Internet Association

HOTEL DEVELOPMENT IS EATING UP RESIDENTIAL SPACE IN NEW YORK CITY

COMBATING RISING RENTS IN THE BIG APPLE WITH AN INNOVATIVE APPROACH TO TOURISM AND HOME SHARING

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OVERVIEW

New York City is facing an affordable housing crisis.

Between 2008 and 2014 the city's total number of housing units increased by just 0.85%.[1] Insufficient residential space helped push the city's 5-year (2010-2014) median rent up by 9% over the previous period (2005-2009). The median condominium sales price rose by 28% from 2010 to 2015. And more than 5% of affordable housing rental units disappeared between 2010 and 2014.[2] Meanwhile, the population has grown rapidly, rising 4.6% between 2010 and 2015, exacerbating the demand for more housing and particularly affordable housing.

So, why has the number of housing units not kept up with population growth and demand? Where has the existing affordable unit stock gone? While frustration has grown and some have turned to blaming short-term rental platforms for housing price increases,

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this report shows that an unprecedented boom in hotels and hotel rooms has directly contributed to: 1) a loss of residential space, 2) a missed opportunity for increasing residential living area and units, and 3) increased demand and price pressures within the housing market.

In fact, hotel rooms increased by 34% from 2008-2014, far outpacing growth in residential units and population during the same period. This trend is set to continue, with the number of hotel rooms projected to increase by another 18% to approximately 120,000 active units by the end of 2016 and by 32% to 135,000 units by the year 2019.[3] In 2014 and 2015 alone, the city brought on 61 new or renovated hotels, adding over 11,000 rooms to the total supply. And from January 2016 through the end of 2019, another 147 hotel projects are expected to come online.[4]

This pace of construction is the fastest it has been in generations – as one industry expert noted, "We have not seen anything like today's construction since the 1920s and early 1930s."[5]

However, it is not simply an issue of hotel growth. Using data for the years 2010 and 2016 from the publicly-available PLUTO database on land use from the government of the City of New York, this report demonstrates that hotel development between 2010-2016 has directly resulted in the loss of more than 750,000 square feet of preexisting residential space and 773 preexisting residential units. Of those units lost, over half (398 or 51%) were in buildings converted from a majority residential use to a majority hotel use in that period.

In addition to this loss of existing housing, new and expanded hotels took over building area that could have been used for permanent housing. If just half of the total new hotel space had been used for residential purposes and 20% of that space was dedicated to affordable housing,[6] more than 2.9 million square feet of market-rate housing and over 727,000 square feet of affordable housing could have been created.

That is the equivalent of 3,878 market-rate and 969 affordable one-bedroom units, assuming an average unit size of 750 square feet.[7]

Far from exacerbating the crisis, home-sharing platforms help local residents stay in their homes, promote active use of properties that may otherwise sit vacant, and allow the City to accommodate the surging tourist trade through existing residential

properties.

Instead of falsely vilifying home-sharing platforms for New York's housing crunch, it's time to start looking into the actual causes, including the historic growth of hotels over the past decade, which has eaten up huge amounts of land and preexisting residential housing.

Rather than further sacrificing scarce city land for hotel use while losing additional residential space in the process, New York should embrace home-sharing platforms that give families a lifeboat in a rising tide of rents.

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750,000 FT^2

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SUMMARY OF FINDINGS

1.1: RECORD LEVELS OF VISITORS, RECORD LEVELS OF HOTEL ROOMS

New York City is experiencing a tourist boom.

In 2015, more than 58 million visitors came to the city and 59.7 million are forecast for 2016, which would make it the seventh consecutive year of record-breaking tourism.[8] Going forward, the city's official goal for 2021 is to have 67 million visitors in that year.[9]
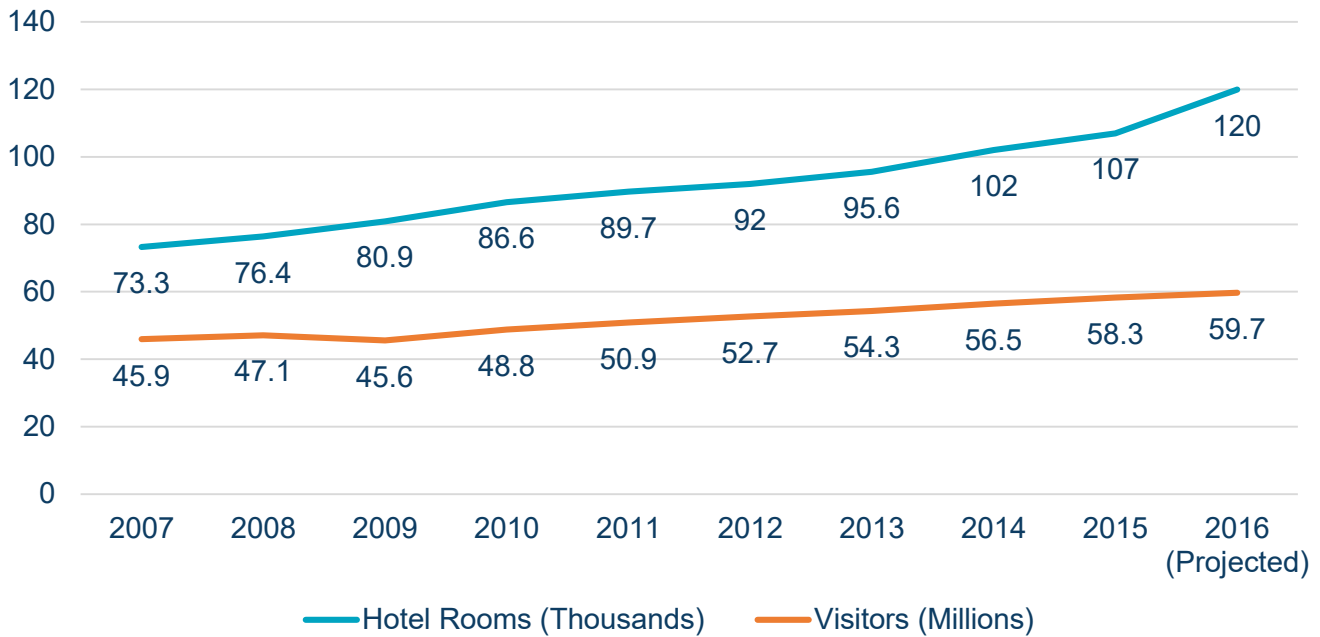
Mirroring this, the city has witnessed a surge in hotel development, with the total number of hotel rooms soaring from 73,300 in 2007 to a projected 120,000 by the end of 2016, an increase of 64% over that period.[10] The total number of hotel rooms is expected to reach 135,000 rooms by 2019.[11]

Growth in both tourism and hotel construction is projected to continue, but the rate of hotel room growth has increased in recent years (with the biggest increase expected this year in 2016) while the rate of visitor growth has slowed. Yet, despite increasing evidence of overbuilding (see Figures 1 and 2), especially in Manhattan,[12] hotel construction has reached a pace not seen for nearly 100 years and one that exceeds needs.[13] As one market research firm recently concluded, "New York's hotel market is still adding supply faster than demand can keep up."[14]

1.2: AS HOTELS BOOM, SO HOUSING SUFFERS

While the boom in New York City hotel growth is well reported, it has generally not been discussed in the context of the residential housing market or its impacts on housing.

Figure 1: Annual Visitor and Hotel Room Counts in New York City

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (Projected)
Hotel Rooms (Thousands)	73.3	76.4	80.9	86.6	89.7	92	95.6	102	107	120
Visitors (Millions)	45.9	47.1	45.6	48.8	50.9	52.7	54.3	56.5	58.3	59.7

Figure 2: YOY Visitor and Hotel Room Growth in New York City
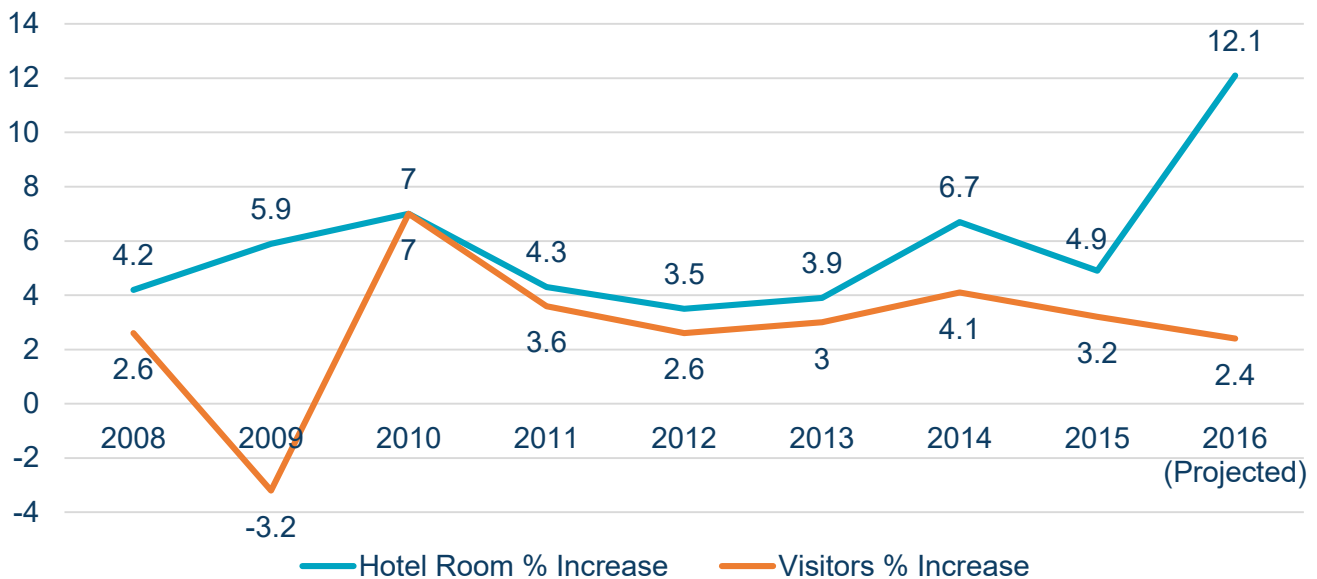
	2008	2009	2010	2011	2012	2013	2014	2015	2016 (Projected)
Hotel Room % Increase	4.2	5.9	7	4.3	3.5	3.9	6.7	4.9	12.1
Visitors % Increase	2.6	-3.2	7	3.6	2.6	3	4.1	3.2	2.4

Consequently, the paper turned to data for 2010 and 2016 from New York City's Primary Land Use Tax Lot Output (PLUTO) database, which provides building and land characteristics including use classification, square footage, number of units, and much more, to examine this issue. The paper analyzed changes in building characteristics between 2010 and 2016, specifically changes in buildings with 2016 hotel use classifications. It then calculated impacts by location, type, and more. A full methodology is offered in Appendix A.

The analysis revealed that hotel development between 2010 and 2016 has resulted in the loss of more than 750,000 square feet of preexisting residential space and 773 residential housing units.[15] As shown in Table 1, Brooklyn was the hardest hit borough, with 488 units eliminated, which is not surprising considering the number of hotels has tripled since 2006.[16] The borough of Manhattan lost 270 units and Queens lost 15 units. In the Bronx and Staten Island, where there are only 25 and nine hotels respectively, there was no measurable impact on preexisting residential space or units due to hotel development.[17]

TABLE 1
HOTEL DEVELOPMENT AND RESIDENTIAL AREA LOSS BETWEEN 2010 AND 2016

Borough	CD	Residential Area of Converted Buildings in 2010	Residential Units of Converted Buildings in 2010	Residential Area in 2016 After Conversion	Residential Units 2016 After Conversion	Change in Residential Area	Change in Residential Units
Brooklyn	1	8,732	11	0	0	-8,732	-11
	2	25,000	247	0	0	-25,000	-247
	3	11,232	33	0	0	-11,232	-33
	6	67,068	125	0	0	-67,068	-125
	7	50,753	49	0	0	-50,753	-49
	10	17,880	20	0	0	-17,880	-20
	16	3,039	3	0	0	-3,039	-3
	Total	**183,704**	**488**	**0**	**0**	**-183,704**	**-488**
Manhattan	1	300,000	0	0	0	-300,000	0
	2	10,052	8	0	0	-10,052	-8
	3	34,140	43	42,264	35	8,124	-8
	4	21,542	17	50,794	54	29,252	37
	5	116,766	140	36,739	45	-80,027	-95
	7	104,850	258	37,200	62	-67,650	-196
	Total	**587,350**	**466**	**166,997**	**196**	**-420,353**	**-270**
Queens	1	52,062	8	0	0	-52,062	-8
	2	56,970	0	0	0	-56,970	0
	7	11,196	13	5,500	6	-5,696	-7
	12	31,700	0	0	0	-31,700	0
	Total	**151,928**	**21**	**5,500**	**6**	**-146,428**	**-15**
Grand Total		**922,982**	**975**	**172,497**	**202**	**-750,485**	**-773**

Source: New York City PLUTO Database

Breaking these figures down by building type, Table 2 shows that 398 of the residential units lost (or 51%) involved buildings that were converted from majority residential use in 2010 to majority hotel use in 2016. The type of residential building most affected were elevator apartments, which lost 242 units.

TABLE 2
RESIDENTIAL LOSSES IN BUILDINGS WITH MAJORITY RESIDENTIAL USE IN 2010

2010 Majority Use	Change in Residential Area, 2010-2016	Change in Residential Units, 2010-2016
B2	-3,096	-4
B9	-2,836	-2
Total Two Family Dwellings	**-5,932**	**-6**
C0	-5,664	-6
C3	-2,352	-4
C4	-9,232	-10
C5	-44,962	-121
Total Walk Up Apartments	**-62,210**	**-141**
D1	-111,669	-193
D6	-25,669	-29
D9	-17,880	-20
Total Elevator Apartments	**-155,218**	**-242**
S4	-4,829	-4
S5	-2,600	-5
Total Residence-Multiple Use	**-7,429**	**-9**
Grand Total	**-230,789**	**-398**

Source: New York City PLUTO Database

Specific examples of residential buildings converted to hotel use include:

• 815 Avenue of the Americas, Midtown, Manhattan: An elevator apartment building with 50,349 square feet of residential space and 51 units in 2010 was converted into the Hyatt House New York/Chelsea, a long-stay hotel with no residential space or units that will start accepting reservations in December 2016.[18]

• 17 Seabring Street, Park Slope/Carroll Gardens, Brooklyn: A walk-up apartment building with 29,672 square feet of residential space and 81 units in 2010 was converted into the Comfort Inn Red Hook, a hotel with no residential space or units that opened in 2011.[19]

• 517 39th Street, Sunset Park, Brooklyn: An elevator apartment building with 24,062 square feet of residential space and 46 units in 2010 was converted into the Sunny 39 Hotel, a hotel with no residential space or units.[20]

• 31-02 and 31-16 Linden Street, Flushing/Whitestone, Queens: Mixed-used residential and two-family dwelling properties with a combined total of 3,776 square feet of residential space and 7 units were converted into a hotel development site and newly built hotel in 2014.[21]

A full list of the buildings that lost residential space and units can be found in Appendix B.

1.3: THE MOST AFFECTED NEIGHBORHOODS

By examining how hotel development fits into the housing context of individual neighborhoods, we find that several communities have been disproportionately affected by the hotel boom, including three of the most expensive housing sub-markets in New York City.

As shown in Table 3, the three Community Districts (CDs) that lost the most residential space as a result of hotel development since 2010 are the Financial District in Manhattan, Park Slope/Carroll Gardens in Brooklyn, and Woodside/Sunnyside in Queens. These three areas lost a combined 424,038 square feet.

As of 2014, each of these were also among the 10 highest in terms of median rents for all Community Districts in New York City, with the Financial District being the most expensive CD in all of Gotham at $2,553.

At the same time, rents in these neighborhoods also became more expensive and burdensome. Between 2010 and 2014 in the Financial District and Woodside/Sunnyside, median rent burdens increased by 26% and 34%,

TABLE 3:
COMMUNITY DISTRICTS WITH LARGEST RESIDENTIAL LOSSES DUE TO HOTELS

BOROUGH	COMMUNITY DISTRICT	CHANGE IN TOTAL RESIDENTIAL AREA, 2010 - 2016
Manhattan	1 – Financial District	-300,000
Brooklyn	6 – Park Slope/Carroll Gardens	-67,000
Queens	2 – Woodside/Sunnyside	-56,970
	TOTAL:	-424,038

Source: New York City PLUTO Database

respectively. The amount of low-income households that were severely rent-burdened, which NYU's Furman Center defines as households paying more than 50% of their income in rent, ranged from 48.3% in Park Slope/Carroll Gardens to 64.7% in the Financial District, highlighting the desperate need for affordable housing in all three of these Community Districts.

TABLE 4
RENT TRENDS IN MOST AFFECTED CDS

Community District	Metric	2010	2014	2014-15 Rank
MN1–Financial District	Median Household Income	$110,469	$120,341	1
	Median Rent	$2,358	$2,553	1
	Median Rent Burden	24.9%	26.0%	52
	Severely Rent-Burdened Households	–	19.7%	54
	Severely Rent-Burdened Households, Low Income	–	64.7%	1
BK6–Park Slope/Carroll Gardens	Median Household Income	$89,723	$113,187	3
	Median Rent	$1,762	$2,003	5
	Median Rent Burden	27.9%	24.2%	55
	Severely Rent-Burdened Households	–	17.2%	55
	Severely Rent-Burdened Households, Low Income	–	48.3%	32
QN2–Woodside/Sunnyside	Median Household Income	$56,462	$57,337	19
	Median Rent	$1,395	$1,557	10
	Median Rent Burden	33.5%	34.0%	24
	Severely Rent-Burdened Households	–	28.6%	40
	Severely Rent-Burdened Households, Low Income	–	51.5%	16

Source: "State of New York City's Housing and Neighborhoods – New York City Neighborhood Statistics," New York University's Furman Center for Urban Studies, May 2016.

Turning to sale prices, increases in the median sales price of a condominium in the three Community Districts have been even more extreme. As shown in Table 5, from 2010 to 2015, the median condo price in Park Slope/ Carroll Gardens soared 47% to nearly $1 million. In Woodside/Sunnyside, it rose 26% to $775,000. And in the Financial District, the median price rose 12.5% to nearly $1.2 million, indicating homeownership of a condo is outside the reach of many in these areas. In fact, all three Community Districts ranked among the 15 most expensive places to own a condo in New York City.

TABLE 5:
MEDIAN SALES PRICE (CONDOMINIUMS) IN MOST AFFECTED CDS

COMMUNITY DISTRICT	2010	2015	% CHANGE	2014-15 RANK
MN1–Financial District	$1,065,538	$1,199,000	12.5%	7
BK6–Park Slope/Carroll Gardens	$679,787	$999,000	47.0%	9
QN2–Woodside/Sunnyside	$615,253	$775,000	26.0%	14

Source: "State of New York City's Housing and Neighborhoods – New York City Neighborhood Statistics," New York University's Furman Center for Urban Studies, May 2016.

1.4: THE HOUSING THAT COULD HAVE BEEN

The analysis so far has focused only on actual losses of preexisting residential space and units as reported in PLUTO buildings with a majority hotel use in 2016 when compared to their 2010 characteristics.

However, the effect on the housing market is even greater if we estimate the opportunity-cost – i.e. housing that could have been constructed had the new building space been used to build housing for New Yorkers instead of hotel rooms for transient guests.

In one scenario, let's assume just half the new building space added since 2010 in buildings that are now mostly used for hotel purposes had instead been used for residential projects and that 20% of that space was dedicated to affordable housing.[22] This would have resulted in more than 2.9 million square feet of market-rate housing and over 727,000 square feet of affordable housing—the equivalent of 3,878 market-rate and 969 affordable one bedroom units, assuming an average unit size of 750 square feet.[23] 60% of those units—2,927—could have been created in Manhattan, the city's most expensive borough to rent and own a condo.[24]

In a scenario where 75% of the hotel area had been used for residential housing, those numbers increase to 5,816 market rate units and 1,454 affordable housing units.

A full list of the new building space and potential housing units by 2016 hotel use type can be found in Appendix C.

TABLE 6
POTENTIAL NEW RESIDENTIAL SPACE LOST TO HOTEL DEVELOPMENT, 2010 VS. 2016

Borough	CD	Total Building Area in 2010	Total Building Area in 2016	New Building Space	50% of New Building Space	80% for Market-Rate Housing	750 sq. ft. Market-Rate Units	20% for Affordable Housing	750 sq. ft. Affordable Units
Bronx	1	67,925	188,534	120,609	60,305	48,244	64	12,061	16
	3	21,869	52,574	30,705	15,353	12,282	16	3,071	4
	4	61,220	90,590	29,370	14,685	11,748	16	2,937	4
	5	26,400	26,400	0	0	0	0	0	0
	6	157,311	114,716	-42,595	-21,298	-17,038	-23	-4,260	-6
	7	0	12,000	12,000	6,000	4,800	6	1,200	2
	8	25,546	25,546	0	0	0	0	0	0
	9	26,353	49,249	22,896	11,448	9,158	12	2,290	3
	10	59,471	59,471	0	0	0	0	0	0
	11	40,710	40,710	0	0	0	0	0	0
	12	115,423	115,423	0	0	0	0	0	0
	Total	**602,228**	**775,213**	**172,985**	**86,493**	**69,194**	**92**	**17,299**	**23**
Brooklyn	1	280,671	743,449	462,778	231,389	185,111	247	46,278	62
	2	740,587	1,236,121	495,534	247,767	198,214	264	49,553	66
	3	40,393	109,541	69,148	34,574	27,659	37	6,915	9
	4	29,346	93,669	64,323	32,162	25,729	34	6,432	9
	5	139,819	176,673	36,854	18,427	14,742	20	3,685	5
	6	191,568	298,918	107,350	53,675	42,940	57	10,735	14
	7	195,465	228,259	32,794	16,397	13,118	17	3,279	4
	8	142,701	91,612	-51,089	-25,545	-20,436	-27	-5,109	-7
	9	0	11,200	11,200	5,600	4,480	6	1,120	1
	10	61,290	61,290	0	0	0	0	0	0
	11	20,212	20,212	0	0	0	0	0	0
	12	95,601	127,964	32,363	16,182	12,945	17	3,236	4
	13	0	18,445	18,445	9,223	7,378	10	1,845	2
	15	282,840	104,840	-178,000	-89,000	-71,200	-95	-17,800	-24
	16	3,039	92,656	89,617	44,809	35,847	48	8,962	12
	17	13,000	23,000	10,000	5,000	4,000	5	1,000	1
	18	24,893	24,893	0	0	0	0	0	0
	Total	**2,261,425**	**3,462,742**	**1,201,317**	**600,659**	**480,527**	**641**	**120,132**	**160**

Manhattan	1	3,206,346	3,171,412	-34,934	-17,467	-13,974	-19	-3,493	-5
	2	1,365,163	1,751,727	386,564	193,282	154,626	206	38,656	52
	3	863,121	1,372,014	508,893	254,447	203,557	271	50,889	68
	4	5,075,928	7,035,629	1,959,701	979,851	783,880	1,045	195,970	261
	5	24,286,919	25,621,743	1,334,824	667,412	533,930	712	133,482	178
	6	5,054,408	5,238,662	184,254	92,127	73,702	98	18,425	25
	7	1,994,149	2,003,908	9,759	4,880	3,904	5	976	1
	8	1,898,124	1,900,551	2,427	1,214	971	1	243	0
	10	18,383	26,690	8,307	4,154	3,323	4	831	1
	11	112,505	112,505	0	0	0	0	0	0
	12	28,850	59,705	30,855	15,428	12,342	16	3,086	4
	Total	**43,903,896**	**48,294,546**	**4,390,650**	**2,195,325**	**1,756,260**	**2,342**	**439,065**	**585**
Queens	1	814,267	1,237,562	423,295	211,648	169,318	226	42,330	56
	2	455,718	661,351	205,633	102,817	82,253	110	20,563	27
	3	1,337,434	1,337,434	0	0	0	0	0	0
	4	141,887	217,391	75,504	37,752	30,202	40	7,550	10
	5	102,544	102,544	0	0	0	0	0	0
	6	8,870	8,870	0	0	0	0	0	0
	7	687,448	1,143,202	455,754	227,877	182,302	243	45,575	61
	8	86,849	163,216	76,367	38,184	30,547	41	7,637	10
	10	264,300	278,992	14,692	7,346	5,877	8	1,469	2
	11	95,644	95,644	0	0	0	0	0	0
	12	886,140	1,000,520	114,380	57,190	45,752	61	11,438	15
	13	289,359	321,411	32,052	16,026	12,821	17	3,205	4
	14	4,560	53,589	49,029	24,515	19,612	26	4,903	7
	Total	**5,175,020**	**6,621,726**	**1,446,706**	**723,353**	**578,682**	**772**	**144,671**	**193**
Staten Island	1	33,085	34,845	1,760	880	704	1	176	0
	2	338,189	395,333	57,144	28,572	22,858	30	5,714	8
	3	12,760	12,760	0	0	0	0	0	0
	Total	**384,034**	**442,938**	**58,904**	**29,452**	**23,562**	**31**	**5,890**	**8**
Grand Total		**52,326,603**	**59,597,165**	**7,270,562**	**3,635,281**	**2,908,225**	**3,878**	**727,056**	**969**

1.5 NEW YORK CITY'S LAND USE LAWS PROMOTE HOTEL DEVELOPMENT OVER HOUSING, INDUSTRIAL BUSINESSES

Hotel construction in New York City isn't merely a product of the tourist boom; it's also a predictable outcome of land use policies that provide incentives for land owners to build hotels instead of permanent housing or industrial businesses, including a moratorium on the conversion of hotels into housing and allowing hotels to be built "as-of-right" on land zoned for industry.[25]

In May 2015, following pressure from the politically powerful New York Hotel Trades Council (HTC), New York City Mayor Bill de Blasio and the City Council agreed to impose a two-year moratorium on the conversion of more than 20% of hotel space in Manhattan to residential condominiums.[26]

The Real Estate Board of New York (REBNY) sued to block the law, stating, "To take away what is clearly now an as-of-right ability to generate some more residential units at the expense of a few hotel units to me is again not only illegal, but is inappropriate.[27] REBNY recently lost the lawsuit on a technicality: lack of legal standing.[28]

Several groups have sounded the alarm about the threat posed by hotel construction to the future of the New York City's manufacturing base. The Association for Neighborhood and Housing Development (ANHD) has stated that, "the current industrial and manufacturing zoning framework... does not speak to our city's current economic development needs and real estate market reality."[29]

The New York City Council identified as-of-right hotel construction in industrial business zones (IBZ) as, "the greatest current threat to industrial businesses in manufacturing zones."[30] This is because hotels don't simply take up precious land that could be used for manufacturing, but "fundamentally change the character of areas previously reserved for manufacturing and industrial work...often with fewer jobs with poorer wages and benefits than the uses they replaced."

For example, since the Wythe Hotel opened in the Williamsburg IBZ in 2012, three additional large hotel projects have been launched within a two block radius. As a result, while the area remains a designated IBZ, the City Council has found that, "hotel, nightlife, and retail uses have proliferated to the point where the southern half of the zone has been almost entirely purged of working industrial uses."[31] According to the Council, "nearly all the remaining industrial land is either vacant and being warehoused for development or is soon to shut down for planned redevelopment."

Case in point: a property owner in Williamsburg recently said that when he made an offer for a building near its Williamsburg location, the landowner came back with a counteroffer six times higher than his assessment because "they thought the property could fetch the higher price because it could be developed into a hotel."[32]

According to a 2015 study by the Pratt Center for Community Development, the proliferation of hotels has had a significant impact on neighborhoods and land-use patterns in New York City, arguing a "highly permissive regulatory framework" has enabled projects "inconsistent with existing community or City Hall intentions," and as a result, is "undermining" the industrial character of some neighborhoods, affordable housing initiatives, and Gotham's efforts to nurture the high-tech sector. And despite their proximity to New York City Housing Authority developments, public housing residents "are not being hired for the jobs being created by these hotels."[33]

Not only do the city's land use policies promote hotel construction over affordable housing, but the city itself has passed up opportunities to repurpose land it owns for residential use, instead adding to the development of hotels. The New York City Economic Development Corporation recently signed a contract to convert the Battery Maritime

Building in Lower Manhattan into a 70-room boutique hotel with a luxury restaurant and bar on the rooftop. No permanent housing will be included.[34]

1.6 CONCLUSION

On his deathbed in 1848, John Jacob Astor—then America's richest man—declared, "Could I begin life again, knowing what I now know, and had money to invest, I would buy every foot of land on the island of Manhattan."[35]

In the ensuing years, land in New York City has grown ever more precious, as millions have flocked to the Big Apple from across the country and around the world. According to the New York City Department of Finance, the market value of property in the city has more than tripled in the last twenty years, from $294 billion in Fiscal Year (FY) 1996 to $906 billion in FY 2015, with rents rising accordingly.[36]

As the affordable housing crisis continues to deepen, it is critical that the city's land use policies create incentives for property owners to build permanent and affordable housing, rather than continuing to profit from the hotel boom that has brought transient housing to neighborhoods across New York.

To that end, New York should not only take additional steps to limit as-of-right hotel development in industrial zones,[37] but should also support comprehensive reforms to foster responsible home sharing as a way to accommodate NYC's growing tourist economy.

Unlike more traditional business models, the internet allows businesses and individuals to more efficiently deploy their resources. The sharing economy in particular enables individuals to tap into the broader economy by leveraging their personal assets in ways that enhance economic efficiency and flexibility, making everyone better off. Home sharing can absorb a significant amount of the demand for transient/tourist lodging, reducing the need for continued hotel construction and ensuring that precious land can be used for permanent housing, manufacturing, and other critical needs. While hotel construction converts homes into hotels, short-term renting lets people keep their homes and also benefit from the thriving tourism industry.

Despite the fact that home sharing is already providing a boon to cities and towns throughout the Empire State, the New York Legislature has failed to pass—or even consider—comprehensive regulations governing this growing industry.

Instead, it has passed a bill (A-8704(C)/S-6340(A)) that would do nothing to crack down on illegal hotel operators and impose draconian fines on everyday New Yorkers who occasionally share their homes to make ends meet.

Governor Cuomo should veto this misguided legislation and bring together interested parties around a set of reforms that foster the growth of responsible home sharing and provide an example for other states to follow in grappling with the challenges of the 21st century economy.

APPENDICES

APPENDIX A: METHODOLOGY

The report primarily relied on two sources of housing data for New York City. The first was New York City's Primary Land Use Tax Lot Output (PLUTO) database.[39] This data compiles zoning, land and building use and spatial data tied to the city's tax assessments. A primary repository of tax assessment information, it provides a credible source of changes in land use over time. A full list of the fields in PLUTO and those used in this research can be found in Appendix D.

The following are the key assumptions informing the PLUTO research in this report:

* Buildings that have a majority hotel use in 2016 are hotel buildings
* Hotel buildings that reported losses in residential space and units when comparing their 2016 characteristics to their 2010 characteristics impacted housing stock in the city
* Hotel buildings that reported changes in total building area when comparing their 2016 characteristics to their 2010 characteristics indicates construction
* Changes in these characteristics can be attributed to the 2016 hotel use and can be considered hotel development
* Hotel space is similar to residential space and could be used as residential space with minimum renovation

The second source of data came New York University's Furman Center for Urban Studies.

The research uses the 'building class' field in the 2016 PLUTO dataset to identify hotels, two-character code established by the Department of City Planning based on data from the Department of Finance that describes the building's majority use. The full list of hotel classes is as follows:[40]

> H1. Luxury Type - Built Prior to 1960
> H2. Luxury Type - Built After 1960
> H3. Transient Occupancy-Midtown Mn Area
> H4. Motels
> H5. Private Club, Luxury Type
> H6. Apartment Hotels
> H7. Apartment Hotels-Co-op Owned
> H8. Dormitories
> H9. Miscellaneous
> HB. Stylish Full Service Luxury Hotel*
> HH. Shared Facilities Budget Hotel*
> HR. Affordable Shared Room Housing*
> HS. Long-term Fully Equipped Units*
> * = Added in 2014

Some of the city-defined hotel classes are for uses not traditionally considered hotel uses in a 'popular' sense. Specifically, the report was concerned with residential units meant for students or other types of short-term housing tied to facilities. To ensure none of these unit types and that no hotels could be misconstrued as long-term housing for residents, the report removed the following 2016 PLUTO classifications from the analysis:

> H6- Apartment Hotels
> H7- Apartment Hotels-Co-op Owned
> H8- Dormitory
> HR- Affordable Shared Room Housing

Finally, the report also removed from the research any buildings for which PLUTO did not have 2010 data.

For the preexisting residential area and units lost analysis, this report assessed 2016 hotels that reported residential area in 2010, excluding one building that reported just 3 square feet of residential area in 2010. The analysis also excluded any building which reported zero residential space in 2016 but a non-zero residential unit number, which can indicate missing data.[41]

To better understand these impacts in specific New York City neighborhoods, the borough and

Community District of the building, a field also reported in PLUTO, was isolated. This allows a direct comparison to the statistics generated by New York University's Furman Center for Urban Studies.

For the opportunity-cost analysis (i.e. the total potential market-rate and affordable housing units that could have been created) the report assessed changes in the total building floor area in 2016 hotels compared to the same 2010 characteristic. The additional exclusions described for the preexisting residential area and units lost analysis was not performed as those fields were not part of the potential affordable housing analysis.

The PLUTO analyses conducted in this report can be considered conservative for the following reasons:

- It only compares the 2016 PLUTO dataset to the 2010 PLUTO dataset. Hotel and hotel room construction has been booming since at least 2007.
- It removes buildings with an H6-H8 or HR building class in 2016. Some of these buildings may actually be what are traditionally considered hotels.
- It relies on the 'building class' field in the 2016 PLUTO dataset to identify hotels. While buildings can have multiple uses, PLUTO assigns only building class based on the use with the greatest square footage. Some hotels located in mixed-use buildings may not be the use with the greatest square footage.
- Having zero residential area but a non-zero residential unit count doesn't necessarily indicate missing data. Some of these buildings may have lost preexisting residential space or units.

APPENDIX B:
HOTEL DEVELOPMENTS RESULTING IN LOSS OF RESIDENTIAL HOUSING

Borough	Community District	Majority Use 2010	Residential Area 2010	Residential Units 2010	Majority Use 2016	Residential Area 2016	Residential Units 2016
Brooklyn	1	F4	8,732	11	H9	0	0
	2	H2	25,000	247	H2	0	0
	3	D1	11,232	33	HB	0	0
	6	H9	12,625	43	H3	0	0
	6	I9	24,771	1	H3	0	0
	6	C5	29,672	81	H3	0	0
	7	C0	2,625	3	H3	0	0
	7	D1	24,062	46	H3	0	0
	7	H9	24,066	0	H3	0	0
	10	D9	17,880	20	H3	0	0
	16	C0	3,039	3	H3	0	0
Manhattan	1	H2	300,000	0	H2	0	0
	2	S4	4,829	4	H3	0	0
	2	C4	5,223	4	H3	0	0
	3	V1	2,200	0	H3	10,356	0
	3	H9	6,764	3	H2	6,764	3
	3	K9	8,000	7	H1	7,403	8
	3	O9	17,176	33	H3	17,741	24
	4	O9	6,542	8	H2	36,794	45
	4	H2	15,000	9	H1	14,000	9
	5	H9	1,800	6	H3	1,800	4
	5	C4	4,009	6	H2	0	0
	5	H3	5,810	4	HB	5,810	4
	5	H9	14,270	44	H3	14,270	30
	5	H3	14,859	0	H1	14,859	7
	5	D6	25,669	29	H3	0	0
	5	D1	50,349	51	HS	0	0
	7	C5	15,290	40	HS	0	0
	7	D1	26,026	63	HS	0	0
	7	H6	26,334	93	H3	0	0
	7	H9	37,200	62	H3	37,200	62

	1	K4	1,950	2	H3	0	0
	1	C3	2,352	4	H3	0	0
	1	H3	2,451	0	H3	0	0
	1	B9	2,836	2	H3	0	0
	1	H9	42,473	0	H3	0	0
Queens	2	H9	25,450	0	H4	0	0
	2	H9	31,520	0	HB	0	0
	7	B2	1,176	2	H9	0	0
	7	B2	1,920	2	H9	0	0
	7	S5	2,600	5	H9	0	0
	7	H9	5,500	4	H3	5500	6
	12	H9	31,700	0	H4	0	0
Total			**922,982**	**975**		**172,497**	**202**

2016 Majority Use	Total Building Area in 2010	Total Building Area in 2016	New Building Space	50% of New Building Space	80% for Market-Rate Housing	750 sq. ft. Market-Rate Units	20% for Affordable Housing	750 sq. ft. Affordable Units
H1	17,520,443	17,527,123	6,680	3,340	2,672	4	668	1
H2	13,208,780	16,713,769	3,504,989	1,752,495	1,401,996	1,869	350,499	467
H3	10,879,749	13,283,210	2,403,461	1,201,731	961,384	1,282	240,346	320
H4	2,332,434	2,337,346	4,912	2,456	1,965	3	491	1
H5	1,371,302	1,380,627	9,325	4,663	3,730	5	933	1
H9	1,418,992	2,343,528	924,536	462,268	369,814	493	92,454	123
HB	3,043,672	3,426,367	382,695	191,348	153,078	204	38,270	51
HH	388,419	396,726	8,307	4,154	3,323	4	831	1
HS	2,162,812	2,188,469	25,657	12,829	10,263	14	2,566	3
Grand Total	**52,326,603**	**59,597,165**	**7,270,562**	**3,635,281**	**2,908,225**	**3,878**	**727,056**	**969**

APPENDIX D: PLUTO FIELDS USED IN ANALYSIS

Borough (Borough)
Tax Block (Block)
Tax Lot (Lot)
Community District (CD)
Census Tract (CT2010)
Census Block (CB2010)
School District (SchoolDist)
City Council District (Council)
Zip Code (ZipCode)
Fire Company (FireComp)
Police Precinct (PolicePrct)
Health Area (HealthArea)
Sanitation District Boro (SanitBoro)
Sanitation District Number (SanitDist)
Sanitation Subsection (SanitSub)
Address (Address)
Zoning, Zoning District 1 (ZoneDist1)
Zoning, Zoning District 2 (ZoneDist2)
Zoning, Zoning District 3 (ZoneDist3)
Zoning, Zoning District 4 (ZoneDist4)
Zoning, Commercial Overlay 1 (Overlay1)
Zoning, Commercial Overlay 2 (Overlay2)
Zoning, Special Purpose District 1 (SPDist1)
Zoning, Special Purpose District 2 (SPDist2)
Zoning, Limited Height District (LtdHeight)
Zoning, All Components 1 (AllZoning1)
Zoning, All Components 2 (AllZoning2)
Units, Residential (UnitsRes)
Units, Residential And Non-Residential (UnitsTotal)
Lot Frontage (LotFront)
Lot Depth (LotDepth)
Building Frontage (BldgFront)
Building Depth (BldgDepth)
Extension Code (Ext)
Proximity Code (ProxCode)
Irregular Lot Code (IrrlotCode)
Lot Type (LotType)
Basement Type/Grade (BsmtCode)
Assessed Value, Land (AssessLand)
Assessed Value, Total (AssessTot)
Exempt Value, Land (ExemptLand)
Exempt Value, Total (ExemptTot)
Year Built (YearBuilt)
Year Built Code (BuiltCode)
Year Altered 1 (YearAlter1)

Year Altered 2 (YearAlter2)
Historic District Name (HistDist)
Landmark Name (Landmark)
Built Floor Area Ratio - FAR (BuiltFAR)
Maximum Allowable Residential Far (ResidFAR)
Maximum Allowable Commercial FAR (CommFAR)
Maximum Allowable Facility FAR (FacilFAR)
Boro Code (BoroCode)
Borough, Tax Block & Lot (BBL) Unique ID
Condominium Number (CondoNo)
Census Tract 2 (Tract2010)
X Coordinate (XCoord)
Y Coordinate (YCoord)
Zoning Map # (ZoneMap)41
Zoning Map Code (ZmCode)
Sanborn Map # (Sanborn)
Tax Map # (Taxmap)
E-Designation Number (EDesigNum)
Apportionment Bbl (APPBBL)
Apportionment Date (APPDate)
Pluto - Base Map Indicator (PlutoMapI)
Version Number (Version)
Zoning, Split Boundary Indicator (SplitZone)
Building Class (BldgClass)
Land Use Category (LandUse)
Easements, Number Of (Easements)
Ownership, Type Of Ownership Code (OwnerType)
Ownership, Owner Name (OwnerName)
Lot Area (LotArea)
Floor Area, Total Building (BldgArea)
Floor Area, Commercial (ComArea)
Floor Area, Residential (ResArea)
Floor Area, Office (OfficeArea)
Floor Area, Retail (RetailArea)
Floor Area, Garage (GarageArea)
Floor Area, Storage (StrgeArea)
Floor Area, Factory (FactryArea)
Floor Area, Other (OtherArea)
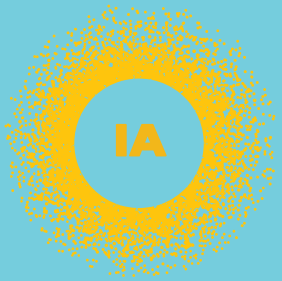Floor Area, Total Building Source Code (AreaSource)
Buildings, Number Of (NumBldgs)
Floors, Number Of (NumFloors)
$221.3B (See Table E-8).

ENDNOTES

1 New York City Rent Guidelines Board, "2010 Housing Supply Report" and "2015 Housing Supply Report"

2 Affordable rental units defined as 120 percent of the area median income (AMI). "State of New York City's Housing and Neighborhoods – New York City Neighborhood Statistics," New York University's Furman Center for Urban Studies, May 2016

3 "Hotel Development in NYC: 2014 to 2019," NYC & Company, June 15, 2016

4 "Hotel Development in NYC: 2014 to 2019," NYC & Company, June 15, 2016

5 Cushman & Wakefield hotel broker Tom McConnell. "NYC Adds Thousands of Hotel Rooms for Gotham-Wide Guest Surge," The New York Post, January 15, 2015

6 New York City's mandatory inclusionary housing program requires at least 20 percent of units to be affordable in new developments that are beneficiaries of new housing capacity. Depending on the area, the city requires as much as 30 percent of new building space to be dedicated to affordable housing. See "Mandatory Inclusionary Housing"; "Mandatory Inclusionary Housing Program Summary," Housing New York, accessed August 2016

7 As of December 2015, the average one-bedroom apartment in New York City was 750 square feet, but some are as small as 265 square feet. "NYC Fits Micro Apartments into Housing Picture," The Daily Mail, December 28, 2015

8 "At World's Leading Travel Trade Show NYC & Company Unveils Tourism Forecast of 59.7 Million Visitors in 2016," NYC & Company Press Release, March 9, 2016

9 "Mayor de Blasio and NYC & Company Announce 'Road To 10 Million More Visitors'," Office of The Mayor Press Release, March 18, 2015

10 For reference, the increase from 2010 to 2015 was approximately 22%.

11 'Hotel Development in NYC: 2014 to 2019,' NYC & Company, June 15, 2016

12 A market research firm recently concluded that, "New York's hotel market is still adding supply faster than demand can keep up." See "A Closer Look at NYC's Hotel Rate Conundrum," Duetto Research Assistant Director of Content Mark Brandau, July 27, 2016

13 Cushman & Wakefield hotel broker Tom McConnell. "NYC Adds Thousands of Hotel Rooms for Gotham-Wide Guest Surge," The New York Post, January

14 "A Closer Look at NYC's Hotel Rate Conundrum," Duetto Research Assistant Director of Content Mark Brandau, July 27, 2016

15 While the city as a whole has continued to add residential space during this period, it would have added more space had hotel development not cannibalized land and buildings that were already being or could have been used for permanent housing.

16 "The Hotel Industry in New York City," Office of the State Comptroller, June 2016

17 "The Hotel Industry in New York City," Office of the State Comptroller, June 2016; "Hotel Development in NYC: 2014 to 2019," NYC & Company, June 15, 2016

18 "Hyatt House New York Chelsea," accessed September 5, 2016

19 Open date according to Smith Travel Research. "Comfort Inn Red Hook," accessed September 5, 2016

20 "NYPD helps feds bust two brothers posing as hotels," New York Post, October 15, 2015

21 "Flushing Hotel & Development Portfolio," Massey Knakal Realty Services, accessed September 5, 2016

22 New York City's mandatory inclusionary housing program requires at least 20 percent of units to be affordable in new developments that are beneficiaries of new housing capacity. Depending on the area, the city requires as much as 30 percent of new building space to be dedicated to affordable housing. See "Mandatory Inclusionary Housing"; Housing New York, accessed September 5, 2016

23 As of December 2015 the average one-bedroom apartment in New York City was 750 square feet, but some are as small as 265 square feet. "NYC Fits Micro Apartments into Housing Picture," The Daily Mail, December 28, 2015

24 The median rent in Manhattan was $1,533 in 2014 and the median sales price of a condo was $1.275 million in 2015, the highest of any borough. "State of New York City's Housing and Neighborhoods – New York City Neighborhood Statistics," New York University Furman Center for Urban Studies, May 2016.

25 The zoning "loophole" is not limited to hotels. Many manufacturing zones are also open to big box stores like Ikea and Costco, waste transfer stations, and office buildings. As the City Council noted, "In virtually all cases, each of these uses can typically generate a higher return per square foot for the landowner than most industrial uses." See New York City Council, "Engines of Opportunity: Reinvigorating New York City's Manufacturing Zones for the 21st Century," (Nov. 2014); Pratt Center for Community Development, "Protecting New York's Threatened Manufacturing Space"

26 "De Blasio compromises on hotel conversions, industry threatens suit," Politico New York, May 12, 2015; "City Council passes hotel conversion bill," The Real Deal, May 15, 2015

27 "De Blasio compromises on hotel conversions, industry threatens suit," Politico New York, May 12, 2015

28 "Court shuts down REBNY's opposition to hotel conversion law," The Real Deal, June 24, 2016

29 Association for Neighborhood & Housing Development, "Land Use Reform: Critical to NYC's Industrial Future," (28 Oct. 2015).

30 "Engines of Opportunity."

31 Id.

32 Eli Rosenberg, "How NYC's Decade of Rezoning Changed the City of Industry," Curbed (16 Jan. 2014).

33 "Hotel Development in NYC: Room for Improvement," Pratt Center for Community Development, February 2015

34 "Battery Maritime Building to get a new life, again," Politico New York, March 16, 2016

35 Quoted in Matthew Hale Smith, Sunshine and Shadow in New York, J.B. Burr: New York, N.Y., 1868, p.117

36 NYC Department of Finance, "Annual Report: The New York City Property Tax: FY 2015," (May 2015)

37 The Mayor announced that he would work with the City Council to create a new special permit that will be required for any hotel developments in M1 districts within industrial business zones (IBZs). See: "Action Plan to Grow 21st Century Industrial Jobs in NYC," (3 Nov. 2015)

38 A-8704(C)/S-6340(A)

39 "PLUTO and MapPLUTO Archive," NYC Department of City Planning, accessed September 5, 2016.

40 "PLUTO Data Dictionary," Appendix C, NYC Department of City Planning, March 2016

41 "A residential floor area of zero can mean it is either not available or not applicable." March 2016 PLUTO Data Dictionary, accessed September 5, 2016.

airbnb   amazon   coinbase   DOORDASH   Dropbox

ebay   Etsy   Expedia   facebook   FanDuel

Google   GROUPON   handy   IAC   intuit

LinkedIn   lyft   MONSTER   NETFLIX   PANDORA

PayPal   Pinterest   practice fusion   Rackspace HOSTING   reddit

salesforce   Snapchat   Spotify   SurveyMonkey   TEN-X

TransferWise   tripadvisor   TURO   Twitter   UBER

YAHOO!   yelp   ZENEFITS   zynga