

**THE CITY OF NEW YORK
RENT GUIDELINES BOARD**

Hotel Order No. 9—Rent Levels for Hotel Units, May 1, 1979 Through April 30, 1980

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, 1979 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, 1979 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, 1979, or a subsequent date, this Order shall govern the rent increases upon expiration of such lease on or after April 30, 1979.

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. 9. 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

Together with such further adjustments as may be authorized by the Board, as explained below, the level of fair rent increases over the lawful rent charged and paid on April 30, 1979, shall be six and one-half (6.5) 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 15 per cent or more of the reported price in such publication on April 23, 1979. 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, 1979. 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 27, 1979.

Filed with the City Clerk: April 27, 1979.

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FRANCES LEVENSON, Chairperson, 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, 1979 Through April 30, 1980 (Hotel Order No. 9).

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. 9, adopted on April 27, 1979, applies to stabilized units occupied by non-transient tenants. Where a lease is in effect, the Order will become effective at the lease expiration date unless the tenant has agreed to be bound by the Board's Order.

Hotel Order No. 9 provides for an allowable increase of 6 1/2 per cent over the permissible rent on April 30, 1979 and is effective for a twelve month period beginning May 1, 1979 and ending April 30, 1980. The Order does not limit rental levels for commercial spaces, 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. (METHISA), the "BLS 1978 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City," and information from the Journal of Commerce and Consolidated Edison.

The sample of 33 hotels upon which the Laventhol & Horwath report is based was drawn to achieve year to year consistency of representative data. It consists only of hotels with substantial numbers of stabilized units whose fiscal calendars end in the last third of the year. The sample contained hotels from Brooklyn and different areas of Manhattan.

The data contained in the Laventhol & Horwath report were analyzed by the staff of the Rent Guidelines Board using four different methods. Table I summarizes the analyses prepared by the staff at the request of the Chairperson. Both price and cost analyses were prepared. The difference between price and cost measures is due to the exclusion of changes in quantities purchased in a price measure and their inclusion in a cost measure.

For each analysis, the 1977 weights were derived from the actual pattern of dollar expenditures for 1977 reported by the hotel industry. Price and cost data were compared with corresponding figures from independent sources, i.e. Bureau of Labor Statistics, Consolidated Edison and the Journal of Commerce. The data supplied by the hotel industry was supported by those additional sources.

The rental adjustments for Alternatives B, C and D listed in Table I were calculated by multiplying the weighted price or cost increases in Tables II, III or IV respectively by the average 1977-1978 operating and maintenance cost to rent ratio (.79). Tables II, III and IV give a detailed breakdown of the components included in the different overall rental adjustments presented in Table I as Alternatives B, C and D. The Alternatives are:

- Alternative A (Table II) shows the per cent average price changes for 1977-1978 for each operating and maintenance cost category.
- Alternative B (Table III) shows the percentage average cost changes by applying cost changes to the 1977 operating and maintenance cost weights.
- Alternative C (Table IV) shows the 1977-1978 weighted median cost increase for each of the categories comprising total operating and maintenance costs.
- Alternative D is the 1977-1978 median cost increase for the hotels in the sample, that is the seventeenth hotel in the distribution of thirty-three, which is a measure of central tendency.
- Alternative E presents the request of the hotel stabilization association.

TABLE I
Various Alternative Rent Increases

Alternative	Percentage Rent Increase
A. Weighted Average Price Increase Method	5.4 ^a
B. Weighted Average Cost Increase Method	9.1 ^b
C. Weighted Median Cost Increase Method	6.8 ^c
D. Median Total Cost Increase Method	5.9 ^d
E. METHISTA Request	10.0 ^e

^a See Table II. The total average price change is multiplied by the average O&M/rent ratio (.79) to obtain this percentage rent increase.

^b See Table III. The total average weighted cost change is multiplied by the O&M/rent ratio (.79) to obtain this percentage rent increase.

^c See Table IV. The total weighted cost change is multiplied by the O&M/rent ratio (.79) to obtain this percentage rent increase.

^d Based upon the median total operating cost for the 33 hotels contained in the 1979 Laventhol & Horwath report.

^e See letter of March 29, 1979 to the Board.

TABLE II
Summary of Weighted Price Changes for the Residential Hotel Industry—1977-1978

Category	1977 Weight	1977-1978 % Change	Weighted % Increase
Payroll	42.4	9.1	3.86
Real Estate Taxes	13.9	0.0	0.00
Other Operating Costs	15.3	5.3	0.81
Electricity	8.5	11.8	1.00
Repairs and Maintenance	6.8	11.5	0.78
Fuel	5.9	1.0	0.06
Water and Sewage	2.0	0.0	0.00
Insurance	2.0	8.9	0.18
Laundry	1.6	7.0	0.11
Steam	1.0	-1.8	-0.02
Linen Replacement .....	.6	7.0	0.04
Total	100.0	.....	6.82

Source: Laventhol & Horwath, 1979 Report.

TABLE III
Summary of Weighted Cost Changes for
the Residential Hotel Industry—1977-1978

Category	1977 Weight	1977-1978 % Change	Weighted % Increase
Payroll	42.4	12.43	5.27
Real Estate Taxes	13.9	0.46	0.06
Other Operating Costs	15.3	22.05	3.37
Electricity	8.5	-1.72	-0.15
Repairs and Maintenance	6.8	34.08	2.32
Fuel	5.9	-0.66	-0.04
Water and Sewage	2.0	-2.55	-0.05
Insurance	2.0	15.42	0.31
Laundry	1.6	5.44	0.09
Steam	1.0	7.08	0.07
Linen Replacement .....	.6	53.87	0.32
Total	100.0		11.57

Source: Laventhol & Horwath, 1979 Report.

TABLE IV
Summary of Weighted Median Cost Changes
for the Residential Hotel Industry—1977-1978

Category	1977 Weight	1977-1978 % Change	Weighted % Increase
Payroll	42.4	10.1	4.28
Real Estate Taxes	13.9	0.0	0.00
Other Operating Costs	15.3	14.6	2.23
Electricity	8.5	-2.4	-0.20
Repairs and Maintenance	6.8	27.0	1.84
Fuel	5.9	-0.2	-0.01
Water and Sewage	2.0	-2.8	-0.06
Insurance	2.0	12.8	0.26
Laundry	1.6	0.5	0.01
Steam	1.0	13.9	0.14
Linen Replacement .....	.6	22.4	0.13
Total	100.0		8.62

Source: Laventhol & Horwath, 1979 Report.

The Board based its determination of an overall rental increase of 5½ per cent on a consideration of these analyses and its assessment of the general condition of the industry, the current and prospective economic situation of the permanent hotel sector, and the economic position of tenants. The Board also noted the reported increase in occupancy in this sector of the industry and that first rents charged to new tenants were generally not subject to guideline limitations.

The Board then reviewed the recent increases in the price of fuel and noted that the hotel industry predominantly uses No. 6 fuel oil. The Board then added a further rental increase of 1 per cent to compensate owners for the approximately 30.0 per cent increase in the price of fuel oil that occurred between the end of December 1978, the closing period of the Laventhol & Horwath report, and April 23, 1979. The Board therefore recognized the fuel price increases in establishing this Order.

This 1 per cent adjustment was calculated by multiplying the 29.6 per cent price increase in the average price reported in the Journal of Commerce for the December 1978 to April 1979 period for No. 6 fuel oil by its 1978 operating weight (5.0 per cent) by the operating and maintenance cost to rent ratio (.79), and rounding off to the nearest one-half of one per cent.

Because of unusually volatile circumstances affecting fuel oil prices, the Board reserved the right to convene prior to the meetings to set the 1980-1981 allowable increase to consider a special adjustment for unusual fuel costs if the weighted average delivery price of heating fuel oil for New York City reported in the Journal of Commerce changes by a factor of 15 per cent or more of the reported price in such publication on April 23, 1979.

Dated: June 30, 1979.

Filed with the City Clerk: July 2, 1979.

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FRANCES LEVENSON, Chairperson.