

2022 Hotel Report

NYC Rent Guidelines Board

April 20, 2022

Introduction

- The NYC Rent Guidelines Board (RGB) is charged with setting annual rent adjustments for rent stabilized units in Class A and Class B hotels; rooming and lodging houses; and Single Room Occupancy (SRO) buildings (all referred to generally as “hotels”).
- The Board has historically used information from the RGB’s research reports, including the *Price Index of Operating Costs (PIOC)* and the *Housing Supply Report*, to help determine appropriate hotel guidelines. Periodic memos, beginning in 2007 and related to rent levels in rent stabilized hotel units, have also supplemented these reports.
- The inaugural *2022 Hotel Report* will, for the first time, consolidate research related to rent stabilized hotels into a single report.
- The report includes information on Certifications of No Harassment for SROs, illegal hotel violations, and the number of hotel units registered with NYS Homes and Community Renewal (HCR), as well as the average and median rents in these units. Data from the hotel portion of the PIOC is also included.

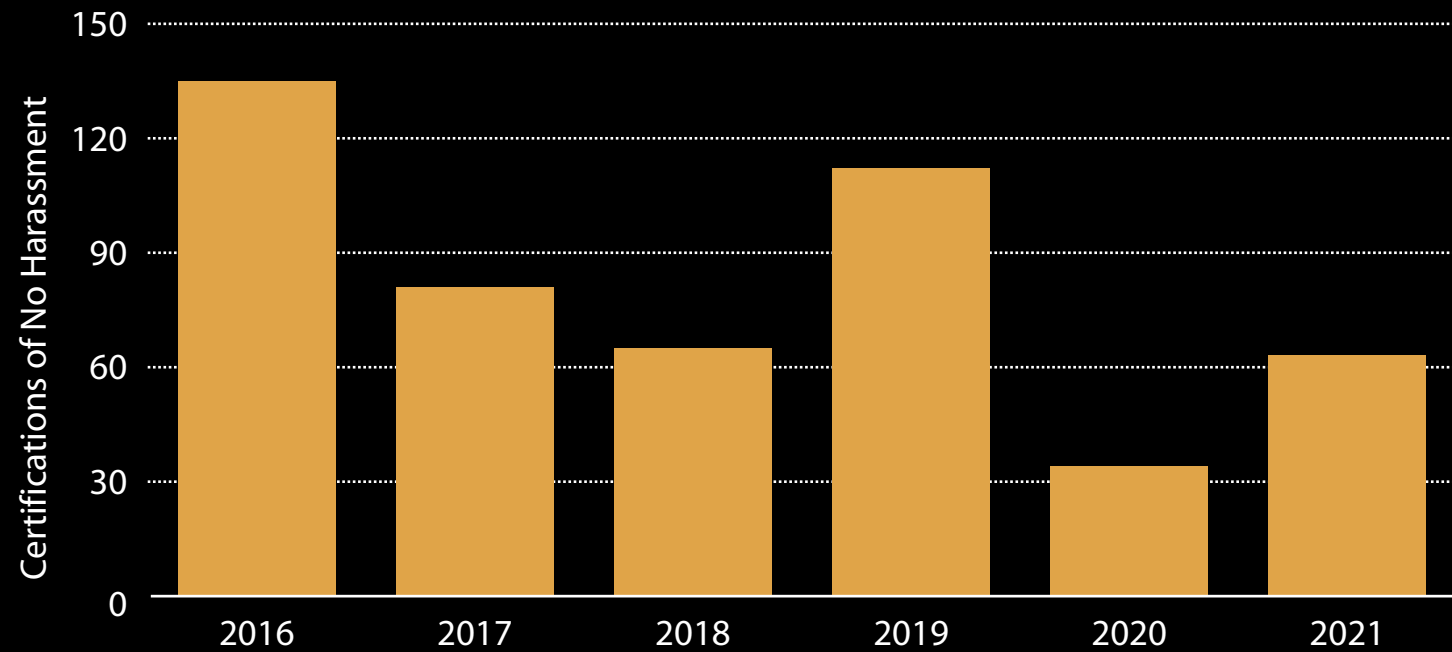
Summary

- There were 63 Certifications of No Harassment issued by the NYC Department of Housing Preservation and Development for SROs during 2021, an increase of 85.3% over the prior year.
- The Mayor's Office of Special Enforcement issued 2,760 violations for illegal hotels in 2021, an increase of 80.7% from the prior year.
- The 2022 PIOC found an average decrease in the cost of operating hotels of 1.3% between April of 2021 and March of 2022.
- As based on an analysis of 2020/2021 HCR registration data, the median legal rent for hotels and rooming houses is \$864 and the average is \$1,066. The median "rent received" for rooming houses and hotels is \$800 and the average is \$908.
- As based on a longitudinal analysis of 2020 and 2021 HCR registration data, the median legal rent fell 0.3% between 2020 and 2021, and the average legal rent rose 0.4%. The median "rent received" fell 0.2% and the average "rent received" rose 0.6%.

Certifications of No Harassment — SROs

- SRO owners may convert SRO housing to other uses after obtaining a “Certification of No Harassment” from the NYC Department of Housing Preservation and Development.
- After falling by 69.6% in 2020 (to 34), the number of CONHs granted by HPD rose in 2021, by 85.3% (to 63).

Certifications of No Harassment — SROs



Source: NYC Department of Housing Preservation and Development

Illegal Hotel Violations

- A series of laws, beginning May of 2011, strengthened the City's ability to crack down on housing being used illegally for transient occupancy and increased the fines for doing so.
- In 2021, 2,760 violations were issued by the Mayor's Office of Special Enforcement (OSE) for the illegal rental of units for short-term use (including apartments, hostels, and SROs), an increase of 80.7% from 2020.
- The majority of violations, 1,507 (54.6%) were for dwelling units in Manhattan, with 716 violations in Brooklyn (25.9% of the total); 472 violations in Queens (17.1% of the total); 59 violations in the Bronx (2.1% of the total); and 6 in Staten Island (0.2% of the total).
- Between May of 2011 and December of 2021, approximately 23,000 violations have been issued by this agency as part of its efforts to address illegal short-term rentals.

Illegal Hotel Violations

Illegal Hotel Violations Issued by the Mayor's Office of Special Enforcement, 2016-2021

In Each Year, Violations are Highest in Manhattan and Lowest in the Bronx and Staten Island

Year	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Citywide
2016	22	495	894	147	22	1,580
2017	41	803	1,273	397	43	2,557
2018	12	924	1,913	570	37	3,456
2019	16	755	2,276	494	24	3,565
2020	58	409	832	219	9	1,527
2021	59	716	1,507	472	6	2,760

Source: The Mayor's Office of Special Enforcement

2022 Hotel PIOC

- Per the *2022 Price Index of Operating Costs (PIOC)*, the Hotel Price Index for all hotels that contain rent stabilized units decreased 1.3% this year, a 3.2 percentage point decline from the 1.9% rise in 2021.
- There were increases in all of the Hotel PIOC components except Taxes, which fell 14.0% and account for 42% of the entire Hotel Index.
 - The Fuel component increased, rising 15.0% and accounts for 13% of the index.
 - Insurance Costs rose by the second greatest proportion, 10.9%, and account for 6% of the index.
 - The remaining four components all rose by lesser proportions, including Maintenance, which rose 7.6%; Utilities, 7.0%; Labor Costs, 3.6%; and Administrative Costs, 2.7%.
- Among the different categories of Hotels, the index for “Traditional” Hotels decreased 6.0%, while Rooming Houses increased by 4.6% and SROs increased by 3.6%.

Analysis of 2020/2021 HCR Registration Data – Introduction

- Since 2007, periodic memos produced by Rent Guidelines Board staff have analyzed registration data filed with New York State Homes and Community Renewal (HCR) by owners of buildings containing rent stabilized “hotel” units.
- Prior to 2017, staff relied on the registration information provided by the owner or managing agent to identify hotels and rooming houses.
- Since 2017, staff have analyzed the individual records of buildings registered with HCR as either hotels or rooming houses. Only those buildings likely to be hotels or rooming houses are included in the analysis.
- The sample frame for the 2020/2021 HCR analysis includes 107 “hotels” and 350 “rooming houses,” a total of 457 buildings.
 - In 2020/2021, 312 of the 457 buildings in the sample frame were registered with HCR.
 - Data from 2021 was utilized for vast majority of buildings (87%), while 94% of the data used to compute median and average rent levels was based on 2021 HCR registration filings.

Analysis of 2020/2021 HCR Registration Data – Registration Status

Summary Table of HCR Unit Registration Status (2020/2021)

Number and Proportion of Units in Hotels and Rooming Houses,
as Reported in Annual HCR Registration Filings

HCR-Registered Unit Status	Hotel	Rooming House	Total
Rent Stabilized	1,895 (35%)	3,142 (66%)	5,037 (49%)
Permanently Exempt	7 (0%)	8 (0%)	15 (0%)
Vacant	549 (10%)	837 (17%)	1,386 (14%)
Temporarily Exempt	2,943 (55%)	807 (17%)	3,750 (37%)
Hotel/SRO (Transient)	2,045 (69%)	536 (66%)	2,581 (69%)
Not Prime Residence	735 (25%)	153 (19%)	888 (24%)
Owner/Employee Occupied	23 (1%)	104 (13%)	127 (3%)
Not for Profit/Commercial/Prof/Other	140 (5%)	14 (12%)	154 (4%)
<i>Total Number of HCR Registered Units</i>	<i>5,394</i>	<i>4,794</i>	<i>10,188</i>

Source: 2020/2021 HCR Registration Files

Analysis of 2020/2021 HCR Registration Data – Building Use

Summary Table of HCR Building Use (2020/2021)

Analysis of Building Use, as Reported in Annual HCR Registration Filings

HCR-Registered Building Use	Hotel	Rooming House	Total
Buildings With 100% Exempt or Vacant Units	14 (17%)	34 (15%)	48 (15%)
Number of Units in such buildings	666 (12%)	476 (10%)	1,142 (11%)
Buildings With at Least 85% Units Rent Stabilized	35 (43%)	84 (36%)	119 (38%)
Number of Units in such buildings	1,160 (22%)	2,285 (48%)	3,445 (34%)
<i>Total Number of HCR Registered Buildings</i>	81	231	312
<i>Total Number of HCR Registered Units</i>	5,394	4,794	10,188

Source: 2020/2021 HCR Registration Files

Analysis of 2020/2021 HCR Registration Data – Types of HCR Rent Stabilized Rents

- Owners can register up to three different types of rents with HCR during the annual registration filing (as of April 1 of each year).
- All rent stabilized units have a legal rent. Under current law, this is the amount of rent that can be charged to new tenants upon a vacancy, or to current tenants who do not have a registered preferential rent.
- A preferential rent is defined as a rent that owners charge to tenants that is lower than the registered legal rent. Under current law, future rent increases are based on preferential rents until vacancy, at which time the owner may collect up to, but not more than, the legal rent.
- Actual rents are the rents that are paid out-of-pocket by subsidized tenants, with the balance being paid by government programs such as Section 8, Shelter Plus, or SCRIE.
- The RGB uses the HCR registration data to calculate a fourth type of rent — “rent received.” This is an estimate of the rent actually being received by the owner — generally speaking, the legal rent, unless a preferential rent has been recorded.

Analysis of 2020/2021 HCR Registration Data – Median Rents

Summary Table of HCR Median Rent Stabilized Rent Levels (2020/2021)

Analysis of Median Rents for Permanently Rent Stabilized Tenants, as Reported in Annual HCR Registration Filings

HCR-Registered Median Rents (Permanently Rent Stabilized Units)	Hotel		Rooming House		Total	
	<i>Median Rent</i>	<i># of Units with Reported Rent</i>	<i>Median Rent</i>	<i># of Units with Reported Rent</i>	<i>Median Rent</i>	<i># of Units with Reported Rent</i>
Legal Rent	\$745	1,854	\$1,161	2,998	\$864	4,852
Preferential Rent	\$569	196	\$1,192	910	\$1,031	1,106
Actual Rent	\$264	548	\$251	1,059	\$257	1,607
“Rent Received”	\$725	1,854	\$941	2,998	\$800	4,852

Source: 2020/2021 HCR Registration Files

**Analysis of
2020/2021
HCR
Registration
Data –
Average Rents**

Summary Table of HCR Average Rent Stabilized Rent Levels (2020/2021)

Analysis of Average Rents for Permanently Rent Stabilized Tenants, as Reported in Annual HCR Registration Filings

HCR-Registered Average Rents (Permanently Rent Stabilized Units)	Hotel		Rooming House		Total	
	<i>Median Rent</i>	<i># of Units with Reported Rent</i>	<i>Median Rent</i>	<i># of Units with Reported Rent</i>	<i>Median Rent</i>	<i># of Units with Reported Rent</i>
Legal Rent	\$1,033	1,854	\$1,086	2,998	\$1,066	4,852
Preferential Rent	\$752	196	\$1,060	910	\$1,006	1,106
Actual Rent	\$420	548	\$494	1,059	\$469	1,607
“Rent Received”	\$790	1,854	\$981	2,998	\$908	4,852

Source: 2020/2021 HCR Registration Files

***Analysis of
2020/2021
HCR
Registration
Data –
Longitudinal
Rent Analysis***

- HCR registration data from 2020 and 2021 can also be analyzed longitudinally, comparing rent levels in the same set of units in each of the two years.
- Of the 271 hotels and rooming houses identified in the 2021 data, 255 were also registered in 2020.
- However, not every building contains units with registered rents.
- Therefore, the longitudinal sample includes 55 hotels (containing 1,645 rent stabilized units) and 156 rooming houses (containing 2,675 rent stabilized units).

**Analysis of
2020/2021
HCR
Registration
Data –
Longitudinal
Rent Analysis**

**Summary Table of HCR Median and Average
Longitudinal Rent Change (2020-2021)**

*Longitudinal Analysis of Median and Average Rent Change (2020-2021) for
Permanently Rent Stabilized Tenants, as Reported in Annual HCR Registration Filings*

Change in Rent, Longitudinal Sample (Permanently Rent Stabilized Units)	Hotel			Rooming House			Total		
	% <i>Change Median Rent</i>	% <i>Change Average Rent</i>	# of <i>Units</i>	% <i>Change Median Rent</i>	% <i>Change Average Rent</i>	# of <i>Units</i>	% <i>Change Median Rent</i>	% <i>Change Average Rent</i>	# of <i>Units</i>
Legal Rent	0.0%	1.2%	1,645	1.5%	0.1%	2,675	-0.3%	0.4%	4,320
Preferential Rent	-12.1%	3.2%	123	0.0%	-0.8%	831	0.0%	-0.4%	954
Actual Rent	1.4%	1.5%	447	1.2%	6.8%	938	1.2%	5.2%	1,385
"Rent Received"	0.0%	2.2%	1,645	-2.0%	-0.3%	2,675	-0.2%	0.6%	4,320

Source: 2020/2021 HCR Registration Files

Analysis of 2020/2021 HCR Registration Data – Longitudinal Rent Analysis

- Some owners increased legal rents, even though rent increases for hotels and rooming houses were not granted by the RGB during this time frame.
- In total, 79% of units in the longitudinal sample had no rent increase, while 4% of units had a rent decrease and 17% had a rent increase.
- Among the 727 units registering a rent increase, the majority increased rent by either 1.0%, 1.5%, or 2.5%.
 - These increases coincide with one- and two-year lease increases granted to rent stabilized *apartments* under either Order #51 or Order #52. Each of these Orders overlap with the timeframes in the HCR registration data, which records rents at the static point of April 1 in each year.
- It is not possible to determine if the increases were taken illegally, or if the unit is registered incorrectly.

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