

THE CITY OF NEW YORK
RENT GUIDELINES BOARD

Hotel Order No. 3 - Rent Levels for Hotel Units
January 1, 1973 through December 31, 1973

Pursuant to the authority vested in it by the Rent Stabilization Law of 1969, as amended by Local Law No. 51 for the year 1969, the Rent Guidelines Board hereby establishes and adopts the following guidelines for rent levels covered by the Law:

Applicability

This Order shall apply to any hotel unit subject to the Rent Stabilization Law and occupied by a permanent hotel tenant. It shall be effective as of January 1, 1973 with respect to such tenants who do not have a lease. Where a lease is in effect, unless the parties have contracted to be bound by this Order as of January 1, 1973 or a subsequent date, this Order shall govern the rent increases upon expiration of such lease on or after December 31, 1972. Where a hotel unit having been voluntarily vacated by a tenant was vacant on such date or becomes vacant thereafter, it may be offered for rental at any price notwithstanding the provisions of this Order.

Guideline for Rent Increases

The level of fair rent increase over the lawful rent actually charged and paid on December 31, 1972 shall be 4 percent.

Additional Charges

It is expressly understood that any rents increased under the terms of this Order are intended to compensate in full for all services provided without extra charge on May 31, 1968, or at the commencement of the tenancy if subsequent thereto. No additional charges may be made to tenants for such services, however such charges may be called or identified.

Excluded Units

This increase shall not apply where 40% or more of the dwelling units in a hotel are vacant and unoccupied on December 31, 1972. In such case the owner will not be allowed the increase unless he can prove to the satisfaction of the Conciliation and Appeals Board that he has attempted in good faith to rent said units.

Decontrolled Units

Rent Guidelines Board Order No. 2a shall govern, insofar as applicable, rent increases in hotel dwelling units covered by the Law.

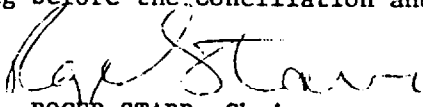
EXPLANATORY STATEMENT ON HOTEL ORDER NO. 3

Pursuant to the Rent Stabilization Law, it is the responsibility of the Rent Guidelines Board to establish the guidelines for increases in hotel rents as of January 1, 1971 and once annually each succeeding year. In Hotel Orders Nos. 1 and 2, the Board established the guideline for rent increases in hotel units for the years 1971 and 1972 respectively. Hotel Order No. 3 establishes the guideline increase in hotel units for the period January 1, 1973 through December 31, 1973. Like the previous Orders, it is based on material gathered from a number of sources including data prepared by certified public accountants for the Metropolitan Hotel Industry Stabilization Association, Inc. which was reviewed by statisticians of the City's Housing and Development Administration as to both its accuracy and its representative quality. The price index is comprised of various cost components including payroll and related costs, laundry and linen replacement, fuel and utilities, real estate taxes, insurance and other operating costs. The total weighted percentage increase of these various components for the year 1973 is projected to be 8.78 percent.

Having made its calculations as to future rates of increase the Board then had to transpose these findings into a percentage increase in rent which would be required to meet the increase in the prices of operating costs. The Board has consistently assumed that operating costs amount to about one-half of the total rental income. As the Board noted, these figures represent only raw amounts for rental increases to which the Board made several adjustments and corrections as it is required to do under the Law. The Board noted that the present availability of money for refinancing of mortgage commitments must be taken into account in fixing the annual rate of increase.

Accordingly, on the basis of the data examined by the Board, this Board concludes that an increase of 4 percent is a fair guideline for the current year.

Further, the Board determined that where the vacancy rate of a hotel was 40% or more on December 31, 1972, it could be presumed that the owner was in the process of vacating the premises. On this assumption it was felt that the prospective increases in the cost of hotel services would not apply. As stated in the Order, this presumption may be rebutted by the owner in a proceeding before the Conciliation and Appeals Board.


ROGER STARR, Chairman
Rent Guidelines Board