

NYC Hotel Industry & Conversions to Residential Uses

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October 2016

Municipal Reference and
Research Center

MAY 04 2017

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Executive Summary

NYC's hotel industry is a well-established, rapidly growing, and important economic sector. During the past 15 years, concern has grown that one trend in the hotel industry – conversion of operating hotels to permanent condominium units – has impacted NYC's overall hotel industry and its workers.

To address this concern, in June 2015, Mayor de Blasio signed Local Law 50 of 2015, which placed a two-year moratorium on the conversion of certain hotels to other uses. Specifically, for hotels with 150 or more rooms, conversions of more than 20 percent of the floor area used for sleeping accommodations, to a different use, cannot occur without approval of the newly-created Board of Standards and Appeals. The law also requires preparation of this Hotel Industry and Conversions report.

This report addresses the following:

1. What are NYC's hotel industry trends?
2. To what degree are conversions occurring, and how do these conversions impact the overall hotel industry and employment?
3. What factors affect the conversion decision?
4. How many conversions can be expected during the next 10 years?
5. What impacts would potential regulatory approaches have on future conversions and on the NYC economy?

NYC Hotel Trends

The NYC hotel industry is currently experiencing strong market conditions. Visitation to NYC, which drives hotel demand, has recovered significantly since the Great Recession, reaching record levels of 58.3 million in 2015 (last full year of data available).

In response to rising visitor demand, the hotel industry has added substantial supply to NYC since 2005. The number of hotels grew from 315 in 2005, to 589 in 2015, an increase of 87.0 percent. The number of rooms grew from 72,173 to 108,634, an increase of 36,461 rooms (50.5 percent) in the same period. Average daily rates (reaching \$291 in 2015) and occupancy levels (reaching 88.7 percent in 2015), have also risen, indicating strong absorption of this new supply.

An important result of the strong NYC hotel industry over the past decade was its corresponding employment growth, which increased by 29 percent, a more rapid rate than the 16.6 percent growth in total private employment overall.

Despite these strong indicators, some analysts are concerned that the continued expansion of

NYC's hotel inventory may dampen future market conditions, due to the size and pace of near-term expected additions. The announced pipeline of NYC hotels includes 71 hotels adding an estimated 16,669 rooms between 2016 and 2018, with most to be added in Manhattan, which would expand NYC's inventory at a faster pace than during the past decade. A potential market softening may also be indicated by a slight dip in occupancy and average daily rate (ADR) between 2014 and 2015. Occupancy rates and ADR peaked in 2014 at 89.5 percent and \$296, respectively, before dipping to 88.7 percent and \$291, respectively, in 2015.

Manhattan Hotel Trends

Similar to NYC overall, the supply of hotels and rooms in Manhattan grew substantially over the past 10 years. From a base of 63,400 rooms in 227 hotels in 2005, Manhattan's supply grew by 169 hotels (74.4 percent) and over 27,500 rooms (43.5 percent), for an average of 2,750 rooms and 17 hotels added per year. Occupancy levels reached over 89 percent in 2014, declining slightly to just under 89 percent in 2015, indicating strong absorption of this new supply.

A notable change in Manhattan's hotel supply was a declining share of hotel rooms covered by union membership, which dropped from 77 percent of room supply in 2005, to 64 percent of the larger room supply by 2015.

Manhattan Hotel Conversions and Other Room Losses

Because most condominium conversions have occurred in Manhattan's hotel supply in the past 10 years, this report focuses on the Manhattan segment of NYC's hotel industry to analyze conversions.

This study identified a total of 2,434 rooms in 11 affected hotels that were lost to demolition (replaced by new residential units), partial, or full conversion to residential units. These 11 affected hotels that were converted to residential uses since 2005 resulted in a loss of just under 4 percent of the total 2005 room supply, which was offset dramatically by the much larger growth of 27,500 rooms in new hotels. Estimated employment loss from the 11 hotel conversions was 1,434 jobs.

Factors Affecting Hotel Conversion to Residential Uses

Key factors that influence owners' decisions to partially or fully convert hotel rooms to permanent residential uses (or demolish and replace with new residential projects) include a need to renovate the hotel, and the greater potential financial returns obtainable through condo market price surges. Factors with less likely impact include declining hotel profitability (available data suggests this is not generally a concern) and changes in ownership.

Impact of Future Conversions

Estimates of future hotel room loss due to conversion will depend on the outcome of legislation

when the two-year moratorium period ends. This study estimates three scenarios: Scenario A - No Regulation (which would result in an estimated loss of 2,500 rooms over the next 10 years), Scenario B - Make Temporary Legislation Permanent (which allows for some conversions and would result in a room loss of roughly half of the historic pattern), or Scenario C - Limit All Conversions (which results in zero conversions). All three of these scenarios would require further legal analysis to implement.

The analysis estimates future pipeline (new rooms added, based on announced pipeline) minus these conversion estimates, and uses IMPLAN to then evaluate economic impacts of the three scenarios. The differences between Scenarios A, B, and C are relatively small, because the effect of conversions on the overall Manhattan hotel sector is limited in the context of such a rapidly growing overall hotel supply.

Under Scenario A (No Regulations), new economic activity would increase by \$6.84 billion by 2025, compared to a Scenario C (All Conversions Limited) increase of \$7.19 billion. New job increases would range from 48,230 net new jobs under Scenario A, to 49,140 under Scenario C.

An additional measurable impact of hotel conversions is the potential loss of Hotel Occupancy Tax revenues to the City. Analysis under the three future regulatory approaches indicated that this loss on an annual basis by 2025 could range from \$16 million under Scenario A (No Regulations), to \$7.2 million under Scenario B (Temporary Legislation Made Permanent), to no change under Scenario C (All Conversions Limited) in 2015 dollars.

Other impacts of hotel conversions include potential impacts to Manhattan's neighborhoods, including potential school overcrowding (due to permanent residents generating school-age children), along with potential impacts on municipal services (e.g., garbage collection, library capacity, and transit services).

Introduction

New York City, a worldwide travel destination, is well-known for its hotels. Captured in movies, music, and print, the city's historic icons and 21st century boutiques set a worldwide standard for service and quality.

NYC's hotels are also businesses that employ NYC residents. As part of a thriving tourism industry cluster, the NYC hotel workforce cleans and maintains facilities, prepares and serves food, helps guests, markets services, and manages operations. Hotel industry jobs can offer a middle income wage and opportunities for advancement to thousands of workers. Hotels also generate economic multiplier benefits to the NYC economy, as hotels purchase goods and services, and tourists spend money on entertainment, restaurants, and services. As a result, the retention and expansion of the NYC hotel industry meets many economic development objectives critical to other businesses in the tourism cluster, City fiscal revenues, and workers.

Purpose of Study

Concern has grown that one trend in the hotel industry – conversion of operating hotels to permanent condominium units – has impacted NYC's overall hotel industry and its workers. To address this concern, in June 2015, Mayor de Blasio signed Local Law 50 of 2015, which placed a two-year moratorium on the conversion of certain hotels to other uses. Specifically, for hotels with 150 or more rooms, conversions of more than 20 percent of the floor area used for sleeping accommodations to a different use cannot occur without approval of the Board of Standards and Appeals. The law also requires preparation of this Hotel Industry and Conversions report.

Approach

This report addresses the following:

- What are NYC's hotel industry market conditions and trends?
- To what degree are conversions occurring, and how do these conversions impact the overall hotel industry and employment?
- What factors affect the conversion decision?
- How many conversions can be expected during the next 10 years?
- What impacts would potential regulatory approaches have on future conversions and on the NYC economy?

This report provides an overview of the NYC hotel industry from 2005 to the present, followed by a more in-depth analysis of Manhattan's hotel supply because the primary concern over conversions is centered in that submarket. The primary reasons for conversion are then analyzed for "bottom line" financial returns under varying market conditions. Using IMPLAN, a quantitative analytical tool, the report evaluates current contribution by the Manhattan hotel supply to NYC's economy, both in terms of permanent employment and economic activity. Finally, the report provides an assessment of several future scenarios illustrating a range of potential impacts from regulating conversions for their impacts on NYC employment, economic activity, neighborhoods, and schools.

Methodology

This study is based primarily on quantitative analysis, augmented by outreach to hotel industry experts, operators, and developers. Three sets of data were analyzed in depth, including:

- **Smith Travel Research (STR) hotel inventory for New York City for the 2005 thru 2015 period.** This data was obtained from published sources (e.g., NYC&Co. and private third-party vendors). In addition, the full dataset was obtained directly by BAE, and refined for the Manhattan segment this report through in-depth examination to eliminate:
 - Duplicates (primarily the same building which had closed and re-opened under a new hotel name)
 - Businesses operated as substandard daily/monthly temporary housing (defined by not available for overnight rental on the top three websites), and
 - Press announcements of closure to remodel/re-open, resulting in several changes to the timing and thus room counts and changes in supply for the study period.
- **Smith Travel Research (STR) HOST data,** which compiles and averages hotel operating statements from participating hotels into aggregated average financial reports by customized groups of hotels.
- **Quarterly Census of Employment and Wages (QCEW),** which was analyzed on a confidential basis to provide refined wage and employment data for aggregated categories of Manhattan hotels.

Additional data sources used for specific analyses are cited throughout this report.

Types of Conversions

Because the focus of this report is on hotel conversions to longer-term residential uses, it is important to define the types of conversions that hotels in NYC have experienced.

Partial Conversion to Condominiums

There are two primary types of hotel room conversions that can occur in existing hotels, when offered for sale or rent to individual buyers. The first, and most commonly known, is the conversion of one or more hotel rooms to a condominium unit, which is sold and can be occupied by the purchaser at his / her discretion. Some facilities continue to operate hotels in combination with these converted units (e.g., partial conversions), while other former hotel facilities convert fully to permanent individual ownership or rental units.

In partial conversions, the condominium owner can occupy their unit, and/or can rent the unit on a temporary (e.g., overnight) or more ongoing basis to other parties. Whether occupied by the buyer or rented to a third party, or utilized both ways, these ownership units are considered very attractive opportunities to buyers interested in occupying iconic buildings along with receiving continued hotel-level services, which are usually provided to condominium owners in partial conversions. Reportedly, some buyers of units in partial conversion cases have previously been frequent hotel guests; by purchasing the condominium, the buyer is converting temporary occupancy into ownership while still continuing to actually occupy the unit on a hotel-like basis.

Partial Conversion to Condo-Hotel

The second type of conversion of an operating hotel involves ownership in a condo-hotel unit. In these cases, the buyer purchases a partial interest in the unit, and these interests are sold to many buyers (a "fractional" ownership interest). These owners, in turn, typically either occupy their unit for the fraction of the year allowed in their contract, or offer the condo-hotel unit back to the hotel "rental pool" and it is then rented overnight to hotel guests. In hotels with this type of individual unit ownership, the actual rooms are still configured as hotel rooms, and in general still function exactly like neighboring units in the same building that have not been converted.

There are several hotels in the Manhattan inventory which actually offer all three kinds of occupancy; the hotel owner continues to operate a hotel with rooms rented overnight, the condo-hotel units are owned by individuals in fractional interests but still function like hotel rooms, and some suites or luxury units have been created and sold to individual buyers, who may or may not reside in the unit year-round (and may rent the unit to other parties).

From the hotel developer/operator's standpoint, if a hotel function continues to exist, these combinations of full unit ownership and partial unit ownership represent opportunities to "cash out" on an appreciated real estate asset, while also continuing to earn revenues from hotel-style

services provided to new owners.

Research for this report indicated that each of these partial hotel conversion decisions is likely unique to the individual hotel owner/operator and its risk/return business model. It should also be noted that typically, the conversion process also includes extensive renovations to the building, particularly in the cases of iconic luxury hotels. These renovations, whether the cause or the by-product of the process, are usually needed to bring the units into conformance with contemporary building codes and prepare them for sale as upscale residential units.

Full Conversion/Demolition

In addition to the above permutations of partial hotel conversion, the Manhattan hotel inventory also has experienced cases of full conversion from operating hotels to rental units, full conversion to condominiums, and cases where the "conversion" was actually a demolition of the existing hotel replaced by newly-constructed residential units on the same parcel. More detail about these varying circumstances is provided later in this report.

NYC Hotel Industry

NYC Hotel Market Conditions

The hotel industry in NYC depends on demand from both domestic US travelers and overseas visitors. Although the 2008 recession impacted travel, especially by US residents, overall visitation to NYC has recovered significantly since then, reaching record levels in 2015.

Specifically, visitors to NYC grew from 42.7 million in 2005 to 58.3 million in 2015, an increase of 36.5 percent for the period. Spending by visitors also increased substantially, from \$24.3 billion in 2005 to \$41.0 billion in 2014 (most recent information available), an increase of 68.7 percent. On a per visitor basis, spending rose from \$569.09 to \$725.66 (up 27.5 percent). NY has also experienced relatively strong demand for hotel rooms, as reflected by annual average occupancy rates. NYC consistently averages 20 percentage points or more above US occupancy rates (see detailed data in Appendix A).

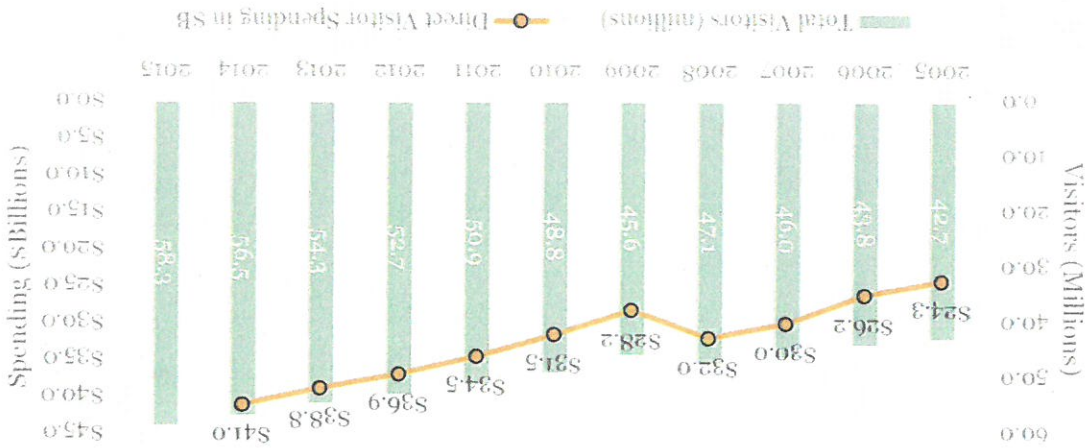


FIGURE 1: NYC VISITORS AND SPENDING, 2005 - 2015

Sources: NYC&Co.; BAE 2016.

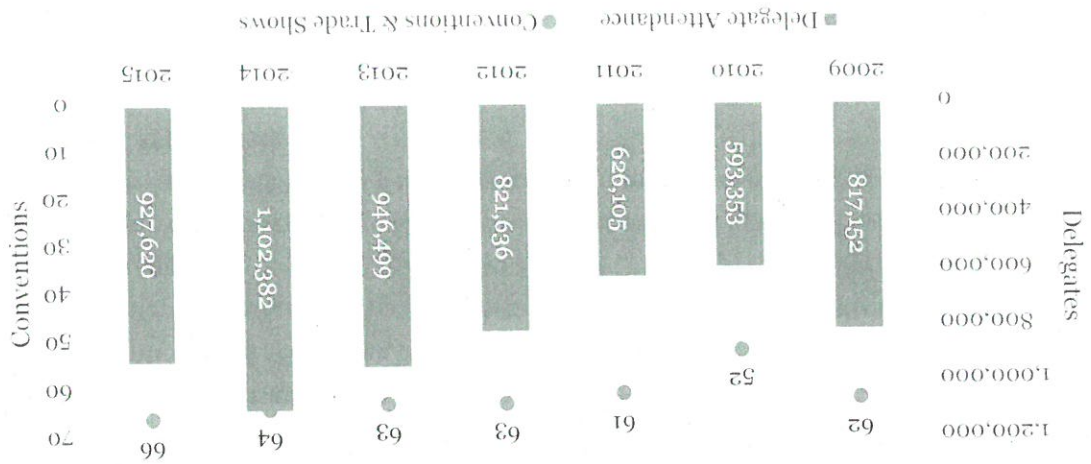


FIGURE 2: NYC & US HOTEL OCCUPANCY RATES, 2010 - 2015

Sources: NYC&Co.; BAE 2016.

Large conventions held at the Javits Convention Center offer another market indicator supporting a portion of overall hotel demand, with impacts particularly on larger NYC hotels serving attendees (some of which have experienced or announced potential conversions). As shown, large conventions and attendance by delegates at Javits have recovered significantly since the recession-related decline in 2010.

FIGURE 2: ATTENDANCE & MEETINGS AT JAVITS CONVENTION CENTER

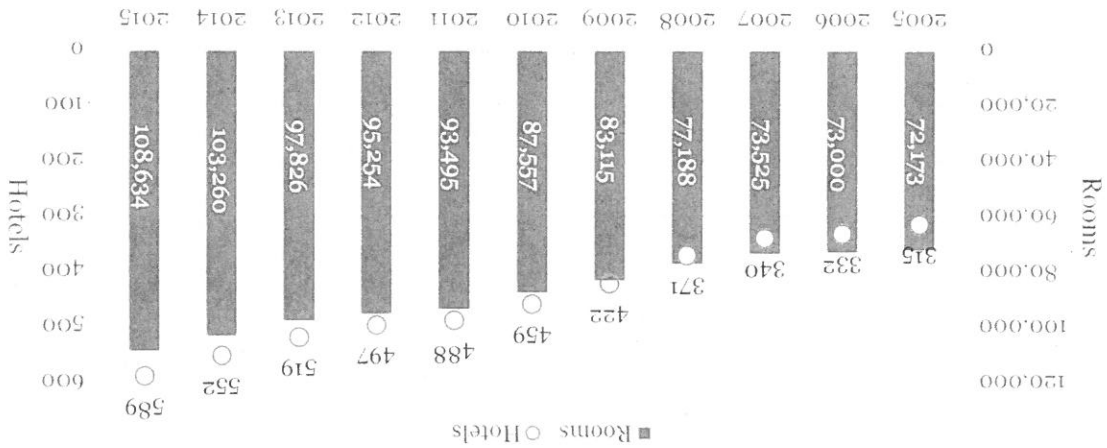


Sources: NYC&Co.; BAE 2016.

Profile of NYC Hotel Supply

Commensurate with strong market demand indicators noted above, NYC's hotel supply experienced a very strong economic period during the past 10 years. Even during the Great Recession, hotel supply continued to grow in NYC, from 315 hotels in 2005 to 589 hotels in 2015, an increase of 274 hotels (87.0 percent). The total number of NYC hotel rooms grew from 72,173 to 108,634, an increase of 36,461 rooms (50.5 percent) in the same period.

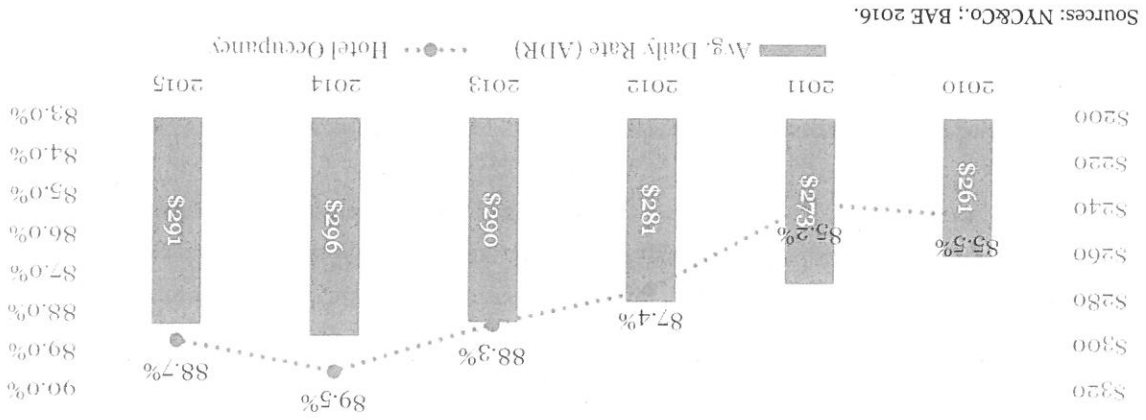
FIGURE 3: NYC HOTEL AND ROOM SUPPLY 2005 – 2015



Sources: STR; BAE 2016.

This substantial growth in NYC supply was absorbed by increased demand, so that occupancies continued to rise, along with average daily rates, through 2014, with a slight softening in 2015 in both occupancies and ADR.

FIGURE 4: NYC AVG. DAILY RATE AND OCCUPANCY 2010 - 2015



Sources: NYC&Co.; BAE 2016.

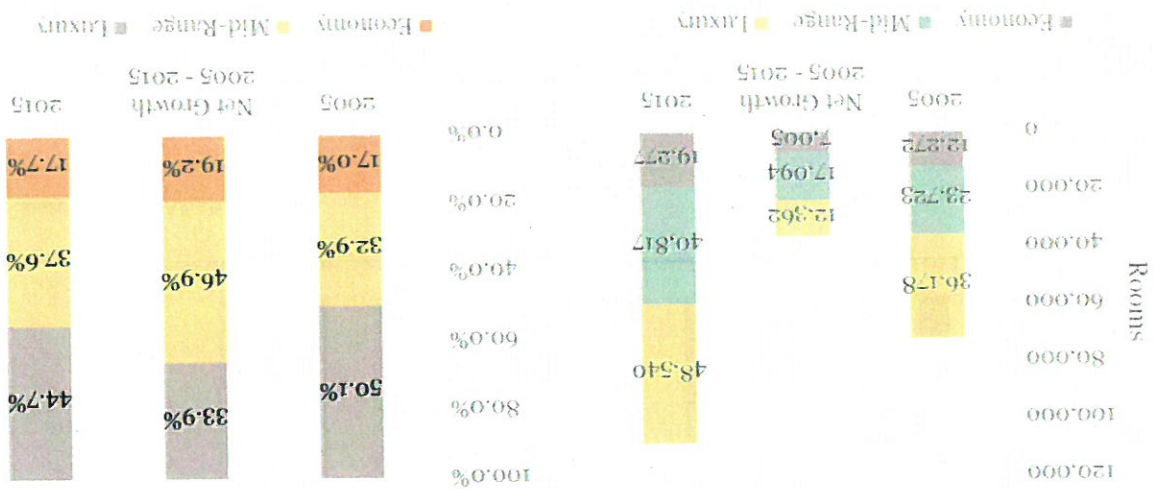
NYC Hotel Industry Trends

Several notable changes have occurred within the NYC hotel supply since 2005, including a shift in the mix of quality, a change in overall average hotel size measured by number of rooms, and a modest redistribution of room supply by borough and commensurate shift in Manhattan's market share.

Quality Mix

During the past 10 years, the types of hotels added to NYC's room supply has shifted the quality mix of total room inventory, with a decrease in the upper tier of quality from 50.1 percent of total supply in 2005 to just 44.7 percent of total supply by 2015. This change in the luxury proportion of total inventory was offset by growth in the mid-range quality category of hotels.¹

FIGURE 5: NYC ROOMS BY QUALITY OF HOTEL, 2005 & 2015



Average Hotel Size

One of the most striking changes in NYC's hotel supply is the shift in average hotel size, measured by number of rooms, built in the past 10 years. This factor varies by quality category, but is evident across all quality categories in NYC. In 2005, the total supply averaged 229 rooms per hotel; by 2015, the total supply averaged 184 rooms per hotel.

The net new supply added during the 2005 – 2015 period varied quite dramatically from the 2005 base, especially for the mid-range and luxury categories. For the mid-range quality category, which dropped from an average hotel size of 255 rooms in 2005 to 180 rooms by 2015, this change

¹ The STR scale of quality has been collapsed here to three categories, with "Economy" including STR's budget and economy, "Mid-Range" including STR's Midscale and Upper Midscale, and "Luxury" including STR's Upper and Upper Upscale categories.

Overall, these changes resulted in most of the growth in NYC hotel supply occurring in Manhattan, but the outer boroughs, especially Brooklyn and Queens, saw significant growth in room supply.

The noted changes in quality rating of NYC hotel room supply, along with the trend towards smaller average hotels, reflect overall changes in the hotel industry towards building smaller luxury boutique hotels and expanding hotels catering to the budget traveler. These industry trends, reflected in the overall NYC hotel supply, also affected the location of new supply; boutique hotels were added primarily in Manhattan but also in Brooklyn, while budget hotels with limited services were added throughout the five boroughs.

Supply by Borough



FIGURE 6: CHANGE IN NYC AVG. HOTEL SIZE BY ROOM COUNT, 2005 - 2015

reflected the rise of many flagged hotels offering comfortable rooms and limited services (especially limited food service) to the business and leisure traveler. In the luxury tier, the average number of rooms dropped from 416 rooms to 298 rooms in a ten-year period. This change reflects a trend in boutique upscale/luxury hotels having fewer rooms, typically ranging from 50 to 200 rooms. Many of these boutique hotels, while offering food service to the customer, have separated the restaurant business from the hotel business, allowing for changing restaurant operators to take on that operating risk separately as a tenant in the building.

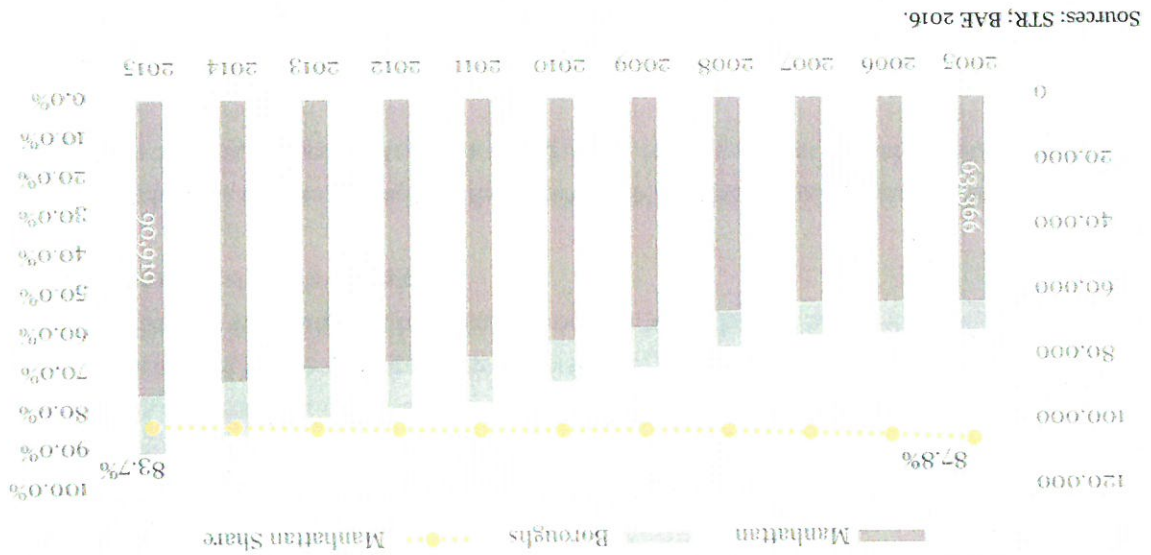


FIGURE 8: MANHATTAN & OUTER BOROUGH'S' ROOM SUPPLY 2005 - 2015

This shift in new supply caused a shift in market share between Manhattan and the outer boroughs throughout the 10-year period, with Manhattan's total share of hotel room supply in NYC declining from 87.8 to 83.7 percent.

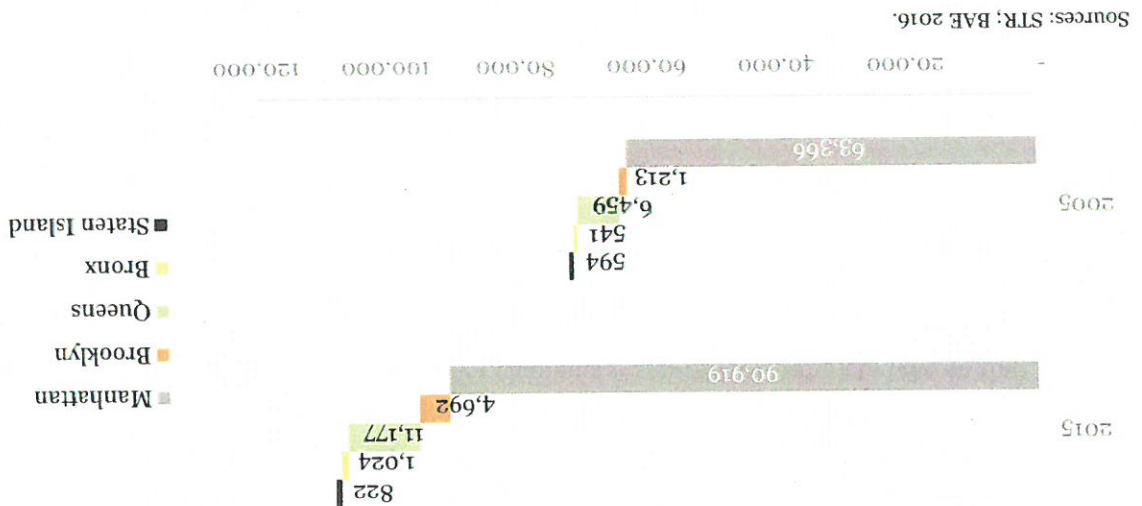


FIGURE 7: NYC CHANGE IN HOTEL ROOM SUPPLY BY BOROUGH, 2005 - 2015

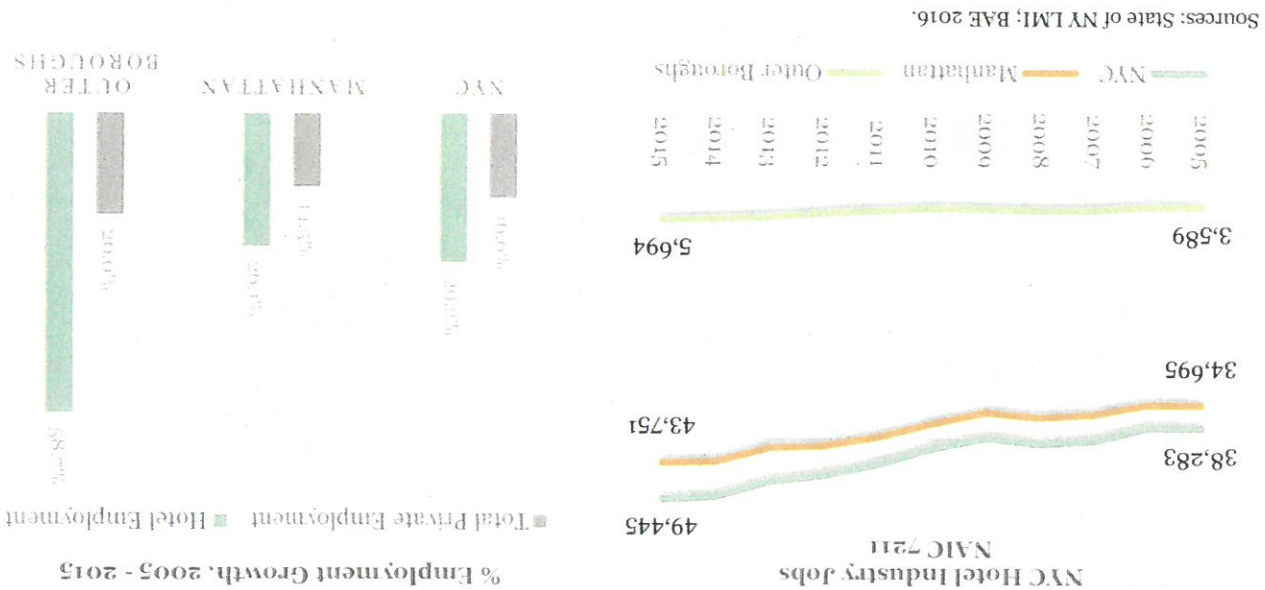
Sources: STR; BAE 2016.

Sources: STR; BAE 2016.

NYC Hotel Employment

An important result of the strong NYC hotel industry is its corresponding employment growth (see Appendix A for detailed employment data). Employment in the hotel industry subsector² grew from 38,300 jobs in 2005, to almost 49,500 jobs in 2015, an increase of 29 percent. While most hotel sector employment is located in Manhattan, employment growth in the outer boroughs was actually greater (58.7 percent vs. 26.1 percent). All geographies experienced greater growth in the hotel industry sector than for overall private sector employment.

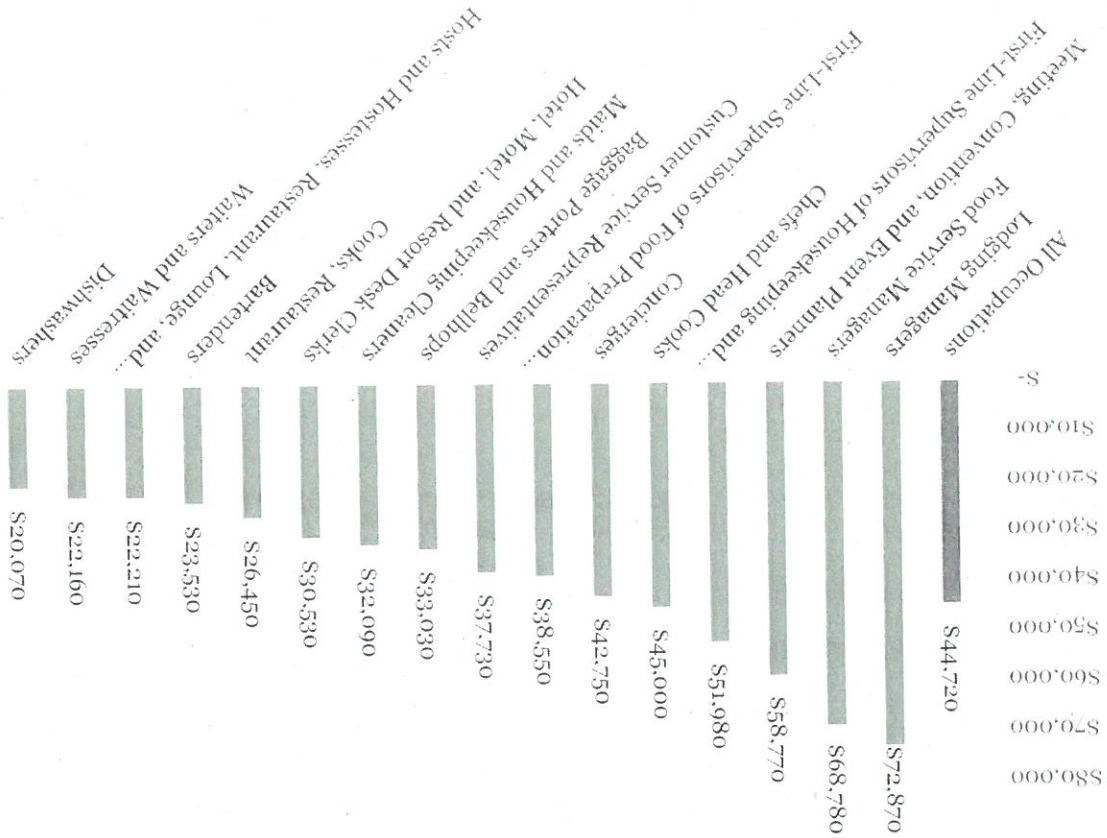
FIGURE 9: NYC HOTEL INDUSTRY EMPLOYMENT & GROWTH RATES 2005 - 2015



² The hotel industry sector used in this report is NAIC 7211 (Traveler Accommodations), a subsector of Accommodations and Food Services. The 7211 subsector includes hotel, motel, and recreational accommodations, but does not include restaurants separately reported (these would be Food Services).

In addition to the importance of the NYC's hotel industry to tourism, employment in the hotel industry can provide quality jobs for NYC residents. As shown below, the median wage for all jobs in the NY-NJ Metropolitan Statistical Area (MSA) in 2015 was \$44,720. Many jobs in the hotel industry, including concierges, chefs, event planners, lodging managers, and food service managers, paid wages at or above the median for all jobs.

FIGURE 10: MEDIAN WAGE FOR HOTEL INDUSTRY JOBS, NY-NJ MSA, 2015



Note: This data is for all jobs in the occupational category.
Sources: NYS Labor Market Information, BAE 2016.

Future Trends

Some industry analysts have expressed concern that despite the overall recent strong market performance of the NYC hotel industry, the large amount of announced hotels expected to come online in the next several years may reverse recent trends and dampen the market.³

The table below shows the underway and/or announced hotel pipeline for the next several years. As shown, NYC is expected to add 108 new hotels and over 23,300 rooms. On average for the next three years, this translates to 36 new hotels and almost 7,800 rooms to be added per year, with the majority to be located in Manhattan. If all of the announced hotels are built in the time frame indicated, the 2016 – 2018 pipeline would expand NYC's inventory at a faster pace than during the past decade, which experienced an average of 26 new hotels and 3,650 rooms added per year.

TABLE 1: PIPELINE OF NYC HOTELS, 2016 - 2018

Summary of NYC Pipeline Hotels						
Announced Hotels	Manhattan	Brooklyn	Queens	Bronx	SI	Total
2016	46	12	9	3	1	71
2017	16	6	1	1	-	24
2018	4	-	1	-	-	5
Date TBD	5	-	3	-	-	8
Total	71	18	14	4	1	108
Summary of NYC Pipeline Rooms						
Announced Room Counts	Manhattan	Brooklyn	Queens	Bronx	SI	Total
2016	9,119	1,837	1,325	283	200	12,764
2017	3,990	1,096	178	152	180	5,596
2018	1,236	-	505	-	-	1,741
Date TBD	1,150	-	556	-	-	1,706
Total Announced	15,495	2,933	2,564	435	380	21,807
Plus: Estimated Rooms (a)	1,174	173	197	-	-	1,544
Total Estimated Pipeline through 2018	16,669	3,106	2,761	435	380	23,351

(a) Announced room counts do not include several hotels announced as unknown (TBD) rooms, as follows:

Manhattan TBD rooms in	5	hotels
Brooklyn TBD rooms in	1	hotels
Queens TBD rooms in	1	hotels

BAE estimated these TBD rooms based on average rooms for those hotels that have announced room counts, as follows:

Manhattan avg. hotel room count	235	in known hotels
Manhattan add'l rooms based on avg.	1,174	additional rooms
Brooklyn avg. room count	173	in known hotels
Brooklyn add'l rooms based on avg.	173	additional rooms
Queens avg. room count	197	in known hotels
Queens add'l rooms based on avg.	197	additional rooms

Sources: HTC website; BAE, 2016.

³ See *Hotel Market Stagers in New York City (March 3, 2015, New York Times)*.

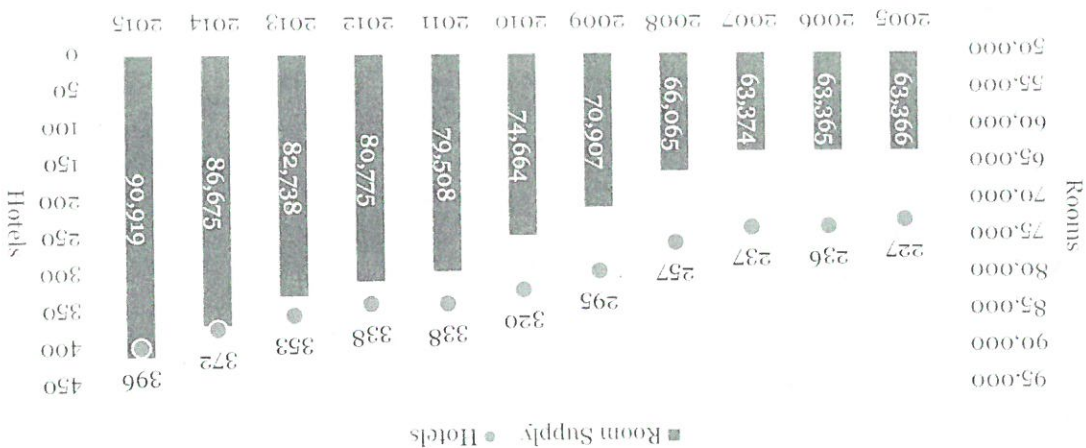
Manhattan Hotel Industry

Most hotel conversions to residential units have occurred in the Manhattan segment of the NYC hotel supply. This chapter drills down further into the Manhattan supply and summarizes notable trends affecting the supply since 2005, including conversion to residential uses.

Profile of Manhattan Hotel Supply

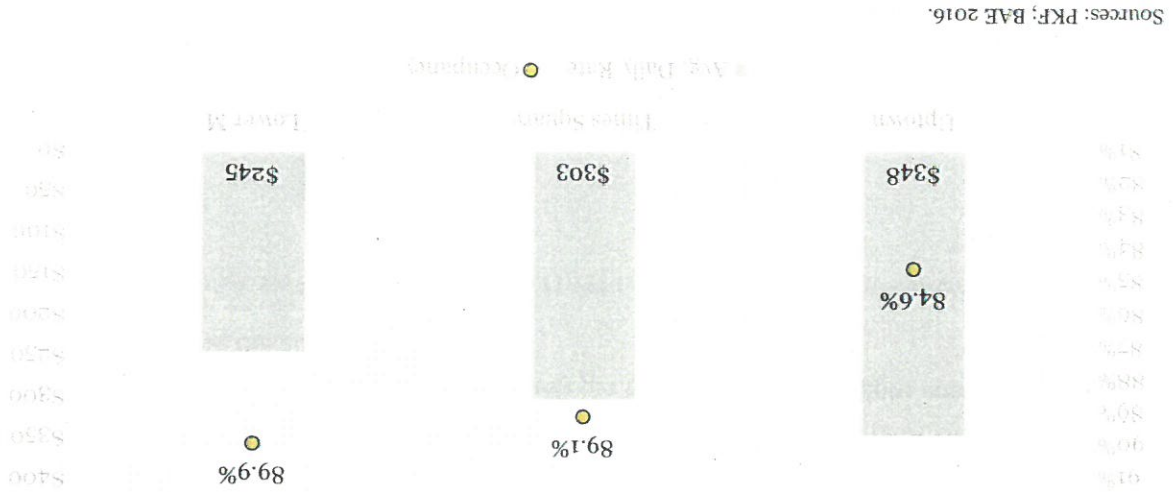
The supply of hotels and rooms in Manhattan grew substantially over the past 10 years. From a base of 63,400 rooms in 2005, Manhattan's supply grew by over 27,500 rooms (43.5 percent) and 169 hotels (74.4 percent), for an average of 2,750 additional rooms and 17 new hotels per year.

FIGURE 11: MANHATTAN HOTELS AND ROOMS, 2005 - 2015



Sources: STR, BAF, 2016.

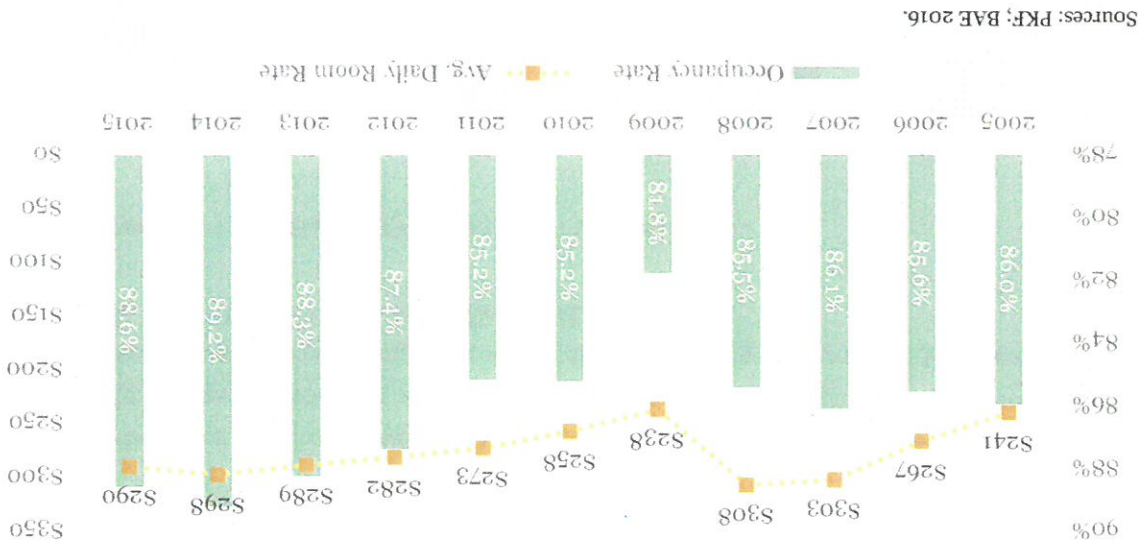
Occupancy and average daily rates for Manhattan hotels also rose during the decade, especially after the recession. Occupancy rates peaked in 2014, reaching 89.2 percent. In 2015, occupancy rates declined very slightly to 88.6 percent, despite a continued increase in room supply from new additions. Average daily rates (ADRs) followed a similar pattern, with dips during the recession, and recovery starting in 2010, peaking in 2014 with an ADR of \$298. In 2015, ADR dropped slightly to \$290. Some analysts have expressed concern that the expected continued Manhattan hotel room supply expansion in the next several years may lead to a more pronounced market softening, as indicated by the slight dip in occupancy and ADR between 2014 and 2015. However, these slight changes could also be due to factors such as global economic blips, or differences in weather conditions; it is difficult to predict a decline without more in-depth forecasting of future pipeline and likely market conditions.



Sources: PKF; BAE 2016.

FIGURE 13: MARKET INDICATORS BY MANHATTAN SUBMARKET, 2015

A further breakdown of Manhattan's hotel market indicators for 2015 into submarkets shows that each performs somewhat differently, reflecting the area's amenities, real estate values, and supply mix. The Uptown/Midtown East submarket is the highest-priced, with average daily rates of \$348 in 2015. In contrast, Lower Manhattan averaged \$245 in 2015, but achieved the strongest occupancy rates of 89.9% overall in 2015.



Sources: PKF; BAE 2016.

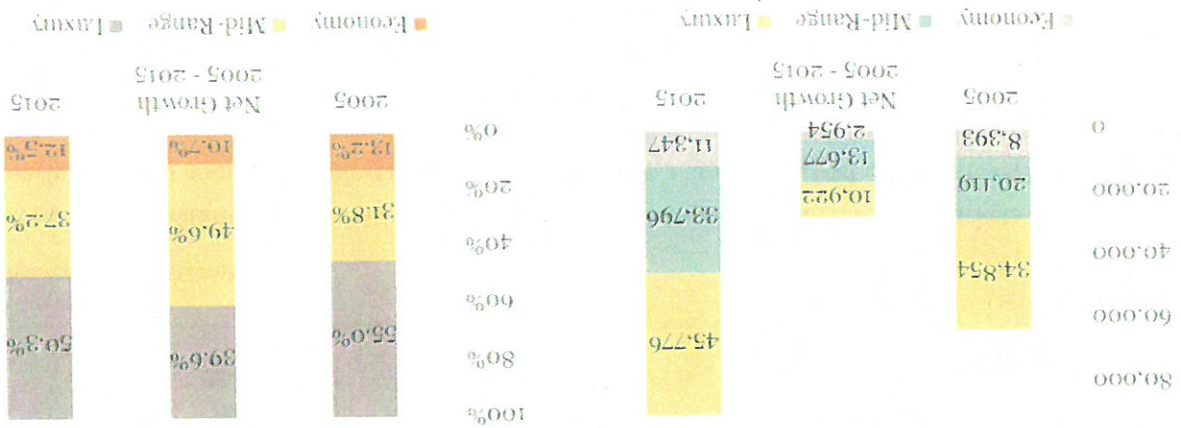
FIGURE 12: MANHATTAN AVG. DAILY RATE AND OCCUPANCY, 2005 - 2015

Manhattan Hotel Industry Trends

Quality Mix

Similar to the trend for NYC hotels overall, the Manhattan supply also shifted its distribution of rooms by quality in the past 10 years, with a lower proportion of rooms in the luxury tier added to supply than other categories, resulting in an overall decrease from 55.0 percent to 50.3 percent of room supply in luxury hotels by the end of the period.

FIGURE 14: MANHATTAN HOTEL QUALITY, 2005 & 2015

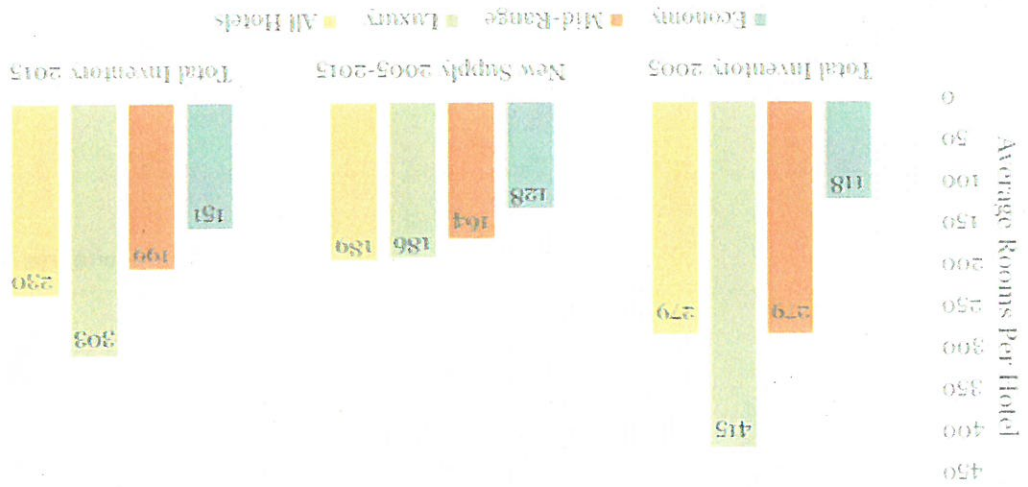


Sources: STR, BAE, 2016.

Average Hotel Size

Similar to overall NYC hotel supply trends, the new Manhattan supply was built, on average, in smaller hotels, with an average room count of 163 per hotel for the new supply, compared to 229 rooms on average in the 2005 base supply.

FIGURE 15: CHANGE IN MANHATTAN AVG. HOTEL SIZE BY ROOM COUNT, 2005 - 2015



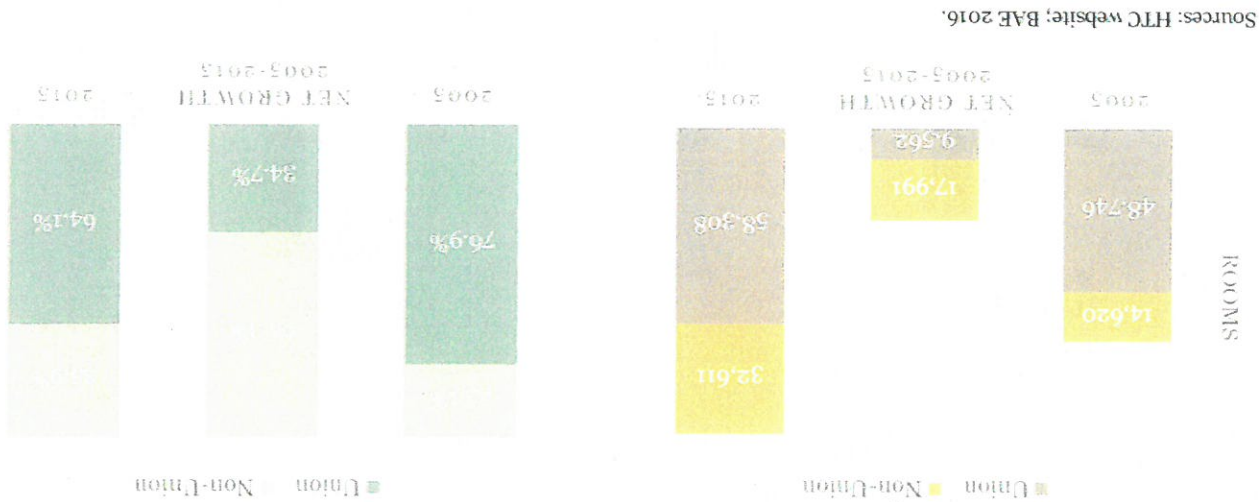
Sources: STR, BAE, 2016.

Unionization

An important change in Manhattan's hotel supply, also noted in other recent studies, is the trend towards a declining share of hotel rooms covered by union membership. As illustrated on the following page, Manhattan's hotel supply in 2005 reflected strong unionization, with almost 77 percent of all rooms at that time in hotels with union membership. The 2005 to 2015 period of rapid supply growth in Manhattan shifted this pattern, because a larger proportion of the new supply was not in union hotels, resulting in a change to the overall inventory by 2015, with just 64 percent of Manhattan's hotel rooms in union hotels. However, it is important to note that while the share of unionized hotel rooms declined during the 10 years, the absolute number of rooms covered by union membership grew by over 9,500.

Unions attribute the changing pattern of Manhattan hotel rooms covered by union membership, to the very rapid pace of new supply, and the impact of limited resources of unions to organize and negotiate contracts quickly enough. (*Hotel Boom and Bust: A Threat to Middle-Class Jobs* (HTC, 2014). In addition, the same report cites challenges posed by amendments to federal labor law enacted in 1947 and 1959, which have made it more difficult for unions to organize, bargain collectively and strike.⁴

FIGURE 16: MANHATTAN HOTEL ROOMS BY UNION STATUS 2005 & 2015



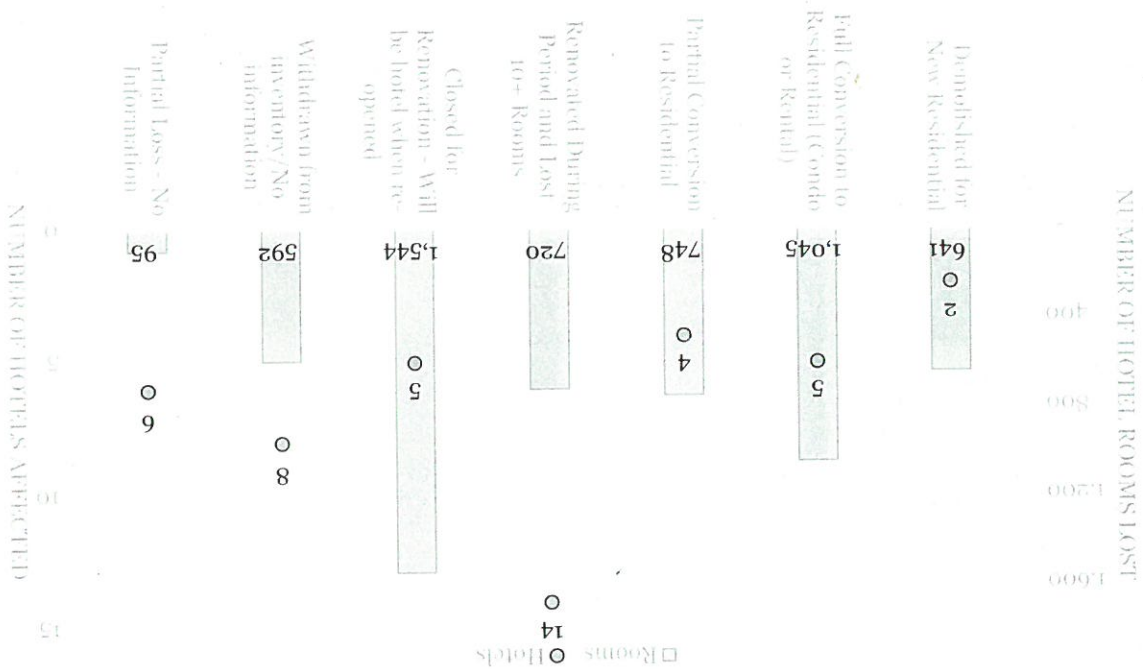
Conversions and Renovations

A detailed analysis of Manhattan's hotel supply revealed that several separate trends have affected the supply of hotels and the supply of rooms within hotels (including partial conversion to condominiums). Although the net number of hotels and rooms in Manhattan increased significantly in the past 10 years, more than 2,400 hotel rooms in 11 hotels were lost to demolition, partial, or full conversion to new residential units. Other rooms were lost to consolidation into suites, or temporarily closed for renovation (and will remain as hotel rooms when reopened).

These findings are summarized below:

- A total of 2,434 rooms (in 11 affected hotels) were lost to demolition (replaced by new residential units), partial, or full or conversion to residential units.
- A total of 720 rooms in 14 hotels were lost during the period due to renovation and re-opening with fewer rooms (some due to suite creation to capture higher rate-paying guests).
- Another 1,544 rooms in 5 hotels are currently closed for renovation and will still be hotel rooms when redone (most likely are upscaling).

FIGURE 17: DETAIL FOR LOST HOTEL ROOMS, MANHATTAN 2005 - 2015



Note: Includes all hotels present in 2005 that have since had a decline in rooms > 10 rooms per hotel. Sources: STR, BAE 2016.

Further research was conducted for the 11 hotels identified as demolished or converted to residential use since 2005 in Manhattan, as summarized on the next page.

The table indicates several interesting patterns. Not all of these hotels were converted to condominiums; both the Eastgate Tower and the Beekman Tower Suites were changed to rental units. Also notable, the Plaza conversion resulted in changing 860 luxury hotel rooms into 180 full condominiums, 152 condo-hotel units (which are most typically placed back into the hotel's rental pool for at least part of each month), and 262 hotel rooms.

The net impact of the 11 conversions over a 10-year period resulted in a loss of 2,434 rooms, representing just under four percent of the total 2005 room supply of 63,366 rooms in Manhattan. The direct employment loss from these conversions is estimated at 1,434 jobs. It should be noted that job losses in partial conversions are low because partial conversions tend to offer hotel services utilizing hotel workers to condominium owners or their guests.

TABLE 2: DETAIL FOR CONVERTED HOTEL SUPPLY 2005 - 2015

Quality	Number of Hotel Rooms		Number of Hotel Jobs	Comments
	2005	2015 Change		

Demolished for Residential (a)

Property	2005	2015 Change	2005	2015 Change	Comments
The Drake Hotel	495	0	(495)	0	Demolished for condos in 2007. New project named 432 Park.
Russell	146	0	(146)	0	Demolished for condos after purchase by SJP in 2005.
Subtotal	641	0	(641)	0	

Fully Converted to Residential (a)

Property	2005	2015 Change	2005	2015 Change	Comments
Flatotel International	288	0	(288)	0	Converted to condos in 2013.
Hotel Olcott	239	0	(239)	0	Converted to condos in 2013.
Midscale	0	0	84	0	
Upper Upscale	187	0	(187)	0	Converted to luxury rental.
Eastgate Tower	170	0	(170)	0	Corporate apartments run by Silverstein. Now called Silver Towers.
Beekman Tower Suites	170	0	(170)	0	
Upper Upscale	161	0	(161)	0	
Upper Upscale	161	0	(161)	0	Purchased by Extell in 2010. Converted to 68 res condos.
Canlon House	161	0	(161)	0	
Subtotal	1,045	0	(1,045)	688	

Partially Converted to Residential (b)

Property	2005	2015 Change	2005	2015 Change	Comments	
JW Marriott Essex House	605	511	(94)	645	545	Partial conversion to condos in 2007.
St Regis New York	256	238	(18)	600	600	Renovated plus reported conversion of 24 condos created in 2006.
Luxury	256	238	(18)	600	600	
Luxury	176	118	(58)	245	180	Renovated in 2008. New config = 118 hotel suites and 42 co-op units.
Luxury	176	118	(58)	245	180	
The Mark	176	118	(58)	245	180	Hotel closed for renovation 4-2005. Re-opened w 180 full condos, 152
The Plaza	860	282	(578)	1,200	1,100	condo-hotel rooms, and 262 hotel rooms.
Luxury	860	282	(578)	1,200	1,100	
Subtotal	1,897	1,149	(748)	2,690	2,425	

Grand Total 3,583 1,149 (2,434) 3,859 2,425 (1,434)

Notes:
 a) Hotel job change based on jobs per room ratios from analysis of confidential data from QCEW for this class of hotel.
 Mid-Scale Jobs/Room 0.35
 Upper-Upscale Jobs/Room 0.75
 b) Net hotel job change for partial conversions based on D & B report except 2015 JW Marriott except 2015 JW Marriott. BAE estimated 2015 jobs for this hotel based on jobs per room for same property in 2005, and other partial hotel conversions.
 Sources: STR, D & B, BAE research, 2016.

Manhattan Hotel Employment

Findings from Available Data

Analysis for this report included developing a deeper understanding of occupations and wages. As summarized in Appendix A, jobs and payroll data for a 273 of the 396 hotels in the 2015 Manhattan inventory was obtained from the Quarterly Census of Wages and Employment (QCEW) as reported by employers to the State of New York and disseminated to licensed agencies.⁵ This data set is confidential, and as such, cannot be reported individually.

The summary metrics indicate that there are substantial variations in the average wages as well as employees per room, between union and non-union hotels and between quality categories across the Manhattan inventory, including:

- 2014 union wages, at \$63,219 on a weighted average basis for the union hotels in the sample (126 hotels), were 46 percent higher than the comparable weighted average wage of \$43,263 in the non-union category of hotel supply. It should be noted that not all workers at union hotels are in a union, so this sample data includes a mix of union and non-union members working within unionized hotels.
- The number of employees per room also varies across hotel quality. Luxury and upscale hotels, in general, tend to have a higher ratio of workers per room, in order to provide the full array of guest services found at these types of hotels. In many cases, this higher ratio also accounts for more complete food services and on-site full restaurants and banquet staff. As quality descends toward mid-scale and economy/budget hotels, the ratio of workers per room also declines, reflecting fewer personnel and fewer on-site services.

Estimate of Manhattan 2015 Hotel Industry Employment and Payroll

Based on the sample of hotels reported in Appendix A, an estimate for the whole inventory of 2015 Manhattan hotel supply has been developed, as shown below.

This estimate forms the basis of subsequent impact analysis described later in this report. It should be noted that the estimate was developed using 2014 wage reports (in the sample), applied to the supply data for 2015. The estimate indicates a total wage payroll for all Manhattan hotels at approximately \$2.63 billion. Nearly \$1.9 billion of total payroll occurred across the luxury and upper-upscale quality categories (over 70 percent of total payroll), which many analysts consider potentially the most at-risk for condominium conversion.

⁵ In this case, the New York Department of City Planning obtained and aggregated the information. QCEW regulations require suppression of data if a set of records has fewer than five businesses and /or if any one business has a dominate position within the sector. This meant that some hotels could not be reported in the aggregated data set. In other cases, data was not available due to non-reporting.

- **Direct Impacts.** Direct impacts refer to the set of producer or consumer expenditures applied to the predictive model for impact analysis. It is the amount of spending available to flow through the local economy.
- **Indirect Impacts.** These impacts refer to the industry under analysis in terms of how that industry purchases goods and services from other local industries, along with the

A full explanation of IMPLAN, and the assumptions used for the analysis summarized below, is provided in Appendix D. In summary, the analysis estimates the number of current hotel jobs and payroll for all Manhattan hotels, which form inputs into the IMPLAN model. The model utilizes 2014 economic data for the five boroughs of NYC, to estimate the following:

This section analyzes the economic impacts of the Manhattan hotel industry on the five-borough City of New York, because hotel workers in Manhattan hotels spend their wages and benefits throughout the boroughs. The analysis utilizes IMPLAN, an input-output model that utilizes direct payroll, benefit, and spending for supplies and services in a given industry sector and location (e.g. hotel subsector in Manhattan), to estimate direct, indirect, and induced economic multiplier effects, providing a full picture of the economic impact of a given set of economic activities.

Economic Impact of Manhattan Hotel Industry

Sources: Confidential data from QCEW as provided by NYC DCP; STR, BAE, 2016
 (c) Due to very small sample available for Budget hotels in this category, it is combined with Economy.
 (b) Based on analysis of confidential sample data from QCEW (see Appendix A).
 (a) Hotel inventory and room counts from STR inventory, 2015.

	Total Manhattan Hotel Inventory (a)	Hotel Room Inventory (a)	Jobs per Room (b)	Employment Estimated	Employee (b)	Annual Payroll / Payroll (b)	Total Payroll
Non-Union							
Luxury	22	3,390	0.98	3,316	\$49,382	\$163,755,519	
Upper Upscale	37	7,980	0.56	4,486	\$44,611	\$200,109,203	
Upscale	56	9,436	0.33	3,148	\$42,564	\$133,990,943	
Mid Scale	59	7,211	0.24	1,718	\$36,644	\$62,945,510	
Economy	15	1,576	0.25	398	\$41,205	\$16,408,142	
Budget	37	3,018	0.31	938	\$40,443	\$37,927,270	
Subtotal / Average	226	32,611		14,003	\$43,927	\$615,136,588	
Union							
Luxury	37	11,351	0.93	10,583	\$68,394	\$723,805,206	
Upper Upscale	55	23,055	0.55	12,647	\$62,570	\$791,335,091	
Upscale	39	13,279	0.43	5,750	\$57,188	\$328,836,423	
Mid Scale	16	3,870	0.33	1,273	\$56,668	\$72,117,905	
Economy & Budget (c)	23	6,753	0.26	1,772	\$56,805	\$100,684,240	
Subtotal / Average	170	58,308		32,025	\$62,975	\$2,016,778,865	
Total/Average	396	90,919		46,029	\$57,180	\$2,631,915,452	

TABLE 3: ESTIMATED WAGES & TOTAL PAYROLL FOR MANHATTAN HOTELS, 2015

- expenditures of those industries as the spending cycles through the study area economy.
 - Induced Impacts.** Induced impacts refer to an economy's response to direct impacts through re-spending of the income by workers in the direct and indirect jobs generated by the industry, according to household spending patterns. IMPLAN models households' disposable income spending patterns and distributes them through the local economy.

The IMPLAN analysis shows that the current Manhattan hotel industry generates a total of just under \$7.9 billion in economic activity through direct, indirect, and induced spending, creating almost 56,000 jobs in Manhattan. When considering the city as a whole, the Manhattan hotel industry generates almost \$11.8 billion in economic activity and over 65,000 jobs throughout NYC.

TABLE 4: 2015 MANHATTAN HOTEL INDUSTRY ECONOMIC IMPACTS

Economic Impact		Job Impacts	
Manhattan Only	NYC Total	Manhattan Only	NYC Total
Direct	\$8,212,363,615	46,029	46,029
Indirect	\$1,100,778,253	6,650	8,437
Induced	\$433,047,288	3,170	10,698
Total	\$7,889,694,807	55,849	65,163
Manhattan Only	NYC Total	Manhattan Only	NYC Total
Direct	\$6,355,869,266	46,029	46,029
Indirect	\$1,100,778,253	6,650	8,437
Induced	\$433,047,288	3,170	10,698
Total	\$7,889,694,807	55,849	65,163

Source: BAE 2016.

It should be noted that this impact does not include the spending by hotel guests into the local economy. While some of the spending pays for the hotel rooms (and thus the payroll and purchases by the hotels), other guest spending occurs in retail, restaurant, and other goods and services throughout the city's economy.

On a broader scale, NYC&Co. commissions studies of the tourism industry cluster in NYC. According to their research, the tourism industry supported 1 in 11 jobs in the NYC economy in 2014. Thus, the hotel industry analyzed above serves as a key support to this larger, important industry cluster.

Factors Affecting Conversion Decisions

For this report, several hotel industry experts and appraisers, along with three current hotel developers/operators, were interviewed in depth to explore the range of reasons that owners and operators of hotels in Manhattan may consider hotel conversion to residential uses. The following sections summarize these key reasons.

Hotel Profitability/Need to Renovate Hotel

While specific former hotel operators were not available for the interviews described above, other industry experts suggested that in a very small number of cases among the 11 conversions identified in this report since 2005, an operator may have experienced declining profit margins. This perception was not verifiable, but it should be noted that the study time frame covers the Great Recession, with deep economic repercussions for some real estate investors who may have owned more than one kind of property causing overall portfolio distress, or otherwise encountered a temporary steep drop in revenue.

To further explore this reason under current market conditions, aggregated data was obtained from STR (HOST Data), which profiles groups of participating hotels' profit and loss statements, in order to identify operating profits before debt service and taxes. The data is only available for a subset of all hotels in Manhattan, and only provided in the aggregate. The graph below and table in the Appendix details three types of hotels for which this aggregated information was obtained: upper quality convention hotels (8 hotels provided), newer upper tier full service hotels (9 hotels built since 2005; hotels in this category have a full service restaurant/food operation), and newer upper tier limited service hotels (5 hotels also built since 2005, but do not have a full service restaurant/food operation).⁶

⁶ There were insufficient participants in the HOST data set to obtain data segregated by unionized vs. non-unionized hotels. It should be noted that these limited HOST data sets, likely do not include hotels with below-average operating profits or losses due to a possible unique situation.

Perhaps more importantly, analysis of many currently closed hotels that are undergoing extensive renovation and will re-open as hotels, as well as the reporting on now-converted hotels, indicated that sometimes, the decision to undertake conversion (particularly partial conversion), is closely tied to the need to renovate the building to cure deferred maintenance issues and/or remain competitive amidst NYC's burgeoning supply. In cases where major capital investment is required, or desired by a new owner, these financial expenditures can be partially offset in a short time frame by monetizing parts of the hotel's real estate asset, particularly in an upward-trending condo market.

Sources: STR Host Data; BAE 2016.

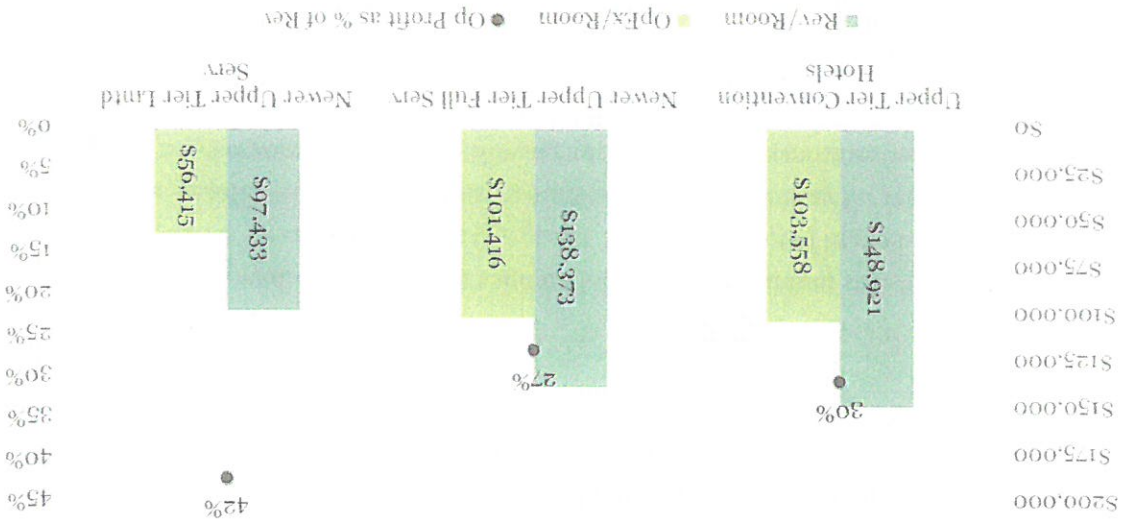


FIGURE 18: OPERATING PROFIT BY HOTEL TYPE, MANHATTAN 2015

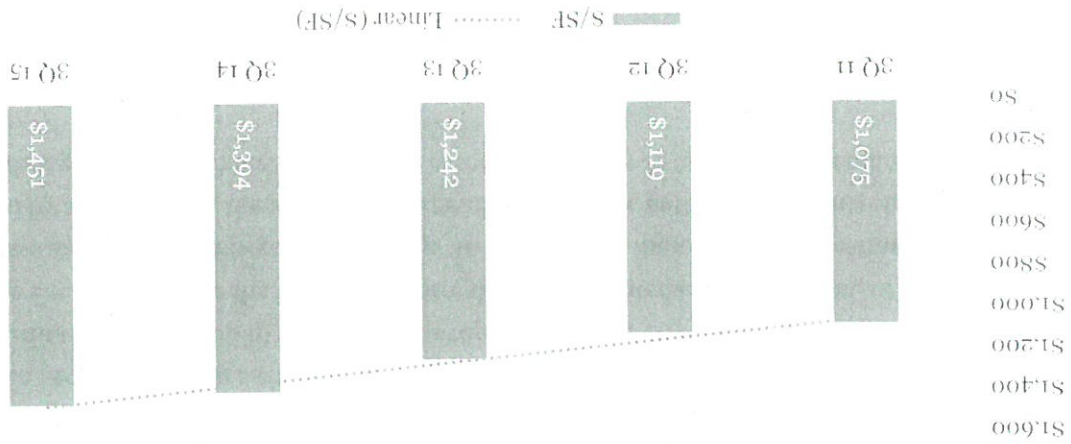
As shown, 2015 financial performance by hotel type shows newer limited service hotels at the highest operating profit margin (before real estate costs) of more than 40 percent, and newer full service hotels at lower but still healthy profit margins of 27 percent. These findings suggest that generally, under current market conditions, it is unlikely that profits from operations alone are a major stimulus for conversion.

Greater Financial Returns Due to Condo Market Price Surges

One of the primary potential reasons for converting an operating hotel into partial or full condominium units is the surge in condominium prices that has occurred in the past few years in Manhattan. While residential and hotel markets move somewhat in tandem, affected by local, regional and especially national economic cycles, there are periods when the price factors for hotel revenue/operating profit and the residential condominium market may also shift separately. These moments are difficult to pinpoint, and also may shift quickly in opposite directions, meaning that any given hotel owner interested in monetizing all or part of its real estate hotel asset may be making assumptions about the future direction of each market that may not yet have been achieved.

The figure below shows median sale price per square foot for condominium sales in Manhattan during the third quarter for each of the past five years. It should be noted that while news reports contain numerous headlines about super-luxury units in Manhattan selling for record-shattering prices, and other news reports speculate on slowing appreciation rates or other softening trends, the overall Manhattan condominium market has been trending generally upward. Thus, for example, between Q3 2014 and Q3 2015, the median price per square foot rose from \$1,394 to \$1,451.

FIGURE 19: MEDIAN PER SQUARE FOOT CONDO SALE PRICES, MANHATTAN 2011 - 2015



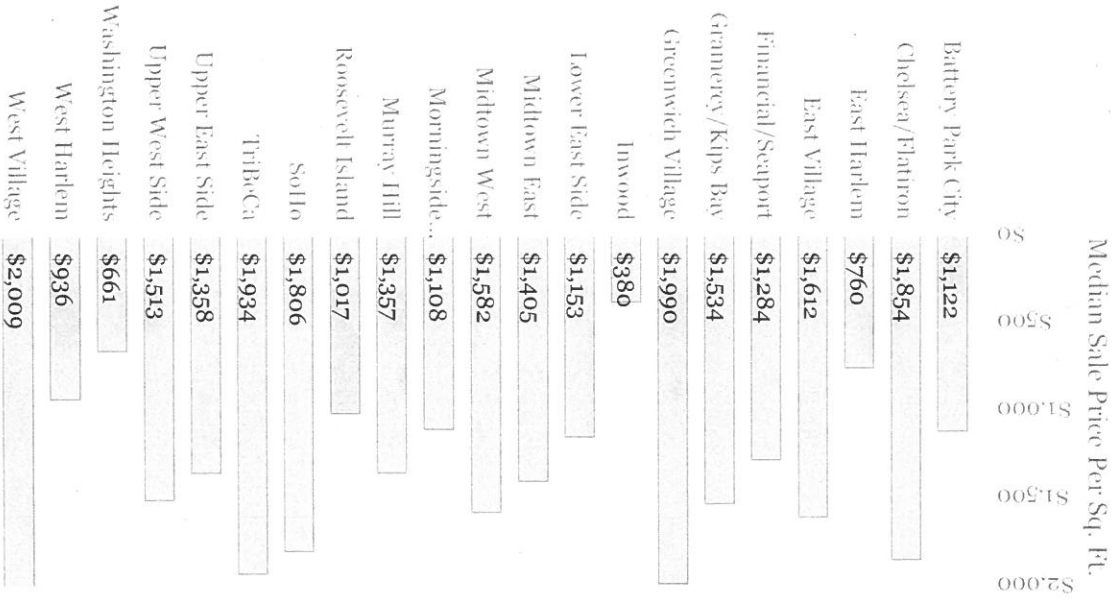
Sources: Real Estate Board of New York (REBNY); BAE 2016.

Similar to hotel industry analysts, some news reports in late 2015 and early 2016 have focused on a perceived softening in the super luxury end of the Manhattan condominium market, compared to 2014. However, as described in a recent New York Times article, "sales remain robust for the bulk of the market, with competition particularly heated for two-bedrooms, where there are still too few

apartments to go around. It's the high end where sales volume has begun to slow.”⁷

Moreover, the price of condominiums (and individual values of converted hotel units) can vary dramatically from neighborhood to neighborhood. The figure below illustrates the median sale price per square foot for condominiums sold during Q3 2015 by Manhattan neighborhood.

FIGURE 20: 3Q 2015 MEDIAN CONDO SALE PRICE PER SQUARE FOOT BY NEIGHBORHOOD



Sources: Real Estate Board of New York (REBNY); BAE 2016.

⁷ Prices Drop for Luxury New York Real Estate (New York Times, January 15, 2016).

Some experts report that a change in ownership of an operating hotel may trigger conversion because of the new owner's goal to increase return on investment by monetizing part or all of the real estate asset. However, with only 11 cases in the past 10 years, and a range of outcomes from demolition to partial to full conversion, it is difficult to ascertain a causal relationship of ownership change.

The table below summarizes a database of known hotel property sales between 2005 and 2013 (see list in Appendix A). As shown, of the 90 hotel properties that changed ownership in the nine-year period, just 8 were associated with a known conversion or announcement (1 of the 8, the Waldorf Astoria, has been announced but has not yet occurred). This suggests that most hotels change ownership for reasons other than planned conversion. Considered from the opposite perspective, of the 11 conversions since 2005, seven changed their ownership within the period analyzed.

Change in Ownership

Sources: REBNY; NYC&Co.; BAE 2016.

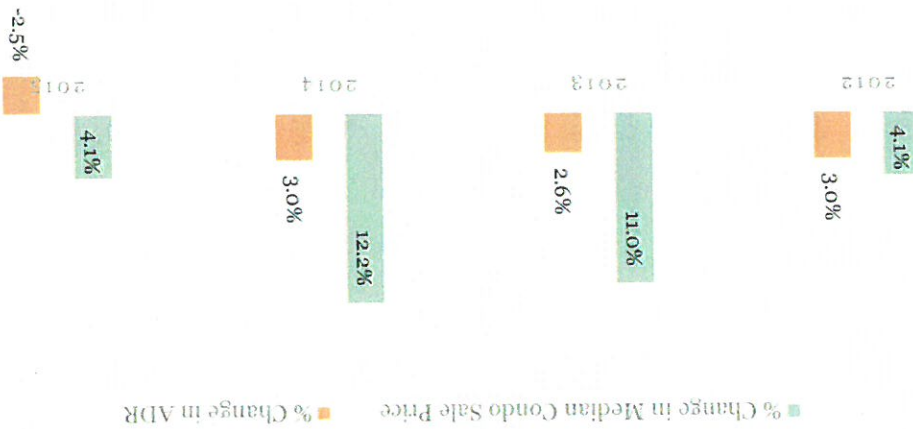


FIGURE 21: CONDO PRICE APPRECIATION & HOTEL ADR CHANGE

Despite these broad value ranges by neighborhood and individual values of hotel rooms if converted to condominiums, a side-by-side analysis of change over prior period for median condominium prices per square foot and hotel average daily rate (ADR) increases shows that in the past few years, the rapid appreciation of condo prices could easily be viewed as an attractive option for hotel owners to capture through conversion.

⁸ Waldorf Astoria and Hotel Workers Union Reach \$149 Million Deal for Severance Payouts (New York Times, June 26, 2015).

Finally, it is important to consider the impacts of conversion in the context of union status. According to research for this report, owners of converting union hotels can incur relatively high costs due to negotiated severance packages for union members if terminated due to conversion. An example, reportedly the highest severance package for this type of circumstance, was agreed to in 2015 by the owners of the Waldorf Astoria. This package reportedly totaled almost \$149 million.⁸ This added cost of conversion compared to a non-union hotel may dampen the propensity to fully convert, resulting in a different business model which continues to operate the hotel, and partially convert some rooms to residential units that also receive hotel-style services.

In sum, the decision to partially or fully convert depends on the key factors identified. Depending on future market conditions in both the hotel and condominium markets, some of which move in tandem, and some of which move independently of each other, it is possible that a continued strong condominium market over the next 10 years, coupled with a weakening of profit margins in some existing hotels (particularly if the pipeline boom in new hotels also continues), could result in an acceleration of all three conversion situations (demolition, partial, or full conversion). However, a more likely scenario over the next 10 years, based on the past 10 years including the Great Recession, is that the large middle segment of the condominium market will slow in appreciation rates, or fall in value, while sustained visitor demand for overnight lodging from global travel demand continues to support hotel operations.

Cost of Conversion

Sources: HVS Sale Database; BAE 2016.

Year	Hotels Sold	Announced	Conversion
2005	15	1	6.7%
2006	6	2	33.3%
2007	8	0	0.0%
2008	7	0	0.0%
2009	4	0	0.0%
2010	11	1	9.1%
2011	15	0	0.0%
2012	12	2	16.7%
2013	12	2	16.7%
Total	90	8	8.9%

TABLE 5: HOTEL PROPERTY SALES 2005 – 2013

Potential Impacts of Future Regulatory Approaches

In order to assess the impact of potential policy options over the course of the next 10 years for the Manhattan hotel supply, three general regulatory approaches were formulated, along with commensurate estimates of changes to Manhattan hotel supply due to conversions and additions of commensurate condominiums. These three regulatory approaches are profiled below, followed by a summary of economic impacts of each of these approaches. Note that all three scenarios would require further legal analysis to implement.

Summary of Regulatory Approaches

Scenario A: No Regulation of Conversions

This scenario projects a future where the current legislation would expire, and conversions would proceed apace with the past 10-year pattern, resulting in the loss of 2,500 rooms (rounded up to be conservative, from the actual loss of 2,434 rooms between 2005 and 2015). In addition, all of the new hotel pipeline that has been announced would be built, as well as additional pipeline based on an estimate prepared for this report (see Appendix C). Because of the assumptions used, this scenario would result in the highest number of future conversions among the three options (due to no constraints on conversions), leading to the lowest net increase in jobs among the three scenarios.

Scenario B: Make Temporary Legislation Permanent

In this scenario, the current temporary two-year legislation would be made permanent, resulting in fewer conversions because some potential conversions would be constrained as a practical matter (e.g., legislation limits conversions to no more than 20 percent of sleeping space, while some of the prior conversions were full hotel conversions, and other partial conversions appear to have consumed an amount of sleeping space estimated at higher than 20 percent to create new condominiums). Because this approach of constrained conversions, room loss from those conversions would be less than Scenario A, and thus net new hotel jobs and economic activity from the Manhattan hotel sector would be greater than Scenario A.

Scenario C: Limit All Conversions in Existing Hotels

This scenario could be implemented by either high fees or other regulatory mechanisms, effectively preventing all conversions from occurring. This scenario would drive the number of new residential units from conversions (and demolitions) to zero, resulting in the highest number of new hotel rooms added to supply on a net basis, and thus the overall highest number of jobs and economic activity generated by the Manhattan hotel sector by 2025.

Economic Impacts of Scenarios

A summary of the economic impacts analysis is shown below, with more detailed calculations shown in Appendix D.

As shown, under Scenario A (No Regulation), hotel rooms are lost, replaced by the forecasted new condo supply from conversions. This yields the lowest amount of new economic activity (increase of 6.84 billion) of the three scenarios, and the fewest net new jobs (48,230) by 2025. At the other end of the scenario spectrum in Scenario C (Limit All Conversions), hotel rooms are preserved because conversions are effectively zero, resulting in the most hotel rooms in Manhattan's supply, along with the greatest amount of overall economic activity (\$7.19 billion) and the most jobs generated (49,140). It should be noted however, that the differences between Scenarios A, B, and C are relatively small, because the effect of conversions on the overall Manhattan hotel sector is limited when considered in the context of such a rapidly growing overall hotel supply driven by robust demand factors.

This analysis does not factor in dramatic changes to market conditions; it is based on the hotel supply pipeline forecast which continues the robust supply growth pattern experienced in the past 10 years (see Appendix C). Thus, if the Manhattan hotel market were to encounter market-driven declines, whether because the demand/supply balance shifted (e.g., overbuilding of hotel rooms) or because macro-economic conditions caused a prolonged overall economic decline, these findings would change.

TABLE 6: SUMMARY OF SCENARIO ANALYSIS

Scenario	2015 Manhattan Baseline		Scenario A: No Regulation		Scenario B: Temporary Leg Made Permanent		Scenario C: Limit All Conversions	
	Total in 2015	Total by 2025	Change 2015-2025	Total by 2025	Change 2015-2025	Total by 2025	Change 2015-2025	
Hotel Rooms	90,919	143,982	53,063	145,354	54,435	146,482	55,563	
New Condo Units	-	2,500	2,500	1,128	1,128	-	-	
Economic Impact - NYC								
Direct	\$8,212,363,615	\$13,088,013,955	\$4,875,650,340	\$13,166,575,677	\$4,954,212,062	\$13,231,060,021	\$5,018,696,406	
Indirect	\$1,743,192,913	\$2,772,791,942	\$1,029,599,030	\$2,792,390,728	\$1,049,197,816	\$2,808,483,786	\$1,065,290,873	
Induced	\$1,814,901,465	\$2,894,310,414	\$1,079,408,949	\$2,910,622,775	\$1,095,721,310	\$2,924,029,197	\$1,109,127,731	
Total	\$11,770,457,993	\$18,755,116,312	\$6,984,658,319	\$18,869,589,180	\$7,099,131,187	\$18,963,573,004	\$7,193,115,011	
Job Impacts - NYC								
Direct	46,029	73,592	27,563	73,903	27,874	74,158	28,129	
Indirect	6,650	13,423	6,773	13,516	6,666	13,592	6,942	
Induced	3,170	17,060	13,890	17,156	13,986	17,235	14,065	
Total	55,849	104,075	48,226	104,575	48,726	104,986	49,137	

Additional Considerations of Regulatory Approaches

Potential Loss of Revenue from Hotel Occupancy Room Tax

If hotel conversions were allowed to continue, potentially reducing overall hotel rooms in Manhattan, Hotel Room Occupancy Tax revenue from this segment of the hotel inventory would also decline. There are two components of the Hotel Room Occupancy Tax: a "percentage of rent" portion and a "flat rate" per day, per room portion. The percentage of rent rate is 5.875%, and the flat rate is \$2.00 per day per room. An occupant of a hotel suite that has more than one room would be charged the flat rate portion per room. Both portions of the tax are paid on the occupancy or the right of occupancy of a room or rooms. The occupant must pay the tax, and the hotel operator collects the tax and remits it to the City.

Assuming that conversions occur at the level estimated for the three scenarios, that the ADR is \$300 per room, and that the occupancy rate is 90 percent, approximately \$16.3 million in potential revenue from the Hotel Room Occupancy Tax would be foregone in Scenario A (no conversion constraints) as shown below.⁹

TABLE 7: ESTIMATED HOTEL TAX IMPACTS OF CONVERSION SCENARIOS

	Scenario A	Scenario B	Scenario C
Annual Stabilized Tax Revenue	2,500	1,128	-
Number of Keys/Units	Total Conversion Room Loss		

Hotel Occupancy Tax			
Percentage Portion of Tax	\$ 14,474,531	\$ 6,530,909	-
Daily Room Flat Fee Portion of Tax	\$ 1,642,500	\$ 741,096	-
Total	\$ 16,117,031	\$ 7,272,005	-

Notes:
a) NYC Hotel Tax Rate 5.875%
b) Average Room Rate \$ 300.00
c) Occupancy Rate 90.0%
d) Daily Unit Tax \$ 2.00

Sources: NYC Dept. of Finance; STR; BJH Advisors, 2016.

⁹ A converted unit may also generate other taxes such as real property tax that could offset these losses.

Potential Impacts on Local Services

Hotel conversions to permanent residential uses also have the potential to impact local municipal services, as permanent residential population instead of overnight hotel visitors, are added to the neighborhood. Services which could be impacted by increased residents include: parking, garbage collection, libraries, schools, and transit services.

Appendix A: Hotel Data Tables

TABLE A-1: NYC VISITORS, SPENDING, HOTEL OCCUPANCY, AND AVG. DAILY RATES

Year	Total Visitors (Domestic+Int'l)	Direct Visitor Spending (Domestic+Int'l)	Spending per Visitor	Hotel Occupancy	Avg. Daily Rate (ADR)
2005	42,700,000	\$24,300,000,000	\$569.09	86.1%	\$241
2006	43,800,000	\$26,200,000,000	\$598.17	85.6%	\$267
2007	46,000,000	\$30,000,000,000	\$652.17	86.1%	\$303
2008	47,100,000	\$32,000,000,000	\$679.41	85.3%	\$308
2009	45,600,000	\$28,200,000,000	\$618.42	81.5%	\$238
2010	48,800,000	\$31,500,000,000	\$645.49	85.5%	\$258
2011	50,900,000	\$34,500,000,000	\$677.80	85.2%	\$273
2012	52,700,000	\$36,900,000,000	\$700.19	87.4%	\$282
2013	54,300,000	\$38,800,000,000	\$714.55	88.3%	\$289
2014	56,500,000	\$41,000,000,000	\$725.66	89.5%	\$296
2015	58,300,000	N/A	N/A	88.8%	\$291

Source: NYC&Co.; BAE 2016

TABLE A-2: JAVITS CONVENTION CENTER ATTENDANCE

Year	Javits Convention Center Conventions & Trade Shows	Delegate Attendance
2009	62	817,152
2010	52	593,353
2011	61	626,105
2012	63	821,636
2013	63	946,499
2014	64	1,102,382
2015	66	927,620

Note: Jacob K. Javits Convention Center compiled by NYC & Company. Currently monthly attendance figures are pre-event estimates provided by the event organizers. These figures do not include exhibitor personnel or press attendees.

Source: NYC & Co.; BAE 2016

TABLE A-3: GROWTH IN NYC ROOM AND HOTEL SUPPLY BY BOROUGH, 2005 - 2015

Borough	2005			2015			Change 2005 - 2015			% Change 2005 - 2015
	Avg. Rooms/Hotel	Hotels	Rooms	Avg. Rooms/Hotel	Hotels	Rooms	Hotels	Rooms	Hotels	
NYC	12,272	135	91	19,277	199	97	7,005	64	64	57.1%
Economy	23,723	93	255	40,817	227	180	17,094	134	134	144.1%
Mid-Range	36,178	87	416	48,540	163	298	12,362	76	76	34.2%
Luxury	72,173	315	229	108,634	589	184	36,461	274	274	50.5%
Manhattan	8,393	71	118	11,347	75	151	2,954	4	4	35.2%
Economy	20,119	72	279	33,796	170	199	13,677	98	98	68.0%
Mid-Range	34,854	84	415	45,776	151	303	10,922	67	67	31.3%
Luxury	63,366	227	279	90,919	396	230	27,553	169	169	43.5%
Outer Boroughs	3,879	64	61	7,930	124	64	4,051	60	60	104.4%
Economy	3,604	19	190	7,021	57	123	3,417	38	38	94.8%
Mid-Range	1,324	5	265	2,764	12	230	1,440	7	7	108.8%
Luxury	8,807	88	100	17,715	193	92	8,908	105	105	101.1%
Bronx	541	13	42	899	20	45	358	7	7	66.2%
Economy	0	0	0	125	1	125	125	1	1	0.0%
Mid-Range	0	0	0	0	0	0	0	0	0	0.0%
Luxury	541	13	42	1,024	21	49	483	8	8	89.3%
Brooklyn	767	13	59	1,960	34	58	1,193	21	21	155.5%
Economy	70	1	70	1,681	19	88	1,611	18	18	2301.4%
Mid-Range	376	1	376	1,051	3	350	675	2	2	179.5%
Luxury	1,213	15	81	4,692	56	84	3,479	41	41	286.8%
Queens	2,314	32	72	4,845	65	75	2,531	33	33	109.4%
Economy	3,534	18	196	5,215	37	141	1,681	19	19	47.6%
Mid-Range	611	2	306	1,117	4	279	506	2	2	82.8%
Luxury	6,459	52	124	11,177	106	105	4,718	54	54	73.0%
Staten Island	257	6	43	226	5	45	-31	-1	-1	-12.1%
Economy	337	2	169	596	5	119	259	3	3	76.9%
Mid-Range	0	0	0	0	0	0	0	0	0	0.0%
Luxury	594	8	74	822	10	82	228	2	2	38.4%
Total	594	8	74	822	10	82	228	2	2	38.4%

Source: STR, BAE, 2015

Source: QCEW, BAE, 2016

NYC Total	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	% Change
Total Private Employment	2,948,477	3,009,717	3,094,617	3,129,647	3,020,144	3,042,567	3,131,674	3,220,458	3,309,593	3,434,472	485,995	16.5%
Total Traveler Accommodation (T211) Employment	38,322	38,214	40,280	40,771	39,893	41,560	44,030	45,833	46,673	49,068	10,746	28.0%
Traveler Acc Share of Private Empl	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%		
Manhattan (New York County)	1,802,468	1,850,035	1,911,403	1,926,951	1,827,553	1,835,104	1,893,321	1,947,749	1,994,256	2,061,244	258,776	14.4%
Total Private Employment	34,726	34,604	36,134	36,618	35,911	37,661	39,755	41,201	41,420	43,583	8,857	25.5%
Total Traveler Accommodation (T211) Employment	34,726	34,604	36,134	36,618	35,911	37,661	39,755	41,201	41,420	43,583	8,857	25.5%
Traveler Acc Share of Private Empl	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
Staten Island (Richmond County)	82,912	84,111	86,248	86,753	85,530	86,286	85,272	86,307	89,855	92,385	9,473	11.4%
Total Private Employment	307	340	366	384	368	334	338	371	439	410		
Total Traveler Accommodation (T211) Employment	307	340	366	384	368	334	338	371	439	410		
Traveler Acc Share of Private Empl	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
Queens County	444,546	450,286	462,196	468,756	458,127	456,154	467,849	486,637	499,010	517,303	72,757	16.4%
Total Private Employment	2,327	2,337	2,720	2,698	2,541	2,419	2,672	2,770	3,070	3,159		
Total Traveler Accommodation (T211) Employment	2,327	2,337	2,720	2,698	2,541	2,419	2,672	2,770	3,070	3,159		
Traveler Acc Share of Private Empl	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
Brooklyn (Kings County)	420,176	425,994	435,815	443,935	441,943	455,342	472,508	485,425	503,946	532,457	112,281	26.7%
Total Private Employment	670	645	764	810	804	870	986	1,218	1,445	1,575		
Total Traveler Accommodation (T211) Employment	670	645	764	810	804	870	986	1,218	1,445	1,575		
Traveler Acc Share of Private Empl	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
Bronx County	198,375	199,291	198,955	203,252	206,991	209,681	212,724	214,340	222,526	231,083	32,708	16.5%
Total Private Employment	292	288	296	261	269	276	279	273	299	341		
Total Traveler Accommodation (T211) Employment	292	288	296	261	269	276	279	273	299	341		
Traveler Acc Share of Private Empl	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		

TABLE A-5: EMPLOYMENT TRENDS, NYC 2005 - 2014

Source: STR, BAE, 2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	% Growth	
Manhattan	63,366	63,365	63,374	66,065	70,907	74,664	79,508	80,775	82,738	86,675	90,919	43.5%
Brooklyn	1,213	1,683	6,775	583	591	594	594	594	594	594	594	286.8%
Queens	6,459	6,459	6,459	6,459	6,459	6,459	6,459	6,459	6,459	6,459	6,459	73.0%
Bronx	541	541	541	541	541	541	541	541	541	541	541	89.3%
Staten Island	228	228	228	228	228	228	228	228	228	228	228	38.4%
Total	72,173	73,000	73,525	77,188	83,115	87,557	93,495	95,254	97,826	103,260	108,634	50.5%

TABLE A-4: NYC DISTRIBUTION OF ROOMS BY BOROUGH, 2005 - 2015

TABLE A-6: MANHATTAN HOTEL SUPPLY TRENDS

Year	Hotels	Room Supply	Occupancy Rate	Avg. Daily Room Rate
2005	227	63,366	86.0%	\$ 240.74
2006	236	63,365	85.6%	\$ 266.99
2007	237	63,374	86.1%	\$ 303.06
2008	257	66,065	85.5%	\$ 307.67
2009	295	70,907	81.8%	\$ 237.68
2010	320	74,664	85.2%	\$ 257.61
2011	338	79,508	85.2%	\$ 273.41
2012	338	80,775	87.4%	\$ 281.71
2013	353	82,738	88.3%	\$ 289.05
2014	372	86,675	89.3%	\$ 295.77
2015	396	90,919	NA	NA
Change	169	27,553		
% Change	74.4%	43.5%		

Source: STR; PKF Consulting; BAE, 2016.

TABLE A-7: SUMMARY OF SAMPLE DATA FROM CONFIDENTIAL QCEW REPORTS FOR SELECTED MANHATTAN HOTELS

	Number of Hotels in Sample (a)	Number of Rooms in Sample (b)	Number of Employees in Sample (c)	Average Payroll / Annual Room (d)	Jobs per Room	Wages Per Room	Non-Union					
							Luxury	Upper Upscale	Upscale	Mid Scale	Economy	Budget
Luxury	11	1,605	1,570	\$49,382	0.98	\$48,305	22	8,364	7,798	\$68,394	0.93	\$63,766
Upper Upscale	21	3,188	1,792	\$44,611	0.56	\$25,076	44	16,966	9,307	\$62,570	0.55	\$34,324
Upscale	37	5,881	1,962	\$42,564	0.33	\$14,200	25	6,935	3,003	\$57,188	0.43	\$24,764
Mid Scale	42	5,176	1,233	\$36,644	0.24	\$8,729	14	2,974	978	\$56,668	0.33	\$18,635
Economy	10	1,029	260	\$41,205	0.25	\$10,411	21	5,814	1,526	\$56,805	0.26	\$14,910
Budget	26	2,227	692	\$40,443	0.31	\$12,567	126	41,053	22,612	\$63,219	0.55	
Subtotal / Average	147	19,106	7,509	\$43,263	0.39		273	60,159	30,121			
							Total/Average					

a) Hotels with available confidential data reported to Quarterly Census of Employment & Wages (QCEW)

b) Based on STR inventory for NYC hotels, 2015.

c) 2014 employees for each hotel as reported to QCEW confidential data.

d) Wages per hotel as reported to QCEW (confidential).

e) Due to very small sample available for Budget hotels in this category, it is combined with Economy.

Source: Confidential data from QCEW as provided by NYC DCP, BAE, 2016

TABLE A-8: STR HOST DATA PROFIT ANALYSIS

Line Item [a]	Hotels in Sample:	Rooms in Sample:	Estimated Total	Employment for Sample:	Avg. Per	As % of	Room	Sales [c]	Employee (d)	Avg. Per	As % of	Room	Sales [c]	Employee (d)
HOTEL SEGMENT [a]	8	9,384	8,539											
Revenue														
Rooms														
Food														
Beverage														
Other Food & Beverage														
Other Operated Departments														
Rentals & Other Income														
Total Revenue														
Expenses														
Departmental Expenses														
Rooms														
Food & Beverage														
Other Operated Departments														
Subtotal Departmental Expenses														
Undistributed Operating Expenses														
Administrative & General														
Marketing (excluding Franchise Fees)														
Franchise Fees (royalty and marketing)														
Utility Costs														
Property Operation & Maintenance														
Subtotal Undistributed Expenses														
Base Management Fees (does not include incentive fees)														
Total Expenses														
Operating Profit Before Incentive Fees & Fixed Charges														

Notes:

a. BAE created hotel segments by aggregating hotels with similar characteristics, as further described: Large, Upper Tier Convention Hotel: hotels classified by Smith Travel Research (STR) as convention hotels (300+ rooms, 20,000+ s.f. of meeting space) and in the Upper Upscale or Luxury class. All hotels in this segment are unionized hotels. Upper Tier, Full Service Hotel: hotels established after 2005, classified by STR as Upper Upscale or Luxury class, and Full Service (offering a restaurant or prepared food service). This segment includes unionized and non-unionized hotels. Upper Tier, Limited Service Hotel: hotels established after 2005, classified by STR as Upper Upscale or Luxury class, and classified by STR as Limited Service. This segment includes unionized and non-unionized hotels. b. Individual Line Items may not add up to the totals for each department, due to gaps in disclosure of detailed data by participating hotels. Detailed line items are calculated based on hotels that responded to that line item. c. Ratio to revenue for departmental expenses and profits are based on departmental revenues. Total expenses and profits correspond to company-wide totals. d. Per employee totals are based on estimated employment at all participating hotels. Convention Hotels (unionized) employed 0.91 workers per room (data from X, Y, and Z hotels). Full Service Newer Hotels (built since 2010, unionized, non-convention). Based on D & B data for all Manhattan hotels in fitting this criteria with reliable D & B data. Full Service Newer Non-Convention hotels em 0.75 workers per room. Limited Service Newer Hotels (built since 2010, unionized, non-convention). Based on D & B data for larger set of hotels fitting same criteria in Manhattan than those participating in HOST data. Limited Service Hotels employed 0.36 workers per room.

TABLE A-9: HOTEL PROPERTY SALES 2005 - 2013

Conversion (2005-2015) Announced

Year of Sale	Sale Price per Key	STR Quality Rating	Conversion (2005-2015)
2013	\$ 1,107,000	Luxury	Announced
2013	\$ 396,000	Upper Midscale	
2013	\$ 616,000	Luxury	
2013	\$ 1,070,000	Luxury	
2013	\$ 440,000	Economy	
2013	\$ 500,000	Upper Midscale	
2013	\$ 567,000	Upper Upscale	
2013	\$ 746,000	Luxury	
2013	\$ 412,000	Upscale	
2013	\$ 625,000	Upscale	
2013	\$ 567,000	Economy	
2013	\$ 483,000	Upper Midscale	
2012	\$ 1,696,000	Luxury Class	
2012	\$ 318,000	Upper Midscale	
2012	\$ 698,000	Upper Upscale	
2012	\$ 1,070,000	Luxury	
2012	\$ 414,000	Upscale	
2012	\$ 699,000	Luxury	
2012	\$ 420,000	Unknown	
2012	\$ 384,000	Unknown	
2012	\$ 363,000	Upscale	
2012	\$ 788,000	Upper Upscale	
2012	\$ 442,000	Upscale	
2012	\$ 424,000	Upper Upscale	
2011	\$ 467,000	Upper Midscale	
2011	\$ 428,000	Upper Midscale	
2011	\$ 624,000	Unknown	
2011	\$ 1,700,000	Luxury	
2011	\$ 491,000	Upper Upscale	
2011	\$ 461,000	Upscale	
2011	\$ 459,000	Upscale	
2011	\$ 445,000	Luxury	
2011	\$ 471,000	Unknown	
2011	\$ 328,000	Upper Midscale	
2011	\$ 525,000	Upper Upscale	
2011	\$ 454,000	Upper Upscale	
2011	\$ 351,000	Upper Midscale	
2011	\$ 405,000	Luxury	
2011	\$ 441,000	Upscale	
2010	\$ 177,000	Unknown	
2010	\$ 696,000	Luxury	
2010	\$ 436,000	Unknown	
2010	\$ 490,000	Upper Upscale	
2010	\$ 405,000	Upscale	
2010	\$ 308,000	Upper Midscale	
2010	\$ 244,000	Upper Upscale	
2010	\$ 1,063,000	Luxury	
2010	\$ 271,000	Midscale	
2010	\$ 304,000	Upper Midscale	
2010	\$ 276,000	Upper Midscale	
2010	\$ 411,000	Upscale	
2009	\$ 449,000	Midscale	
2009	\$ 408,000	Upper Midscale Class	
2009	\$ 407,000	Upscale Class	
2008	\$ 315,000	Upscale	
2008	\$ 317,000	Upper Midscale Class	
2008	\$ 371,000	Midscale Class	
2008	\$ 590,000	Unknown	
2008	\$ 446,000	Upper Midscale	
2008	\$ 485,000	Upper Upscale	
2008	\$ 128,000	Economy Class	
2007	\$ 710,000	Upper Midscale	
2007	\$ 406,000	Upper Midscale Class	
2007	\$ 710,000	Upscale Class	
2007	\$ 380,000	Unknown	
2007	\$ 573,000	Upper Midscale Class	
2007	\$ 764,000	Unknown	
2007	\$ 729,000	Upscale Class	
2007	\$ 1,371,000	Luxury	
2006	\$ 652,000	Upscale	
2006	\$ 1,056,000	Luxury	
2006	\$ 486,000	Unknown	
2006	\$ 889,000	Upper Upscale	
2006	\$ 546,000	Upper Upscale	
2006	\$ 852,000	Luxury Class	
2005	\$ 444,000	Upper Upscale	
2005	\$ 292,000	Upper Midscale	
2005	\$ 661,000	Luxury	
2005	\$ 138,000	Unknown	
2005	\$ 306,000	Economy	
2005	\$ 426,000	Upper Upscale	
2005	\$ 357,000	Upscale	
2005	\$ 187,000	Upper Midscale	
2005	\$ 189,000	Upper Midscale	
2005	\$ 113,000	Upscale	
2005	\$ 616,000	Luxury	
2005	\$ 381,000	Unknown	
2005	\$ 190,000	Midscale	
2005	\$ 206,000	Upper Midscale	
2005	\$ 414,000	Upper Upscale	
2005	\$ 206,000	Upper Upscale	

Sources: HVS Global Hospitality Services, 2009-2013; Jones Lang La Salle, 2014; BAE, 2016

Appendix B: Estimate of Future Manhattan Hotel Supply

TABLE C-1: NYC ESTIMATE OF FUTURE HOTEL SUPPLY

(includes hotels closed for renovation and announced to re-open as hotels)

Summary of NYC Pipeline Hotels						
Announced Hotels	Manhattan	Brooklyn	Queens	Bronx	SI	Total
2016	46	12	9	3	1	71
2017	16	6	1	1	-	24
2018	4	-	1	-	-	5
Date TBD	5	-	3	-	-	8
Total	71	18	14	4	1	108

Summary of NYC Pipeline Rooms						
Announced Room Counts	Manhattan	Brooklyn	Queens	Bronx	SI	Total
2016	9,119	1,837	1,325	283	200	12,764
2017	3,990	1,096	178	152	180	5,596
2018	1,236	-	505	-	-	1,741
Date TBD	1,150	-	556	-	-	1,706
Total Announced	15,495	2,933	2,564	435	380	21,807
Plus: Estimated Rooms (a)	1,174	173	197	-	-	1,544
Total Estimated Pipeline through 2018	16,669	3,106	2,761	435	380	23,351
Annual Avg. for 3-year period	5,556	1,035	920	145	127	7,784
Estimated Additional Rooms 2019 - 2025	38,894	7,247	6,443	1,015	887	54,486
Total Estimate Pipeline 2016 - 2025	55,563	10,353	9,204	1,450	1,267	77,837

Notes:

a) Room counts do not include hotels with unknown (TBD) rooms as follows:

Manhattan TBD rooms in	5	hotels
Brooklyn TBD rooms in	1	hotels
Queens TBD rooms in	1	hotels

Estimated Rooms in TDB cases:

Manhattan avg. hotel room count	235	in known hotels
Manhattan add'l rooms based on avg.	1,174	additional rooms
Brooklyn avg. room count	173	in known hotels
Brooklyn add'l rooms based on avg.	173	additional rooms
Queens avg. room count	197	in known hotels
Queens add'l rooms based on avg.	197	additional rooms

Sources: HTC website; BAE, 2016.

Appendix C: IMPLAN Analysis Detail

Description of IMPLAN Analysis

BAE prepared a quantitative economic impact analysis to estimate the direct, indirect, and induced economic impacts of baseline conditions and the three scenarios representing the different regulatory approaches. These impacts were assessed for the entire City (i.e., all five boroughs), since many of the hotel workers reside, and vendors serving the hotels are located, in the outer boroughs.

At the heart of the IMPLAN model is a county-level trade flow called the Social Accounting Matrix (SAM) constructed from the production functions of 536 industries, using data from a variety of sources including the Bureau of Economic Analysis, Bureau of Labor Statistics, and US Census. The SAM uses each county's observed economic relationships between government, industry, and household sectors, allowing IMPLAN to model payments between industries, between households and industries, between government and industries, and between government and households. Thus, for a specified region, the input-output table accounts for all of the dollar flows between the different sectors within the economy. IMPLAN then applies county-level price and wage data, as well as data on the availability of goods within the study area (in this case, New York City) to estimate the specific impacts for that study area.

Once the economic events have been entered into the model, IMPLAN reports the following types of impacts:

- **Direct Impacts.** Direct impacts refer to the set of producer or consumer expenditures applied to the predictive model for impact analysis. It is the amount of spending available to flow through the local economy. IMPLAN displays how the local economy will then respond to these initial changes. The direct impacts may equal up to the amount of spending input into the model, depending on a variety of factors.
- **Indirect Impacts.** These impacts refer to the subject industry's purchase of goods and services from other local industries, along with the expenditures of those industries as they cycle through the study area economy. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to income and taxes.
- **Induced Impacts.** The induced impacts refer to an economy's response to direct impacts as re-spending of the income of the workers in the jobs generated by the industries responsible for the direct and indirect impacts occurs, according to household spending

patterns. When households earn income, they spend part of that income on goods and services, such as food and healthcare. IMPLAN models households' disposable income spending patterns and distributes them through the local economy.

Methodology and Assumptions

Tables D-1 through D-4 below shows the baseline assumptions for the IMPLAN analysis as well as the results of the analysis. For inputs to the model, the analysis uses hotel employment and employee compensation data based on information gathered in the process of completing this report. This included special runs of Quarterly Census of Wages and Employment (QCEW) as discussed in the body of the report which allowed for estimates of number of workers per room and annual wages for different classes of hotels (e.g., luxury, economy). A comparison of total employee compensation as estimated by IMPLAN with typical wages provided an estimate of that benefits make up approximately 25 percent of total employee compensation for the hotel sector in New York City. Hotel revenue estimates were generated within the IMPLAN model itself; these estimates were compared to published data from the 2012 Economic Census and found to be consistent with those numbers.

To estimate the employment and earnings inputs associated with the condominium conversions, the analysis uses data gathered on typical employment per room based on confidential interviews with conversion developers. Revenue estimates were initially generated by IMPLAN for the real estate sector, but a comparison to Economic Census data indicated that the IMPLAN estimates of revenue and employee compensation based on the entire real estate sector were overstated. The Economic Census provided estimates of revenue more specific to residential property management, with revenues per employee at about 30 percent of the revenues per employee for the entire real estate sector in New York City. For the analysis here, the revenues have been reduced from the IMPLAN defaults by this factor, which in turn reduces the employee compensation to levels commensurate with the residential property management sector. The results of the analysis are shown for New York City as a whole and for Manhattan alone.

TABLE D-1: SCENARIO ASSUMPTIONS AND ECONOMIC IMPACT OUTCOMES

Scenario A: No Policy Constraint		Scenario B: Temporary Restrictions Made Permanent		Scenario C: Fully Prohibited Conversion							
Baseline	New Hotel	Net New Hotel	New Res	Baseline	New Hotel	Net New Hotel	New Res	Baseline	New Hotel	Net New Hotel	New Res
2015 Hotel Inventory	55,563	(2,500)	53,063	55,563	55,563	(1,128)	54,435	55,563	55,563	(55,563)	0
Rooms	90,919	28,129	26,864	90,919	90,919	27,558	1,128	90,919	90,919	28,129	0
Jobs	46,029	28,129	27,558	46,029	46,029	27,558	316	46,029	46,029	28,129	0
Total Payroll + Benefits	\$3,289,894,315	-\$90,462,233	\$1,920,074,608	\$3,289,894,315	\$3,289,894,315	\$1,969,720,282	\$17,219,597	\$3,289,894,315	\$3,289,894,315	\$2,010,536,841	\$0
Economic Impact - NYC	\$8,212,363,615	-\$225,876,138	\$4,792,820,269	\$8,212,363,615	\$8,212,363,615	\$4,916,820,202	\$37,391,860	\$8,212,363,615	\$8,212,363,615	\$5,018,696,406	\$0
Direct	\$1,743,192,913	-\$47,945,476	\$1,017,345,397	\$1,743,192,913	\$1,743,192,913	\$1,043,666,176	\$5,531,640	\$1,743,192,913	\$1,743,192,913	\$1,065,290,873	\$0
Indirect	\$1,814,901,465	-\$1,109,127,731	\$1,059,220,496	\$1,814,901,465	\$1,814,901,465	\$1,086,611,444	\$9,109,866	\$1,814,901,465	\$1,814,901,465	\$1,109,127,731	\$0
Total	\$11,770,457,993	-\$323,728,849	\$6,869,386,162	\$11,770,457,993	\$11,770,457,993	\$7,047,097,822	\$52,033,366	\$11,770,457,993	\$11,770,457,993	\$7,193,115,011	\$0
Economic Impact - Manhattan only	\$8,532,830,573	-\$234,690,378	\$4,979,848,085	\$8,532,830,573	\$8,532,830,573	\$5,108,686,794	\$52,044,188	\$8,532,830,573	\$8,532,830,573	\$5,214,538,463	\$0
Direct	\$1,596,347,532	-\$43,906,580	\$931,644,914	\$1,596,347,532	\$1,596,347,532	\$955,748,446	\$4,772,304	\$1,596,347,532	\$1,596,347,532	\$975,551,493	\$0
Indirect	\$617,681,839	-\$16,985,545	\$360,493,702	\$617,681,839	\$617,681,839	\$369,816,107	\$3,346,413	\$617,681,839	\$617,681,839	\$377,479,248	\$0
Total	\$10,746,859,944	-\$295,582,503	\$6,271,986,701	\$10,746,859,944	\$10,746,859,944	\$6,434,251,347	\$60,162,905	\$10,746,859,944	\$10,746,859,944	\$6,567,569,204	\$0
Induced	\$1,596,347,532	-\$975,551,493	\$975,551,493	\$1,596,347,532	\$1,596,347,532	\$975,551,493	\$2,571,899,025	\$1,596,347,532	\$1,596,347,532	\$975,551,493	\$0
Indirect	\$617,681,839	-\$377,479,248	\$360,493,702	\$617,681,839	\$617,681,839	\$369,816,107	\$3,346,413	\$617,681,839	\$617,681,839	\$377,479,248	\$0
Total	\$10,746,859,944	-\$6,567,569,204	\$6,271,986,701	\$10,746,859,944	\$10,746,859,944	\$6,434,251,347	\$60,162,905	\$10,746,859,944	\$10,746,859,944	\$6,567,569,204	\$0

TABLE D-2: SCENARIO ASSUMPTIONS AND JOB IMPACT OUTCOMES

Baseline		Scenario A: No Policy Constraint			
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	53,063	(2,500)	53,063	2,500
46,029	28,129	26,863	(1,266)	26,863	700
8,437	5,156	4,924	(232)	4,924	63
10,698	6,538	6,243	(294)	6,243	119
65,163	39,822	38,030	(1,792)	38,030	882
Job Impacts - NYC	Direct	28,129	(1,266)	26,863	700
Indirect		5,156	(232)	4,924	63
Total		33,285	(1,498)	31,787	763
Job Impacts - Manhattan	Direct	46,029	(1,266)	44,763	700
Indirect		8,437	(232)	8,205	63
Total		54,466	(1,498)	52,968	763
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$90,462,233	\$1,920,074,608	\$38,164,000
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					
2015 Hotel Inventory	NEW HOTEL	NET NEW HOTEL	Conv Loss	Supply	Total Future Impact
90,919	55,563	54,435	(1,128)	54,435	1,128
46,029	28,129	27,558	(571)	27,558	316
8,437	5,156	5,051	(105)	5,051	28
10,698	6,538	6,405	(133)	6,405	54
65,163	39,822	39,014	(808)	39,014	398
Job Impacts - NYC	Direct	28,129	(571)	27,558	316
Indirect		5,156	(105)	5,051	28
Total		33,285	(676)	32,609	344
Job Impacts - Manhattan	Direct	46,029	(571)	45,458	316
Indirect		8,437	(105)	8,332	28
Total		54,466	(676)	53,790	344
Rooms		90,919		90,919	
Jobs		46,029		46,029	
Total Payroll + Benefits		\$3,289,894,315	-\$40,816,560	\$1,969,720,282	\$17,219,597
Baseline					

Scenario A: No Policy Constraint							Scenario B: Temporary Restrictions Made Permanent							Scenario C: Fully Prohibited Conversion							
Baseline	2015 Hotel Inventory	New Hotel	Conv Loss	Net New Hotel	New Res	Total Future Impact	Baseline	2015 Hotel Inventory	New Hotel	Conv Loss	Net New Hotel	New Res	Total Future Impact	Baseline	2015 Hotel Inventory	Net New Hotel	Conv Loss	Net New Hotel	New Res	Total Future Impact	
Rooms	90,919	55,563	(1,128)	54,435	316	1,128	90,919	55,563	(1,128)	54,435	1,128	1,128	90,919	55,563	0	55,563	0	55,563	0	0	0
Jobs	46,029	28,129	(571)	27,558	316	1,128	46,029	28,129	(571)	27,558	316	1,128	46,029	28,129	0	28,129	0	28,129	0	0	0
Total Payroll + Benefits	\$3,289,894,315	\$2,010,536,841	-\$40,816,560	\$1,969,720,282	\$17,219,597		\$3,289,894,315	\$2,010,536,841	-\$40,816,560	\$1,969,720,282	\$17,219,597		\$3,289,894,315	\$2,010,536,841	\$0	\$2,010,536,841	\$0	\$2,010,536,841	\$0	\$0	\$0
Direct Labor Income Impact - NYC	\$3,889,907,792	\$2,071,656,550	-\$42,057,250	\$2,029,599,301	\$18,592,099		\$3,889,907,792	\$2,071,656,550	-\$42,057,250	\$2,029,599,301	\$18,592,099		\$3,889,907,792	\$2,071,656,550	\$0	\$2,071,656,550	\$0	\$2,071,656,550	\$0	\$0	\$0
Indirect Labor Income Impact - NYC	\$747,149,791	\$456,594,246	-\$9,268,560	\$447,325,686	\$2,009,085		\$747,149,791	\$456,594,246	-\$9,268,560	\$447,325,686	\$2,009,085		\$747,149,791	\$456,594,246	\$0	\$456,594,246	\$0	\$456,594,246	\$0	\$0	\$0
Induced Labor Income Impact - NYC	\$711,416,256	\$434,762,719	-\$8,826,073	\$425,936,646	\$3,571,546		\$711,416,256	\$434,762,719	-\$8,826,073	\$425,936,646	\$3,571,546		\$711,416,256	\$434,762,719	\$0	\$434,762,719	\$0	\$434,762,719	\$0	\$0	\$0
Total Labor Income Impact - NYC	\$4,848,473,839	\$2,963,013,515	-\$60,151,882	\$2,902,861,633	\$24,172,731		\$4,848,473,839	\$2,963,013,515	-\$60,151,882	\$2,902,861,633	\$24,172,731		\$4,848,473,839	\$2,963,013,515	\$0	\$2,963,013,515	\$0	\$2,963,013,515	\$0	\$0	\$0
Direct Labor Income Impact - Manhattan only	\$3,390,377,690	\$2,071,943,712	-\$42,063,079	\$2,029,880,633	\$19,114,633		\$3,390,377,690	\$2,071,943,712	-\$42,063,079	\$2,029,880,633	\$19,114,633		\$3,390,377,690	\$2,071,943,712	\$0	\$2,071,943,712	\$0	\$2,071,943,712	\$0	\$0	\$0
Indirect Labor Income Impact - Manhattan only	\$739,073,360	\$451,658,618	-\$9,168,370	\$442,490,248	\$1,846,156		\$739,073,360	\$451,658,618	-\$9,168,370	\$442,490,248	\$1,846,156		\$739,073,360	\$451,658,618	\$0	\$451,658,618	\$0	\$451,658,618	\$0	\$0	\$0
Induced Labor Income Impact - Manhattan only	\$260,548,182	\$159,226,846	-\$3,232,436	\$155,994,409	\$1,412,273		\$260,548,182	\$159,226,846	-\$3,232,436	\$155,994,409	\$1,412,273		\$260,548,182	\$159,226,846	\$0	\$159,226,846	\$0	\$159,226,846	\$0	\$0	\$0
Total Labor Income Impact - Manhattan only	\$4,389,999,231	\$2,682,829,175	-\$54,463,885	\$2,628,365,290	\$22,373,062		\$4,389,999,231	\$2,682,829,175	-\$54,463,885	\$2,628,365,290	\$22,373,062		\$4,389,999,231	\$2,682,829,175	\$0	\$2,682,829,175	\$0	\$2,682,829,175	\$0	\$0	\$0
Direct	\$3,390,377,690	\$2,071,943,712	-\$42,063,079	\$2,029,880,633	\$19,114,633		\$3,390,377,690	\$2,071,943,712	-\$42,063,079	\$2,029,880,633	\$19,114,633		\$3,390,377,690	\$2,071,943,712	\$0	\$2,071,943,712	\$0	\$2,071,943,712	\$0	\$0	\$0
Indirect	\$739,073,360	\$451,658,618	-\$9,168,370	\$442,490,248	\$1,846,156		\$739,073,360	\$451,658,618	-\$9,168,370	\$442,490,248	\$1,846,156		\$739,073,360	\$451,658,618	\$0	\$451,658,618	\$0	\$451,658,618	\$0	\$0	\$0
Induced	\$260,548,182	\$159,226,846	-\$3,232,436	\$155,994,409	\$1,412,273		\$260,548,182	\$159,226,846	-\$3,232,436	\$155,994,409	\$1,412,273		\$260,548,182	\$159,226,846	\$0	\$159,226,846	\$0	\$159,226,846	\$0	\$0	\$0
Total	\$4,389,999,231	\$2,682,829,175	-\$54,463,885	\$2,628,365,290	\$22,373,062		\$4,389,999,231	\$2,682,829,175	-\$54,463,885	\$2,628,365,290	\$22,373,062		\$4,389,999,231	\$2,682,829,175	\$0	\$2,682,829,175	\$0	\$2,682,829,175	\$0	\$0	\$0

TABLE D-3: SCENARIO ASSUMPTIONS AND LABOR INCOME IMPACT OUTCOMES

TABLE D-4: SCENARIO ASSUMPTIONS AND VALUE ADDED IMPACT OUTCOMES

Scenario A: No Policy Constraint		Scenario B: Temporary Restrictions Made Permanent		Scenario C: Fully Prohibited Conversion	
Baseline	New Hotel	Conv Loss	Net New Hotel	New Res	Total Future Impact
Rooms	90,919	55,563	(2,500)	2,500	0
Jobs	46,029	28,129	(1,266)	26,864	0
Total Payroll + Benefits	\$3,289,894,315	\$2,010,536,841	-\$90,462,233	\$1,920,074,608	\$38,164,000
Value Added - NYC	\$6,238,485,254	\$3,812,464,209	-\$171,561,459	\$3,640,902,750	\$98,437,576
Direct	\$1,131,816,151	\$691,669,526	-\$31,129,925	\$660,539,601	\$8,273,603
Indirect	\$1,211,440,133	\$740,338,730	-\$33,312,898	\$707,025,832	\$13,475,500
Total	\$8,581,741,538	\$5,244,472,465	-\$236,004,282	\$5,008,468,183	\$120,186,680
Value Added - Manhattan only	\$6,355,869,266	\$3,884,199,300	-\$174,790,032	\$3,709,409,268	\$125,822,382
Direct	\$1,100,778,253	\$672,701,806	-\$30,276,244	\$642,425,562	\$7,678,797
Indirect	\$433,047,288	\$264,644,926	-\$11,908,306	\$252,736,620	\$5,198,643
Total	\$7,889,694,807	\$4,821,546,032	-\$216,974,582	\$4,604,571,450	\$138,699,822
Total	\$12,632,966,079	\$12,632,966,079			
Value Added - NYC	\$6,238,485,254	\$3,812,464,209	-\$77,394,489	\$3,735,069,720	\$44,428,810
Direct	\$1,131,816,151	\$691,669,526	-\$14,040,432	\$677,629,094	\$3,734,941
Indirect	\$1,211,440,133	\$740,338,730	-\$15,029,540	\$725,309,190	\$6,080,704
Total	\$8,581,741,538	\$5,244,472,465	-\$106,464,461	\$5,138,008,004	\$54,244,455
Value Added - Manhattan only	\$6,355,869,266	\$3,884,199,300	-\$78,850,664	\$3,805,348,636	\$56,791,098
Direct	\$1,100,778,253	\$672,701,806	-\$13,655,400	\$659,046,406	\$3,466,429
Indirect	\$433,047,288	\$264,644,926	-\$5,372,510	\$259,272,416	\$2,345,956
Total	\$7,889,694,807	\$4,821,546,032	-\$97,878,574	\$4,723,667,458	\$62,603,482
Total	\$12,675,965,747	\$12,675,965,747			
Rooms	90,919	55,563	(1,128)	54,435	1,128
Jobs	46,029	28,129	(571)	27,558	316
Total Payroll + Benefits	\$3,289,894,315	\$2,010,536,841	-\$40,816,560	\$1,969,720,282	\$17,219,597
Value Added - NYC	\$6,238,485,254	\$3,812,464,209	-\$78,850,664	\$3,805,348,636	\$56,791,098
Direct	\$1,131,816,151	\$691,669,526	-\$14,040,432	\$677,629,094	\$3,734,941
Indirect	\$1,211,440,133	\$740,338,730	-\$15,029,540	\$725,309,190	\$6,080,704
Total	\$8,581,741,538	\$5,244,472,465	-\$106,464,461	\$5,138,008,004	\$54,244,455
Value Added - Manhattan only	\$6,355,869,266	\$3,884,199,300	-\$78,850,664	\$3,805,348,636	\$56,791,098
Direct	\$1,100,778,253	\$672,701,806	-\$13,655,400	\$659,046,406	\$3,466,429
Indirect	\$433,047,288	\$264,644,926	-\$5,372,510	\$259,272,416	\$2,345,956
Total	\$7,889,694,807	\$4,821,546,032	-\$97,878,574	\$4,723,667,458	\$62,603,482
Total	\$12,675,965,747	\$12,675,965,747			
Rooms	90,919	55,563	0	55,563	0
Jobs	46,029	28,129	0	28,129	0
Total Payroll + Benefits	\$3,289,894,315	\$2,010,536,841	\$2,010,536,841	\$2,010,536,841	\$0
Value Added - NYC	\$6,238,485,254	\$3,812,464,209	\$3,812,464,209	\$3,812,464,209	\$0
Direct	\$1,131,816,151	\$691,669,526	\$691,669,526	\$691,669,526	\$0
Indirect	\$1,211,440,133	\$740,338,730	\$740,338,730	\$740,338,730	\$0
Total	\$8,581,741,538	\$5,244,472,465	\$5,244,472,465	\$5,244,472,465	\$0
Value Added - Manhattan only	\$6,355,869,266	\$3,884,199,300	\$3,884,199,300	\$3,884,199,300	\$0
Direct	\$1,100,778,253	\$672,701,806	\$672,701,806	\$672,701,806	\$0
Indirect	\$433,047,288	\$264,644,926	\$264,644,926	\$264,644,926	\$0
Total	\$7,889,694,807	\$4,821,546,032	\$4,821,546,032	\$4,821,546,032	\$0
Total	\$12,711,240,839	\$12,711,240,839			