

THE CITY RECORD

TUESDAY, JULY 7, 1981

THE CITY OF NEW YORK RENT GUIDELINES BOARD

Hotel Order No. 11-Rent Levels for Hotel Units,
July 1, 1981 Through June 30, 1982

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 and extended by Chapter 203 of the Laws of 1977, 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, 1981.

Applicability

This Order shall apply to any hotel unit subject to the Rent Stabilization Law, as amended, 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 July 1, 1981 with respect to any such tenants who have no lease or rental agreement. Where a lease or rental agreement is in effect, unless the parties have contracted to be bound by an Order as of May 1, 1981, or a subsequent date, this Order shall govern the rent increase collectible on or after July 1, 1981 upon expiration of such lease or rental agreement on or after May 1, 1981. Where the parties to the lease or rental agreement have contracted to be bound by an Order as of May 1, 1981, or a subsequent date, this Order shall govern the rent increase to be collected as of July 1, 1981 or as of such subsequent date as is specified in the terms of the affected lease or rental agreement.

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. 11. 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, 1981, shall be ten (10) per cent. This increase shall not apply to any tenant who was not in occupancy on April 30, 1981.

Temporary Surcharge For Units Where Owners Have Postponed the Effective Date of RENT Adjustments During the Period May 1, 1981 Through June 30, 1981

A surcharge of 1.67 percent of the lawful rent actually charged and paid on April 30, 1981 shall be authorized in addition to the fair rent increase authorized by this Order, where an increase otherwise authorized or collectible during the period May 1, 1981 through May 31, 1981 was postponed pursuant to the Memorandum of Understanding entered into between the Rent Guidelines Board and the Metropolitan Hotel Industry Stabilization Association on January 22, 1981.

A surcharge of .83 percent of the lawful rent actually charged and paid on April 30, 1981 shall be authorized in addition to the fair rent increase authorized by this Order, where an increase otherwise authorized or collectible during the period June 1, 1981 through June 30, 1981 was postponed pursuant to the Memorandum of Understanding entered into between the Rent Guidelines Board and the Metropolitan Hotel Industry Stabilization Association on January 22, 1981.

Any temporary surcharge collected pursuant to this provision may remain in effect through June 30, 1982 or through the termination of the tenancy, whichever occurs first, and shall not merge with the base rent established pursuant to this Hotel Order No. 11 for the purpose of computing any rental adjustments under the terms of subsequent Orders of the Board.

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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 to 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

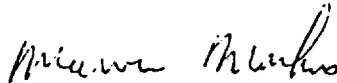
This increase shall not apply where forty (40) per cent or more of the dwelling units in a hotel are vacant and unoccupied on June 30, 1981. In such case the owner will not be allowed the increase unless he can prove to the satisfaction of the Conciliation and Appeals Board that he has attempted in good 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: June 30, 1981

Filed with the City Clerk: June 30, 1981



Marvin Markus, Chairman
Rent Guidelines Board

THE CITY RECORD

THURSDAY, AUGUST 6, 1981

THE CITY OF NEW YORK

RENT GUIDELINES BOARD

Explanatory Statement and Findings of the Rent Guidelines Board Concerning Increase Allowances for Hotel Units Under the Jurisdiction of the Rent Stabilization Law, Pursuant to Hotel Order No. 11, Effective July 1, 1981 Through and Including June 30, 1982.*

Pursuant to 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 and extended by Chapter 203 of the Laws of 1977, it is the responsibility of the Rent Guidelines Board to establish guidelines for hotel rent in-

creases. Hotel Order No. 11, adopted on June 25, 1981, applies to stabilized hotel units occupied by non-transient tenants.

Hotel Order No. 11 provides for an allowable increase of ten (10) per cent over the lawful rent actually charged and paid on April 30, 1981. Said increase allowance shall be effective for a twelve month period commencing on July 1, 1981 and ending on June 30, 1982. 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.

In addition to the ten (10) per cent allowable increase, Hotel Order No. 11 authorizes a temporary surcharge of 1.67 per cent of the lawful rent paid on April 30, 1981 where an increase otherwise authorized or collectible during the period May 1, 1981 through May 31, 1981 was postponed pursuant to the Memorandum of Understanding entered into between the Rent Guidelines Board and the Metropolitan Hotel Industry Stabilization Association (METHISA) on January 22, 1981.

When an increase was not authorized for the period of May 1, 1981 through May 31, 1981, but rather for the period of June 1, 1981 through June 30, 1981, the temporary surcharge authorized for collection is .83 per cent.

This Memorandum of Understanding, referred to above, permitted the Rent Guidelines Board to defer the hotel guideline from the prior effective date of May 1 to the new date of July 1. This was done for the following reasons: First, the two month postponement allowed METHISA more time to collect data from its membership to present to the Board. Second, the Board was able to consider the hotel adjustments in the context of the 1981 Bureau of Labor Statistics Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City which was prepared for a June 1, 1981 submission date.

In addition, METHISA agreed on behalf of its membership that any rent increases that were to be collected during the two month period would be postponed until the effective date of this Order. In return, the Board agreed that it would consider the uncompensated operating cost increases experienced by the owners that postponed the collection of rental increases during the months of May and June. This was accomplished by the granting of the temporary surcharges of 1.67 per cent and .83 per cent as mentioned above. In no event shall there be more than one temporary surcharge imposed on any one unit.

The two surcharges are intended to compensate only those owners who might otherwise have lawfully taken rental increases in May or June, 1981. They are temporary and effective only through June 30, 1982 or through the termination of the tenancy, whichever occurs first, and they shall not merge with the base rent established pursuant to Hotel Order No. 11.

*This Explanatory Statement explains the actions taken by the Board members on individual points and reflects the general views of those voting in the majority. It is not meant to summarize all of the viewpoints expressed.

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The following example is provided to illustrate the application of the temporary surcharge:

The lawful rental amount collected on April 30, 1981 was \$100.00. While the particular tenant paying said rental would have been subject to the guidelines increases on May 1, 1981, no such increase was collected because of the agreement mentioned above. Thus, the tenant on May 1, 1981 and on June 1, 1981 continued to pay the lawful rent of \$100.00.

As of July 1, 1981, the allowable increase is ten (10) per cent over the lawful rent actually charged and paid on April 30, 1981. The owner may now charge \$100.00 to the affected tenant. However, because of the deferred guideline, the landlord did not collect the lawful increase for two months, both May and June. To compensate the landlord for this, the owner may now add an additional 1.67 per cent over that same lawful rent charged and paid on April 30, 1981. The tenant will not be lawfully charged \$111.67.

For the tenant who was subject to a lawful rent increase as of June 1, 1981, the additional compensatory surcharge which may be collected shall be .83 per cent and not 1.67 per cent. This tenant will be lawfully charged \$110.83.

Because the surcharges are temporary, they will continue in effect only through June 30, 1982, or through the termination of the tenancy, whichever occurs first. The charges also shall not merge with the base rent. When the affected tenant either renews or becomes subject to the guideline increases on July 1, 1982, the base rent shall be \$110.00 for purposes of calculating the new lawful rental amount.

Background

The Board conducted two public hearings, after full public notice, on June 8, 1981 and June 10, 1981, to gather testimony from the public on the issue of rent increases for stabilized hotel units. At the hearing of June 8, 1981 one expert witness spoke on the subject of stabilized hotel rent increases. The hearing of June 10, 1981 was held in the evening to permit working people to speak.

Six persons testified at the hearing on the subject of stabilized hotel rent increases. Public meetings of the Board were held on June 2, 4, 15, 18 and 25, 1981 following public notice. At the meeting of June 4, and June 15, data concerning the stabilized hotel sector was presented and discussed. On June 25, 1981, the guidelines set forth in Hotel Order No. 11 were adopted.

As with previous Orders, the Board's decision is based upon material gathered from a number of sources, including the report on the Economic Condition of the Residential Hotel Industry in the City of New York: 1968-1981 prepared by the accounting firm of Laventhol & Horwath for the Metropolitan Hotel Industry Stabilization, Inc. (METHISA), the 1981 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City, prepared by the Bureau of Labor Statistics, and information as provided by the Public Service Commission and the New York State Department of Social Services. The Board also heard testimony from the City's Office of Crisis Intervention Services.

The sample survey of 52 hotels upon which the Laventhol & Horwath report is based was conducted to provide the Board with as much data as possible on the operating cost characteristics of hotel stabilized units. The sample consists only of hotels with substantial numbers of stabilized units whose fiscal calendars end in the last third of the year.

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Hotels in different areas of Manhattan and Brooklyn are represented in the sample.

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 Board. Both price and cost (expenditure) change analyses were prepared.

For each analysis, the operating cost weights were derived from the actual pattern of dollar expenditures for 1979 or 1980 for the hotels covered in the Laventhol & Horwath report. Price and expenditure change data were compared with corresponding figures from independent sources, including the Bureau of Labor Statistics and the Public Service Commission. The data supplied by the hotel industry was supported by those additional sources.

The possible rental adjustments for Alternatives A through E listed in Table I were calculated by multiplying the weighted price or expenditure increases by the 1979 or 1980 operating and maintenance cost to rent ratio for the sample of 52 hotels.

TABLE I

ALTERNATIVE RENT INCREASE CALCULATIONS BASED ON
VARIOUS MEASURES OF CHANGE IN OPERATING COSTS

Alternative	Percentage Rent Increase
A) Weighted Average Price Increase	1979 Wts. 9.3 (Table II) 1980 Wts. 9.9
B) Composite Index: Weighted Average Price Increase	10.4* (Table III)
C) Weighted Average Cost (expenditure) Increase	1979 Wts. 10.7 (Table IV) 1980 Wts. 11.7
D) Median Cost (Expenditure) Increase	11.9**
E) Mean Cost (Expenditure) Increase	12.1***

*Based upon data from METHISA, BLS, The Public Service Commission and the Consumer Price Index, April 1980-1981.

**Based upon the median total operating cost change for each of the 52 hotels in the 1981 Laventhol & Horwath report.

***Based upon the mean total operating cost change for the 52 hotels in the 1981 Laventhol & Horwath report.

Tables II through IV provide a detailed breakdown of the components included in the different overall rental adjustments presented in Table I as Alternatives A through E. The alternatives are:

-A (Table II) shows the weighted average change in operating costs 1979-1980 based on weighted percentage changes in price for each operation and maintenance cost category.

-B (Table III) shows the weighted average change in operating costs for 1980-1981 based on weighted percentage changes in price for each operating and maintenance cost category based upon a composite index constructed by using the Laventhol & Horwath data, BLS data, PSC information and the CPI.

-C (Table IV) shows the weighted average operating cost changes derived by applying 1979-1980 expenditure changes to the 1979 and 1980 operation and maintenance cost weights.

-D is the 1979-1980 median operating cost (expenditure) increase for hotels in the sample, that being the midpoint between the twenty-sixth and twenty-seventh hotel in the distribution of fifty two. It is a measure of central tendency.

-E is the 1979-1980 mean operating cost (expenditure) increase for the hotels in the sample.

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TABLE II

Summary of Weighted Price Increases for the Residential Hotel Industry: 1979-80

Category	1979 Weight	1980 Weight	1979-80 % Increase	Weighted 1979 Weight	Weighted 1980 Weight
Payroll	46.3	42.3	8.9	4.12	3.76
Real Estate Taxes	11.1	9.0	8.5	.94	.77
Fuel	5.9	7.6	41.7	2.46	3.17
Steam	1.0	.7	28.7	.29	.20
Electricity	8.1	7.2	13.4	1.09	.96
W&S	1.5	1.4			
Insurance	2.6	2.4	12.0	.31	.29
Other*	23.5	29.4	11.1	2.66	3.32
Total	100.0	100.0		11.87	12.47
Operating Ratio				8.782	8.794
Commensurate % rent increase				9.28	9.90

*Includes categories of Repairs and Maintenance, Laundry, Linen Replacement and other Operating Costs. Source: Laventhol and Horwath, 1981 Report.

TABLE III

COMPOSITE INDEX
WEIGHTED PRICE INCREASES
FOR HOTEL INDUSTRY: 1980-81 (April-April)

Category	1979 Wt.	1980 Wt.	Averaged Wt.	% Increase*	Weighted Percentage Increase		
					1979 Wt.	1980 Wt.	Averaged Wt.
Labor	46.3	42.3	44.3	8.9	4.12	3.76	3.94
Taxes	11.1	9.0	10.1	8.5	.94	.76	.86
Fuel	5.9	7.6	6.75	25.0	1.48	1.9	1.69
Steam	1.0	.7	.85	18.5	.18	.13	.16
Electricity	8.1	7.2	7.65	43.4	3.52	3.12	3.32
W&S	1.5	1.4	1.45	23.0	.34	.32	.33
Insurance	2.6	2.4	2.5	13.9	.36	.33	.35
Other	23.5	29.4	26.45	9.6	2.26	2.82	2.54
Laundry & Linen	1.8						
Repairs & Maintenance	7.4						
Admin.	13.9						
Total	100.0	100.0	100.0		13.26	13.14	13.19
Operating Ratio					8.782	8.794	8.788
Commensurate % Rent Increase					10.32	10.41	10.39

*Percent increase in price for each component based on sources following: Labor and Real Estate Tax components from Laventhol and Horwath, 1981 Report; Fuel, Water & Sewer and Insurance components from BLS, 1981 Price Index; Steam and Electricity components based on state leaves and applicable fuel adjustments and taken obtained from the BSC for Con Edison Service Classification No. 1 (Steam) and No. 9 (Electricity); "other" components based on April 1980 to April 1981 CPI.

TABLE IV

Summary of Weighted Cost Increases for the Residential Hotel Industry: 1979-80

Category	1979 Weight	1980 Weight	1979-80 % Increase*	Weighted 1979 Weight	Weighted 1980 Weight
Payroll	46.3	42.3	9.56	4.43	4.04
Real Estate Taxes	11.1	9.0	3.01	.33	.27
Fuel	5.9	7.6	41.27	2.43	3.14
Steam	1.0	.7	37.66	.38	.26
Electricity	8.1	7.2	17.28	1.40	1.24
W&S	1.5	1.4	2.1	.03	.03
Insurance	2.6	2.4	11.09	.29	.27
Other	23.5	29.4	18.72	4.40	5.50
Total	100.0	100.0		13.69	14.75
Operating ratio				8.782	8.794
Commensurate % rent increase				10.71	11.71

*This represents the percentage increase in the aggregate expenditures for the sample. Source: Laventhol and Horwath, 1981 Report.