

THE CITY OF NEW YORK
 RENT GUIDELINES BOARD

APR 28 PM 4 05

Hotel Order No. 10-Rent Levels for Hotel Units,
 May 1, 1980 Through April 30, 1981

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, 1980.

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, 1980 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, 1980, or a subsequent date, this Order shall govern the rent increases upon expiration of such lease on or after April 30, 1980.

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. 10. 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, 1980, shall be 9.5 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 a tenant for such services however such charges may be called or identified.

Excluded Units

This increase shall not apply where forty (40) per cent or more of the dwelling units in a hotel are vacant and unoccupied on April 30, 1980. 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, 1980

Filed with the City Clerk:
 April 28, 1980

MARVIN MARKUS, Chairman
 Rent Guidelines Board

THE CITY RECORD-5/14/80

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, 1980 Through April 30, 1981 (Hotel Order No. 10).

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. 10, adopted on April 25, 1980 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. 10 provides for an allowable increase of 9 1/2 per cent over the permissible rent on April 30, 1980 and is effective for a twelve month period beginning May 1, 1980 and ending April 30, 1981. The Order does not limit rental levels for commercial spaces, non-stabilized residential units, transient units or vacancy leases to new tenants of hotel stabilized units during the guideline period.

The Board conducted a public hearing, after full public notice, on April 22, 1980 to gather testimony from the public on the issue of rent increases for stabilized hotel units. The hearing was held in the evening to allow working people to testify; nine people spoke at the hearing. On April 11, 17 and 25, 1980 open meetings of the Board were held following public notice. On April 25, 1980 the guidelines set forth in Order No. 10 were adopted.

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 1979 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 Board also heard testimony from the City's Office of Crisis Intervention Services which prepared a report entitled "The Diminishing Resource--Lower Priced Hotels in New York City, 1979."

The sample of 34 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 consisted of hotels from different areas of Manhattan and from Brooklyn.

The data contained in the Laventhol & Horwath report were analyzed by the staff of the Rent Guidelines Board using several different methods. Table I summarizes the analyses prepared by the staff at the request of the Chairman. 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 the price measure and their inclusion in the cost measures.

For each analysis, the 1978 weights were derived from the actual pattern of dollar expenditures for 1978 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 possible rental adjustments for Alternatives A through F listed in Table I were calculated by multiplying the weighted price or cost increases by the 1978 operating and maintenance cost to rent ratio. Tables II through V give a detailed breakdown of the components included in the different overall rental adjustments presented in Table I as Alternatives A through D. The Alternatives are:

-A (Table II) shows the per cent average price changes for 1978-79 for each operating and maintenance cost category.

-B (Table III) shows the percentage average cost changes by applying 1978-79 cost changes to the 1978 operating and maintenance cost weights.

-C (Table IV) shows the 1978-79 weighted median cost increase for each of the categories comprising total operating and maintenance costs.

-D (Table V) shows the 1978-79 weighted mean cost increase for each of the categories comprising total operating and maintenance costs.

-E is the 1978-79 median cost increase for the hotels in the sample, that is the midpoint between the seventeenth and eighteenth hotel in the distribution of thirty-four, which is a measure of central tendency.

-F is the 1978-79 mean cost increase for the hotels in the sample.

TABLE I
VARIOUS ALTERNATIVE RENT INCREASES

Alternative	Percentage Rent Increase
A. Weighted Average Price Increase	9.2 (Table II)
B. Weighted Average Cost Increase	10.6 (Table III)
C. Weighted Median Cost Increase	9.4 (Table IV)
D. Weighted Mean Cost Increase	11.7 (Table V)
E. Median Total Cost Increase	8.5*
F. Mean Total Cost Increase	9.4**

*Based upon the median total operating cost for each of the 34 hotels in the 1980 Laventhol & Horwath report.

**Based upon the mean total operating cost for the 34 hotels.

TABLE II
SUMMARY OF WEIGHTED PRICE INCREASES FOR
THE RESIDENTIAL HOTEL INDUSTRY--1978-79

Category	1978 Weight	1978-79 % Increase	Weighted % Increase
Payroll	45.0	9.1	4.10
Real Estate Taxes	11.7	0.0	0
Other Operating Costs	15.0	8.9	1.34
Electricity	7.7	12.3	0.95
Repairs & Maintenance	8.5	23.1	1.96
Fuel Oil	5.0	52.6	2.63
Water & Sewerage	1.6	0.0	0
Insurance	2.3	15.5	0.36
Laundry	1.4	7.0	0.10
Steam	1.3	21.8	0.28
Linen Replacement	0.5	7.0	0.04
Total	100.0		11.76
Operating Ratio		X	.78
Per cent Rent Increase			9.2

Source: Laventhol and Horwath, 1980 Report

TABLE III
SUMMARY OF WEIGHTED COST INCREASES FOR
THE RESIDENTIAL HOTEL INDUSTRY--1978-79

<u>Category</u>	<u>1978 Weight</u>	<u>1978-79 % Increase*</u>	<u>Weighted % Increase</u>
Payroll	45.0	14.50	6.52
Real Estate Taxes	11.7	0.63	0.07
Other Operating Costs	15.0	12.73	1.91
Electricity	7.7	9.81	0.76
Repairs and Maintenance	8.5	24.06	2.04
Fuel Oil	5.0	29.19	1.46
Water and Sewerage	1.6	4.93	0.08
Insurance	2.3	14.83	0.34
Laundry	1.4	9.25	0.13
Steam	1.3	7.13	0.09
Linen Replacement	0.5	50.88	0.25
Total	100.0		13.65
Operating Ratio			X .78
Per cent Rent Increases			10.6

Source: Laventhol and Horwath, 1980 Report

* This represents the percentage increase in the aggregate expenditures for the sample.

TABLE IV
SUMMARY OF WEIGHTED MEDIAN COST INCREASES
FOR THE RESIDENTIAL HOTEL INDUSTRY--1978-79

<u>Category</u>	<u>1973 Weight</u>	<u>1978-79 % Increase</u>	<u>Weighted 1978-79 % Increase</u>
Payroll	45.0	12.0	5.40
Real Estate Taxes	11.7	0.0	0.00
Other Operating Costs	15.0	12.4	1.86
Electricity	7.7	10.0	0.77
Repairs and Maintenance	8.5	25.1	2.13
Fuel Oil	5.0	26.6	1.33
Water and Sewerage	1.6	0.0	0.00
Insurance	2.3	18.3	0.42
Laundry	1.4	6.7	0.09
Steam	1.3	7.6	0.10
Linen Replacement	0.5	0.8	Less than .01
Total	100.0		12.10
Operating Ratio			X .78
Per cent Rent Increase			9.4

Source: Laventhol and Horwath, 1980 Report

TABLE V
SUMMARY OF WEIGHTED MEAN COST INCREASES
FOR THE RESIDENTIAL HOTEL INDUSTRY--1978-79

<u>Category</u>	<u>1978 Weight</u>	<u>1978-79 % Increase</u>	<u>Weighted 1978-79 % Increase</u>
Payroll	45.0	12.0	5.40
Real Estate Taxes	11.7	-1.1	-.13
Other Operating Costs	15.0	16.0	2.40
Electricity	7.7	8.3	.64
Repairs and Maintenance	8.5	45.8	3.89
Fuel Oil	5.0	35.2	-1.76
Water and Sewerage	1.6	14.1	.23
Insurance	2.3	20.3	.47
Laundry	1.4	12.8	.18
Steam	1.3	-1.4	-.02
Linen Replacement	0.5	28.6	.14
Total	100.0		14.96
Operating Ratio			X .78
Per cent Rent Increase			<u>11.7</u>

Source: Laventhol and Horwath, 1980 Report

The Board based its determination of an overall rental increase of 9 1/2 per cent on a consideration of these analyses and its assessment of the general condition of the industry, the recent trend in fuel prices and the current and prospective economic situation of the permanent hotel sector. The Board 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. Included in the overall rental increase was a 1/2 per cent adjustment for qualitative factors, including mortgage interest rates and return on invested capital.

It has come to the Board's attention that there appears to be a discrepancy between the number of units actually registered with METHISA and the number of units eligible for membership. The Board urges its staff in conjunction with staff of the New York City Conciliation and Appeals Board and METHISA, and any other appropriate bodies, to determine the extent of the discrepancy and to recommend procedures to reduce it.

Dated: May 9, 1980

Filed with City Clerk:

May 9, 1980

/s/
MARVIN MARKUS, Chairman
New York City Rent Guidelines
Board