

Top hotel trade group sits on sidelines while debate roars over special permits

Its members have conflicting views on the plan

By [Rich Bockmann](#) | May 03, 2018 04:00PM



HANY's Vijay Dandapani, Bill de Blasio and the Hotel and Motel Trades Council's Peter Ward (Credit: Getty Images)

As the de Blasio administration moves forward with its proposal to limit hotel development in large swaths of the city, the main trade group representing hotel owners – whose members have conflicting attitudes toward the plan – is sitting the debate out.

The Hotel Association of New York City, which represents owners of some 280 hotels, has yet to weigh in on the plan the mayor first announced in late 2015 that would require developers to receive a special permit to build new hotels in light manufacturing zones.

And HANYC has decided not to take a position on the proposal, sources told *The Real Deal*. That's because its members are reluctant to run afoul of the politically powerful union pushing the plan, and because they can't reach a consensus among those who stand to win and lose from its fallout.

Hotel association president and CEO Vijay Dandapani, who joined the organization early last year, declined to comment.

Evan Weiss, CEO of LW Hospitality Advisors, said most developers he's come across are against the change, which is being pushed by the New York Hotel Trades Council.

"While we are sure there are some owners that hold the dissenting view that the M1 zoning restriction would be a positive for their existing/operating hotels," he wrote in an email, "it has been our experience through discussions and research that most developers and even owners of existing hotels oppose the proposed law."

His company last month published a study that shows City Hall's proposal would result in an economic loss of \$119.8 billion between now and 2028. The study was commissioned by Gene Kaufman, who has designed hotels for many of the developers who build in manufacturing zones. He's also spoken out publicly against the proposal while many of his developer clients have kept their views out of the spotlight.

The Real Estate Board of New York, meanwhile, is taking a hard stance against the plan. REBNY president John Banks called it an "effort to constrain the rights of property owners to address a market condition that needs no correction" and appears to be motivated for reasons "unrelated to sound planning."

And a real estate board representative was the only person to testify against the plan at a Department of City Planning in October.

But this isn't the only time the hotel association has stayed on the sidelines in a debate over special permits. HANYC declined to push back on the special-permit components of recently completed rezonings in Midtown East, East Harlem and Jerome Avenue in the Bronx.

That's in contrast to other major policy issues that the association has weighed in on in the past such as Local Law 50, the two-year moratorium the city passed in 2015 – and renewed two years later – banning owners from converting hotels into condos.

Joseph Spinnato, who was HANYC's president at the time, said the measure raised concerns about "infringement of private property rights" and said it would be a "disincentive for new hotel development and job creation."

By permit only

The Department of City Planning last week launched the public review process for the proposal mayor Bill de Blasio first floated in late 2015 to require developers to receive special permits in order to build new hotels in M1-zoned light manufacturing districts.

The city reasons the measure would protect manufacturing jobs in these areas, though many see it as a power play by the Hotel Trades Council that would allow it to exert pressure on developers to hire union staff.

The plan would cover areas of Manhattan that have seen some of the most successful hotels, such as the Meatpacking, Garment and Flower districts; Soho and NoMad. And it would cover sections of the outer boroughs that have been popular spots for tourists and travelers to stay.

But special permits have proven to be all but a ban in name. No developers have applied for special permits to build new hotels in the areas of Tribeca and Hudson Square where the city put in requirements in 2010 and 2013, respectively.

It's clear that some hotel owners have a vested interest in limiting new supply. One of the key metrics to measure the health of the market — revenue per available room, or RevPAR — has been in decline since early 2015 as the market's struggled with a flood of new supply.

But RevPAR turned positive for the first time in 10 consecutive quarters at the end of last year, an indication that the market have hit bottom and is now in recovery.

One hotel developer said that firms that are in favor of the plan are being short sighted. It may be advantageous to limit supply now while the market's soft, but the market will change; special permits will be here forever.

“Once the supply is eaten up and the inventory is absorbed over the next couple of years, then what?” said the developer, who asked not to be named. “Other hotel developers, our peers, are essentially putting a limit on our avenue to compete with them.”