



What's the Deal By Daniel Lesser

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The unintended impact of New York City's M1 amendment

(The views and opinions expressed in this blog are strictly those of the author.)

On April 23, New York City's Planning Commission commenced a public review process for the [M1 Hotel Text Amendment](#), which would require new hotels located in certain manufacturing districts to acquire a discretionary special permit. The proposed zoning amendment will be reviewed by the city's community boards and the five borough presidents, and it is expected to be voted on by the Planning Commission and city council this year.

The proposed amendment would apply to all new transient hotels in all M1 zoning districts throughout the city, with several exceptions. Furthermore, transient hotels operated either by the city or the state or organizations under contract with the city as homeless shelters, are proposed to be exempt from the permit requirement.

The hotel and tourism industries are a vital part of the city's economy, generating tens of thousands of jobs, US\$2 billion in tax revenue, and over US\$64 billion in economic impact during 2016. Recently my firm, LW Hospitality Advisors (LWHA), was retained by Gene Kaufman, principal of Gene Kaufman Architect, to prepare a comprehensive [M1 Zoning Hotel Market Analysis](#). The report identifies the potential unintended economic and social impacts for New York City if the proposed special permit to limit new hotel development in M1 zoning districts is adopted, and concludes that the current plan to adopt the special permit is misguided and will reduce potential long-term economic and social benefits to the city.

Our report determined that if the special permit is granted, the city's economy would be denied revenue generated by projected hotel development between now and 2028, including: US\$55.5 billion in economic impact, US\$37.1 billion in direct visitor spending, US\$25.6 billion in wages and salaries, 202,409 jobs, US\$11.7 billion – including US\$4.24 billion in local taxes – generated by tourism, and household tax savings of US\$1,290 resulting from the tourism industry.

During the past decade, New York City has substantially benefited from the growth of its tourism industry, which has spurred development of new hotels throughout the five boroughs. During this time, there has been increased hotel development in M1 zoning districts, particularly outside of Manhattan. Reportedly, 20% of new hotel rooms built from 2008 to 2017 in Manhattan were located in M1 zones, compared with 37% outside Manhattan. Despite 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.

To illustrate in practical and tangible terms what the special permit would cost the city, the LWHA report details a range of benefits for residents that would be supported by the city's projected local tax revenue gain of US\$4.24 billion from tourism over the next 10 years, including: 47,714 teachers, 180,575 students, 497,743 child care vouchers, 59,004 families housed in shelters, 26,026 police officers and firefighters, 3,506 billion gallons of wastewater treated and 4,900,797 job placements through the Workforce1 Career Centers.

LWHA believes that the hotel industry offers significant value to New York City, and that additional hotel development in M1 zones should be stimulated, not fewer. Despite hotel owners experiencing the negative effects of additional competition, NYC 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 sector, it is projected that over the long term, impeding new hotel development will reduce the potential economic and social benefits to NYC. For these reasons, LWHA believes the current action plan to adopt the special permit for new hotel development in NYC M1 zones to be imprudent and therefore should not be adopted.

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