

THE CITY OF NEW YORK
RENT GUIDELINES BOARD

Hotel Order No. 6—Rent Levels for Hotel Units, January 1, 1976 Through
April 30, 1977

PURSUANT TO THE AUTHORITY VESTED IN IT BY THE RENT STABILIZATION Law of 1969 and Chapter 576 of the Laws of 1974, implemented by Resolution No. 276 of 1974 of the New York City Council, the Rent Guidelines Board hereby establishes and adopts the following guidelines for levels of fair rent increase over lawful rents charged and paid on December 31, 1975 in hotel dwelling units:

Applicability

This Order shall apply to any hotel unit subject to the Rent Stabilization Law or Chapter 576 of the Laws of 1974 and occupied by a non-transient hotel tenant. The level of fair rent increase granted herein shall be effective as of January 1, 1976 with respect to any such tenants who have no lease. Where a lease is in effect, unless the parties have contracted to be bound by this Order as of January 1, 1976, or a subsequent date, this Order shall govern the rent increases upon expiration of such lease on or after December 31, 1975.

As regards any unit for which an increase pursuant to this Order is collectible for a period commencing prior to the date upon which an owner demands such increase, the rental increase relating to such period shall be collectible from a tenant in monthly installments, each installment not to exceed the monthly increase authorized by this Order No. 6. Where the rental period is other than monthly, installments for rental periods prior to the date the increase was demanded shall be paid each rental period and each installment shall not exceed the difference in rent permitted by this Order for such rental

period. This provision shall not be deemed to create or diminish any substantive right of the owner to retroactive increases and only affects collectibility by installments of the increase authorized by this Order.

Guideline for Rent Increases

The level of fair rent increases over the lawful rent actually charged and paid on December 31, 1975 shall be 6 per cent.

Additional Charges

It is expressly understood that the rents increased under the terms of this Order are intended to compensate in full for all services provided without extra charge on the statutory date for the particular hotel dwelling unit, or at the commencement of the tenancy if subsequent thereto. No additional charges may be made to tenant for such services however such charges may be called or identified.

Excluded Units

This increase shall not apply where 40 per cent or more of the dwelling units in a hotel are vacant and unoccupied on December 31, 1975. 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.

Special Guidelines

Pursuant to Section YY51-5.0e of the Rent Stabilization Law and Chapter 576 of the Laws of 1974, special guidelines relating to adjustment of initial legal regulated rents are inapplicable to hotel dwelling units.

Dated: April 30, 1976.

Filed with the City Clerk: April 30, 1976.

JACOB B. UKELES, Chairman, Rent Guidelines Board.

EXPLANATORY STATEMENT AND FINDINGS OF THE RENT GUIDELINES BOARD IN RELATION TO INCREASE ALLOWANCES FOR HOTEL UNITS UNDER THE JURISDICTION OF THE RENT STABILIZATION LAW FOR JANUARY 1, 1976 THROUGH APRIL 30, 1977 (HOTEL ORDER NO. 6)

PURSUANT TO THE RENT STABILIZATION LAW AND THE EMERGENCY

Tenant Protection Act of 1974, it is the responsibility of the Rent Guidelines Board to establish guidelines for hotel rent increases. Hotel Order No. 6 applies to stabilized units occupied by non-transient tenants both with and without leases. Where a lease is in effect, the Order will become effective at the lease expiration date unless the tenant had agreed to be bound by the Board's Order. The Board has set the allowable increase at 6 per cent for a sixteen month period beginning January 1, 1976 and ending April 30, 1977. The Order does not limit rental levels for non-stabilized residential units, transient units, stabilized units which become vacant during the guideline period and commercial spaces.

As with previous Orders, the Board's decision is based upon material gathered from a number of sources including information submitted by tenants, data prepared by the accounting firm of Laventhol & Horwath for the Metropolitan Hotel Industry Stabilization Association, Inc., and the "BLS 1975 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City."

Because it is mandated by law to consider the health of the stabilized hotel industry and as a corollary the economic position of its tenants, the Rent Guidelines Board carefully considered the information submitted to it by tenants. The Board recognizes that rent increases will work a hardship on some proportion of the stabilized hotel tenancy, although this hardship is ameliorated to some extent by the Senior Citizen Rent Increase Exemption. The fairness of the rent increase granted, to both tenants and owners, can best be assured by careful analysis of sound data.

The Board believes that this year an improved sampling method and better cost data has resulted in the production of the most informative and relevant report it has received from the Stabilized Hotel Industry to date. The sample was carefully drawn to achieve year to year consistency of representative data. It consists therefore only of buildings whose fiscal calendars end in the last third of the year. The sample also has a good geographic mix with hotels from Brooklyn and all areas of Manhattan.

In order to obtain this improved information it was necessary to change the effective date of the rent increase. January 1 of each year has been the effective date of Hotel Stabilization Orders. Because most hotels end their fiscal year in the last third of the calendar year it has been rather difficult for the Board to obtain adequate data upon which to base its decisions and also meet the January 1 date. Beginning in 1977 the effective date of Hotel Orders will be May 1. This will allow for the collection and analysis of the necessary data and guarantee its timeliness. Order No. 6 will be effective for sixteen months as a transition to the new effective date.

In determining the appropriate increase allowance for 1976 and the first four months of 1977, the Rent Guidelines Board reviewed the 1975 cost increases for the various components of operating and maintenance expenses including payroll and related costs, laundry, linen replacement, fuel, utilities, real estate taxes, insurance, contract maintenance, administration and other costs. Table I indicates the amount of increase in each of the cost categories, the proportion of the overall operating and maintenance expense represented by each category and the total percentage increase experienced in 1975 for a representative sample of 31 residential hotels.

Table I
Summary of Annual Cost Increases for the Residential Hotel Industry of New York City—1975

Commodity	1975 Weighting	Reported Per Cent Increase	Weighted Per Cent Increase
Payroll	44.7	7.1	3.17
Real Estate Taxes	13.3	8.2	1.09
Other Operating Costs	12.6	4.5	.57
Electric	9.1	8.1	.74
Repairs and Maintenance	7.4	7.6	.56
Fuel Oil	5.8	7.5	.44
Water and Sewage	2.6	2.1	.05
Insurance	1.7	(4.3)	(.07)
Laundry	1.6	1.4	.02
Steam8	13.9	.11
Linen Replacement4	(4.2)	(.02)
			<u>6.66%</u>

The annual increase experienced by the sample was 6.66 per cent. The Board compared the cost increase of each component in the sample with price increase data from the Bureau of Labor Statistics and other sources such as Con Edison rate schedules

and labor union contracts. The Board found the cost increases reported in the sample to be in line with price increases derived from other sources.

The Hotel Stabilization Industry report also contained data comparing operating costs and total operating revenue. On the basis of this information the Rent Guidelines Board has determined that on average last year operating maintenance expenses accounted for 80 per cent of overall income.

Last year's cost increase of 6.66 per cent multiplied by the operating and maintenance cost ratio of 80 per cent results in an annual increase of 5.33 per cent. Since the Order will be effective for sixteen months the Board decided to grant an additional increase to cover the extra four-month period. Rather than subject both operators and tenants to the inconvenience of a two-step increase the Board decided to give a single increase beginning January 1, 1976 for the entire sixteen month period. The 6 per cent increase granted prorates the additional increase over the life of the Order.

Under the system to begin next year retroactive increases should not be necessary. In order to lessen the impact of retroactive increases during this transition period, the Board ordered that payments be made at the rate of one month's retroactive increase for each month owed rather than in a lump sum.

Dated: April 30, 1976.

Filed with the City Clerk: April 30, 1976.

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JACOB B. UKELES, Chairman, Rent Guidelines Board.