and hospitality is also impacting land use patterns in neighborhoods throughout the City. While hotels used to be largelyconfined to many of Manhattan's business and tourist districts, recent construction has occurred not only in every outer borough but in neighborhoods that once might have seemed unimaginable locations for hotels, such as industrial areas and residential areas with limited commercial amenities. (See Map 3) Local stakeholders have responded; in recent community planning processes in Gowanus and Chinatown, people have spoken out for greater restrictions on rampant hotel development in their neighborhoods.

Much of this recent hotel development conflicts with the intentions of the various public land use policies and plans for these areas. Pratt Center illustrated this conflict by mapping both existing hotels and hotels in the development pipeline over geographic districts with plans and/or policies that are inconsistent with hotel development including: Industrial Business Zones (IBZs), manufacturing zoning districts, four special purpose zoning districts, and community-initiated 197-a plans.[4] For example, between 2007 and 2014, 11 hotels were built in IBZs, areas which are intended as stable "safe havens" for industrial firms to invest in their businesses and create jobs.[5] Mapping also shows that sixteen hotels were built in areas where a 197-a plan prioritized land uses such as affordable housing and neighborhood-oriented retail (uses that are typically outbid by hotel development).

According to the New York Hotel & Motel Trades Council's dataset of hotels that are being planned or under construction, it appears that hotels are

[1] NYC & Company, "NYC Statistics," http://www.nycandcompany.org/research/nyc-statistics-page

[2] New York City Hotel & Motel Trades Council

[3] City University of New York Graduate Center Labor Market Information Service. New York City's Traveler Accommodation Industry: A Guide for Education and Workforce Development Professionals. (New York: New York, 2013): 21.

[4] The New York City Zoning Handbook contains summaries of the intent and purpose of each of the City's special purpose zoning districts. The ones that were deemed to be inconsistent with hotels yet experienced new hotel development after they were designated are: Special Bay Ridge District, Special Tribeca Mixed Use District, Special Garment Center District, and Special South Richmond Development District.197-a plans that are inconsistent with hotels yet saw new hotels built there after they were adopted are in Red Hook. Williamsburg, and Chelsea.

[5] The recommendation to require special permits for hotels in IBZs is one of several reforms that are needed to strengthen IBZs and encouragereinvestment and job creation by manufacturers in those areas. The topic of how to improve zoning in the IBZs is discussed in another policy brief and includes consideration of special permits for self-storage facilities, big box retailing, some schools and other uses.

Chart 1: Hotels in Areas with Policy or Planning Contradictions

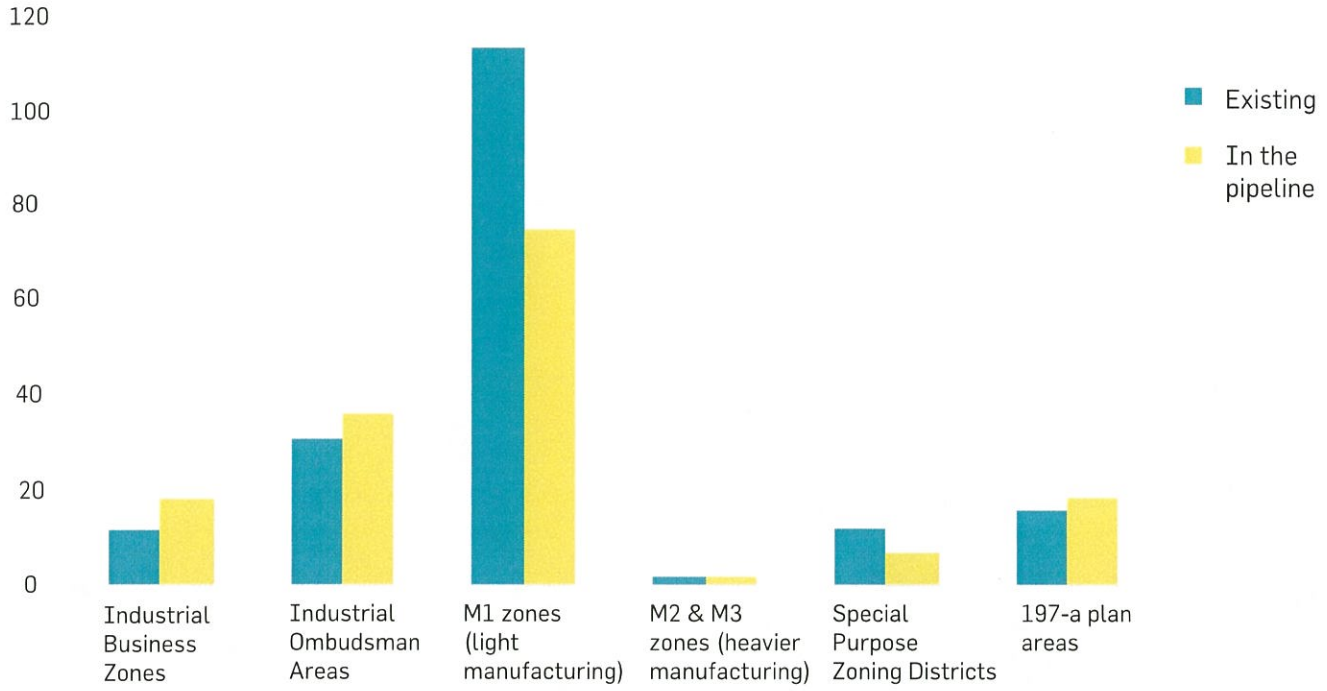
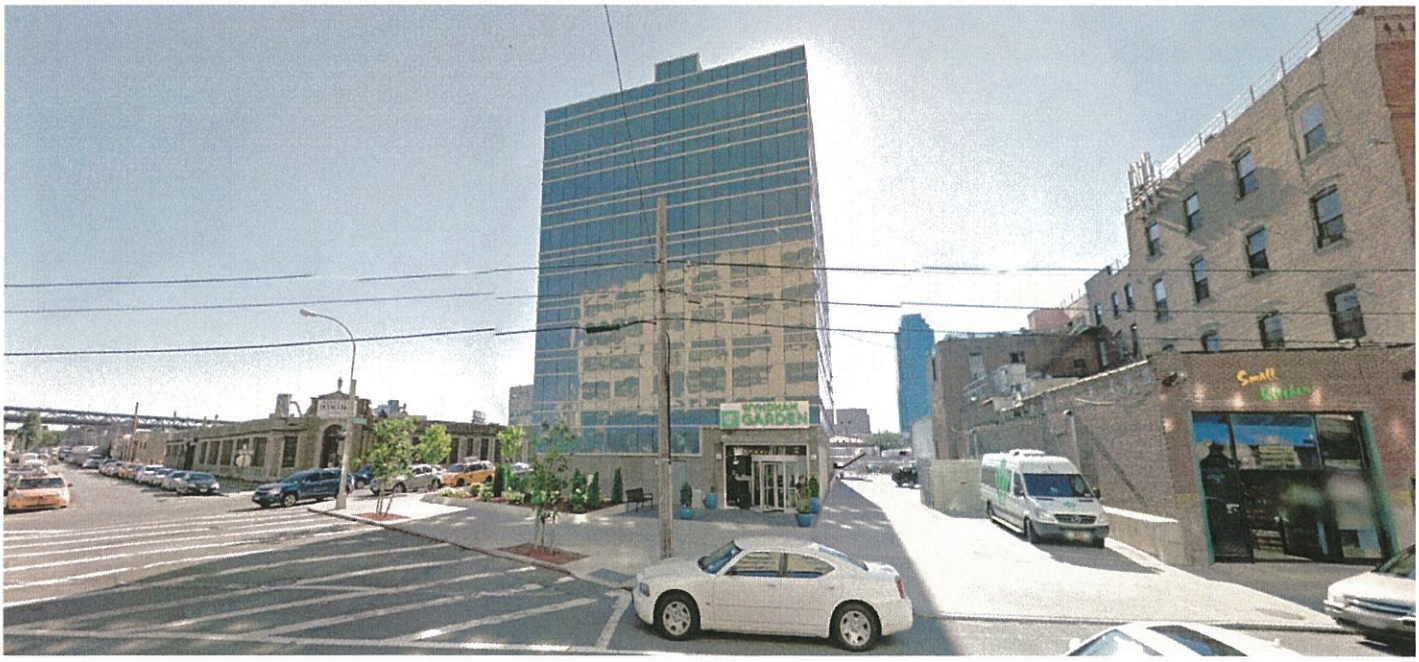


Chart only includes existing hotels built after a zone or area was designated. Many zones and/or districts geographically overlap.
Data source: New York Hotel & Motel Trades Council, 2014

in the pipeline for areas where their development would be inconsistent with existing community or City Hall intentions. For example, 16 hotels in the development pipeline are planned for IBZs. The proliferation of hotels in areas where City or community-initiated plans are inconsistent with new hotel development is primarily driven by two conditions: permissible zoning regulations and the profitability of hotel development.

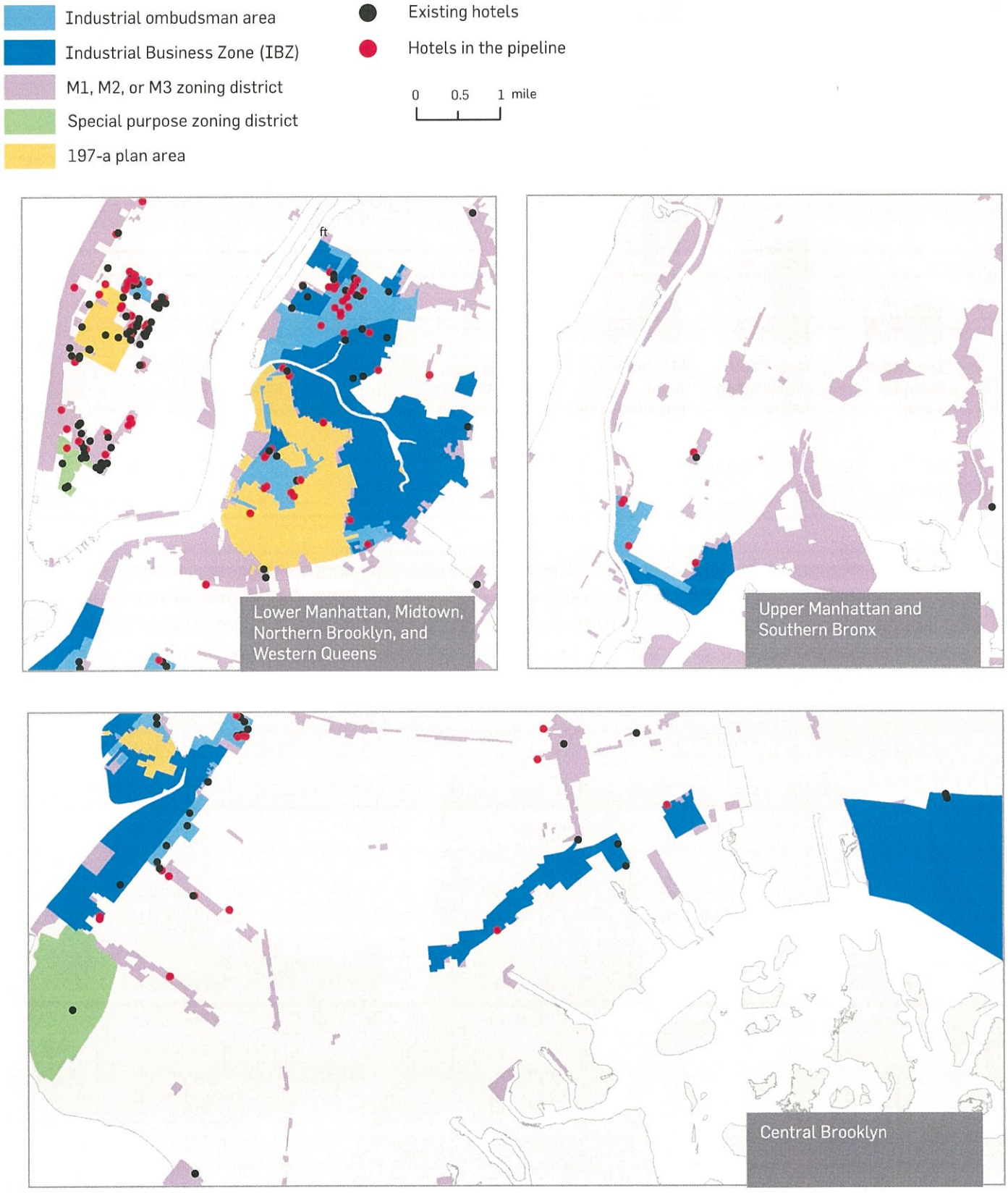


Wyndham Garden, Long Island City

Photo credit: Google Maps

Map 1: Hotels in Areas with Policy or Planning Contradictions

Only areas inconsistent with hotel development are shown on this map, and the only hotels on this map are those that were built after the area was designated. The only exception to this are M1, M2, or M3 zoning districts that do not have an IBZ or Ombudsman area overlaid onto them; for these areas, all hotels regardless of opening date are displayed. Also, many of these areas geographically overlap.



Data source : New York Hotel and Motel Trades Council, 2014

III. PERMISSIBLE ZONING REGULATIONS

New York City has very porous zoning regulations, allowing hotels to be built as-of-right in most of the commonly mapped non-residential zoning districts, such as M1 and C8 (light industrial); several C1 and C2 commercial districts and commercial overlay districts; and C4, C5, and C6 higher-density commercial districts (See Map 2).

This as-of-right treatment means that land can be used for hotel development without any opportunity for public input. In an as-of-right development, residents, planners, and elected officials have no opportunity to weigh the pros and cons of a particular location, mitigate any anticipated negative impacts, or improve upon the development proposal. This is the case even in neighborhoods where there is a plan or policy inconsistent with hotel development.

This highly permissible regulatory framework is affecting a number of neighborhoods that only very recently have become home to clusters of hotels. For example, of the 19 hotels in Long Island City, 15 opened since 2005. An additional eight hotels are under construction.[6] Gowanus did not have any hotels until 2006; now there are seven hotels with 561 rooms, and an additional six hotels with at least 460 rooms are being planned.[7] These hotels are helping to undermine the industrial character of both neighborhoods because they have been built in manufacturing and MX (mixed-use) zoning districts. Moreover, despite their proximity to New York City Housing Authority (NYCHA) developments, public housing residents in Long Island City are not being hired for the jobs being created by these hotels. A special permit process could create opportunities to develop mechanisms for recruiting, training and placing residents in new jobs and for strategies to mitigate potentially negative impacts from construction.

Another example of hotels undermining a neighborhood's land use goals is the Garment Center in Manhattan, which has anchored the City's extraordinarily important fashion industry for decades. The 15-block area is composed of both a Special Garment Center District where the conversion of manufacturing space is restricted and an Industrial Ombudsman area where conversion is allowed but services are provided to strengthen the garment businesses. The Garment Center has seen a proliferation of hotels, largely because the underlying zoning is M1 which allows them as-of-right. There are now 14 hotels with approximately 2,800 rooms in the Garment Center, and there are eight more hotels in the development pipeline.

Hotel development has not only undermined the City's goal of preserving space for the fashion industry, but it is undermining the City's efforts to nurture the high-tech sector. Successive mayoral administrations have pointed to the Garment Center as a place to help address the need for Class B and C office space in order to capitalize on the recent growth in advanced technology firms. In particular, early stage business ventures, which are outgrowing a limited supply of incubators and co-working spaces, need this type of space as they begin to generate more jobs, a primary goal of public investment in the high-tech sector. Striking the right balance and creating mechanisms to enforce the balance between space for the fashion industry and space for high-tech firms is not easy.[8] Removing scarce, lower-cost office space from the real estate inventory in order to enable hotel development undermines the city's ability to strike that balance.

[6] Lisa Fickenscher, "Who needs Manhattan? Queens Hotels Boom," Crain's New York Business, 15 June 2014.

[7] New York City Hotel & Motel Trades Council, Summer 2014.

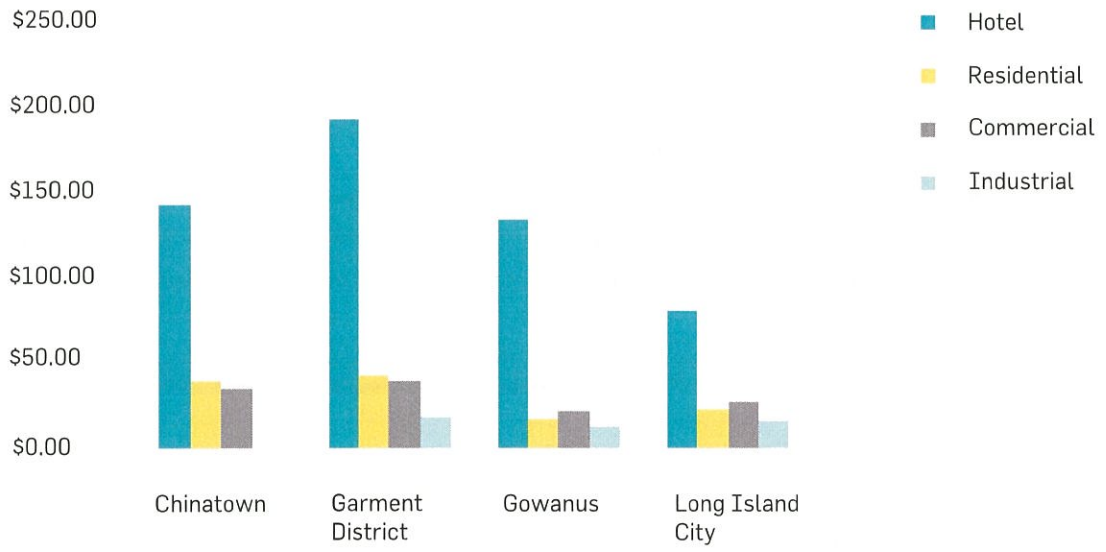
[8] Pratt Center has long advocated that the restrictive zoning designation intended to protect apparel production be replaced with a model that relies on ownership of space by a non-profit organization whose mission would be to strengthen the apparel industry. This would allow more flexibility for office development in the surrounding area. See http://prattcenter.net/sites/default/files/future_of_fashion_issue_brief_final_011112.pdf

IV. PROFITABILITY OF HOTELS

The second condition that drives hotel proliferation is that they are very profitable and can generally outbid virtually all other competing land uses such as manufacturing, housing, and many types of office uses. To illustrate the relative profitability and displacement potential of hotels, Pratt Center and the New York Hotel & Motel Trades Council compared revenue, net operating income, and market value of land used for hotels with that of land used for manufacturing, residential, and other commercial uses.

NYC Department of Finance property data was used for a sample set of properties in Gowanus, Chinatown, Long Island City, and the Garment Center -- four neighborhoods that have experienced significant surges in hotel development. Compared to other land uses, hotel properties have the highest per square foot net operating incomes, revenues, and market values.[9]

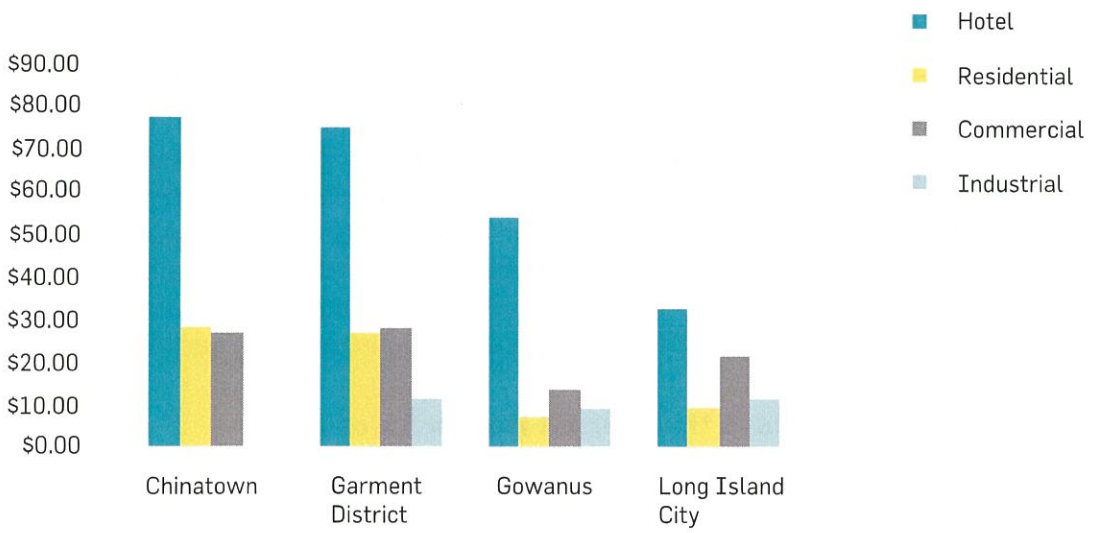
Chart 2: Hotels Generate Significantly Greater Average Revenue Per Square Foot



In all four neighborhoods, hotel uses yielded more than double the amount of revenue than residential, commercial, and industrial uses. In Chinatown, the Garment District, and Gowanus, hotel revenue was three times higher than these other land uses.
Data source: NYC Department of Finance, 2014

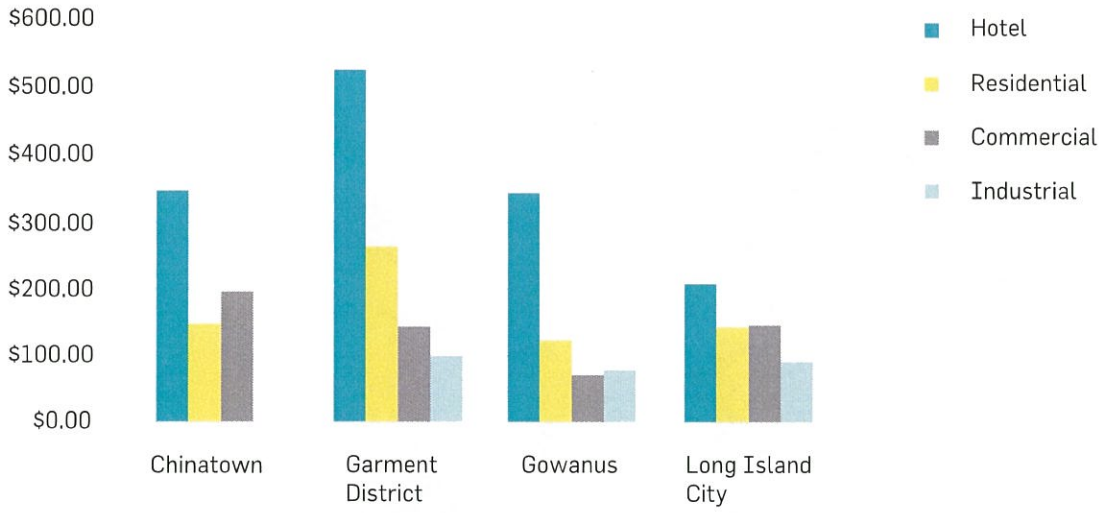
[9] We did not analyze industrial properties in Chinatown because there were very few active industrial uses near existing clusters of hotels.

Chart 3: Hotels Yield Significantly Greater Average Net Operating Income per Square Foot



Net operating income is calculated by subtracting a property's expenses from its revenue. On average, hotel properties in Chinatown, the Garment District, and Gowanus had net operating incomes that were at least twice as high as residential and commercial uses.
Data source: NYC Department of Finance, 2014

Chart 4: Hotels Have Significantly Greater Market Value per Square Foot

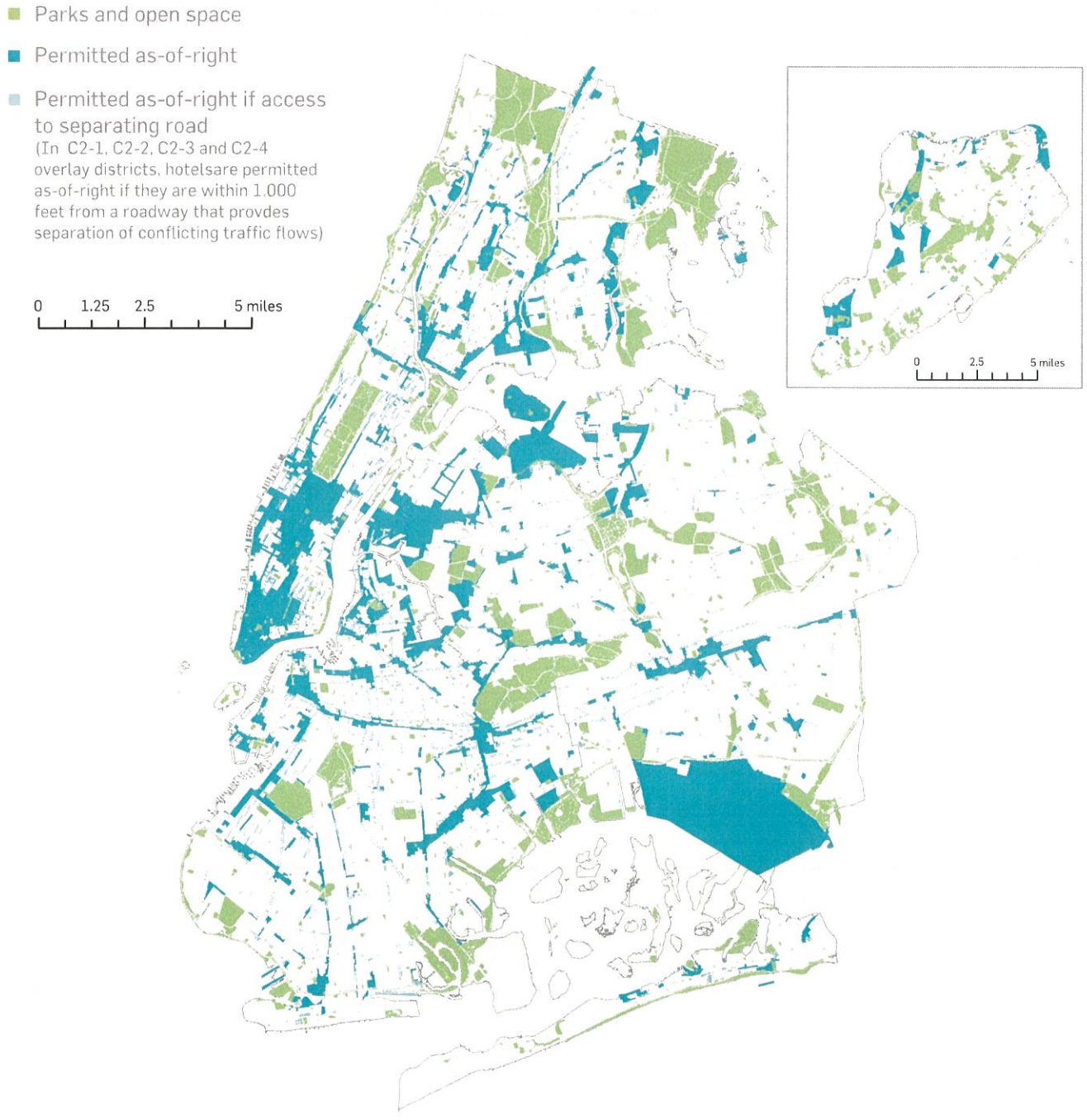


The NYC Department of Finance (DOF) calculates a property's market value by dividing the net operating income by the overall cap rate, which is calculated by adding the effective tax rate to the base cap rate. The base cap rate is DOF's estimate of the rate of return that an ordinary investor would expect on their investment for the particular type of property in question. Apart from Long Island City, hotel properties in each of the neighborhoods had a market value at least twice as high as residential and commercial properties.
Data source: NYC Department of Finance, 2014

Each of these financial measures highlights how hotels are not just more lucrative than other land uses but many times more profitable than even residential and commercial land uses in the same neighborhood. This disparity gives hotel developers an advantage over developers of housing and commercial space and exacerbates the challenges of increasing the inventory of affordable housing, affordable office space for the emerging hi-tech sector, as well as local neighborhood services and retail.

Given permissive land use and zoning regulations along with the relative profitability of hotel properties, a new way must be found to balance hotel development with other City needs and policy objectives. A growing tourism industry is an important contributor to the City's economic well-being, and new hotel development is vital to that industry. However, developing affordable housing, preserving Class B office space for high-tech and related entrepreneurs, and preserving and expanding the city's manufacturing sector and industrial infrastructure are also important policy goals that should not be secondary to the goal of expanding the hospitality sector.

Map 2: Zoning Districts and Overlays that Permit Hotels As-of-right



Map 3: Hotel Proliferation Since 2004

- Built before 2004
- Built since 2004
- Hotels in the pipeline

0 0.5 1 mile

Data source : New York Hotel and Motel Trades Council, 2014

V. STRIKING A BETTER BALANCE: EXPANDING THE USE OF SPECIAL PERMITS FOR HOTELS

Mayor de Blasio recognized the potential incompatibility and unintended consequences caused by hotels during his mayoral campaign and called for the use of special permits for hotels in industrially-zoned areas. Since then, the real estate challenge presented by other high priority goals including the creation of more affordable housing and the provision of Class B office space for the expansion of the "innovation economy" has become even more urgent.

The New York City Department of City Planning (DCP) has already adopted a special permit process for hotels in two recent special zoning district designations. In both the Special Hudson Square District and the Special Tribeca Mixed Use District, the City seeks to preserve "a vibrant mix" of commercial uses while encouraging new residential development, and is requiring a special permit for hotels of more than 100 rooms in an effort to meet those policy goals. A 2011 rezoning of the Fur District in the West 20s requires hotels with over 100 rooms to get a permit. DCP has also suggested a special permit provision for the development or enlargement of hotels as part its East Midtown rezoning proposal. While these particular cases are encouraging, in the coming years the citywide inventory of hotels is poised to grow by over 40% as hotel projects currently in the development pipeline come online.[10] This scale and urgency should compel the City to implement a less piecemeal approach to regulating hotel development.

In order to help balance the competing priorities of affordable housing, Class B office space, and the hospitality industry, the City should geographically expand its requirement for special permits for hotels of any size throughout most of the City. Issuance of the special permit for hotels should depend on findings that the proposed project will not directly displace an existing industrial use, encourage speculation, and price out all other uses that are permitted in the particular zoning district, or conflict with other policy objectives established through ULURP (Uniform Land Use Review Procedure) or through a community planning process. Based on existing land use policy, the special permit requirement would not be applied to the Financial District in lower Manhattan (excluding Chinatown) where the City continues to support a more diverse mix of uses to enliven the area after regular work hours.

[10] According to Summer 2014 data from the New York Hotel & Motel Trades Council, 213 hotel projects in the development pipeline are classified as "moving forward."

Zoning Requirements for Hotels in San Francisco

A "conditional use" permit is needed to build a hotel anywhere in San Francisco. This requires a public Planning Commission hearing in order to determine if the proposed hotel is "necessary" or "desirable" to the neighborhood, whether it may potentially have a negative impact on the surrounding neighborhood, and whether it complies with the San Francisco General Plan. During this hearing the Planning Commission will grant a conditional use permit for a hotel proposal by applying operational conditions that may mitigate neighborhood concerns as well as apply conditions that may be required by the city's Planning Department and the Planning Code. If the Commission's decision is appealed, it goes to the Board of Supervisors.

Source: San Francisco Planning Department

VI. CONCLUSION

A citywide requirement for a special permit for hotels will help the City advance important land use and economic development goals by creating a process for balancing the development of hotels, housing, commercial and office uses, and manufacturing space. A special permit requirement will help channel hotel development to where it is most appropriate, creating opportunities for local stakeholders and policy-makers to weigh in on and suggest improvements to hotel project proposals. This includes winning commitments for better wages and local employment. It will also help to reduce real estate speculation that is undermining other important policy objectives.

REBNY®
REAL ESTATE BOARD OF NEW YORK

TESTIMONY OF THE REAL ESTATE BOARD OF NEW YORK BEFORE THE NEW YORK CITY COUNCIL SUBCOMMITTEE ON ZONING AND FRANCHISES IN OPPOSITION TO THE PROPOSED CITYWIDE M1 HOTEL TEXT AMENDMENT

November 1, 2018

The Real Estate Board of New York, Inc. (REBNY) is a broadly-based trade association representing owners, developers, brokers, managers and real estate professionals active throughout New York City.

REBNY strongly opposes the proposed M1 Hotel Text Amendment that would significantly limit as-of-right hotel development citywide. It has been the experience of our members that the requirement of a special permit has been a deterrent to new hotel development, and the Draft Scope of Work states that the proposal will limit the land area of as-of-right hotel development by 45%.

The proposal claims that the zoning in the M1 districts gives hotels a competitive advantage over most other permitted uses and detracts from opportunities for other kinds of development. Yet, there is insufficient data to support those claims, and in fact the market shows that this is not the case. There has been virtually no construction of buildings designed for manufacturing uses, the demand for Class A office space is not in the areas where M1 districts are located, and the market is not constructing new Class B and C office space.

The City's accompanying Hotel Study concludes that, "The [hotel] development boom is unlikely to continue over the long term…Once supply catches up with pent up demand, demand growth for New York City hotel rooms will return to a more "organic" rate – one that is sustainable, in line with U.S. travel demand growth, and is based on traditional hotel demand drivers."

Over the course of the past few years, the City has often applied a hotel special permit on both public and private applications throughout the city—including central locations like East Midtown and the Garment District where hotel development should be encouraged. Rather than continuing with this piecemeal and opaque approach to regulating new hotels, the City should state its position on as-of-right hotel development. Further, the City needs to undertake a comprehensive study of the impact of recent land use actions on the hotel industry, instead of the segmented analysis provided in the City's Hotel Study.

We ask the City Council to consider the following Alternatives to the proposal:

1) Exclude Areas with Special Zoning Provisions: The City should exclude areas that have special zoning provisions that already consider and address location-specific conditions and needs. This would capture Special Districts like Long Island City, SoHo, West Chelsea, and the Garment District, as well as M1-5A and M1-5B areas.

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2) Exclude Manhattan from the Hotel Special Permit: The City's stated justification for the restriction is that hotels are crowding out other uses in low density M1 locations which are providing a reservoir of space for the new light manufacturing /commercial uses. These conditions do not apply in Manhattan where M1 districts have higher densities. Additionally, the Hotel Study states that Manhattan has reached saturation in hotel development due to the recent hotel boom. A hotel special permit in Manhattan is unnecessary and should be excluded.

3) Alternative Based on Hotel Size: The City should consider an alternative based on the number of room keys. There is likely some linkage between the number of keys and the effect on neighborhood character, which is a consideration for the Proposed Action.

4) Limit the Special Permit to Date Certain: The City's Hotel Study states that the current hotel development boom is unlikely to sustain itself over the long term and that the market is displaying signals that supply is on pace to match demand. Once supply and demand reaches equilibrium, hotel growth can be expected to grow at an organic rate. The City should consider limiting the applicability of the hotel special permit to a certain period.

The hotel industry is a critical linchpin to our city's tourism economy, and it is vital that hotel development not be constrained. In total, the 60 million tourists a year sustains more than 375,000 jobs across the city. These figures are expected to rise as 1.5 million additional tourists are estimated to visit next year.

The proposed action is an unnecessary constraint on the rights of property owners to address a market condition that needs no correction and appears to be motivated by factors unrelated to sound planning. It is unclear why the City is advancing a proposal that will impose heavy restrictions on hotel development, and the Hotel Study submitted fails to make a case for its need. We respectfully request that the City Council not support this zoning proposal in its current form.

FOR THE RECORD

NEW YORK BUILDING CONGRESS

Testimony of Carlo A. Scissura, Esq., President & CEO, New York Building Congress before the New York City Council Subcommittee on Zoning & Franchises

Chairman Moya, on behalf of the New York Building Congress, I'd like to express our concern over the M1 Hotel Text Amendment under consideration today. The New York Building Congress (NYBC) is a nearly 100-year-old organization working to encourage the growth and success of the New York City building industry, and the vibrancy of the city at large. We represent more than 550 constituent organizations employing over a quarter million professionals and tradespeople.

NYBC opposes the proposed M1 Hotel Text Amendment that would significantly limit construction and as-of-right hotel development citywide. If enacted, this proposal would require new hotels built in M1 zones to acquire a special permit and could potentially have detrimental effects on the city's construction industry and tourism sector. To restrict hotel construction would create a heavy burden on the city's 250,000 construction industry workers. The Building Congress strongly opposes any limit on construction.

The basis of this amendment—that "hotels may directly or indirectly detract from [other commercial] opportunities…"—has been shown to be a misrepresentation of the hotel market. The City Planning Commission's own hotel market analysis concluded that, assuming conditions stay consistent, "New York City's hotel market will continue to experience growth…" and that the future of hotel growth is very dependent on location and timeframe. The Commission's report points out that hotel supply and demand can be expected to reach equilibrium, leveling out growth in the long term. Because of these findings, we hope you will consider a number of recommendations:

- Instead of a general M1 zone special permit, the City could implement a location specific permit. Given that Manhattan's hotel demand has room to grow, it would be beneficial to protect certain areas if deemed necessary, but not hamper all construction. The City can target the neighborhoods which are subject to market saturation and exclude the neighborhoods that aren't.
- The Commission's report allows for the possibility of exogenous factors, including major policy shifts, that can alter the market forecast considerably. Policies, once put in place, are often difficult to alter. If the City limits the duration of this proposal it will allow for more flexibility and reassessment in the case of major changes in the hotel market.

NEW YORK BUILDING CONGRESS

- Should the Council approve the text amendment, we urge the members to include a vesting provision. A vesting provision protects anyone who has already made financial obligations through the pre-development process from having their development rights taken retroactively. As it stands, the proposal exempts developers from the Special Permitting only if their current permit was issued prior to April 23, 2018—before the Council had even voted on the proposal.

New York is expected to receive 1.5 million more tourists in 2019 than it received this year, and if the Commission's report is any indicator, the hotel market will meet this demand. If there was evidence that market failure was resulting in an oversupply of hotels in M1 zones, then the M1 Hotel Text Amendment would be more reasonable. But even the Commission's report stated that the City can expect hotel demand growth to return to a more "organic rate." Furthermore, while the segmented data in the report analyzed the hotel market in a useful way, a truly comprehensive cost-benefit analysis of alterations of land use would be more germane to weighing the efficacy of this policy endeavor.

On behalf of the New York building Congress, we oppose this measure and hope you will consider our recommendations, in order to ensure New York remains the most popular travel destination in the country. We respectfully request that the Subcommittee not support this zoning proposal.

Thank you for your consideration on this important matter.

ASSOCIATION FOR NEIGHBORHOOD & HOUSING DEVELOPMENT, INC.

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New York, NY 10004
Tel: (212) 747-1117

TESTIMONY OF ARMANDO MORITZ-CHAPELLIQUEN BEFORE ZONING & FRANCHISES SUBCOMMITTEE REGARDING THE HOTEL TEXT AMENDMENT

November 1, 2018

Good morning. Thank you Chair Moya and members of the Zoning & Franchises Subcommittee for the opportunity to testify.

My name is Armando Moritz-Chapelliquen and I am the Senior Economic Development Organizer with the Association for Neighborhood and Housing Development (ANHD). ANHD is a membership organization of NYC- neighborhood based housing and economic development groups- CDCs, affordable housing developers, supportive housing providers, community organizers, and economic development service providers. Our mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. We have over 100 members throughout the five boroughs who are working alongside communities to create economic opportunity and developed over 100,000 units in affordable housing.

Overall Support for Hotel Text Amendment

As part of the Industrial Jobs Coalition, a citywide alliance of policy advocates, community organizations, and business service providers, **we broadly support the text amendment to restrict hotels in M1 areas across the city.** At a time when affordability is a citywide concern, the proposed text amendment would meaningfully restrict a competing use from industrial areas, making good on the City's commitment to advance use group reform as part of the Industrial Action Plan. The Administration already recognizes that industrial and manufacturing jobs, whose average wages are twice that of the retail sector, are a crucial avenue of opportunity and equitable economic development for communities across the city. Unfortunately, there is less and less space for these kinds of jobs as a result of competing uses, meaning less space to allow good jobs to be located and grow. Use group reform, especially in the City's 21 Industrial Business Zones, is necessary to ensuring access to good paying jobs across all five boroughs. The proposed text amendment effectively advances this goal.

That being said, we do have recommendations to modify and improve upon the existing text amendment. Specifically, we have concerns about the criteria for granting the special permit and the public purpose exemption. We are also supportive of the change to the areas of applicability reflected in the A-Text.

Special Permit Criteria

Currently, the granting of the special permit is contingent upon the City Planning Commission finding that (1) the site plan incorporates elements to address potential conflicts between the proposed use and adjacent uses, (2) the use will not cause vehicular or pedestrian congestion, and (3) that the use will not impair the essential character or future use or development of the surrounding area.[1]

The language around essential character should be strengthened to consider how a proposed development would impact the real estate market in the area. As we have seen in manufacturing areas across the city, competing uses have played a role in speculation, where a single hotel can reshape the real

[1] Department of City Planning, Proposed Zoning Text Amendment for Hotels in M1 Districts. https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/m1-hotel-text/proposed-text-amendment-042318.pdf?r=a

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estate landscape for an area that would otherwise be more affordable for industrial and manufacturing development.

Public Purpose Exemption
The proposed text amendment currently exempts any "transient hotel operated exclusively for the public purpose of temporary housing assistance"[2]. **We support this added clarity regarding how the public purpose exemption would be triggered.**

Areas of Applicability
The original hotel text amendment excluded the M1 areas around La Guardia and John F Kennedy airports. Given the City's existing commitment to restrict competing uses in the Industrial Business Zones (IBZs), most recently in its action to restrict self-storage, it is crucial that the proposed action to restrict hotels applies the same standard to manufacturing districts in all IBZs. **We are pleased that the latest version of the hotel text amendment makes these areas subject to the special permit[3]. This revision reinforces the need for a comprehensive zoning approach for all of our city's Industrial Business Zones.**

Industrial Land Use Moving Forward
The hotel text amendment is part of the Administration's 2015 Industrial Action Plan. With the passage of this text, the commitments to restrict hotels and self-storage will be fulfilled. However, advocates and city government have long recognized use group reform in the IBZs should not be limited to these two uses. **We urge the Council and Administration to recommit to the goals of the Industrial Action Plan and advance further restrictions on competing uses in the city's 21 Industrial Business Zones.**

We support the City's effort to reform the zoning in our industrial areas. Restricting hotels in the M1 areas is a necessary step to tackling the speculation that is making it harder for manufacturers to stay in the city. **We urge you to approve the proposed text amendment with our recommended changes, support the Administration's goal of creating space for more good-paying industrial and manufacturing jobs, and continue to work with us to further advance use group reform.** Thank you for the opportunity to testify.

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[2] Department of City Planning, Proposed Zoning Text Amendment for Hotels in M1 Districts. https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/m1-hotel-text/proposed-text-amendment-042318.pdf?r=a

[3] Department of City Planning, M1 Hotel Text. https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/m1-hotel-text/amended-proposed-text-amendment-062918.pdf

City Council Testimony
M1 Hotel Text Amendment (N 180349(a) ZRY
November 1, 2018

Good morning,

My name is Jeff Mulligan. I am a planning & development specialist with the law firm of Kramer Levin which is representing 81 Beaver Street LLC, the owner of an individual landmark located in Bushwick, Brooklyn.

81 Beaver Street is a four-story building built in the late 19th century for the Ulmer Brewery. The building was designated an individual landmark in 2010 and is largely vacant and in urgent need of restoration.

Individual landmarks are not candidates for demolition and redevelopment given their landmark status. Like many historic, formerly-industrial buildings, 81 Beaver Street has narrow floorplates with column spacing that makes it ill-suited for adaptive reuse by an as-of-right modern manufacturing or office tenant. However, it is suitable for a small hotel which does not require large floorplates. Unfortunately, a special permit requirement for a hotel of this size is not a viable option for our client because the ULURP process is both lengthy and costly. By preventing the as-of-right conversion of small landmark buildings like 81 Beaver Street to boutique hotel use, the Text Amendment could inadvertently discourage the restoration and preservation of landmark buildings.

We urge the City Council to create an exemption from the requirement for a hotel special permit for individual landmark properties located in M1 districts. We believe that the exemption should apply to landmark buildings that contain floor area of 60,000 square feet or less and are located outside of Manhattan. These buildings are more vulnerable, as they are generally too small for conversion to permitted office and retail uses, and they are located outside of the City's main business districts, where reinvestment for commercial use is more likely.

We also note that allowing the as-of-right conversion of these buildings to hotels would not impair neighborhood character, which is a goal of the Text Amendment. To the contrary, the conversion of a landmark building would help maintain neighborhood character by facilitating the restoration and preservation of struggling landmark buildings.

I have the list of landmarks for the Committee that would be affected by the proposed exemption, and I am happy to answer any questions you may have.

Written Testimony

Proposed Zoning Text Amendment for Hotels in M1 Districts
New York City Council Zoning Subcommittee
November 1, 2018

Presented by:

Darryl Hollon–Brooklyn East Industrial Account Manager, Business Outreach Center Network

Good morning Chair Moya and members of the New York City Council Zoning Subcommittee. Thank you for the opportunity to testify. My name is Darryl Hollon and I am the Brooklyn East Industrial Business Service Provider for the Business Outreach Center (BOC)Network. The BOC Network, through the NYC Department of Small Business Services, manages six of NYC's twenty-one Industrial Business Zones (IBZ's) — two in Brooklyn East and four in Queens Central.

The recent proliferation of hotels in the Brooklyn East area I service mandates an in depth special permit process to place checks and balances on any future hotel development in M1 districts. There are many reasons for this, but I will focus on only one. Without a special permit for hotels in manufacturing zones the possibility for future industrial development and the living wage jobs that these industrial businesses could support will be under threat. This will be a loss for residents in surrounding communities who are in dire need of jobs that pay a living wage.

A graphic example of this can be found at the edge of the East New York IBZ at 268-272 Williams Ave. Unbeknownst to much of the community this site is now under hotel construction. Earlier this year an anonymous Roslyn NY based company filed applications for the two East New York IBZ-located properties totaling over 51K s/f, to erect two four-story hotels. Most disturbing is that half a block south of these two properties is a bustling residential community with one of the city's highest unemployment rates (11.2% according to American Community Survey figures - almost 3 times NYC's 4.2% unemployment rate). In comparison unemployment figures for this area from other sources range from 12.5% to as high as 17.9%. The loss of this property to hotel development negates the opportunity for industrial development that could conceivably support 25 or more well-paying manufacturing jobs. In sum, this will be a loss to an East New York Community that suffers from a devastatingly high unemployment rate and opportunities limited to low paying service sector jobs.

Along with the restrictions on self storage facilities passed by the Council last December, the proposed restrictions to hotel construction in manufacturing zones is part of the City's 2015 Industrial Action Plan, which aims to preserve the integrity of industrial areas. We support these policies but think that in order to honor this commitment the City should also be advancing more stringent use group reforms within industrial areas. The influx of nightclubs, big box retail, and office spaces continue to threaten well paying jobs in our core industrial areas. Furthermore, the administration has failed to deliver on its promised zoning framework for Innovation Districts and enforcement reform. As a result, the city's industrial policy is being implemented piecemeal and communities are left on their own to address these challenges.

Though this incremental approach towards industrial policy implementation is imperfect, it is imperative that we continue to move forward. Establishing a special permit for hotel development in manufacturing zones is yet another step towards dissuading encroachment of the competing uses that crowd quality jobs and job intensive industrial firms. This must be done! Thank you!

Good Morning Chair Moya and Councilmembers.

My name is Robin Kramer, from Duval & Stachenfeld, and I'm here on behalf of 26 West 39th LLC, the owner of the property at 26 West 39th Street in Manhattan, which is located between Fifth and Sixth Avenues, in an M1-6 zoning district behind Lord & Taylors, where my client is developing a 299 room boutique hotel with a restaurant and several bars.

I am here to ask the Council to extend the vesting date from April 23 to the date that the text change is approved.

My client began assembling the lots and air rights for this hotel in February 2014, long before the City first released its proposal for a special permit for hotels in all M1 zoning districts. It obtained its zoning approval on February 8, 2018, its foundation permit in July and its NB permit yesterday.

It has been working steadily since these permits were issued. However, it will not have completed its foundation and may not have even completed its excavation due to extensive required underpinning, and thus could not take advantage of the vesting provisions of the Zoning Resolution.

If the vesting date is not changed and my client is unable to vest under Section 11-33, then my client will have to cease construction. It may be able to obtain vested rights pursuant to the common law doctrine, but that is not a certainty. At a minimum, it will have to cease construction for many months until a BSA decision.

If the project does not vest, my client will have lost 4 years of work, and all the money spent in its project. But the City will have also lost. This hotel would employ approximately 200 construction workers, and approximately 300 people in the hotel operations, food service and related industries, and a tax loss of approximately $5 million dollars annually from all revenue sources from the hotel. The New York State Comptroller's Office stated that the leisure and hospitality industry accounted for one-fifth of the City's job growth since 2009.

The City Planning Commission Report says that the text change is needed to ensure that hotels do not conflict with adjoining uses and do not detract from industrial, commercial and institutional use. But in mid-Manhattan, industrial growth is not likely; and there is plenty of room for commercial and institutional growth in Hudson Yards, Midtown East and the Garment Center with the proposed changes. The biggest competition for land is from residential uses, which are not permitted.

The FEIS assumed that there would be no reduction in the number of hotels as a result of the imposition of a special permit, but didn't analyze the impact of the text change on tourism or Airbnbs. Given the cost, time and uncertainty of the special permit process, that assumption of no decrease is unwarranted.

My client has invested significant sums of money in this process and should be allowed to continue construction of a hotel where there is no evidence that a special permit is needed in mid-Manhattan to limit hotels.

Thank you for the opportunity to speak today and please let me know if you have any questions.

Chairman Moya and members of the Zoning subcommittee, I am Gene Kaufman, principal of Gene Kaufman Architect. We have designed 83 hotels, accounting for 18,752 hotel rooms in New York City. Nearly 40% are in M1 zones.

These hotels contribute to New York City's economy in many, many ways; creating hundreds of construction jobs, thousands of operational jobs and untold additional jobs for nearby businesses that support them. They help drive our local economy through tourism and business travel, thus supporting the vibrancy of businesses citywide.

Hotels play a critical role in making New York City the leading global city. So it is extremely unfortunate that our city's hospitality sector will be so damaged by this text amendment. The risk, time and cost of a Special Permit for a hotel in M1 zones will certainly halt all such development. In this one action, the Council will slash the amount of land available for as-of-right hotel construction by 45 percent. Why would the Council want to constrain supply, drive up the cost of visiting the City and incentivize the use of Airbnb as a hotel alternative? My submitted testimony explains in detail the harmful effect of constraining hotel supply. Suffice it to say that this will immeasurably damage the city's economy and its reputation.

The special permit requirement will also stymie the adaptive reuse of historic buildings in M1 zones, such as the beautiful NoMad and Ace hotels, architectural gems that would not have been revitalized if the special permit requirement had been in place.

Should the Council proceed with this text amendment, I respectfully request it amend the vesting provision to protect those who made financial obligations from having their rights taken due to a zoning action by the Council. The current proposed 3-year period to complete construction requires a building permit by April 23, eight months ago. This retrospective date is unfair to those who obtained permits after April 23. Therefore, at a minimum the Council should change the vesting date to the December date of the Council vote.

Other very advisable recommendations include: 1) placing a sunset date on this amendment to phase it out, and 2) eliminating Manhattan M1's from the change altogether, since these zones are so unlikely to be used for manufacturing purposes in the future.

I thank you for the opportunity to testify and would welcome any questions.

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M1 ZONING HOTEL MARKET ANALYSIS

July 18, 2018

1 of 3

Submitted by

GENE
KAUFMAN
ARCHITECT PC

Prepared by

LWHA®
LW HOSPITALITY ADVISORS

Application Number
N 180349 ZRY

Project
M1 Hotel Text Amendment

Public Hearing
7/25/18

Borough: CW
Community District: CW

M1 Zoning Hotel Market Analysis

Prepared by:

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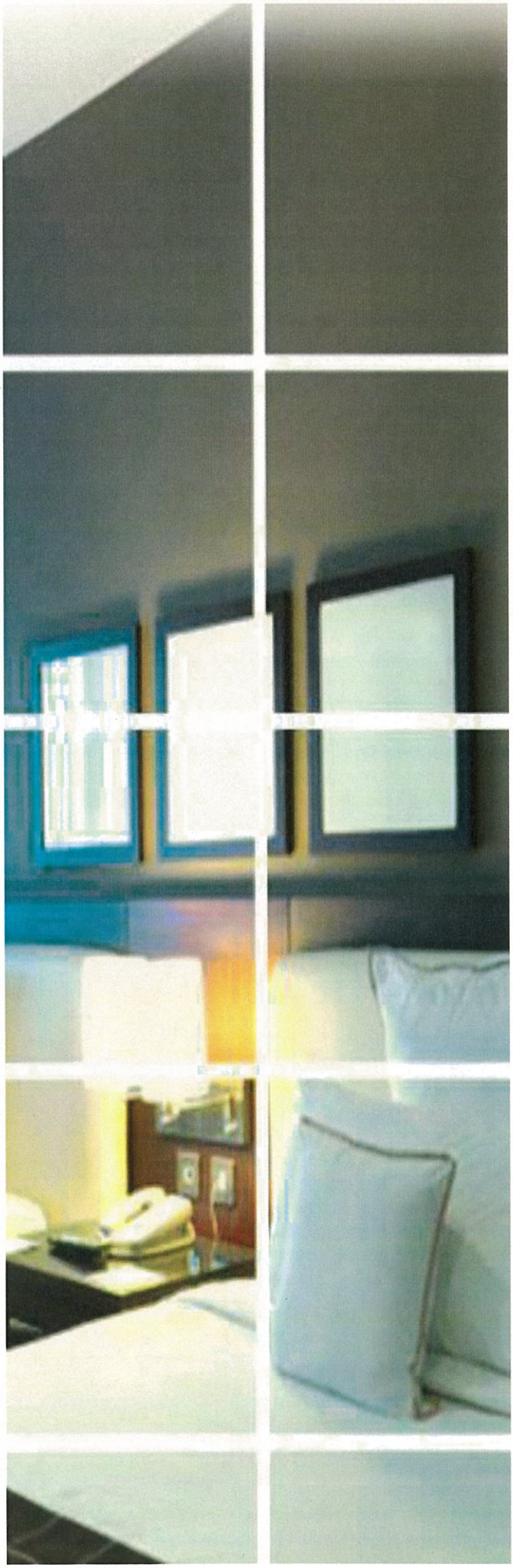


LWHA®
LW HOSPITALITY ADVISORS

July 18, 2018

Re: M1 Zoning Hotel Market Analysis

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our report analyzing hotels located within the M1 zoning districts of New York City.

This report explores the historical and prospective economic trends of the New York City hotel & tourism market and the potential unintended economic and social impacts for various New York City stakeholders if the proposed special permit to limit new hotel development in M1 zoning districts is adopted by the New York City Department of City Planning (DCP). While some of the DCP's arguments presented in the *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement*, dated April 23, 2018, may have merit, the report's conclusion(s) largely rely on unsupported assumptions. Overall, the report and analysis fail to consider the repercussions from artificially restricting hotel development in M1 zoning districts. This report's purpose is to address and analyze these repercussions.

Introduction

During the past decade, New York City has significantly benefited from the growth of its tourism industry, which has spurred development of new hotels throughout the five boroughs, in effect creating multiple new lodging markets outside of the borough of Manhattan. During this time, there has been a trend of increased hotel development in M1 zoning districts, particularly outside of Manhattan. Reportedly, 20 percent of new hotel rooms built between 2008 and 2017 in Manhattan were located in M1 zones, compared to 37 percent outside Manhattan.[1] Despite the significant supply increases over the past several years, hotel demand has kept pace, and in most instances, exceeded new supply, causing occupancy to increase and generating increased economic activity, jobs, and tax revenues for New York City annually.

According to the DCP, M1 districts are considered one of the last land reserves for buildable land in the City and believes it is necessary to reevaluate the existing M1 zoning district framework to

[1] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 23

safeguard opportunities to support residential, commercial, industrial, and institutional growth for the future. Hotels may directly or indirectly detract from other kinds of development opportunities by either occupying sites that could be developed to better achieve neighborhood development goals and/or changing neighborhood character. The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, which includes: Hotel uses in M1 zones have a competitive advantage in terms of FAR and parking requirements compared to industrial/manufacturing uses; hotels built in industrial neighborhoods may conflict aesthetically; and projected excess hotel room supply by 2028. The proposed City Planning Commission (CPC) special permit would affect all new hotels, motels, tourist cabins, and boatels in M1 zoning districts, excluding MX or paired M1/R districts, citywide and would require a case-by-case, site-specific review process by the DCP. Transient hotels operated for a public purpose by the City or organizations under contract with the City to provide housing to the homeless will be exempt from the special permit requirement, in addition to hotel development on airport property and specific areas adjacent to airports. The DCP concluded that the proposed CPC special permit would restrict hotel development in M1 zones and shift hotel development to commercial and mixed-use districts where hotel development would continue as-of-right, but not significantly affect the amount or type of hotel development.

Literature Review

LWHA® has reviewed the *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook* authored by BJH Advisors, BAE Urban Economics, and VHB; and *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* prepared by VHB Engineering Surveying & Landscape Architecture PC for the New York City Department of City Planning and believe the reports rely largely on unsupported assumptions and conclusions, which include the following:

- **"The Proposed Action is not development-inducing as its principal effect would be to affect the location, but not the amount or type, of future hotel development in the City."**[2]
    - Response: The assumption that restricting hotel development in M1 zones would not affect the amount or type of future hotel development is not supported by any data. Additionally, the report states that lot area available for hotel development as-of-right would decrease by 45 percent, while the permitted floor area would decrease by 25 percent under the proposed CPC special permit, both of which contradict the assumption that the amount or type of future hotel development would not be affected if the proposed CPC special permit is adopted. Additionally, Commercial and Mixed-Use zones represent only 4.69 percent of the total lot area of New York City and are generally densely developed, which would limit new development further. Given that this is a major underlying assumption

[2] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 40

of the report, it needs to be analyzed, supported and proven in order for the analysis to have validity.

- "By introducing a CPC special permit, the Department of City Planning proposes a case-by-case, site-specific review process to ensure that hotel development occurs only on appropriate sites"[3]

    - Response: A case-by-case, site-specific review process for each proposed hotel development would be a time consuming and expensive endeavor for both the would-be developer and the City that would require specialized knowledge. Additionally, the proposed review process would create opportunity for outside forces to influence "appropriate" projects. This process is at best unclear and undefined and requires significant study to ensure fairness and reasonable decision making would be part of this process. Passing such a statute with so many undefined parameters will likely deter developers from pursuing new hotel projects in the future.

- "Transient hotels operated for a public purpose by the City of New York or organizations under contract with City will be exempt from the special permit requirement. Hotels operated for public purpose are primarily used to provide temporary housing assistance, or shelter, to homeless individuals and families. 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 M1 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 to address homelessness in the City, called "Turning the Tide," which 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)."[4]

    - Response: The report titled *Turning the Tide on Homeless* released by the current administration states that the de Blasio administration is committed to ending the use of commercial hotels to shelter homeless. The DCP report appears to be contradictory to the de Blasio administration report, which brings into question why this exemption would be included.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, one being that hotel uses in M1 zones have a competitive advantage in terms of FAR and parking requirements compared to industrial/manufacturing uses.

[3] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 33
[4] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 34

  - Response: Restricting development of a productive building class because it offers development "advantages" over the other property-types in M1 zones lacks sound reasoning. Restricting successful property-types does not resolve the underlying issue(s) that would allow for natural growth in industrial/manufacturing uses. The DCP should consider the possibility that changing the underlying regulations to support industrial/manufacturing growth would achieve better results than restricting other successful property uses (hotels) that create significant tax revenues and jobs for New York City. The principle of Highest and Best Use (H&BU) should reign. If land owners, developers, investors and financing institutions believe a specific use to be its H&BU, that would seem to be the most comprehensive market-based approach.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, one being that hotels built in industrial neighborhoods may conflict aesthetically.

  - Response: According to the *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report approximately a dozen hotels are located in areas classified as "active" industrial. Given that the majority of hotels are currently located and proposed for more mixed-use M1 zones with limited industrial activity, it suggests that hotels would complement new commercial development in these neighborhoods. Further, homeless shelters would certainly be as or more conflicting to neighborhoods than hotels.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report assumes that the current pipeline of approximately 38,000 hotel rooms will be built by 2028.

  - Response: The use of current pipeline figures and not accounting for fewer or additional proposed rooms should be addressed. Hotel projects are already being abandoned or repurposed due to financing difficulties, which demonstrates a lack of consideration of the current situation and economic feasibility principles. Essentially, the market is restricting and governing itself in the natural order of HBU. Additionally, new projects may emerge during the period (2018-2028) being studied once the current proposed supply is absorbed into the market.

- The methodology utilized to calculate room night demand presented within the *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook* is flawed. Two of the three data points utilized to project leisure demand growth are either not relevant (U.S. national person trips – 1.1% growth) or generally supported (New York City Office of Management and Budget (OMB) – 0.8% growth). Additionally, the methodology employed to project business (commercial) demand is considered weak given the utilization of citywide non-

agricultural employment projections (provided by the Fiscal Year 2018 City of New York Mayor's Office of Management and Budget; and New York Metropolitan Transportation Council 2045 Regional Transportation Plan) to forecast future business hotel demand.

Resources Utilized

In analyzing the historical and prospective economic trends of the New York City tourism market, and more specifically its hotel market, this report relies on both primary and secondary data sources. Primary sources include interviews with tourism industry stakeholders. Secondary data sources include information provided by private companies such as Smith Travel Research (STR); Moody's Analytics; PricewaterhouseCoopers (PwC); Tourism Economics; not-for-profit organization such as NYC & Company; federal agencies such as the Federal Reserve; Congressional Budget Office; Bureau of Economic Analysis; local agencies such as NY NJ Port Authority; Mayor's Office of Management and Budget, NYC Independent Budget Office; City of New York Department of Finance; New York City Department of City Planning; City of New York Department of Buildings; Javits Center; New York Metropolitan Transportation Council; New York State Department of Labor; New York City Comptroller; New York City Economic Development Corporation; Department of Homeless Services; in addition to literature reviews.

Findings

Economic Impact

Keeping with current trends and no artificial restriction of hotel development imposed by the DCP in M1 zones, New York City's hotel market is anticipated to remain healthy through 2028 despite the significant amount of proposed supply. Our economic impact findings are summarized below and represent the anticipated increase over 2016 figures:

- An additional $55.5 billion in economic impact by 2028;
- An additional $37.1 billion in direct visitor spending by 2028;
- An additional $25.6 billion in wages & salaries by 2028;
- An additional 202,409 jobs by 2028;
- An additional $11.7 billion, including $4.24 billion in local taxes generated by tourism by 2028.
- An additional household tax savings of $1,290 resulting from the tourism industry in 2028.

New York City's projected local tax revenue gain from tourism between 2016 and 2028 of $4.24 Billion could support the following*:	
47,714	Teachers
180,575	Students
497,743	Child Care Vouchers
59,004	Families Housed in Shelters
26,026	Police Officers & Firemen
3,506	Billions Gallons of Wastewater Treated
4,900,797	Job Placements through the Workforce1 Career Centers

**Budget allocation provided by the NYC Independent Budget Office and Department of Homeless Services.*

Occupancy Taxes

In 2016, Hotel Room Occupancy Tax generated approximately $545 million (excluding N/A and remarketers revenue) in tax revenue for the City. We have projected Hotel Room Occupancy Tax revenues to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million or nearly double 2016 figures.

Real Property Taxes

In 2017, the average real property tax revenue citywide for hotels was $89.77 per lot square foot, compared to an average of $11.89 per square foot for all other Class 4 properties, which represents a 655% (7.55 times) increase. Specific to M1 zones, average M1 hotel tax revenues per lot square foot in 2017 was $42.10, compared to an average of $7.54 for other Class 4 properties, which represents a 448% (5.58 times) increase. Hotels located in M1 zones generated approximately $120 million in real property tax revenues during the 2017 tax year. Overall, hotels generate significantly more tax revenue per lot square foot on average than the average Class 4 property. By restricting future hotel development in M1 zones, the City is inherently reducing the potential for future property tax revenue.

Conclusion

While one of the responsibilities of the DCP is to facilitate physical and socioeconomic growth within the City, the current proposed CPC special permit zoning change, restricting new hotel development in M1 zones is at best, misguided. The hotel and tourism industries have historically been a vital part of the City's economy, generating hundreds of thousands of jobs, billions of dollars in tax revenue, and over $64 billion in economic impact in 2016 (NYC & Company). Despite hotel owners experiencing the negative effects of additional competition, New York City is anticipated to continue to achieve increased economic and social benefits from hotel and tourism growth. Although restricting hotel development in M1 zones is not anticipated to reduce historical contributions of the industry, it is projected that restricting M1 hotel development will

reduce the potential economic and social benefits to the City in the long term. For these reasons, we believe that current action plan by the City to adopt the CPC special permit for new hotel development in M1 zones to be imprudent, and therefore the CPC special permit should not be adopted in the near future.

Table of Contents

Introduction

This report presents an overview of the hotel industry in New York City in addition to the current and projected future conditions. It is intended to provide guidance regarding the potential impacts of adopting a CPC special permit restricting hotel development in M1 zoning districts. The report analyzes trends related to hotel demand, supply, occupancy, average daily rate (ADR), and RevPAR, with a particular focus on future development in M1 zones.

A New York City hotel and tourism market overview is followed by forecasts of hotel supply, demand, occupancy, ADR, and RevPAR for each borough assuming the CPC special permit is not adopted. The final sections of the report analyze the economic impact of tourism industry, in addition to hotel room occupancy and real property taxes relating to hotels.

Data Sources

In preparing this report, LWHA® relied on both primary and secondary data sources. Primary sources include interviews with tourism industry stakeholders. Secondary data sources include information provided by private companies such as Smith Travel Research; Moody's Analytics; PricewaterhouseCoopers; Tourism Economics; not-for-profit organization such as NYC & Company; federal agencies such as the Federal Reserve; Congressional Budget Office; Bureau of Economic Analysis; local agencies such as NY NJ Port Authority; Mayor's Office of Management and Budget, NYC Independent Budget Office; City of New York Department of Finance; New York City Department of City Planning; City of New York Department of Buildings; Javits Center; New York Metropolitan Transportation Council; New York State Department of Labor; New York City Comptroller; New York City Economic Development Corporation; Department of Homeless Services; in addition to literature reviews.

Primary Data

LWHA® collected primary data through an interview process that extended over several months in the winter of 2017/2018. LWHA® conducted 12 interviews with key stakeholders related to the hotel industry of New York City. These stakeholders included hotel owners, hotel developers, hotel general managers, City economic development representatives, NYC & Company representatives, and others who are able to speak knowledgeably about the New York City hotel & tourism market.

Secondary Data

LWHA® reviewed secondary data sources for the purpose of this study. The main secondary sources utilized in this report include historical market and hotel pipeline data from Smith Travel Research (STR), in addition to the following sources:

- NYC & Company Reports
- New York City Department of City Planning
- City of New York Department of Buildings

- City of New York Department of Finance
- New York City Economic Development Corporation
- NY NJ Port Authority
- Javits Center
- Department of Homeless Services
- New York City Comptroller
- Congressional Budget Office
- New York City Independent Budget Office
- New York City Office of Management and Budget
- New York Metropolitan Transportation Council
- Federal Reserve
- Moody's Analytics
- PricewaterhouseCoopers
- Tourism Economics

Literature Review

LWHA® reviewed numerous published sources relating to hotel and tourism industries in New York City. Sources included third-party outlook reports, academic studies, industry reports, and news articles.

Key Definitions

Key indicators of the hotel industry include Occupancy Rates, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR), which are defined below:

Occupancy Rate is the ratio of rooms that are occupied compared to the total amount of available rooms over a specific period of time.

Average Daily Rate (ADR) is the average room rate paid per room over a specific period of time.

Revenue per Available Room (RevPAR) is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.

Area Economic Analysis

Moody's Analytics

NEW YORK-JERSEY CITY-WHITE PLAINS NY-NJ

Data Buffet® MSA code: IUSA_DMNEY

ECONOMIC DRIVERS

FINANCIAL CENTER | TOURIST DESTINATION | MEDICAL CENTER

EMPLOYMENT GROWTH RANK

2017-2019	2017-2022
260	290
4th quintile	4th quintile

Best=1, Worst=409

RELATIVE COSTS

LIVING	BUSINESS
120%	162%

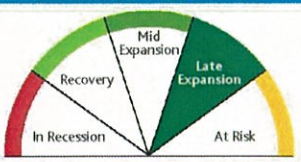
U.S.=100%

VITALITY

RELATIVE	RANK
97%	166

U.S.=100% Best=1, Worst=402

BUSINESS CYCLE STATUS



STRENGTHS & WEAKNESSES

STRENGTHS

- Financial capital of the world.
- High per capita income and limited exposure to manufacturing.
- Strong international immigration.

WEAKNESSES

- High costs, including taxes, housing, office rents and energy.
- Rapidly aging infrastructure.
- Overreliance on wealthy overseas buyers to support real estate market.

FORECAST RISKS

SHORTTERM ↓ | LONGTERM ↓

RISK EXPOSURE 2018-2023 **344** 5th quintile *Highest=1 Lowest=402*

UPSIDE

- Additional financial deregulation bolsters bank profits and Wall Street salaries.
- Growth in tech spurs additional high-wage job creation, increasing demand for office space and commercial real estate more broadly.

DOWNSIDE

- New federal tax law and overbuilding cause property values to plummet.
- Broad stock market correction weighs on pivotal financial services industry.

MOODY'S RATING

Aa2 CITY AS OF JUN 05, 2014

ANALYSIS

Recent Performance. New York-Jersey City-White Plains is at cruising altitude, and it is not time for the landing gear to drop just yet. Upward revisions pushed job growth ahead of the national pace last year, and the unemployment rate has fallen below that of the state for the first time since the Great Recession. While white-collar industries are growing, thanks in part to surging tech investment, healthcare is setting the pace, moving low-wage industries to the fore. The housing market is mixed. A glut of high-end condos has slowed multifamily construction, but single-family is strengthening. In fact, the single-family Case-Shiller index outpaced the condo index last year for the first time since 2009.

Finance. An elevated reliance on the securities industry will become a liability. Prolific gains in equity markets last year bolstered banks' bottom lines, leading Wall Street bonuses to rise 17%, well above expectations. Also, the new federal tax law has yielded billions in savings for large banks with a major presence in the Big Apple.

However, financial services output for the state and securities employment in NEY are barely treading water as firms seek lower-cost locations. Moving forward, rising interest rates will hold back equity markets, and the partial rollback of Dodd-Frank banking legislation will not provide much lift. Capital requirements on large banks are mostly unchanged; more stringent risk management has become the industry standard and should continue regardless of the law.

Consumers. Consumer industries will disappoint as spending by residents and visitors slows. After easily outpacing the U.S. for most of this expansion, growth in retail and leisure/hospitality has fallen behind. Confidence among residents is slipping, keeping spending in check despite a pickup in the broader area's Employment Cost Index. Although fears of an equity market correction and a slowdown in international tourism have not been borne out, they remain risks; either would exacerbate a retail slump, further reducing rents and leading to more store closures in Manhattan.

CRE. Retail is one of numerous concerns surrounding commercial real estate in NEY. Apartment prices are declining, based on Real Capital Analytics' Commercial Property Price index, a trend that will likely continue. An overbuilt ultra-luxury market in Manhattan and a less pronounced slowdown in Brooklyn and Queens have made landlords increasingly reliant on concessions to sign tenants. A similar trend is taking place in the office market, particularly in Midtown Manhattan. Lower-cost locations elsewhere in the country and newer buildings around the World Trade Center and Hudson Yards have proven compelling alternatives. Tech firms continue to seek space, especially in Midtown South, but their smaller footprints keep a lid on demand.

Fiscal. As growth slows, public finances will be a stubborn obstacle. The city's per capita debt burden is twice the national average, according to data from the comptroller's office, and aggressive spending hikes under Mayor Bill de Blasio have increased deficits. The proposed fiscal 2019 budget contains additional spending increases to address labor and borrowing costs as well as reduced federal funding under the new tax law. To date, solid revenue growth has supported increased spending, but slower job and population gains in the coming years could exact a toll.

The best days of the expansion are behind New York-Jersey City-White Plains. As financial markets and commercial property prices come back to Earth, incomes will take a hit. This will put further downward pressure on consumer industries and city finances. In the long run, slowing population gains and extremely high costs will keep growth in check.

Adam Kamins *1-866-275-3266*
May 2018 *help@economy.com*

2012	2013	2014	2015	2016	2017	INDICATORS	2018	2019	2020	2021	2022	2023
947.1	947.9	967.3	987.2	993.2	1,012.2	Gross metro product (C09$ bil)	1,038.0	1,059.0	1,063.3	1,091.4	1,123.0	1,147.7
3.6	*0.1*	*2.0*	*2.0*	*0.6*	*1.9*	*% change*	*2.5*	*2.0*	*0.4*	*2.6*	*2.9*	*2.2*
6,269.7	6,391.9	6,558.5	6,720.8	6,853.5	6,977.2	Total employment (ths)	7,072.0	7,131.0	7,130.5	7,128.2	7,175.4	7,209.6
1.7	*1.9*	*2.6*	*2.5*	*2.0*	*1.8*	*% change*	*1.4*	*0.8*	*-0.0*	*-0.0*	*0.7*	*0.5*
9.0	8.3	6.8	5.5	4.9	4.5	Unemployment rate (%)	4.0	3.6	4.3	5.1	5.2	5.2
6.3	2.1	4.2	4.5	2.0	3.3	Personal income growth (%)	4.0	4.1	3.2	3.6	4.0	3.8
59.1	60.2	61.4	63.3	66.1	67.6	Median household income ($ ths)	69.4	71.2	72.9	74.9	77.1	79.1
14,158.4	14,267.6	14,359.5	14,445.3	14,500.6	14,533.8	Population (ths)	14,579.5	14,629.8	14,679.9	14,729.6	14,781.9	14,834.3
0.9	*0.8*	*0.6*	*0.6*	*0.4*	*0.2*	*% change*	*0.3*	*0.3*	*0.3*	*0.3*	*0.4*	*0.4*
28.9	18.7	0.4	-5.3	-29.3	-46.7	Net migration (ths)	-34.2	-30.6	-31.2	-31.6	-28.9	-28.3
4,238	6,447	7,270	6,823	6,637	7,061	Single-family permits (#)	7,339	9,151	9,888	11,770	12,250	11,942
17,115	25,857	30,011	67,017	27,073	34,933	Multifamily permits (#)	32,531	27,561	24,686	26,502	27,348	26,712
216.4	218.7	225.5	234.4	243.7	256.4	FHFA house price (1995Q1=100)	265.3	267.7	274.4	285.4	295.7	308.3

MOODY'S ANALYTICS / Précis® U.S. Metro / May 2018

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ECONOMIC HEALTH CHECK

3-MO MA

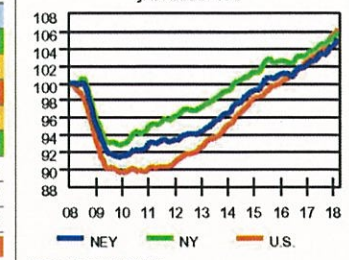
	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18
Employment, change, ths	7.3	9.2	8.1	9.3	8.6	9.1
Unemployment rate, %	4.5	4.4	4.4	4.3	4.3	4.3
Labor force participation rate, %	61.6	61.6	61.6	61.6	61.6	61.5
Employment-to-population ratio, %	58.9	58.9	58.9	58.9	58.9	58.9
Average weekly hours, #	34.1	34.1	33.9	33.9	33.9	34.0
Industrial production, 2012=100	100.9	101.8	102.1	102.5	102.9	ND
Residential permits, single-family, #	7,519	7,092	7,385	7,255	7,036	ND
Residential permits, multifamily, #	28,926	37,823	35,400	39,908	39,057	ND

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

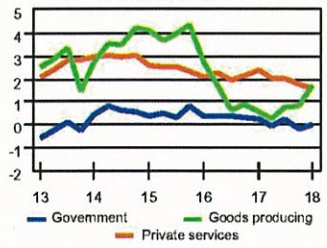
JAN 2008=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

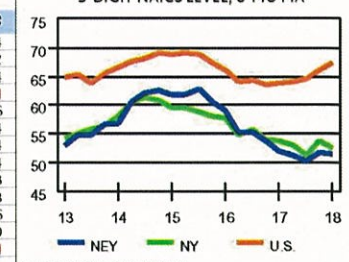
% CHANGE YR AGO, 3-MO MA

	Apr 17	Oct 17	Apr 18
Total	1.8	1.7	1.4
Mining	0.6	4.6	2.2
Construction	2.4	1.6	2.4
Manufacturing	-1.2	-1.2	-1.1
Trade	0.2	0.1	0.6
Trans/Utilities	4.1	6.6	3.4
Information	2.3	0.9	0.4
Financial Activities	0.9	1.8	1.4
Prof & Business Svcs.	2.1	1.7	1.8
Edu & Health Svcs.	3.6	3.4	3.3
Leisure & Hospitality	2.7	2.5	0.6
Other Services	0.5	0.4	1.0
Government	0.4	0.0	-0.1

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

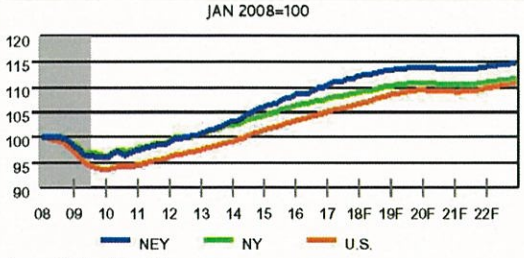
3-DIGIT NAICS LEVEL, 6-MO MA



Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2008=100

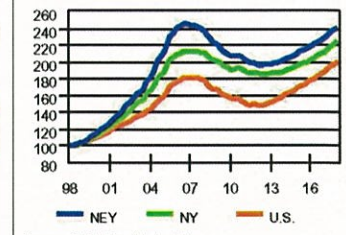


FORECAST VS. 6 MO PRIOR

Sources: BLS, Moody's Analytics

HOUSE PRICE

1998Q1=100, NSA

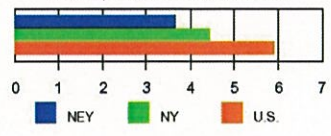


Sources: FHFA, Moody's Analytics

VACANCY RATES

HOMEOWNER, % HOUSES FOR SALE

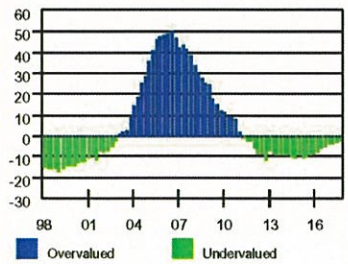
RENTAL, % INVENTORY FOR RENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

HOUSE PRICE TRENDS

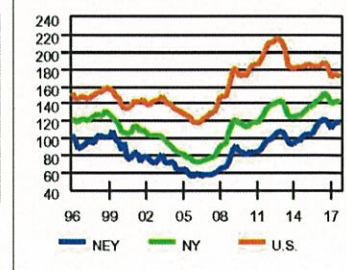
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

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EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

JPMorgan Chase & Co.	37,363
Mount Sinai Medical Center	32,056
Macy's Inc.	31,200
Citibank NA	24,991
New York-Presbyterian Healthcare System	21,802
Bank of America	19,500
Continuum Health Partners Inc.	18,974
Verizon Communications	18,650
Montefiore Medical Center	18,030
NYU Langone Medical Center	17,879
New York University	16,021
Columbia University	15,601
City University of New York	13,970
Consolidated Edison Inc.	13,280
Memorial Sloan-Kettering Cancer Center	12,662
Morgan Stanley	12,500
Time Warner Inc.	10,337
Archdiocese of New York	10,265
Barclays Capital	10,000
Medisys Health Network Inc.	9,904

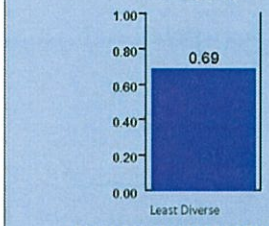
Source: nj.com, 2017

PUBLIC

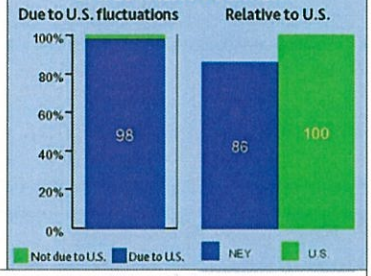
Federal	76,192
State	97,530
Local	729,821

2017

INDUSTRIAL DIVERSITY

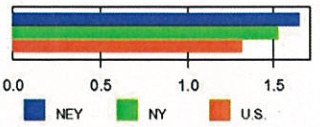


EMPLOYMENT VOLATILITY



ENTREPRENEURSHIP

EMPLOYMENT IN NEW COMPANIES, % OF TOTAL



Sources: Census Bureau, Moody's Analytics, avg 2010-2014

EXPORTS

Product	$ mil
Food and kindred products	ND
Chemicals	15,723.8
Primary metal manufacturing	6,537.4
Fabricated metal products	ND
Machinery, except electrical	ND
Computer and electronic products	9,359.1
Transportation equipment	ND
Miscellaneous manufacturing	22,898.2
Other products	31,048.1
Total	**89,649.5**

Destination	$ mil
Africa	1,154.4
Asia	36,367.4
European Union	23,480.3
Canada & Mexico	14,756.5
South America	2,840.4
Rest of world	11,050.5
Total	**89,649.5**
% of GDP	*5.4*
Rank among all metro areas	*179*

Sources: BEA, International Trade Administration, Moody's Analytics, 2016

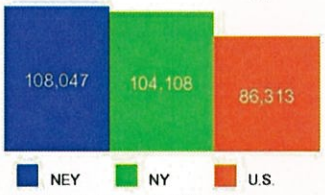
COMPARATIVE EMPLOYMENT AND INCOME

	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
Sector	NEY	NY	U.S.	NEY	NY	U.S.
Mining	0.0	0.0	0.4	$198,520	$40,309	$90,606
Construction	3.7	4.0	4.7	$86,885	$78,170	$67,379
Manufacturing	3.0	4.7	8.5	$86,037	$80,144	$80,835
Durable	*42.0*	*57.9*	*62.2*	*nd*	*$83,739*	*$83,048*
Nondurable	*58.0*	*42.1*	*37.8*	*nd*	*$75,209*	*$77,168*
Transportation/Utilities	3.7	3.1	3.9	$59,599	$59,672	$64,189
Wholesale Trade	4.0	3.6	4.0	$96,508	$90,924	$80,930
Retail Trade	9.4	9.9	10.8	$43,209	$39,582	$34,829
Information	3.5	2.8	1.9	$161,573	$152,264	$114,771
Financial Activities	8.9	7.5	5.8	$110,570	$96,915	$53,946
Prof. and Bus. Services	16.2	13.8	14.0	$100,586	$90,063	$68,173
Educ. and Health Services	20.5	21.1	15.8	$57,868	$56,706	$54,662
Leisure and Hosp. Services	9.7	9.9	11.0	$38,788	$34,783	$27,790
Other Services	4.3	4.3	3.9	$43,234	$40,601	$36,665
Government	13.0	15.2	15.2	$101,946	$99,930	$77,509

Sources: Percent of total employment — BLS, Moody's Analytics, 2017, Average annual earnings — BEA, Moody's Analytics,2016

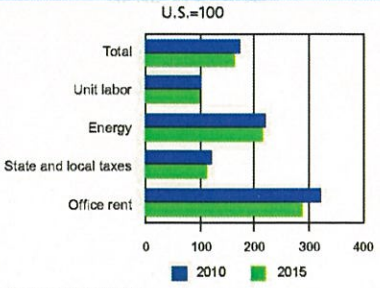
PRODUCTIVITY

REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2016

BUSINESS COSTS



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
NEY	337.1	4.8
U.S.	7,046.4	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
NEY	614.7	8.8
U.S.	13,892.2	9.5

Source: Moody's Analytics, 2017

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	6221	General medical and surgical hospitals	1.1	235.7
HIGH	5231	Sec. & comm. contracts intermed. & brokerage	5.7	117.4
HIGH	5511	Management of companies and enterprises	1.1	116.3
HIGH	6211	Offices of physicians	1.0	112.7
MID	GVL	Local Government	1.1	725.7
MID	5613	Employment services	0.9	156.0
MID	6113	Colleges, universities, and professional schools	1.8	141.2
MID	GVS	State Government	0.4	98.3
LOW	7225	Restaurants and other eating places	0.8	395.7
LOW	6216	Home health care services	2.6	162.8
LOW	6241	Individual and family services	1.5	154.4
LOW	4451	Grocery stores	1.0	120.1

Source: Moody's Analytics, 2017

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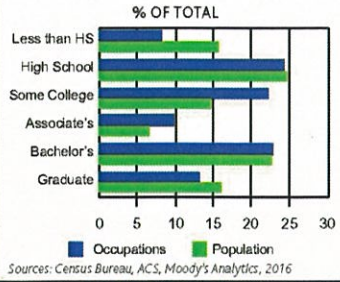
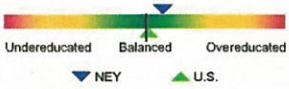
SKILLS MISMATCH





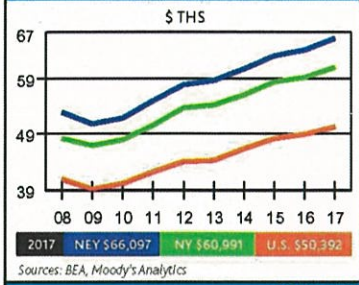
Sources: Census Bureau, ACS, Moody's Analytics, 2016

ECONOMIC DISENFRANCHISEMENT

Index	2016	Rank*
Gini coefficient	0.53	6
Palma ratio	4.2	6
Poverty rate	15.6%	161

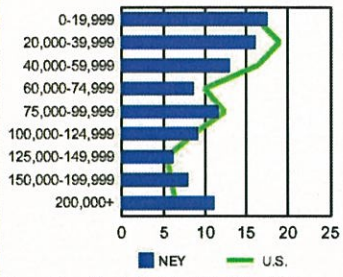
**Most unequal=1; Most equal=401*

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2016

MIGRATION FLOWS

INTO NEW YORK NY

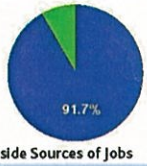
	Number of Migrants
Newark NJ	34,484
Nassau County NY	23,408
Bridgeport CT	6,119
Washington DC	5,866
Los Angeles CA	5,849
Dutchess County NY	4,044
Chicago IL	3,966
Austin TX	3,748
Philadelphia PA	3,702
Trenton NJ	3,687
Total in-migration	*231,792*

FROM NEW YORK NY

Newark NJ	47,901
Nassau County NY	39,077
Bridgeport CT	10,832
Los Angeles CA	10,404
Orlando FL	8,666
Atlanta GA	7,644
Dutchess County NY	7,255
Washington DC	6,657
Tampa FL	6,114
West Palm Beach FL	5,965
Total out-migration	*382,030*
Net migration	**-150,238**

COMMUTER FLOWS

RESIDENTS WHO WORK IN NEY



Top Five Outside Sources of Jobs

New York NY	Share
Newark NJ	4.1
Nassau County NY	1.9
Trenton NJ	0.5
Bridgeport CT	0.5
Dutchess County NY	0.2

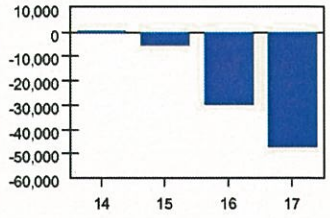
WORKERS WHO LIVE IN NEY

Top Five Outside Sources of Workers

New York NY	Share
Newark NJ	4.4
Nassau County NY	4.3
Dutchess County NY	0.9
Bridgeport CT	0.8
Trenton NJ	0.4

Sources: Census Bureau, Moody's Analytics, avg 2009-2013

NET MIGRATION,

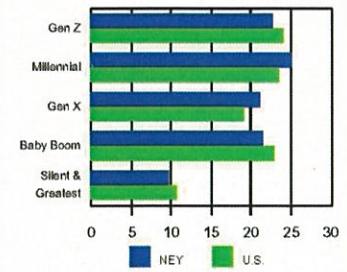


	2014	2015	2016	2017
Domestic	-120,156	-136,515	-163,690	-180,601
Foreign	120,528	131,172	134,354	133,839
Total	372	-5,343	-29,336	-46,762

Sources: IRS (top), 2016, Census Bureau, Moody's Analytics

GENERATIONAL BREAKDOWN

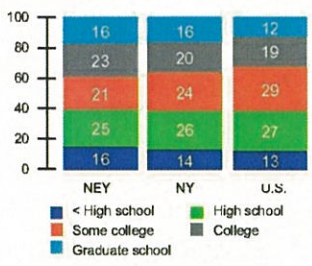
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2016

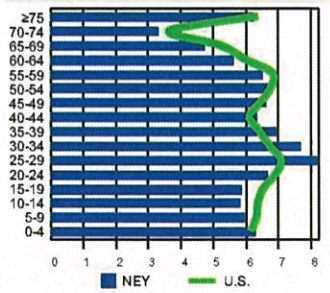
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2016

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2016

New York City Lodging Market

During the past decade, New York City has benefited from the growth of its tourism industry, which has spurred development of new hotels throughout the five boroughs. According to the New York City Department of City Planning, there were 115,532 hotel rooms across 632 hotels in the five boroughs of New York City as of April 2017, with Manhattan accounting for approximately 83 percent of the total rooms in the City. Hotel room inventory in New York City has increased by 57 percent since 2007, with the creation of more than 40,000 hotel rooms through 275 hotels. The following chart details the growth in New York City hotels and number of rooms.

New York City Hotel and Room Supply

Years	Hotels	Growth	Rooms	Growth
2007	357		73,692	
2008	381	7%	76,821	4%
2009	412	8%	81,629	6%
2010	453	10%	88,408	8%
2011	472	4%	90,969	3%
2012	494	5%	93,250	3%
2013	526	6%	98,682	6%
2014	556	6%	103,570	5%
2015	594	7%	108,441	5%
2016	623	5%	113,908	5%
2017*	632	1%	115,532	1%
CAGR		**5.9%**		**4.6%**

*Inventory as of April 2017

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Historically, most of the new hotel development occurred in Manhattan, however, the boroughs of Brooklyn and Queens have witnessed significant growth in the number of hotel rooms. Brooklyn and Queens made up approximately 16 percent of the total number of hotel rooms in New York City in 2017, compared to approximately 11 percent in 2007. The chart below details the growth in hotel room supply by borough between 2007 and 2017.

New York City Hotel Room Supply by Borough

	2007	2017*	% Change
Manhattan	64,144	95,449	48.8%
Brooklyn	1,911	5,953	211.5%
Queens	6,553	12,264	87.2%
Bronx	597	1,088	82.2%
Staten Island	487	778	59.8%
Total	73,692	115,532	56.8%

** As of April 2017*

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Hotels are classified as Use Group 5 and are permitted as-of right in the following zoning districts: C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C27, C4, C5, C6, C8 and M1. Hotels are also permitted in Mixed-Use districts (MX) and paired M1/R districts. Outside of Manhattan, the majority of hotel development has occurred in the following submarkets: Long Island City, Jamaica, Flushing, North Brooklyn, Downtown Brooklyn, Greenpoint, Williamsburg, and Gowanus.

The aforementioned submarkets represent approximately 82 percent of all hotel rooms outside of Manhattan. These neighborhoods offer travelers ease of access to Manhattan, transportation hubs, and surrounding major business and leisure demand generators, while at the same time generally more affordable hotel rates when compared to Manhattan.

Approximately 40 percent of hotels built outside of Manhattan since 2007 have been located in M1 zones. The increasing share of new hotel development in M1 zones is primarily the result of the generally lower land costs compared to Commercial and Mixed-Use districts, and locational attributes. As exhibited by new development projects (retail, commercial, office, etc.) throughout the City, lower land cost typically attracts developers, which has benefitted various neighborhoods like Williamsburg and Long Island City. The following chart displays the percentage of hotel rooms located in M1 zones for 2017.

Percentage of Hotel Rooms by Zoning District (2017)		
	M1	Non-Manufacturing
Citywide	13.1%	86.9%
Manhattan	9.2%	90.8%
Other Boroughs	31.4%	68.6%
Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook		

The vast majority of hotels are located outside of M1 zones. It is important to note that given the lack of suitable development sites and project feasible land costs in Commercial and Mixed-Use zones, there has been a recent increase in new hotels being developed in M1 zones since 2008. The following chart details the percentage of hotel rooms built between 2008 and 2017 by zoning district.

Hotel Rooms built in 2008-2017 by Zoning District		
	M1	Non-Manufacturing
Citywide	24.2%	75.8%
Manhattan	20.1%	79.9%
Other Boroughs	36.5%	63.5%
Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook		

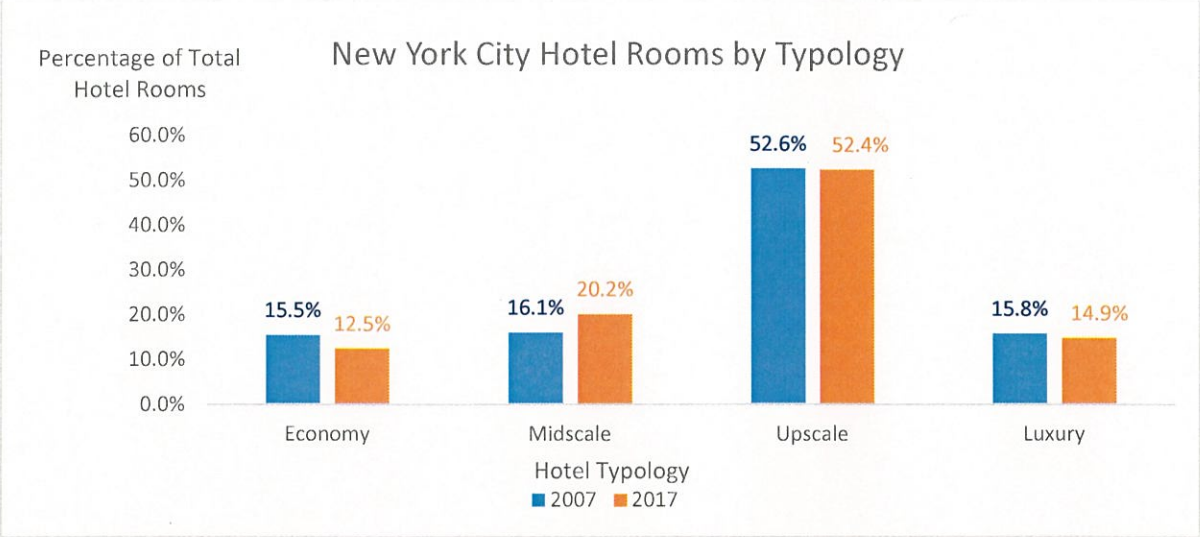
Over the ten-year period studied, there has been a growing trend of hotels being developed in M1 zones. This trend of increasing hotel development in M1 zones represents a growing shortage of feasible development sites outside of M1 zones for new hotels in New York City. According to the Department of City Planning, Commercial (excluding commercial overlays) and Mixed-Use zones represent only 4.69 percent of total lot area of New York City, while Manufacturing zones make up 13.66 percent of total lot area. However, hotel development in Manufacturing zones is currently only permitted as-of-right in M1, and not M2 or M3 zones. Approximately a dozen hotels are located in areas classified as "active" industrial areas, with the remaining hotels located in areas with moderate or no industrial activity where hotels support the existing retail, office and residential uses. Given Commercial zones are generally densely developed, there is

less opportunity for new development. As most hotel developers seek the best located development site available that is legally permissible, physically possible, and financially feasible for hotel development, the current situation suggests that many developers are turning to M1 zones due to decreasing site availability and project feasibility in other zones. If the CPC special permit is adopted, it is likely that many hotel projects will be abandoned or repurposed as a result of the longer, and uncertain entitlement process.

Per information provided by the Department of City Planning, the lot area of where hotel development is allowed as-of -right is anticipated to decrease by 45 percent, while the permitted floor area is anticipated to decrease by 25 percent under the proposed CPC special permit. However, the Department of City Planning assumes that the proposed CPC special permit would result in a shift of hotels rooms to areas where hotel development could still occur as-of-right with no significant change to the amount or type of future hotel development. This information is contrary to the data presented and is not considered to be realistic given Commercial and Mixed-Use zones represent only 4.69 percent of the total lot area of New York City and are generally densely developed.

Hotel Scale & Size

According to the Department of City Planning, upscale hotel rooms in New York City represent the majority of the inventory in 2017 with a 52.4 percent share, followed by the midscale segment with a 20.2 percent share. Over the past ten years, more than 40,000 hotel rooms have been built across all hotel room classes in New York City. The inventory of midscale hotel rooms throughout the five boroughs has experienced the largest increase, almost doubling from 11,857 rooms in 2007 to 23,301 in 2017. Further, the midscale segment is the only segment that experienced its share increase over the past decade from 16.1 percent in 2007 to 20.2 percent in 2017. It is important to note that the increase of midscale segment hotels has advocated the ability of middle-class tourists to visit New York City, whereas historically they were not able to afford the high rates. The following chart displays the percentage of hotel rooms by typology.



Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Over the past ten years, the average room count of hotels has decreased from 206 rooms to 183 rooms, representing a 11 percent decrease. This trend has been driven primarily by development of limited and select-service hotels, which typically tend to have fewer rooms than full-service hotels.

Hotel Development in New York City

New York City is the most active hotel investment and development market in the country, but also the most expensive construction market. According to the Department of City Planning - *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook*, construction costs for hotels in Manhattan is typically around $1,100 per square foot (including $400 per square foot for land price). From reviewing our internal development budget records and speaking with local hotel developers, total development cost per gross building area in New York City typically ranges from $600 to $1,500 per square foot all-in. As a result of land being generally more available and less expensive in M1 zones, developers have found in M1 zones an opportunity to increase the feasibility of new development projects. Currently, some lenders have already stopped financing hotel projects in development, while other lenders are less likely or not willing to make loans on new hotel projects in the City until the new supply is absorbed, prompting investors to rely more on EB-5 financing for their projects. The EB-5 program enables a foreign national to receive a green card for investing a minimum of $500,000 dollars in a commercial enterprise or project. The EB-5 program has been successful with large projects such as Hudson Yards, driving foreign investment into the City. As land and construction costs continue to increase, in addition to a rapidly decreasing number of suitable development sites and decreasing availability of financing, hotel development is anticipated to decelerate and stabilize in line with historical figures.

Additionally, it is important to note that if the proposed CPC special permit is adopted, there would be an increased risk and cost associated with developing hotels as most developers would not acquire a development site for hotel development if it was uncertain that they would receive City approval for their intended project.

Hotel Pipeline

New York City hotel room inventory is expected to continuously increase over the next several years throughout the five boroughs. According to the Department of City Planning, there are 24,151 hotel rooms across 170 hotels under construction and 13,835 hotel rooms across 106 hotels in pre-construction phase in New York City for a total pipeline of 37,986 hotel rooms and 276 hotels. If all proposed hotels were to come to fruition, total hotel supply would increase by approximately 33 percent, which is in line with supply growth figures between 2007 and 2011. Projects under construction are considered relatively certain to be completed, while projects in the pre-construction phase are less likely to be completed until the hotel projects currently under construction are absorbed by the market and financing becomes more readily available.

Total Hotels Under Construction

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	14	68	20.6%	3,029	14,095	21.5%
Bronx	4	11	36.4%	267	933	28.6%
Queens	24	52	46.2%	2,336	5,173	45.2%
Brooklyn	18	36	50.0%	1,500	3,652	41.1%
Staten Island	2	3	66.7%	270	298	90.6%
New York City Total	**62**	**170**	**36.5%**	**7,402**	**24,151**	**30.6%**

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Total Hotels in Pre-Construction

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	9	34	26.5%	1,153	4,862	23.7%
Bronx	0	7	0.0%	0	586	0.0%
Queens	11	37	29.7%	1,351	5,113	26.4%
Brooklyn	10	26	38.5%	1,373	3,055	44.9%
Staten Island	1	2	50.0%	180	219	82.2%
New York City Total	**31**	**106**	**29.2%**	**4,057**	**13,835**	**29.3%**

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Total Pipeline Hotels

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	23	102	22.5%	4,182	18,957	22.1%
Bronx	4	18	22.2%	267	1,519	17.6%
Queens	35	89	39.3%	3,687	10,286	35.8%
Brooklyn	28	62	45.2%	2,873	6,707	42.8%
Staten Island	3	5	60.0%	450	517	87.0%
New York City Total	**93**	**276**	**33.7%**	**11,459**	**37,986**	**30.2%**

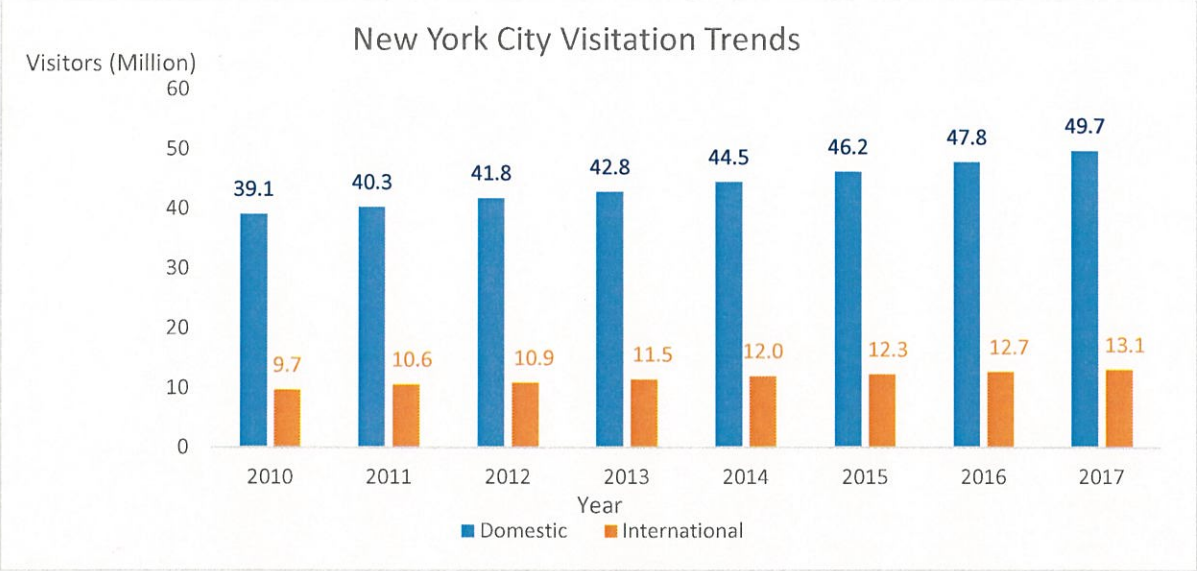
Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Manhattan has the largest share of hotel rooms in the pipeline with 18,957 projected rooms, followed by Queens with 10,286 rooms and Brooklyn with 6,707 rooms. Approximately 30 percent of the new hotel development in New York City is planned for M1 zones. However, given that many hotel projects under construction or in pre-construction are already being put on hold as a result of financing difficulties, we anticipate many of these projects will not be completed as hotels or will be delayed until the market absorbs the current supply under construction.

New York City Hotel Room Demand

New York City is the business and financial capital of the United States and is home to more "Fortune 500" firms than any other city in the nation. New York is also a major center of the entertainment industry and serves as one of the world's fashion capitals. Additionally, the City is one of the nation's premier tourist destinations. The principal attractions for leisure travelers include: Times Square, Central Park, Wall Street, the World Trade Center and Freedom Tower, Statue of Liberty, Central Park, Jacob K. Javits Convention Center, and the Theater District, to name a few. This high concentration of business activity and numerous leisure demand generators creates substantial hotel room night demand.

New York City is the one of most visited destinations in the world, with an estimated record-breaking 62.8 million visitors in 2017, representing a 29 percent increase since 2010. According to NYC & Company, New York City is the most popular destination in the U.S. for international travelers. Total international travelers represent 13.1 million visitors in 2017, making up 21 percent of all New York City visitors. The U.K., China, Canada, Brazil and France are the top 5 international feeder markets, accounting for approximately 36 percent of the total international travelers. Presented in the graph below, the number of international travelers has increased by 35 percent since 2010, compared to 27 percent growth for domestic travelers. Top domestic feeder markets include the States of New York (33 percent of total), New Jersey (15 percent of total), Pennsylvania (7 percent of total), Florida (5 percent of total), and Massachusetts (5 percent of total). Approximately 52 percent of domestic visitors stay overnight, and New York City is the largest domestic day-trip market in the country.



Source: NYC & Company

Leisure travelers represent approximately 49.6 million visitors in 2017, making up 79 percent of total visitors to New York City. Visiting friends and relatives as purpose of visit account for approximately 33 percent of the leisure travel. Boroughs outside of Manhattan are increasingly attractive towards leisure visitors, offering more affordable hotel rates, and ease of access to major leisure demand generators. As exhibited in the supply section of the report, all boroughs with the exception of Staten Island have experienced significant growth in terms of room supply and it is important to note that demand has kept pace with supply increases, demonstrating the strength of the New York City tourism market. Over the past several years, neighborhoods such as Williamsburg and Long Island City have experienced tremendous transformation from previous industrial areas to growing vibrant communities.

Business travel accounts for 21 percent of visitors to New York City. Nearly half of the business travel is driven by delegates and participants in trade shows or conventions. The Javits Convention Center in Manhattan is the City's largest convention center and considered a vital economic anchor for New York State, welcoming more than 2.1 million attendees, through 99 events in 2016. The Javits Convention Center is currently undergoing a major $1.5 billion expansion project that will enlarge the facility by 1.2 million square feet, amounting to a fivefold increase in meeting room space. Upon completion of the expansion in 2021, the Javits Convention Center is expected to attract at least 15 new events, generating an additional 200,000 hotel room nights per year.[5] As the MICE (Meetings, Incentives, Conferencing, Exhibitions) sector continues to increase, New York City's tourism industry is anticipated to benefit from additional demand.

[5] http://www.javitscenter.com

Visitor spending has increased by more than 50 percent since 2009, representing an average annual growth rate of 6.3 percent. According to NYC & Company, the majority of tourism spend is related to lodging (28 percent of total) and food & beverage (21 percent of total), while shopping (20 percent of total), local transportation (18 percent), and art, entertainment & recreation (12 percent of total) make up the majority of the remaining visitor spend. The following chart exhibits the historical visitor spending between 2010 and 2016.

Year	Total Direct Visitor Spending (Billions $)	% Change
2010	31.5	
2011	34.5	10%
2012	36.9	7%
2013	38.8	5%
2014	41.2	6%
2015	42.3	3%
2016	43.0	2%

Source: NYC & Company

New York City exhibits less seasonality than most markets with January and February being the relatively slowest months of the year, with citywide occupancy levels most recently in the low to mid 70's. For the remainder of the year, occupancy levels exceed 85 percent. The timing of Easter and Passover holidays in the spring can change hotel performance in Q1 by as much as three points. The summer vacation season typically generates increased domestic and international travel in Q3. Q4 is regularly the busiest travel period due to a mix of business and holiday travel.[6] The following chart exhibits monthly New York City hotel occupancy data since 2008.

New York City Seasonality												
Year	January	February	March	April	May	June	July	August	September	October	November	December
2008	74%	80%	85%	86%	89%	89%	88%	91%	85%	84%	78%	79%
2009	61%	66%	72%	83%	82%	84%	83%	86%	88%	87%	79%	83%
2010	67%	73%	84%	86%	90%	88%	85%	86%	87%	86%	82%	80%
2011	65%	69%	80%	86%	88%	87%	87%	87%	89%	89%	85%	83%
2012	69%	74%	83%	88%	88%	89%	88%	90%	88%	90%	88%	89%
2013	76%	78%	86%	87%	89%	88%	88%	90%	89%	90%	85%	86%
2014	73%	75%	83%	89%	92%	91%	88%	91%	90%	90%	85%	87%
2015	69%	76%	84%	88%	90%	91%	90%	88%	90%	90%	84%	86%
2016	70%	76%	85%	87%	89%	90%	90%	89%	91%	89%	88%	88%
2017	72%	76%	85%	89%	89%	91%	91%	90%	91%	91%	88%	89%

Source: Smith Travel Research

Overall, the New York City lodging market has benefited from the City's strong economic base and numerous leisure attractions. While hotel supply has increased on an annual basis since 2000, hotel demand has exceeded supply additions with the exception of five of the last 18 years. Despite the significant influx of new hotel rooms since 2010, occupancy levels only experienced a slight decrease in 2015, exhibiting the strength of the New York City market and its ability to absorb new supply. However, it is important to note that increased competition from new supply

[6] NYC & Company

has resulted in downward ADR pressure since 2015, decreasing profits to hotel owners and financing of new hotel projects. The following chart exhibits hotel metrics for New York City. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered representative of the overall hotel market.

New York City										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2000	18,887,525		15,716,905		83.2%		$223.44		$185.93	
2001	19,741,989	4.52%	14,655,100	-6.76%	74.2%	-10.79%	$196.48	-12.07%	$145.85	-21.56%
2002	20,446,698	3.57%	15,325,940	4.58%	75.0%	0.97%	$185.77	-5.45%	$139.24	-4.53%
2003	20,978,071	2.60%	15,890,708	3.69%	75.7%	1.06%	$181.09	-2.52%	$137.17	-1.49%
2004	21,032,853	0.26%	17,284,282	8.77%	82.2%	8.49%	$200.83	10.90%	$165.03	20.31%
2005	21,084,350	0.24%	17,789,637	2.92%	84.4%	2.67%	$233.16	16.10%	$196.72	19.20%
2006	21,267,450	0.87%	17,902,758	0.64%	84.2%	-0.23%	$264.17	13.30%	$222.38	13.04%
2007	21,919,494	3.07%	18,694,364	4.42%	85.3%	1.32%	$292.79	10.83%	$249.71	12.29%
2008	22,668,279	3.42%	19,033,734	1.82%	84.0%	-1.55%	$297.75	1.69%	$250.01	0.12%
2009	24,124,211	6.42%	19,235,139	1.06%	79.7%	-5.04%	$229.90	-22.79%	$183.31	-26.68%
2010	25,568,548	5.99%	21,198,951	10.21%	82.9%	3.98%	$247.31	7.57%	$205.05	11.86%
2011	27,577,450	7.86%	22,881,215	7.94%	83.0%	0.07%	$260.77	5.44%	$216.36	5.52%
2012	28,397,405	2.97%	24,254,994	6.00%	85.4%	2.94%	$267.77	2.69%	$228.71	5.71%
2013	29,491,571	3.85%	25,356,096	4.54%	86.0%	0.66%	$275.43	2.86%	$236.81	3.54%
2014	31,486,032	6.76%	27,169,940	7.15%	86.3%	0.37%	$278.98	1.29%	$240.74	1.66%
2015	32,729,527	3.95%	28,035,427	3.19%	85.7%	-0.73%	$272.82	-2.21%	$233.69	-2.93%
2016	34,643,495	5.85%	29,821,960	6.37%	86.1%	0.50%	$264.75	-2.96%	$227.90	-2.48%
2017	36,752,680	6.09%	31,929,340	7.07%	86.9%	0.92%	$260.42	-1.63%	$226.24	-0.73%
CAGR (2000-2017)		***3.99%***		***4.26%***		***0.25%***		***0.90%***		***1.16%***
Source: Smith Travel Research										

Right to Shelter

In 1979, the case Callahan v. Carey, established that all homeless individuals have the right to emergency shelter. After the case was settled in 1981, the City and State of New York have been obligated to provide emergency shelter for individuals who are homeless by reason of poverty or due to mental, physical, or social dysfunction, making New York the only city in the United States required to provide shelter to every homeless person. Since then, the homeless population in New York City has increased drastically, with a record-level of 60,903 homeless individuals as January of 2018, a 95 percent increase since 2002.[7] Homeless individuals and families are typically housed in shelters, cluster apartments, and commercial hotels. In Pitts v. Black, the case mandated that homeless people in New York should be permitted to register to vote even if they reside in shelters or on the streets. As a result, the homeless population has increasingly become an important political topic for politicians.

[7] NYC Department of Homeless Services

The following exhibit presents homeless population figures provided by the Department of Homeless Services (DHS).

Date of Census	Total Individuals	% Change
2013	50,370	
2014	57,941	15%
2015	57,338	-1%
2016	59,644	4%
2017	59,933	0%
1/29/2018	60,903	2%

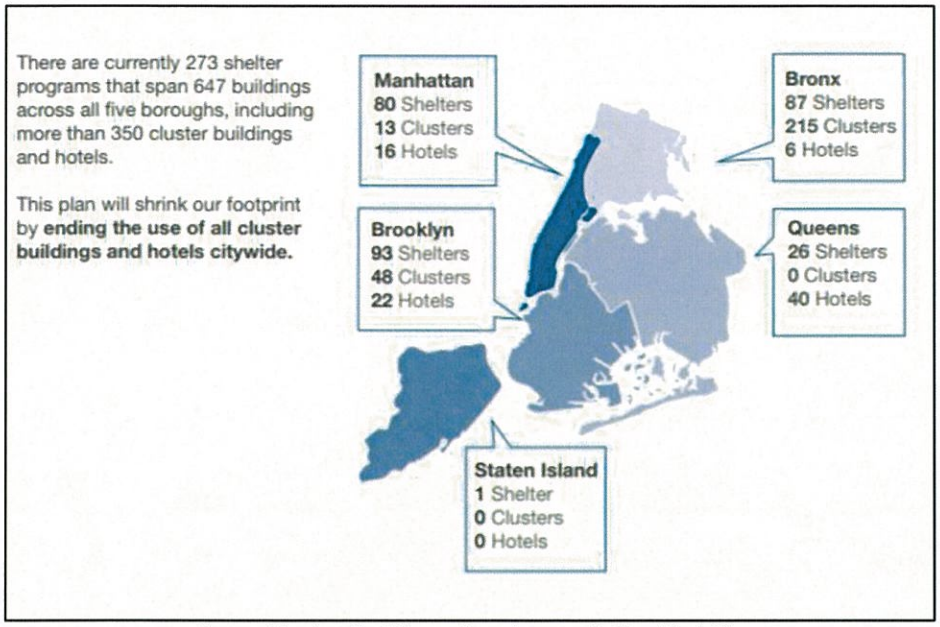
Source: Department of Homeless Services

According to the New York City Comptroller, the homeless population housed specifically in commercial hotels was 7,790 as of February 28, 2017, which represents a 32.5 percent increase from October 31, 2016. Most recent figures put the number of homeless being housed in commercial hotels significantly greater at approximately 11,000. During the four-month period between October 31, 2016 and February 28, 2017 approximately 347,000 hotel rooms were booked and the total cost to tax payers was $65.2 million. On an annual basis, the cost of housing the homeless in commercial hotels is over $100 million. Additionally, the City has foregone over $8 million in taxes and fees from commercial hotels. The highest room rate between October 31, 2016 and February 28, 2017 was $549 per night at a hotel near Times Square, which the DHS booked a block of 10 rooms. During the same time, there was a total of 162 rooms booked for $400 per night or higher in five Manhattan hotels. The average daily cost for commercial hotel bookings has increased by approximately 600 percent, increasing from $82,214 in November of 2015 to $576,203 in February of 2017. The average room rate as of February 2017 was approximately $185, which equate to a monthly rent of $5,550 (assuming 30 days). The following charts exhibit historical figures relating to DHS's use of commercial hotels.

Source: New York City Comptroller – DHS Commercial Hotel Update 11/1/16 – 2/28/2017

Source: New York City Comptroller – DHS Commercial Hotel Update 11/1/16 – 2/28/2017

The following exhibit displays the location and number of homeless facilities in New York City as of February 2017.



Source: Turning the Tide on Homelessness in New York City

In February of 2017, Mayor Bill de Blasio announced his "Turning the Tide on Homelessness" plan which intends to create 90 new shelters over the next five years, and to end the use of cluster and commercial hotels as homeless shelters by 2023. It is important to note that the City has been contracting with various organizations to convert commercial hotels into homeless shelters. The Hotel Chandler, located in Manhattan, was recently converted to a homeless shelter in 2018 with 170 units housing at least 340 individuals. Additional hotels reported to be currently or will be converted to homeless shelter include the Fairfield Inn New York Long Island City, City View Inn, Holiday Inn Express Queens Maspeth, and Park Savoy, to name a few. According to several market participants, the City plans to acquire additional hotels through city contracts for the purpose of converting them to homeless shelters.

Overall, the trend of the City removing hotel room inventory from the current supply is anticipated to mitigate possible negative effects of the proposed hotel supply anticipated to enter the market. It is important to note that while Mayor Bill de Blasio proclaims to end the use of commercial hotels to house the homeless, hotel developers that contract with the City of New York or organizations under contract with the City to house the homeless in their hotels will be exempt from the CPC special permit restricting new hotel development in M1 zones, which is contradictory. It appears that if the proposed CPC special permit is adopted, the number of homeless housed in hotels is sure to increase, along with the tax burden to New York City residents.

Manhattan Hotel Market

Manhattan is the business and tourism center of New York City, with the largest and most diverse lodging market of any of the boroughs. With over 96,000 rooms, the majority of hotels are classified as upscale or luxury. The various distinct lodging submarkets within Manhattan benefit from their own unique demand generators. Primary submarkets include Harlem, Upper East Side, Upper West Side, Midtown, Garment, Flatiron, SoHo, Lower East Side, and Financial District. The following chart exhibits hotel metrics for Manhattan. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Manhattan										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2008	20,195,456		17,083,791		84.6%		$313.79		$265.44	
2009	21,403,517	5.98%	17,257,578	1.02%	80.6%	-4.68%	$241.33	-23.09%	$194.58	-26.69%
2010	22,431,682	4.80%	18,789,250	8.88%	83.8%	3.89%	$262.00	8.57%	$219.46	12.78%
2011	24,125,578	7.55%	20,245,024	7.75%	83.9%	0.18%	$276.88	5.68%	$232.35	5.87%
2012	24,662,707	2.23%	21,246,571	4.95%	86.1%	2.66%	$284.46	2.74%	$245.06	5.47%
2013	25,492,896	3.37%	22,088,364	3.96%	86.6%	0.58%	$293.20	3.07%	$254.04	3.66%
2014	27,151,233	6.51%	23,690,540	7.25%	87.3%	0.70%	$297.69	1.53%	$259.75	2.25%
2015	28,051,949	3.32%	24,206,242	2.18%	86.3%	-1.10%	$291.57	-2.06%	$251.60	-3.14%
2016	29,473,852	5.07%	25,565,790	5.62%	86.7%	0.52%	$282.47	-3.12%	$245.01	-2.62%
2017	30,846,159	4.66%	27,004,779	5.63%	87.5%	0.93%	$277.67	-1.70%	$243.09	-0.79%
CAGR (2008-2017)		***4.82%***		***5.22%***		***0.38%***		***-1.35%***		***-0.97%***
Source: Smith Travel Research										

Given Manhattan represents the majority of the New York City hotel market, occupancy and ADR trends are in line with the overall City with demand increases typically surpassing supply additions and ADR exhibiting a negative trend since 2015. It is important to note that between 2008 and 2017 occupancy has only decreased twice, once during the economic recession in 2009 and again in 2015 by only one point.

Queens Hotel Market

Queens is the second largest hotel market of the five boroughs with over 12,000 rooms. The majority of the Queens room inventory is classified as midscale. While JFK and LaGuardia Airports continue to be the primary demand generator for the borough, the neighborhoods of Long Island City, Flushing, and Jamaica have become important commercial centers, creating new hotel markets. The following chart exhibits hotel metrics for Queens. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Queens										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2008	1,930,057		1,520,176		78.8%		$150.17		$118.28	
2009	2,140,517	10.90%	1,567,625	3.12%	73.2%	-7.02%	$122.69	-18.30%	$89.85	-24.04%
2010	2,382,482	11.30%	1,881,215	20.00%	79.0%	7.82%	$126.90	3.43%	$100.20	11.52%
2011	2,420,073	1.58%	1,877,311	-0.21%	77.6%	-1.76%	$130.78	3.06%	$101.45	1.25%
2012	2,562,344	5.88%	2,064,812	9.99%	80.6%	3.88%	$141.60	8.28%	$114.11	12.48%
2013	2,762,027	7.79%	2,260,416	9.47%	81.8%	1.56%	$146.60	3.53%	$119.97	5.14%
2014	3,061,044	10.83%	2,474,364	9.46%	80.8%	-1.23%	$143.47	-2.14%	$115.97	-3.34%
2015	3,258,325	6.44%	2,713,275	9.66%	83.3%	3.02%	$147.17	2.58%	$122.55	5.68%
2016	3,443,474	5.68%	2,916,199	7.48%	84.7%	1.70%	$150.68	2.38%	$127.61	4.12%
2017	3,724,098	8.15%	3,174,789	8.87%	85.2%	0.66%	$157.49	4.52%	$134.26	5.21%
CAGR (2008-2017)		***7.58%***		***8.53%***		***0.88%***		***0.53%***		***1.42%***
Source: Smith Travel Research										

Despite the significant increases in hotel supply, occupancy levels have continued to break new records, achieving approximately 85 percent occupancy in 2017. Unlike the citywide metrics, ADR has experienced increases since 2015 given the higher quality hotels being added to the market and the impact of DHS contracts.

Brooklyn Hotel Market

Brooklyn is the third largest hotel market of the five boroughs with over 6,000 rooms. The majority of the Brooklyn room inventory is classified as upscale. Downtown Brooklyn has the largest central business district outside of Manhattan. Benefitting from its accessibility to Manhattan, Brooklyn has experienced tremendous development over the past decade and has become a tourist destination of its own with popular neighborhoods of Williamsburg, Greenpoint, Red Hook, Gowanus, and Downtown Brooklyn, to name a few. The following chart exhibits hotel metrics for Brooklyn. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Brooklyn										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2011	864,859	-	658,748	-	76.2%	-	$171.75	-	$130.82	-
2012	1,000,464	15.68%	821,910	24.77%	82.2%	7.86%	$184.36	7.34%	$151.46	15.78%
2013	1,041,710	4.12%	858,934	4.50%	82.5%	0.37%	$191.60	3.92%	$157.98	4.30%
2014	1,063,085	2.05%	879,076	2.34%	82.7%	0.29%	$188.73	-1.49%	$156.07	-1.21%
2015	1,157,159	8.85%	937,224	6.61%	81.0%	-2.05%	$187.86	-0.46%	$152.16	-2.50%
2016	1,441,810	24.60%	1,133,494	20.94%	78.6%	-2.94%	$184.86	-1.60%	$145.33	-4.49%
2017	1,812,001	25.68%	1,485,014	31.01%	82.0%	4.25%	$189.81	2.68%	$155.56	7.04%
CAGR (2011-2017)		***13.12%***		***14.51%***		***1.23%***		***1.68%***		***2.93%***
Source: Smith Travel Research										

Demand has for the most part kept up with supply increases with the exception of 2015 and 2016. In 2017, demand surpassed the 25.68 percent increase in supply, the largest percentage increase during the period studied, resulting in occupancy growth of 4.25 percent and ending the

year at 82.0 percent. ADR has fluctuated between 2011 and 2017, and exhibited growth of 2.68 percent in 2017 despite the 25.68 percent increase in supply.

Bronx Hotel Market

The Bronx is the fourth largest hotel market of the five boroughs with approximately 1,000 rooms. The majority of the Bronx room inventory is classified as economy. Most of the hotel demand is generated as a result of its proximity to Manhattan, Yankee Stadium, nearby colleges, and business parks located in Westchester County.

The following chart exhibits hotel metrics for the Bronx. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market. Additionally, please note that there is limited historical data available as a result of the Smith Travel Research report requirements.

Bronx										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2016	155,243		118,477		76.3%		$170.27		$129.95	
2017	194,095	25.03%	149,969	26.58%	77.3%	1.24%	$171.62	0.79%	$132.60	2.04%
Source: Smith Travel Research										

Similar to the aforementioned boroughs, demand surpassed supply growth in 2017. Occupancy ended 2017 at approximately 77 percent. Despite a supply increase of over 25 percent, ADR exhibited positive growth as well.

Staten Island Hotel Market

Staten Island has the smallest hotel market within New York City with fewer than 800 rooms. Given its distance from Manhattan and lack of public transportation, Staten Island is more of a standalone market compared to the other boroughs. The majority of the Staten Island room inventory is classified as economy. Hotel demand is generated as a result of its proximity to Manhattan, Newark International Airport, and businesses located within the borough and New Jersey. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Staten Island										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2011	186,285	-	126,389	-	67.8%	-	$115.46	-	$78.34	-
2012	191,235	2.66%	144,474	14.31%	75.5%	11.35%	$127.36	10.30%	$96.21	22.82%
2013	205,495	7.46%	166,486	15.24%	81.0%	7.24%	$139.57	9.59%	$113.08	17.53%
2014	205,495	0.00%	136,717	-17.88%	66.5%	-17.88%	$126.22	-9.57%	$83.97	-25.74%
2015	205,495	0.00%	141,805	3.72%	69.0%	3.72%	$128.24	1.61%	$88.50	5.39%
2016	205,495	0.00%	150,353	6.03%	73.2%	6.03%	$128.14	-0.08%	$93.76	5.95%
2017	205,495	0.00%	150,994	0.43%	73.5%	0.43%	$125.26	-2.25%	$92.04	-1.83%
CAGR		***1.65%***		***3.01%***		***1.34%***		***1.37%***		***2.72%***
Source: Smith Travel Research										

Distinct from the rest of the City, Staten Island has experienced limited supply growth over the past several years. Demand has exhibit growth annually with the exception of 2014, when demand generated as a result of Hurricane Sandy left the area. ADR growth has been limited exhibiting a compound annual growth rate of 1.37 percent.

New York City Hotel Market Projections

The following analyses summarizes our conclusions by borough and citywide assuming the CPC special permit is not adopted. We have projected hotel supply based on pipeline data provided by Smith Travel Research, as well as historical supply figures for the later projection years. We have assumed that following the completion of the current hotel pipeline supply growth would return to a more organic rate in line with historical figures/averages. Based on the exhibited statistical significance, we have projected Manhattan, Queens, and Brooklyn hotel demand via statistical regression analyses utilizing borough GDP data (historical + forecast) provided by Moody's Analytics. Bronx and Staten Island hotel demand were projected in line with Moody's Analytics projected GDP growth by borough. Average daily rate (ADR) was projected by borough based on historical trends and CPI.

In these analyses, the dependent variable (hotel demand) is predicted by an independent variable (GDP). We have performed multiple regression analyses using several variables and concluded that GDP represents a strong predictor for hotel demand.

We have provided below a short description of the key terminology described within the regression analyses in order for the reader to better understand the conclusions.

R-squared ranges from 0 to 1 (0% to 100%), and the closer the R-squared is to 1, the more "goodness of fit" a model has. Measures of goodness of fit typically summarize the discrepancy between observed values and the values anticipated in the model. The R-squared coefficient of determination is a statistical measure of how well the regression line approximates the actual data points. An R-squared of 1 indicates that the regression line perfectly fits the data. Therefore, if the R-squared for "Hotel Demand vs. GDP" were 100%, then it could be deduced that hotel demand is completely tied to GDP without any influence from other factors.

When a hypothesis test in statistics is performed, a p-value helps to determine the significance of the results. Hypothesis tests are used to test the validity of a claim that is made about a population. This claim being tested is called the null hypothesis. The alternative hypothesis is the hypothesis believed if the null hypothesis is determined to be untrue. All hypothesis tests eventually use a p-value to weigh the strength of the evidence. The p-value is a number between 0 and 1 and interpreted in the following way:

- A small p-value (typically ≤ 0.05) indicates strong evidence against the null hypothesis, so the null hypothesis can be rejected.

- A large p-value (> 0.05) indicates weak evidence against the null hypothesis, so the null hypothesis fails to be rejected.

The t-stat measures the size of the difference relative to the variation in the sample data. The greater the magnitude of t (it can be either positive or negative), the more likely the null hypothesis is untrue. The closer t is to 0, the more likely the null hypothesis is true.

Regression analysis is one of the statistical techniques that we have employed in this report. This type of analysis attempts to explore and model the relationship between hotel demand and GDP, and provide information that is useful to identify significant factors in an experiment and examine the relationship between these factors and the response. Additionally, it is important to that we have spoken with several professionals knowledgeable about this subject in order to confirm our methodology.

The following charts display historical market information and our forecasts citywide and by borough. Please note that we have utilized historical data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of each borough.

Citywide				
	2015*	2016	2017	Proj. 2028
Supply	32,672,928	34,719,874	36,781,848	59,212,283
Demand	27,998,546	29,884,313	31,965,545	51,338,384
Occupancy	86%	86%	87%	87%
ADR	$273	$265	$260	$310
RevPAR	$234	$228	$226	$269

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projections based on aggregate of individual borough analyses.

3) Demand projections based on aggregate of individual borough analyses.

4) ADR projections based on individual borough analyses.

**Does not include Bronx data as a result of limited historical information.*

Manhattan				
	2015	2016	2017	Proj. 2028
Supply	28,051,949	29,473,852	30,846,159	45,115,384
Demand	24,206,242	25,565,790	27,004,779	39,474,058
Occupancy	86%	87%	88%	87%
ADR	$292	$282	$278	$341
RevPAR	$252	$245	$243	$299

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Manhattan historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 90.8%; P-Value < 1%; T-Stat > 9; Significance F < 1%.

4) ADR has been forecasted based on historical trends.

Queens				
	2015	2016	2017	Proj. 2028
Supply	3,258,325	3,443,474	3,724,098	9,126,678
Demand	2,713,275	2,916,199	3,174,789	7,797,096
Occupancy	83%	85%	85%	85%
ADR	$147	$151	$157	$207
RevPAR	$123	$128	$134	$177

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Queens historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 98.3%; P-Value < 1%; T-Stat > 22; Significance F < 1%.

4) ADR has been forecasted based on historical trends.

Brooklyn				
	2015	2016	2017	Proj. 2028
Supply	1,157,159	1,441,810	1,812,001	3,283,356
Demand	937,224	1,133,494	1,485,014	2,790,395
Occupancy	81%	79%	82%	85%
ADR	$188	$185	$190	$217
RevPAR	$152	$145	$156	$184

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Brooklyn historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 74.7%; P-Value < 1%; T-Stat > 4; Significance F < 1%.

4) ADR has been forecasted based on historical trends and CPI.

Bronx			
	2016	2017	Proj. 2028
Supply	155,243	194,095	1,289,745
Demand	118,477	149,969	985,184
Occupancy	76%	77%	76%
ADR	$170	$172	$197
RevPAR	$130	$133	$151

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand has been projected in line with forecasted Gross Domestic Product growth provided by Moody's Analytics.

4) ADR has been forecasted based on historical trends and CPI.

Staten Island				
	2015	2016	2017	Proj. 2028
Supply	205,495	205,495	205,495	397,120
Demand	141,805	150,353	150,994	291,650
Occupancy	69%	73%	73%	73%
ADR	$128	$128	$125	$142
RevPAR	$88	$94	$92	$105

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand has been projected in line with forecasted Gross Domestic Product growth provided by Moody's Analytics.

4) ADR has been forecasted based on historical trends and CPI.

Overall, supply is anticipated to increase on an annual basis with demand keeping up with supply additions, resulting in the New York City lodging market continuing to remain healthy with occupancy levels stabilizing in line with 2017 figures and ADR exhibiting moderate growth. Historically, supply increased by a compound annual growth rate of 5.8 percent between 2008 and 2017. We have projected supply to increase by a compound annual growth rate of 4.0 percent between 2018 and 2028. Demand historically increased by a compound annual growth rate of 6.2 percent between 2008 and 2017 and we projected demand to increase by a compound annual growth rate of 4.6 percent between 2018 and 2028. ADR is projected to exhibit moderate growth with a compound annual growth rate of 2.0 percent between 2018 and 2028. All things considered, we anticipate for New York City occupancy and ADR to achieve 87 percent and $310 in 2028, respectively.

The analyses presented above is based upon assumptions and estimates that are subject to uncertainty and variation. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved results to differ from the analyses contained above and these differences may be

material. Therefore, while our analysis was conscientiously prepared based on our experience and the best data available, we make no warranty that the conclusions presented will, in fact, be achieved.

Tourism Economic Impact Analysis

The following study analyzes the economic and social impact of the tourism industry on the New York City economy. The historical data presented in this analysis was collected from NYC & Company. Additionally, we have utilized data provided by the NYC Independent Budget Office (IBO) in order to better understand which government functions local tax revenues typically support. The following chart exhibits historical figures relating to the social and economic impact generated by tourism.

Year	Estimated Economic Impact (Billions $)	Total Direct Visitor Spending (Billions $)	Total NYC Jobs Supported by Visitor Spending	Total Income Compensation (Billions $)	Avg. Income Compensation	Total Taxes Generated by Travel and Tourism (Billions $)
2010	N/A	$31.5	310,156	$17.3	$55,778	$8.1
2011	N/A	$34.5	324,605	$18.6	$57,300	$8.8
2012	N/A	$36.9	339,303	$19.7	$58,060	$9.3
2013	N/A	$38.8	348,157	$20.6	$59,169	$9.7
2014	N/A	$41.2	362,085	$22.5	$62,140	$10.5
2015	$62.9	$42.3	375,268	$23.6	$62,888	$11.1
2016	$64.3	$43.0	383,385	$24.7	$64,426	$11.5
Total Gain 2010 - 2016		**$11.5**	**73,229**	**$7.4**	**$8,648**	**$3.4**
CAGR (2010 - 2016)	**2.2% (2015 - 2016)**	**5.3%**	**3.6%**	**6.1%**	**2.4%**	**6.0%**

Source: NYC & Company

According to NYC & Company, the City's tourism industry generated $64.3 billion in total economic impact in 2016, which represents a 2.2 percent increase over 2015 figures. Total direct visitor spending increased by $11.5 billion between 2010 and 2016, representing an annual growth rate of 5.3 percent. The tourism industry supported 1 in 11 jobs in New York City during 2016, which equates to 8.8 percent of all payroll employment. In 2016, the tourism industry supported a total 383,385 jobs, of which 291,084 were generated directly from the tourism industry, making tourism the sixth largest industry in New York City. Tourism has historically been one of the fastest growing industries in terms of overall employment for New York City, providing jobs to low-skilled workers. Approximately 92,301 jobs are supported indirectly by the tourism industry, which include real estate, professional and business services, information, finance, and education. The tourism industry gained approximately 73,229 jobs between 2010 and 2016. Wages and salaries increased to $24.7 billion in 2016, representing a 4.8 percent increase from the previous year and a 43 percent increase from 2010 levels. The New York City tourism industry generated approximately $11.5 billion in tax revenue in 2016, consisting of approximately $4.2 billion in local taxes, $1.8 billion in State taxes, and $5.5 billion in Federal taxes. Total taxes increased by 3.8 percent in 2016 from the previous year. An additional $3.4 billion in taxes has been generated since 2010. Overall, the tourism industry has consistently provided increasing economic and social benefits to the City on an annual basis.

The following chart exhibits historical and projected social and economic figures. We have projected the economic indicators in line with historical growth rates.

Year	Estimated Economic Impact (Billions $)	Total Direct Visitor Spending (Billions $)	Total NYC Jobs Supported by Visitor Spending	Total Income Compensation (Billions $)	Avg. Income Compensation	Total Taxes Generated by Travel and Tourism (Billions $)
2010	N/A	$31.5	310,156	$17.3	$55,778	$8.1
2011	N/A	$34.5	324,605	$18.6	$57,300	$8.8
2012	N/A	$36.9	339,303	$19.7	$58,060	$9.3
2013	N/A	$38.8	348,157	$20.6	$59,169	$9.7
2014	N/A	$41.2	362,085	$22.5	$62,140	$10.5
2015	$62.9	$42.3	375,268	$23.6	$62,888	$11.1
2016	$64.3	$43.0	383,385	$24.7	$64,426	$11.5
2017	$67.7	$45.3	397,171	$26.2	$65,992	$12.2
2018	$71.3	$47.7	411,453	$27.8	$67,597	$12.9
2019	$75.1	$50.2	426,248	$29.5	$69,240	$13.7
2020	$79.1	$52.9	441,576	$31.3	$70,924	$14.5
2021	$83.3	$55.7	457,454	$33.2	$72,648	$15.4
2022	$87.8	$58.7	473,904	$35.3	$74,415	$16.3
2023	$92.4	$61.8	490,945	$37.4	$76,224	$17.3
2024	$97.4	$65.1	508,598	$39.7	$78,077	$18.4
2025	$102.6	$68.6	526,887	$42.1	$79,975	$19.5
2026	$108.0	$72.2	545,833	$44.7	$81,920	$20.6
2027	$113.8	$76.1	565,461	$47.4	$83,911	$21.9
2028	$119.8	$80.1	585,794	$50.3	$85,952	$23.2
Total Gain 2016 - 2028	$55.5	$37.1	202,409	$25.6	$21,525	$11.7
CAGR (2016 - 2028)	**5.3%**	**5.3%**	**3.6%**	**6.1%**	**2.4%**	**6.0%**

Source: NYC & Company

We have utilized the respective compound annual growth rate between 2010 and 2016 for each indicator to forecast future figures. Our projections assume that there are no major adverse social, economic, governmental, and environmental changes to the New York City tourism industry. Tourism-related economic impact is anticipated to exceed $119 billion in 2028, which represents a gain of $55.5 billion over 2016 figures. Total direct visitor spending is anticipated to increase by $37.1 billion between 2016 and 2028. An additional 202,409 jobs are anticipated to be supported by the tourism industry by 2028, with average wages increasing by approximately $21,500 from 2016 figures. Total taxes are anticipated to generate $23.2 billion revenues in 2028, representing an increase of $11.7 billion from 2016 figures.

The table below exhibits the possible economic loss scenarios associated with an adverse change to the current trend.

Potential Economic Loss								
% Loss of 2016 - 2028 Gain	Estimated Economic Impact (Billions $)	Change (Billions $)	Total Direct Visitor Spending (Billions $)	Change (Billions $)	Total Income Compensation (Billions $)	Change (Billions $)	Total Taxes Generated by Travel and Tourism (Billions $)	Change (Billions $)
0%	$55.5		$37.1		$25.6		$11.7	
5%	$52.7	-$2.8	$35.3	-$1.9	$24.4	-$1.3	$11.1	-$0.6
10%	$50.0	-$5.6	$33.4	-$3.7	$23.1	-$2.6	$10.5	-$1.2
15%	$47.2	-$8.3	$31.6	-$5.6	$21.8	-$3.8	$9.9	-$1.8
20%	$44.4	-$11.1	$29.7	-$7.4	$20.5	-$5.1	$9.3	-$2.3
25%	$41.6	-$13.9	$27.8	-$9.3	$19.2	-$6.4	$8.8	-$2.9
30%	$38.9	-$16.7	$26.0	-$11.1	$18.0	-$7.7	$8.2	-$3.5
35%	$36.1	-$19.4	$24.1	-$13.0	$16.7	-$9.0	$7.6	-$4.1
40%	$33.3	-$22.2	$22.3	-$14.9	$15.4	-$10.3	$7.0	-$4.7
45%	$30.5	-$25.0	$20.4	-$16.7	$14.1	-$11.5	$6.4	-$5.3
50%	$27.8	-$27.8	$18.6	-$18.6	$12.8	-$12.8	$5.8	-$5.8

While the extent of the possible negative impact of the proposed CPC special permit restricting new hotel development in M1 zones was not explicitly forecasted, we have presented possible economic loss scenarios from the current trend based on percentage decreases in overall

economic impact. While there are many factors that could negatively impact the tourism industry, we believe that restricting future hotel development is one major factor that would contribute to economic loss for New York City and its residents.

Employment Impact

The chart presented below exhibits possible job loss scenarios from the current trend based on percentage decreases.

Potential Employment Loss		
% Loss	Total NYC Jobs Supported by Visitor Spending	Change (Jobs)
0%	202,409	
5%	192,289	-10,120
10%	182,168	-20,241
15%	172,048	-30,361
20%	161,927	-40,482
25%	151,807	-50,602
30%	141,686	-60,723
35%	131,566	-70,843
40%	121,445	-80,964
45%	111,325	-91,084
50%	101,205	-101,205

As exhibited above, a 10 percent decrease would result in the loss of approximately 20,000 jobs. Overall, New York City tourism industry jobs are anticipated to be adversely impacted if less hotels are built as a result of the proposed zoning change.

Visitor Expenditure Impact

Utilizing data provided by NYC & Company, the following chart exhibits historical direct visitor spending figures.

Total Direct Visitor Spending (Thousands $)							
Year	Lodging	Food & Beverage	Shopping	Local Transportation	Arts, Entertainment & Recreation	Misc.	Change
2010	$8,820,000	$6,615,000	$6,300,000	$5,670,000	$3,780,000	$315,000	
2011	$9,660,000	$7,245,000	$6,900,000	$6,210,000	$4,140,000	$345,000	$3,000,000
2012	$10,332,000	$7,749,000	$7,380,000	$6,642,000	$4,428,000	$369,000	$2,400,000
2013	$10,864,000	$8,148,000	$7,760,000	$6,984,000	$4,656,000	$388,000	$1,900,000
2014	$11,536,000	$8,652,000	$8,240,000	$7,416,000	$4,944,000	$412,000	$2,400,000
2015	$11,844,000	$8,883,000	$8,460,000	$7,614,000	$5,076,000	$423,000	$1,100,000
2016	$12,040,000	$9,030,000	$8,600,000	$7,740,000	$5,160,000	$430,000	$700,000
Total Gain 2010 - 2016	**$3,220,000**	**$2,415,000**	**$2,300,000**	**$2,070,000**	**$1,380,000**	**$115,000**	**$11,500,000**
Source: NYC & Company							

As presented above, the majority of visitor expenditure relates to lodging, food & beverage, shopping, local transportation, and art, entertainment & recreation. Visitor spending has increased by $11.5 billion between 2010 and 2016.

The table below exhibits the possible visitor expenditure loss scenarios associated with an adverse change to the current trend. The figures are based on the projected gain between 2016 and 2028.

Potential Direct Vistor Spend Loss (Thousands $)							
% Loss	Lodging	Food & Beverage	Shopping	Local Transportation	Arts, Entertainment & Recreation	Misc.	Change ($)
0%	$10,395,838	$7,796,878	$7,425,598	$6,683,039	$4,455,359	$371,280	
5%	$9,876,046	$7,407,034	$7,054,318	$6,348,887	$4,232,591	$352,716	-$1,856,400
10%	$9,356,254	$7,017,190	$6,683,039	$6,014,735	$4,009,823	$334,152	-$3,712,799
15%	$8,836,462	$6,627,347	$6,311,759	$5,680,583	$3,787,055	$315,588	-$5,569,199
20%	$8,316,670	$6,237,503	$5,940,479	$5,346,431	$3,564,287	$297,024	-$7,425,598
25%	$7,796,878	$5,847,659	$5,569,199	$5,012,279	$3,341,519	$278,460	-$9,281,998
30%	$7,277,086	$5,457,815	$5,197,919	$4,678,127	$3,118,751	$259,896	-$11,138,398
35%	$6,757,295	$5,067,971	$4,826,639	$4,343,975	$2,895,983	$241,332	-$12,994,797
40%	$6,237,503	$4,678,127	$4,455,359	$4,009,823	$2,673,215	$222,768	-$14,851,197
45%	$5,717,711	$4,288,283	$4,084,079	$3,675,671	$2,450,447	$204,204	-$16,707,596
50%	$5,197,919	$3,898,439	$3,712,799	$3,341,519	$2,227,680	$185,640	-$18,563,996

As presented above, a decrease of 10 percent in visitor spending would result in approximately $3.7 billion less expenditures, in addition to the loss of the associated sales tax and other tax revenues.

Government Tax Impact

The following exhibit details what local taxes generated by the tourism industry generate for various city services and departments. The following government allocations were provided by the NYC Independent Budget Office.

Local Tax Revenues (Thousands $)										
Year	Education	Social Services	Pension & Fridge Benefits	Police, Fire & Corrections	General Government	Debt Service	Health, Sanitation & Environmental	Transportation & Housing	Recreation & Cultural	Change
2010	$823,015	$529,081	$529,081	$293,934	$264,540	$205,754	$176,360	$88,180	$29,393	
2011	$894,139	$574,804	$574,804	$319,335	$287,402	$223,535	$191,601	$95,801	$31,934	$254,017
2012	$944,943	$607,463	$607,463	$337,480	$303,732	$236,236	$202,488	$101,244	$33,748	$181,441
2013	$985,585	$633,591	$633,591	$351,995	$316,795	$246,396	$211,197	$105,598	$35,199	$145,152
2014	$1,066,871	$685,845	$685,845	$381,025	$342,923	$266,718	$228,615	$114,308	$38,103	$290,305
2015	$1,127,835	$725,037	$725,037	$402,798	$362,518	$281,959	$241,679	$120,839	$40,280	$217,729
2016	$1,168,477	$751,164	$751,164	$417,313	$375,582	$292,119	$250,388	$125,194	$41,731	$145,152
Total Gain 2010 - 2016	**$345,463**	**$222,083**	**$222,083**	**$123,380**	**$111,042**	**$86,366**	**$74,028**	**$37,014**	**$12,338**	**$1,233,796**

Local taxes generated by the tourism industry support key functions of the City's government. Between 2010 and 2016, the tourism industry generated an additional $345 million for education, $222 million for social services, $222 million in government employee benefits, and $123 million for police, fire & corrections, as well as millions for other departments. Annual increases between 2010 and 2016 ranged from $145 million to $290 million. The tourism industry generated an additional $1.234 billion in local tax revenue between 2010 and 2016 to support vital functions of the City's government, which advocate economic and social well-being. The following exhibit describes the impact of increased tourism-related taxes on various New York City departments between 2010 and 2016. For example, the difference of $345.46 million between 2010 and 2016 in education-allocated funds supports 4,560 teachers.

Local Tax 2010-2016 Increase Impact		
Category	Budget Excess	Allocation
Education	$345,462,902	**4,560** Teachers
Social Services	$222,083,294	**30,581** Child Care Vouchers
Pension & Fridge Benefits	$222,083,294	Benefits to City Workers
Police, Fire & Corrections	$123,379,608	**888** Police Officers
General Government	$111,041,647	**150,550** Job Placements through the Workforce1 Career Centers
Debt Service	$86,365,726	City Loan Principal and Interest reimbursed
Health, Sanitation & Environmental Protection	$74,027,765	**72** Billions gallons of wastewater treated
Transportation & Housing	$37,013,882	**248** Lane miles resurfaced
Recreation & Cultural	$12,337,961	**1,175** Summer Pool and Beach Season Lifeguards

Overall, the increased tax revenue between 2010 and 2016 supported 4,560 teachers, 30,581 child care vouchers, approximately $222 million in benefits to City workers, 888 police/fire officers, 150,550 job placements, and 72 billion gallons of treated wastewater.

The table below exhibits the possible government tax impact scenarios associated with an adverse change to the current trend.

Potential Local Tax Loss (Thousands $)										
% Loss of 2016 - 2028 Gain	Education	Social Services	Pension & Fridge Benefits	Police, Fire & Corrections	General Government	Debt Service	Health, Sanitation & Environmental Protection	Transportation & Housing	Recreation & Cultural	Change ($)
0%	$1,186,821	$762,956	$762,956	$423,865	$381,478	$296,705	$254,319	$127,159	$42,386	
5%	$1,127,480	$724,809	$724,809	$402,671	$362,404	$281,870	$241,603	$120,801	$40,267	-$211,932
10%	$1,068,139	$686,661	$686,661	$381,478	$343,330	$267,035	$228,887	$114,443	$38,148	-$423,865
20%	$949,457	$610,365	$610,365	$339,092	$305,183	$237,364	$203,455	$101,728	$33,909	-$847,729
25%	$890,116	$572,217	$572,217	$317,899	$286,109	$222,529	$190,739	$95,370	$31,790	-$1,059,662
30%	$830,775	$534,070	$534,070	$296,705	$267,035	$207,694	$178,023	$89,012	$29,671	-$1,271,594
35%	$771,434	$495,922	$495,922	$275,512	$247,961	$192,858	$165,307	$82,654	$27,551	-$1,483,526
40%	$712,093	$457,774	$457,774	$254,319	$228,887	$178,023	$152,591	$76,296	$25,432	-$1,695,459
45%	$652,752	$419,626	$419,626	$233,126	$209,813	$163,188	$139,875	$69,938	$23,313	-$1,907,391
50%	$593,411	$381,478	$381,478	$211,932	$190,739	$148,353	$127,159	$63,580	$21,193	-$2,119,324

As detailed above, a 10 percent decrease results in a loss of approximately $424 million in tax revenue to the City government. Percent decreases more than 25 percent result in a loss of over $1 billion in tax revenue between 2016 and 2028. The following exhibit depicts the outcome of a 10 percent decrease in tourism-related tax revenues to the City.

10% Budget Decrease Impact - 2028		
Category	Budget Decrease	Allocation
Education	$118,682,119	**1,336** less Teachers
Social Services	$76,295,648	**8,959** less Child Care Vouchers
Pension & Fridge Benefits	$76,295,648	less Benefits to City Workers
Police, Fire & Corrections	$42,386,471	**260** less Police Officers
General Government	$38,147,824	**44,107** less Job Placements through the Workforce1 Career Centers
Debt Service	$29,670,530	less City Loan Principal and Interest Reimbursed
Health, Sanitation & Environmental Protection	$25,431,883	**21** Billion Less Gallons of Wastewater Treated
Transportation & Housing	$12,715,941	**73** less Lane miles resurfaced
Recreation & Cultural	$4,238,647	**344** less Summer Pool and Beach Season Lifeguards

As presented above, a decrease of 10 percent in local taxes generated by the tourism industry would result in approximately 1,336 less teachers, 8,959 less child care vouchers, $76.3 million less benefits to City workers, 260 less police/fire officers, and 44,107 less job placements through the City. Additionally, state and local tax proceeds from the tourism industry saved New York City

households approximately $1,925 in 2016. Based on the current trend, New York City households are anticipated to save $3,215 in 2028 as a result of taxes generated by the tourism industry. If all the proposed hotels were not developed, the savings to households would be less.

Household Tax Savings Analysis	2016	2028
Total State and Local Taxes (Billions)	$6.0	$12.1
Avg. Household Savings	$1,925	$3,880
Deflated Avg. Household Savings	$1,925	$3,215
Difference		**$1,290**

Conclusion

The City has historically benefited from the tourism industry in terms of economic impact, job creation, and tax revenues. Although there are many factors that could negatively impact the tourism industry, we believe that restricting future hotel development is one major factor that would contribute to economic growth opportunities being lost. Therefore, we believe the proposed CPC special permit restricting new hotel development in M1 zones would only lessen the economic and social benefits generated by the tourism industry to the City in the future.

New York City Real Property Tax Analysis

The following study analyzes real property tax revenues generated by Class 4 properties in all zones and specifically M1 zones during tax years 2016 and 2017. Tax Class 4 properties includes "All commercial and industrial properties, such as office, retail, factory buildings and all other properties not included in tax classes 1, 2 or 3".[8] Tax revenues were calculated using data provided by the City of New York Department of Finance Division of Tax Policy and Department of City Planning (PLUTO), then compared on a per lot area (square foot) basis, which is presented below. For purposes of this analysis, hotel, utility, vacant land, and tax-exempt parcels were excluded from the Class 4 calculation. Hotel building use codes H6, H7, H8, and HR were excluded from the hotel calculation given those building codes represent apartment hotels, dormitories, and single room occupancy (SRO), which are not considered transient hotels.

Citywide

Citywide						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$84.37	$10.83	**779%**	$38.60	$6.89	**560%**
2017	$89.77	$11.89	**755%**	$42.10	$7.54	**558%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

On a citywide level, hotel properties generated on average approximately $84.37 per lot square foot in real property tax revenues in 2016 for New York City, approximately 6.8 times greater than the average of other Class 4 properties in all zoning districts. While less pronounced, hotels in M1 zones generated approximately 4.6 times greater real property tax revenues per lot square foot than the average M1 zone Class 4 property in 2016.

In 2017, hotel properties generated an average $89.77 per lot square foot in real property tax revenues, approximately 6.6 times greater than the average of other Class 4 properties. Like 2016, hotel properties in M1 zones generated tax revenues per lot square foot approximately 4.6 times greater than the average M1 zone Class 4 property.

[8] City of New York Department of Finance

Manhattan

Manhattan						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$186.83	$73.52	**254%**	$200.39	$71.90	**279%**
2017	$193.45	$80.61	**240%**	$206.55	$80.37	**257%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties on average generated $186.83 per lot square foot in real property tax revenues, approximately 1.5 times greater than the average of other Class 4 properties in Manhattan. Specific to M1 zones in Manhattan, hotels generated approximately 1.8 times greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties on average generated $193.45 per lot square foot in real property tax revenues, approximately 1.4 times greater than the average Class 4 property. The same trend can be observed in M1 zones where hotel real property tax revenues per lot square foot generated approximately 1.6 times greater revenues than other Class 4 properties.

It is important to note that hotels located in M1 zones exhibit a higher contributory tax revenue per lot square foot compared to Class 4 properties in all zones.

Queens

Queens						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$12.04	$3.97	**304%**	$8.47	$3.12	**272%**
2017	$14.13	$4.51	**313%**	$11.69	$3.45	**339%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties in Queens generated on average $12.04 per lot square foot in real property tax revenues, approximately two times greater than the average of other Class 4 properties. In M1 zones, hotels generated 1.7 times greater real property tax revenues per lot square foot than the average of other Class 4 properties.

In 2017, hotel properties generated $14.13 per lot square foot in real property tax revenues, approximately 2.1 times greater than the average of other Class 4 properties. In M1 zones, hotels generated approximately 2.4 times greater real property tax revenues per lot square foot than the average Class 4 property.

It is important note that hotel tax revenues per lot square foot in M1 zones increased by approximately 38 percent between 2016 and 2017.

Brooklyn

Brooklyn						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$14.94	$3.73	**401%**	$9.12	$3.25	**280%**
2017	$26.05	$3.26	**800%**	$10.73	$3.59	**299%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In Brooklyn, hotel properties generated on average $14.94 per lot square foot in real property tax revenues for New York City in 2016, approximately three times greater than the average of other Class 4 properties. Similarly, hotels in M1 zones generated approximately 1.8 times greater real property tax revenues per lot square foot than the average of the other Class 4 properties.

In 2017, hotel properties generated on average $26.05 per lot square foot in real property tax revenues, approximately seven times greater than the average of other Class 4 properties. Additionally, hotels in M1 zones generated approximately two times greater real property tax revenues per lot square foot than the average Class 4 property.

Please note that the average hotel real property tax revenue per lot square foot in all zones increased by approximately 74 percent in 2017 from the previous year, while the average Class 4 property decreased by approximately 13 percent. Additionally, M1 hotels increased tax revenue per lot square foot by approximately 18 percent, while other M1 Class 4 properties increased by approximately 10 percent.

Bronx

Bronx						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$8.49	$3.08	**276%**	$6.69	$2.77	**241%**
2017	$9.34	$3.30	**283%**	$6.30	$3.09	**204%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties generated on average $8.49 per lot square foot in real property tax revenues, approximately 1.8 times greater than the average Class 4 property. Within M1 zones, hotels generated approximately 1.4 times greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties generated on average $9.34 per lot square foot in real property tax revenues, approximately 1.8 times greater than the average of other Class 4 properties. In M1 zones, hotels generated on average approximately one times greater real property tax revenues per lot square foot than the average Class 4 property.

Please note that the average hotel real property tax revenue per lot square foot in all zones increased by approximately 10 percent in 2017 from the previous year compared to a 7 percent increase for all other Class 4 properties. Additionally, M1 hotels decreased tax revenue per lot square foot by approximately 6 percent, while other M1 Class 4 uses increased by approximately 12 percent.

Staten Island

Staten Island						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$2.75	$0.82	**337%**	$1.34	$1.06	**126%**
2017	$1.93	$1.16	**166%**	$1.36	$1.12	**122%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties generated on average $2.75 per lot square foot in real property tax revenues, approximately 2.4 times greater than the average of other Class 4 properties. Similarly, hotels in M1 zones generated approximately 26 percent greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties generated on average $1.93 per lot square foot in real property tax revenues, approximately 66 percent greater than the average of other Class 4 properties. Hotels in M1 zones generated approximately 22 percent greater real property tax revenues per lot square foot than the average of other Class 4 properties. Hotels in M1 zones exhibit a nominal increase in tax revenue between 2016 and 2017, while hotels in all zones experienced a decrease.

Conclusion

Per information provided by the Department of City Planning and City of New York Department of Finance Division of Tax Policy, hotels on average generate significantly higher tax revenue for New York City on a lot area basis compared to the average Class 4 property. While the data utilized in the above analyses includes exemptions, we anticipate the share of tax revenues generated by hotels to increase in the future as exemptions are phased-out. Despite the significant amount of new hotel supply that entered the City over the past several years, hotels continue to generate on average significantly more tax revenue for the City compared to other Class 4 uses. Therefore, if the CPC special permit is adopted, New York City will forego potential tax revenues of a property type (hotel) that generates on a citywide average 6.6 times greater revenue than the average Class 4 property. The potential tax revenue forgone by New York City because of restricting hotel development in M1 zones is anticipated to impede the ability of the City to fund its growing budget in the future.

5.875 percent has been utilized since 2013, it is assumed that the rate of 5.875 percent will continue to be extended through 2028.

This study analyzes historical figures and forecasts Hotel Room Occupancy Tax figures by borough. We have utilized the historical data provided by the City of New York Department of Finance Division of Tax Policy as the base of our analysis and applied the forecasted growth rates by borough previously presented within this report to project room nights sold and gross rooms revenues through 2028.

Citywide, Hotel Room Occupancy Tax revenues increased by $13.5 million (excluding N/A and Remarketers) between 2014 and 2016, reflecting the continuous growth in the number of visitors to the City.

The following tables detail the historical and projected revenues on a citywide and borough level assuming the CPC special permit is not adopted.

Citywide					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	34,231	$68,333	$7,880,426	$462,975	$531,308
2015	35,524	$70,952	$8,014,077	$470,827	$541,779
2016	36,455	$72,820	$8,034,485	$472,026	$544,846
Proj. 2028	63,721	$127,441	$16,195,946	$951,512	$1,078,953
Source: City of New York Department of Finance					

On a citywide level, Hotel Room Occupancy Tax generated approximately $545 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Room Occupancy Tax revenues to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million from 2016 figures.

Manhattan					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	30,000	$59,933	$7,316,749	$429,859	$489,792
2015	30,861	$61,690	$7,383,353	$433,772	$495,462
2016	31,678	$63,329	$7,375,013	$433,282	$496,611
Proj. 2028	48,911	$97,823	$13,763,660	$808,615	$906,438
Source: City of New York Department of Finance					

In Manhattan, Hotel Room Occupancy Tax generated approximately $497 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $906 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $410 million over 2016 figures.

Queens					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	2,399	$4,797	$313,532	$18,420	$23,217
2015	2,713	$5,425	$361,991	$21,267	$26,692
2016	2,757	$5,512	$376,953	$22,146	$27,658
Proj. 2028	7,371	$14,743	$1,385,530	$81,400	$96,143
Source: City of New York Department of Finance					

In Queens, Hotel Room Occupancy Tax generated approximately $28 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $96 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $68 million over 2016 figures.

Brooklyn					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	1,295	$2,589	$206,043	$12,105	$14,694
2015	1,335	$2,665	$213,804	$12,561	$15,226
2016	1,417	$2,827	$225,617	$13,255	$16,082
Proj. 2028	3,488	$6,977	$650,978	$38,245	$45,222
Source: City of New York Department of Finance					

In Brooklyn, Hotel Room Occupancy Tax generated approximately $16 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $45 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $29 million over 2016 figures.

Bronx					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	401	$747	$27,762	$1,631	$2,378
2015	466	$877	$36,340	$2,135	$3,012
2016	436	$819	$36,579	$2,149	$2,968
Proj. 2028	3,626	$7,251	$351,986	$20,679	$27,930
Source: City of New York Department of Finance					

In Bronx, Hotel Room Occupancy Tax generated approximately $3 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $28 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $24 million over 2016 figures.

Staten Island					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	136	$267	$16,340	$960	$1,227
2015	149	$295	$18,587	$1,092	$1,387
2016	167	$333	$20,323	$1,194	$1,527
Proj. 2028	324	$648	$43,793	$2,573	$3,221
Source: City of New York Department of Finance					

In Staten Island, Hotel Room Occupancy Tax generated approximately $1.5 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $3.2 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $1.7 million over 2016 figures.

Conclusion

The Hotel Room Occupancy Tax is anticipated to continue generating significant tax revenue for New York City. Hotel Room Occupancy Tax figures are anticipated to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million over 2016 figures. It is important to note that Hotel Room Occupancy Tax has been declining on a per property basis annually between 2014 and 2016 as a result of ADR decreasing primarily in Manhattan. However, total Hotel Room Occupancy Tax revenues generated has continued to increase annually. Assuming the occupancy tax rate remains constant, we anticipate for overall occupancy tax revenues to continue to increase and occupancy tax revenues per property to begin exhibiting a positive trend following the absorption of the hotel supply currently under construction. The following chart depicts the possible Hotel Room Occupancy Tax loss if there is a deviation from the current trend. For example, a 10 percent decrease would result in a loss of approximately $53.4 million in tax revenue for the City.

Occupancy Tax Loss		
% Loss from 2016 - 2028 Gain	Total Occupancy Tax (Thousands $)	Change (Thousands $)
0%	$534,107	
5%	$507,402	-$26,705
10%	$480,696	-$53,411
15%	$453,991	-$80,116
20%	$427,286	-$106,821
25%	$400,580	-$133,527
30%	$373,875	-$160,232
35%	$347,170	-$186,937
40%	$320,464	-$213,643
45%	$293,759	-$240,348
50%	$267,054	-$267,054

Assumptions & Limiting Conditions

1. It is assumed that all data provided by all third-parties is accurate and correct unless otherwise specifically noted in the report. Unless otherwise specifically noted in the report, LWHA has no reason to believe that any of the data furnished contain any material error. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, LWHA reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify LWHA of any questions or errors.
2. Any projections included in the analysis are forecasts of estimated future operating characteristics that are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of the future. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. LWHA does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of LWHA.
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5. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to this study have been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
6. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants. Opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc.
7. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the consultant nor LWHA assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate consulting profession if so desired.
8. The report is for the sole use of the client. Please note that our consent to allow the market study report prepared by LWHA or portions of such report, to become part of or be referenced in any public offering, will be subject to the granting of such consent which will be at LWHA's sole discretion and, if given, will be on condition that LWHA will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us.

RESPONSE TO THE PROPOSED M1 ZONING HOTEL TEXT AMENDMENT

August 1, 2018

2 of 3

Prepared and submitted by

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Submitted August 6, 2018

Application Number
N 180349 ZRY

Project
M1 Hotel Text Amendment

Public Hearing
7/25/18

Borough: CW
Community District: CW

August 1, 2018

A Response to the Proposed M1 Hotel Text Amendment ("Response") by Gene Kaufman

The following comments, and requests for additional scope to be included in the Draft Environmental Impact Statement, refer to the proposed M1 Hotel Text Amendment's Final Scope of Work for an Environmental Impact Statement dated 4/23/18 ("Final Scope or Report"), Draft Environmental Impact Statement dated 4/23/18 ("DEIS"), Draft Scope of Work for an Environmental Impact Statement dated 9/25/17 ("Draft Scope"), the Consultant Report NYC Hotel Market Analysis dated 2017 ("Market Analysis"), the 7/23/18 City Planning Commission review session, 7/25/18 City Planning Commission public hearing, and 10/26/17 City Planning Commission scoping session.

The DEIS, Draft Scope and Final Scope make the identical contention that "the proliferation of hotels in M1 districts is seen as problematic". The Final Scope goes on to detail 1.4 billion square feet of developable floor area zoned for hotel use with a projected 28,100 new hotel rooms in the No-Action Condition. This amount of hotel rooms is approximately 10 million square feet, which is less than 1% of the permitted developable area. Similarly, the Final Scope projection of an excess of 1,150 hotel rooms in M1, which will comprise about 400,000sf, is about three-hundredths of 1% of the 1.4 billion buildable square feet in M1. Given the minute amount of hotel development relative to the available zoning area, the characterization of this hotel development as a "proliferation" and "problematic" is not substantiated.

The Final Scope, page 3, states that "hotels benefit from a business model that can maximize the value of permitted height and floor area ratios in M1 districts" but omits the Draft Scope's unsupportable continuation "giving such development an additional advantage over other uses permitted in M1 districts". However, the attitude of the Final Scope that hotels function as "precluding" other types of development remains one of perceived unfairness, that hotels appear to be successful while there has been little or no development for industrial uses since at least the Second World War. Despite M1 hotels being relatively new, the Final Scope attempts to place responsibility for the roughly 70 year continuous decline in industrial uses and land use at the feet of these few hotels. As explained in more detail later, the contention that hotels are more able to use smaller sites, or that assemblages are needed for other conforming uses, is not substantiated.

The Final Scope claims that hotels "directly or indirectly detract from other opportunities for other kinds of development" by occupying "sites that could have available to other uses". To the extent that any development for any use displaces any other potential use, this is as true as for any development for any use in any location, but given that M1 new hotel development comprises less than 1% of the buildable M1 zoning area, as noted above, it is far reaching to state that other development is displaced, given that the 99% of the M1 developable area not being used by hotels can accommodate all other permitted M1 uses. A second contention in the Final Scope Introduction, that hotels "create land use conflicts" is not substantiated and will require an Additional Study **(A#1)** that also examines the benefits of hotel developments for neighborhood character.

The Final Scope, Chapter III Purpose and Need, Accommodating Residential Demand, starts by identifying the "need for additional housing" and goes on to identify some prior rezoning of M1 land to permit residential use. However, there is no exploration of potential future rezoning to MX, C or R use. Not said is that the 1.4 billion buildable square feet of M1 zoning can house approximately 5 million

people if rezoned and fully developed as residential. (Building out under built residential zoning area and residential upzoning also have the potential to add housing for millions of additional residents.) Surely this DEIS needs to include a study of modifying as-of-right uses in M1 to include potential residential use and mixed-use, including potential new MX districts **(A#2).**

Final Scope subheading "Accommodating Commercial Demand" states an "increased need" for "critical retail establishments", ignoring the fact that retail vacancy is high ("A Sign of the Times: More For-Rent Notices in Manhattan" (NY Times 3/7/17) and "Pop Up Goes the Retail Scene as Store Vacancies Rise (NY Times 5/30/17 and "NYC Retail Vacancies Soar Prompting Massive Rent Concessions (Zero Hedge 3/28/17) and "DeBlasio to Retail Landlords: Fill the space or be prepared to pay the tax" (Real Deal 4/2/18, which documents a doubling of retail vacancy rates since 2002.

Final Scope, Limited Supply of Buildable Land, lists all M districts (does not differentiate M1 from M2 and M3) as 14% of all land and Residential as 58%. It does reveal, though, that only 20% of manufacturing zones land actually has industrial and manufacturing use, meaning that only 2.8% of all NYC land is used for M district industrial and manufacturing business. Figure 1, a map of Affected M1 Districts and Transit Access, is so small that no one can figure out the boundaries of the M districts relative to actual blocks and streets, nor the relation to transit access that the map purports to show (M#1). The Final Scope does not address the possibility of upzoning residential land, which at more than four times the area of all M districts combined, has much more potential to accommodate growth than manufacturing districts.

Final Scope, Light Manufacturing Districts as NYC's Areas of Opportunity, page 12, indicates that more than one-quarter of the M1 tax lots are in Manhattan CBD. There is no analysis of these lots apart from the city wide M1, but at 5 and 10 FAR and with many 10 and 12 story commercial and loft law residential conversions, these lots are consequentially different than M1 lots with 1.0 and 2.0 FAR in other boroughs. Given the radically different character, location, and bulk regulations for M1-5 and M1-6 districts, it seems clear both M1-5 **(A#3)** and M1-6 **(A#4)** districts should be studied an evaluated separately.

Final Scope, Historical Context, notes that the IBZ districts that were originally the target of the rezoning, but "no land use regulations" have been tied to them. Clearly a separate study of these areas, which was undertaken by DCP but not made public, might identify the possibilities to achieve the desired industrial growth **(A#5).** The claim that "it became evident that a regulatory mechanism regarding hotel development was needed also in other more mixed M districts outside of IBZ's needs examination". **(A#6)**

Final Scope, "Uses and employment in M1 districts" page 15, summarizes job growth as primarily non industrial-sector (later on page 19 the Final Report refers to "the city and national economy shifted away from traditional manufacturing"), although it does state that recently industrial jobs have increased slightly. It seems that the Draft and Final Scope and the zoning objectives they espouse should include accommodating and furthering job growth and non-industrial job growth in particular, because "that is where the jobs are". Robust job growth is indicated in the IBZ's, which suggests a "if it ain't broke, don't fix it" approach. A separate study of employment in M districts is needed **(A#7).** However, the report does not include any such study nor does it address anywhere the job growth associated with hotel development, even though hospitality is among NYC's biggest and fastest growing job sectors (29% increase from 2006 to 2015, more than 50% of work force is minority, (Office of the State Controller report 2-17 6/16). **(A#8).**

Final Scope, page 18, refers to "limited pre-existing residential development", but there is no analysis or computation of the amount of such residential, the concentration of it in certain areas, the longevity, etc. **(A#9).** As the Final Scope seems to imply that hotels are a less noxious use than most of the permitted

uses in M1, the impact of hotel development versus industrial development would seem to be a big plus for the existing residential occupants **(A#10)**. The "neighborhood character" is a misnomer given the prevalence of undeveloped space, as such character is yet undefined other than to say it is primarily underutilized and otherwise characterless **(A#11)**.

Final Scope, Areas of Opportunity, page 18, assesses the percentage of land of underbuilt land by zoning district, 13% of manufacturing districts and 7% of residential districts. Multiplying these percentages by the 13.66% manufacturing land and 57.85% residential land, 1.77% of underbuilt land is in manufacturing districts and 4.05% of underbuilt land is in residential district, meaning that that residential districts are 228% more underbuilt than manufacturing districts. The Draft and Final Scope cite the need for "in-depth planning efforts" to facilitate commercial and housing development, but only the hotel special permit aimed at limiting hotels is the zoning being contemplated. The impact of the effort to curtail hotel development on potential residential use or certain commercial uses in future rezoning should be added to the study **(A#12)**, as hotels arguably will be beneficial if such zoning changes are contemplated for appropriate M1 area.

Final Scope, Page 19, lists several needs identified by the DCP, including parking. The M1 parking requirements are onerous and excessive, given observed current usage and the city's stated preference for mass transit use. Eliminating or minimizing parking requirements will free up many sites for development, particularly relatively small sites that are too big to qualify for a parking waiver but too small for cars to maneuver and park. A parking study would have an impact on many of this study's conclusions. **(A#13)**

Final Scope, Page 19, also repeats the prior statement about "proliferation" and "problematic" hotel development and states that hotels "may directly or indirectly detract from opportunities for other kinds of development", but with no supporting documentation. The contrary has been observed, that blocks that formerly had noxious or objectionable uses or were simply vacant, have been greatly improved by hotels, raising the profile and making the area more attractive for investment and development. The impact of hotels, specifically the "proliferation" and as to whether they are "problematic", neither of which is sufficiently studied in the Draft or Final Scope or the DEIS, needs specific study to determine whether these two points, which form the very basis of this entire proposal, have any bearing in reality **(A#14)**.

Final Scope, Hotel Development in M1 Districts, Growth of Tourism, Page 20, cites "an unprecedented 60.7 million tourists" in 2016 (which increased even higher to 62.8 million in 2017) and states 'With this rise in tourism comes an increase in the number of hotel rooms to meet the demand." A study is needed to determine how many hotels and hotel rooms are needed to support the demand of visitors that has been increasing by 2 million per year, but this study and the Market Study shall be addressed in due course. Additionally, the comment about the hotel market of Brooklyn and Queens as being characterized by "lower room rates" will also be addressed.

Final Scope
Page 19 includes a summary of current hotel development with a breakdown of M1 versus all other areas. Obviously hotels are not permitted in residential districts, which comprise 57.85% of the total area of the city. Less obvious but well known, land in commercial zoning districts that permit substantial residential use is priced based maximum residential development. This effectively precludes hotel and other commercial development in nearly all R and almost all C zoning districts. Historically, M zoning has served to foster commercial development by prohibiting as-of-right residential use. Therefore, hotel development in M1 districts is consistent with that long standing zoning strategy. The M1 hotel special permit is an about face from zoning policy from 1961 to the present.

Final Scope, Hotels in M1 Zones, page 20, added to Draft Scope the claim that hotels are more successful than other uses in large part because the other uses such as "office, retail, mini-storage, ambulatory care, entertainment, industrial" are not viable because of "the high cost of construction, higher risk and low demand for non-hotel uses". Clearly, the cost of building offices or the demand for industrial use will not change if a few more or less hotels are built, as there is no causal relationship, so one of the basic premises of the rezoning proposal, that fewer hotels means more of everything else, is shown to be without merit. Nearly six decades of almost no new construction in M1, including hotels, should be adequate proof of that.

Final Scope, page 20, point 1, states that "there are few uses allowed in M1 district that are able to use the entirety of their permitted FAR on small lots". In M1 districts with 5.0 and 10.0 FAR, typically in Manhattan, office use is common, and it is easy to use the full FAR. Perhaps this is obvious, but since the Final Scope appears to contend otherwise, a study should be done **(A#15)**.

At the other end of the spectrum, lots in M1-1 can build a single floor with full lot coverage for 1.0 FAR, a very common condition in M1-1. In M1-2, 2.0 FAR district a two or three story building will max out the FAR. A study needs to be done on lot sizes in the M1 to determine if there is a prevalence of small lots and if those lots are needed to merge to make other adjacent lots buildable. The contention that small lots favor hotels is simply not true. Industrial and manufacturing uses fit very well on one or two stories full lot coverage buildings. Hotel developments, however, need 20,000 sf buildable minimum and preferably 40,000 sf minimum for a hotel franchise. This requires lots of at least 20,000sf in M1-1 and 10,000 sf in M1-2 for unbranded hotels, and 40,000 sf in M1-1 or 20,000 sf in M1-2 for franchise hotels. Therefore, contrary to the Final Scope, hotels are at a disadvantage on small lots in low FAR districts. The study will determine whether the Final Scope's contention is true or not. **(A#16)**

Final Scope, Hotels in M1 Zones, Point 2, page 21, figure 4, cites the parking requirements as giving hotels an advantage on a small lot. As stated previously, any excessive parking burden can be remedied by changing the parking regulations. However, the extensive comparison of parking for a 5,000sf lot includes a warehouse, office and hotel, all at 5.0 FAR. It seems unlikely that a warehouse would be built in a 5.0 FAR unless it is for mini-storage (which was recently prohibited as an as-of-right use). But assume this example is relevant and the M district parking waiver for most as-of-right uses is not to be extended to warehouse use, currently restricted per ZR44-231. At 1 spot/3 employees for a 25,000sf warehouse with less than 10 employees, 3 spots are required, easily contained inside the building at the ground floor or in the cellar via a ramp. The 25,000sf office building with 83 spots required would need attended parking at cellar (4,000sf, 20 spots), first floor with stackers (4,000sf, 47 spots) and second floor (3,200sf, 16 spots). This building will be 8 stories to use the full FAR (it would be 6 stories with no parking), but I am not aware of any such building being built in M1. The hotel example would have 80 guest rooms, not 88, requiring 10 spots. These spots will not fit in the 30' x 50' front yard (which would actually be smaller once the building depth is increased to a more feasible dimension). Despite the contention "the hotel is able to fit 13 spaces in the front yard", on grade self-parking can only fit 6 spots but is limited to 5 spots at 300sf/spots, or even less once the pedestrian path to the front door, second mean of egress and landscaping required by ZR44-48 is accommodated. A study to create realistic and feasible parking regulations can solve all of these scenarios. **(A#17)**

Final Scope, Hotel Development Trends in M1 Districts, page 23, states that outside Manhattan 37% of hotel rooms that have come on line have been located in M1 districts. Given that the majority of land outside Manhattan is zoned residential and does not allow hotels, given that there is a limited amount of commercially zoned land (4.34% city wide per page 9), and given that M2 and M3 already prohibit hotels, M1 districts are the zoning districts where hotel development needs to happen if there are to be any hotels servicing the four boroughs outside Manhattan. The DEIS should be amended to include a study showing the land area where hotels currently are permitted and where they will be permitted in the

proposal, accompanied by an analysis of the specifics of each and every area that is proposed to be changed **(A#18)** .

Final Scope, Tables 2 and 3 on page 23 should be amended to isolate the airport hotels, which will continue to be permitted under the proposed text amendment, but which may be separately considered as an alternative and included or not on their own merits, as discussed at the 7/25 hearing but not reviewed on the merits.

Final Scope, Conflicts Posed by Hotel Development, page 24, the purported conclusion by DCP that "the proliferation of hotels in M1 districts is seen as problematic" is unsupported. Private conversations with DCP staff and former staff have resulted in the opposite conclusion. The contention that hotels will occupy sites "that could be otherwise developed to achieve better neighborhood development goals and objectives" is undercut by the Draft Scope statement (excised from the Final Scope) "hotels in and of themselves are not likely to conflict with nearby residential or worker populations". The claim is that hotels might "shift the economy towards other businesses that cater to tourists and business travelers". No study is produced to show that any such type business, let alone a proliferation of such businesses, has occurred in areas with a proliferation of hotels. Aside from midtown Manhattan, where hotel development has contributed to the replacement of wholesalers, automotive and pornographic uses with needed stores and restaurants, no such development has occurred. Retail brokers will say if asked that even hundreds of hotel rooms in proximity do not create a demand for "tourist businesses", especially, as the report states, since most hotels are located in very close proximity to subway stops. The contention that IBZ districts are further harmed by "land use conflicts" between "more active industrial uses" and "visitors and employees of hotels" is not supported by any study of what such "conflicts" may be, for example, whether such hotel developments preclude other uses, what jobs are being gained or lost, and what are the environmental hazards, sound, parking, loading, and other issues. The DEIS should be expanded to include MX districts, which allow M1 uses, hotel and residential to exist side by side and even in the same building. The DEIS should also be expanded to include all loft dwellings and other residential uses in M1 districts to determine what conflicts are posed by such uses **(A#19)**

Final Scope, Page 25 contends that hotels "are seen as interruptions to the purpose-built aesthetic of many industrial uses". Given that much of M1 zoned land is an eyesore, largely occupied by ugly one story warehouse and industrial uses with no windows and heavy security gates, with no people on the streets and totally shuttered by 5pm, the "purpose-built aesthetic" of M1 today most nearly resembles the decaying areas of failing cities in the U.S. and abroad.

The report states that DCP studied three hotels (arguably these are not representative of hotels as built or as proposed throughout M1) and had "some conclusions" as follows:

1- Unaligned street walls
2- Unsafe pedestrian crossings and vehicular traffic
3- Non-transparent ground floor "creates unpleasant contextualization with neighborhood"

These are responded to as follows:

1- Unaligned street walls are encouraged by the zoning for height and setback, as in all non-contextual R, M and C zoning districts citywide (the vast majority of all of NYC), the zoning rewards a development with a better sky exposure plane if the building sets back at grade. This can be addressed, if there is an interest in changing it, with revision to height and setbacks. It has nothing to do with use.
2- Pedestrian crossing and traffic in M1 outside Manhattan, as observed, is not an issue, as the number of pedestrians and vehicles is far below capacity and far below commercial and residential districts. A full traffic and pedestrian study for all M1 locations in NYC should be done as part of prior request A#13.

3- "Non-transparent ground floors" is an ironic comment, as the majority of existing buildings in M1-1 and M1-2 are one story warehouses with no windows or blocked up windows (see photos), whereas hotels on the ground floor typically have a lot of glass to serve the lobby and dining areas, and provide public street life and safety surveillance.

The final paragraph under this heading says "the Proposed Action would facilitate the discussion of permitted and desirable uses in active, more mixed-use M1 districts across the city". Surely, that discussion can take place with requiring a rezoning in all 32 community boards in NYC to precede it. It suggests that "the city may want to direct growth towards.... healthcare or retail or... housing." Interestingly, hotels are probably the most compatible permitted M1 use with redirected growth towards healthcare, retail or housing. The vast majority of other as-of-right M1 uses have varying levels of incompatibility with such potential new M1 uses, whereas hotels would have no negative impact and directly benefit such potential uses.

Final Scope, Hotels in Active Industrial Areas, page 25, makes two points in opposition to hotels in "active industrial areas- IBZs and others" as shown in Figure 5, which shows 20 small areas in the 5 boroughs on a map so reduced in scale and with no street grid that is not possible to discern actual locations and boundaries. The IBZ reference is a reminder that this rezoning started as being applicable only to IBZs, but it was changed to be all M1 areas city wide, with all M1 areas to be assessed in the same way as the IBZs. Interestingly, the largest of the 20 areas is JFK, which is the only area that is being OMITTED from the proposed special permit rezoning, unless added as an Airport Areas Inclusion Alternative per DEIS section 22, despite having being omitted from the Draft and Final Scope and the DEIS, so without any basis.

The first contention is that hotel guests increase foot and automobile traffic and "nuisance-generated complaints" while industrial businesses produce "noise, truck traffic, pollution and other irritants", and that the hotels "have the potential to harm the activity and productiveness of industrial and manufacturing businesses". Given that there are operating hotels in M1 districts, the EIS should study each of these **(A#20)** in the context of their location to see if the report's contentions are backed up by hard data or if the report comments that are framing hypothetically as "potentially" being true are similar to the lottery ticket holder "potentially" being a winner. Elsewhere the report cites that hotels in M1 cluster near subway stops, which suggests minimal vehicular and foot traffic. No evidence of any documentation of "nuisance-generated" complaints is indicated, nor if such complaints, if they occurred, were for illegal or improper activity, such as the voluminous materials blocking public sidewalks and cars parked on the sidewalk in front of one story industrial buildings, as in the report's own photographs in this section, Figures 8, 9 and 10.

The second contention, citing Figures 6, 7, 8, is that the hotel shown is "physically out of context" as "set among auto repair shops and other single story industrial uses", The three photos (but only of two hotels) show an 11 story and a 5 story hotel with one story warehouses adjacent to them. Arguably, it is the warehouses that are an eyesore and a wasted opportunity for proper land use. If those sites were mid-rise warehouse and manufacturing buildings, the existing space could be replicated in a fraction of the land area, freeing up substantial space for new commercial, industrial and residential development. For the greatest city in the world to have zoning for only 1.0 FAR is contrary to what this city is, and what it should be.

It would also be relevant to study how many jobs there are in those one story buildings versus the number of jobs created by the 5 and 11 story hotels, and comparable situations where job creation by different uses can be compared **(A#21)**.

Final Scope, Hotels in Mixed-Use M1 Districts, page 27.

This section of the report addresses M1 districts "with moderate or even no industrial activity" and "including retail, office and residential uses". Significantly, no attempt is made to quantify how many hotels are in such districts, or even how many have been recently built or planned for such districts. This should be added to the studies to date in order to determine the extent of this type. **(A#22)**.

It is self-evident that M1 districts historically have been mapped to create areas allowing commercial as well as manufacturing uses, and that large sections of the Manhattan core are zoned M1, not to encourage manufacturing but to encourage commercial development in non-residential areas. This has been done to facilitate the development of hotels and offices on blocks where residential use in not permitted, thus keeping the associated street traffic and activity away from areas zoned for residential. The proposed Action seeks to reverse NYC policy that has existed from the first date of the zoning resolution in 1961 to today, over half a century of policy since Robert Wagner was mayor.

The second paragraph in the Draft Scope, omitted from the Final Scope, uses the hotel 80 Wythe as an example of areas "better suited for local services, offices, health care, education, as well as residences". In fact this hotel is in a small area where residential was deliberately excluded, then the majority of the Williamsburg area was rezoned to MX, which permits residential, and which can simply be redressed by adding to the MX district. The majority of uses mentioned are already permitted in M1 and also in MX. The photo of that hotel shown in Draft Scope Figure 11 shows a glass rooftop addition to a five story brick formerly industrial building, creating a much taller building than the buildings shown in the foreground, but it does not mention that this was an overbuilt industrial building where floor area was relocated on top (a similar height tall building is shown immediately to the right, and there are many others in the area). It also does not mention that 80 Wythe has been a tremendously successful project that has helped revitalize the Williamsburg neighborhood, and that not having such a hotel would have greatly diminished the area. Perhaps that is why it was dropped from the Final Scope.

The Final Scope statement, page 27, "the remaining mixed-use M1 areas are typically found in Brooklyn, Queens and the Bronx, in neighborhoods that have evolved to meet the growing retail, office and entertainment needs of the adjacent residential districts." lacks the necessary supporting documentation to make such a claim **(A #23)**. It might be assumed that if this statement is true, that the M1 zoning is working and should be maintained as is. But if one drives around some M1 neighborhoods in those boroughs it is evident that this claim is an oversimplification at best.

The subsequent paragraph suggests that "the Proposed Action would facilitate a discussion around broader community needs". Clearly, a change to the zoning, once it has occurred, shuts off the type of discussion that would form such changes, so it appears that instead the intent is to preclude such conversation. The suggested notion that such area might be best available for office development is disingenuous, as offices are a permitted as-of-right use and have been for many years, since land costs were less than $50 per buildable square foot. However, such neighborhoods often retain an industrial character that office building occupants might not favor for 52 weeks a year. The hypothetical musing that "absent modifications, hotel development in these areas may result in a concentration in tourism-related uses in neighborhoods that could support a broader mix of uses" does not actually make such a claim (but such alleged possibility should be studied **(A #24)**, as the "proliferation" of M1 hotels has not given rise to significant "concentration of tourism-related uses), but observation of these neighborhoods show that they are largely bereft of any such uses or such other uses that might suit offices. The closing suggestion of the paragraph that a "diversity of business uses that may better serve the community" does not identify what community is intended, as the M1 neighborhoods by definition exclude residential use, so that the "community" is composed of workers, business owners and land owners in commercial and industrial enterprises, who for the most part fear residential uses, which generally threaten the viability and function of conforming M1 uses.

The following paragraph, Final Scope, page 28, postulates that the Proposed Action would allow "the city and community ... to determine whether a hotel makes the most sense at a particular location". The notion that the city and community should decide on a use on a case by case basis for every single piece of M1 land, all 1.4 billion buildable square feet, is a staggering expansion of the land use process such that no other land use action might ever get considered if a consequential number of such hotel uses are proposed, yet no comparable expansion of funding or staff for the relevant agencies is proposed. Not mentioned is the well-known history of sites with conditional uses that require years of expensive, time consuming and onerous land use review, which precludes development by all but the largest developers and most powerful lobbyists and attorneys, nor the likelihood that such land would not even be acquired by a potential developer for a use that may never be granted. A study should be conducted to show how special permits for specific uses have impacted development of such uses in the past, to see what the projected impact of such zoning change might be for hotels in M1 **(A#25)**.

Final Scope, page 28, mentions a "need for diverse business uses in the neighborhood" without any documentation of need or what is meant by diverse uses, which would need a study to support it **(A#26)** and reiterates the hypothesized "risk of creating an unduly uniform character of tourist uses", again without any documentation **(A #27)**.

Final Scope, section III closes with Figure 9, a trio of hotels in an M1 district "characterized by commercial and other non-industrial uses" and suggests that "new development is constrained by existing zoning " and that "the city consider(s) whether underlying M1 zoning regulations remain appropriate in certain areas". Omitted from this is the significant effect of Landmark districts which have allowed sites to use ZR74-711 and 712 to convert to and build residential uses in M1 districts. Also not mentioned is that the residential development in such neighborhoods, once encouraged as conversions of underutilized commercial and manufacturing buildings prior to and as a result of the Loft Law (Article I Chapter 5 of the zoning resolution), has evolved into a super luxury market for multi-million dollar residences of enormous size, displacing the jobs that might exist in such spaces if they are to be used commercially, particularly since the booming office market in areas like Midtown South and the Meatpacking District has driven office rents to over $100/sf due to the scarcity of office space for technology and other young entrepreneurial companies. Such study of these neighborhoods and any potential rezoning should perhaps be relegated to a different action, given the hugely different set of circumstances from low density industrial M1 neighborhoods with no legal residential use, as proposed by DEIS M1-6 Exclusion alternative **(A#28)**.

The closing comment about the Upper East Side and Downtown Brooklyn compares C zoning districts, which permit hotels and residential as-of-right to the M1, which prohibits R use and seeks to restrict hotel use, so it is an intriguing suggestion that M1 be rezoned to C designation as opposed to remaining M1 with a new special permit, suggesting that a rezoning from M1 to C might be considered in at least some areas **(A#29)**.

Final Scope, Section IV: Description of the Proposed Action, pages 29-37
The Current Zoning Regulations section provides the definition of hotel use as stated in the zoning resolution and a map, Figure 10, which shows the location where hotels may be built as-of-right. Unfortunately, the map that formats all of NYC onto one 8.5 x 11 page, and the digital alternative, are so small (Manhattan is less than ½" wide), and show no streets or any other markers of where these zoning districts are located, it seems as if the intent was to NOT illustrate where they are located. The color coding of the map does give a general sense, however, of approximately how much of New York City allows hotels as-of-right, and that is "very little" , meaning that the current zoning already restricts as-of-right hotels to a very small area, proposed to be even smaller under this proposal. It is reasonable to expect and require that this map be further developed to clearly shows the boundaries of relevant districts and to calculate the percentage of New York City that is zoned for hotels as-of-right in the stipulated

categories: 1) commercial districts, 2) light manufacturing districts, 3) mixed-use districts/Paired M/R, 4) Publicly-owned & other infrastructure/utilities, and 5) Total area where hotels are permitted as-of-right as a percentage of entire New York City, expressed in percent. **(A#30).** It seems self-evident that any proposal that effectively posits that there is too much land where hotels are permitted as-of-right must document how much land actually does permit hotels as-of right. Then a paired map and calculation must be prepared that shows the proposed change in area permitting hotels as-of-right, including a calculation of the percentage decrease in land area permitting hotels as-of-right city wide compared to today **(A#31).** Further calculations divided out to show the percentage change by borough and by community board should also be included to demonstrate the impact and how it is apportioned to various areas of the city, for example if some community boards affected more than others, etc. **(A#32).**

Final Scope, Figure 11, Areas with Existing Hotel Special Permit Provisions, is a similarly scaled map, similarly devoid of marking that would indicate the actual location and boundaries of such districts, should also be upgraded to provide the same type of information as should Figure 10 as requested above **(A#33).** Additionally, the inception dates of each of the restricted special permit zoning districts should be illustrated, and the number of hotels created in each of those areas since the special permit was created. If such a number is zero, or close to zero, or even some significant change from the years prior to such special permit enactment, the environmental impact for each of these, covering a 10 year period (this proposal uses a 10 period as the basis for its analysis) prior and up to the present since enactment, should be prepared **(A#34),** thus illustrating the results of such special permit and analyzing them on a case-by-case basis and as relates to this proposed action of a city-wide special permit **(A#35),** in order to provide the best possible analysis of what this proposed action will look like over the next 10 years and beyond.

Final Scope, Proposed Regulatory Mechanism, page 33
The proposal that DCP consider special permits for M1 hotels for the entire city to occur on "appropriate sites. Based on reasonable considerations regarding opportunities for the future siting of a permitted use on the site and the achievement of a balanced mix of use and jobs in the area" is sufficiently vague as to require supporting documentation, such as 1) definition of "appropriate", 2) time frame for future (for example, how much of the M1 land has been underbuilt from the beginning of the 1961 zoning until today, how much has been built in the last 10 years as a percentage of the total buildable, 3) how much is projected to be built in the next 10 years under this proposal and in a No Action scenario, 4) the uses of the developments completed and projected, 5) the impact on NYC of such special permits (for example, the impact on hotels prices and affordability of a visit to NYC, number of visitors, etc.), 6) the impact for jobs in the area (for example, do hotels produce more or fewer jobs than previously on the sites where they are being built, and what are the projected jobs being created on the site if a hotel special permit is denied, etc. **(A#36)**

The differentiation of the CPC special permit as applied to industrial M1 or mixed-use M1 should be clearly spelled out to provide clear criteria as to what constitutes ground for granting or denial of such special permit for each of these should be required. Also, an explanation of why it does not make sense to change the designations of M1 districts to add suffixes that differentiate "industrial" M1 from "mixed-use" M1 should be included **(A#37).** The sentence that reads "A CPC special permit would also still allow for hotels to serve the needs of the tourism industry when appropriate" should be accompanied by both documentation of the needs of the tourism industry, including corrections to the misleading picture of the tourism industry continued elsewhere in this report, and a mechanism for those interests to be represented in any future special permit applications. The potential for the tourism industry to be severely damaged by a special permit process that is commandeered by local forces needs to be studied and appropriate mechanisms put in place to avoid negative impact to the entire range of business interests dependent on tourism. (A#38). A separate study needs to address the time frame for a special permit, as the one or two years or more process for most existing special permits is likely to be at odds with the hotel cycle, as the long special permit process may effectively block projects whose market conditions worsen during the

review years even if those projects would have been approved **(A#39)**. A corollary study of an expedited special permit process, say a 60 day total review period from date of filing to date of decision, may address this issue **(A#40)**.

Final Scope, Exemption for Transient Hotels Operated for a Public Purpose, page 34
The proposed exemption for public purpose transient hotels that "primarily" provide "temporary" housing for the homeless needs s study to determine what other non-primary uses will qualify as public purpose **(A#41)**, and what corollary uses for homeless housing uses may be included as accessory use, such as medical clinics, drug treatment, job training, soup kitchens, etc. **(A#42)**. "Turning the Tide" which, as the report states, affirms the commitment to end shelter in "commercial hotels" seems to contradict this goal by creating an expedited avenue for building hotels as homeless housing in M1 districts throughout the city. A study that assesses the amount of homeless housing likely to be developed in M1 if commercial hotels are effectively blocked by the special permit process **(A#43)**, effectively making homeless shelters the highest and best use in entire swaths of the city, will reveal the likelihood of creating homeless ghettos in Brooklyn, Queens and the Bronx. The study should include the amount of homeless people, the amount to be housed in public purpose hotels, in commercial hotels and in other temporary housing, and compare it to the rate of permanent housing for homeless, as factored for the rate of new homelessness, and project how many people and how many years will be involved in the proliferation of homeless hotels. The study might include the city's recent acquisition at full market price of multiple private commercial hotels for homeless housing and the placement of homeless in market rate hotels at full rates. The provision allowing current public purpose hotels to return to commercial hotel use without a special permit not only serves to allow the city to recapture their purchase price for these recent acquisitions, it calls in to question whether the special permit process is truly meant to evaluate the stated issues, such as the compatibility of tourist locations in industrial and mixed-use areas. As is well known, "temporary" conditions and uses have a way of becoming permanent, so a study of all effects of such "temporary" use including the duration of such uses needs to be investigated **(A#44)**.

Final Scope, Geographic applicability, page 34
The maps illustrating the M1 areas proposed to be exempt from the special permit make clear that only the immediate vicinity of airports will be exempt. This is despite the known preference of travelers to stay almost anywhere that is not the airport. Less well known, but a study can confirm, is that nearly all sites that can be developed as hotels at the airports are already developed as hotels, effectively eliminating these exempt sites as a source for needed hotel rooms **(A#45)**. An added study can reveal the effects of putting travelers in places with tremendous noise from aircrafts and the deleterious effects of cargo handling, vehicular movement, security and other airport related impacts **(A#46)**. As these areas serve as a buffer between the airports and the residential neighborhoods, the impact of concentrating any potential hotel development should also study the impact on these residential neighborhoods **(A#47)**.

Final Scope, Ongoing neighborhood planning efforts, page 37
The list of local rezonings proposed to include special permit requirements for hotels brings up the question of "why hotels"? Among all the uses and businesses in NYC, why are hotels being singled out to be stopped? The long ago special permit procedure for "physical culture establishments", which were meant to exclude sex businesses but later impeded commercial gyms, and the regulations for "adult establishments" which further looked to prohibit sex businesses, come to mind, but raise the question as to why hotels, which everyone stays in when they travel, would be regulated and restricted as if it is a nefarious use. The commonly understood underlying reason for the M1 hotel special permit and all other hotel special permit rezonings has been the political influence of the hotel worker union in its attempt to curb free market competition with non-union hotels. This elephant in the room should be subject to study (A#48) and exposed or laid to rest, accordingly.

The context for hotel development and perhaps a larger issue for the city is the proliferation of Air B&B and similar illegal transient use of residential units, reportedly 30,215 documented units (Crain's 7/31/17). It seems obvious that any attempt to curtain hotels, such as the M1 special permit, will boost the Air B&B market, the exact opposite of the city's stated agenda, yet nowhere in this report is this mentioned, so a study of this impact needs to be undertaken **(A#49)**.

Final Scope, Section V: Analytic Framework, pages 38-41
Executive Summary, Page 38
The explanation of the environmental impact as the difference between the No-Action and With-Action projections does not indicate how the M1 hotels currently in construction, reportedly 61 in number, will be treated, given that they will open as hotels with no operation history, making a base line for both No-Action and With-Action difficult to establish. The statement that the Proposed Action reduces as-of-right by 45% (i.e. eliminating half of all permitted hotel sites in the entire city!) and floor area by 25% (one-fourth of all NYC!) answers some questions raised in relation to earlier sections of the report that beg this question, but raises the question for study as to why such a drastic action is proposed, affecting more NYC land than any rezoning in recent memory **(A#50)**.

The claim that the Proposed Action will "affect the location, but not the amount or type, of future hotel development" is likely untrue. Cutting back on hotels in lower cost, less centrally located areas will reduce the amount of moderately priced hotel rooms, arguably the rooms most needed by the city, and, if the amount does indeed remain the same, it will shift those rooms to high priced centrally located areas, accelerating the trend to travel exclusively by the rich and further fueling the perception of NYC as unaffordable. Certainly the proposed shift in hotel locations should be studied to determine what it will mean as far as "type" and cost. The implications are many; for example, shifting hotel development from Brooklyn and Queens to Manhattan will not only increase the cost of a hotel stay, it will move the hotel rooms further away from residential portions of the city, so that residents having family and friends visit for weddings and other events will not be able to put up their guest near where they live, as well as costing more and possibly preventing those guests from coming at all. The shift in location will affect local businesses **(A#51)**. Perhaps most significantly, pushing hotels from M zones to C zones, which typically are used as residential above the ground floor outside the Manhattan office districts, will displace residential and drive up the residential rents, as wells as increase hotels prices **(A#52)**.

Final Scope, Analytic Framework, Page 39
The description of the Proposed Action as city-wide underscores its comprehensive nature, yet the claim that inability to predict on which sites hotels may be proposed or not proposed limits the analysis to generic situations and prototypical analysis seems to be an overt attempt to avoid studying the potential impact. Given the careful counting of hotels developed in M1 in recent years, and the 61 in development today, an analysis of these sites might yield an understanding of the RWCDS under No-Action and With-Action scenarios **(A#53)**. Similarly, as the implicit area, the As-of-Right areas should be studied in detail for all relevant potential development sites to determine the RWCDS for No-Action and With-Action development to determine the impact of increasing hotel development in these areas to compensate for the reduction in the special permit areas **(A#54)**, given the clear statement that there will be no diminution in the number of hotel rooms.

Final Scope, Analysis Year, Page 40
The proposal of 2028 as a build year does not recognize the cyclical nature of the hotel business, or of the impact of events on the hospitality business. The periodic market swings or the hotel business are different than in the residential market, with its one-year leases, rent stabilization, coop and condominium units and private homes, or office market, where leases are typically 5, 10 or more years, versus a hotel business where the average stay is less than one week and can be cancelled at a moment's notice.

Therefore, the further into the future, the less predictable the hotel market is. Tellingly, there is no mention of any of the hotel market studies for NYC, so reference is made to the LWHA 2018 report.

Final Scope, Section VI: Reasonable Worst Case Development Scenario ("RWCDS"), pages 42 to 74 The Market Analysis, entitled "NYC Hotel Market Analysis, Existing Conditions and 10-Year Outlook" is commented on by the hospitality expert analyst LWHA in their 7/18/18 report "M1 Zoning Hotel Market Analysis ("LWHA Analysis"), submitted with this Response.

Final Scope, Existing Conditions, Zoning framework and land area for hotel development, page 42. The analysis of all land irrespective of whether built or not, built to the full floor area or not, or built with a recent or obsolete building, in effect is not considering the reality of the built environment but only analyzing the theoretical environment, obviously opens a huge can of worms as to whether the resulting analysis has any basis in fact. Clearly a study that correctly represents actual conditions is needed **(A#55)**.

Final Scope, Table 4 states that 496,000sf of land is zoned for 1.4 billion square feet of as-of-right hotel development, and approximately 1% to 2% of land additionally permits hotels by special permit. Given this Proposed Action covers more than 50 times the amount of land area than all previous hotel special permit rezonings combined, it seems clear that not only should those limited cases be studied as a precursor, including as to whether the analysis done prior to such rezonings was borne out in fact, this Proposed Action should be held to a much higher level of scrutiny, arguable 50 times the level given the corresponding amount of land use being affected.

Draft Scope, Figure 17, Page 43, a map of as-of-right hotel districts that suffers from nearly the same lack of detail as prior Figures, was completely omitted from Final Scope along with the statement "the proposed zoning amendment would potentially affect every community district in the City since all community districts contain zoning districts that permit as-of-right hotel development either in the form of light manufacturing districts, commercial districts, or mixed use districts."

Final Scope, Figure 14, Geographic Submarkets, perhaps because the actual existing land use is totally ignored, breaks the city into unreasonable and unrepresentative submarkets. For example, Manhattan is divided into two districts, above and below 59th Street, whereas there are very few hotels above 59th Street, and whereas below 59th Street is the densest hotel concentration in the United States and logically should be divided into at least midtown, downtown, and in-between, as the submarkets.

Final Scope, Table 5, Page 46, documents the available land area and floor area for as-of-right hotels but as with Table 4 and other data in this section, does not reflect any actual land usage or built area, making the amount of permitted floor area a poor predictor of potential hotel development. However, certain numbers are interesting, for example in Long Island City, only about 6 of 78 million square feet of as-of-right hotel development is zoned commercial, with the balance zoned as manufacturing.

Final Scope, Hotels and tourism citywide and by geographic submarket, Page 47
The stated figures of 60.7 million visitors and 116,000 hotel rooms in NYC is not compared to predictions in prior years of the number of visitors or the number of hotel rooms. Those predictions grossly underestimated both. If government action had limited hotel growth, as under the Proposed Action, NYC would have a drastic shortage of hotel rooms. Similarly, the past predictions of hotel oversupply failed to materialize as forecast, as evidenced by the consistently high occupancy rate. The laws of supply and demand have served to regulate the market with private market forces, and will continue to do so if not interfered with by government action.

The total M1 hotel development, listed as 13% of the total market and 25% of post 2010 development, represents a relatively minor portion of the city's current hotel inventory.

The higher percentage of hotels in M1 in Brooklyn and Queens reflects the relatively low percentage of land with C zoning, and also the relatively high price of C land versus M1 land. The report identifies this as a "surge", but does not analyze the many reasons, such as the density of hotel brands in Manhattan with "areas of protection" that require remote sites to get coveted flags. An analysis of cause-and-effect of changes in recent hotel development should be able to explain the patterns that have emerged and whether they are likely to stay that way **(A#56)**.

Final Scope, Table 6, Page 48
The table identifies a claimed 15,097 M1 hotel rooms and 115,532 total hotel rooms in NYC, corresponding to 13.1% to the total rooms in M1. Not mentioned are the earlier statistics on land area, which if combined with this chart will show that M1 is the most underbuilt for hotels of any as-of-right zoning district **(A#57)**.

Table 6 also lumps together Manhattan M1 with other boroughs, failing to characterize the Manhattan districts as having nearly zero industrial uses or to distinguish the Manhattan districts as being part of the nonindustrial area similar to non M1 districts. If categorized accordingly, the non-Manhattan M1 hotel rooms are 6,304 in count, which is 5.5% of the total hotel rooms.

Final Scope, Table 7, Page 49
The purported 24,200 under construction and 13,800 pre-construction hotel rooms are not footnoted to any list or documentation of these numbers, which should be made available for review to assess the accuracy of such numbers, such as the number of stalled in-construction sites or the likelihood that the 13,800 pre-construction rooms will all not be proceeding to completion. The text with Table 6 indicates that some prospective rooms are excluded from the projected total but offers no criteria nor a list that allows for independent assessment. The M1 percentage is not cross-referenced with the percentage of M1 land area and buildable area in M1 by borough. This would show in a study of this issue. **(A#58)**

If the Manhattan M1 rooms (41% of rooms under construction and 28% of pre-construction) can be considered as in non-industrial locations, an assessment of the rooms in the other boroughs, 4,400 in construction and 2,950 in pre-construction, should be assessed as to defining conditions. The characteristics of Manhattan and non-Manhattan M1 should be studied to determine if Manhattan should be lumped in with other M1 or included with non-M1 districts if the analysis is to be based on actuality rather than theoretical category. **(A#59)**

The study should be augmented by a study of causes for hotel room development in M1 versus C districts. This must include a study of land prices in C districts, which will likely show an inverse relationship between land prices and new hotel rooms. This should also include the number of sites being sold and/or developed for residential in C districts. This is likely to show that residential development has displaced hotel development in C districts due to residential development paying higher land prices and realizing higher returns. The study should include analysis for potential increases in hotel development in C districts if the report is to continue to maintain that there will be no decrease in hotel development due to the Proposed Action, and that the 38,000 hotel rooms documented as in development now will in the next few years will be succeeded by the next 38,000 hotel rooms in C districts. The study should look at increasing the FAR of C districts throughout NYC to increase the number of future hotel rooms to accommodate the proposed shift. **(A#60)**

As noted in the text, all projected Manhattan M1 hotel rooms are below 59th Street, which challenges the earlier categorization of Manhattan as above and below 59th Street as the two characteristic hotel districts.

The Staten Island numbers, which as the report identifies has the largest percentage of its borough wide hotels in M1 (but has the lowest absolute number of rooms in development of the five boroughs) do not allow for what appears to be a failing hotel market, with existing hotels losing money and future hotels likely to be similarly impacted.

Final Scope, No-Action Condition, Page 49, Zoning area and land area for hotel development in No-Action Condition
Mention of 2028 build year having 493 million square feet as-of-right hotel zoned land with 1.4 billion square feet buildable as hotel, Table 8, does not include any statistic of annual hotel land and buildable square footage over the last 10 or projected next 10 years on a year by year basis **(A#61)**. The projected "modest" difference between Existing and No-Action Conditions is neither described nor documented, but must be if such claim is to be accepted with no separate analysis for Existing and No-Action provided **(A#62)**.

Final Scope, Table 9, Page 51 reveals the amount of land and permitted floor area for C, M1 and MX districts, and the mistaken assumption at the basis of a citywide M1 hotel special permit as proposed. Unlike the original concept to institute such a special permit in IBZ districts where notions of preserving and even increasing industrial use still exist, the M1 special permit cuts through all five boroughs in significant ways. Manhattan is shown to have half of all as-of-right buildable floor area for hotels, but is lumped together with other boroughs despite the huge disparity, suggesting that it should be studied separately.

Long Island City, Queens has more than half of its buildable as-of-right hotel floor area in M1, and for years has been touted as the less expensive alternative to Manhattan for commercial development due to its proximity to midtown, but the disproportionately huge impact on this area should be studied separately, including the likelihood of losing all future hotel development in this area to New Jersey, which is similarly priced **(A#63)**.

The separate listing of MX districts raises another set of issues, as the city's many MX districts, though still a small percentage of land area but being created in an increasing number of locations, take as their premise that residential, commercial and industrial uses can coexist, thus challenging the underlying assumption of this Proposed Action that hotels can not exist in areas that permit industrial use. A study comparing the relative performance of MX versus M1 should be conducted **(A#64)**. If it turns out that MX is a viable designation for any of the 1.4 billion buildable square feet, the Proposed Action should include this in its proposed action as part and parcel of any M1 special permit rezoning.

Similarly, each of the identified districts should be studied for the expected development under a No-Action scenario, and then under the impact of the Proposed Action. **(A#65)** Also, the table should be expanded to include the average cost per buildable square foot for each of the identified sub-districts in each of the C, M1 and MX zoning districts. **(A#66)**.

Furthermore, as the chart ignores all existing development but instead assumes that all sites in all of these districts are completely vacant, making NYC completed deserted for purposes of this analysis, the chart must be revised to or accompanied by a chart that indicates the amount of floor area already built and the amount remaining, in each identified category **(A#67)**.

Final Scope
No-Action Condition
The report indicates the requirement to analyze "likely future development scenarios both with, and without, implementation of the proposed action", and reiterates having engaged "a socio-economics consultant team to produce a market analysis of the City's hotel conditions in both the past, current, and

future context." It must be asked why, given the several leading hotel economic consultants that are acknowledged as the experts in the field, DCP instead engaged a consultant team that has nearly no credentials or experience. Given that the entire analysis of the No-Action and Action conditions are based in their entirety on the flawed methodology and conclusions of the non-expert report, the entirety of this Final Scope of Work for an Environmental Impact Statement should be revised based upon a new NYC Hotel Market Analysis to be commissioned to one or more of the authoritative hotel analysts in the NYC hotel market.

Final Scope. Zoning framework and land area for hotel development in No-Action Condition, Table 8 and 9 purports to show the relatively small land area currently restricted by special permit requirements for hotels as compared to total as-of-right land for hotel development. Not mentioned is that the relatively recently enacted hotel special permit provisions for East Midtown, and prior to that, for Tribeca have carved out some of the best hotel locations in NYC, the location where a hotel owner would want to be, and where a hotel guest would want to stay, and have totally shut off all hotel development in those areas. This suggests that, not all land being equal, that the relatively small percentage of special permit land compared with all city land disguises the relatively large impact of the current special permit restrictions. Furthermore, the currently proposed special permits for the Special Jerome Avenue District and the East Harlem Rezoning, mentioned in the report, and for Annabelle Basin, Industry City, Inwood, Gowanus and Garment Center, which the report omits, propose to restrict hotels without any attempt to state as a justification the claim in this report that hotels will prevent manufacturing development from occurring. Clearly, when all these past, current, and the proposed future rezonings to restrict hotels are compared, it is evident that the effort is simply to restrict hotel development, as the various actions all use different claimed reasons for the restriction. That being said, Table 9 shows that the proposed rezoning will prevent hotel development for 74,390,000sf in Manhattan below 59th Street, 92,464,000sf in Brooklyn, 111,811,000sf in Queens, a total of 364,442,000sf in all five boroughs. Given the ameliorative effect of past hotel development in M1, which is not analyzed or mentioned in the consultant report or the Final Scope of Work for an EIS, the No Action analysis should include the likely continued development of hotels in the currently as-of-right M1 districts and the substantial benefits of such development for tourism, jobs, visitor spending, tax income, and other economic and socio-economic benefits **(A#68)**.

Final Scope, Hotels and tourism citywide and by geographic submarket under No-Action Condition, Page 52
The projected room demand and supply growth is revealed as depending on a mix of NYC and national demand trends. Given that national demand has never been an indicator of NYC demand and supply growth, and given the huge disparity between NYC and national occupancy rates, rooms rates, ADR or REVPAR, the mysterious blend of the two has the net effect of under-reporting the actual NYC trends and ignoring the other, more correct analysis of the NYC hotel market done by other more qualified analysts. The ludicrous proposal that in the year 2028, ten years from today, that "an equilibrium between hotel room supply and demand would exist", which "supposed that today's hotel occupancy rates would remain stable", even conceding "the current hotel boom will not likely continue until the 2028 build year", the Consultant Report claim that in 2028 there will be a need for precisely 143,600 hotel rooms in NYC is highly suspect, and if such a claim is not accurate, all the subsequent analysis in both the No Action and Action scenarios is not valid.

Final Scope, Table 10, Page 53, tallies the total number of existing hotel rooms by borough, but without matching to the population by borough. Queens has 12,264 hotel rooms for a population of 2.4 million, which equates to one hotel room for every 196 persons. If one puts aside the rooms in the vicinity of JFK and LGA airports, the remaining 2.980 rooms have only one hotel room for 537 inhabitants. Brooklyn's 5,923 hotel rooms for 2.65 million people is only one hotel room for 447 people. Industry guidelines for hotel demand in cities support the idea that based upon population, the hotel supply for Brooklyn and

Queens, even allowing for the projected pipeline of new rooms, is woefully inadequate. Any study of hotel room rates, which are by far the highest in the United States and among the highest in the world, based upon the simplest laws of supply and demand, would conclude that the supply is extremely inadequate to meet the demand. **(A#69)**

Final Scope, Table 11 takes as a given that the Future Room Demand (in 2028) is 143,600 based upon the Market Analysis. By hiding the faulty analysis in the Consultant Report and merely copying in that report's faulty conclusion, the "Final Scope of Work for an EIS" attempts to avoid investigating the faulty assumptions, methodology, and conclusions of that report. A detailed response to the Market Analysis is outside this Response to the Final Scope of Work for an EIS, but some statistics from that Market Analysis demonstrate that its conclusions make no sense. That report states that as recently as 2013 NYC was the fifth largest hotel market in the US, behind Chicago and Washington DC, despite having the largest population, the most business activity, the most tourists, etc., and that the project pipeline of new hotels might move it to third or second, behind Orlando and Las Vegas. It also states that the industry standard is that 76% occupancy constitutes a tight market, necessitating additional supply, and that NYC has consistently been above 85%, even with the recently added supply. These overarching metrics clearly demonstrate that there is substantial unmet demand for more hotel rooms in NYC, and that the manipulations of minor data in the balance of the report are meaningless.

Final Scope, Table 12, Page 54, purports to "illustrate(s) characteristics of the hotel pipeline". In fact, it solely isolates M1 from the chart's totals of projected hotels in construction and pre-construction, as 31% and 20%, respectively. If one were to take seriously the report's contention that the pipeline represents an over-supply, and were intent upon reducing the supply of new hotel rooms, logically one would at least analyze the characteristics of the 70% that is not M1, and perhaps make recommendations based upon the vast majority of rooms in production, i.e. the 70% and the not the distinct minority, the 30% in M1. Also, a fair and complete illustration of the characteristics of the hotel pipeline, even limited as it is solely to breaking out M1 from the total, would analyze the characteristics of M1 hotels relative to the total. Such a fair and complete study would very likely reveal the statistically documented truth, that hotels in M1 provide hotel rooms at a much lower cost than the non-M1 hotels. It would also reveal the statistically documented truth that occupancy rates in new M1 hotels are extremely high, over 90%, in some cases close to 100%, and that the demand for new M1 hotels is not only enormous, in contrast to the report's purported conclusion, but also provides hotels rooms for an entirely different market that the majority of existing and new hotels, making NYC affordable for the average American, who might pay $150 a night but not $300 and $400 and more a night, which are the prevailing rates in peak season in Manhattan below 59th Street. Also, a fair and complete study would likely document other significant characteristics of the new M1 hotel pipeline, for example, the consequential difference in percentage of double rooms, allowing a family of four to occupy one room (versus a severe shortage of such rooms in Manhattan), the positive economic impact of visitors in M1 communities versus the Non-Action scenario, the percentage of guests wanting proximity to airports and other demand drivers not associated with Manhattan (family events for the more than seven million NYC residents outside Manhattan and for businesses outside Manhattan), and proximity to major roads for visitors who drive to Westchester, Long Island or New Jersey who want to be in NYC with reduced traffic situations as compared to Manhattan. Additionally, there is no analysis of hotel brands in either the M1 or Total Construction or Pre-Construction. Such analysis would likely reveal statistically documented shortages for a significant number of major national brands, with documented unmet demand for their customer base, that heretofore have been locked out of or substantially limited in their attempts to buildin NYC by land prices, shortage of available sites, and construction costs in hi-rise locations. **(A#70)** Lastly, the Pre-Construction pipeline is not subjected to any analysis of the likelihood of actually being constructed. Therefore, Table 12 can only be considered an avoidance of analysis of "Rooms Under Construction and in Pre-Construction, June 2017".

Final Scope, Table 13 Estimated Demand by 2028 Versus Current Pipeline, is really not a table, as it is composed of only two numbers, the purported "Unmet demand/additional supportable rooms" of 28,100 and "Hotel Rooms in the pipeline" of 38,000. The text hypothesizes that the hotels in construction in Table 12 will be completed, a logical assumption given the two year construction period versus the projection 10 years in the future. The text then states that "the pipeline hotel rooms that exceed projected demand by 2028 are all be in the pre-construction phase" and labels these as "high-risk investment". However, given the normal pre-construction period of one year or less, all of the pre-construction hotels will have been finished and operating for seven years by 2028, if those projects do indeed proceed. Despite this, there is no analysis of the individual project that are labelled "high-risk", no actual communication with those hotel owners or brands, or even a simple statistic of how many hotels are in construction and pre-construction (as compared to the number of rooms). Given the slight difference in delivery dates for Under Construction versus "Pre-Construction", three years versus two years, with respect to a 10 year horizon, the Under Construction hotels have as much risk as Pre-Construction. If this is considered, the Final Scope hypothesis as to which hotels might not proceed is erroneous, but given this simple fact, it seems imperative that the analyst involved here question the owner and brands for both Under Construction and Pre-Construction pipeline, to see their assessment of the market in 2028, and whether the hypothesis in the Final Scope had any resonance with the actual market place. Furthermore, it is necessary to assess whether or not any hypothesis for 10 years into the future for the hotel market in NYC has any reasonable expectancy of being correct. This can be accomplished by looking at past predictions of the hotel market in NYC, which have been wrong nearly 100% of the time, as the supply has exceeded nearly all predictions and the demand has not only exceeded nearly all predictions, it has also exceed the actual supply. Given the history of nearly all experts and all predictions being wrong for many years, which might be documented by a statistical analysis of percentage of variance, the prediction in this report should be considered highly suspect, and the prediction of any other analysis for 10, or even less, years in the future, should also be considered highly suspect. Furthermore, given this high likelihood that the Final Scope and Market Analysis are wrong, it seems imperative that the market place be allowed to produce the number of hotel that are need based upon the assessment of the professional in the field. Lastly, even if there is an over-supply 10 years from now, it must be stated that such over-supply will likely have the expected economic effect of classic supply and demand markets, which is that hotel room rates will be reduced. Some might consider this to be a good thing, given the very high rates in 2018 and all preceding years for the last eight years.

Final Scope, Table 14 Calculation for Demand by 2028, No-Action Condition, Page 55, posits that 28,100 room demand minus 24,200 rooms in construction yields only 3,900 residual demand, and that the 13,800 rooms in pre-construction minus that 3,900 residual rooms demand then yields 9,900 excess rooms "that are not projected to come to fruition by the 2028 build year". The text admits that "the exact location" of the 9,900 rooms that will not be built "cannot be determined with certainty", all the more so since the Final Scope does not identify any of the Pre-Construction projects, does not identify if any of those projects have already acquired land, financing, design teams, are active applicants at DOB, etc., nor was there any attempt to speak to any of those developer or brands as to whether or not they would suspend development of their projects. If the developers of 9,900 rooms currently in Pre-Construction can be said to have abandoned or be considering suspending or abandoning their projects and not proceeding at any time in the next 10 years, or if they are contemplating selling their sites if they elect not to proceed, if the buyer of that site also does not contemplate building a hotel during the next decade, then Table 14 and the associated analysis might be correct. But if substantially fewer rooms are credibly determined to be highly likely to be suspended or abandoned, then the conclusion of Table 14 and the preceding analysis is absolutely false.

The text here acknowledges that possibility by stating "exact projections cannot be made". Ironically, the next paragraph outlines a method to attempt to make the projections that were admitted "cannot be made". That formula is immediately highly suspect as it identifies that it was done by borough and kept

constant the relative demand by borough. Thus is totally at odds with recent and historical performance, it is then "further disaggregated" by geographic sub-market (by DCP intervention in the Final Scope) and by the same method in zoning districts in those geographic sub-markets (also presumably by DCP not the Consultant) based upon the total hotel pipeline, as proposed as Table 15.

Final Scope, Table 15 Proportion of Hotel rooms in M1 Districts (Total Hotel Pipeline), Page 56, analyzes the percentage of hotel rooms currently in development located in M1 versus all zoning districts by borough and by the study's stated sub-market within boroughs. It shows that 22% of hotel rooms currently in development in Manhattan are in M1, whereas 43% in Brooklyn, 36% in Queens, 0% in the Bronx and 90% in Staten Island are in M1 districts. The sub-markets with the highest percentage of M1 rooms in development are Long Island City with 62% and Downtown Brooklyn/Gowanus/Red Hook with 57%. The citywide percentage is 30%, but there is no information about last year or any other prior years, so the percentage is by definition an anomaly, one year only, that has not been historically researched. The chart does not include actual count of hotel rooms, so the disproportionately large number of rooms in Manhattan is treated the same as the very small number of rooms in Staten Island. It also reveals but does not investigate why, for instance, there are no M1 hotels being built in the Bronx whereas nearly 100% of the hotels in Staten Island are in M1, and what the impact will be, by borough and by sub-market, of stopping all as-of-right hotel development in M1.

Final Scope, Table 16 Rooms in Pre-Construction, Demand, and Excess, by Geographic Submarket, Page 57, purports to show there is an excess of 9,900 rooms in pre-construction pipeline, as calculated from an assumed 13,800 rooms in pre-construction and claimed residual demand of 3,900 rooms, are accounting for rooms in construction. The composition of the presumed residual demand is clearly erroneous, as it divides the presumed 3,900 room total by assumed percentages into sub-markets, with no attempt to understand the different factors in the sub-markets. For example, prior performance has shown that in a contracting NYC hotel market, Manhattan typically performs differently than the other boroughs. Additionally, there is no accounting for rooms being built in C districts, which will strongly change the purported numbers in the entire Scope of Work for the EIS. **(A#71)** And there is no mention of current and projected hotel development in New Jersey, which has clearly influenced the NYC market, for example, as competition for LIC sub-market. **(A#72)** (It is possible that the proposed M1 hotel prohibition will be a windfall for New Jersey.)

Final Scope, Table 17 Projected Residual Demand After Accounting for Rooms Under Construction, by Geographic Submarket and Zoning District, Page 58
What are the criteria for the alleged accuracy of the demand for hotel rooms, and as broken down into boroughs and sub-districts? It appears that these numbers are based upon percentages derived from current production numbers, but are completely divorced from any careful study for future demand. See the most current analysis from hotel analysts, JLL's June 2018 "Empire State of Mind, New York Hotel Market Report", stating that a there is a growing shortfall of hotel rooms. **(A#73)**

As previously mentioned, in both an up market and in a down market, the distribution of demand skews very differently than in a balanced market.So in the current market, the assumed percentages of rooms in demand by sub-market stated in this table are not a reasonable assumption of the market in the next year, let alone ten years in the future.

Final Scope, No Action Projections, Page 58
The No-Action Condition is predicated on the undisclosed analysis of rooms in the pipeline, both in construction and pre-construction. The lists of these must be disclosed and evaluated, since they are the basis of all subsequent numbers, charts and predictions. It is likely that we will find that even when this list was assembled that the count is unreliable, especially for pre-construction pipeline, and is even more unreliable and incorrect compared with September of last year, when the Draft Scope of Work was issued,

and earlier, as the list was obviously compiled prior to assembling and issuing the Draft report (the Final Report does not update the numbers in the Draft report done a year earlier). That being said, it will be interesting to see when that list is disclosed **(A#74)** if the "many hotel projects in the current pre-construction pipeline are expected to be delayed beyond the build year or changed for other developments" and the "low projected demand for additional hotel rooms after completion of the under-construction pipeline" as claimed in the report. Since construction of a hotel normally takes one-and-a-half to two years, the more than one-year old set of numbers for hotels in-construction is probably off by 50%, meaning that half of the hotels in construction one year ago are probably now complete and operating hotels. And a large percentage of hotels in pre-construction, as identified in the Final Scope, are in-construction, but have been replaced by new pre-construction pipeline projects.

Final Scope, Table 18 Rooms Projected to Come Online in the No-Action Condition, Page 59, subtracts the in-construction pipeline (as calculated, but as just described, not correctly or at least not correct today) from the assumed demand (also not a reasonable projection, as previously demonstrated), and claims a bottom line that only 3,900 hotel rooms will be needed in New York City over the next ten years. Given that this is less than one year's typical production of hotel rooms, effectively meaning that for 9 out of the next 10 years there will be no hotel rooms produced, the Final Scope conclusions appear to be preposterous, or are harbingers of a major financial crisis and a near total shutdown of the hotel pipeline that will last for a decade. Given the sustained growth of he NYC economy and tourism market, this 'Chicken Little" fall-off-the cliff forecast is shockingly contrary to all indicators. Essentially this chart says that on average only 390 hotel rooms are needed each and every year for the next ten years. That is the size of one or two normal hotels, perhaps 3 or 4 if they are very small, so the report is effectively saying that only one hotel a year, or a couple smaller ones, is needed for the next ten years. As a prediction, it seems ludicrous. As a vision for NYC, it suggests calamity.

But let us contemplate for a moment this ludicrous and calamitous No Action forecast. Suppose there is no more demand for hotels than the existing supply plus one hotel a year. What will happen in a No Action scenario? Presumably the hotel developers, who are far more knowledgeable and experienced than the authors of this Final Scope, and who have far more at stake, will conclude that it does not make sense to build more than one hotel in all of NYC, they will know from discussion with hotel brands, real estate brokers, lenders, etc. if it makes sense for them to proceed with a project, to put down hard money to acquire land, take on development costs, get brand approval, financing, building permits, construction contracts, more of their own money, etc. If there is no market for new hotels, they won't be built, because no one is in business to lose money. And if they aren't going to be built, why is this legislation proposed to prevent them from being built, if that is happening anyway? In a nutshell, if this study is to be trusted, there is no reason to build more hotels, so why prohibit what is not going to happen anyway?

Final Scope, With-Action Condition, Page 59
The first sentence clearly states that the Proposed Action is "being analyzed as a 'generic action' because the specific sites where hotel development would occur, as a result of the special permit, cannot be identified with certainty." It seems very likely that the results of the special permit can be identified with far more certainty than most anything else stated in the Final Scope – no hotels will be built in M1. As stated in the second paragraph: CPC special permits generally present a disincentive to development that previously was as-of-right, since obtaining the special permit can add significant time, costs and uncertainty to a project". The track record for hotels in districts that require special permits is very clear: zero hotels have been built in all these districts combined. And if there is a need for as little as one hotel a year, for sure a developer is not going to pursue a special permit and be eclipsed by an as-of-right project. The Proposed Action analysis should include what will happen to all development sites in all M1 districts in NYC **(A#75).** Table 18 Rooms Projected to Come Online in the No-Action Condition forecasts 28,100 rooms. This comprises approximately 10 million square feet of the 1.4 billion buildable square feet for hotels, less than 1% of that buildable area.

The report claims that the proposed special permit will decrease hotels in M1 and will be "increasing the rate at which they would be developed in the areas of the City that hotels would remain as-of-right". However, assuming that hotels will simply switch from M1 districts to C districts ignores the reasons that hotels are being built in M1 in the first place. Land is cheaper in M1, making hotels feasible, especially for moderately priced hotels. To assume that a hotel that is not being built in Long Island City or Gowanus because it is no longer permitted as-of-right, andwill be built in midtown Manhattan is obviously absurd, but that is what this statement implies.

Final Scope, Table 19, Zoning framework and land area for hotel development in With-Action Condition
Table 19 states that the proposal will put 46% of all possible hotel land (231,976,000sf versus 272,802,000sf as-of-right) behind a special permit. The question of why is not addressed in this section. Nor is there any analysis of how that 231,976,000sf is being used today, or how it is proposed that it will be used in the future if no hotels are no longer permitted as-of-right. Nor is there a list of the alternative uses, the as-of-right uses, which include adhesive manufacture, chemical compounding, cotton ginning, ice (dry or natural), experimental or testing laboratories, machinery including firearms, metal lathes and presses, medical appliances, pharmaceutical products, rubber products, steel fabrication, textile manufacturing, tobacco curing and products, agriculture, railroads and truck weighing stations, among others. These uses are currently permitted in much of Chelsea in Manhattan, Long Island City in Queens, Williamsburg in Brooklyn, and other section of the city that formerly had manufacturing uses that have been supplanted by large residential populations. The unasked question is why aren't those uses being put behind special permits, to protect the many residents, while hotels, that have no noxious characteristics permitted to remain as-of-right? **(A#76)** One answer that used to be given to such a question, that it was intended to save and promote more manufacturing jobs, has clearly turned out to be a creative fiction that some public figures used to pretend had some credibility, but which has now been thoroughly discredited.

Final Scope, Table 20 shows that the area where hotels can be built as-of-right will be reduced by 45% and the buildable area for hotels will be reduced by 25%. This undercuts the argument that hotel development will simply move to other areas of the city, but if in fact hotel development does relocate to other areas, the increase of hotel development in those areas may be enormous. CB1 in Manhattan has apparently expressed that concern, that hotels will proliferate in their community due to being banned in other places, and in a hotel growth market, perhaps they will be right.

Table 20 also shows that the Proposed Action will restrict use on 219,721,000sf of land and 357,620,000sf of buildable area. It should be disclosed when any other zoning change had such a widespread land use change, and a study of what the impacts of that land use change were over time. Clearly a change of this magnitude, with the affected area being larger than many entire municipalities in the country, could have major consequences, and major unintended consequences if the results are not as predicted, or even if they are. Nowhere is there any description or prediction about what will happen to the 219,721,000sf. What will be built instead, if anything? What is already built on this land? Why has it been so underbuilt under current zoning, i.e., why has current zoning lead to a near total stagnation of development, uses, jobs or any other productive economic activity? **(A#77)** What has been the environmental impact of leaving former industrial sites unused, with chemicals in the soil and in the buildings? **(A#78)**

Final Scope, Table 21 Geographic Submarkets and Zoning Permitting As-of-Right Hotel Development in the with-Action Condition, Page 62
Table 21 attempts to show how much space is eligible for hotel development even after the adoption of this rezoning proposal, by showing the as-of-right floor area that can be constructed in C districts and airport M1 districts. However, this chart does not consider how much of that theoretical buildable floor area is already built. For purposes of this chart, all of Manhattan looks like Central Park, but without the

trees, because it assumes that there is not a single building existing anywhere in Manhattan, or any other borough. Since we all know that there are millions of square feet existing in the districts where it is claimed that hotels can be built, and that there buildings on nearly every lot in these districts, this Table 21 is false. **(A#79).**

Final Scope, Table 22 Reduction in as-of-right Development Area due to the Proposed Action, by Geographic Submarket, Page 63
Long Island City will lose 64% of the lot area where hotels can be built, LGA/Flushing/Northern in Queens will lose 65%, and the city as a whole will lost 45% of the lot area and 25% of the current buildable floor area. Although the Manhattan percentage loss is lower, the actual lost amount of square feet for hotel use is still more than in any other borough. Effectively, this table shows that even much of Manhattan will no longer be permitted to have hotels as-of-right. To anyone in favor of tourism, business travel, or jobs, these numbers are alarming. Even worse, since this table, like Table 21, assumes that all land in NYC is vacant, if one were to account for the actual built conditions, it is likely these areas being lost for hotel development will be much closer to 100% of all available un-built or substantially under-built sites. **(A#80)**

Final Scope, Figures 15 to 19, pages 64 to 68
These five figures, one for each of the five boroughs, attempts to show the areas where hotels will and won't be permitted as-of-right in a With-Action Condition. Again, like with all preceding map figures, these are far too small to be able to study what areas are being impacted. For example, the entire Manhattan area below 59th Street measures 2 inches by 1 inch, such that heavily affected neighborhoods like Chelsea measure less than a quarter of an inch, with no discernable boundary lines, so no way to determine if a street will be as-of-right or not. **(A#81)**

Final Scope, Hotels and tourism citywide and by geographic submarket under With-Action Condition, Page 69
This heading and the following Table 23, Page 70, attempts to justify erroneous and unsupportable assumptions that form the underlying basis for the erroneous and unsupportable conclusions for the entire DEIS. The first contention is that the M1 special permit would slow hotel development in M1 but that would be offset by "increasing the rate at which they would be developed in the areas in which they would remain as of-right". This totally ignores the reasons hotels are being built in M1, 1) the lower land cost, and 2) the market for lower price hotels. The land costs for C district sites are significantly higher than in M districts, in large part because C districts permit residential, which drives the land cost as highest and best use, while M districts do not permit residential. If this proposal is enacted, it is likely that as the Report contends it "would have the effect of slowing the rate at which hotels would be developed in M1", as it is likely that it will slow that rate to zero, as explained elsewhere in this Response, but instead of increasing the rate of hotel development in C districts, this Action will likely increase the land prices in C districts, and therefore will likely DECREASE the rate at which hotels are developed in C districts, completely contrary to the Report and its own desired results. A study of land prices for hotel development, currently, over the last ten years and With-Action over the next ten years, needs to be included **(A#82)**. Furthermore, the budget hotels that are being built in M1 districts, that are intended for clientele that can pay $150 a night and $1,000 a week, but not $500 a night and $3,000 a week, will not be built in C districts, as they have already been priced out of that market, and will be even further priced out of the market once this Action is enacted. This can also be understood by looking at the hotels brands that are being built in M1 districts, as they are consequentially different than much of the C district hotel development, and for reasons of price, reward programs, guest profile, and "areas of protection", are not likely to move their new development to C districts, but neither price **(A#83)** nor brand **(A#84)** is studied or included in the Report. Additionally, hotels in much of M1 are consequentially different in size that hotels in much of C districts, which not only means that those hotels will not simply move from M1 to C districts, and the developers themselves will not be the same people due to the size, total cost and equity

requirements. This will effectively put many M1 hotel developers out of the business of developing hotels, and to assume that larger and better financed hotel developer developers will jump in to replace them, which is the inherent but unstated assumption of the Final Scope, is not backed by any evidence or even any analysis or interviews with the relevant players in the hotel development market **(A#85).**

The next contention under this heading, that "the number of hotel facilities developed under the Proposed Action cannot precisely be determined" is not only likely correct, in contrast to the many Report contentions that are likely incorrect, it is a vast understatement. As indicated elsewhere in this Response, the No Action and With-Action predictions are both likely erroneous and unsupportable, as the basis for these predictions are flawed and incorrect.

However, the next claim, that lack of applications (there have been zero) for special permits in the hotel districts where special permits for hotels are required "may not be relevant to this case" is highly disputed, as is the explanatory contention that future hotels "near tourist attractions or in mixed use settings would likely not be deterred by the existence of the hotel special permit". The Final Scope fails to study the reason that there have been zero applications for hotel special permit **(A#86).** The reasons include not only the most obvious, which is that a hotel developer will not purchase a piece of land without knowing if they will be able to build a hotel, and that no seller, in the current or any past markets within memory, will tie up their property for the year(s) needed for the buyer to obtain a special permit in order to close on an acquisition. The underlying premise of the Proposed Action, and "the elephant in the room" (Politico, 7/23/18) is that special permits will only be granted to hotels that agree up front to engage the Hotel Trade Council, and take on the associated costs of operating such a hotel, which industry professionals assess as being unsupportable for the vast majority of hotels, and in particular small hotels, budget hotels, hotels outside Manhattan, many hotel brands, etc. It is said that the Proposed Action is the culmination of a many year effort by the HTC to get NYC government to enable the HTC to enlarge their market share of hotel operation from under 10% of the market, where it is today, to a much higher percentage, or to benefit in other ways from the special permit process, when and if a hotel developer might decide to make such an application. **(A#87)** Additional reasons for zero hotel special permit applications to date, and likely in the future, are the requirements that the CPC might impose on such a project, the costs of the special permit process, estimated at $500,000 to $1,000,000 in the public testimony on 7/25/18 at CPC in response to a question from the Commission, and difficulty of even finding a site that will likely meet the requirements and findings by the CPC. To dismiss out of hand all evidence to date regarding special permits in M1 districts, and to merely ignore the data, which directly contradicts the conclusions of this Report, is indefensible. To contend that a potential hotel "near tourist attractions or in mixed use settings" would not be deterred by the special permit requirement, effectively conceding that all others would be deterred, is not supported by any data, and is probably unsupportable, for the reasons mentioned above, exacerbated by the even higher land prices "near tourist attractions or in mixed use settings", the mostly built out condition of the lots in these locations, and the high concentration of existing hotels in these areas with "areas of protection" (agreements between hotels brands and developers that no other hotel with that brand can be built in proximity to an existing hotel of that brand).

The next contention, that the "Proposed Action will not affect hotels currently under construction" is untrue. As testified to in opposition to the proposed hotel special permit rezoning, one hotel developer currently under construction stated they will cease construction operations even prior to enactment of the proposed change, due to the likelihood that the project will not complete foundations and vest by the date of enactment. Anecdotally, there are many other hotel projects that are currently under construction but in the foundation phase, that have a high risk of not being able to vest by the likely enactment date. One reason that there are many of these projects, unfortunately totally ignored by the Report, is that owners of underdeveloped M1 land have rushed to try to get approvals, permits, and construct foundations by the enactment date to avoid losing the value of the land. For example, a site in Chelsea that was vacant and

had been on the market, and which the owner had said would be developed as an office building, suddenly after the proposed rezoning was announced, filed plans for a hotel and is in the process of constructing foundations in the hope of vesting as a hotel use. There are many others, often, like the site in Chelsea, filed after the September 2017 rezoning proposal, so they are completely omitted from both the In-Construction and Pre-construction counts that the Report is based on. This brings up an even larger issue, that the count of In-Construction and Pre-Construction hotel rooms is revealed as being compiled up through September 2017 and is reiterated without any updating in April 2018, totally ignoring that the construction period for a hotel is about two years, meaning that data from before September 2017 counts as In-construction hotel rooms that are already completed, counts as in Pre-construction many hotels rooms that have moved into construction, and as stated above, omits entirely hotels that are now in Pre-construction or In-construction that were not counted at all because they were not filed prior to the data collection for the September 2107 report. **(A#88)**

The contention "that it is likely that projects with issued permits would complete foundations" as of the September 2017 report is not supported by any data related to the actual projects themselves, many of which have had or currently have trouble getting financing, as acknowledged elsewhere in the Final Scope . If the projects that comprise the alleged 28,100 rooms that will be added by the In-construction category and the 24,100 pre-construction category, were made public, and if data on each of those projects is obtained, it is likely that is will become evident that many of the assumed rooms in both categories have been heavily affected by this proposed rezoning, which has actually caused lenders to deny funds to hotel developers and even place them in default due to the risk of not vesting a particular project. **(A#89)**

The Final Scope next states "the most conservative position is to assume that none of the hotels in the pre-construction pipeline would vest.", an assumption that is patently untrue and grossly incorrect with respect to what has actually occurred since the September 2017 Draft Scope was issued, was negligently not corrected or updated in April 2018, and is consequentially incorrect with respect to what will occur over the next couple of months, when "pre-construction pipeline" projects, which this Report purports will be completely shut down and produce zero hotels and zero hotel rooms, will vest more hotel rooms in M1 than the Report predicts will be constructed over the next ten years! The No-Action assumption of 28,100 new rooms, with 8,550 in M1 and 7,400 in construction and assumed to be completed means that, as the Report states, "1,150 hotels rooms from the M1 pre-construction pipeline are projected to be realized by the time of the 2028 build year". In fact, more than 1,150 rooms in M1 that were not already counted as the In-construction will vest in the next 60 to 90 days, so for this Report to be reasonably accurate, not one single hotel room will be built in M1 for the next 10 years, and hundreds of rooms that vest will never be completed, in order to reduce the count to the predicted 1,150 rooms in M1 in the next 10 years! **(A#90)**

Final Scope, Table 23 Projected No-Action Supply, After accounting for Rooms Under Construction by Geographic Submarket and Zoning District, Page 70
Table 23 attempts to support the Final Scope conclusion that only 3,900 rooms will be built over the next 10 years, which equates to roughly one year of new supply over the last several years, effectively predicting that hotel development will drop by 90% over night, with no identifiable cause in the economy, tourism, or any other. This radical interpretation, made in the September 2017 Draft Scope and repeated verbatim in the April 2018 Final Scope, has no basis, as explained above, as borne out by what has transpired from September 2017 until April and now July 2018, hotel production has already increased to the point that the predicted next ten years of hotel rooms is already happening, and will be completed by year 1 or 2. Similarly, more than the predicted 1,150 M1 hotel rooms over the next 10 years are already in construction and will be completed by year 1 or 2. Although no documentation is given for a single hotel room or a single hotel project, the breakdown in Table 23 indicating, for example, a total of 290 rooms in Long Island City or 425 rooms in Manhattan below 59th Street, over the next 10 years, is clearly

contrary to the facts of actual projects that are completely contrary to what is stated in the Report. Given that the actual factual conditions on August 1, 2018, the date of this writing, are already consequentially different than what this Report states in table 23 and elsewhere, means that the data in this Report is FALSE DATA. **(A#91)**

The contention following Table 23 that "hotels are relatively flexible in their siting requirements, it is expected that those hotel rooms originally slated for M1 districts would instead be developed elsewhere", with the claim that hotels "have been built on lots ranging from 1,300 sf to 100,000 sf" is extremely misleading, at best. Most hotel projects in NYC occur on lots of 5,000 sf to 10,000sf in high FAR districts such as 10.0 FAR, 10,000sf to 20,000sf in medium FAR districts such as 5.0 FAR, and 20,000sf to perhaps 50,000sf in low density districts such as 1.00 or 2.00 FAR. The implication that a hotel meant for a very large lot in M1 might morph into a higher density smaller lot in a C district is interesting, but unsubstantiated. Experience suggests the opposite is more often the case, and that for reasons cited above such as land cost and existing brand locations with AOPs, this is not the case. Furthermore, a big factor in the opposite being more the case, construction cost plays a big role in disputing this contention. It is well known that low-rise construction is cheaper than high-rise, construction "in the boroughs" is cheaper than in Manhattan, and non-union construction is cheaper than union construction, so the construction cost of the hotel that the Final Scope contends will simply move from a low FAR site in M1 to a high FAR as-or-right site, probably in Manhattan, will increase to the point that the pro forma for the project with the low construction cost, not to mention the low land cost or any of the other problematic conditions, will not be feasible. **(A#92)**

The claim that "hotels also benefit from a business model that can maximize the value of permitted height and floor area ratios" relative to other uses is simply not correct. Oddly, the Final Scope makes this claim in comparison to retail for ground floor use only, whereas retail use in most M1 districts is minimal, and ground floor space for hotels is nearly worthless, since hotels typically have only lobby and public space on the ground floor, for several reasons, including that no hotel guest wants to be located on the ground floor. Similarly, if one were to extrapolate how hotels use the allowable height and floor area ratios, which were specifically devised by DCP to benefit manufacturing type uses and not hotels, and compare it to other uses such as manufacturing or warehouse, or offices, it would be apparent that this is also untrue in the other instances. **(A#93)**

The continued argument in the Final Scope attempting to justify the contention that hotels will simply move from M1 to C districts is countered by the above facts, but can also be understood by comparing the land cost in M1, less than $100/sf, with land cost in C districts, more than $500/sf. **(A#94)** The difference needs no further explanation to debunk the Report's false claims.

Final Scope Page 71 contends that geographic location plays such an important role in hotel development that hotels intended for M1 districts will switch to adjoining C and MX districts, but fails to address the disparity in land prices from M to adjacent C or MX or the availability of sites in C or MX adjacent to formerly viable M1 hotel sites. It posits a threshold of hotels with 50 rooms of more that are location sensitive, contrary to experience that small hotels, more often owned by local community members, are more location sensitive than larger projects. Additionally, the 50 room cut off is arbitrary, as generally hotels under 100 rooms are unbranded because they are too small for franchises.**(A#95)**

Final Scope, With-Action Projections

The Report attempts to sum up by saying that Proposed Action will "not so much change the number of hotel rooms in NYC or in the geographic submarkets as it would result in a shift of a portion of future hotel development from M1 to commercial or mixed-use districts." This has been demonstrated above to be untrue.

Final Scope, Table 24 Comparison of No-Action and With-Action Projections, Page 72, illustrates the contention that the number of hotel rooms will not change by even on single hotel room if this rezoning is enacted. This one contention perhaps most exemplifies what is said by knowledgeable insiders about the proposed rezoning, that powerful members of government, at the behest of powerful private entities that made considerable financial contributions, dictated that a Draft and Final Scope and DEIS be prepared to attempt to justify an Action that DCP has previously fully resisted. This response illustrates the opposite, that nothing in this Report will go according to what the Report shows because the Report is not based upon facts or solid understanding of the hotel market.

The repeated set of numbers used to try to justify the prediction for 1,150 new hotel rooms in M1 (which equates to 8 hotels of 150 rooms) over the next 10 years that would occur in a No-Action situation, attempts to minimize the impact of the special permit, and for reasons already explained above, has already been proven FALSE. Therefore, the conclusions based upon this erroneous set of numbers are likely also FALSE. The contention "that hotels in M1 districts have the ability to impede the growth and development of other uses" is dubious considering that hotels occupy less than 1% of the buildable floor area in M1, and that any changes to neighborhood character, which is generally decrepit and even dangerous, as shown in the attached photographs of decaying buildings and abandoned cars, should be greatly appreciated. It is well known, and can easily be documented, and should be as part of the DEIS, that there was little new construction or substantial rehabilitation in M1 prior to the recent hotel developments. **(A#96)** Also, studies should be made for recent and current development of other uses in M1, such as the 1,000,000 sf warehouse proposed last month, clearly not inhibited at all by hotel development, perhaps actually a by-product of the beneficial impact of money being invested in M1 by hotel development, **(A#97)**.

Final Scope, Analytical Approach, Page 72
The proposed analytic approach is a direct attempt to avoid doing an EIS for any site or geographic sub market under the guise that attempting to identify hotel development in either "would be highly speculative", and therefore can not be done. This raises the question that if the Report and Consultant Report is based on highly speculative data and assumptions, why is this rezoning being proposed at all? It is like having a surgery if you don't feel well, but without any tests, in the hope that you will feel better, but if repeated, will result in the loss of multiple body parts, as will be the case with rezoning that amputates the economic vitality of the city to cater to special interests without first testing the impact of surgically removing districts and uses from current as-of-right zoning. As stated today in Crain's 8/1/18 by City Planning's senior staff Purnima Kapor upon her departure from City Planning, the "city must retain as-of-right building paradigm to remain competitive". **(A#98)**

The final Scope locational criteria offered are highly subjective, and are not analyzed, documented, weighted or subject to any case studies, or even interviews with hotel developers, analysts, hotel brands, or any other hospitality development experts. Nonetheless, the Report posits that hotels will move from M1 to areas such as "Brooklyn South, Brownsville, along Broadway and/or Northern Crown Heights". Clearly these locations, at a minimum, need an EIS to determine the impact of such predicted relocation of hotels to these neighborhoods, which, unlike M1 districts, contain a substantial residential population, including substantial minority, low income and at risk population groups. **(A#99)**

The contention that DCP can not predict with certainly where a hotel might be built is used to justify treating this proposed rezoning as 'a generic city wide action" to avoid the rigorous analysis that would and should be required of the proposed rezoning and relocations. Since the future is unknown to all of us, and since that has always been the case including in prior rezonings, analysis of the best comparable situations and data, bracketed by a range from low to high of predicted results, is imperative. If one were to accept the DCP contention that new hotel sites can not be known, forgetting that a few interviews with industry professional might prove otherwise, this DEIS should analyze a range of representative current

and recent hotel projects to understand the environmental impact **(A#100)**. This DEIS should include hotels in M1 and C districts, small medium and large sites, economy, Midscale and upscale, branded and in branded, limited and full service, much as the Final Scope suggests for what it suggests might be considered as "prototypical" sites. Clearly, actual examples are better than theoretical "prototypical" examples when those prototypical examples have not been built, and any impact would be "highly speculative". Instead, the Report offers prototypical examples, which it claims were derived from DOB filings, but does not substantiate this claim by identifying the hotels on that list. Nor does it include for any of the 240 pipeline hotels on such list, the location, the size, scale, brand affiliation, or the weighted average of such study group. By only stating one attribute, smallest size of 1,350 sf and largest 109,000 sf, and even ignoring that this data is incorrect, it claims that it will offer prototypical examples without analyzing the raw data of the 240 hotels to determine what might be prototypical, despite its claim to "ensure that the potential impacts of any development are entirely understood and analyzed". (A#101).

The Report summarizes its Analytical Approach as based on factors "not possible to predict" so the Final Scope "does not include consideration of specific development" but instead "a conceptual analysis… to understand how the special permit could be utilized and to generically assess the potential environmental impacts that could result from a hotel development in a M1 district pursuant to the special permit."

Final Scope, Section VII: Proposed Scope of Work for the DEIS, pages 75 to 85
The Proposed Scope of Work for the DEIS is addressed together with the DEIS following a Response to the Market Analysis.

The NYC Hotel Market Analysis ("Market Analysis") from 2017 was made public together with the Draft Scope in an effort to support the opinions of the Draft Scope. Hotel market analysis experts in the field should dissect the Market Analysis submitted. Experts are mentioned because the hotel market is notorious difficult to predict, and not all real estate analysts are qualified to do so. It is noted that the consultants preparing the Market Analysis are not among the firms generally acknowledged to be experts in the field, and that the principals of these firms have credentials in areas mostly outside of hotels.

Therefore, an expert report, by acknowledged hotel market expert was prepared by LWHA, entitled M1 Zoning Hotel Market Analysis, ("LWHA Analysis ") issued in April 2018 and updated and reissued July 18, 2018. That report in its entirety is submitted with this Response.

Some brief highlights from the LWHA Analysis follow

"Despite the significant supply increases over the past several years, hotel demand has kept pace, and in most cases exceeded new supply, causing occupancy to increase and generating increased economic activity, jobs, and tax revenues for New York City annually."

"The (City Planning) reports rely largely on unsupported assumptions and conclusions."

"The assumption that restricting hotel development in M1 Zones would not affect the amount or type of future hotel development is not supported by any data."

"A case-by-case, site specific review process for each proposed hotel development would be a time consuming and expensive endeavor for both the would-be developer and the City… and create opportunity for outside forces to influence "appropriate" projects."

"The deBlasio administration is committed to ending the use of commercial hotels to shelter homeless. The DCP report appears to be contradictory to the deBlasio administration report."

"Restricting development of a productive building class because it offers development "advantages" over other property-types in M1 Zones lacks sound reasoning."

"Homeless shelters would certainly be as or more conflicting to neighborhoods than hotels."

"The market is restricting and governing itself in the natural order of HBU (highest and best use)."

"The methodology utilized to calculate room night demand present within the NYC Market Analysis Existing Conditions and 10-Year Outlook is flawed."

Following are comments on the Draft Environmental Impact Statement ("DEIS") dated 4/23/18, with CPC as the lead agency

The DEIS Executive Summary, pages 1 – 40 is primarily a restatement of the contents of the Final Scope, and is commented on above. Additionally, it should be noted that the proposed assessment that "due to the low projected demand for additional hotel rooms after completion of the under-construction pipeline". Page 25, is not supported by the facts, which actually demonstrate the contrary. The DCP analysis of "geographic submarkets to determine the locations where a shift in hotel development from M1 to commercial or mixed-use districts is most likely to occur" apparently did not include the NYC hotel developers, hotel brands or brokers for hotel sites, nor a study of land prices, available sites, or guest preferences. Instead, we are offered seven "prototypical" sites to represent all of NYC. Unfortunately, perhaps because there is no evident methodology as to how these sites were selected or what makes them prototypical, the "prototypical" sites include some of the least prototypical sites one can imagine. Most glaring is the 20' wide, 15.0 FAR Lexington Avenue site that is meant to represent all of Manhattan hotel development sites. Not only does this site produce too few keys to attract a major brand, the 20' wide site is so narrow that the hotel guest room layout will be so negatively impacted, and the construction cost so huge for a 355' tall sliver, and the efficiency so (gross square feet per guest room) low, that this project is likely not feasible and would not be built with market rate land costs, if the owner did not already depreciate the land cost down to near zero. The other prototypical sites are also problematic in that they are not representative of NYC conditions. Surely, they do not "ensure that the possible effects of any development are entirely understood and analyzed" (page 29). A better study would analyze recent hotels in M1 and outside of M1, as the typical sites to be reviewed and determined if, for the ones in M1, they would have been granted a special permit as is, a special permit with conditions, or denied a special permit. In summary, it should be observed that the DCP identified 12,500 rooms in the combined In-Construction and Pre-Construction Pipeline representing 30% of the total 38,000 rooms citywide. If the 12,500 rooms from M1 were to have been moved to C districts if the special permit had already been enacted and denied or not applied for, those 12,500 relocated rooms would represent a 50% increase to the 25,500 rooms (38,000 – 12,500 + 25,500) that were already in as-of-right districts.

Task 1: Project Description
This section identifies the EIS as "a full disclosure document", and as "a base from which to evaluate the Proposed Action". It is primarily a direct restatement of the Final Scope for the DEIS, with many sections lifted verbatim from the Final Scope. Redundant comments to material already commented on will be avoided. Notable, however, is the page 67 where "DCP identified the following prototypical sites", and lists first the 20' wide Lexington Avenue site. This is highly ironic because it is one of the few sites in Manhattan below 59th Street where a hotel project would likely fail, due to the factors noted above.

Task 2: Land Use, Zoning and Public Policy
The Principal Conclusion, that the Proposed Action "would not have the potential to significantly affect land use, zoning or public policy" is FALSE, as proven in other sections of this Response. To even suggest that the proposed action does not have the potential to have results other than what is predicted is folly. Moreover, by casting the Proposed Action as being "from non-hotel use (such as residential..) to a commercial hotel", it makes clear that it expects hotels to displace residential uses outside of M districts. The prediction that "other uses that better serve the mixed-community, would be developed in place of hotels" is also folly, as the only alternative use that the report puts forth as viable are homeless shelters, which will serve some interests but likely be objected to by "the community" ("mixed-community" is a misnomer for districts where residential use is not legal).

Task 3:Socioeconomic Conditions
The Principal Conclusions are summarized as "the proposed action is not projected to have a significant adverse impact on the hotel industry in New York City." As evidenced elsewhere in this Response and as deconstructed and disproved in the LWHA Analysis, this statement is FALSE. The confidence behind this claim appears to be so high, the chance that it might be incorrect is not considered, nor is the entire intermediary area between wholly correct or wholly incorrect considered, say with a range of possible results. Therefore, the conclusion must be treated as wholly false. Furthermore, obvious factors such as AirBnB, which has more than 25% of the hospitality market, and which the City is now attempting to curtail and send those visitors to hotels, are completely omitted from this report. The conclusion that an assessment of potential socioeconomic effects is not warranted because 1) the action will result in "200,000 sf or more of commercial use that is markedly different from existing uses, development, and activities in the impacted area", and 2) "affect conditions within a specific industry...., impact...a substantial number of workers.... (and) result...in the loss or substantial diminishment of a particularly important product or service within the city." IS FALSE.

Task 4: Community Facilities and Services
The DEIS quickly concludes that the rezoning will have no impact on community facility uses. Not mentioned is the community facility "bonus" of higher FAR than for other uses, that might trigger new community facility uses in the absence of as-of-right hotel use. For example, M1-5 permits 5.0 FAR for hotel and other commercial and manufacturing uses but 6.5 for community facility use. A study of potential community facility uses that have an advantage over commercial and manufacturing uses, such as dormitory, drug treatment center, or other community facility uses, might be built instead of hotels on a variety of sites and locations, including in M1-1, M1-2 and M1-3 districts, and need to be included in the EIS.

Task 5: Open Space
The DEIS quickly concludes that open space will not be affected by the rezoning because only prototype site 3 in Jamaica would exceed the 125 worker threshold and is not in an underserved area, and that very large hotels that would not be built would instead relocate in "the same open space study area", so no open space analysis is required. However, as demonstrated elsewhere in this Response, the "prototypical" sites are far from prototypical, so the conclusion that none of the 7 prototypical sites (arguably chosen

because they are actually NOT typical but because they may not trigger further analysis) should trigger further analysis, is not justified. For example, the other 6 prototypical sites are for small hotels, so the 125 worker level is not triggered. Furthermore, the unsupported and unstudied theory that a hotel development will relocate from M1 to the very near vicinity is not only unjustified, as stated elsewhere in this analysis, is not consistent with hotel development as it has or as it is likely to occur. Therefore, for this second reason, the full open space study is necessary (EIS).

Task 6: Shadows
The DEIS concludes that 5 of the 7 prototypical sites will increase in height by 50' or more and require shadow studies which are included in the DEIS. Suspiciously, the shadows fall just short of or minimally touch public space and minimally fall on public or landmark buildings. For example, the Jamaica site shadows minimally touch Rufus King Park, whereas a site very close to the selected prototypical site but closer to the park would result in significant shadows on the park, but none of those sites were selected for the analysis. Similarly, the Downtown Brooklyn site casts shadows that barely touch University Place, whereas nearby sites would cast long shadows on that park space. Additionally, the selected conceptual Union Square site in Manhattan, around the corner from Union Square, casts no shadows on the park, but a site on that block facing Union Square would cast significant shadows on the park.

Task 7: Historic and Cultural Resources
The DEIS concludes that there could be possible effects on eligible historic resources. Additionally, the cited 90' proximity to landmarks as cited in the Report might be triggered by both prototypical and other sites where hotels might get built, but no cross reference analysis of landmark and other historic sites with prototypical sites and C districts is included (EIS)

Task 8: Urban Design and Visual Resources
The DEIS concludes that "most of the developments under the With-Action condition would be smaller in size than the No-Action condition." For Development to occur and reduce the size from existing conditions should be explained. (EIS) The Manhattan site is proposed as a With-Action 355' tall, 20'wide (actually 19'-1" wide with required seismic gaps, less if there are (likely) encroachments from adjacent row houses on either side), with 91 rooms and 30,000sf. One issue is whether anyone would build such an uneconomical, challenging structure with an aspect ratio of 18.7:1 or higher. Another issue is how this super tall sliver building could be construed to marginally change the streetscape and view corridor, as in Figure 1, if taken from slightly further back and to the right, the nearly 40 story new Building would completely obscure the view of the Chrysler Building.

Task 9: Natural Resources
No comment

Task 10: Hazardous Materials
The DEIS concludes that there would be no mechanics for the city to measure, test for or mandate remediation of hazardous materials. That conclusion seems to speak for itself.

Task 11: Water and Sewer Infrastructure
The DEIS concludes that no further study is needed. However, it identifies that With -Action conditions with more than 250,000sf of commercial space in Manhattan would require a preliminary assessment on waste water and storm water. Although the one tiny "prototypical" Manhattan site might comprise less, if a significant portion of the identified 1,150 hotel rooms likely to move from M1 were substantially concentrated in Manhattan, and if even more than this number were to be built as this Response says is highly likely, the threshold for a preliminary assessment will have been breached.

Task 12: Solid Waste and Sanitation Services
No comment, other than to note that measuring waste product by number of hotel employees rather than hotel guests seems like an odd way of measuring.

Task 13: Energy
No comment

Task 14: Transportation
This area is open to comments of various kinds, but this Response shall state the following: 1-the traffic analysis avoids consideration of Uber and other ride sharing services, and by following outdated methods is incorrect, 2- the DOT crash data is unreliable and likely incorrect, and 3-the consideration of the amount of parking to be required relative to M1 districts and the eventual location of the relocated hotels, combined with the parking requirement associated with that zoning, that the Final Scope and DEIS say can not be determined will have a major impact on the traffic that is likely not appropriately addressed by these non-prototypical "prototypical" sites, and 4-changes to parking requirements will likely alter the traffic analysis, but parking changes are not considered. It should be noted that the parking requirements can and should be reduced from current zoning it the traffic analysis is correct, or alternatively, that analysis bears correction.

Task 15: Air Quality
The air quality analysis of the prototypical hotel sites outside M1, based on the assumption that such hotel developments would occur in these locations instead of an M1 location if rezoning is not implemented, concludes that despite failing various criteria, the prototypical sites would not pose an air quality problem. What is not studied is what will happen on the M1 sites that these hotels would have otherwise occupied. Given the air quality problems permitted by M1 zoning and generated by a majority of the permitted uses in M1, if hotels are to be relocated out of M1 and replaced by industrial and other related uses, as is the stated intent of the rezoning, there needs to be a study of the deleterious effects of industrial uses, using the reasonable worst case development scenario of all permissible noxious uses, to determine the impact on air quality on those M1 sites. (EIS) Unlike the prototype examples for hotels that are meant to represent hotels as a type, despite their lack of typical characteristics for hotel sites, the study of development of industrial uses in M1 versus hotels with respect to air quality, given the Report and DEIS claim that hotels have an unfair advantage and are displacing industrial uses in all types of M1 sites, should include all M1 sites that are under built for floor area (EIS), with a separate study that also includes all M1 sites in case, as the Report suggests, hotels might be the highest and best use of M1 zoning area, in which case the possibility of fully built M1 sites with industrial uses might be demolished and rebuilt as hotels, needs to studied as well (EIS). Additionally, due to the proposed exemption for public purpose hotels, an air quality study should be done to assess the incremental impact of public purpose hotels being surrounded by new industrial uses instead of hotels.

Task 16: Greenhouse Gas Omissions and Climate Change
The DEIS concludes that for the prototypical sites used as hotels that otherwise would have been built in M1, no greenhouse gas omissions or climate change issues are posed for those sites. However similar to the air quality analysis, this fails to assess the impact of the M1 sites that would be developed as industrial uses instead of as hotels (EIS). It is obvious that such a study will show that industrial uses pose more problems with respect to greenhouse gas omissions and climate change, and will negatively impact the legal nonconforming residential uses in M1 and the occupants of the public purpose hotels (who have higher health risk issues than the residential population at large). The study should also include all M1 sites, under built and fully built, similar to air quality studies requested above (EIS).

Task 17: Noise

The DEIS concludes that hotels developed on the prototypical sites in the With-Action scenario do not pose a noise problem. No surprise. There need to be studies however, of the impact of industrial uses supplanting hotel use at all M1 sites, and the corresponding increase in noise throughout all M1 districts and sites, including the impact on existing legal and illegal residential occupants, loft law residential and joint live-work occupants, and occupants of public purpose hotels, including a more detailed analysis of 90 proposed sites in M1 for public purpose hotels (which may need to be selected as prototypical sites) per the stated intention to build this number of public purpose hotels. (EIS)

Task 18: Public Health
The DEIS concludes that "no further analysis of public health is warranted." However, there needs to be a study of the incremental impact of industrial use at all M1 sites versus hotel use, including the impact on legal and illegal residential occupants in M1, loft law occupants in M1, office workers in M1, and the entire population of NYC, of the stated goals of building 1.4 billion square feet for industrial use that this rezoning has as its stated goal. (EIS)

Task 19: Neighborhood Character
The DEIS that the proposed action does not have "significant adverse impacts" on neighborhood character, based upon the assumptions that hotel use is already permitted in the areas where new hotels in theory will relocate and that the impact of such new hotels is limited to "approximately 1,150 more hotel rooms, a six percent increase citywide". As demonstrated previously in this Response", the 1,150 hotel rooms presumed to be the total output of hotel room for a period of ten years that would have been located in M1 in the No-Action scenario, is a false calculation. Therefore, the conclusion regarding neighborhood character is based on false data. The Report claims that the proposed action will not increase industrial or other jobs but rather "help ensure that job intensive industrial uses that currently exist in M1 districts are able to remain". This claim should be backed by a study (EIS), as there is no study of the potential impact of restricting hotels in M1 on industrial job growth or retention. This may be a similar situation to the Garment Center, which attempted to preserve garment center uses by prohibiting or penalizing market rate uses, but which effort has been concluded to have failed to preserve the uses and jobs it sought to preserve. The change in NYC industrial jobs, from 1,000,000 in 1950 to 75,000 today, shows the extreme difficulty of preserving such jobs and the relative insignificance of such jobs, at 2% of all jobs, compared to other fields, such as hotels, which provide significantly more jobs than industry. Additionally, there needs to be a study of the impact in each community board of the proliferation of new public purpose hotels in M1 districts, that the With-Action scenario will proliferate throughout all M1 districts. Finally, it should be observed that the neighborhood character of M1 districts is a misnomer, given that residential use, normally the predominant use in a neighborhood outside the business districts, is illegal in M1 districts; that most M1 districts, excepting M1-6, are extremely ugly and run down, with high vacancy rates, devoid of pedestrians and street life, and give the appearance of being part of a failed city, including as a first impression of New York City to the millions of people arriving at our airports and going by car to Manhattan through Long Island City.

Task 20: Construction
The DEIS concludes there will be no impact from construction activities because the construction period for the prototypical hotels will be less than two years, the cutoff point for added analysis, and likely 1.5 years. This construction period should be applied to the 28,100 hotel rooms in construction as as the time of measurement prior to September 2017, the last time the In-construction pipeline was measured. If one assumes that the hotels in construction roughly one year ago were on average halfway through construction, it suggests, (lacking any data in this Report or elsewhere of the actual location of the 28,100 hotel rooms so an actual number can be determined rather than estimated), that more than half of those hotel rooms have been completed and are now open and functioning as hotel rooms and are no longer in the "in-construction pipeline". It also suggests that the hotel rooms that were in the pre-construction pipeline are now in construction and may even be close to completion, given the one year since this data

was assembled and the estimated 1.5 year completion time. Therefore, the count of in-construction and pre-construction pipeline for hotel rooms should be redone (EIS).

Task 21: Mitigation
The DEIS concludes that "since the proposed action would not change any rules regulating as-of-right development outside of M1 districts, such effects or differences would not be evaluated as or considered to be significant adverse impacts under CEQR. As a consequence, no mitigation measure as are warranted." This conclusion should be taken to heart by CB1 in Manhattan, and other community boards, that have rightly expressed concern that the hotel rooms that will no longer be as-of-right in M1 will, as the Report states in this section and through out, this action "could result in shifting hotel development from M1 districts to other locations where they will be permitted as-of-right". The potential for significant increase in hotels in specific areas is not considered in the Report. On the other hand, this Mitigation section of the EIS states that hotels that apply for the proposed special permit "would need to assess and, if warranted, disclose significant adverse impacts and possible mitigation measures...pursuant to a separate environmental review". This comment, that the currently as-of-right hotel use in M1 will be subjected to environmental review would impose even more stringent requirements on such applicant than the findings in the proposed zoning text, but suggests that such a high barrier to development will make this Report's prophesy that no more hotels (excepting for the homeless) will be built in M1 a likely reality.

Task 22: Alternatives
The DEIS offers three alternatives for consideration, No-Action, M1-6 Exemption and Airport Inclusion. The No-Action alternative description claims as a basis for opposing such alternative that "the types of sites in M1 districts that could be developed with new hotels in the No Action condition are expected to preclude potential siting opportunities for industrial businesses that have had difficulty finding sites or opportunities to expand". This statement, which seems to be a consequential portion of the attempt to justify the need to stop hotel development in M1, is outright conjecture, because nowhere in the Final Scope or DEIS is this subjected to analysis of any kind or assessed in any reasonable manner. In fact, the opposite seems true, that there is no demand for siting new industrial businesses or expanding existing in district businesses, as these industries have for the most part been in decline for decades, and the businesses which still exist include a high percentage of warehouses, which notoriously provide very few jobs compared to the large build areas and storage yards they occupy. The recently announced 1,000,000 sf mega-warehouse in Sunset Park shows both that hotels are not squeezing out viable new M1 uses and that warehouses are even more likely than hotels to squeeze other uses, as this one proposed project is about 250% the amount of floor area of all the hotel rooms (1,150 according to the Final Scope and DEIS) that will be built in a No-Action alternative in all M1 districts in the city for the next ten years!

This section restates the frequently repeated contention through the Report that "it is impossible to predict the universe of sites where development would be affected by the proposed action and the proposed action is analyzed as a 'generic action'." The admission of impossibility in predicting the consequences of the proposed rezoning should give pause to any such action, or at least spur more rigorous, complete and open analysis by a group more capable of making predictions than the one who confesses to his task, and presumably its results, being "impossible". The generic action is a regulated category of land use that avoids the more comprehensive and stringent analysis for a specific action. Given the admission that the generic analysis can not predict the consequences of the proposed action, it is imperative that a non-generic review with all pertinent data be conducted.

The DEIS conclusion regarding No Action, that "this alternative would not meet the proposed action's objective to allow for more balanced neighborhood growth and prevent conflicts with viable industrial businesses in core industrial areas, while supporting the growth of other kinds of commercial uses.", is not substantiated by any data in the Report, and is sufficiently vague (more balanced neighborhood

growth) as to require further study of what is even meant here. At a minimum a study needs to be made of the neighborhood characteristics of all M1 districts (EIS) to determine what these characteristics are and what might represent "more balanced neighborhood growth" and as to whether or not that is a desirable and defensible objective given the failure to have any meaningful growth of any kind, recent hotels excepted, since the onset of the Zoning Resolution in 1961 or even in decades before. This should be accompanied by a study (EIS) of employment in M1 districts, analyzed on a site by site basis to determine the level of employment at the many buildings, the pattern of employment at these sites for the last 10 years and as can be reasonably predicted for the next ten years per the Report's build year 2028, the level of wages, benefits, and job stability, percentage of union jobs, percentage of high paying jobs, vacancy rate of existing buildings, percentage of site area that is vacant or only one story, locations of "core industrial areas" and statistical comparison of these to non-core areas, etc.

The M1-6 Exemption alternative identifies that "M1-6 Zones tend to be denser and less industrial, which makes potential land use conflicts less pronounced than in other M1 districts", which should be sufficient grounds for exempting M1-6 from the proposed rezoning altogether from before it was proposed in September 2017 or when it was referred with modifications in April 2018, or at a minimum this DEIS should have studied M1-6 districts independently, but instead the the very same sentence claims " there remains a need to evaluate the appropriateness of hotels in M1-6 zones within the context of their neighborhood." The wording of this very interesting, as "remains a need" implies that a decision was made a priori to include M1-6, which comports with accepted knowledge that the administration determined prior to any analysis to create this restriction, that the DCP study showed that it did not make sense to include M1-6, which also comports with common knowledge that DCP staff and their analysis was opposed to including M1-6 and indeed the entire M1 rezoning). Instead a decision was made by someone to keep M1-6 in the proposal because of a purported but completely unsubstantiated "need" to control hotel development in M1-6 despite having no basis or even including in this study the actual M1-6 situation. Certainly, a study of M1-6 (EIS) must be done given the DEIS conclusion that the M1-6 is fundamentally different than all other M1 districts. This study should include the number of industrial businesses and jobs in M1-6, the trend over the last 10 years and forecasted for the next 10 years until the 2028 build year, the percentage of SLCE and jobs that are industrial versus all other uses in M1-6, the air quality, noise, hazardous materials and other environmental considerations due to industrial use in M1-6, the amount of residential use in M1-6, the other types of businesses in M1-6, which appears to be mostly office and retail, (more so than hotel or industrial), and to consider if industrial uses are appropriate in areas that are largely office, hotel, residential and retail. The study should include an economic study of the contribution of hotels and their economic activity in M1-6, including a comparison with the prior conditions in M1-6 before the recent hotels were constructed over the last 20 years For example West 26th Street in Manhattan was known as the sewing machine repair shop street, with many ground floor shops for sewing machine repair and nearly unused upper floors of deteriorated 3 and 4 story buildings , which were replaced by restaurants and approximately 20 story hotels with many more jobs and many millions of dollars of added revenue for city businesses and cultural institutions.

Consequentially, the purported conclusion, purported because it has no basis in any of the materials that were prepared and submitted to the public, that "an alternative that would allow as-of-right hotel developments in M1-6 districts would not be fully consistent with the action's purpose and need to minimize potential land use conflicts as well as to ensure a balanced mix of uses.", is both an admission of a secret purpose that the "conclusion" was a "forgone conclusion" and factually an OUTRIGHT LIE.

The Airport Areas Inclusion Alternate was also raised during the July 25th public hearing, when it was understood that although the Final Scope and the DEIS exclude the Airport M1 zones from any analysis as to the impact if they are INCLUDED, and instead argue that they should be EXCLUDED. As the DEIS cites, special permits for hotels by the airports "will make the city airports less attractive" and "could be inconsistent with the purpose and need of the proposed action as it could potentially hinder a strategic

objective of the City to ensure sufficient opportunities to support industrial, commercial, residential and institutional growth remain." As the Report notes, 'there continues to be strong demand to accommodate the increasing number of visitors to the City. It is projected that the number of passengers to the airport will grow by at least 20% at the two airports by 2030. As a result, the areas around the airport will need to continue to serve overnight visitors with accessory businesses such as auto rental companies and hotels." Occupancy at airport hotels, totally omitted from the Final Scope and the DEIS, is almost 100%, and is occasionally over 100% when travelers use the room for part of a day and leave to make flights, and the room is turned over to a second guest before next day check in. In fact, airport hotels are performing at all time highs for rate and occupancy, aided by DHS use of vacant inventory on a last minute use basis. It is understandable that a handful of residents in proximity to the M1 districts might oppose more hotels, but this nimbyism only subverts the larger purposes of the City of New York, the 62.8 million visitors, and the many businesses that depend on airport hotels to gather people in one city without incurring added travel time than the actual flight itself and to "capture" those people in a separate setting. It is also ironic that people who choose to live in very close proximity to airports, with the attendant noise, air pollution and vehicular traffic, would oppose having some hotels, which are essentially quiet, inoffensive uses, and which would decrease the amount of vehicular traffic through residential neighborhoods by having guests remain next to the airport rather than driving through residential neighborhoods.

Task 23: Conceptual Analysis

The site selected for the conceptual analysis is one of the least prototypical sites that might be selected for such analysis, a 100' wide x 92' deep vacant piece of land between Fifth Avenue and Union Square. Moreover, the suffix district allows residential use as-of-right. As such, this site is probably unique in all of NYC, as the only vacant piece of M1 land of such size and such high-end location with as-of-right residential. It would be hard to pick a less likely site for consideration. Not only is it one of the only vacant parcels of that size in a comparable location, a result of the current Owner's very unique approach to land use to never sell and generally never to build, it is further made very unique by the as-of-right residential use and the Landmark District. The only logical development of his site would be as residential condominiums. No owner who knows anything about the real estate market would spend one to two years and $500,000 to $1,000,000 on land use attorneys to obtain a special permit to build a lower profit hotel instead of the highest and best residential use which is as-of-right. Additionally, if one were to consider a potential buyer of the site, which at market rate for as-of-right residential use of 46,000 sf at a conservative $600 per buildable square foot (making it perhaps the most expensive M1 land on a per square foot basis in all of NYC), so $27.6 million, with the intention to apply for a special for hotel, paying all cash because no lending institution would provide acquisition financing for uses that are not as-of-right, and then holding the property vacant for two years, adding another $2.76 million is opportunity cost to hold for two year (minus some parking income) plus taxes, legal and architectural and other fees for a special permit, bringing the total cost over $30 million cash, for a potential use that might be rejected all together or have special conditions imposed on it, exacerbated by the need to get approval from Landmarks as well, and build a more expensive building to suit them, this is not something that would happen in the real world. Residential as-of-right development, yes. Hotel special permit, no. Clearly, the DEIS needs to provide different M1 sites for conceptual analysis. This should include M1-6 sites in Manhattan, M1-5 sites in Manhattan where residential is not permitted, M1-5 sites in LIC, and a range of M1-1 and M1-2 sites. It should also include all recently built and in construction M1 hotels to determine if the types of sites that actually do get built would receive special permits or not, and it should include all pre-construction pipeline sites, to determine how the CPC would go about approving or rejecting sites for hotel development that Owners have already substantial sums to acquire but which, if they did not move quickly enough to be vested, they will lose their development opportunity and face foreclosure. The Final Scope identifies the areas where the M1 hotels are seen to "proliferate", such as Long Island City, so conceptual analyses must be done for sites in these locations to be have any validity as Conceptual Analysis for the proposed action.

Task 24: Unavoidable Significant Adverse Impacts
The DEIS states that "unavoidable significant adverse impacts are those that would occur if a proposed project or Action is implemented regardless of the mitigation employed or if the mitigation is infeasible." The continually repeated calculation that only 1,150 hotel rooms will be needed in M1 districts for the next ten years, and that these same 1,150 hotel rooms will get built in C districts instead, thereby effectively concedes that few or perhaps zero special permits will ever be applied for or granted, and theoretically might come close to the Report's conclusions if those 3 to 10 hotels do get built as the NYC supply for the next 10 years, if one discounts the consequential differences between M1 and C sites.

But what happens if the economy is good, hotel demand booms, and more hotels are needed, will special permit hotel development happen in M1? Unlikely. Will there be more hotels in C districts? Perhaps, but as observed previously, at a higher cost and higher rates. But most likely, the cost of staying in hotels will skyrocket. This will price many travelers out the NYC market, making NYC unaffordable to the visitor, and would qualify as a 'significant adverse impact" where mitigation is "infeasible".

What will happen even in the current climate if this rezoning is adopted? The appraised value for all existing hotels will rise significantly, owners will refinance to cash out, and raise rates to cover increased debt service. AirBnB will see many new and repeated customers, despite the recent city council action. Tourism will decline. Tourist spending will decline with it, although perhaps if the tourists are all rich, maybe tourist spending will not decline as much as the number of tourists. Business travel will decline.

If hotel development essentially shuts down, as this report forecasts and makes likely, if special permits end all M1 hotel site acquisition and if relocation to expensive C sites does not occur, and then hotel rates do skyrocket, perhaps we will see special permit applications of a type that this restriction minded DPC might actually approve. But it will be four years from site acquisition to opening a hotel, totally missing the market the hotel was meant to serve.

However, the Final Scope ignores all of this, saying that, such effects or differences would not be evaluated as or considered to be significant adverse impacts under CEQR. As a consequence, no unavoidable significant adverse impacts were identified for the proposed action." In other words, if CEQR doesn't force you to consider it, don't.

Task 25: Growth-Inducing Aspects
The premise of this section of the DEIS is that because this is a restriction in M1 there is no growth impact because there is no predicted growth in M1. This totally sidesteps the issue of the Report's own admission that growth will occur in as-of-right districts, to replace the decreases in M1 room for room in C districts, over and above the hotel development that would have happened in C district in a No Action condition. As measured in the areas where the projects will relocate, this seems to be the very definition of growth. No wonder community boards with lots of C district land are having trouble with this rezoning proposal.

Task 26: Irreversible and Irretrievable Commitments of Resource
The DEIS states "the proposed action also constitutes an irreversible and irretrievable commitment of potential development sites as a land resource, as it thereby renders land use for other purposes infeasible." Effectively, the land in M1 is to be made infeasible for hotel development forever. We, our children, and our grandchildren will rue the day that this mayor, this city council and this city planning commission will cripple tourism and hospitality in New York City.

Additional Studies Required

Noted throughout this response are requests for additional study by DCP of issues that were not sufficiently studied, incorrectly analyzed or omitted altogether. The list of these **101 Additional Studies, noted as A#1 through A#101**, follows:

A#1: study the "land use conflicts" created by and benefits to neighborhood character caused by hotel development in M1 districts

A#2: study adding residential use as-of-right or by special permit in appropriate M1 districts, and study the potential benefits to rezoning appropriate M1 areas to MX districts, allowing residential and mixed-use as-of-right

A#3: study M1-3 and M1-5, 5.0 FAR zoning districts as a separate classification from lower density M districts, with respect to creating a M1-3/M1-5 alternative.

A#4: study M1-6, 10.0 FAR zoning districts, as a separate classification than lower density zoning districts and to be able to fully evaluate the M1-6 Exemption alternative offered in the DEIS.

A#5: study, or make public the study already done, for IBZ districts separate from all other M districts

A#6: study, or make public the study work done, in order to substantiate or deny the Draft and Final Report Statement "as work on the special permit for Industrial Business Zones progressed that a regulatory mechanism regarding hotel development was needed also in other more mixed M zones outside of IBZ's", including identifying the IBZ land area, the areas by M1/M2/M3 zones and their defining characteristics, the amount built and under built under current zoning, the number of businesses and jobs, the growth or decline in business activity over the last 10 years and forecasted over the next 10 years up until the 2028 build year, the potential for upzoning IBZ's, the potential for adding more or expanding existing IBZ's, and the decision process to expand the hotel special permit limited to IBZ's, even though the study was not completed or made public, to all M1 districts

A#7: study all jobs in M districts, differentiate industrial, manufacturing, office, artists, and all other numerically significant job categories, document the increase and decrease over the last 10 years and as forecasted over the next 10 years until the 2028 build year, and provide a breakdown by zoning district, location and relevant characteristics, such as the growth of working artists in Williamsburg and more recently in Bushwick, the introduction of Co-working spaces and buildings, the percentage of warehouses and number of jobs relative to building size as compared to manufacturing buildings and Co-working buildings.

A#8: study, or provide extant relevant studies, on hospitality sector jobs in NYC, document the increase and decrease over the last 10 years and as forecast for the next 10 years until the 2028 build year, in the No Action condition. Compare the total number of hospitality jobs and total compensation for those jobs to the total number of manufacturing jobs and total compensation for those jobs.

A#9: study the residential use in M districts, including the legal pre-existing residential uses created prior to the zoning resolution and any amendments to RE one to M districts, the Article I, Chapter 5 loft law conversions, including AIR buildings, IMD buildings, residential coops, residential condominiums (such

as in Soho, Noto and Tribeca), and the substantial amount of illegal but existing residential use (such as existed in SoHo, Noho, Tribeca, and Williamsburg before being grandfathered by DCP)

A#10: study the impact of this rezoning to increase industrial businesses and jobs on existing residential use in M1, including studies of the impact of placing industrial businesses and jobs in direct adjacency to existing legal residential units with maximum permitted noise, emissions and impact on air quality, use of hazardous materials, generation of waste material, trash pickup and disposal of waste, vehicular movement especially trucks and loading, potential for blocked sidewalks, security issues, demand for corollary businesses and retail uses, and all other aspects of placing potentially noxious M1 uses next to existing legal residential use in all M1districts (including Soho, Noho and Tribeca, but also Long Island City, among others), as a reasonable worst case development scenario with respect to people living in M1 districts.

A#11: study the "neighborhood character" of M1 districts, including a photo survey to show how it actually looks, and to categorize area by area, for example, vacant land, one story warehouses, one story active manufacturing businesses, vacant buildings, two story and taller buildings, ground floor transparency, curb cuts and loading docks, sidewalks often used for temporary storage, ground floor windows and security grilles, noise levels during various times of day, hazardous materials used, smells, noise from trucks and loading operations, documentation of non-manufacturing uses and the streetscape for those uses as compared to manufacturing uses, street trees, signage, night lighting, police and crime reports, etc.

A#12: study the impact of hotel development in the No Action condition versus the development of industrial and manufacturing uses with up to the maximum air and noise emissions with respect to encouraging and creating residential development in areas currently zoned as M1, including the beneficial impact of hotels in M1 with respect to future residential development, with respect to air and noise emissions, street life including evening hours, fostering retail and support services, providing eating and drinking opportunities, and other beneficial aspects to having very similar population groups and needs between hotels and residential and very dissimilar population groups and needs between manufacturing and residential use.

A#13: study the demand for parking and the existing parking in M1 districts. Specifically, this study should determine whether the parking requirements are excessive and, as they have not been studied comprehensively or altered in many years, whether they are contrary to more recent mayoral objectives to reduce private vehicular traffic. For example, office use is severely handicapped by onerous parking requirements based upon an excessive requirement on a per square foot basis, while warehouse use, because parking can be based on number of employees rather than square footage, can get away with very limited parking even though there may be a need to park a considerable number of cars for users. The study should include evaluation of the square feet of zoning area per parking spot for office and other commercial uses, retail (in particular), industrial and manufacturing uses, and number of hotel guest rooms per parking spot. Consideration should be given to location relative to subway stops, number of square feet per employee, and driving and parking activity for current uses, among other criteria. The study should also consider how to help meet mayoral objectives to reduce private vehicular use. The criteria of the study, and the results, should be incorporated into a revised DEIS.

A#14: study whether there exists a "proliferation" of hotels in M1 districts, including the percentage of land area in M1 and the percentage of buildable floor area in M1 that are occupied by hotels, as this Response has concluded that hotel development in M1 comprises less than 1% of both the available land and the buildable floor area. This study should include a breakdown by submarket, by relationship to mass transit, by proximity to Manhattan, by average daily rate("ADR"), by number of rooms per hotel, and shall include occupancy rates. The study shall also attempt to determine whether hotel use is indeed

"problematic", given the shortfalls of the Draft and Final Scope in identifying any problematic conditions that would merit requiring a special permit for hotels.

A#15: this study should evaluate if it is feasible to use the full FAR on 5.0 and 10.0 FAR M1 sites. The study should include documentation of M1-3, M1-5 and M1-6 lots by submarket, range of lot sizes and average lot size by submarket, massing studies for small, average and large lots using as-of-right height and setback regulations, including alternate front setbacks and tower regulations for hotel, office, industrial and manufacturing uses.

A#16: this study should determine the typical and categories of lot sizes in M1-1 and M1-2 districts, relative feasibility of using the permitted 1.0 and 2.0 FAR on those lot sizes and whether or not lot combinations might be needed to facilitate development of the full FAR for a variety of uses. The study should specifically evaluate if hotels have an advantage over industrial and manufacturing uses for small lots in these districts, or not.

A#17: a study of parking capability on all M1 sites, as opposed to parking demand as itemized in A#13, needs to be conducted. The physical configuration of parking, especially self-parking on M1 sites, given the constraints of M1 uses, for example having the entire ground floor for industrial use, make meeting the parking requirements very difficult. This is compounded by the problems unearthed by cellar parking, where high water tables and hazardous materials in the soils and water add cost, time and problems to the parking conundrum.

A#18: the proposed rezoning should provide detailed maps of every M1 district at a larger scale showing the streets included, andexcluded, and the boundaries with specificity and legibility.

A#19: a study of conflicts posed by hotel development in M1 should be conducted to determine if such conflicts exist, and if it exists if the conflict is posed by the hotel or by other businesses, and if such conflict can be mitigated short of stopping as-of-right M1 hotel development altogether. The study should also examine MX districts, which permit hotels and industrial uses, plus residential, to determine if such conflicts also exist in these districts, and if perhaps more conflicts exist due to the added residential use. The study should also include loft dwelling and existing legal residential in M1 districts to see if they have conflicts with other uses in M1, and how those conflicts are mitigated, given that these residential uses already in M1, and in some cases in large numbers.

A#20: study operating hotels in M1 to determine if their condition and performance are consistent with the Final Scope assumptions about the next group of hotels with respect to "harming" the functions of industrial and manufacturing businesses

A#21: as study of jobs should identify and compare the average number of jobs in a one story industrial, manufacturing or warehouse use and the number of hospitality jobs in a hotel in a M1-3, M1-5 or M1-6 district on a lot of the same size.

A#22: a study of hotels in M1 districts with moderate or even no industrial activity areas, including number of existing hotels and hotels in the In-construction and Pre-construction pipeline, number of guest rooms in those categories, types of uses in the area, an analysis of conflicts posed by existing hotels, amount of residential use in the area, guest profile for existing hotels, and rate and occupancy for the existing hotels and projected for the pipeline hotels

A#23: a study of M1 areas in Brooklyn and Queens to determine if they have evolved to meet the growing retail, office and entertainment needs of the adjacent residential districts

A#24: a study of the concentration of hotels and tourism-related uses in neighborhoods that could support a broad mix of uses in some M1 districts

A#25: A study should be conducted to show how special permits for specific uses have impacted development of such uses in the past, to see what the projected impact of such zoning change might be for hotels in M1

A#26: a study of the "need for diverse business uses in the neighborhood" in M1 districts,

A#27: a study of the risk of creating unduly uniform character of tourist uses in M districts

A#28: a study of residential use in M1, including pre-existing legal non-conforming residential, Article I Chapter 5 conversions, Interim Multiple Dwellings ("IMD's), ZR74-711 conversions in Landmark buildings and districts, and illegal residential use, as occurring in all M1 and as specifically occurring in M1-6 districts, and M1-5, including M1-5A and M1-5B, districts in Manhattan below 59th Street.

A#29: study the possibility of rezoning some M1 land to a C district, to facilitate the development of less noxious uses, and to permit residential and hotel as-of-right, and giving existing M uses grandfathered legal non-conforming status

A#30: provide a map that is further developed to clearly shows the boundaries of relevant districts and to calculate the percentage of New York City that is zoned for hotels as-of-right in the stipulated categories: 1) commercial districts, 2) light manufacturing districts, 3) mixed-use districts/Paired M/R, 4) Publicly-owned & other infrastructure/utilities, and 5) Total area where hotels are permitted as-of-right as a percentage of entire New York City, expressed in percent.

A#31: study how much land actually does permit hotels as-of right, including a paired map and calculation that shows the proposed change in area permitting hotels as-of-right, including a calculation of the percentage decrease in land area permitting hotels as-of-right city wide compared to today

A#32: provide calculations to demonstrate the predicted changes, divided out to show the percentage change by borough and by community board and demonstrate the impact and how it is apportioned to various areas of the city, for example, are some community boards affected more than others, etc., and including a high, medium and low impact scenario for all developments

A#33: provide an upgraded scaled map for Figure 11, with marked location and boundaries of such districts, and upgraded to provide the same type of information as requested for Figure 10 .

A#34: provide the inception dates of each of the restricted special permit zoning districts should be illustrated, and the number of hotels created, in each of those areas since the special permit was created. If such a number is zero, or close to zero, or if there is some significant change from the years prior to such special permit enactment, assess the environmental impact for each of these, covering a 10 year period prior, and up to the present since enactment

A#35: provide a study illustrating the results of special permit hotel and other uses over the last ten years. and analyzing them on a case-by-case basis and as relates to this proposed action of a city-wide special permit, as a means to help understand what this proposed action might look like over the next 10 years and beyond.

A#36: study the criteria for granting special permits for M1 hotels on "appropriate sites, based on reasonable considerations regarding opportunities for the future siting of a permitted use on the site and the achievement of a balanced mix of use and jobs in the area", such as 1) definition of "appropriate", 2) time frame for future (for example, how much of the M1 land has been underbuilt from the beginning of the 1961 zoning until today, how much has been built in the last 10 years as a percentage of the total buildable, 3) how much is projected to be built in the next 10 years under this proposal and in a No Action scenario, 4) the uses of the developments completed and projected, 5) the impact on NYC of such special permits (for example, the impact on hotels prices and affordability of a visit to NYC, number of visitors, etc.), 6) the impact for jobs in the area (for example, do hotels produce more or fewer jobs than previously on the sites where they are being built, and what are the projected jobs being created on the site if a hotel special permit is denied, etc.

A#37: a study on the differentiation of CPC special permit as applied to industrial M1 or mixed-use M1 to provide clear criteria as to what constitutes grounds for granting or denial of such special permit for each of these categories should be required. An alternate study should determine if it makes sense to change the designations of M1 districts to add suffixes that differentiate "industrial" M1 from "mixed-use" M1.

A#38: a study to determine if the special permit would also still allow for hotels to serve the needs of the tourism industry should include documentation of the needs of the tourism industry, and a mechanism for tourism industry interests to be represented in any future special permit applications. The study should asses the potential for the tourism industry to be severely damaged by a special permit process that is commandeered by local forces and recommend appropriate mechanisms put in place to avoid negative impact to entire range of business interests dependent on tourism.

A#39: a separate study needs to address the time frame for a special permit, as the one or two year or more process for most existing special permits is likely to be at odds with the hotel cycle, as the long special permit process may effectively block projects whose market conditions worsen during the review years even if those projects would have been approved

A#40: a study of an expedited special permit process, say a 60-day total review period from date of filing to date of decision

A#41: study the proposed exemption for public purpose transient hotels that "primarily" provide "temporary" housing for the homeless needs a study to determine what other non-primary uses will qualify as public purpose

A#42: study corollary uses for homeless housing uses that may be included as accessory use, such as medical clinics, drug treatment, job training, soup kitchens, etc.

A#43: study the amount of homeless housing likely to be developed in M1 if commercial hotels are effectively blocked by the special permit process and compare to "Turning the Tide" and its intention to end shelter in "commercial hotels", including the ramifications to the proposed expedited avenue for building hotels as homeless housing in M1 districts throughout the city, with limited or no public review.

A#44: study the potential for "temporary" housing for the homeless to become permanent, including all effects of such "temporary" use and the duration of such uses

A#45: study to confirm if sites that can be developed as hotels at the airports are already developed as hotels, and if there is any potential for needed additional hotel rooms at the airports

A#46: study airport hotels including the effects of putting travelers in places with tremendous noise from aircrafts and the deleterious effects of cargo handling, vehicular movement, security and other airport related impacts

A#47 study the buffer between the airports and the residential neighborhoods, and the impact of concentrating any potential hotel development on these residential neighborhoods

A#48: study the political influence of the hotel unions in its attempt to curb free market competition with non-union hotels.

A#49: study the AirBnB market, and its impact on the hotel marker, including the impact of the recent change in regulations regarding AirBnB.

A#50: study the possibility of a more limited action that involves significantly less than 45% of all permitted hotel sites in the entire city, perhaps to achieve the highest priority but not all objectives, and by observing a smaller study area and the impact of the special permit provisions in that area, to minimize the possibility that larger scale proposal will have unintended negative consequences

A#51: study the impact of the shift in location of hotels from M1 to C districts on local businesses

A#52: study the impact of the shift of location of hotels from M1 to C districts to displace residents and drive up the residential rents, and the impact of the move to increase hotels prices

A#53: study the 61 hotels in development today, plus the others noted in the In-construction and Pre-construction pipeline to predict as best as possible which sites hotels may be proposed or not proposed under No-Action and With-Action scenarios

A#54: study the As-of-Right areas in detail for all relevant potential development sites to determine the RWCDS for No-Action and With-Action development to determine the impact of increasing hotel development in these areas to compensate for the reduction in the special permit areas

A#55: redo the study of developable land and floor area to include the existing condition, including a count of existing floor area and floor area ratio, a determination as to which of the sites may be development sites based upon the existing floor area and other relevant conditions, and to recalculate the amount of developable area excluding existing built sites that are unlikely to be altered substantially

A#56: study the reasons for the "surge" in hotels in general and M1 hotels in particular, including land prices, rate and occupancy levels, construction costs, and the relative weakness of the residential real estate market

A#57: study the amount of unbuilt M1 floor area relative to the total permitted, and compare to other zoning districts, and compare the amount of floor area being built as hotel compared to total buildable floor area in M1

A#58: provide a list of all pipeline hotels and cross reference relative to buildable M1 land area and floor area by borough and submarket

A#59: study whether the Manhattan pipeline hotels are sufficiently different from the other boroughs to determine if a separate Draft Scope and Final Scope and DEIS needs to be prepared exclusively for Manhattan M1 districts

A#60: a study of hotel room development in M1 versus C districts. This must include a study of land prices in C districts, which will likely show an inverse relationship between land prices and new hotel rooms. This should also include the number of sites being sold and/or developed for residential in C districts and if residential development has displaced hotel development in C districts due to residential development paying higher land prices and realizing higher returns. The study should include analysis as to how increases in hotel development in C districts will occur given the economics of C versus M districts, if there will be no decrease in hotel development due to the Proposed Action. The study should look at increasing the commercial FAR of C districts throughout NYC to increase the number of future hotel rooms to accommodate the proposed shift.

A#61: provide statistics of annual hotel land and buildable square footage over the last 10 or projected next 10 years on a year by year basis

A#62: study the "modest" difference between Existing and No-Action Conditions

A#63: study the likelihood of the With-Action condition losing some future hotel development to New Jersey

A#64: a study comparing the relative performance of MX versus M1 should be conducted

A#65: study each of the identified districts for the expected development under a No-Action scenario, and then under the impact of the Proposed Action.

A#66: expand Table 9 to include the average cost per buildable square foot for each of the identified sub-districts in each of the C, M1 and MX zoning districts.

A#67: provide a chart keyed to Table 9 that indicates the amount of floor area already built and the amount remaining, in each identified category

A#68: study the beneficial effects of hotel development under the No Action condition

A#69: study the hotel room rates, occupancy, supply and demand in an impartial way, as indicated by the LWHA Analysis, and provide comparison to major cities in the United States

A#70: study the hotel brands for M1 and all zoning districts, including the ones that are being built and the ones are not being built, as to market impediments, and the potential for further development of both the brands that are being built and not being built, and as cross refenced with loyalty programs and stated brand preferences of American and international travelers

A#71: study the impact of hotel development in C districts on the viability of relocating M1 hotel development to C districts

A#72: study the New Jersey and Long Island hotel markets to determine if they will have any impact on the NYC market in the With-Action condition

A#73: study JLL's June 2018 "Empire State of Mind, New York Hotel Market Report" which states that a there is a growing shortfall of hotel rooms and directly contradicts the Final Scope and DEIS.

A#74: provide the entire list of all hotels in the pipeline, both In-construction and Per-Construction, update it to August 2018, including completion of construction, transition from Pre- to In-Construction, and add all hotels that have entered the Pre-construction category

A#75: study what will happen to M1 sites where hotel development was intended, in the Pre-Construction pipeline, or stalled In-construction pipeline, including sites acquired and/or moving into the hotel development process, if hotels are no longer as-of-right

A#76: study a special permit for noxious activities of as-of-right uses in M1

A#77: study why current zoning has led to near stagnation of all development except hotels

A#78: study the environmental impact of hazardous and contaminated material existing in M1 districts if such sites are not remediated and built

A#79: modify Table 21 to account for existing built conditions likely to remain and not be available for development

A#80: modify Table 22 to account for existing built conditions likely to remain and not be available for development

A#81: provide more detailed figures, similar to maps commented on previously, with sufficient information and demarcations

A#82: study land prices for hotel development over the last 10 years and project for the next 10 years to build year 2028

A#83: study hotel development in M1 with respect to price as compared to hotel development in other districts

A#84: study hotel development in M1 with respect to brand, and the differences in type from hotels being developed in other districts

A#85: interview the major hotel developers, architects, lenders, brokers, operators, and brands to get direct information from the people making the hotels, and compare that information to the conjectures in the Final Scope and DEIS

A#86: study why there are zero special permits and zero applications for special permits for hotels

A#87: study the relationship of the HTC and other special interest groups in creating the Proposed Action and as might be the case if the Proposed Action is adopted

A#88: update the status of all hotel development to August 2018, with relevant changes to the pipeline, the number of rooms in operation, the AirBnB submarket, occupancy and RevPAR.

A#89: study the lending environment for hotels, which has contracted and has negatively impacted the hotel development pipeline, and role of lenders, which acts as a market corrective to changes in the hotel market

A#90: study whether or not the 1,150 M1 rooms projected for the next 10 years in the No Action condition, and that are projected to be built in C districts instead in the With Action condition, is a reasonable projection for all of NYC for the next 10 years

A#91: update Table 23 and the related text for any revisions to A#90 and the adjusted predicted supply for M1 over the next 10 years in the No Action condition

A#92: study construction cost for hotels in low rise M1 districts versus low and high rise C districts, and the impact on hotel development if it moves from M1 to C districts

A#93: study the character of ground floor use for hotels versus manufacturing and industrial uses

A#94: study land cost in M1 versus C districts, including in adjacent C districts to M1 that are represented to be the new locations for hotels moving from M1 sites

A#95: study the size of the hotels proposed to relocate from M1 to C districts, and whether 50 rooms is an appropriate cut off for assessing different sizes and results

A#96: study the reasons for little new construction or rehabilitation in M1 districts

A#97: study new developments that are not hotel, such as the Sunset Park 1,000,000 sf warehouse announced recently.

A#98: study the comment the "city must retain as-of-right building paradigm to remain competitive."

A#99: study the prediction that hotels will move from M1 to areas such as "Brooklyn South, Brownsville, along Broadway and/or Northern Crown Heights", include for these locations an EIS to determine the impact of such predicted relocation of hotels to these neighborhoods, which, unlike M1 districts, contain a substantial residential population including substantial minority, low income and at risk population groups.

A#100: analyze a range of current and recent hotel projects to understand the environmental impact

A#101: provide the raw data for the 240 pipeline hotels to determine what might be prototypical and "to ensure that the potential impacts of any development are entirely understood and analyzed".

Appendix A: Photos

See attached photos of streetscape in typical M1 district


STREETSCAPE
9th Street between 38th Avenue, LIC
August 2018

STREETSCAPE
9th Street between 43&44 Avenue, LIC
August 2018

STREETSCAPE
9th Street and 38th Avenue, LIC
February 2018

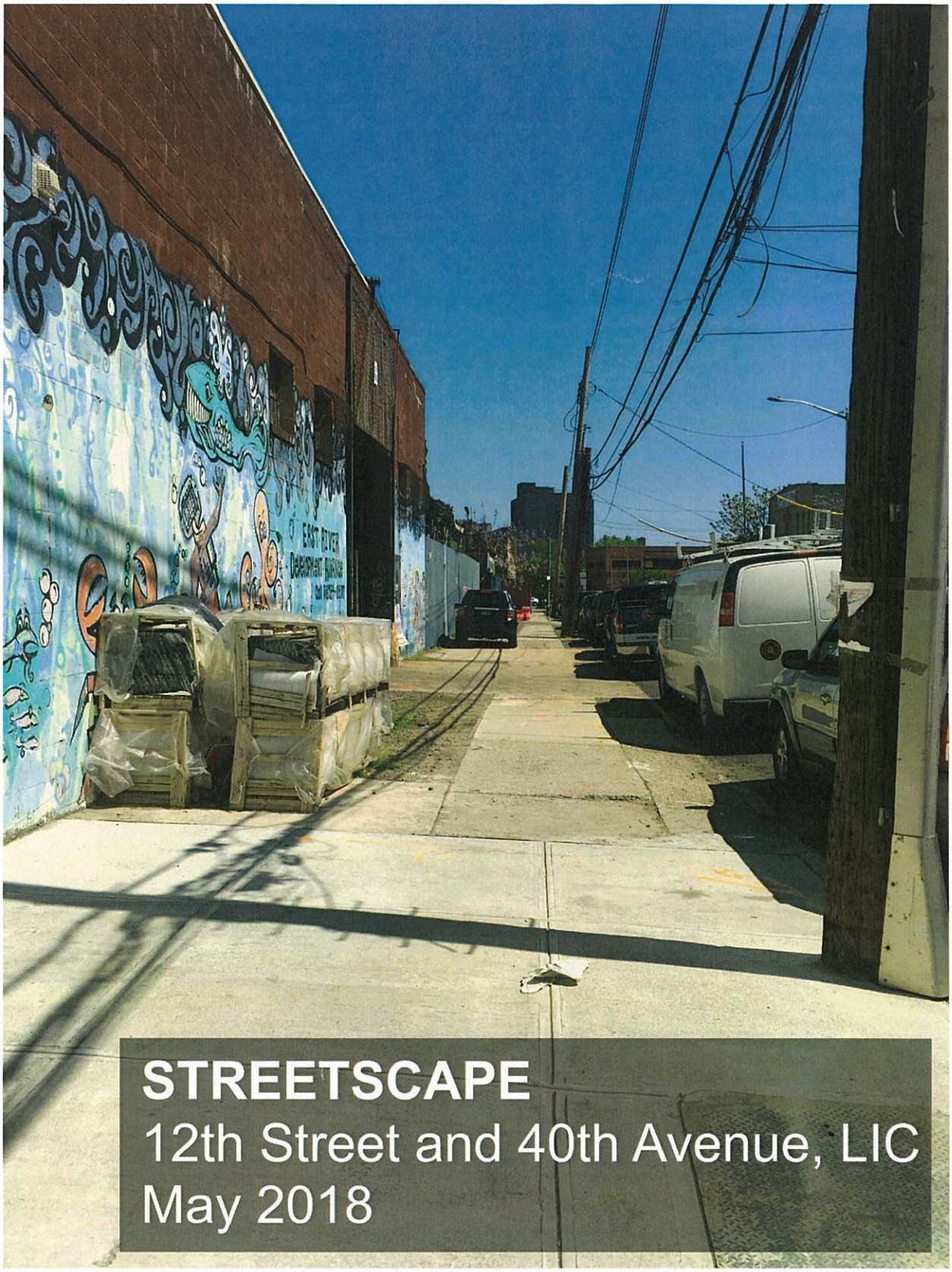
STREETSCAPE
10th Street and 44th Avenue, LIC
August 2018

STREETSCAPE

10th Street and 44th Avenue, LIC

August 2018


STREETSCAPE
11th Street between 37th Avenue, LIC
August 2018
FZM-7538



STREETSCAPE

12th Street and 40th Avenue, LIC

May 2018


STREETSCAPE
Van Dam Street, LIC
April 2018
52-05 31st PLACE
REGISTERED
MOTOR VEHICLE
REPAIR SHOP

M1 ZONING HOTEL MARKET ANALYSIS

June 1, 2018

3 of 3

Submitted by

GENE
KAUFMAN
ARCHITECT PC

Prepared by

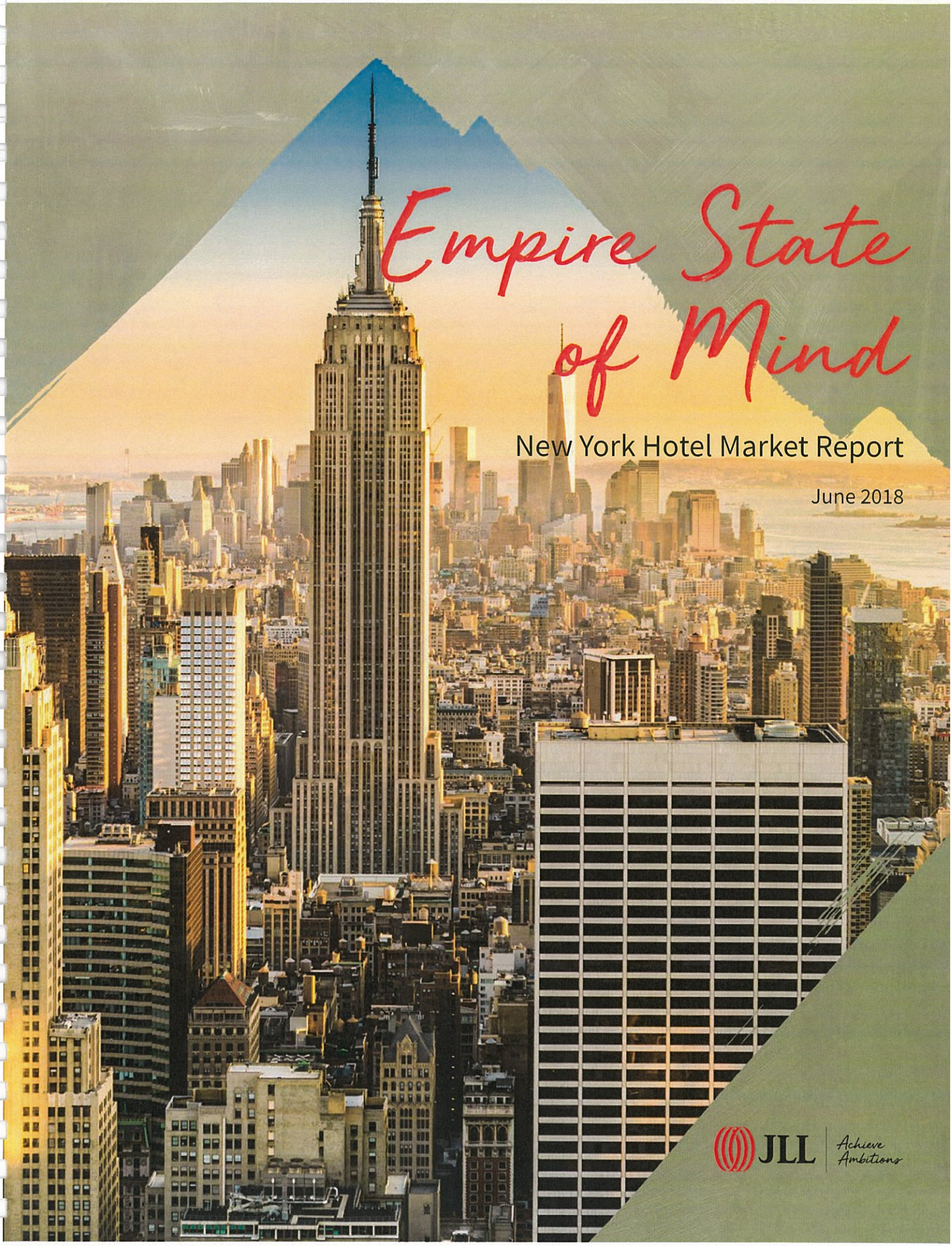
JLL

Application Number
N 180349 ZRY

Project
M1 Hotel Text Amendment

Public Hearing
7/25/18

Borough: CW
Community District: CW



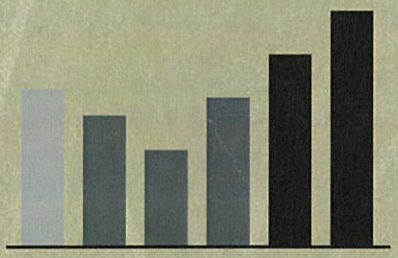
Empire State of Mind

New York Hotel Market Report

June 2018

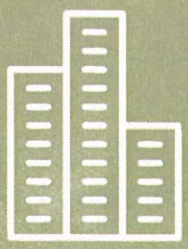
JLL | Achieve Ambitions

New York Investment Story *in a New York Minute*

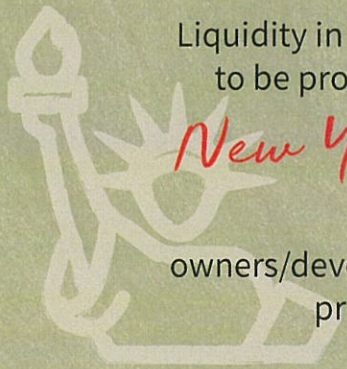


YTD April '18 demand growth in the MSA of 6.1% to push RevPAR into *positive* territory by year-end, after two consecutive years of decline

Rooms absorption to be further supported by *transformational real estate developments* such as Hudson Yards and One Vanderbilt



RevPAR performance to date suggest new additions to supply are being absorbed



Liquidity in the market to be provided by *New York centric* owners/developers and private equity

Active transactions market with YTD April '18 investment volume[1] of *$1.9 billion*

(1) Includes the $1.5 billion sale of Edition Times Square, which is inclusive of retail and signage

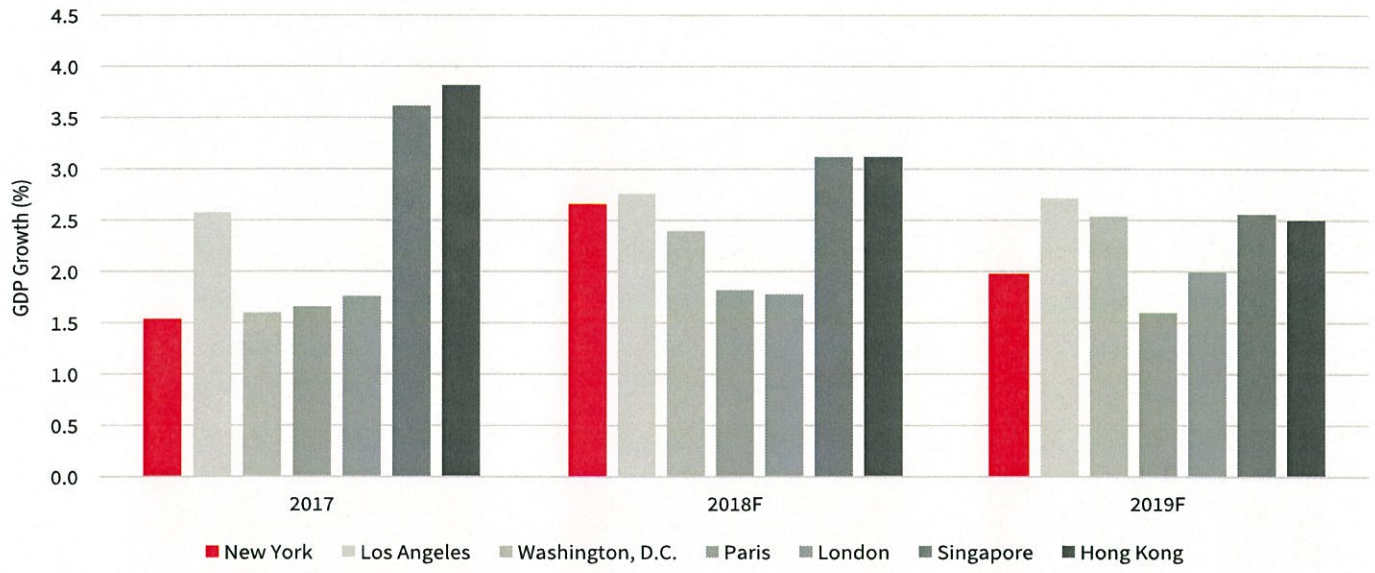
As the 40th Annual NYU International Hospitality Investment Conference approaches, it is timely to focus our attention on the conference's host city and shed light on the current state of New York. This report reflects our views on the New York lodging market and our outlook for the remainder of 2018.

New York's strong economic fundamentals and positive lodging demand growth have fueled the market's notable RevPAR performance in early 2018

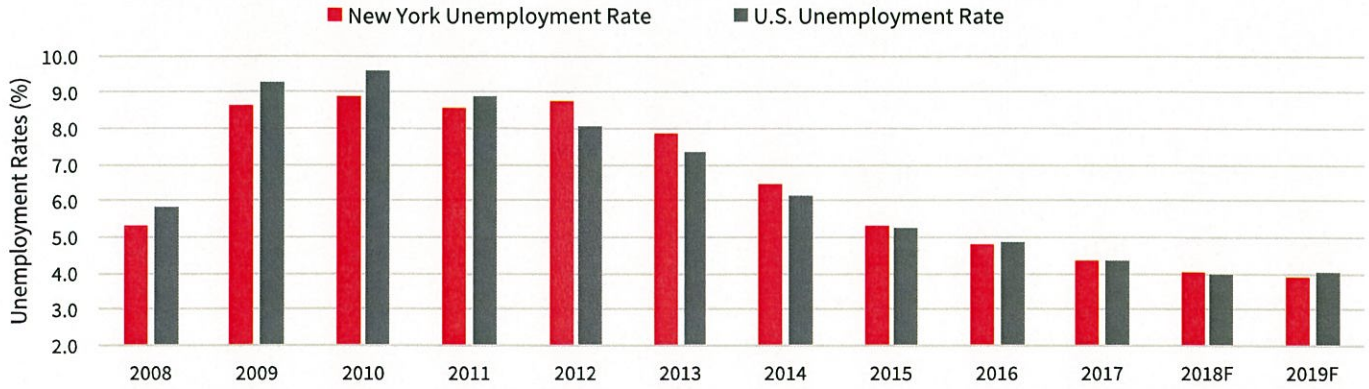
New York benefits from a mature and relatively stable economy. After the Great Recession of 2008, the Big Apple's economy has evolved and become even more diversified, with companies now spanning technology, healthcare, education and professional business services. In fact, New York's total employment in the securities industry declined by 11.3% in 2017 relative to 2000 levels and according to Moody's Analytics, the market has increased its overall employment diversity to .69, with 1.0 representing the most diverse economy. The city's economic diversity has made it less susceptible to systematic shifts in any one industry i.e. financial services. As a result, in 2017, New York's unemployment rate dropped to 4.3%, the lowest level achieved over the past decade.

What do the numbers say?

GDP Growth Across Major Markets



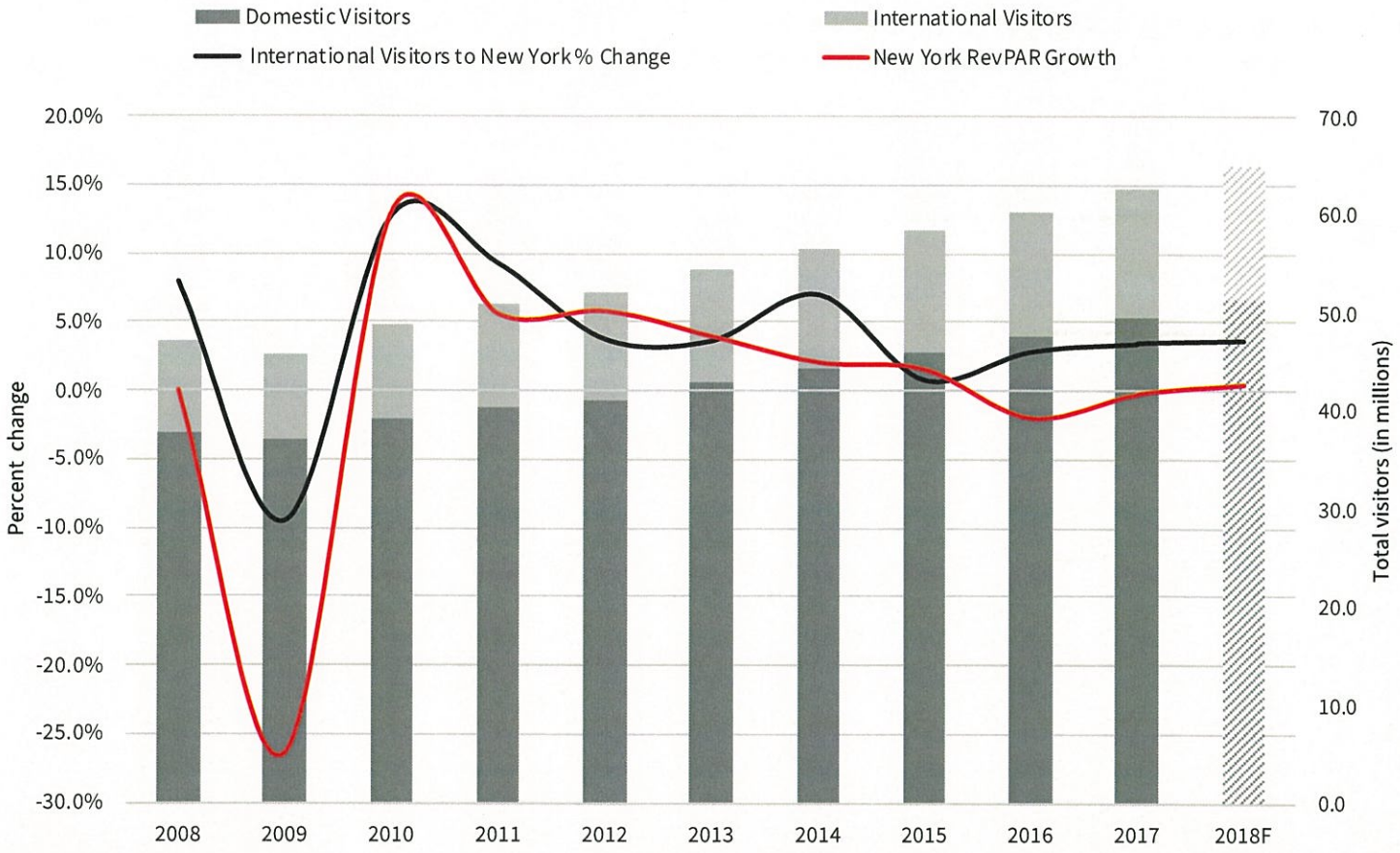
Source: Oxford Economics, JLL



Source: Oxford Economics, JLL

Strength in the national and local economy, increasing disposable income and long overdue vacations spurred growth in visitation to New York in 2017, as the market observed 3.9% growth in domestic travel. And despite concerns over U.S. political rhetoric hindering international visitation to major gateway markets across the country, a weaker dollar coupled with NYC & Company's – New York's tourism marketing agency – New York City Welcoming the World campaign, helped international visitation to New York increase 3.4% in 2017. Robust visitation has translated to strong demand levels, with YTD April RevPAR growth of 4.7%. At year-end we expect sustained positive RevPAR growth, after two consecutive years of decline.

.90 correlation between international visitation and RevPAR



Source: NYC & Company, STR, JLL

Transformational real estate development across New York bodes well for hotel room absorption, with some submarkets potentially facing an under supply of rooms over the next five years

Major development is rapidly taking place throughout New York with transformational projects changing the market's landscape. As a testament to this stands Hudson Yards, which is situated in the Midtown West submarket. The development currently represents the largest private real estate development in the history of the United States and the largest development in New York since the Rockefeller Center. Other additions to Midtown West include the Manhattan West District and Moynihan Station, which should all be fully delivered by 2022.

Hudson Yards/Manhattan West Mega-developments

Source: JLL

Transformative redevelopments are also occurring in Midtown East and Downtown, all of which will elevate each respective neighborhood's profile. In the Midtown East submarket is the under construction One Vanderbilt. This 1.7 million gross square foot office skyscraper will stand next to Grand Central Terminal and will represent the second tallest building in the city upon completion. Lower Manhattan is also being rejuvenated and is expecting the delivery of 3 World Trade Center by year end. The World Trade Center hub and memorial have recently been activated and millions of square feet of retail have been added such as Pier 17.

These unprecedented developments create a dynamic where submarkets previously concerned with increasing hotel room supply may become under supplied over the next five years.

The level of existing and anticipated Class A office space in the market will support rapid hotel room absorption

Existing Class A Office Space vs. 2018F Hotel Rooms			
Submarket	Class A Office Space (SF)	Total Rooms (2018F)	Office Space SF / Hotel Room
Downtown	59,025,884	10,198	5,788
Midtown	194,123,281	75,143	2,583
Midtown South	38,337,180	15,194	2,523
Uptown	1,698,574	4,463	381

Existing + Under Construction Class A Office Space vs. 2021 Hotel Rooms				
Submarket	Class A Office Space Under Construction (SF)	Existing + Under Construction Class A Office Space	Total Rooms (2021F)	Office Space SF / Hotel Room
Downtown	2,861,402	61,887,286	10,606	5,835
Midtown	10,964,854	205,088,135	79,079	2,593
Penn Plaza / Garment District[1]	*7,139,745*	*26,133,699*	*19,867*	*1,315*
Midtown South	1,562,411	39,899,591	16,895	2,362
Uptown	169,131	1,867,705	4,463	418

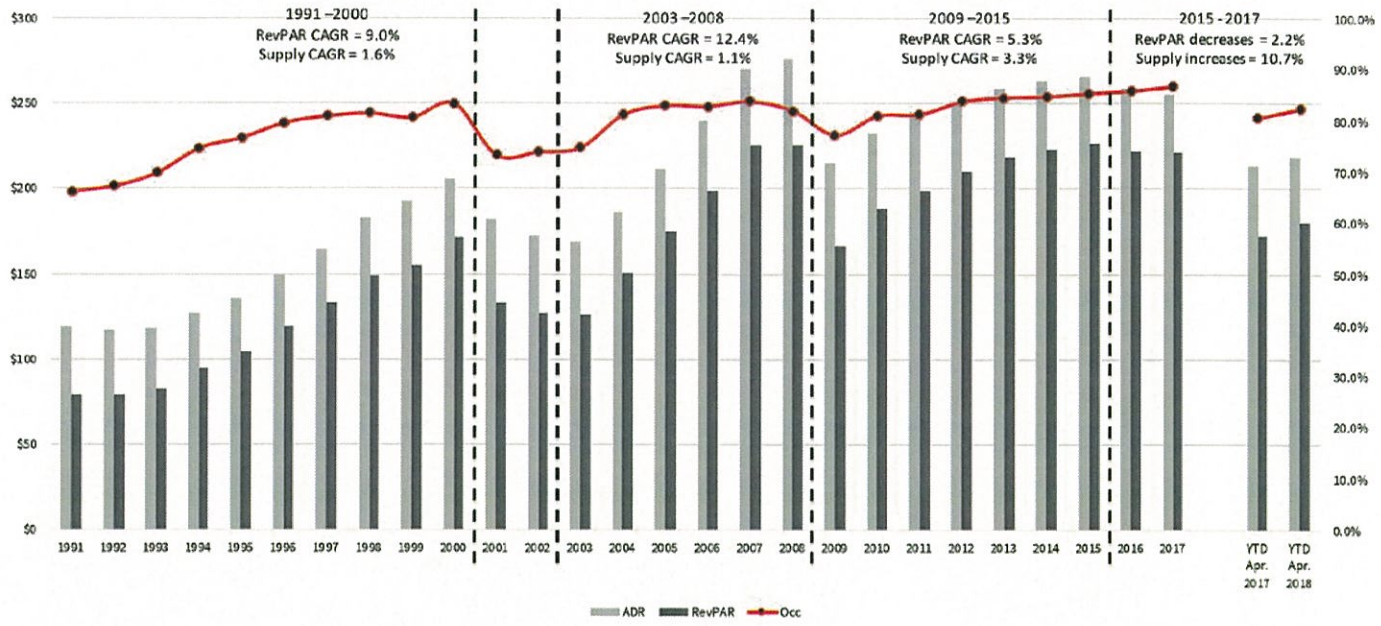
[1]*The 7.1 million square feet of Class A office space under construction in the Penn Plaza / Garment District accounts for the development of 1 Manhattan West, 30 Hudson Yards, 441 Ninth Avenue, 55 Hudson Yards and Moynihan Station, all of which JLL classifies as part of the Hudson Yards / Midtown West mega-developments.*
Source: JLL, Costar

RevPAR performance to date suggest new supply additions are slowing and being absorbed

The first trimester in New York is typically the most challenging period in the market, as evidenced by the tepid growth RevPAR has observed in each of the last four years during this period. However, solid performance in both ADR and occupancy have spurred growth to date, underscoring the market's road to recovery.

We expect for RevPAR growth to become more pronounced in 2019 and 2020, as less rooms are anticipated to be delivered over these two years than are projected to be delivered in 2018 alone.

RevPAR grows more aggressively during times of low supply growth



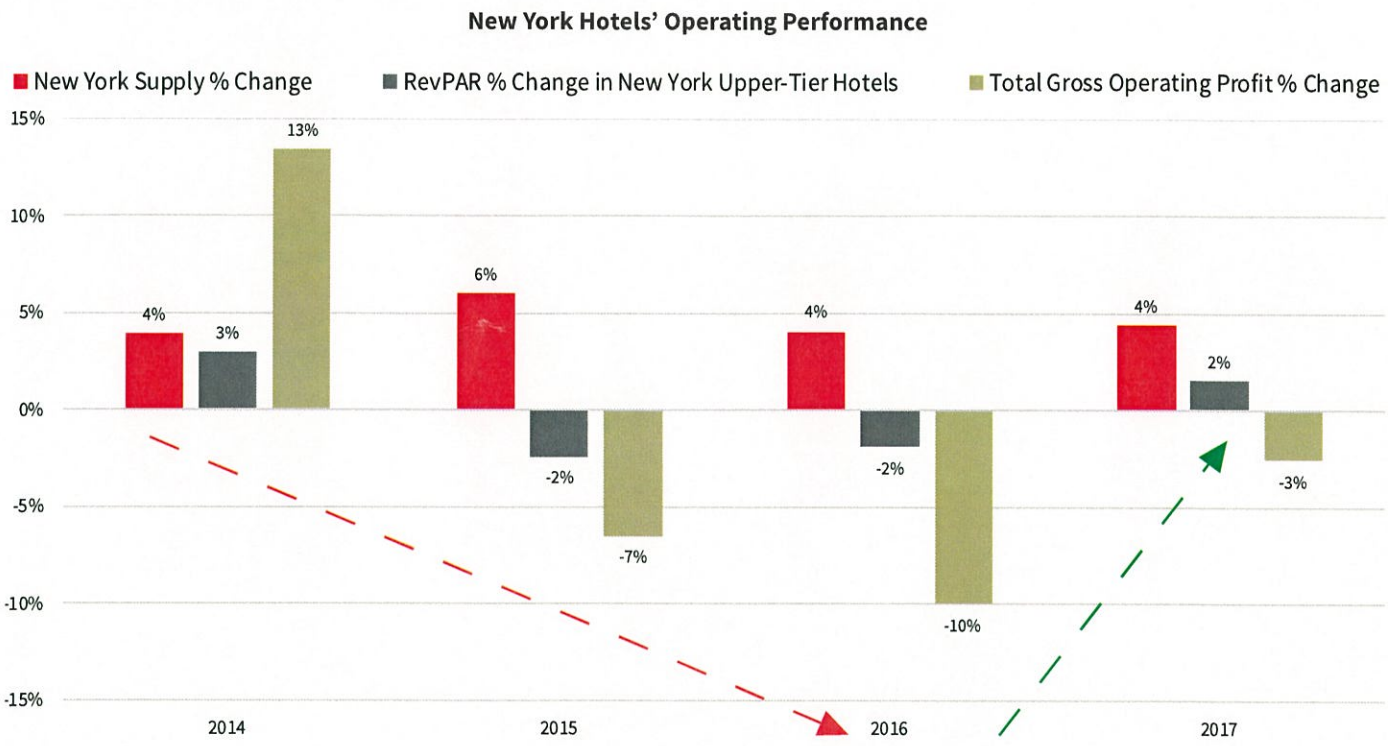
Source: STR, JLL

Tapering supply growth and strong demand fundamentals create opportunity for operators to improve margins

JLL analyzed 90 P&L statements of hotels situated in New York City from 2013 to 2017 and the data suggest that gross operating profit (GOP) performance bottomed in 2016. Performance in 2017 started trending upward and performance in 2018 is off to a promising start driven by YTD April 2018 demand growth of 6.1%. Over the analyzed period, we noted that GOP is more sensitive to changes in RevPAR than supply and that on average when RevPAR shifts one percentage point (negative or positive direction), GOP will shift a corresponding three percentage points.

As such with sustained improvement in demand fundamentals and muted supply growth, the market will gain more rate integrity, resulting in positive RevPAR growth and stabilized margins at year-end.

Improving hotel margins ahead



Source: JLL, STR

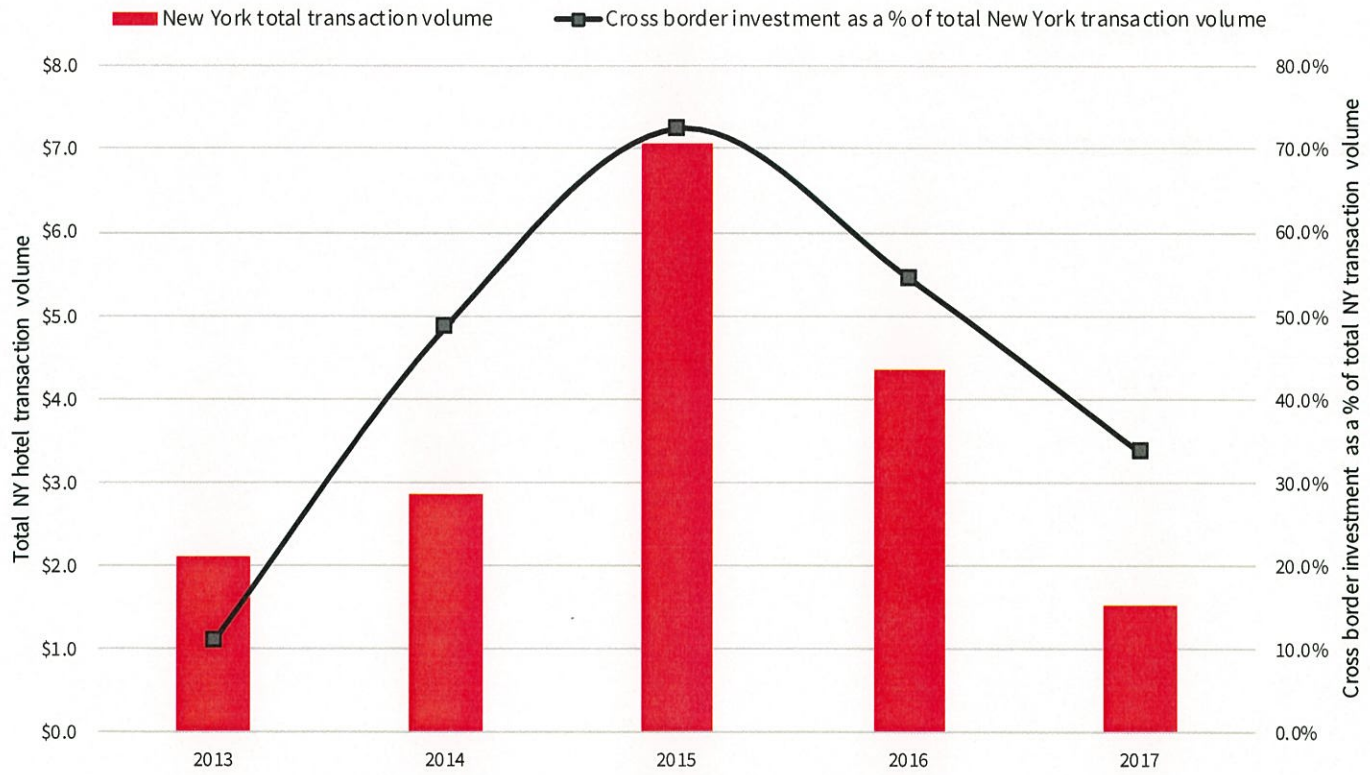
Note: Analysis pertains to a sample of 90 P&L statements of upper-tier hotels situated in New York City from JLL's internal database

New York transaction volume to reach robust levels supported by acquisitions from private equity and New York centric owners/developers

With YTD April hotel sales of $1.9 billion, New York's hotel transaction volume is nearly seven times the volume achieved during the same period in 2017. The drivers behind the extraordinary level to date are the sale of Edition Times Square for $1.53 billion (inclusive of retail and signage) and the disposition of W Hotel New York for $190 million.

Since 2017 capital in the market has primarily originated from domestic private equity and New York centric owners/development companies, accounting for 84.0% of acquisitions. However, over the past five years, foreign investors have acquired nearly $10 billion in New York hotels. As such, we expect cross border investment to pick up throughout the remainder of the year as the product quality brought to market continues to improve.

What do the numbers say?

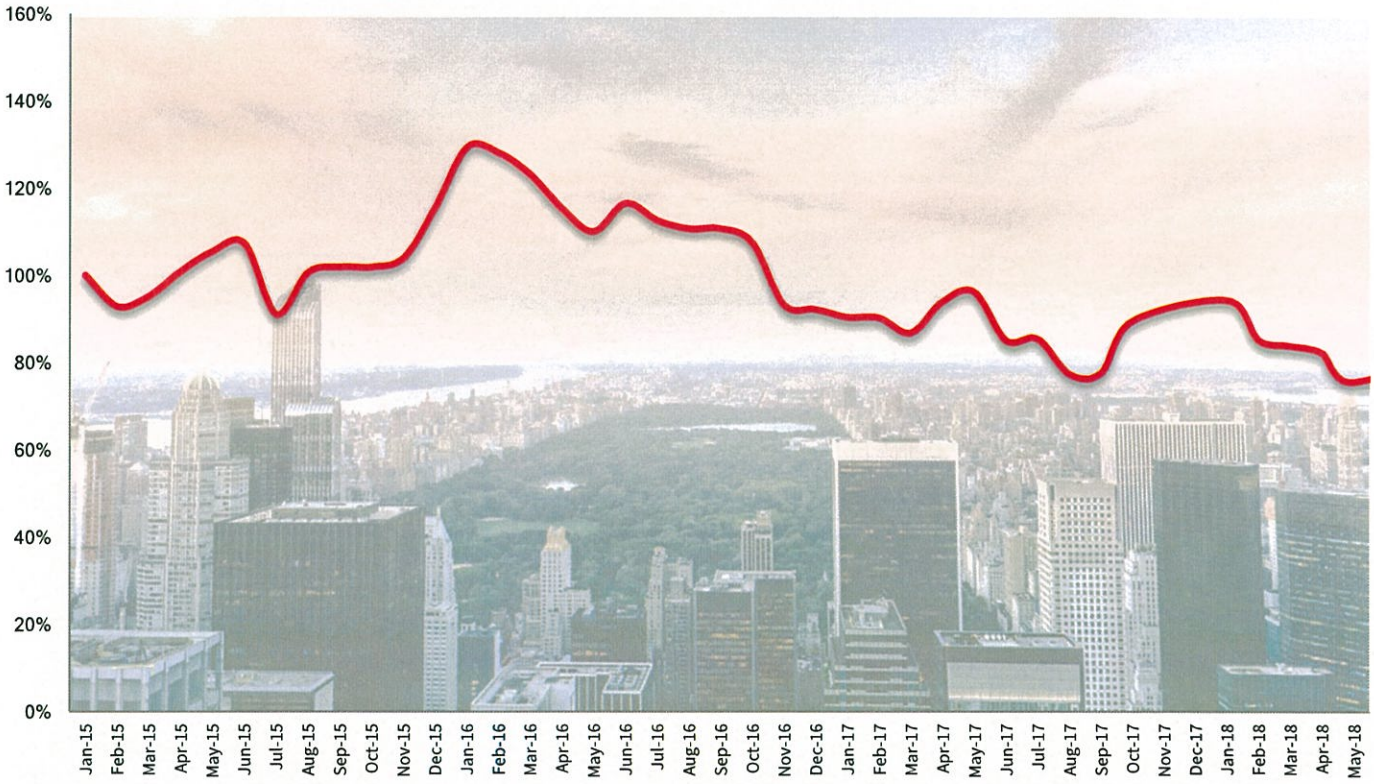


Source: JLL

Opportune time to invest in New York hotels

Hotel transaction values on a per-room basis peaked in 2015. The twelve-month moving average price per room is currently at approximately 80% of the level seen in early 2015, indicating that hotels in New York are currently transacting at multi-year lows.

New York hotels average price per room indexed to January 2015



Source: JLL

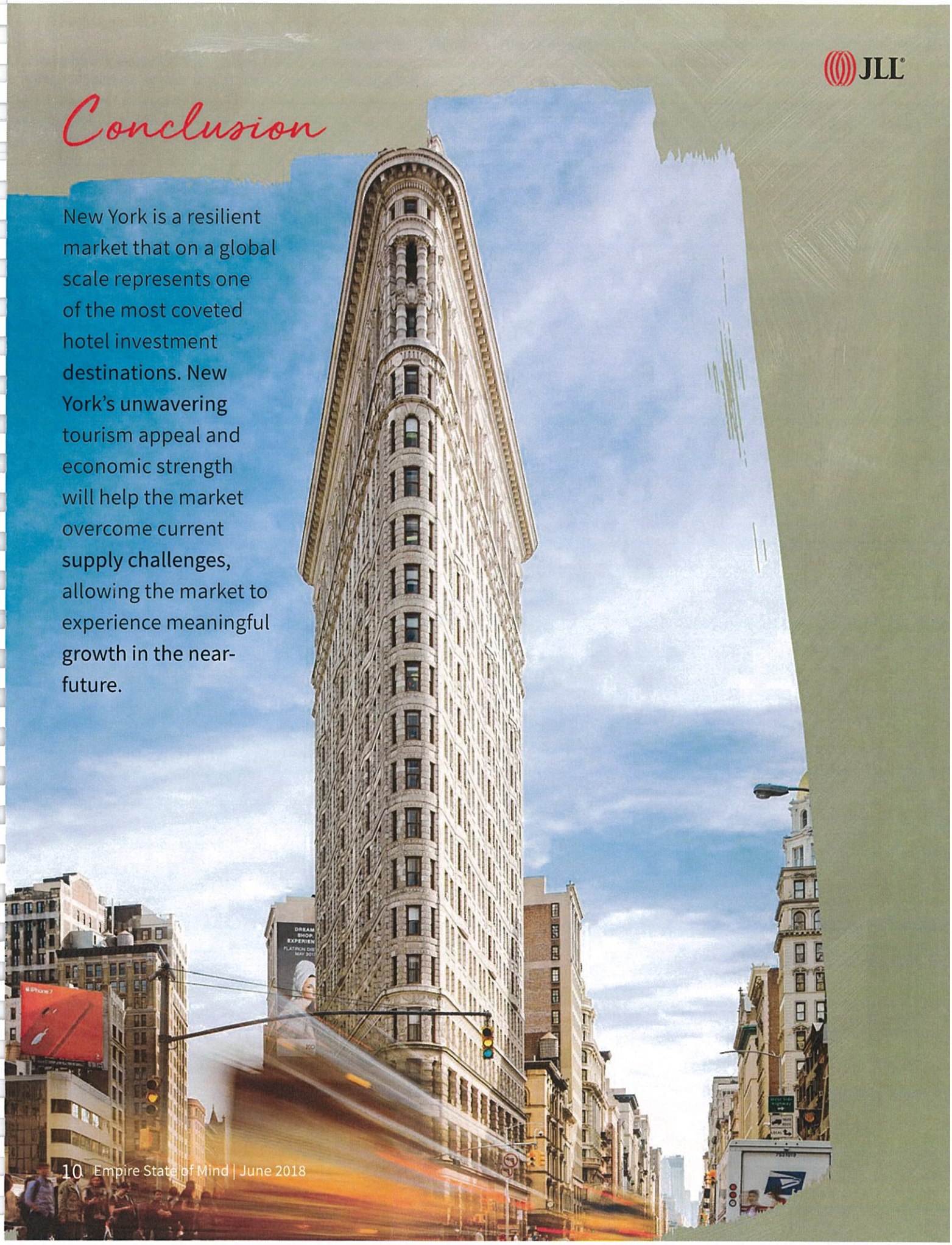
Note: Data is represented in a weighted 12-month moving average, excludes portfolio transactions and single-asset transactions above $1.0 billion. January 2015 weighted 12-month moving average equals 100%

Hot debt markets

The hospitality debt markets are performing well and notwithstanding New York's elevated supply pipeline, lenders such as commercial banks, insurance companies, debt funds and CMBS, remain interested in financing New York hotels. And while they remain selective on construction loans, lenders have been active on opportunities with in-place cash flow or assets that have significant value-add components. Lenders are also offering financing at extremely low debt yields, but at price per room levels that provide significant comfort that the loans are well-secured by the inherent value of the real estate. Further, indicators suggest that the current economic expansion is only accelerating as the effects of the recently passed tax legislation have yet to be felt. This dynamic bodes well for the debt markets and as such, in the second half of 2018 we anticipate additional spread compression, greater liquidity available in the market and more aggressive underwriting and loan structures.

Conclusion

New York is a resilient market that on a global scale represents one of the most coveted hotel investment destinations. New York's unwavering tourism appeal and economic strength will help the market overcome current supply challenges, allowing the market to experience meaningful growth in the near-future.



Did You Know

From 2013 to YTD April 2018, New York has recorded $17.3 billion worth of single-asset sales, placing it ahead of other major gateway markets such as London, Paris and Hong Kong.

Single-asset tranaction volume 2013-YTD April 2018

Source: JLL

JLL New York City Hotel Transactions in 2017

Date	Property	Rooms	Price	Price per Key	Buyer	Seller	Yield
Dec-17	The James Hotel New York SoHo	114	$66,250,000	$581,000	Thor Equities	Prudential Real Estate Investors	Sub-3%
Oct-17	The Standard High Line New York	338	Confidential	Confidential	Confidential	Confidential	Sub-4%
Aug-17	Nyma Hotel	171	$52,000,000	$304,000	Capstone Equities	Apple Core Hotels	5.2%
Jan-17	Club Quarters Wall Street	289	$95,000,000	$329,000	McSam Hotels	Rockwood Capital, LLC	7.5%
Jul-17	Morgans Hotel New York	117	$37,000,000	$316,000	The Kash Group	FelCor Lodging Trust Incorporated	Sub-0%

Source: JLL

JLL New York City Hotel Financings in 2017

Date	Property	Loan Amount
Dec-17	The James Hotel	$44,000,000
Nov-17	Westin Times Square	$312,000,000
Oct-17	Crosby Street & Whitby Hotels	$125,000,000
Aug-17	Nyma Hotel New York	$40,000,000
Aug-17	Royalton Hotel	$36,370,000
Total		**$557,370,000**

Source: JLL

JLL | Achieve Ambitions

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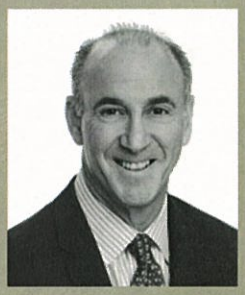

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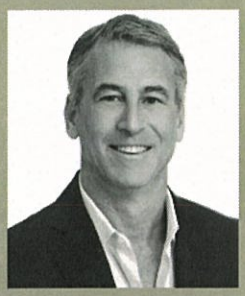

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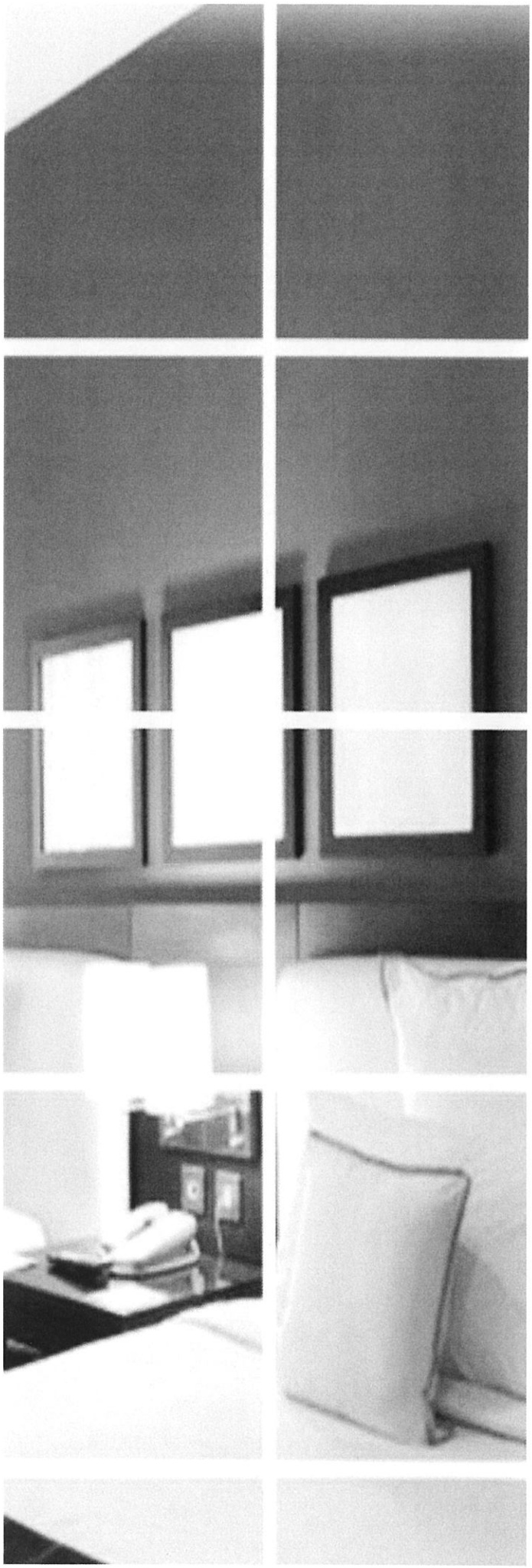
M1 Zoning Hotel Market Analysis



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July 18, 2018

Re: M1 Zoning Hotel Market Analysis

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our report analyzing hotels located within the M1 zoning districts of New York City.

This report explores the historical and prospective economic trends of the New York City hotel & tourism market and the potential unintended economic and social impacts for various New York City stakeholders if the proposed special permit to limit new hotel development in M1 zoning districts is adopted by the New York City Department of City Planning (DCP). While some of the DCP's arguments presented in the *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement*, dated April 23, 2018, may have merit, the report's conclusion(s) largely rely on unsupported assumptions. Overall, the report and analysis fail to consider the repercussions from artificially restricting hotel development in M1 zoning districts. This report's purpose is to address and analyze these repercussions.

Introduction

During the past decade, New York City has significantly benefited from the growth of its tourism industry, which has spurred development of new hotels throughout the five boroughs, in effect creating multiple new lodging markets outside of the borough of Manhattan. During this time, there has been a trend of increased hotel development in M1 zoning districts, particularly outside of Manhattan. Reportedly, 20 percent of new hotel rooms built between 2008 and 2017 in Manhattan were located in M1 zones, compared to 37 percent outside Manhattan.[1] Despite the significant supply increases over the past several years, hotel demand has kept pace, and in most instances, exceeded new supply, causing occupancy to increase and generating increased economic activity, jobs, and tax revenues for New York City annually.

According to the DCP, M1 districts are considered one of the last land reserves for buildable land in the City and believes it is necessary to reevaluate the existing M1 zoning district framework to

[1] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 23

safeguard opportunities to support residential, commercial, industrial, and institutional growth for the future. Hotels may directly or indirectly detract from other kinds of development opportunities by either occupying sites that could be developed to better achieve neighborhood development goals and/or changing neighborhood character. The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, which includes: Hotel uses in M1 zones have a competitive advantage in terms of FAR and parking requirements compared to industrial/manufacturing uses; hotels built in industrial neighborhoods may conflict aesthetically; and projected excess hotel room supply by 2028. The proposed City Planning Commission (CPC) special permit would affect all new hotels, motels, tourist cabins, and boatels in M1 zoning districts, excluding MX or paired M1/R districts, citywide and would require a case-by-case, site-specific review process by the DCP. Transient hotels operated for a public purpose by the City or organizations under contract with the City to provide housing to the homeless will be exempt from the special permit requirement, in addition to hotel development on airport property and specific areas adjacent to airports. The DCP concluded that the proposed CPC special permit would restrict hotel development in M1 zones and shift hotel development to commercial and mixed-use districts where hotel development would continue as-of-right, but not significantly affect the amount or type of hotel development.

Literature Review

LWHA® has reviewed the *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook* authored by BJH Advisors, BAE Urban Economics, and VHB; and *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* prepared by VHB Engineering Surveying & Landscape Architecture PC for the New York City Department of City Planning and believe the reports rely largely on unsupported assumptions and conclusions, which include the following:

- "The Proposed Action is not development-inducing as its principal effect would be to affect the location, but not the amount or type, of future hotel development in the City."[2]
    - Response: The assumption that restricting hotel development in M1 zones would not affect the amount or type of future hotel development is not supported by any data. Additionally, the report states that lot area available for hotel development as-of-right would decrease by 45 percent, while the permitted floor area would decrease by 25 percent under the proposed CPC special permit, both of which contradict the assumption that the amount or type of future hotel development would not be affected if the proposed CPC special permit is adopted. Additionally, Commercial and Mixed-Use zones represent only 4.69 percent of the total lot area of New York City and are generally densely developed, which would limit new development further. Given that this is a major underlying assumption

[2] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 40

of the report, it needs to be analyzed, supported and proven in order for the analysis to have validity.

- "By introducing a CPC special permit, the Department of City Planning proposes a case-by-case, site-specific review process to ensure that hotel development occurs only on appropriate sites"[3]

    - Response: A case-by-case, site-specific review process for each proposed hotel development would be a time consuming and expensive endeavor for both the would-be developer and the City that would require specialized knowledge. Additionally, the proposed review process would create opportunity for outside forces to influence "appropriate" projects. This process is at best unclear and undefined and requires significant study to ensure fairness and reasonable decision making would be part of this process. Passing such a statute with so many undefined parameters will likely deter developers from pursuing new hotel projects in the future.

- "Transient hotels operated for a public purpose by the City of New York or organizations under contract with City will be exempt from the special permit requirement. Hotels operated for public purpose are primarily used to provide temporary housing assistance, or shelter, to homeless individuals and families. 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 M1 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 to address homelessness in the City, called "Turning the Tide," which 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)."[4]

    - Response: The report titled *Turning the Tide on Homeless* released by the current administration states that the de Blasio administration is committed to ending the use of commercial hotels to shelter homeless. The DCP report appears to be contradictory to the de Blasio administration report, which brings into question why this exemption would be included.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, one being that hotel uses in M1 zones have a competitive advantage in terms of FAR and parking requirements compared to industrial/manufacturing uses.

[3] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 33
[4] M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement – Page 34

- Response: Restricting development of a productive building class because it offers development "advantages" over the other property-types in M1 zones lacks sound reasoning. Restricting successful property-types does not resolve the underlying issue(s) that would allow for natural growth in industrial/manufacturing uses. The DCP should consider the possibility that changing the underlying regulations to support industrial/manufacturing growth would achieve better results than restricting other successful property uses (hotels) that create significant tax revenues and jobs for New York City. The principle of Highest and Best Use (H&BU) should reign. If land owners, developers, investors and financing institutions believe a specific use to be its H&BU, that would seem to be the most comprehensive market-based approach.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report states several rationales for why new hotel development should require a special permit, one being that hotels built in industrial neighborhoods may conflict aesthetically.

  - Response: According to the *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report approximately a dozen hotels are located in areas classified as "active" industrial. Given that the majority of hotels are currently located and proposed for more mixed-use M1 zones with limited industrial activity, it suggests that hotels would complement new commercial development in these neighborhoods. Further, homeless shelters would certainly be as or more conflicting to neighborhoods than hotels.

- The *M1 Hotel Text Amendment Final Scope of Work for an Environmental Impact Statement* report assumes that the current pipeline of approximately 38,000 hotel rooms will be built by 2028.

  - Response: The use of current pipeline figures and not accounting for fewer or additional proposed rooms should be addressed. Hotel projects are already being abandoned or repurposed due to financing difficulties, which demonstrates a lack of consideration of the current situation and economic feasibility principles. Essentially, the market is restricting and governing itself in the natural order of HBU. Additionally, new projects may emerge during the period (2018-2028) being studied once the current proposed supply is absorbed into the market.

- The methodology utilized to calculate room night demand presented within the *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook* is flawed. Two of the three data points utilized to project leisure demand growth are either not relevant (U.S. national person trips – 1.1% growth) or generally supported (New York City Office of Management and Budget (OMB) – 0.8% growth). Additionally, the methodology employed to project business (commercial) demand is considered weak given the utilization of citywide non-

agricultural employment projections (provided by the Fiscal Year 2018 City of New York Mayor's Office of Management and Budget; and New York Metropolitan Transportation Council 2045 Regional Transportation Plan) to forecast future business hotel demand.

Resources Utilized

In analyzing the historical and prospective economic trends of the New York City tourism market, and more specifically its hotel market, this report relies on both primary and secondary data sources. Primary sources include interviews with tourism industry stakeholders. Secondary data sources include information provided by private companies such as Smith Travel Research (STR); Moody's Analytics; PricewaterhouseCoopers (PwC); Tourism Economics; not-for-profit organization such as NYC & Company; federal agencies such as the Federal Reserve; Congressional Budget Office; Bureau of Economic Analysis; local agencies such as NY NJ Port Authority; Mayor's Office of Management and Budget, NYC Independent Budget Office; City of New York Department of Finance; New York City Department of City Planning; City of New York Department of Buildings; Javits Center; New York Metropolitan Transportation Council; New York State Department of Labor; New York City Comptroller; New York City Economic Development Corporation; Department of Homeless Services; in addition to literature reviews.

Findings

Economic Impact

Keeping with current trends and no artificial restriction of hotel development imposed by the DCP in M1 zones, New York City's hotel market is anticipated to remain healthy through 2028 despite the significant amount of proposed supply. Our economic impact findings are summarized below and represent the anticipated increase over 2016 figures:

- An additional $55.5 billion in economic impact by 2028;
- An additional $37.1 billion in direct visitor spending by 2028;
- An additional $25.6 billion in wages & salaries by 2028;
- An additional 202,409 jobs by 2028;
- An additional $11.7 billion, including $4.24 billion in local taxes generated by tourism by 2028.
- An additional household tax savings of $1,290 resulting from the tourism industry in 2028.

New York City's projected local tax revenue gain from tourism between 2016 and 2028 of $4.24 Billion could support the following*:	
47,714	Teachers
180,575	Students
497,743	Child Care Vouchers
59,004	Families Housed in Shelters
26,026	Police Officers & Firemen
3,506	Billions Gallons of Wastewater Treated
4,900,797	Job Placements through the Workforce1 Career Centers

**Budget allocation provided by the NYC Independent Budget Office and Department of Homeless Services.*

Occupancy Taxes

In 2016, Hotel Room Occupancy Tax generated approximately $545 million (excluding N/A and remarketers revenue) in tax revenue for the City. We have projected Hotel Room Occupancy Tax revenues to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million or nearly double 2016 figures.

Real Property Taxes

In 2017, the average real property tax revenue citywide for hotels was $89.77 per lot square foot, compared to an average of $11.89 per square foot for all other Class 4 properties, which represents a 655% (7.55 times) increase. Specific to M1 zones, average M1 hotel tax revenues per lot square foot in 2017 was $42.10, compared to an average of $7.54 for other Class 4 properties, which represents a 448% (5.58 times) increase. Hotels located in M1 zones generated approximately $120 million in real property tax revenues during the 2017 tax year. Overall, hotels generate significantly more tax revenue per lot square foot on average than the average Class 4 property. By restricting future hotel development in M1 zones, the City is inherently reducing the potential for future property tax revenue.

Conclusion

While one of the responsibilities of the DCP is to facilitate physical and socioeconomic growth within the City, the current proposed CPC special permit zoning change, restricting new hotel development in M1 zones is at best, misguided. The hotel and tourism industries have historically been a vital part of the City's economy, generating hundreds of thousands of jobs, billions of dollars in tax revenue, and over $64 billion in economic impact in 2016 (NYC & Company). Despite hotel owners experiencing the negative effects of additional competition, New York City is anticipated to continue to achieve increased economic and social benefits from hotel and tourism growth. Although restricting hotel development in M1 zones is not anticipated to reduce historical contributions of the industry, it is projected that restricting M1 hotel development will

reduce the potential economic and social benefits to the City in the long term. For these reasons, we believe that current action plan by the City to adopt the CPC special permit for new hotel development in M1 zones to be imprudent, and therefore the CPC special permit should not be adopted in the near future.

Table of Contents

Introduction

This report presents an overview of the hotel industry in New York City in addition to the current and projected future conditions. It is intended to provide guidance regarding the potential impacts of adopting a CPC special permit restricting hotel development in M1 zoning districts. The report analyzes trends related to hotel demand, supply, occupancy, average daily rate (ADR), and RevPAR, with a particular focus on future development in M1 zones.

A New York City hotel and tourism market overview is followed by forecasts of hotel supply, demand, occupancy, ADR, and RevPAR for each borough assuming the CPC special permit is not adopted. The final sections of the report analyze the economic impact of tourism industry, in addition to hotel room occupancy and real property taxes relating to hotels.

Data Sources

In preparing this report, LWHA® relied on both primary and secondary data sources. Primary sources include interviews with tourism industry stakeholders. Secondary data sources include information provided by private companies such as Smith Travel Research; Moody's Analytics; PricewaterhouseCoopers; Tourism Economics; not-for-profit organization such as NYC & Company; federal agencies such as the Federal Reserve; Congressional Budget Office; Bureau of Economic Analysis; local agencies such as NY NJ Port Authority; Mayor's Office of Management and Budget, NYC Independent Budget Office; City of New York Department of Finance; New York City Department of City Planning; City of New York Department of Buildings; Javits Center; New York Metropolitan Transportation Council; New York State Department of Labor; New York City Comptroller; New York City Economic Development Corporation; Department of Homeless Services; in addition to literature reviews.

Primary Data

LWHA® collected primary data through an interview process that extended over several months in the winter of 2017/2018. LWHA® conducted 12 interviews with key stakeholders related to the hotel industry of New York City. These stakeholders included hotel owners, hotel developers, hotel general managers, City economic development representatives, NYC & Company representatives, and others who are able to speak knowledgeably about the New York City hotel & tourism market.

Secondary Data

LWHA® reviewed secondary data sources for the purpose of this study. The main secondary sources utilized in this report include historical market and hotel pipeline data from Smith Travel Research (STR), in addition to the following sources:

- NYC & Company Reports
- New York City Department of City Planning
- City of New York Department of Buildings

- City of New York Department of Finance
- New York City Economic Development Corporation
- NY NJ Port Authority
- Javits Center
- Department of Homeless Services
- New York City Comptroller
- Congressional Budget Office
- New York City Independent Budget Office
- New York City Office of Management and Budget
- New York Metropolitan Transportation Council
- Federal Reserve
- Moody's Analytics
- PricewaterhouseCoopers
- Tourism Economics

Literature Review

LWHA® reviewed numerous published sources relating to hotel and tourism industries in New York City. Sources included third-party outlook reports, academic studies, industry reports, and news articles.

Key Definitions

Key indicators of the hotel industry include Occupancy Rates, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR), which are defined below:

Occupancy Rate is the ratio of rooms that are occupied compared to the total amount of available rooms over a specific period of time.

Average Daily Rate (ADR) is the average room rate paid per room over a specific period of time.

Revenue per Available Room (RevPAR) is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.

Area Economic Analysis

Moody's Analytics

NEW YORK-JERSEY CITY-WHITE PLAINS NY-NJ

Data Buffet® MSA code: IUSA_DMNEY

ECONOMIC DRIVERS

FINANCIAL CENTER | TOURIST DESTINATION | MEDICAL CENTER

EMPLOYMENT GROWTH RANK

2017-2019	2017-2022
260	290
4th quintile	4th quintile

Best=1, Worst=409

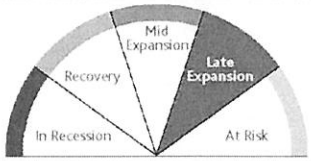
RELATIVE COSTS

LIVING	BUSINESS
120%	162%
U.S.=100%	

VITALITY

RELATIVE	RANK
97%	166
U.S.=100%	Best=1, Worst=402

BUSINESS CYCLE STATUS



STRENGTHS & WEAKNESSES

STRENGTHS

- Financial capital of the world.
- High per capita income and limited exposure to manufacturing.
- Strong international immigration.

WEAKNESSES

- High costs, including taxes, housing, office rents and energy.
- Rapidly aging infrastructure.
- Overreliance on wealthy overseas buyers to support real estate market.

FORECAST RISKS

SHORT TERM ↓ | LONG TERM ↓

RISK EXPOSURE 2018-2023: **344** 5th quintile (Highest=1, Lowest=402)

UPSIDE

- Additional financial deregulation bolsters bank profits and Wall Street salaries.
- Growth in tech spurs additional high-wage job creation, increasing demand for office space and commercial real estate more broadly.

DOWNSIDE

- New federal tax law and overbuilding cause property values to plummet.
- Broad stock market correction weighs on pivotal financial services industry.

MOODY'S RATING

Aa2 CITY AS OF JUN 05, 2014

ANALYSIS

Recent Performance. New York-Jersey City-White Plains is at cruising altitude, and it is not time for the landing gear to drop just yet. Upward revisions pushed job growth ahead of the national pace last year, and the unemployment rate has fallen below that of the state for the first time since the Great Recession. While white-collar industries are growing, thanks in part to surging tech investment, healthcare is setting the pace, moving low-wage industries to the fore. The housing market is mixed. A glut of high-end condos has slowed multifamily construction, but single-family is strengthening. In fact, the single-family Case-Shiller index outpaced the condo index last year for the first time since 2009.

Finance. An elevated reliance on the securities industry will become a liability. Prolific gains in equity markets last year bolstered banks' bottom lines, leading Wall Street bonuses to rise 17%, well above expectations. Also, the new federal tax law has yielded billions in savings for large banks with a major presence in the Big Apple.

However, financial services output for the state and securities employment in NEY are barely treading water as firms seek lower-cost locations. Moving forward, rising interest rates will hold back equity markets, and the partial rollback of Dodd-Frank banking legislation will not provide much lift. Capital requirements on large banks are mostly unchanged; more stringent risk management has become the industry standard and should continue regardless of the law.

Consumers. Consumer industries will disappoint as spending by residents and visitors slows. After easily outpacing the U.S. for most of this expansion, growth in retail and leisure/hospitality has fallen behind. Confidence among residents is slipping, keeping spending in check despite a pickup in the broader area's Employment Cost Index. Although fears of an equity market correction and a slowdown in international tourism have not been borne out, they remain risks; either would exacerbate a retail slump, further reducing rents and leading to more store closures in Manhattan.

CRE. Retail is one of numerous concerns surrounding commercial real estate in NEY. Apartment prices are declining, based on Real Capital Analytics' Commercial Property Price index, a trend that will likely continue. An overbuilt ultra-luxury market in Manhattan and a less pronounced slowdown in Brooklyn and Queens have made landlords increasingly reliant on concessions to sign tenants. A similar trend is taking place in the office market, particularly in Midtown Manhattan. Lower-cost locations elsewhere in the country and newer buildings around the World Trade Center and Hudson Yards have proven compelling alternatives. Tech firms continue to seek space, especially in Midtown South, but their smaller footprints keep a lid on demand.

Fiscal. As growth slows, public finances will be a stubborn obstacle. The city's per capita debt burden is twice the national average, according to data from the comptroller's office, and aggressive spending hikes under Mayor Bill de Blasio have increased deficits. The proposed fiscal 2019 budget contains additional spending increases to address labor and borrowing costs as well as reduced federal funding under the new tax law. To date, solid revenue growth has supported increased spending, but slower job and population gains in the coming years could exact a toll.

The best days of the expansion are behind New York-Jersey City-White Plains. As financial markets and commercial property prices come back to Earth, incomes will take a hit. This will put further downward pressure on consumer industries and city finances. In the long run, slowing population gains and extremely high costs will keep growth in check.

Adam Kamins *1-866-275-3266*
May 2018 *help@economy.com*

2012	2013	2014	2015	2016	2017	INDICATORS	2018	2019	2020	2021	2022	2023
947.1	947.9	967.3	987.2	993.2	1,012.2	Gross metro product (C09$ bil)	1,038.0	1,059.0	1,063.3	1,091.4	1,123.0	1,147.7
3.6	*0.1*	*2.0*	*2.0*	*0.6*	*1.9*	*% change*	*2.5*	*2.0*	*0.4*	*2.6*	*2.9*	*2.2*
6,269.7	6,391.9	6,558.5	6,720.8	6,853.5	6,977.2	Total employment (ths)	7,072.0	7,131.0	7,130.5	7,128.2	7,175.4	7,209.6
1.7	*1.9*	*2.6*	*2.5*	*2.0*	*1.8*	*% change*	*1.4*	*0.8*	*-0.0*	*-0.0*	*0.7*	*0.5*
9.0	8.3	6.8	5.5	4.9	4.5	Unemployment rate (%)	4.0	3.6	4.3	5.1	5.2	5.2
6.3	2.1	4.2	4.5	2.0	3.3	Personal income growth (%)	4.0	4.1	3.2	3.6	4.0	3.8
59.1	60.2	61.4	63.3	66.1	67.6	Median household income ($ ths)	69.4	71.2	72.9	74.9	77.1	79.1
14,158.4	14,267.6	14,359.5	14,445.3	14,500.6	14,533.8	Population (ths)	14,579.5	14,629.8	14,679.9	14,729.6	14,781.9	14,834.3
0.9	*0.8*	*0.6*	*0.6*	*0.4*	*0.2*	*% change*	*0.3*	*0.3*	*0.3*	*0.3*	*0.4*	*0.4*
28.9	18.7	0.4	-5.3	-29.3	-46.7	Net migration (ths)	-34.2	-30.6	-31.2	-31.6	-28.9	-28.3
4,238	6,447	7,270	6,823	6,637	7,061	Single-family permits (#)	7,339	9,151	9,888	11,770	12,250	11,942
17,115	25,857	30,011	67,017	27,073	34,933	Multifamily permits (#)	32,531	27,561	24,686	26,502	27,348	26,712
216.4	218.7	225.5	234.4	243.7	256.4	FHFA house price (1995Q1=100)	265.3	267.7	274.4	285.4	295.7	308.3

MOODY'S ANALYTICS / Precis® U.S. Metro / May 2018

PRÉCIS® U.S. METRO • New York-Jersey City-White Plains NY-NJ

ECONOMIC HEALTH CHECK

3-MO MA

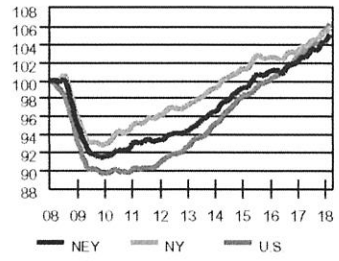
	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18
Employment, change, ths	7.3	9.2	8.1	9.3	8.6	9.1
Unemployment rate, %	4.5	4.4	4.4	4.3	4.3	4.3
Labor force participation rate, %	61.6	61.6	61.6	61.6	61.6	61.5
Employment-to-population ratio, %	58.9	58.9	58.9	58.9	58.9	58.9
Average weekly hours, #	34.1	34.1	33.9	33.9	33.9	34.0
Industrial production, 2012=100	100.9	101.8	102.1	102.5	102.9	ND
Residential permits, single-family, #	7,519	7,092	7,385	7,255	7,036	ND
Residential permits, multifamily, #	28,926	37,823	35,400	39,908	39,057	ND

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

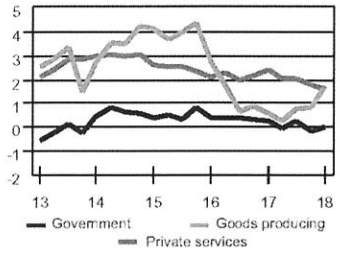
JAN 2008=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

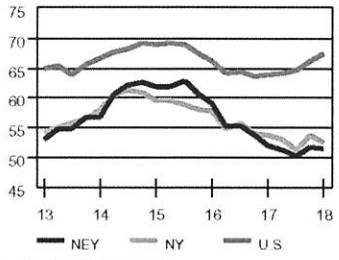
% CHANGE YR AGO, 3-MO MA

	Apr 17	Oct 17	Apr 18
Total	1.8	1.7	1.4
Mining	0.6	4.6	2.2
Construction	2.4	1.6	2.4
Manufacturing	-1.2	-1.2	-1.1
Trade	0.2	0.1	0.6
Trans/Utilities	4.1	6.6	3.4
Information	2.3	0.9	0.4
Financial Activities	0.9	1.8	1.4
Prof & Business Svcs.	2.1	1.7	1.8
Edu & Health Svcs.	3.6	3.4	3.3
Leisure & Hospitality	2.7	2.5	0.6
Other Services	0.5	0.4	1.0
Government	0.4	0.0	-0.1

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

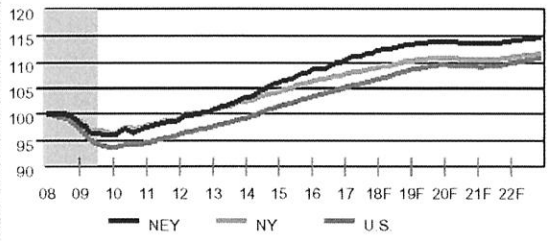
3-DIGIT NAICS LEVEL, 6-MO MA



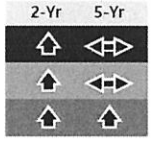
Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2008=100



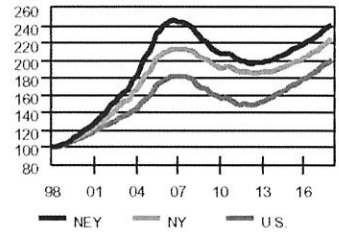
FORECAST VS. 6 MO PRIOR



Sources: BLS, Moody's Analytics

HOUSE PRICE

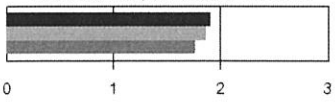
1998Q1=100, NSA



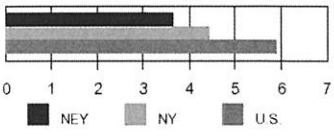
Sources: FHFA, Moody's Analytics

VACANCY RATES

HOMEOWNER, % HOUSES FOR SALE



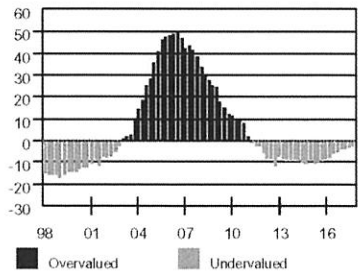
RENTAL, % INVENTORY FOR RENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

HOUSE PRICE TRENDS

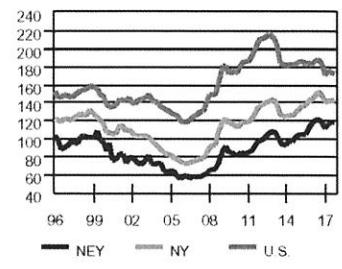
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

PRÉCIS® U.S. METRO • New York-Jersey City-White Plains NY-NJ

EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

JPMorgan Chase & Co.	37,363
Mount Sinai Medical Center	32,056
Macy's Inc.	31,200
Citibank NA	24,991
New York-Presbyterian Healthcare System	21,802
Bank of America	19,500
Continuum Health Partners Inc.	18,974
Verizon Communications	18,650
Montefiore Medical Center	18,030
NYU Langone Medical Center	17,879
New York University	16,021
Columbia University	15,601
City University of New York	13,970
Consolidated Edison Inc.	13,280
Memorial Sloan-Kettering Cancer Center	12,662
Morgan Stanley	12,500
Time Warner Inc.	10,337
Archdiocese of New York	10,265
Barclays Capital	10,000
Medisys Health Network Inc.	9,904

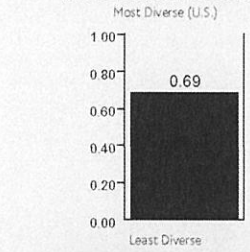
Source: nj.com, 2017

PUBLIC

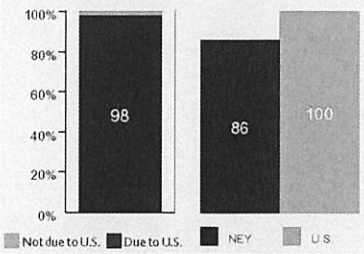
Federal	76,192
State	97,530
Local	729,821

2017

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



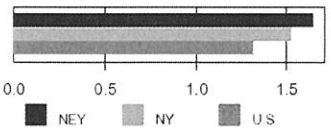
COMPARATIVE EMPLOYMENT AND INCOME

	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
Sector	NEY	NY	U.S.	NEY	NY	U.S.
Mining	0.0	0.0	0.4	$198,520	$40,309	$90,606
Construction	3.7	4.0	4.7	$86,885	$78,170	$67,379
Manufacturing	3.0	4.7	8.5	$86,037	$80,144	$80,835
Durable	*42.0*	*57.9*	*62.2*	*nd*	*$83,739*	*$83,048*
Nondurable	*58.0*	*42.1*	*37.8*	*nd*	*$75,209*	*$77,168*
Transportation/Utilities	3.7	3.1	3.9	$59,599	$59,672	$64,189
Wholesale Trade	4.0	3.6	4.0	$96,508	$90,924	$80,930
Retail Trade	9.4	9.9	10.8	$43,209	$39,582	$34,829
Information	3.5	2.8	1.9	$161,573	$152,264	$114,771
Financial Activities	8.9	7.5	5.8	$110,570	$96,915	$53,946
Prof. and Bus. Services	16.2	13.8	14.0	$100,586	$90,063	$68,173
Educ. and Health Services	20.5	21.1	15.8	$57,868	$56,706	$54,662
Leisure and Hosp. Services	9.7	9.9	11.0	$38,788	$34,783	$27,790
Other Services	4.3	4.3	3.9	$43,234	$40,601	$36,665
Government	13.0	15.2	15.2	$101,946	$99,930	$77,509

Sources: Percent of total employment — BLS, Moody's Analytics, 2017, Average annual earnings — BEA, Moody's Analytics,2016

ENTREPRENEURSHIP

EMPLOYMENT IN NEW COMPANIES, % OF TOTAL



Sources: Census Bureau, Moody's Analytics, avg 2010-2014

EXPORTS

Product	$ mil
Food and kindred products	ND
Chemicals	15,723.8
Primary metal manufacturing	6,537.4
Fabricated metal products	ND
Machinery, except electrical	ND
Computer and electronic products	9,359.1
Transportation equipment	ND
Miscellaneous manufacturing	22,898.2
Other products	31,048.1
Total	89,649.5

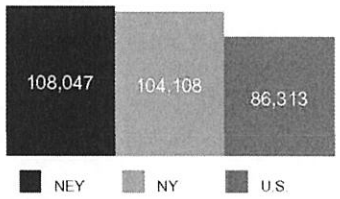
Destination	$ mil
Africa	1,154.4
Asia	36,367.4
European Union	23,480.3
Canada & Mexico	14,756.5
South America	2,840.4
Rest of world	11,050.5
Total	89,649.5

% of GDP	5.4
Rank among all metro areas	179

Sources: BEA, International Trade Administration, Moody's Analytics, 2016

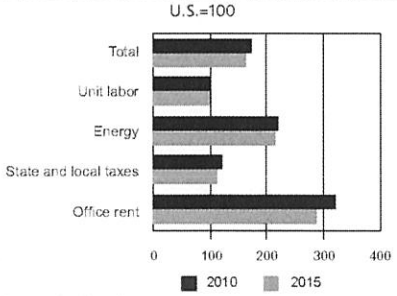
PRODUCTIVITY

REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2016

BUSINESS COSTS



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
NEY	337.1	4.8
U.S.	7,046.4	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
NEY	614.7	8.8
U.S.	13,892.2	9.5

Source: Moody's Analytics, 2017

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	6221	General medical and surgical hospitals	1.1	235.7
HIGH	5231	Sec. & comm. contracts intermed. & brokerage	5.7	117.4
HIGH	5511	Management of companies and enterprises	1.1	116.3
HIGH	6211	Offices of physicians	1.0	112.7
MID	GVL	Local Government	1.1	725.7
MID	5613	Employment services	0.9	156.0
MID	6113	Colleges, universities, and professional schools	1.8	141.2
MID	GVS	State Government	0.4	98.3
LOW	7225	Restaurants and other eating places	0.8	395.7
LOW	6216	Home health care services	2.6	162.8
LOW	6241	Individual and family services	1.5	154.4
LOW	4451	Grocery stores	1.0	120.1

Source: Moody's Analytics, 2017

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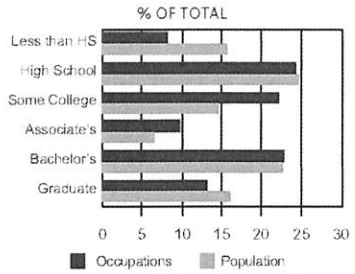
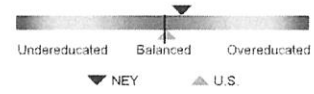
SKILLS MISMATCH





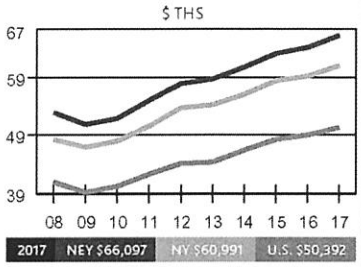
Sources: Census Bureau, ACS, Moody's Analytics, 2016

ECONOMIC DISENFRANCHISEMENT

Index	2016	Rank*
Gini coefficient	0.53	6
Palma ratio	4.2	6
Poverty rate	15.6%	161

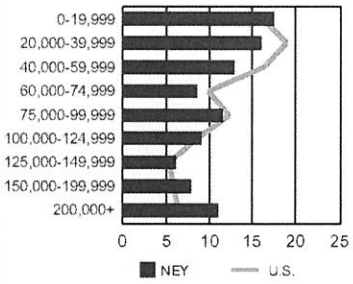
**Most unequal=1; Most equal=401*

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2016

COMMUTER FLOWS

RESIDENTS WHO WORK IN NEY

WORKERS WHO LIVE IN NEY

Top Five Outside Sources of Jobs

New York NY	Share
Newark NJ	4.1
Nassau County NY	1.9
Trenton NJ	0.5
Bridgeport CT	0.5
Dutchess County NY	0.2

Top Five Outside Sources of Workers

New York NY	Share
Newark NJ	4.4
Nassau County NY	4.3
Dutchess County NY	0.9
Bridgeport CT	0.8
Trenton NJ	0.4

Sources: Census Bureau, Moody's Analytics, avg 2009-2013

MIGRATION FLOWS

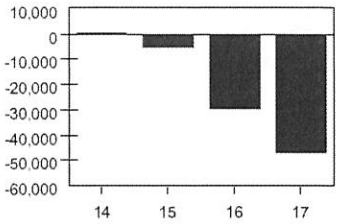
INTO NEW YORK NY

	Number of Migrants
Newark NJ	34,484
Nassau County NY	23,408
Bridgeport CT	6,119
Washington DC	5,866
Los Angeles CA	5,849
Dutchess County NY	4,044
Chicago IL	3,966
Austin TX	3,748
Philadelphia PA	3,702
Trenton NJ	3,687
Total in-migration	*231,792*

FROM NEW YORK NY

Newark NJ	47,901
Nassau County NY	39,077
Bridgeport CT	10,832
Los Angeles CA	10,404
Orlando FL	8,666
Atlanta GA	7,644
Dutchess County NY	7,255
Washington DC	6,657
Tampa FL	6,114
West Palm Beach FL	5,965
Total out-migration	*382,030*
Net migration	**-150,238**

NET MIGRATION, #

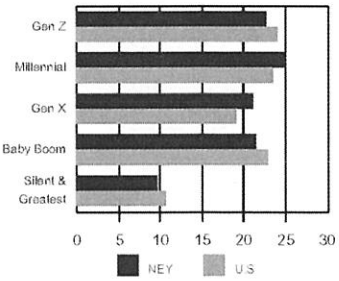


	2014	2015	2016	2017
Domestic	-120,156	-136,515	-163,690	-180,601
Foreign	120,528	131,172	134,354	133,839
Total	372	-5,343	-29,336	-46,762

Sources: IRS (top), 2016, Census Bureau, Moody's Analytics

GENERATIONAL BREAKDOWN

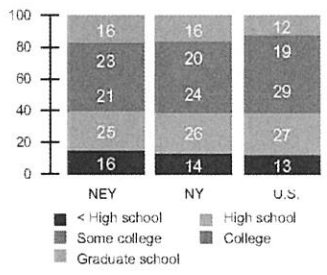
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2016

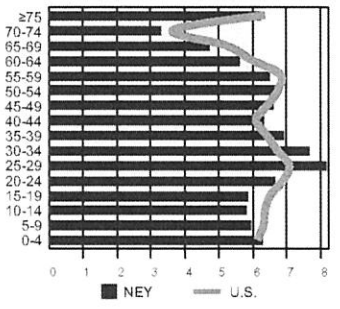
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2016

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2016

New York City Lodging Market

During the past decade, New York City has benefited from the growth of its tourism industry, which has spurred development of new hotels throughout the five boroughs. According to the New York City Department of City Planning, there were 115,532 hotel rooms across 632 hotels in the five boroughs of New York City as of April 2017, with Manhattan accounting for approximately 83 percent of the total rooms in the City. Hotel room inventory in New York City has increased by 57 percent since 2007, with the creation of more than 40,000 hotel rooms through 275 hotels. The following chart details the growth in New York City hotels and number of rooms.

New York City Hotel and Room Supply

Years	Hotels	Growth	Rooms	Growth
2007	357		73,692	
2008	381	7%	76,821	4%
2009	412	8%	81,629	6%
2010	453	10%	88,408	8%
2011	472	4%	90,969	3%
2012	494	5%	93,250	3%
2013	526	6%	98,682	6%
2014	556	6%	103,570	5%
2015	594	7%	108,441	5%
2016	623	5%	113,908	5%
2017*	632	1%	115,532	1%
CAGR		**5.9%**		**4.6%**

*Inventory as of April 2017

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Historically, most of the new hotel development occurred in Manhattan, however, the boroughs of Brooklyn and Queens have witnessed significant growth in the number of hotel rooms. Brooklyn and Queens made up approximately 16 percent of the total number of hotel rooms in New York City in 2017, compared to approximately 11 percent in 2007. The chart below details the growth in hotel room supply by borough between 2007 and 2017.

New York City Hotel Room Supply by Borough

	2007	2017*	% Change
Manhattan	64,144	95,449	48.8%
Brooklyn	1,911	5,953	211.5%
Queens	6,553	12,264	87.2%
Bronx	597	1,088	82.2%
Staten Island	487	778	59.8%
Total	73,692	115,532	56.8%

** As of April 2017*

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Hotels are classified as Use Group 5 and are permitted as-of right in the following zoning districts: C1 (except for C1-1, C1-2, C1-3 or C1-4 Districts), C27, C4, C5, C6, C8 and M1. Hotels are also permitted in Mixed-Use districts (MX) and paired M1/R districts. Outside of Manhattan, the majority of hotel development has occurred in the following submarkets: Long Island City, Jamaica, Flushing, North Brooklyn, Downtown Brooklyn, Greenpoint, Williamsburg, and Gowanus.

The aforementioned submarkets represent approximately 82 percent of all hotel rooms outside of Manhattan. These neighborhoods offer travelers ease of access to Manhattan, transportation hubs, and surrounding major business and leisure demand generators, while at the same time generally more affordable hotel rates when compared to Manhattan.

Approximately 40 percent of hotels built outside of Manhattan since 2007 have been located in M1 zones. The increasing share of new hotel development in M1 zones is primarily the result of the generally lower land costs compared to Commercial and Mixed-Use districts, and locational attributes. As exhibited by new development projects (retail, commercial, office, etc.) throughout the City, lower land cost typically attracts developers, which has benefitted various neighborhoods like Williamsburg and Long Island City. The following chart displays the percentage of hotel rooms located in M1 zones for 2017.

Percentage of Hotel Rooms by Zoning District (2017)		
	M1	Non-Manufacturing
Citywide	13.1%	86.9%
Manhattan	9.2%	90.8%
Other Boroughs	31.4%	68.6%
Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook		

The vast majority of hotels are located outside of M1 zones. It is important to note that given the lack of suitable development sites and project feasible land costs in Commercial and Mixed-Use zones, there has been a recent increase in new hotels being developed in M1 zones since 2008. The following chart details the percentage of hotel rooms built between 2008 and 2017 by zoning district.

Hotel Rooms built in 2008-2017 by Zoning District		
	M1	Non-Manufacturing
Citywide	24.2%	75.8%
Manhattan	20.1%	79.9%
Other Boroughs	36.5%	63.5%
Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook		

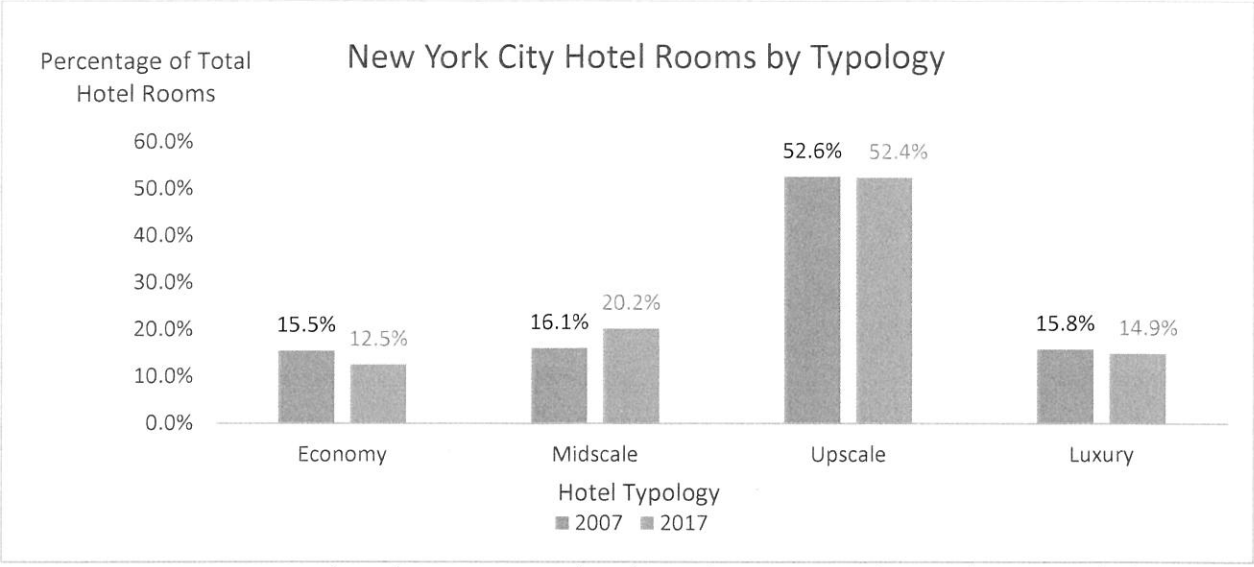
Over the ten-year period studied, there has been a growing trend of hotels being developed in M1 zones. This trend of increasing hotel development in M1 zones represents a growing shortage of feasible development sites outside of M1 zones for new hotels in New York City. According to the Department of City Planning, Commercial (excluding commercial overlays) and Mixed-Use zones represent only 4.69 percent of total lot area of New York City, while Manufacturing zones make up 13.66 percent of total lot area. However, hotel development in Manufacturing zones is currently only permitted as-of-right in M1, and not M2 or M3 zones. Approximately a dozen hotels are located in areas classified as "active" industrial areas, with the remaining hotels located in areas with moderate or no industrial activity where hotels support the existing retail, office and residential uses. Given Commercial zones are generally densely developed, there is

less opportunity for new development. As most hotel developers seek the best located development site available that is legally permissible, physically possible, and financially feasible for hotel development, the current situation suggests that many developers are turning to M1 zones due to decreasing site availability and project feasibility in other zones. If the CPC special permit is adopted, it is likely that many hotel projects will be abandoned or repurposed as a result of the longer, and uncertain entitlement process.

Per information provided by the Department of City Planning, the lot area of where hotel development is allowed as-of -right is anticipated to decrease by 45 percent, while the permitted floor area is anticipated to decrease by 25 percent under the proposed CPC special permit. However, the Department of City Planning assumes that the proposed CPC special permit would result in a shift of hotels rooms to areas where hotel development could still occur as-of-right with no significant change to the amount or type of future hotel development. This information is contrary to the data presented and is not considered to be realistic given Commercial and Mixed-Use zones represent only 4.69 percent of the total lot area of New York City and are generally densely developed.

Hotel Scale & Size

According to the Department of City Planning, upscale hotel rooms in New York City represent the majority of the inventory in 2017 with a 52.4 percent share, followed by the midscale segment with a 20.2 percent share. Over the past ten years, more than 40,000 hotel rooms have been built across all hotel room classes in New York City. The inventory of midscale hotel rooms throughout the five boroughs has experienced the largest increase, almost doubling from 11,857 rooms in 2007 to 23,301 in 2017. Further, the midscale segment is the only segment that experienced its share increase over the past decade from 16.1 percent in 2007 to 20.2 percent in 2017. It is important to note that the increase of midscale segment hotels has advocated the ability of middle-class tourists to visit New York City, whereas historically they were not able to afford the high rates. The following chart displays the percentage of hotel rooms by typology.



Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Over the past ten years, the average room count of hotels has decreased from 206 rooms to 183 rooms, representing a 11 percent decrease. This trend has been driven primarily by development of limited and select-service hotels, which typically tend to have fewer rooms than full-service hotels.

Hotel Development in New York City

New York City is the most active hotel investment and development market in the country, but also the most expensive construction market. According to the Department of City Planning - *NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook*, construction costs for hotels in Manhattan is typically around $1,100 per square foot (including $400 per square foot for land price). From reviewing our internal development budget records and speaking with local hotel developers, total development cost per gross building area in New York City typically ranges from $600 to $1,500 per square foot all-in. As a result of land being generally more available and less expensive in M1 zones, developers have found in M1 zones an opportunity to increase the feasibility of new development projects. Currently, some lenders have already stopped financing hotel projects in development, while other lenders are less likely or not willing to make loans on new hotel projects in the City until the new supply is absorbed, prompting investors to rely more on EB-5 financing for their projects. The EB-5 program enables a foreign national to receive a green card for investing a minimum of $500,000 dollars in a commercial enterprise or project. The EB-5 program has been successful with large projects such as Hudson Yards, driving foreign investment into the City. As land and construction costs continue to increase, in addition to a rapidly decreasing number of suitable development sites and decreasing availability of financing, hotel development is anticipated to decelerate and stabilize in line with historical figures.

Additionally, it is important to note that if the proposed CPC special permit is adopted, there would be an increased risk and cost associated with developing hotels as most developers would not acquire a development site for hotel development if it was uncertain that they would receive City approval for their intended project.

Hotel Pipeline

New York City hotel room inventory is expected to continuously increase over the next several years throughout the five boroughs. According to the Department of City Planning, there are 24,151 hotel rooms across 170 hotels under construction and 13,835 hotel rooms across 106 hotels in pre-construction phase in New York City for a total pipeline of 37,986 hotel rooms and 276 hotels. If all proposed hotels were to come to fruition, total hotel supply would increase by approximately 33 percent, which is in line with supply growth figures between 2007 and 2011. Projects under construction are considered relatively certain to be completed, while projects in the pre-construction phase are less likely to be completed until the hotel projects currently under construction are absorbed by the market and financing becomes more readily available.

Total Hotels Under Construction

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	14	68	20.6%	3,029	14,095	21.5%
Bronx	4	11	36.4%	267	933	28.6%
Queens	24	52	46.2%	2,336	5,173	45.2%
Brooklyn	18	36	50.0%	1,500	3,652	41.1%
Staten Island	2	3	66.7%	270	298	90.6%
New York City Total	**62**	**170**	**36.5%**	**7,402**	**24,151**	**30.6%**

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Total Hotels in Pre-Construction

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	9	34	26.5%	1,153	4,862	23.7%
Bronx	0	7	0.0%	0	586	0.0%
Queens	11	37	29.7%	1,351	5,113	26.4%
Brooklyn	10	26	38.5%	1,373	3,055	44.9%
Staten Island	1	2	50.0%	180	219	82.2%
New York City Total	**31**	**106**	**29.2%**	**4,057**	**13,835**	**29.3%**

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Total Pipeline Hotels

Market	Number of Hotels			Total Room Count		
	M1 Zones	Total	% M1 Hotel	M1 Zones	Total	% M1 Room
Manhattan	23	102	22.5%	4,182	18,957	22.1%
Bronx	4	18	22.2%	267	1,519	17.6%
Queens	35	89	39.3%	3,687	10,286	35.8%
Brooklyn	28	62	45.2%	2,873	6,707	42.8%
Staten Island	3	5	60.0%	450	517	87.0%
New York City Total	**93**	**276**	**33.7%**	**11,459**	**37,986**	**30.2%**

Source: Department of City Planning - NYC Hotel Market Analysis Existing Conditions and 10-Year Outlook

Manhattan has the largest share of hotel rooms in the pipeline with 18,957 projected rooms, followed by Queens with 10,286 rooms and Brooklyn with 6,707 rooms. Approximately 30 percent of the new hotel development in New York City is planned for M1 zones. However, given that many hotel projects under construction or in pre-construction are already being put on hold as a result of financing difficulties, we anticipate many of these projects will not be completed as hotels or will be delayed until the market absorbs the current supply under construction.

New York City Hotel Room Demand

New York City is the business and financial capital of the United States and is home to more "Fortune 500" firms than any other city in the nation. New York is also a major center of the entertainment industry and serves as one of the world's fashion capitals. Additionally, the City is one of the nation's premier tourist destinations. The principal attractions for leisure travelers include: Times Square, Central Park, Wall Street, the World Trade Center and Freedom Tower, Statue of Liberty, Central Park, Jacob K. Javits Convention Center, and the Theater District, to name a few. This high concentration of business activity and numerous leisure demand generators creates substantial hotel room night demand.

New York City is the one of most visited destinations in the world, with an estimated record-breaking 62.8 million visitors in 2017, representing a 29 percent increase since 2010. According to NYC & Company, New York City is the most popular destination in the U.S. for international travelers. Total international travelers represent 13.1 million visitors in 2017, making up 21 percent of all New York City visitors. The U.K., China, Canada, Brazil and France are the top 5 international feeder markets, accounting for approximately 36 percent of the total international travelers. Presented in the graph below, the number of international travelers has increased by 35 percent since 2010, compared to 27 percent growth for domestic travelers. Top domestic feeder markets include the States of New York (33 percent of total), New Jersey (15 percent of total), Pennsylvania (7 percent of total), Florida (5 percent of total), and Massachusetts (5 percent of total). Approximately 52 percent of domestic visitors stay overnight, and New York City is the largest domestic day-trip market in the country.

Source: NYC & Company

Leisure travelers represent approximately 49.6 million visitors in 2017, making up 79 percent of total visitors to New York City. Visiting friends and relatives as purpose of visit account for approximately 33 percent of the leisure travel. Boroughs outside of Manhattan are increasingly attractive towards leisure visitors, offering more affordable hotel rates, and ease of access to major leisure demand generators. As exhibited in the supply section of the report, all boroughs with the exception of Staten Island have experienced significant growth in terms of room supply and it is important to note that demand has kept pace with supply increases, demonstrating the strength of the New York City tourism market. Over the past several years, neighborhoods such as Williamsburg and Long Island City have experienced tremendous transformation from previous industrial areas to growing vibrant communities.

Business travel accounts for 21 percent of visitors to New York City. Nearly half of the business travel is driven by delegates and participants in trade shows or conventions. The Javits Convention Center in Manhattan is the City's largest convention center and considered a vital economic anchor for New York State, welcoming more than 2.1 million attendees, through 99 events in 2016. The Javits Convention Center is currently undergoing a major $1.5 billion expansion project that will enlarge the facility by 1.2 million square feet, amounting to a fivefold increase in meeting room space. Upon completion of the expansion in 2021, the Javits Convention Center is expected to attract at least 15 new events, generating an additional 200,000 hotel room nights per year.[5] As the MICE (Meetings, Incentives, Conferencing, Exhibitions) sector continues to increase, New York City's tourism industry is anticipated to benefit from additional demand.

[5] http://www.javitscenter.com

Visitor spending has increased by more than 50 percent since 2009, representing an average annual growth rate of 6.3 percent. According to NYC & Company, the majority of tourism spend is related to lodging (28 percent of total) and food & beverage (21 percent of total), while shopping (20 percent of total), local transportation (18 percent), and art, entertainment & recreation (12 percent of total) make up the majority of the remaining visitor spend. The following chart exhibits the historical visitor spending between 2010 and 2016.

Year	Total Direct Visitor Spending (Billions $)	% Change
2010	31.5	
2011	34.5	10%
2012	36.9	7%
2013	38.8	5%
2014	41.2	6%
2015	42.3	3%
2016	43.0	2%

Source: NYC & Company

New York City exhibits less seasonality than most markets with January and February being the relatively slowest months of the year, with citywide occupancy levels most recently in the low to mid 70's. For the remainder of the year, occupancy levels exceed 85 percent. The timing of Easter and Passover holidays in the spring can change hotel performance in Q1 by as much as three points. The summer vacation season typically generates increased domestic and international travel in Q3. Q4 is regularly the busiest travel period due to a mix of business and holiday travel.[6] The following chart exhibits monthly New York City hotel occupancy data since 2008.

New York City Seasonality												
Year	January	February	March	April	May	June	July	August	September	October	November	December
2008	74%	80%	85%	86%	89%	89%	88%	91%	85%	84%	78%	79%
2009	61%	66%	72%	83%	82%	84%	83%	86%	88%	87%	79%	83%
2010	67%	73%	84%	86%	90%	88%	85%	86%	87%	86%	82%	80%
2011	65%	69%	80%	86%	88%	87%	87%	87%	89%	89%	85%	83%
2012	69%	74%	83%	88%	88%	89%	88%	90%	88%	90%	88%	89%
2013	76%	78%	86%	87%	89%	88%	88%	90%	89%	90%	85%	86%
2014	73%	75%	83%	89%	92%	91%	88%	91%	90%	90%	85%	87%
2015	69%	76%	84%	88%	90%	91%	90%	88%	90%	90%	84%	86%
2016	70%	76%	85%	87%	89%	90%	90%	89%	91%	89%	88%	88%
2017	72%	76%	85%	89%	89%	91%	91%	90%	91%	91%	88%	89%

Source: Smith Travel Research

Overall, the New York City lodging market has benefited from the City's strong economic base and numerous leisure attractions. While hotel supply has increased on an annual basis since 2000, hotel demand has exceeded supply additions with the exception of five of the last 18 years. Despite the significant influx of new hotel rooms since 2010, occupancy levels only experienced a slight decrease in 2015, exhibiting the strength of the New York City market and its ability to absorb new supply. However, it is important to note that increased competition from new supply

[6] NYC & Company

has resulted in downward ADR pressure since 2015, decreasing profits to hotel owners and financing of new hotel projects. The following chart exhibits hotel metrics for New York City. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered representative of the overall hotel market.

New York City										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2000	18,887,525		15,716,905		83.2%		$223.44		$185.93	
2001	19,741,989	4.52%	14,655,100	-6.76%	74.2%	-10.79%	$196.48	-12.07%	$145.85	-21.56%
2002	20,446,698	3.57%	15,325,940	4.58%	75.0%	0.97%	$185.77	-5.45%	$139.24	-4.53%
2003	20,978,071	2.60%	15,890,708	3.69%	75.7%	1.06%	$181.09	-2.52%	$137.17	-1.49%
2004	21,032,853	0.26%	17,284,282	8.77%	82.2%	8.49%	$200.83	10.90%	$165.03	20.31%
2005	21,084,350	0.24%	17,789,637	2.92%	84.4%	2.67%	$233.16	16.10%	$196.72	19.20%
2006	21,267,450	0.87%	17,902,758	0.64%	84.2%	-0.23%	$264.17	13.30%	$222.38	13.04%
2007	21,919,494	3.07%	18,694,364	4.42%	85.3%	1.32%	$292.79	10.83%	$249.71	12.29%
2008	22,668,279	3.42%	19,033,734	1.82%	84.0%	-1.55%	$297.75	1.69%	$250.01	0.12%
2009	24,124,211	6.42%	19,235,139	1.06%	79.7%	-5.04%	$229.90	-22.79%	$183.31	-26.68%
2010	25,568,548	5.99%	21,198,951	10.21%	82.9%	3.98%	$247.31	7.57%	$205.05	11.86%
2011	27,577,450	7.86%	22,881,215	7.94%	83.0%	0.07%	$260.77	5.44%	$216.36	5.52%
2012	28,397,405	2.97%	24,254,994	6.00%	85.4%	2.94%	$267.77	2.69%	$228.71	5.71%
2013	29,491,571	3.85%	25,356,096	4.54%	86.0%	0.66%	$275.43	2.86%	$236.81	3.54%
2014	31,486,032	6.76%	27,169,940	7.15%	86.3%	0.37%	$278.98	1.29%	$240.74	1.66%
2015	32,729,527	3.95%	28,035,427	3.19%	85.7%	-0.73%	$272.82	-2.21%	$233.69	-2.93%
2016	34,643,495	5.85%	29,821,960	6.37%	86.1%	0.50%	$264.75	-2.96%	$227.90	-2.48%
2017	36,752,680	6.09%	31,929,340	7.07%	86.9%	0.92%	$260.42	-1.63%	$226.24	-0.73%
CAGR (2000-2017)		***3.99%***		***4.26%***		***0.25%***		***0.90%***		***1.16%***
Source: Smith Travel Research										

Right to Shelter

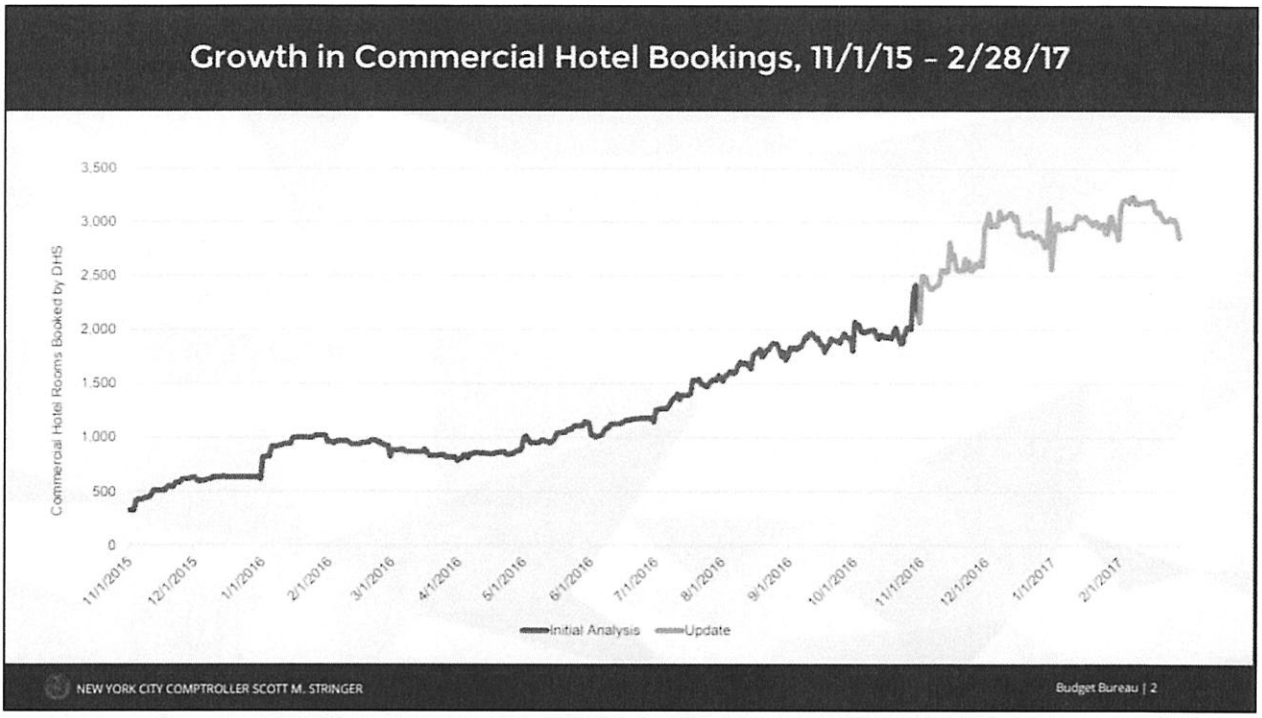
In 1979, the case Callahan v. Carey, established that all homeless individuals have the right to emergency shelter. After the case was settled in 1981, the City and State of New York have been obligated to provide emergency shelter for individuals who are homeless by reason of poverty or due to mental, physical, or social dysfunction, making New York the only city in the United States required to provide shelter to every homeless person. Since then, the homeless population in New York City has increased drastically, with a record-level of 60,903 homeless individuals as January of 2018, a 95 percent increase since 2002.[7] Homeless individuals and families are typically housed in shelters, cluster apartments, and commercial hotels. In Pitts v. Black, the case mandated that homeless people in New York should be permitted to register to vote even if they reside in shelters or on the streets. As a result, the homeless population has increasingly become an important political topic for politicians.

[7] NYC Department of Homeless Services

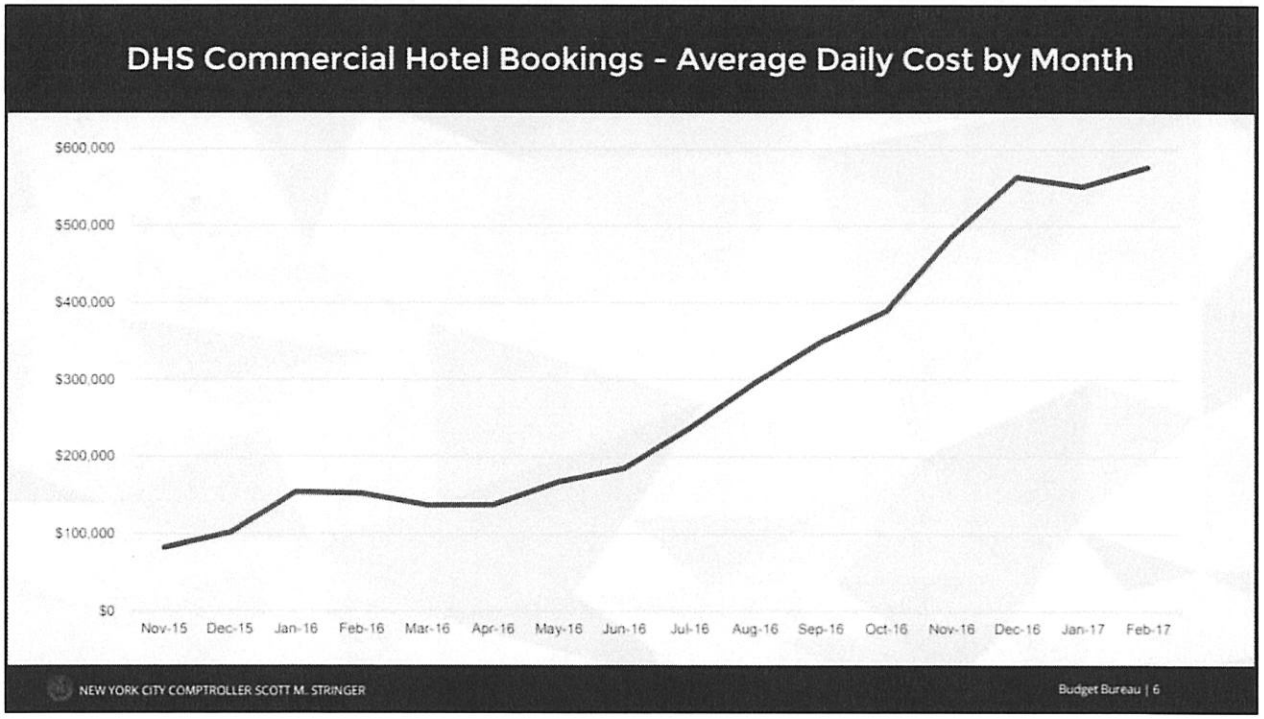
The following exhibit presents homeless population figures provided by the Department of Homeless Services (DHS).

Date of Census	Total Individuals	% Change
2013	50,370	
2014	57,941	15%
2015	57,338	-1%
2016	59,644	4%
2017	59,933	0%
1/29/2018	60,903	2%
Source: Department of Homeless Services		

According to the New York City Comptroller, the homeless population housed specifically in commercial hotels was 7,790 as of February 28, 2017, which represents a 32.5 percent increase from October 31, 2016. Most recent figures put the number of homeless being housed in commercial hotels significantly greater at approximately 11,000. During the four-month period between October 31, 2016 and February 28, 2017 approximately 347,000 hotel rooms were booked and the total cost to tax payers was $65.2 million. On an annual basis, the cost of housing the homeless in commercial hotels is over $100 million. Additionally, the City has foregone over $8 million in taxes and fees from commercial hotels. The highest room rate between October 31, 2016 and February 28, 2017 was $549 per night at a hotel near Times Square, which the DHS booked a block of 10 rooms. During the same time, there was a total of 162 rooms booked for $400 per night or higher in five Manhattan hotels. The average daily cost for commercial hotel bookings has increased by approximately 600 percent, increasing from $82,214 in November of 2015 to $576,203 in February of 2017. The average room rate as of February 2017 was approximately $185, which equate to a monthly rent of $5,550 (assuming 30 days). The following charts exhibit historical figures relating to DHS's use of commercial hotels.

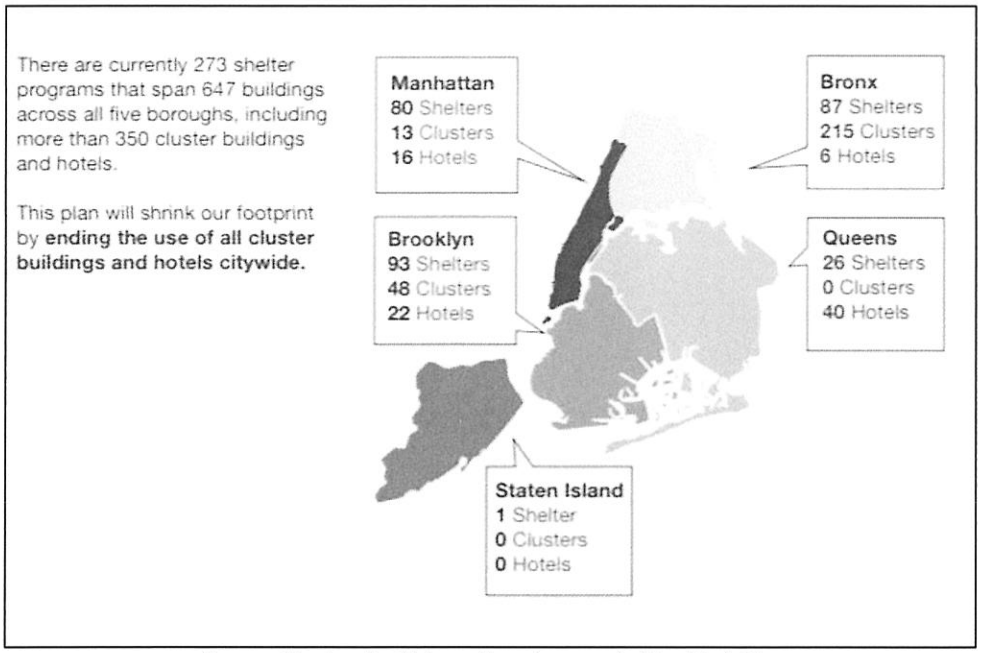


Source: New York City Comptroller – DHS Commercial Hotel Update 11/1/16 – 2/28/2017



Source: New York City Comptroller – DHS Commercial Hotel Update 11/1/16 – 2/28/2017

The following exhibit displays the location and number of homeless facilities in New York City as of February 2017.



Source: Turning the Tide on Homelessness in New York City

In February of 2017, Mayor Bill de Blasio announced his "Turning the Tide on Homelessness" plan which intends to create 90 new shelters over the next five years, and to end the use of cluster and commercial hotels as homeless shelters by 2023. It is important to note that the City has been contracting with various organizations to convert commercial hotels into homeless shelters. The Hotel Chandler, located in Manhattan, was recently converted to a homeless shelter in 2018 with 170 units housing at least 340 individuals. Additional hotels reported to be currently or will be converted to homeless shelter include the Fairfield Inn New York Long Island City, City View Inn, Holiday Inn Express Queens Maspeth, and Park Savoy, to name a few. According to several market participants, the City plans to acquire additional hotels through city contracts for the purpose of converting them to homeless shelters.

Overall, the trend of the City removing hotel room inventory from the current supply is anticipated to mitigate possible negative effects of the proposed hotel supply anticipated to enter the market. It is important to note that while Mayor Bill de Blasio proclaims to end the use of commercial hotels to house the homeless, hotel developers that contract with the City of New York or organizations under contract with the City to house the homeless in their hotels will be exempt from the CPC special permit restricting new hotel development in M1 zones, which is contradictory. It appears that if the proposed CPC special permit is adopted, the number of homeless housed in hotels is sure to increase, along with the tax burden to New York City residents.

Manhattan Hotel Market

Manhattan is the business and tourism center of New York City, with the largest and most diverse lodging market of any of the boroughs. With over 96,000 rooms, the majority of hotels are classified as upscale or luxury. The various distinct lodging submarkets within Manhattan benefit from their own unique demand generators. Primary submarkets include Harlem, Upper East Side, Upper West Side, Midtown, Garment, Flatiron, SoHo, Lower East Side, and Financial District. The following chart exhibits hotel metrics for Manhattan. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Manhattan										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2008	20,195,456		17,083,791		84.6%		$313.79		$265.44	
2009	21,403,517	5.98%	17,257,578	1.02%	80.6%	-4.68%	$241.33	-23.09%	$194.58	-26.69%
2010	22,431,682	4.80%	18,789,250	8.88%	83.8%	3.89%	$262.00	8.57%	$219.46	12.78%
2011	24,125,578	7.55%	20,245,024	7.75%	83.9%	0.18%	$276.88	5.68%	$232.35	5.87%
2012	24,662,707	2.23%	21,246,571	4.95%	86.1%	2.66%	$284.46	2.74%	$245.06	5.47%
2013	25,492,896	3.37%	22,088,364	3.96%	86.6%	0.58%	$293.20	3.07%	$254.04	3.66%
2014	27,151,233	6.51%	23,690,540	7.25%	87.3%	0.70%	$297.69	1.53%	$259.75	2.25%
2015	28,051,949	3.32%	24,206,242	2.18%	86.3%	-1.10%	$291.57	-2.06%	$251.60	-3.14%
2016	29,473,852	5.07%	25,565,790	5.62%	86.7%	0.52%	$282.47	-3.12%	$245.01	-2.62%
2017	30,846,159	4.66%	27,004,779	5.63%	87.5%	0.93%	$277.67	-1.70%	$243.09	-0.79%
CAGR (2008-2017)		***4.82%***		***5.22%***		***0.38%***		***-1.35%***		***-0.97%***
Source: Smith Travel Research										

Given Manhattan represents the majority of the New York City hotel market, occupancy and ADR trends are in line with the overall City with demand increases typically surpassing supply additions and ADR exhibiting a negative trend since 2015. It is important to note that between 2008 and 2017 occupancy has only decreased twice, once during the economic recession in 2009 and again in 2015 by only one point.

Queens Hotel Market

Queens is the second largest hotel market of the five boroughs with over 12,000 rooms. The majority of the Queens room inventory is classified as midscale. While JFK and LaGuardia Airports continue to be the primary demand generator for the borough, the neighborhoods of Long Island City, Flushing, and Jamaica have become important commercial centers, creating new hotel markets. The following chart exhibits hotel metrics for Queens. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Queens										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2008	1,930,057		1,520,176		78.8%		$150.17		$118.28	
2009	2,140,517	10.90%	1,567,625	3.12%	73.2%	-7.02%	$122.69	-18.30%	$89.85	-24.04%
2010	2,382,482	11.30%	1,881,215	20.00%	79.0%	7.82%	$126.90	3.43%	$100.20	11.52%
2011	2,420,073	1.58%	1,877,311	-0.21%	77.6%	-1.76%	$130.78	3.06%	$101.45	1.25%
2012	2,562,344	5.88%	2,064,812	9.99%	80.6%	3.88%	$141.60	8.28%	$114.11	12.48%
2013	2,762,027	7.79%	2,260,416	9.47%	81.8%	1.56%	$146.60	3.53%	$119.97	5.14%
2014	3,061,044	10.83%	2,474,364	9.46%	80.8%	-1.23%	$143.47	-2.14%	$115.97	-3.34%
2015	3,258,325	6.44%	2,713,275	9.66%	83.3%	3.02%	$147.17	2.58%	$122.55	5.68%
2016	3,443,474	5.68%	2,916,199	7.48%	84.7%	1.70%	$150.68	2.38%	$127.61	4.12%
2017	3,724,098	8.15%	3,174,789	8.87%	85.2%	0.66%	$157.49	4.52%	$134.26	5.21%
CAGR (2008-2017)		***7.58%***		***8.53%***		***0.88%***		***0.53%***		***1.42%***
Source: Smith Travel Research										

Despite the significant increases in hotel supply, occupancy levels have continued to break new records, achieving approximately 85 percent occupancy in 2017. Unlike the citywide metrics, ADR has experienced increases since 2015 given the higher quality hotels being added to the market and the impact of DHS contracts.

Brooklyn Hotel Market

Brooklyn is the third largest hotel market of the five boroughs with over 6,000 rooms. The majority of the Brooklyn room inventory is classified as upscale. Downtown Brooklyn has the largest central business district outside of Manhattan. Benefitting from its accessibility to Manhattan, Brooklyn has experienced tremendous development over the past decade and has become a tourist destination of its own with popular neighborhoods of Williamsburg, Greenpoint, Red Hook, Gowanus, and Downtown Brooklyn, to name a few. The following chart exhibits hotel metrics for Brooklyn. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Brooklyn										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2011	864,859	-	658,748	-	76.2%	-	$171.75	-	$130.82	-
2012	1,000,464	15.68%	821,910	24.77%	82.2%	7.86%	$184.36	7.34%	$151.46	15.78%
2013	1,041,710	4.12%	858,934	4.50%	82.5%	0.37%	$191.60	3.92%	$157.98	4.30%
2014	1,063,085	2.05%	879,076	2.34%	82.7%	0.29%	$188.73	-1.49%	$156.07	-1.21%
2015	1,157,159	8.85%	937,224	6.61%	81.0%	-2.05%	$187.86	-0.46%	$152.16	-2.50%
2016	1,441,810	24.60%	1,133,494	20.94%	78.6%	-2.94%	$184.86	-1.60%	$145.33	-4.49%
2017	1,812,001	25.68%	1,485,014	31.01%	82.0%	4.25%	$189.81	2.68%	$155.56	7.04%
CAGR (2011-2017)		***13.12%***		***14.51%***		***1.23%***		***1.68%***		***2.93%***
Source: Smith Travel Research										

Demand has for the most part kept up with supply increases with the exception of 2015 and 2016. In 2017, demand surpassed the 25.68 percent increase in supply, the largest percentage increase during the period studied, resulting in occupancy growth of 4.25 percent and ending the

year at 82.0 percent. ADR has fluctuated between 2011 and 2017, and exhibited growth of 2.68 percent in 2017 despite the 25.68 percent increase in supply.

Bronx Hotel Market

The Bronx is the fourth largest hotel market of the five boroughs with approximately 1,000 rooms. The majority of the Bronx room inventory is classified as economy. Most of the hotel demand is generated as a result of its proximity to Manhattan, Yankee Stadium, nearby colleges, and business parks located in Westchester County.

The following chart exhibits hotel metrics for the Bronx. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market. Additionally, please note that there is limited historical data available as a result of the Smith Travel Research report requirements.

Bronx										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2016	155,243		118,477		76.3%		$170.27		$129.95	
2017	194,095	25.03%	149,969	26.58%	77.3%	1.24%	$171.62	0.79%	$132.60	2.04%
Source: Smith Travel Research										

Similar to the aforementioned boroughs, demand surpassed supply growth in 2017. Occupancy ended 2017 at approximately 77 percent. Despite a supply increase of over 25 percent, ADR exhibited positive growth as well.

Staten Island Hotel Market

Staten Island has the smallest hotel market within New York City with fewer than 800 rooms. Given its distance from Manhattan and lack of public transportation, Staten Island is more of a standalone market compared to the other boroughs. The majority of the Staten Island room inventory is classified as economy. Hotel demand is generated as a result of its proximity to Manhattan, Newark International Airport, and businesses located within the borough and New Jersey. Please note that we have utilized data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of the hotel market.

Staten Island										
Year	*Supply*	*% Change*	*Demand*	*% Change*	*Occupancy*	*% Change*	*ADR*	*% Change*	*RevPAR*	*% Change*
2011	186,285	-	126,389	-	67.8%	-	$115.46	-	$78.34	-
2012	191,235	2.66%	144,474	14.31%	75.5%	11.35%	$127.36	10.30%	$96.21	22.82%
2013	205,495	7.46%	166,486	15.24%	81.0%	7.24%	$139.57	9.59%	$113.08	17.53%
2014	205,495	0.00%	136,717	-17.88%	66.5%	-17.88%	$126.22	-9.57%	$83.97	-25.74%
2015	205,495	0.00%	141,805	3.72%	69.0%	3.72%	$128.24	1.61%	$88.50	5.39%
2016	205,495	0.00%	150,353	6.03%	73.2%	6.03%	$128.14	-0.08%	$93.76	5.95%
2017	205,495	0.00%	150,994	0.43%	73.5%	0.43%	$125.26	-2.25%	$92.04	-1.83%
CAGR		***1.65%***		***3.01%***		***1.34%***		***1.37%***		***2.72%***
Source: Smith Travel Research										

Distinct from the rest of the City, Staten Island has experienced limited supply growth over the past several years. Demand has exhibit growth annually with the exception of 2014, when demand generated as a result of Hurricane Sandy left the area. ADR growth has been limited exhibiting a compound annual growth rate of 1.37 percent.

New York City Hotel Market Projections

The following analyses summarizes our conclusions by borough and citywide assuming the CPC special permit is not adopted. We have projected hotel supply based on pipeline data provided by Smith Travel Research, as well as historical supply figures for the later projection years. We have assumed that following the completion of the current hotel pipeline supply growth would return to a more organic rate in line with historical figures/averages. Based on the exhibited statistical significance, we have projected Manhattan, Queens, and Brooklyn hotel demand via statistical regression analyses utilizing borough GDP data (historical + forecast) provided by Moody's Analytics. Bronx and Staten Island hotel demand were projected in line with Moody's Analytics projected GDP growth by borough. Average daily rate (ADR) was projected by borough based on historical trends and CPI.

In these analyses, the dependent variable (hotel demand) is predicted by an independent variable (GDP). We have performed multiple regression analyses using several variables and concluded that GDP represents a strong predictor for hotel demand.

We have provided below a short description of the key terminology described within the regression analyses in order for the reader to better understand the conclusions.

R-squared ranges from 0 to 1 (0% to 100%), and the closer the R-squared is to 1, the more "goodness of fit" a model has. Measures of goodness of fit typically summarize the discrepancy between observed values and the values anticipated in the model. The R-squared coefficient of determination is a statistical measure of how well the regression line approximates the actual data points. An R-squared of 1 indicates that the regression line perfectly fits the data. Therefore, if the R-squared for "Hotel Demand vs. GDP" were 100%, then it could be deduced that hotel demand is completely tied to GDP without any influence from other factors.

When a hypothesis test in statistics is performed, a p-value helps to determine the significance of the results. Hypothesis tests are used to test the validity of a claim that is made about a population. This claim being tested is called the null hypothesis. The alternative hypothesis is the hypothesis believed if the null hypothesis is determined to be untrue. All hypothesis tests eventually use a p-value to weigh the strength of the evidence. The p-value is a number between 0 and 1 and interpreted in the following way:

- A small p-value (typically ≤ 0.05) indicates strong evidence against the null hypothesis, so the null hypothesis can be rejected.

- A large p-value (> 0.05) indicates weak evidence against the null hypothesis, so the null hypothesis fails to be rejected.

The t-stat measures the size of the difference relative to the variation in the sample data. The greater the magnitude of t (it can be either positive or negative), the more likely the null hypothesis is untrue. The closer t is to 0, the more likely the null hypothesis is true.

Regression analysis is one of the statistical techniques that we have employed in this report. This type of analysis attempts to explore and model the relationship between hotel demand and GDP, and provide information that is useful to identify significant factors in an experiment and examine the relationship between these factors and the response. Additionally, it is important to that we have spoken with several professionals knowledgeable about this subject in order to confirm our methodology.

The following charts display historical market information and our forecasts citywide and by borough. Please note that we have utilized historical data provided by Smith Travel Research which may be different from data presented by NYC & Company and other sources, but is considered to be representative of each borough.

Citywide

	2015*	2016	2017	Proj. 2028
Supply	32,672,928	34,719,874	36,781,848	59,212,283
Demand	27,998,546	29,884,313	31,965,545	51,338,384
Occupancy	86%	86%	87%	87%
ADR	$273	$265	$260	$310
RevPAR	$234	$228	$226	$269

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projections based on aggregate of individual borough analyses.

3) Demand projections based on aggregate of individual borough analyses.

4) ADR projections based on individual borough analyses.

**Does not include Bronx data as a result of limited historical information.*

Manhattan

	2015	2016	2017	Proj. 2028
Supply	28,051,949	29,473,852	30,846,159	45,115,384
Demand	24,206,242	25,565,790	27,004,779	39,474,058
Occupancy	86%	87%	88%	87%
ADR	$292	$282	$278	$341
RevPAR	$252	$245	$243	$299

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Manhattan historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 90.8%; P-Value < 1%; T-Stat > 9; Significance F < 1%.

4) ADR has been forecasted based on historical trends.

Queens

	2015	2016	2017	Proj. 2028
Supply	3,258,325	3,443,474	3,724,098	9,126,678
Demand	2,713,275	2,916,199	3,174,789	7,797,096
Occupancy	83%	85%	85%	85%
ADR	$147	$151	$157	$207
RevPAR	$123	$128	$134	$177

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Queens historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 98.3%; P-Value < 1%; T-Stat > 22; Significance F < 1%.

4) ADR has been forecasted based on historical trends.

Brooklyn				
	2015	2016	2017	Proj. 2028
Supply	1,157,159	1,441,810	1,812,001	3,283,356
Demand	937,224	1,133,494	1,485,014	2,790,395
Occupancy	81%	79%	82%	85%
ADR	$188	$185	$190	$217
RevPAR	$152	$145	$156	$184

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand projected via a statistical regression analysis based on Brooklyn historical and forecasted Gross Domestic Product (GDP) data provided by Moody's Analytics. Adj. R^2 - 74.7%; P-Value < 1%; T-Stat > 4; Significance F < 1%.

4) ADR has been forecasted based on historical trends and CPI.

Bronx			
	2016	2017	Proj. 2028
Supply	155,243	194,095	1,289,745
Demand	118,477	149,969	985,184
Occupancy	76%	77%	76%
ADR	$170	$172	$197
RevPAR	$130	$133	$151

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand has been projected in line with forecasted Gross Domestic Product growth provided by Moody's Analytics.

4) ADR has been forecasted based on historical trends and CPI.

Staten Island				
	2015	2016	2017	Proj. 2028
Supply	205,495	205,495	205,495	397,120
Demand	141,805	150,353	150,994	291,650
Occupancy	69%	73%	73%	73%
ADR	$128	$128	$125	$142
RevPAR	$88	$94	$92	$105

Notes: 1) Historical figures provided by Smith Travel Research.

2) Supply projected utilizing Smith Travel Research NYC Pipeline Report and historical figures.

3) Demand has been projected in line with forecasted Gross Domestic Product growth provided by Moody's Analytics.

4) ADR has been forecasted based on historical trends and CPI.

Overall, supply is anticipated to increase on an annual basis with demand keeping up with supply additions, resulting in the New York City lodging market continuing to remain healthy with occupancy levels stabilizing in line with 2017 figures and ADR exhibiting moderate growth. Historically, supply increased by a compound annual growth rate of 5.8 percent between 2008 and 2017. We have projected supply to increase by a compound annual growth rate of 4.0 percent between 2018 and 2028. Demand historically increased by a compound annual growth rate of 6.2 percent between 2008 and 2017 and we projected demand to increase by a compound annual growth rate of 4.6 percent between 2018 and 2028. ADR is projected to exhibit moderate growth with a compound annual growth rate of 2.0 percent between 2018 and 2028. All things considered, we anticipate for New York City occupancy and ADR to achieve 87 percent and $310 in 2028, respectively.

The analyses presented above is based upon assumptions and estimates that are subject to uncertainty and variation. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved results to differ from the analyses contained above and these differences may be

material. Therefore, while our analysis was conscientiously prepared based on our experience and the best data available, we make no warranty that the conclusions presented will, in fact, be achieved.

Tourism Economic Impact Analysis

The following study analyzes the economic and social impact of the tourism industry on the New York City economy. The historical data presented in this analysis was collected from NYC & Company. Additionally, we have utilized data provided by the NYC Independent Budget Office (IBO) in order to better understand which government functions local tax revenues typically support. The following chart exhibits historical figures relating to the social and economic impact generated by tourism.

Year	Estimated Economic Impact (Billions $)	Total Direct Visitor Spending (Billions $)	Total NYC Jobs Supported by Visitor Spending	Total Income Compensation (Billions $)	Avg. Income Compensation	Total Taxes Generated by Travel and Tourism (Billions $)
2010	N/A	$31.5	310,156	$17.3	$55,778	$8.1
2011	N/A	$34.5	324,605	$18.6	$57,300	$8.8
2012	N/A	$36.9	339,303	$19.7	$58,060	$9.3
2013	N/A	$38.8	348,157	$20.6	$59,169	$9.7
2014	N/A	$41.2	362,085	$22.5	$62,140	$10.5
2015	$62.9	$42.3	375,268	$23.6	$62,888	$11.1
2016	$64.3	$43.0	383,385	$24.7	$64,426	$11.5
Total Gain 2010 - 2016		**$11.5**	**73,229**	**$7.4**	**$8,648**	**$3.4**
CAGR (2010 - 2016)	**2.2% (2015 - 2016)**	**5.3%**	**3.6%**	**6.1%**	**2.4%**	**6.0%**

Source: NYC & Company

According to NYC & Company, the City's tourism industry generated $64.3 billion in total economic impact in 2016, which represents a 2.2 percent increase over 2015 figures. Total direct visitor spending increased by $11.5 billion between 2010 and 2016, representing an annual growth rate of 5.3 percent. The tourism industry supported 1 in 11 jobs in New York City during 2016, which equates to 8.8 percent of all payroll employment. In 2016, the tourism industry supported a total 383,385 jobs, of which 291,084 were generated directly from the tourism industry, making tourism the sixth largest industry in New York City. Tourism has historically been one of the fastest growing industries in terms of overall employment for New York City, providing jobs to low-skilled workers. Approximately 92,301 jobs are supported indirectly by the tourism industry, which include real estate, professional and business services, information, finance, and education. The tourism industry gained approximately 73,229 jobs between 2010 and 2016. Wages and salaries increased to $24.7 billion in 2016, representing a 4.8 percent increase from the previous year and a 43 percent increase from 2010 levels. The New York City tourism industry generated approximately $11.5 billion in tax revenue in 2016, consisting of approximately $4.2 billion in local taxes, $1.8 billion in State taxes, and $5.5 billion in Federal taxes. Total taxes increased by 3.8 percent in 2016 from the previous year. An additional $3.4 billion in taxes has been generated since 2010. Overall, the tourism industry has consistently provided increasing economic and social benefits to the City on an annual basis.

The following chart exhibits historical and projected social and economic figures. We have projected the economic indicators in line with historical growth rates.

Year	Estimated Economic Impact (Billions $)	Total Direct Visitor Spending (Billions $)	Total NYC Jobs Supported by Visitor Spending	Total Income Compensation (Billions $)	Avg. Income Compensation	Total Taxes Generated by Travel and Tourism (Billions $)
2010	N/A	$31.5	310,156	$17.3	$55,778	$8.1
2011	N/A	$34.5	324,605	$18.6	$57,300	$8.8
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2013	N/A	$38.8	348,157	$20.6	$59,169	$9.7
2014	N/A	$41.2	362,085	$22.5	$62,140	$10.5
2015	$62.9	$42.3	375,268	$23.6	$62,888	$11.1
2016	$64.3	$43.0	383,385	$24.7	$64,426	$11.5
2017	$67.7	$45.3	397,171	$26.2	$65,992	$12.2
2018	$71.3	$47.7	411,453	$27.8	$67,597	$12.9
2019	$75.1	$50.2	426,248	$29.5	$69,240	$13.7
2020	$79.1	$52.9	441,576	$31.3	$70,924	$14.5
2021	$83.3	$55.7	457,454	$33.2	$72,648	$15.4
2022	$87.8	$58.7	473,904	$35.3	$74,415	$16.3
2023	$92.4	$61.8	490,945	$37.4	$76,224	$17.3
2024	$97.4	$65.1	508,598	$39.7	$78,077	$18.4
2025	$102.6	$68.6	526,887	$42.1	$79,975	$19.5
2026	$108.0	$72.2	545,833	$44.7	$81,920	$20.6
2027	$113.8	$76.1	565,461	$47.4	$83,911	$21.9
2028	$119.8	$80.1	585,794	$50.3	$85,952	$23.2
Total Gain 2016 - 2028	$55.5	$37.1	202,409	$25.6	$21,525	$11.7
CAGR (2016 - 2028)	**5.3%**	**5.3%**	**3.6%**	**6.1%**	**2.4%**	**6.0%**

Source: NYC & Company

We have utilized the respective compound annual growth rate between 2010 and 2016 for each indicator to forecast future figures. Our projections assume that there are no major adverse social, economic, governmental, and environmental changes to the New York City tourism industry. Tourism-related economic impact is anticipated to exceed $119 billion in 2028, which represents a gain of $55.5 billion over 2016 figures. Total direct visitor spending is anticipated to increase by $37.1 billion between 2016 and 2028. An additional 202,409 jobs are anticipated to be supported by the tourism industry by 2028, with average wages increasing by approximately $21,500 from 2016 figures. Total taxes are anticipated to generate $23.2 billion revenues in 2028, representing an increase of $11.7 billion from 2016 figures.

The table below exhibits the possible economic loss scenarios associated with an adverse change to the current trend.

Potential Economic Loss								
% Loss of 2016 - 2028 Gain	Estimated Economic Impact (Billions $)	Change (Billions $)	Total Direct Visitor Spending (Billions $)	Change (Billions $)	Total Income Compensation (Billions $)	Change (Billions $)	Total Taxes Generated by Travel and Tourism (Billions $)	Change (Billions $)
0%	$55.5		$37.1		$25.6		$11.7	
5%	$52.7	-$2.8	$35.3	-$1.9	$24.4	-$1.3	$11.1	-$0.6
10%	$50.0	-$5.6	$33.4	-$3.7	$23.1	-$2.6	$10.5	-$1.2
15%	$47.2	-$8.3	$31.6	-$5.6	$21.8	-$3.8	$9.9	-$1.8
20%	$44.4	-$11.1	$29.7	-$7.4	$20.5	-$5.1	$9.3	-$2.3
25%	$41.6	-$13.9	$27.8	-$9.3	$19.2	-$6.4	$8.8	-$2.9
30%	$38.9	-$16.7	$26.0	-$11.1	$18.0	-$7.7	$8.2	-$3.5
35%	$36.1	-$19.4	$24.1	-$13.0	$16.7	-$9.0	$7.6	-$4.1
40%	$33.3	-$22.2	$22.3	-$14.9	$15.4	-$10.3	$7.0	-$4.7
45%	$30.5	-$25.0	$20.4	-$16.7	$14.1	-$11.5	$6.4	-$5.3
50%	$27.8	-$27.8	$18.6	-$18.6	$12.8	-$12.8	$5.8	-$5.8

While the extent of the possible negative impact of the proposed CPC special permit restricting new hotel development in M1 zones was not explicitly forecasted, we have presented possible economic loss scenarios from the current trend based on percentage decreases in overall

economic impact. While there are many factors that could negatively impact the tourism industry, we believe that restricting future hotel development is one major factor that would contribute to economic loss for New York City and its residents.

Employment Impact

The chart presented below exhibits possible job loss scenarios from the current trend based on percentage decreases.

Potential Employment Loss		
% Loss	Total NYC Jobs Supported by Visitor Spending	Change (Jobs)
0%	202,409	
5%	192,289	-10,120
10%	182,168	-20,241
15%	172,048	-30,361
20%	161,927	-40,482
25%	151,807	-50,602
30%	141,686	-60,723
35%	131,566	-70,843
40%	121,445	-80,964
45%	111,325	-91,084
50%	101,205	-101,205

As exhibited above, a 10 percent decrease would result in the loss of approximately 20,000 jobs. Overall, New York City tourism industry jobs are anticipated to be adversely impacted if less hotels are built as a result of the proposed zoning change.

Visitor Expenditure Impact

Utilizing data provided by NYC & Company, the following chart exhibits historical direct visitor spending figures.

Total Direct Visitor Spending (Thousands $)							
Year	Lodging	Food & Beverage	Shopping	Local Transportation	Arts, Entertainment & Recreation	Misc.	Change
2010	$8,820,000	$6,615,000	$6,300,000	$5,670,000	$3,780,000	$315,000	
2011	$9,660,000	$7,245,000	$6,900,000	$6,210,000	$4,140,000	$345,000	$3,000,000
2012	$10,332,000	$7,749,000	$7,380,000	$6,642,000	$4,428,000	$369,000	$2,400,000
2013	$10,864,000	$8,148,000	$7,760,000	$6,984,000	$4,656,000	$388,000	$1,900,000
2014	$11,536,000	$8,652,000	$8,240,000	$7,416,000	$4,944,000	$412,000	$2,400,000
2015	$11,844,000	$8,883,000	$8,460,000	$7,614,000	$5,076,000	$423,000	$1,100,000
2016	$12,040,000	$9,030,000	$8,600,000	$7,740,000	$5,160,000	$430,000	$700,000
Total Gain 2010 - 2016	**$3,220,000**	**$2,415,000**	**$2,300,000**	**$2,070,000**	**$1,380,000**	**$115,000**	**$11,500,000**
Source: NYC & Company							

As presented above, the majority of visitor expenditure relates to lodging, food & beverage, shopping, local transportation, and art, entertainment & recreation. Visitor spending has increased by $11.5 billion between 2010 and 2016.

The table below exhibits the possible visitor expenditure loss scenarios associated with an adverse change to the current trend. The figures are based on the projected gain between 2016 and 2028.

Potential Direct Vistor Spend Loss (Thousands $)							
% Loss	Lodging	Food & Beverage	Shopping	Local Transportation	Arts, Entertainment & Recreation	Misc.	Change ($)
0%	$10,395,838	$7,796,878	$7,425,598	$6,683,039	$4,455,359	$371,280	
5%	$9,876,046	$7,407,034	$7,054,318	$6,348,887	$4,232,591	$352,716	-$1,856,400
10%	$9,356,254	$7,017,190	$6,683,039	$6,014,735	$4,009,823	$334,152	-$3,712,799
15%	$8,836,462	$6,627,347	$6,311,759	$5,680,583	$3,787,055	$315,588	-$5,569,199
20%	$8,316,670	$6,237,503	$5,940,479	$5,346,431	$3,564,287	$297,024	-$7,425,598
25%	$7,796,878	$5,847,659	$5,569,199	$5,012,279	$3,341,519	$278,460	-$9,281,998
30%	$7,277,086	$5,457,815	$5,197,919	$4,678,127	$3,118,751	$259,896	-$11,138,398
35%	$6,757,295	$5,067,971	$4,826,639	$4,343,975	$2,895,983	$241,332	-$12,994,797
40%	$6,237,503	$4,678,127	$4,455,359	$4,009,823	$2,673,215	$222,768	-$14,851,197
45%	$5,717,711	$4,288,283	$4,084,079	$3,675,671	$2,450,447	$204,204	-$16,707,596
50%	$5,197,919	$3,898,439	$3,712,799	$3,341,519	$2,227,680	$185,640	-$18,563,996

As presented above, a decrease of 10 percent in visitor spending would result in approximately $3.7 billion less expenditures, in addition to the loss of the associated sales tax and other tax revenues.

Government Tax Impact

The following exhibit details what local taxes generated by the tourism industry generate for various city services and departments. The following government allocations were provided by the NYC Independent Budget Office.

Local Tax Revenues (Thousands $)										
Year	Education	Social Services	Pension & Fridge Benefits	Police, Fire & Corrections	General Government	Debt Service	Health, Sanitation & Environmental	Transportation & Housing	Recreation & Cultural	Change
2010	$823,015	$529,081	$529,081	$293,934	$264,540	$205,754	$176,360	$88,180	$29,393	
2011	$894,139	$574,804	$574,804	$319,335	$287,402	$223,535	$191,601	$95,801	$31,934	$254,017
2012	$944,943	$607,463	$607,463	$337,480	$303,732	$236,236	$202,488	$101,244	$33,748	$181,441
2013	$985,585	$633,591	$633,591	$351,995	$316,795	$246,396	$211,197	$105,598	$35,199	$145,152
2014	$1,066,871	$685,845	$685,845	$381,025	$342,923	$266,718	$228,615	$114,308	$38,103	$290,305
2015	$1,127,835	$725,037	$725,037	$402,798	$362,518	$281,959	$241,679	$120,839	$40,280	$217,729
2016	$1,168,477	$751,164	$751,164	$417,313	$375,582	$292,119	$250,388	$125,194	$41,731	$145,152
Total Gain 2010 - 2016	**$345,463**	**$222,083**	**$222,083**	**$123,380**	**$111,042**	**$86,366**	**$74,028**	**$37,014**	**$12,338**	**$1,233,796**

Local taxes generated by the tourism industry support key functions of the City's government. Between 2010 and 2016, the tourism industry generated an additional $345 million for education, $222 million for social services, $222 million in government employee benefits, and $123 million for police, fire & corrections, as well as millions for other departments. Annual increases between 2010 and 2016 ranged from $145 million to $290 million. The tourism industry generated an additional $1.234 billion in local tax revenue between 2010 and 2016 to support vital functions of the City's government, which advocate economic and social well-being. The following exhibit describes the impact of increased tourism-related taxes on various New York City departments between 2010 and 2016. For example, the difference of $345.46 million between 2010 and 2016 in education-allocated funds supports 4,560 teachers.

Local Tax 2010-2016 Increase Impact		
Category	Budget Excess	Allocation
Education	$345,462,902	**4,560** Teachers
Social Services	$222,083,294	**30,581** Child Care Vouchers
Pension & Fridge Benefits	$222,083,294	Benefits to City Workers
Police, Fire & Corrections	$123,379,608	**888** Police Officers
General Government	$111,041,647	**150,550** Job Placements through the Workforce1 Career Centers
Debt Service	$86,365,726	City Loan Principal and Interest reimbursed
Health, Sanitation & Environmental Protection	$74,027,765	**72** Billions gallons of wastewater treated
Transportation & Housing	$37,013,882	**248** Lane miles resurfaced
Recreation & Cultural	$12,337,961	**1,175** Summer Pool and Beach Season Lifeguards

Overall, the increased tax revenue between 2010 and 2016 supported 4,560 teachers, 30,581 child care vouchers, approximately $222 million in benefits to City workers, 888 police/fire officers, 150,550 job placements, and 72 billion gallons of treated wastewater.

The table below exhibits the possible government tax impact scenarios associated with an adverse change to the current trend.

Potential Local Tax Loss (Thousands $)										
% Loss of 2016 - 2028 Gain	Education	Social Services	Pension & Fridge Benefits	Police, Fire & Corrections	General Government	Debt Service	Health, Sanitation & Environmental Protection	Transportation & Housing	Recreation & Cultural	Change ($)
0%	$1,186,821	$762,956	$762,956	$423,865	$381,478	$296,705	$254,319	$127,159	$42,386	
5%	$1,127,480	$724,809	$724,809	$402,671	$362,404	$281,870	$241,603	$120,801	$40,267	-$211,932
10%	$1,068,139	$686,661	$686,661	$381,478	$343,330	$267,035	$228,887	$114,443	$38,148	-$423,865
20%	$949,457	$610,365	$610,365	$339,092	$305,183	$237,364	$203,455	$101,728	$33,909	-$847,729
25%	$890,116	$572,217	$572,217	$317,899	$286,109	$222,529	$190,739	$95,370	$31,790	-$1,059,662
30%	$830,775	$534,070	$534,070	$296,705	$267,035	$207,694	$178,023	$89,012	$29,671	-$1,271,594
35%	$771,434	$495,922	$495,922	$275,512	$247,961	$192,858	$165,307	$82,654	$27,551	-$1,483,526
40%	$712,093	$457,774	$457,774	$254,319	$228,887	$178,023	$152,591	$76,296	$25,432	-$1,695,459
45%	$652,752	$419,626	$419,626	$233,126	$209,813	$163,188	$139,875	$69,938	$23,313	-$1,907,391
50%	$593,411	$381,478	$381,478	$211,932	$190,739	$148,353	$127,159	$63,580	$21,193	-$2,119,324

As detailed above, a 10 percent decrease results in a loss of approximately $424 million in tax revenue to the City government. Percent decreases more than 25 percent result in a loss of over $1 billion in tax revenue between 2016 and 2028. The following exhibit depicts the outcome of a 10 percent decrease in tourism-related tax revenues to the City.

10% Budget Decrease Impact - 2028		
Category	Budget Decrease	Allocation
Education	$118,682,119	**1,336** less Teachers
Social Services	$76,295,648	**8,959** less Child Care Vouchers
Pension & Fridge Benefits	$76,295,648	less Benefits to City Workers
Police, Fire & Corrections	$42,386,471	**260** less Police Officers
General Government	$38,147,824	**44,107** less Job Placements through the Workforce1 Career Centers
Debt Service	$29,670,530	less City Loan Principal and Interest Reimbursed
Health, Sanitation & Environmental Protection	$25,431,883	**21** Billion Less Gallons of Wastewater Treated
Transportation & Housing	$12,715,941	**73** less Lane miles resurfaced
Recreation & Cultural	$4,238,647	**344** less Summer Pool and Beach Season Lifeguards

As presented above, a decrease of 10 percent in local taxes generated by the tourism industry would result in approximately 1,336 less teachers, 8,959 less child care vouchers, $76.3 million less benefits to City workers, 260 less police/fire officers, and 44,107 less job placements through the City. Additionally, state and local tax proceeds from the tourism industry saved New York City

households approximately $1,925 in 2016. Based on the current trend, New York City households are anticipated to save $3,215 in 2028 as a result of taxes generated by the tourism industry. If all the proposed hotels were not developed, the savings to households would be less.

Household Tax Savings Analysis	2016	2028
Total State and Local Taxes (Billions)	$6.0	$12.1
Avg. Household Savings	$1,925	$3,880
Deflated Avg. Household Savings	$1,925	$3,215
Difference		**$1,290**

Conclusion

The City has historically benefited from the tourism industry in terms of economic impact, job creation, and tax revenues. Although there are many factors that could negatively impact the tourism industry, we believe that restricting future hotel development is one major factor that would contribute to economic growth opportunities being lost. Therefore, we believe the proposed CPC special permit restricting new hotel development in M1 zones would only lessen the economic and social benefits generated by the tourism industry to the City in the future.

New York City Real Property Tax Analysis

The following study analyzes real property tax revenues generated by Class 4 properties in all zones and specifically M1 zones during tax years 2016 and 2017. Tax Class 4 properties includes "All commercial and industrial properties, such as office, retail, factory buildings and all other properties not included in tax classes 1, 2 or 3". [8] Tax revenues were calculated using data provided by the City of New York Department of Finance Division of Tax Policy and Department of City Planning (PLUTO), then compared on a per lot area (square foot) basis, which is presented below. For purposes of this analysis, hotel, utility, vacant land, and tax-exempt parcels were excluded from the Class 4 calculation. Hotel building use codes H6, H7, H8, and HR were excluded from the hotel calculation given those building codes represent apartment hotels, dormitories, and single room occupancy (SRO), which are not considered transient hotels.

Citywide

Citywide						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$84.37	$10.83	**779%**	$38.60	$6.89	**560%**
2017	$89.77	$11.89	**755%**	$42.10	$7.54	**558%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

On a citywide level, hotel properties generated on average approximately $84.37 per lot square foot in real property tax revenues in 2016 for New York City, approximately 6.8 times greater than the average of other Class 4 properties in all zoning districts. While less pronounced, hotels in M1 zones generated approximately 4.6 times greater real property tax revenues per lot square foot than the average M1 zone Class 4 property in 2016.

In 2017, hotel properties generated an average $89.77 per lot square foot in real property tax revenues, approximately 6.6 times greater than the average of other Class 4 properties. Like 2016, hotel properties in M1 zones generated tax revenues per lot square foot approximately 4.6 times greater than the average M1 zone Class 4 property.

[8] City of New York Department of Finance

Manhattan

Manhattan						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$186.83	$73.52	**254%**	$200.39	$71.90	**279%**
2017	$193.45	$80.61	**240%**	$206.55	$80.37	**257%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties on average generated $186.83 per lot square foot in real property tax revenues, approximately 1.5 times greater than the average of other Class 4 properties in Manhattan. Specific to M1 zones in Manhattan, hotels generated approximately 1.8 times greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties on average generated $193.45 per lot square foot in real property tax revenues, approximately 1.4 times greater than the average Class 4 property. The same trend can be observed in M1 zones where hotel real property tax revenues per lot square foot generated approximately 1.6 times greater revenues than other Class 4 properties.

It is important to note that hotels located in M1 zones exhibit a higher contributory tax revenue per lot square foot compared to Class 4 properties in all zones.

Queens

Queens						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$12.04	$3.97	**304%**	$8.47	$3.12	**272%**
2017	$14.13	$4.51	**313%**	$11.69	$3.45	**339%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties in Queens generated on average $12.04 per lot square foot in real property tax revenues, approximately two times greater than the average of other Class 4 properties. In M1 zones, hotels generated 1.7 times greater real property tax revenues per lot square foot than the average of other Class 4 properties.

In 2017, hotel properties generated $14.13 per lot square foot in real property tax revenues, approximately 2.1 times greater than the average of other Class 4 properties. In M1 zones, hotels generated approximately 2.4 times greater real property tax revenues per lot square foot than the average Class 4 property.

It is important note that hotel tax revenues per lot square foot in M1 zones increased by approximately 38 percent between 2016 and 2017.

Brooklyn

Brooklyn						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$14.94	$3.73	**401%**	$9.12	$3.25	**280%**
2017	$26.05	$3.26	**800%**	$10.73	$3.59	**299%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In Brooklyn, hotel properties generated on average $14.94 per lot square foot in real property tax revenues for New York City in 2016, approximately three times greater than the average of other Class 4 properties. Similarly, hotels in M1 zones generated approximately 1.8 times greater real property tax revenues per lot square foot than the average of the other Class 4 properties.

In 2017, hotel properties generated on average $26.05 per lot square foot in real property tax revenues, approximately seven times greater than the average of other Class 4 properties. Additionally, hotels in M1 zones generated approximately two times greater real property tax revenues per lot square foot than the average Class 4 property.

Please note that the average hotel real property tax revenue per lot square foot in all zones increased by approximately 74 percent in 2017 from the previous year, while the average Class 4 property decreased by approximately 13 percent. Additionally, M1 hotels increased tax revenue per lot square foot by approximately 18 percent, while other M1 Class 4 properties increased by approximately 10 percent.

Bronx

Bronx						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$8.49	$3.08	**276%**	$6.69	$2.77	**241%**
2017	$9.34	$3.30	**283%**	$6.30	$3.09	**204%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties generated on average $8.49 per lot square foot in real property tax revenues, approximately 1.8 times greater than the average Class 4 property. Within M1 zones, hotels generated approximately 1.4 times greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties generated on average $9.34 per lot square foot in real property tax revenues, approximately 1.8 times greater than the average of other Class 4 properties. In M1 zones, hotels generated on average approximately one times greater real property tax revenues per lot square foot than the average Class 4 property.

Please note that the average hotel real property tax revenue per lot square foot in all zones increased by approximately 10 percent in 2017 from the previous year compared to a 7 percent increase for all other Class 4 properties. Additionally, M1 hotels decreased tax revenue per lot square foot by approximately 6 percent, while other M1 Class 4 uses increased by approximately 12 percent.

Staten Island

Staten Island						
Tax Year	Avg. Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index	Avg. M1 Hotel Real Property Tax Revenues Per Lot Area (Sq. Ft.)	Avg. M1 Class 4 Real Property Tax Revenues Per Lot Area (Sq. Ft.)*	Index
2016	$2.75	$0.82	**337%**	$1.34	$1.06	**126%**
2017	$1.93	$1.16	**166%**	$1.36	$1.12	**122%**
*Notes: *Class 4 Tax Revenues exclude Hotel, Utility, and Vacant Land Tax Revenues*						
Sources: City of New York Department of Finance Division of Tax Policy; Department of City Planning PLUTO data.						

In 2016, hotel properties generated on average $2.75 per lot square foot in real property tax revenues, approximately 2.4 times greater than the average of other Class 4 properties. Similarly, hotels in M1 zones generated approximately 26 percent greater real property tax revenues per lot square foot than the average Class 4 property.

In 2017, hotel properties generated on average $1.93 per lot square foot in real property tax revenues, approximately 66 percent greater than the average of other Class 4 properties. Hotels in M1 zones generated approximately 22 percent greater real property tax revenues per lot square foot than the average of other Class 4 properties. Hotels in M1 zones exhibit a nominal increase in tax revenue between 2016 and 2017, while hotels in all zones experienced a decrease.

Conclusion

Per information provided by the Department of City Planning and City of New York Department of Finance Division of Tax Policy, hotels on average generate significantly higher tax revenue for New York City on a lot area basis compared to the average Class 4 property. While the data utilized in the above analyses includes exemptions, we anticipate the share of tax revenues generated by hotels to increase in the future as exemptions are phased-out. Despite the significant amount of new hotel supply that entered the City over the past several years, hotels continue to generate on average significantly more tax revenue for the City compared to other Class 4 uses. Therefore, if the CPC special permit is adopted, New York City will forego potential tax revenues of a property type (hotel) that generates on a citywide average 6.6 times greater revenue than the average Class 4 property. The potential tax revenue forgone by New York City because of restricting hotel development in M1 zones is anticipated to impede the ability of the City to fund its growing budget in the future.

New York City Hotel Room Occupancy Tax Analysis

According to the New York City Department of Finance, "Hotel Room Occupancy Tax must be paid on the occupancy, or the right of occupancy, of a room or rooms in a hotel. A "hotel" includes an apartment, hotel, motel, boardinghouse, bed-and-breakfast, bungalow, or club, whether or not meals are served. The occupant of any room or rooms in a hotel must pay the tax.

Hotel operators and remarketers (when a room has been purchased through a re-seller) collect the tax from the occupant. Rooms, apartments or units rented to occupants on fewer than three occasions per year will not be subject to the tax. Rooms, apartments or units rented to occupants for not more than 14 days total during a year will not be subject to the tax.

Permanent residents (who occupy a room for at least 180 consecutive days) are exempt from the tax.

Occupancies by certain individuals and organizations are exempt from Hotel Tax imposed on rent for hotel occupancy. These exempt individuals and organizations include, but are not limited to;

- A permanent resident (one who occupies a room for at least 180 consecutive days);
- New York State, a political subdivision of the State, or a public benefit corporation;
- The United States;
- The United Nations;
- A not-for-profit organization that was formed and operated exclusively for religious, charitable or educational purposes, or for the prevention of cruelty to children or animals."[9].

Hotel Room Occupancy Tax is based on the rate being charged for a room. The following chart details how the City calculates Hotel Room Occupancy Tax.

If the rent for the room is…	The tax will be…
$10 or more, but less than $20	50¢ per day + 5.875% of the rent for the room
$20 or more, but less than $30	$1.00 per day + 5.875% of the rent for the room
$30 or more, but less than $40	$1.50 per day + 5.875% of the rent for the room
$40 or more	$2.00 per day + 5.875% of the rent for the room

Source: New York City Department of Finance

For hotel suites, the tax is the fixed amount shown above for each room in the suite plus 5.875 percent of the rent for the suite.

In 2015, the City Council extended the 5.875 percent rate through November 30, 2019. Unless the current rate is once again extended, the rate will revert to 5.0 percent. Given that the rate of

[9] City of New York Department of Finance

5.875 percent has been utilized since 2013, it is assumed that the rate of 5.875 percent will continue to be extended through 2028.

This study analyzes historical figures and forecasts Hotel Room Occupancy Tax figures by borough. We have utilized the historical data provided by the City of New York Department of Finance Division of Tax Policy as the base of our analysis and applied the forecasted growth rates by borough previously presented within this report to project room nights sold and gross rooms revenues through 2028.

Citywide, Hotel Room Occupancy Tax revenues increased by $13.5 million (excluding N/A and Remarketers) between 2014 and 2016, reflecting the continuous growth in the number of visitors to the City.

The following tables detail the historical and projected revenues on a citywide and borough level assuming the CPC special permit is not adopted.

Citywide					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	34,231	$68,333	$7,880,426	$462,975	$531,308
2015	35,524	$70,952	$8,014,077	$470,827	$541,779
2016	36,455	$72,820	$8,034,485	$472,026	$544,846
Proj. 2028	63,721	$127,441	$16,195,946	$951,512	$1,078,953
Source: City of New York Department of Finance					

On a citywide level, Hotel Room Occupancy Tax generated approximately $545 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Room Occupancy Tax revenues to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million from 2016 figures.

Manhattan					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	30,000	$59,933	$7,316,749	$429,859	$489,792
2015	30,861	$61,690	$7,383,353	$433,772	$495,462
2016	31,678	$63,329	$7,375,013	$433,282	$496,611
Proj. 2028	48,911	$97,823	$13,763,660	$808,615	$906,438
Source: City of New York Department of Finance					

In Manhattan, Hotel Room Occupancy Tax generated approximately $497 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $906 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $410 million over 2016 figures.

Queens					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	2,399	$4,797	$313,532	$18,420	$23,217
2015	2,713	$5,425	$361,991	$21,267	$26,692
2016	2,757	$5,512	$376,953	$22,146	$27,658
Proj. 2028	7,371	$14,743	$1,385,530	$81,400	$96,143
Source: City of New York Department of Finance					

In Queens, Hotel Room Occupancy Tax generated approximately $28 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $96 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $68 million over 2016 figures.

Brooklyn					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	1,295	$2,589	$206,043	$12,105	$14,694
2015	1,335	$2,665	$213,804	$12,561	$15,226
2016	1,417	$2,827	$225,617	$13,255	$16,082
Proj. 2028	3,488	$6,977	$650,978	$38,245	$45,222
Source: City of New York Department of Finance					

In Brooklyn, Hotel Room Occupancy Tax generated approximately $16 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $45 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $29 million over 2016 figures.

Bronx					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	401	$747	$27,762	$1,631	$2,378
2015	466	$877	$36,340	$2,135	$3,012
2016	436	$819	$36,579	$2,149	$2,968
Proj. 2028	3,626	$7,251	$351,986	$20,679	$27,930
Source: City of New York Department of Finance					

In Bronx, Hotel Room Occupancy Tax generated approximately $3 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $28 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $24 million over 2016 figures.

Staten Island					
Tax Year	Room Nights Sold (Thousands)	Daily Room Sales Tax (Thousands $)	Gross Room Revenues (Thousands $)	Occupancy Tax @ 5.875% (Thousands $)	Total Hotel Room Occupancy Tax (Thousands $)
2014	136	$267	$16,340	$960	$1,227
2015	149	$295	$18,587	$1,092	$1,387
2016	167	$333	$20,323	$1,194	$1,527
Proj. 2028	324	$648	$43,793	$2,573	$3,221
Source: City of New York Department of Finance					

In Staten Island, Hotel Room Occupancy Tax generated approximately $1.5 million (excluding N/A and remarketers revenue) in tax revenue in 2016. We have projected Hotel Occupancy Tax revenues to reach approximately $3.2 million (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $1.7 million over 2016 figures.

Conclusion

The Hotel Room Occupancy Tax is anticipated to continue generating significant tax revenue for New York City. Hotel Room Occupancy Tax figures are anticipated to exceed $1 billion (excluding N/A and remarketers revenue) in 2028, which represents an increase of approximately $534 million over 2016 figures. It is important to note that Hotel Room Occupancy Tax has been declining on a per property basis annually between 2014 and 2016 as a result of ADR decreasing primarily in Manhattan. However, total Hotel Room Occupancy Tax revenues generated has continued to increase annually. Assuming the occupancy tax rate remains constant, we anticipate for overall occupancy tax revenues to continue to increase and occupancy tax revenues per property to begin exhibiting a positive trend following the absorption of the hotel supply currently under construction. The following chart depicts the possible Hotel Room Occupancy Tax loss if there is a deviation from the current trend. For example, a 10 percent decrease would result in a loss of approximately $53.4 million in tax revenue for the City.

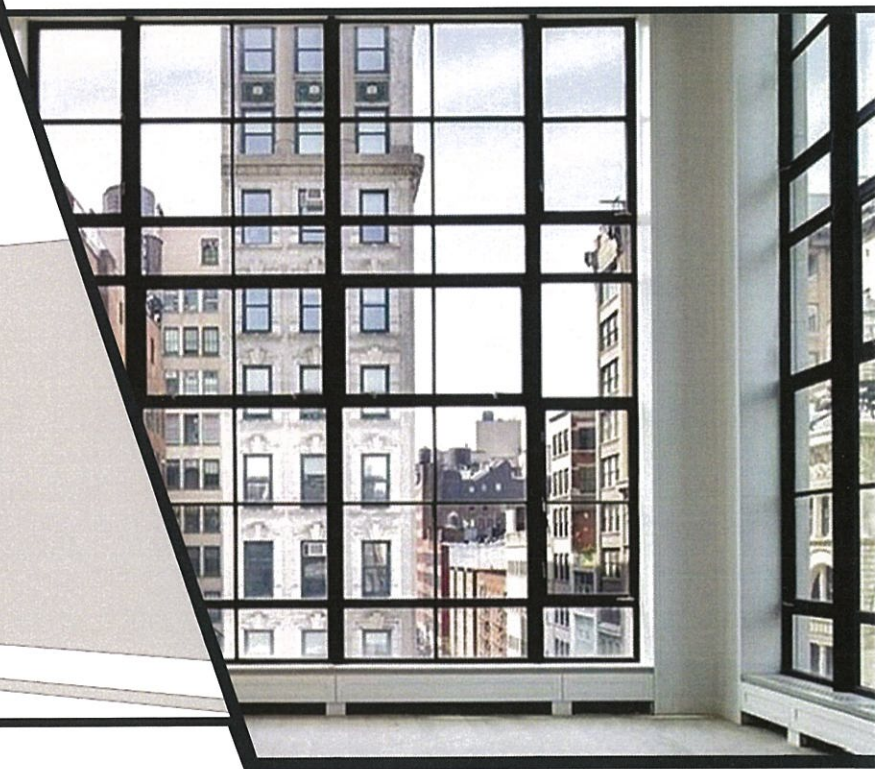
Occupancy Tax Loss		
% Loss from 2016 - 2028 Gain	Total Occupancy Tax (Thousands $)	Change (Thousands $)
0%	$534,107	
5%	$507,402	-$26,705
10%	$480,696	-$53,411
15%	$453,991	-$80,116
20%	$427,286	-$106,821
25%	$400,580	-$133,527
30%	$373,875	-$160,232
35%	$347,170	-$186,937
40%	$320,464	-$213,643
45%	$293,759	-$240,348
50%	$267,054	-$267,054

Assumptions & Limiting Conditions

1. It is assumed that all data provided by all third-parties is accurate and correct unless otherwise specifically noted in the report. Unless otherwise specifically noted in the report, LWHA has no reason to believe that any of the data furnished contain any material error. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, LWHA reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify LWHA of any questions or errors.
2. Any projections included in the analysis are forecasts of estimated future operating characteristics that are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of the future. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. LWHA does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of LWHA.
3. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of LWHA to buy, sell, or hold any property. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
4. This study may not be duplicated in whole or in part without the specific written consent of LWHA nor may this report or copies hereof be transmitted to third parties without said consent, which consent LWHA reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this study was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of LWHA which consent LWHA reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, which may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this study. LWHA shall have no accountability or responsibility to any such third party.
5. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to this study have been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
6. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants. Opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc.
7. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the consultant nor LWHA assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate consulting profession if so desired.
8. The report is for the sole use of the client. Please note that our consent to allow the market study report prepared by LWHA or portions of such report, to become part of or be referenced in any public offering, will be subject to the granting of such consent which will be at LWHA's sole discretion and, if given, will be on condition that LWHA will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us.

LABORGH
INVESTMENT

The Ottobock Project in Brooklyn



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SUMMARY

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1. THE LOT

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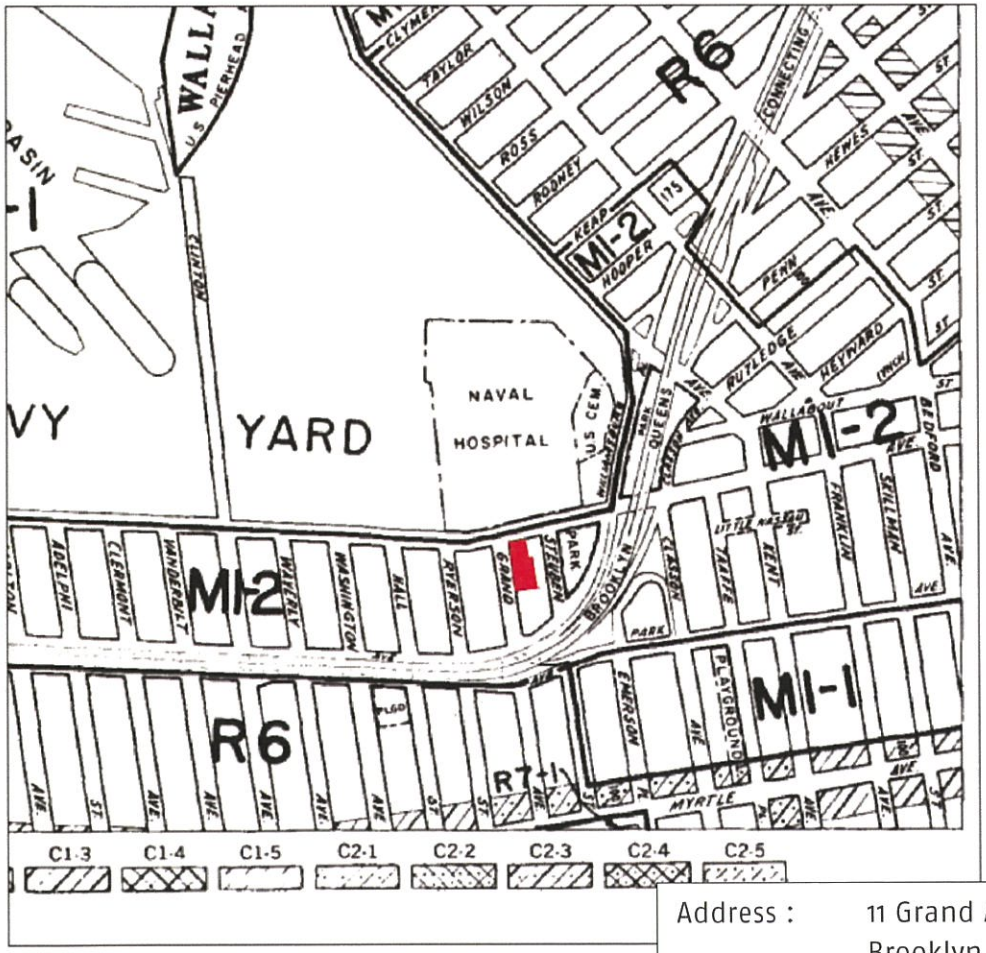

Address :	11 Grand Avenue Brooklyn, NY 11205
Location :	South of the Brooklyn Navy Yard
Block :	1878
Size of lot:	**22,303 ft²**

1. THE LOT

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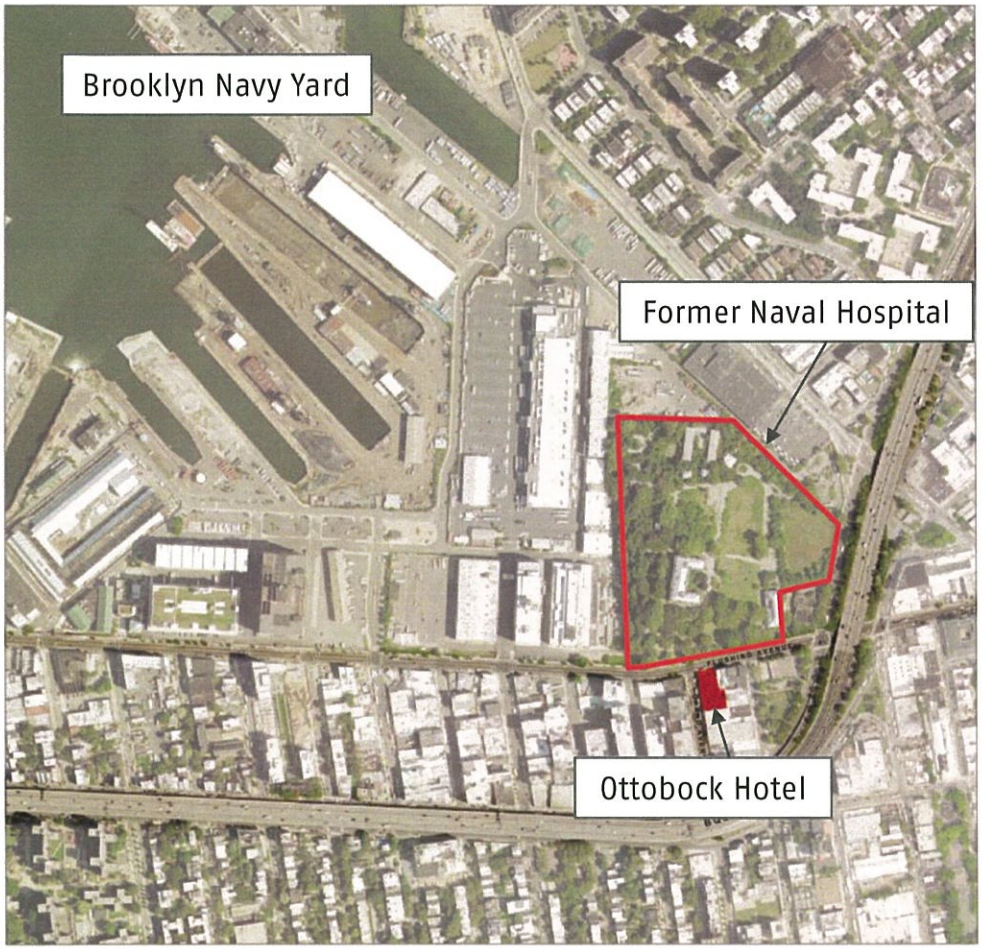

1. THE LOT
ZONING

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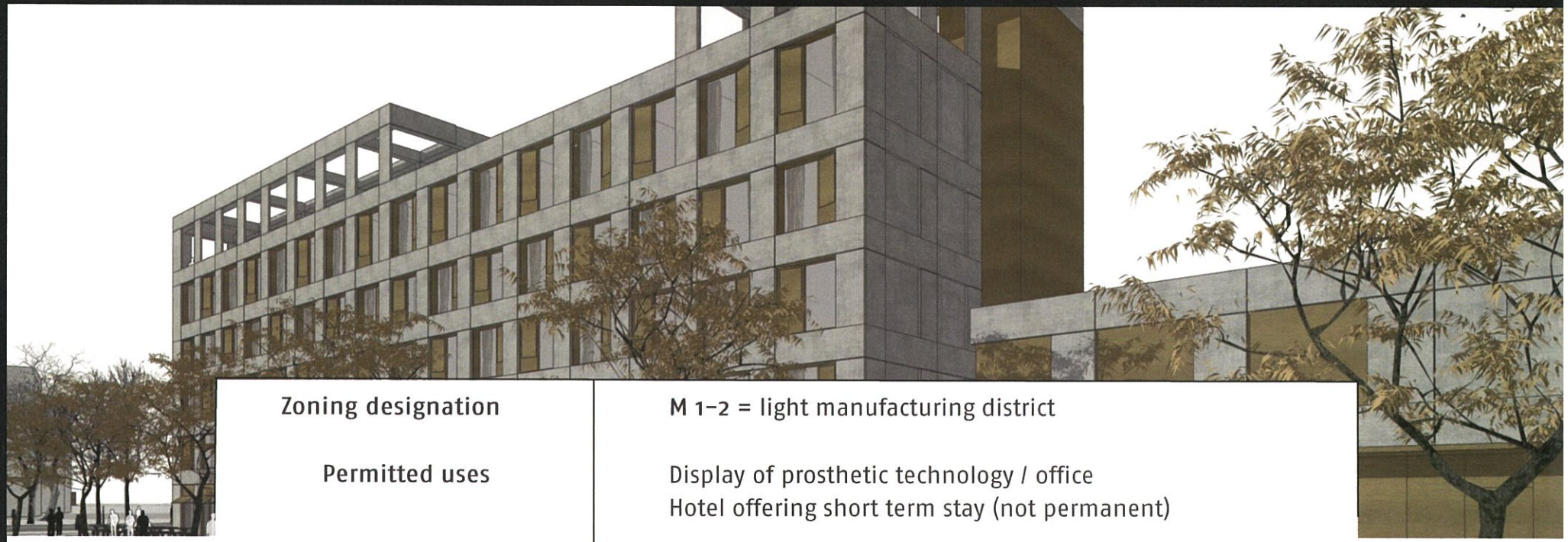

Zoning designation	**M 1-2** = light manufacturing district
Permitted uses	Display of prosthetic technology / office Hotel offering short term stay (not permanent)
Not permitted	Residential living
Use designations	2 symbiotic uses

BASEMENT AND GROUND FLOOR

- A representative Ottobock exhibition space
- Hotel (Restaurant, Lobby, ancillary space)
- Parking lots: 42

FLOOR 2-5

- Hotel (Number of rooms: 105 – 120)
- Roof top terrace

2. THE CONCEPT

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Professor Hans Georg Näder, Ottobock's CEO and owner of the property, bought this plot of land in Brooklyn with one clear vision: to develop a creative and innovative Ottobock representation in New York. A perfect spot for the former start up in war victims' and veterans' care Ottobock; located right across the street from the former naval hospital.
Over the time, this vision evolved to a synergetic mixed-use concept, still based on HGN's main vision.

1 THE PRIMARY USE

Operated by the company Ottobock, this project draws inspiration from the Ottobock Science Center in Berlin: an interactive showroom displaying different Ottobock fabrications: prosthetics, orthotics, wheelchairs. An exhibition space where young and old can see, touch and notably experience the sensations of wearing a prosthesis or sitting in a wheelchair. For a better understanding of the challenges that patients are confronted with day by day, and to what extent technology can improve people's quality of life and remove the limitations they are facing. Also, the space within the Ottobock exhibition shall selectively serve as an event facility for conferences and symposiums covering the medical field, and serve at the same time as an information center for war invalids and other concerned people.
The project's main philosophy: To create an energetic and lively place. To break this rather severe topic out of isolation and to turn it into something "normal" and accessible for patients and healthy people, even if the need or the interest has never occurred before.

A PLACE WHERE THE FEAR OF DISABILITY IN THIS WORLD CAN BE ELIMINATED.

2. THE CONCEPT

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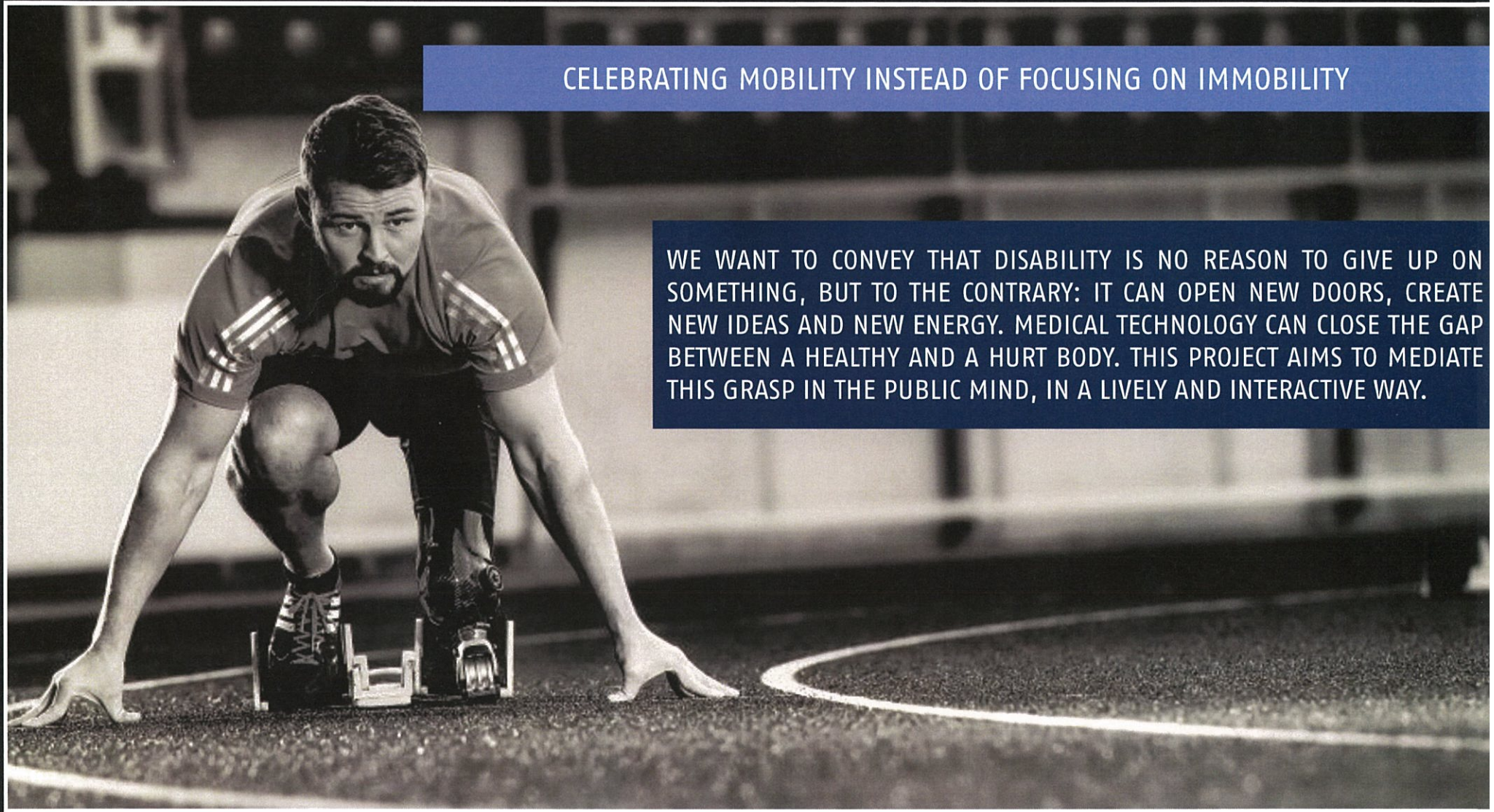

CELEBRATING MOBILITY INSTEAD OF FOCUSING ON IMMOBILITY

WE WANT TO CONVEY THAT DISABILITY IS NO REASON TO GIVE UP ON SOMETHING, BUT TO THE CONTRARY: IT CAN OPEN NEW DOORS, CREATE NEW IDEAS AND NEW ENERGY. MEDICAL TECHNOLOGY CAN CLOSE THE GAP BETWEEN A HEALTHY AND A HURT BODY. THIS PROJECT AIMS TO MEDIATE THIS GRASP IN THE PUBLIC MIND, IN A LIVELY AND INTERACTIVE WAY.

2. THE CONCEPT

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To turn this philosophy into a feasible project, we see the integration of the following requirements as indispensable:

- to create the desired dynamic and liveliness of the place
- to assure benefits for Brooklyn's residents / the district
- to respond to local needs
- and to represent an economically viable solution

THE SECONDARY USE

2

After a long process of thought and investigation, we see that a **café and a hotel** would represent a perfect complement to the main use and allow the overall project to act in perfect synergy whilst fulfilling the above defined requirements.

Creating a certain dynamic and liveliness

- Hotel –and café-related movements will automatically animate not only the exhibition space, but also the entire area.

Assuring benefits for residents & the district

- Potential for employment opportunities(café, exhibition space, hotel)
- Recreational value: A cosy café for leisure and business lunches
- A piece of history and culture in the district: an exhibition space (possible selective exhibitions referring to the historical development of the Navy Yard/ hospital/ cemetery)

Responding to local needs

- Support for the Brooklyn Navy Yard:
- Feedback from David Ehrenberg: A hotel would be an optimal enhancement to the park's business performance as there is a lack of "modern" hotels nearby.
- A place to sleep for patients that are coming for advice (barrier-free rooms).

Assuring the economic feasibility

- The exhibition space won't carry itself, a hotel could support the primary use
- Confirmation of hospitality consultant. Feasibility study and site evaluation confirm the need for a good hotel in the 3-star segment.

2. THE CONCEPT

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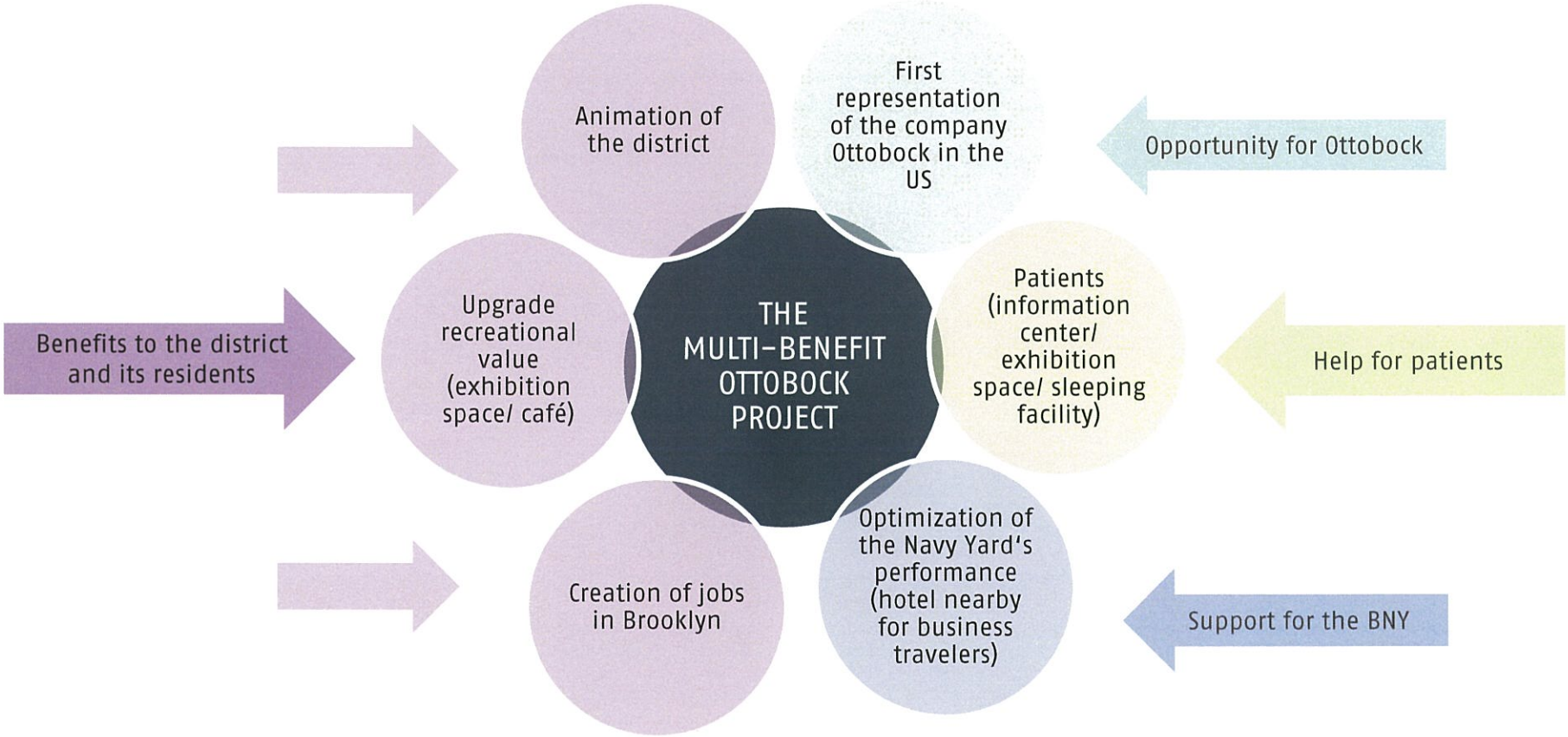
CONCLUDING THE IDEA

This concept is based on two uses which are mutually beneficial. We see the creation of special place:
Out of the ordinary, versatile and new in this district.



3. THE COMPANY OTTOBOCK

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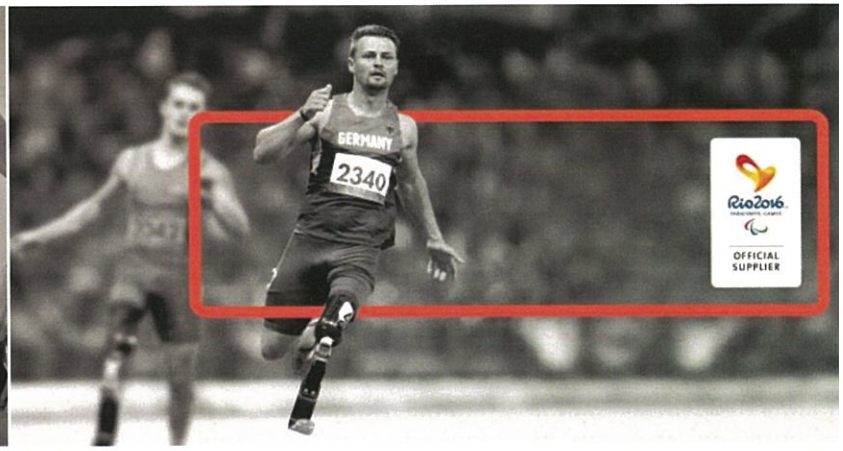
THE COMPANY OTTOBOCK: FROM A START UP IN WAR VICTIMS' AND VETERANS' CARE TO A MED TECH UNICORN

ottobock.

The medical technology company Ottobock has shared the same vision for almost 100 years : to improve the mobility of people with disabilities through innovative products. In doing so, the company equates quality with "Quality for life".

The Ottobock med-tech company has recorded stable growth for years: in 2017, sales rose by 4.6 percent to EUR 927.4 million, adjusted for currency exchange effects, and the number of employees increased to over 7,000 worldwide. A network of distribution and service companies in 50 countries places the company near its customers thanks to a global presence. Ottobock is worldwide Partner of the International Paralympic Committee. With its three divisions of Prosthetics, Orthotics and MedicalCare, the company is capable of offering its customers a range of products so wide it is nearly incomparable, perfectly harmonized solutions, and extensive services.



3. THE COMPANY OTTOBOCK

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OTTOBOCK OPERATES A UNIQUELY INTEGRATED BUSINESS MODEL COMBINING BOTH PRODUCTS AND SERVICES AND IS PRESENT IN ALL KEY MARKETS

THE VALUE CHAIN

Mobility related products

Prothetics

- Ottobock is a full range provider of lower and upper limb prothetics solutions for adults and kids

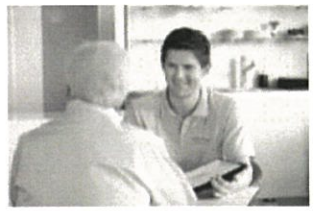
Orthotics

- Ottobock offers custom and OTS orthoses in the focus areas of paralysis, osteoarthritis and back pain

Patient Care

Patient Care

Ottobock offers specialized service and patient care services providing high-quality care and professional workshop management globally focusing on quality for life, socio-economic benefit and digital transformation



3. THE COMPANY OTTOBOCK

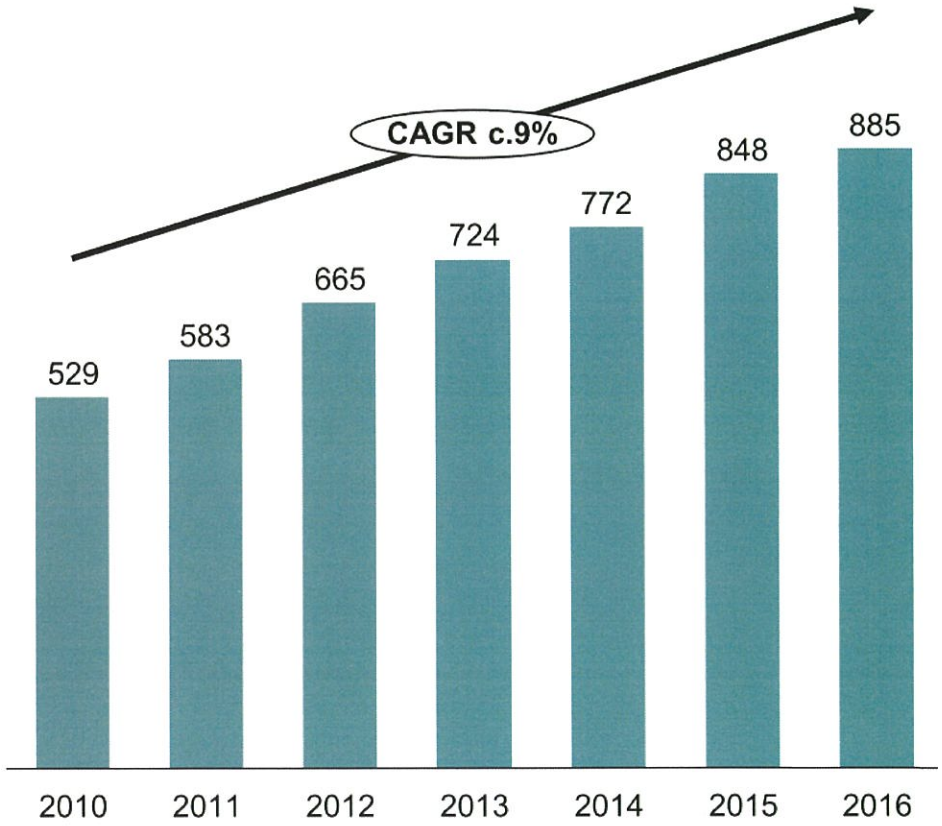
LABORGH INVESTMENT

THE GLOBAL MARKET LEADER IN PROSTHETICS AND ORTHOTICS

Description

- Founded in 1919 in Berlin with a long history of disruptive change and a tradition of profitable growth and value creation
- Truly unique heritage of almost 100 years of quality for life and socio-economic benefit
- Leading provider of orthotics and prosthetics, together with related services
- Vertically-integrated with research and development, manufacturing, distribution and patient care services, ensuring customer proximity and fast time-to-market
- Global presence including network of distribution and service companies in 56 countries, with 243 patient care centers and satellites globally

Sales Development (in €)



3. THE COMPANY OTTOBOCK

LABORGH INVESTMENT

KEY INNOVATION MILESTONES

1919	1950s	1969	1971	1997	2007	2011	2015
First serial production of prosthetic components for WWI veterans	First company to use plastics to substitute wood prostheses	Introduction of modular system for prosthetic legs incl. knee joint and socket	Introduction of myoelectric systems: Usage of electrical impulses to control muscle contraction	The world's first completely microproces-sor-controlled prosthesis system – the "C-Leg"	Prototype of first thought-controlled arm prosthesis in the world	Launch of the "Michelangelo" hand	Innovation continues with prosthetic leg "Genium X3" and "Kenevo"
							

3. THE COMPANY OTTOBOCK

LABORGH INVESTMENT

The Ottobock Science Center in Berlin represents the company in Germany's capital Berlin. The nine year lasting exhibition themed "Feel what makes us move" counted 7.000 guided tours and 500 events per year, 1 million visitors in total.
It serves as our reference project for the Ottobock Project in New York.

4. STATE OF DEVELOPMENT

LABORGH
INVESTMENT

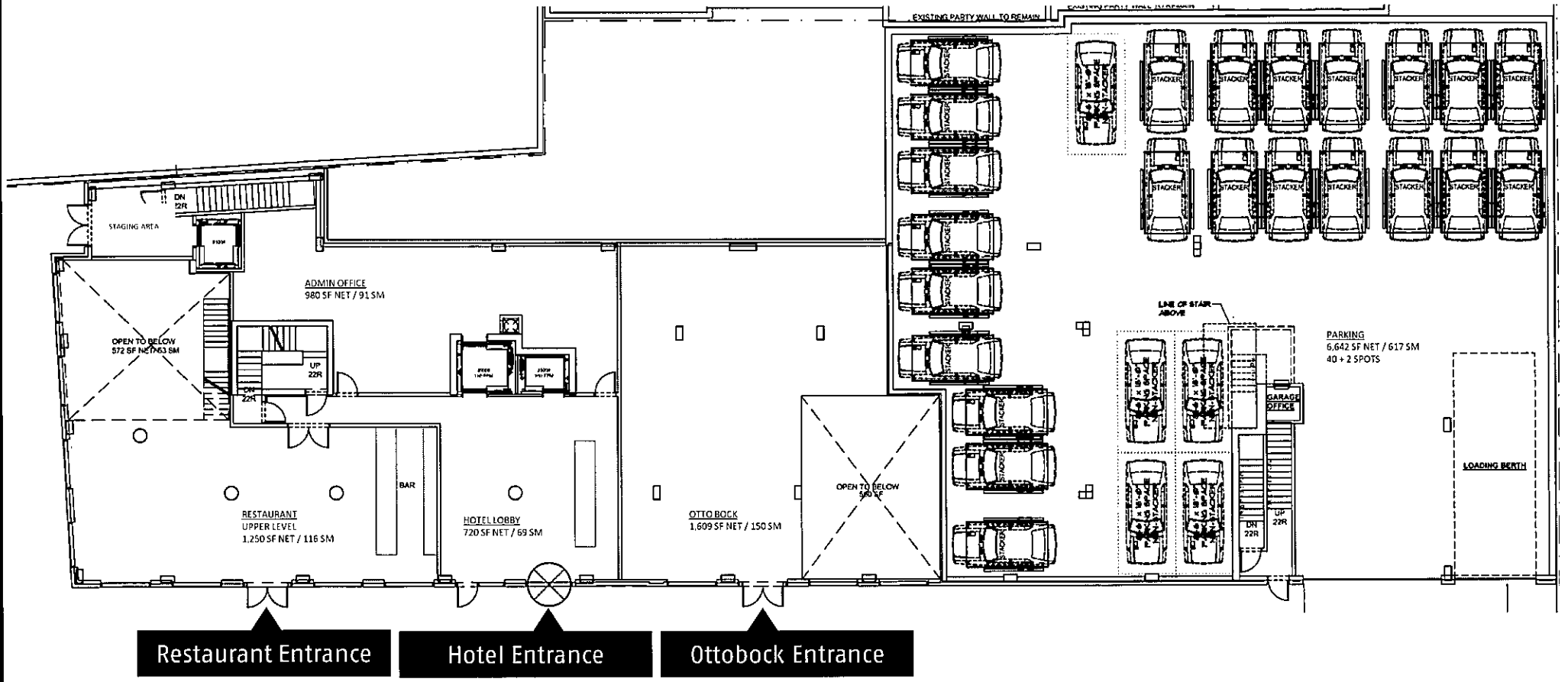
4. STATE OF DEVELOPMENT

LABORGH
INVESTMENT

4. STATE OF DEVELOPMENT

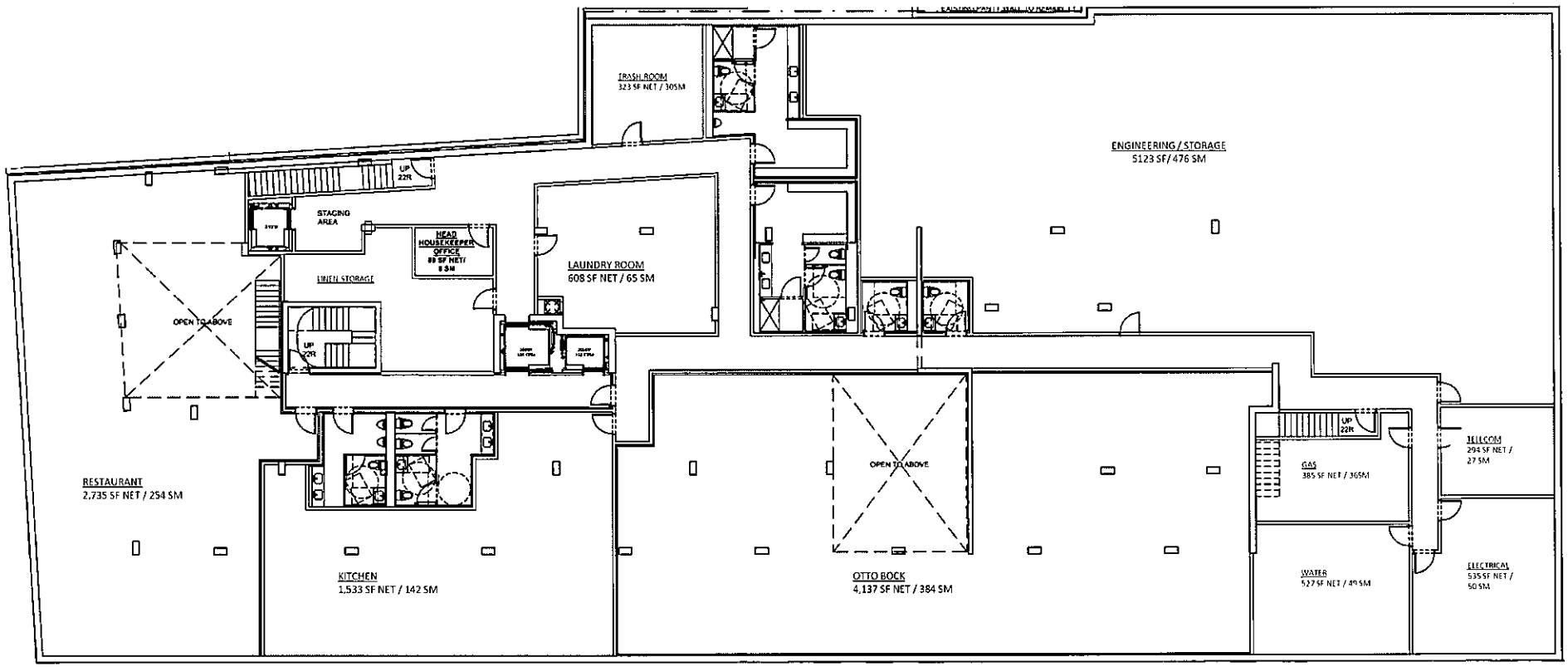
LABORGH

First floor



4. STATE OF DEVELOPMENT

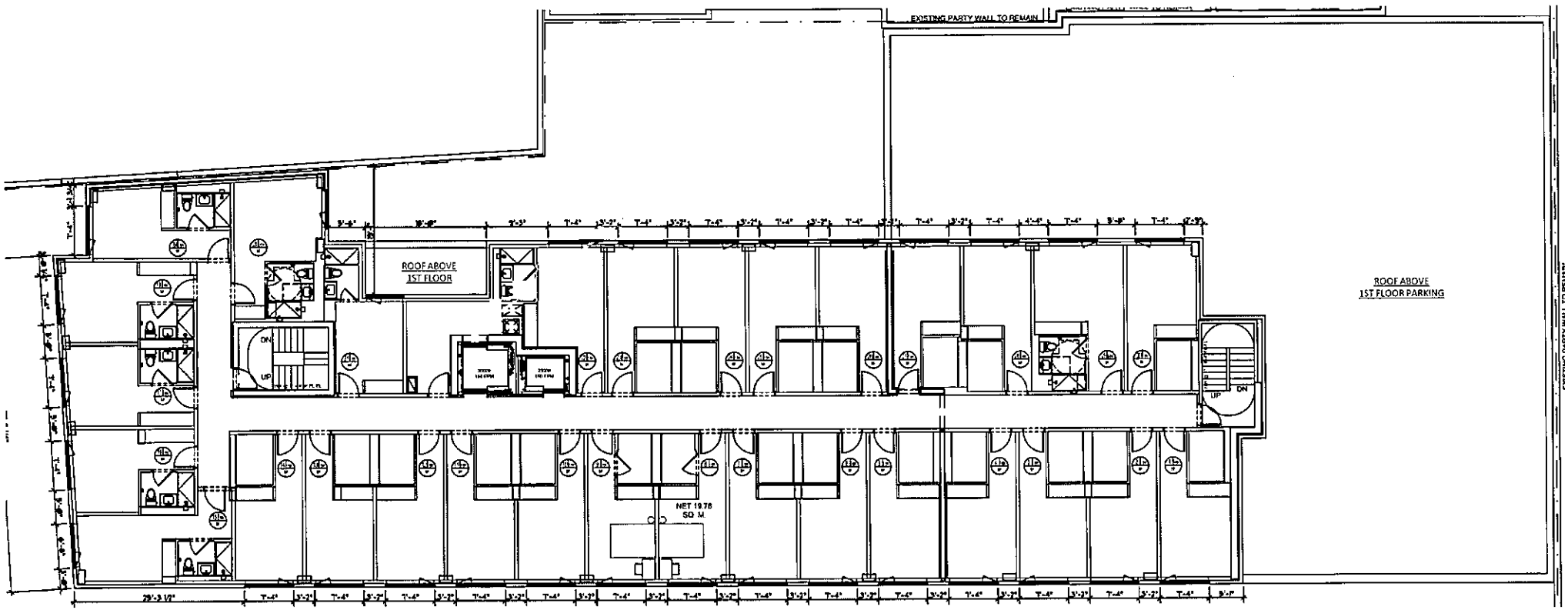
Cellar



4. STATE OF DEVELOPMENT

LABORGH

Floor 2-5



4. STATE OF DEVELOPMENT

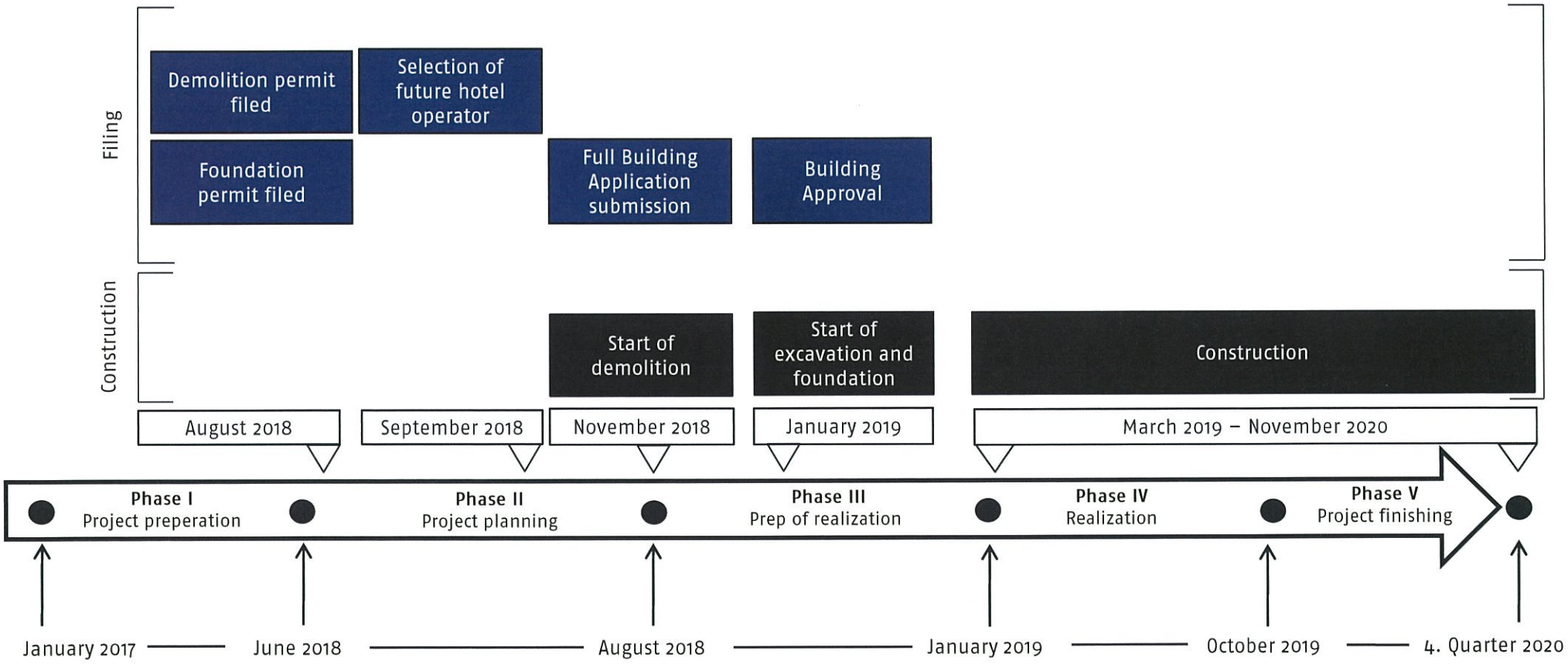
LABORGH INVESTMENT

FLOOR	GROSS FLOOR AREA	NUMBER OF FLOORS	TOTAL GROSS FLOOR AREA	PARKING DEDUCTION	MEP DEDUCTION	PROPOSED ZONING FLOOR AREA
CELLAR	21,570.0 SF	1	21,570.0 SF			
1ST	13,865.0 SF	1	13,865.0 SF	8,125		5,740
2ND – 5TH	9,243.0 SF	4	36,972.0 SF			36,972
ROOF	1,661.0 SF	1	1,661.0 SF		1,661	
TOTAL CONSTRUCTION AREA			74,068.0 SF			
PROPOSED ZONING FLOOR AREA						41,051
ALLOWED MAX. ZONING FLOOR AREA FOR NEW DEVELOPMENT						43,892

4. STATE OF DEVELOPMENT

LABORGH INVESTMENT

THE TIME FRAME (FOR VESTING)



CONTACT DETAILS

Contact Details

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10711 Berlin

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Fax: +49 30 318008-829

E-Mail: f.lanz@laborgh.com

www.laborgh.com

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. LU 259

☐ in favor ☑ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Evan Weiss

Address: 1376 Hudson Rd, Teaneck, NJ 07666

I represent: _____

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 259

☐ in favor ☒ in opposition

Date: 11-1-2018

(PLEASE PRINT)

Name: Paul Foschi

Address: 213 W. 35th St, 7th Flr, NY, NY 10001

I represent: Omnibuild

Address: 213 W. 35th St. 7th Flr, NY NY

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card LU

I intend to appear and speak on Int. No. 259 Res. No. _____

☐ in favor ☑ in opposition

Date: NOV 01, 2018

(PLEASE PRINT)

Name: SCOTT SCHNEIDER

Address: 2930 GRAND OAKS, AUSTIN, TX

I represent: OTTOBOCK HEALTHCARE

Address: 11 GRAND AVE. BROOKLYN

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card LU

I intend to appear and speak on Int. No. 259 Res. No. _____

☐ in favor ☑ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Ambructer Yaniza

Address: 150 West 28th Street, 1401

I represent: Otto Pach

Address: 11 Grand Avenue, Brooklyn

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Jacqueline Sunwoo

Address: 120 Broadway, NYC

I represent: NYC Dept. of City Planning

Address: 120 Broadway

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 259 Res. No. _____

☒ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Jennifer Gravel

Address: 120 Broadway, NYC

I represent: NYC Dept. of City Planning

Address: 120 Broadway

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 259 Res. No. _____

☐ in favor ☒ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Jeff Mulligan

Address: Kramer Levin

I represent: _____

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. LU 259

☐ in favor ☒ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Gene Kaufman

Address: _____

I represent: Gene Kaufman Architect

Address: 79 Fifth Avenue NY NY 10003

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. LU 259 Res. No. _____

☒ in favor ☐ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Armando Moritz-Chapellagnen

Address: _____

I represent: ANHD

Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 259 Res. No. _____

☑ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: Adam Friedman

Address: _____

I represent: Pratt Center

Address: Brooklyn NY

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. Int 259 Res. No. _____

☐ in favor ☐ in opposition

☒ modification *Date:* 11/1/18

(PLEASE PRINT)

Name: Rubin Kramer

Address: Duval & Stachenfeld, 555 Madison Ave

I represent: 26 West 39th LLC

Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1259 Res. No. _____

☒ in favor ☐ in opposition

Date: 11/1/18

(PLEASE PRINT)

Name: Darryl Holder

Address: 85 S. Oxford St. Brooklyn 11217

I represent: BOL Network, Inc

Address: 85 S. Oxford St

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1259 Res. No. _____

☐ in favor ☐ in opposition

w/ Comments *Date:* 11/1/2018

(PLEASE PRINT)

Name: Maria Foca

Address: 501 Ocean Pkwy

I represent: Self + Friends of Sunset Park

Address: Same

Please complete this card and return to the Sergeant-at-Arms