

RENT GUIDELINES BOARD

Hotel Order No. 8—Rent Levels for Hotel Units, May 1, 1978 Through April 30, 1979

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, as extended, the Rent Guidelines Board hereby establishes and adopts the following guidelines for levels of fair rent increase over lawful rents charged and paid on April 30, 1978 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 May 1, 1978 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 May 1, 1978, or a subsequent date, this Order shall govern the rent increases upon expiration of such lease on or after April 30, 1978.

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. 8. 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 April 30, 1978 shall be five (5) per cent.

The Board may convene to consider an adjustment for unusual fuel costs should the weighted average delivery price of heating fuel for New York City reported in the Journal of Commerce change by a factor of over 25 per cent or more of the reported price in such publication on the same date of the previous year. Any such adjustment may impact any tenants who have no lease and all existing leases effective during this guidelines period where the lease permits the rental reserved to be adjusted pursuant to subsequent determinations of the Board during the term of such lease.

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 a 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 April 30, 1978. 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 28, 1978.

Filed with the City Clerk: April 28, 1978.

m4

FRANCES LEVENSON, Chairman, Rent Guidelines Board.

THE CITY OF NEW YORK
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 May 1, 1978 Through April 30, 1979 (Hotel Order No. 8).

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. 8 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 5 per cent for a twelve month period beginning May 1, 1978 and ending April 30, 1979. The Order does not limit rental levels for commercial spaces or non-stabilized residential units, transient units, or vacancy leases to new tenants of stabilized units during the guideline period.

As with previous Orders, the Board's decision is based upon material gathered from a number of sources, including data prepared by the accounting firm of Laventhol & Horwath for the Metropolitan Hotel Industry Stabilization Association, Inc., the "BLS 1977 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City," and information from the Journal of Commerce and Consolidated Edison.

Because this Board 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 effect of the increase on hotel 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.

This year the Hotel Stabilization Association report again used the improved sampling and data collection method instituted last year. The sample was carefully drawn to achieve year to year consistency of representative data. It consists therefore only of hotels with substantial numbers of stabilized units whose fiscal calendars end in the last third of the year. The sample also has a good geographic distribution with hotels from Brooklyn and different areas of Manhattan.

In determining the appropriate increase allowance for 1978, the Rent Guidelines Board reviewed both the 1977 cost and price 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 per cent of the price increase in each of the expense categories, the proportion of the overall operating and maintenance expense represented by each category and the total percentage increase experienced in 1977 for a representative sample of 34 residential hotels. These price increases were compiled from a variety of sources including labor union contracts, the Bureau of Labor Statistics, the Journal of Commerce and Consolidated Edison as well as the Stabilized Hotel Association Report.

TABLE I
SUMMARY OF MODIFIED PRICE INCREASES FOR
THE RESIDENTIAL HOTEL INDUSTRY—1976-1977

Commodity	1977 Weight	1977 % Price Increase	Weighted % Increase
Payroll	42.4	7.2	3.05
Real Estate Taxes	13.9	.83	.12
Other Operating Costs	15.3	6.7 ¹	1.03
Electricity	8.5	8.3	.71
Repairs and Maintenance	6.8	11.7 ²	.80
Fuel	5.9	12.81	.76
Water and Sewage	2.0	0	0
Insurance	2.0	17.5	.35
Laundry	1.6	7.5 ³	.12
Steam	1.0	7.1	.07
Linen Replacement6	25.0	.15
Total	100.0		6.92

¹ See Table II for calculation method.

² Median reported price increase, Hotel Report, Exhibit 2.

³ Median reported price increase, Hotel Report, Exhibit 2.

Source: 1977 Weights and all Commodity Price Increases taken from Exhibit 1 and schedules A through K of the 1977 Report of the Metropolitan Hotel Industry Stabilization Association on the "Economic Condition of the Residential Real Estate Industry in the City of New York" except where otherwise indicated by footnote.

TABLE II
CALCULATION OF OTHER OPERATING EXPENSES PRICE INCREASE
USING 1977 BLS REPORT DATA

Commodity	1977 Other Operating Expense Weight*	1977 BLS Index Increase	% Price Increase
Management	18.3	7.3	1.3
Administrative Costs	54.9	7.3	4.0
Supplies	17.6	5.3	.9
Contract Services	9.2	5.3	.5
Total	100.0		6.7

* Source: 1978 Hotel Association Report, Exhibit 1.

The annual price increase experienced by the sample was 6.92 per cent. The Board compared the price increase of each component in the sample with the cost increase included in the Associa-

THE CITY OF NEW YORK
RENT GUIDELINES BOARD

(Continued from First Page)

tion report and found these increases to be in line with price increases derived from other sources. The median reported cost increase for the sample was 6.79 per cent, a figure very close to the price increase accepted by the Board.

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 the average, last year operating maintenance expenses accounted for between 78 and 80 per cent of overall income.

Last year's price increase of 6.92 per cent multiplied by operating and maintenance cost ratios of 78 and 80 per cent results in an annual increase of between 5.4 and 5.54 per cent.

Last year the Board decided to grant a special allowance for increases in the price of fuel during the first three months of 1977. Between the end of December, 1976 and the end of March, 1978 the median price of Number 6 fuel oil as reported by the Journal of Commerce increased approximately 14 per cent. Since these large price increases were actually in effect at the time the Board was deciding on the 1977 increase allowance, the Board voted to add an advance increase amounting to .65 per cent to the basic allowance.* The Board also indicated that this advance increase would be taken into consideration when it determined this year's allowable increase.

* This figure is computed by multiplying the 14 per cent price increase by the proportion of operating and maintenance expenses made up of fuel oil (5.8 per cent) by the O&M/Revenue ratio (.80).

The increase granted last year included the fuel oil price increases of the first three months of 1977. The 1977 price increase also includes these increases. The Board therefore voted to subtract .65 per cent from what would have otherwise been the allowable rental increase so as not to double count the change in fuel oil prices. Subtracting .65 from 5.4 and 5.54 results in increases of 4.75 to 4.89 per cent. In either case, rounding off to the nearest one-half of one per cent results in the increase of 5 per cent granted by the Board.

Because of unusually volatile circumstances affecting fuel oil prices, the Board reserved the right to convene prior to the meeting to set the 1979 allowable increase to consider a special adjustment for unusual fuel costs if the weighted average delivery price of heating fuel for New York City reported in the Journal of Commerce changes by a factor of 25 per cent or more of the reported price on the same date of the previous year during the period of May 1, 1978 through April 30, 1979.

Dated: May 25, 1978.

Filed with the City Clerk: May 25, 1978.

j9

FRANCES LEVENSON, Chairperson, Rent Guidelines Board.