Exploiting a Depression-era loophole, more landlords are booting renters for short-term hotel guests

Jibert Wilking is a 44-year-old man who sometimes runs around Greenwich Village in boxers Briefs worn over blue tights and a cape made from an American flag. He leads the hastily formed Crazy Building, based in his own short web series called “Super Cape,” the superhero who fights the evils of American policy and greed while preserving himself in a hipster scarf. Incipient life, Wilking is fighting an equally slippery foe: his landlord, a guy named Ladrey, who wants to kick Super Cape out of his ass.

Wilking lives in the kind of New York City apartment building more common in the past, where people not only know their neighbors but leave their doors open, baby-sit each other’s children, and even cook for one another. The Greenwich Village building, One Buck Street, has long been a haven for artists of all eccentricities, and has become the cozy home for Wilking and his ten-year-old son, Felix. Residents host an annual holiday potluck in the large lobby, throw dinner parties and summer cookouts in the narrow courtyard, and hang paintings and snapshots throughout the basement and forming the laundry room into a make-shift art gallery. “It’s a magical place,” Wilking says.

But that magic is quickly draining from the place. Wilking and others say, thanks in part to the Landlord, the landlord who is terminating Wilking’s lease, as well as that of Wilking’s neighbors. Both are already the object of various tenant complaints about his treatment of particular renters and his low rates making necessary building repairs. But both have the same move—the rent that has prompted rumors of angry letters and secret meetings—his ability to change the very composition of the building. He has been systematically retaining tenants’ leases and converting the newly vacant apartments into extended-stay hotel rooms, replacing cherished neighbors with oblivious short-timers.

One Buck Street is among 200 residential buildings in New York City gradually being converted into hotels, illegally, on the city’s dime. retention. In hotels, Bhalia has joined the ranks of landlords in the Upper West Side, midtown, and Soho who are exploiting a Depression-era loophole that allows “short-term rentals” of 30 days or more. Housing advocates say the scheme is a new trend among strategy-curbed landlords looking to increase profits. Studios that may have rented for $3,500 a month to long-term tenants are now bringing $3,500 a month at bargain-priced “corporate housing” or short-term rentals for out-of-towners. As Bhalia pries off tenants one by one, he advertises his newly vacant apartments online as “fully furnished luxury” for “your corporate or personal needs.”

Local politicians say the strategy is illegal, but few penalties for the resident-to-tenant conversions have done little to stop the practice. As legislation to increase the fines and enforcement works its way through City Hall, hundreds of tenants are left to pinch the battle on their own.

Wilking is one of the first to challenge the plans to convert the building. He is expected to file by December 31, but the three notices waiting to be filled in his one-bedroom apartment. He says he is not going anywhere. "I’m not going to live here. I am committed to fighting this.”
Motel Sucks from p27

It's not the medieval architectural flourishes of One Bank Street or the wide, checkered hallways that inspire such loyalty, although they are lovely. It's not even the rent—most tenants being kicked out are paying market rate and could probably find similarly priced apartments nearby. It's something much less tangible that has inspired Wilking and a handful of others to organize against their landlord: that some residents can rattle off each other's phone numbers from memory; that they count on one another to cat-sit and water plants; that younger residents check in on their elderly neighbors. It's a building with a romantic history that has been passed down through a community of people formed almost by accident, an urban family conveniently living under the same roof. And even that roof has a history—the first residents used to have cocktail parties there, lounging under umbrellas and enjoying the view.

The 76-unit building was constructed in 1928 on the site of novelist Willa Cather's home, a distinction that got it landmarked as part of the Greenwich Village Historic District. From the beginning, it was a quirky place that welcomed a creative community. It has been home to actors famous and not so famous, including television actress Talia Balsam, her husband John Slattery (The Station Agent, Desperate Housewives), Ben Shankman (Angels in America), and, briefly, Amanda Peet. Today, a group of set designers, painters, photographers, and make-up artists reside there and share everything from art supplies and techniques to career advice. They reminisce about the building's past, pointing out the scars that tell the story of its long life.

In one sixth-floor apartment, a plastered wall in the foyer hints at its poetic history. When a previous tenant and his next-door neighbor began a love affair decades ago, the two built a door between their apartments. After the relationship soured, the jilted lover plastered over his side, leaving the other with a door that only opens to a gray wall. It's these things, residents say, that make it worth fighting for.

"I'm very sensitive to the energy of the place," Wilking says, noting that he looked months before finally deciding to move in three years ago. "The energy here was very, very up." As he explains his reasons for loving the neighborhood and the building—the beautiful flowering trees outside, the residents who always remember his son's name inside—a neighbor's nine-year-old cat with brown and black stripes squeezes through the front door, which is propped open with a shoe.

In fact, doors are often ajar throughout the six floors to allow the building's cats to wander in and out as they please. The felines slip through open apartment doors for a scratch under the chin or a saucer of milk. They scamper up and down the wide stairwells, wander the wide halls, and twist around fire escapes into open windows to visit neighbors. "He comes home smelling like different perfumes every night," jokes one cat owner, a 30-year resident. But that is all beginning to change. The

Albert Wilking lives with his son, Felix, in a one-bedroom apartment colorfully decorated with his own paintings.
doors at One Bank Street are starting to be clamped shut, bolted tight. Hallway conversation has shifted from family, work, and world events to the newest lease termination and the next tenants' meeting.

It began last fall with the renovations. The airy, marble-floored lobby had been empty for decades, acting only as a place for the regular holiday parties. But workers began changing the light fixtures, installing mirrors on the walls and hanging wall paper. Then the anonymous abstract art went up and the lounge chairs were brought in. It looked like a hotel lobby—and soon enough, it was one.

By summer, word that the landlord had terminated several residents' leases spread through the building, and a computer search yielded the reason: Some of the newly vacant units were being advertised on the website of Signature Properties (spnewyork.com) as furnished "suites." The units can be booked online from $3,950 a month for a studio up to $5,950 for a two-bedroom, which is about twice the rate that permanent market-rate residents currently pay. Despite the website's all-caps notification that "WE ARE NOT A HOTEL" and its insistence on a 30-day minimum stay, the units are charged hotel taxes.

"This is a common theme in many buildings around the city," says John Raskin, organizing director of Housing Conservation Coordinators. "It's surprisingly widespread, and it's growing." HCC has compiled a list of more than 200 buildings that residents say are being rented out in this manner. The vast majority are in Manhattan.

Raskin believes the sharp rise in complaints over the last year and a half is due to the popularity of online hotel booking and the lack of meaningful enforcement of city zoning and building codes that require hotels to operate only in commercial buildings. The current penalty for a landlord who operates a residential apartment building as a nightly hotel is a one-time fine of $800, regardless of how many actual apartments have been converted into hotel rooms.

Councilwoman Gale Brewer, who has seen several buildings in her district push out residents to make way for tourists, says the conversions are having a clear and immediate effect on the city's housing stock. "The illegal hotel units, as I call them, are replacing permanent stabilized housing," she says.

Because of overlapping zoning and housing-code issues, reaction to the illegal hotels has been slow. In 2005, Brewer joined several other city and state legislators, along with a group of housing advocates, to form an illegal-hotels working group. They have so far been stymied about how to stop the apartment-to-hotel conversions.

Some landlords claimed no responsibility for the tourists traipsing in and out of their buildings because they were actually providing yearly leases—but those leases are to travel companies like WooGo.com, which would then rent out the rooms nightly. "I'd never seen anything like this, and I've been doing this kind of thing for 30 years," Brewer says.

Other landlords say they are following the letter of the law by renting...
out units for a minimum of a month. In fact, the 30-day stay is a major point of contention for those accused of operating a hotel inappropriately. Because the law allows residential apartment buildings to operate month-to-month, landlords argue that advertising as corporate housing or even an extended-stay hotel is within the law, as long as guest stays are for at least 30 days at a time. However, many One Bank Street residents, along with residents at several other buildings advertised as "corporate apartments" and "extended-stay" hotels, insist that the newcomers have cycled in and out after only staying a week or two.

In 2005, the Mayor's Office of Special Enforcement began investigating individual buildings, sometimes confiscating doormen's reports to see if guests were actually planning on staying a month or longer. The Office of Special Enforcement has investigated 45 locations and issued hundreds of violations, but director Shari Hyman says that the $800 fine—issued when they are able to prove that the rentals are for less than 30 days—remains insufficient to actually stop the illegal conversions.

In March, Brewer introduced a bill that would raise the fine to a maximum of $20,000 for a third offense, and tack on additional per-day fines based on how many units had been illegally converted. The December 3 hearing for the bill drew dozens of residents from apartment buildings and a dozen others across the city, but the council has not yet voted on it. Housing advocates are still pushing for an additional bill that would close the 30-day clause, which currently allows landlords to legally have new tenants each month, in any deregulated unit. It's a loophole that has so far protected One Bank Street.

In the days since the conversion there started, the city has received at least two complaints that the building is operating as an illegal hotel. Investigators from the Mayor's Office of Special Enforcement have visited the building three times, but have not been able to prove that any short-term guests have stayed for fewer than 30 days.

"We're not doing anything nightly or weekly. It's mostly for corporate relocations, people who are taking care of relatives in the hospital for a month," says property manager Fred Marolda. (Bhalla didn't return calls from the Voice.) "We think we can maximize the rental potential in the units. I mean, what's wrong with that? I really don't see how it affects anybody." So far, it has mostly affected the new generation of market-rate tenants in the building, who are the first to be kicked out so their apartments can be flipped and marketed as high-priced "corporate apartments" or "extended-stay" hotels.

The new vacancy has been followed by renovations in those apartments, furniture being brought in, and out-of-towners arriving with luggage. Residents say six units have been fully converted into hotel rooms, several are being renovated currently, and at least 10 more long-term tenants have received their walking papers.

In September, Willingham got a short-term, fact-checking letter informing him that his lease was being terminated at the end of the year. He asked for an extension so his son could finish out the school year without interruption, but Marolda said no. After all, Marolda says, he and Bhalla are completely within their rights to kick out market-rate residents, since they are not protected by rent-stabilization laws. "At this point, we still don't think we're doing anything wrong," he says. But at least in Bhalla's case, that has never stopped him before.

In the summit of 1992, Lucky Bhalla bought One Bank Street. A few months later, he was named in news stories about a failed Florida savings and loan. Bhalla and a partner, Greek citizen John Arvadinis, had taken over a company called Housing Mortgage Corporation, which provided mortgages to families in Western Pennsylvania. According to court documents, the two men borrowed money from several banks and allegedly filed scores of mortgage agreements for condos in New York City. The Kentucky bank that had loaned $15 million to Housing Mortgage Corporation became suspicious and began cold-calling the mortgage recipients. In the bank's court complaint, the lender alleged that the recipients were all renters in New York City living in apartment buildings that were linked to Arvadinis and Bhalla. Not one of the purported mortgage recipients had ever heard of Housing Mortgage Corporation, much less signed mortgage agreements with the company.

The Kentucky bank's seven-year federal lawsuit resulted in the shutting of a Florida bank also owned by Arvadinis and Bhalla, and a settlement, reportedly of $3 million. A confirmation of properties and bank accounts wiped out Arvadinis, who had left the country. But Bhalla managed to hang onto One Bank Street.

"We never thought we had learned all there was to know about Lucky Bhalla's schemes," says Tom Johnson, who represented the Kentucky bank in the lawsuit against Housing Mortgage Corporation. "I don't know where he got his money—maybe through clever business dealings, possibly from his father or family." Residents say there have been bad feelings about Bhalla for years, but they did band together until the wave of lease terminations began in late summer. At a November 12 meeting, they gathered in a parish hall just a couple blocks from their building to strategize. One resident, a make-up artist and former dancer, poled the door for potential spies from the property manager's office, while another greased an impressive array of city and state representatives that had come to answer questions about illegal hotels. Representatives from the offices of City Council Speaker Christine Quinn, State Assemblywoman Deborah Glick, the Office of the Manhattan Borough President, the Mayor's Office of Special Enforcement, and the Greenwich Village Society for Historic Preservation were all there, but it was State Senator Tom Duane who stole the show.

"Look, your landlord is a creep. He's a bad guy—bad, bad, bad," he bellowed, rising from his seat. "But landlords have a lot of power." Duane theatrically took off his jacket and paced in front of the skeptical audience, his voice rising with each point he made. "When I am mayor or governor, I would be incredibly tough on landlords like you. But I'm not the mayor and I'm not the governor.... I wish I could wave a magic wand. I wish, because of who I am, I could make this creepy landlord go away and leave you alone—but landlords have a lot of power!" He suggested that the residents form a tenants' association, hire a lawyer, start giving Bhalla hell, and hope for the best.
The meeting quickly became contentious when one resident asked why it fell on them as individuals to fight a landlord who was potentially breaking city and state housing regulations. The tenants had already gone to a lawyer the week before and were told that the retainer fee alone would be $17,000, a figure they balked at. (“That would be a lot of bake sales,” one resident quipped.) Like many of his neighbors, Wilking left feeling that the situation was hopeless, that he should start packing.

However, since that meeting, tenants believe they have found a way to buy some time: Since 1978, the building has taken part in the city’s J-51 tax-abatement program, which provides tax breaks to landlords as an incentive to renovate their buildings. The abatement had been repeatedly renewed, and city finance records show that Bhalla and the building’s previous landlords saved more than $318,000 in taxes over the years. By reading the fine print in the building’s decidedly unsexy financial records, residents realized that the J-51 program mandates landlords to provide rent-stabilization protections to all tenants while the building is getting the tax breaks. Those protections include the right for all tenants to renew their leases. According to their research, Bhalla had been illegally terminating leases.

“I was ready to move, but all the sudden I learn they’re not doing this legally,” Wilking says. “OK, wait a second ... They’re the ones who are changing the rules and making us move out. They have to be accountable and responsible for their actions.”

Armed with this new information, residents got help from their elected officials once more. Senator Duane sent a letter to Marolda asserting that the lease terminations were, in fact, against city code and requested a meeting to discuss it. Despite the weight of officialdom—the letter was co-signed by City Council Speaker Christine Quinn, State Assemblywoman Deborah Glick, Borough President Scott Stringer, and Congressman Jerrold Nadler—Marolda says he sees no point in responding. “We’re not doing anything wrong,” he says. “There’s no reason to respond unless a particular tenant challenges us.” And that’s exactly what is going to happen.

Earlier this month, Albert sent a letter back to Marolda challenging the lease termination. He expects it to wind up in Housing Court, where he hopes the judge will deem him worthy of rent-stabilization protections under the J-51 tax-abatement rules. It’s uncharted territory for any of the Bank Street residents, and potentially only a band-aid until the city passes real enforcement measures to stop hotel conversions. (The building has only three years left in the tax-abatement program, after which it is not obligated to renew market-rate leases.) “I’m the guinea pig,” Wilking says, a hint of nervous energy in his voice.

A jazzy version of “A Very Merry Christmas” played on a stereo in the vast lobby of One Bank, but it was drowned out by toddlers chasing one another and the din of conversation. The lobby had been transformed for the holidays, as it is every year for the residents’ annual potluck. A Christmas tree was decorated with ornaments made by tenants, including a miniature replica of the building. An electric menorah glowed near several tables laden with wine, soda, pizza, and Italian desserts. But the usually jolly tone was muted, Wilking noted, because this could be the last celebration here.

There may not be enough of the old guard left next year to host the potluck.

“It’s a little nostalgic,” said one resident whose lease was terminated this fall. She is moving out early next year, but has promised to come back and visit her former neighbors. “This party is one of the best things about living in this building. It’s a family,” she says.

But it’s a divided one. Wilking, a regular organizer of the holiday party, is among the few willing to fight. Others have little hope, and see the inevitable transformation of the building as part of the unstoppable force of redevelopment in Greenwich Village and the city at large.

It is true that One Bank Street has always been a microcosm of the area around it. When the AIDS epidemic swept through the Village, it also left many apartments vacant here. When a new creative class of urban parents started moving into the neighborhood in the 1990s, children showed up at the annual get-togethers at One Bank. And now, as the Village has lost some of its old charm to corporate chains like Starbucks and Equinox, buildings like this one are squeezing the artists out to make way for the booming tourism industry and the corporate travelers in town to close big deals.

One such travel agent, a young financial consultant from Boston who has taken up residence next-door to Wilking, breezes through the party on his way out. He says his company is saving close to $4,000 by having him stay here rather than at a hotel or a traditional corporate apartment. “But,” he says apologetically, “if I lived here, I probably wouldn’t be thrilled about it either.”