

Room by Room:

Illegal Hotels and the Threat to New York's Tenants



**A report of
the Illegal Hotels
Working Group**

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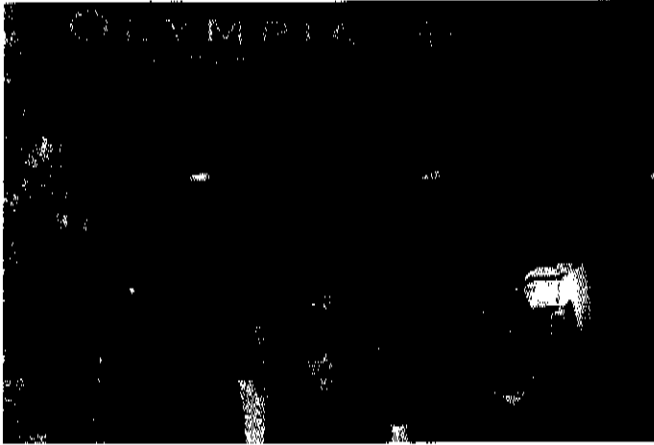
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Contents

1. Executive Summary
 - 1.1 The Study
 - 1.2 Key Findings
 - 1.3 Public Policy Responses
 - 1.4 Recommendations
 - 1.5 Conclusion
 2. Methods
 - 2.1 Hotel Survey and Definition of Illegal Hotel
 - 2.2 Other data sets
 - 2.3 City Records
 3. Survey of Illegal Hotel Activity in Manhattan
 - 3.1 Overview
 - 3.2 Geographic Distribution
 - 3.3 Effect on SRO units
 - 3.4 Condominiums and Co-ops
 - 3.5 Rent Regulated Apartments
 - 3.6 Tax Subsidies
 - 3.7 Hotel Operators
 4. Impacts of Illegal Hotels
 - 4.1 Impacts on Residents
 - 4.2 Impacts on New York City
 5. Summary of findings
 - A. Advertising materials
 - B. Survey Form
-



Tenants outside the Olympia House, on East 44th Street. Permanent residents in the building have been replaced with extended-stay hotel guests.

Executive Summary

In recent years, city agencies, elected officials and tenant advocates in Manhattan have observed a rapid increase in the number of landlords who rent out residential apartments as hotel rooms for tourists or as extended-stay hotels for business visitors. This is illegal if the building is zoned or classified as residential, yet the practice has become widespread in many neighborhoods. This report seeks both to document the scope of this problem and to describe the impact of the illegal hotel industry on New York residents, the city's housing stock, and the city's economy.

Drawing on data collected by the Illegal Hotels Working Group, this report describes the spread of more than 200 illegal hotel conversions throughout the borough of Manhattan. Reports from tenants and advocates indicate that hotels in residential buildings adversely affect the quality of life of permanent residents in the building, and exacerbate the already acute shortage of affordable housing in the city. Illegal hotels also negatively impact the city's economy as a whole, by damaging New York's reputation as a tourist destination, undermining the legitimate hotel industry, and diverting tax subsidies which are intended to promote residential development.

The following sections describe the study, give some key findings of the research, and discuss the responses of public policy to date.

1.1 The Study

The data in this study were collected throughout 2007 and early 2008 by the members of the Illegal Hotels Working Group. The objective was to identify residential buildings in Manhattan where rooms were being rented to non-permanent tenants. Two types of hotel were distinguished in the research:

- *Tourist hotels.* These are buildings in which the owners or managers rent rooms for as little as one night, catering to tourists and other short-term visitors to the city.
- *Extended stay hotels,* or “corporate housing.” These are operations that advertise rooms for periods of 30 days or more, though according to evidence collected in the process of compiling this report, the rooms are often leased for periods of less than 30 days. These operations often cater to the needs of companies that need to accommodate their employees for short periods of time.

Illegal hotels were found in many different types of residential buildings, including many Single Room Occupancy (or SRO) buildings. An SRO, although sometimes referred to as an “SRO hotel”, is a staple of New York City’s most affordable residential housing. All of the SROs in this study are buildings that are legally intended for residential use.

Illegal tourist hotels and extended-stay hotels in residential buildings were identified by a combination of methods, including: a) city citations for illegal hotel activity; b) advertisements in print publications and on the Internet, in cases where it was possible to connect a hotel company to a specific building address; c) reports from tenants who observed hotel activity in their buildings; d) site visits by Working Group members to identify signs of hotel use.

In addition to the quantitative descriptions of hotel operations, qualitative descriptions of the impact of the hotels was gathered from tenant advocates, elected officials’ offices, and residents of affected buildings.

Companies operating hotels in residential buildings often do so discreetly, and city agencies only recently began tracking specific complaints about illegal hotel activity. These limitations mean that this report provides a conservative estimate of the total number of residential buildings with hotel activity. However, we are still able to show that illegal hotel conversions are widespread and that administrative attempts to address the issue have failed to stem the growth of the industry in residential buildings.

Spotlight: Tenant harassment

At 1 Bank Street, a stately apartment building in the West Village, legislation to fix illegal hotels will come too late for some long-term tenants, who have been systematically evicted in the early months of 2008 to free up apartments for the extended-stay hotel operation in their building.

Though the rent-stabilized tenants in the building are legally entitled to lease renewals, the owner has been removing market-rate renters in order to lease more units to Signature Properties, which has been operating a hotel in the building for more than a year.

Tenant Molua Gallo reports that she and ten of her neighbors are moving out en masse, having given up the battle they undertook to keep their apartments. "My husband and I wouldn't be able to provide housing for ourselves with a 'clean' renter's record" if they sued their landlord for the right to stay in their home, she told neighborhood publication *Chelsea Now* in April 2008, "so we have decided to move out as demanded at the end of April."

State Senator Tom Duane, who has been assisting the tenants of 1 Bank Street, had to inform Gallo and many of her neighbors that they have no legal protection against eviction at the end of their annual lease. Gallo and her neighbors have lived happily at 1 Bank Street for years—but unfortunately for them, the owner of their building found a better deal with an extended-stay hotel provider.

In most cases, we were only able to discern that a hotel was operating in a building, and could not collect details about the number of units involved. However, for a subset of 47 buildings in the study, we were able to identify, through first-hand observation, the number of units being used as hotel rooms. Members of the Illegal Hotels Working collected this information using a standard form on which they noted evidence of illegal hotel use (see appendix).

1.2 Key Findings

1.2.1 Growth of the Illegal Hotel Industry

Illegal hotel operations are often run by third-party companies, which lease apartments, entire floors or whole buildings from landlords. In other cases, especially SRO buildings, landlords simply stop renting rooms to permanent

tenants and independently place ads on the internet, in order to rent solely to tourists. Some landlords may be motivated simply by the higher rents they can command from these companies, relative to permanent residential tenants. In other cases, buildings are used as hotels temporarily, while the landlord waits for approval of a co-op or condominium conversion application.

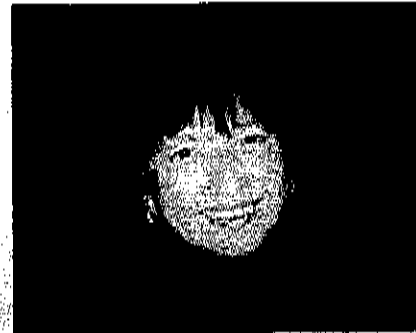
Tenant advocates and elected officials report that complaints from tenants about illegal hotels in their buildings were unusual before 2004, with the exception of many SRO buildings which began to rent to tourists in 2002 and 2003. Today, however, such complaints are increasingly common. In response, the Illegal Hotels Working Group was founded in 2005, and in 2006 the phenomenon began to receive media attention. Around the same time the city's Department of Information Technology and Telecommunications (DOITT) established a unique code to track illegal hotel complaints to the city's 311 information service. Also in 2006, Mayor Michael Bloomberg created the Office of Special Enforcement, an agency whose mission specifically included the enforcement of regulations against illegal hotel conversion.

This study found that the use of residential buildings as hotels remains widespread. The following are some characteristics of the hotels we examined:

- *Hotel type.* We identified operations in 224 buildings, of which 128 were classified as tourist hotels and 96 as extended stay hotels.
 - *Geography.* Illegal hotels and extended stay operations were distributed throughout Manhattan Community Districts 1-8, indicating that this is a borough-wide problem (see map). Affected neighborhoods include the neighborhoods of Battery Park City, Financial District, Tribeca, SoHo, West Village, East Village, Chelsea, Flatiron, Murray Hill, Turtle Bay, Midtown, Clinton/Hell's Kitchen, Upper East Side, and Upper West Side.
 - *Building type.* Of the hotels in the study, 18% were in buildings designated as Single Room Occupancy (SRO) residences. 7% were in co-op and condominium buildings. The remaining 75% of the buildings were rental apartment buildings. There were rent regulated apartments in 67% of the buildings studied, and the buildings contained a total of 10,963 rent-regulated units.
 - *Tax subsidies.* 18% of the buildings in the study received a property tax abatement, reduced tax assessment, or subsidized loan intended for permanent, residential housing.
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Tenant spotlight: Hortense Bermudez

Hortense Bermudez, a retired fashion designer, has lived in a rent-stabilized apartment at 455 W. 34th Street since 1969.



A few years ago, when a new owner purchased her building, she began to notice strange things happening.

"I'd see people in the elevator, and ask if they just moved in, and they'd laugh, because they were just staying for the weekend," she says. "They had been told it was a hotel!"

As the hotel operation in her building expanded, Ms. Bermudez's life became tougher. "My landlord took me to court over and over and over, saying I hadn't paid the rent. But I had, and I won every case. He just wanted my apartment for the hotel business."

After negative publicity about his building, Ms. Bermudez's landlord switched to extended-stay hotel rentals, contracting with a corporate housing provider to rent the rooms.

"We've lost about 2/3 of the tenants in our building," says Ms. Bermudez's neighbor, Monique Mirouze. "It's not even really an apartment building any more. I feel like I'm living in a hotel."

- *Hotel operators.* Most illegal hotels are operated by companies that specialize in this activity. The largest of these, Furnished Quarters, operates in 41 separate buildings included in the study. Other principal offending companies include: Signature Properties, Bridge Street Worldwide, Churchill Corporate Services, and Furnished Housing.

1.2.2 Impacts

The presence of hotels in residential buildings has a number of negative consequences, both for permanent building residents and for the city as a whole.

Impacts for residents

Harassment

The presence of an illegal hotel industry creates a financial incentive for landlords to harass or evict tenants, particularly rent-regulated tenants, in

order to convert their units to more lucrative hotel use. Elected officials and tenant advocates report a dramatic increase in such reports of harassment in the affected buildings. Aggressive harassment techniques are extremely effective in forcing tenants to leave their rent-stabilized units; a common corollary in many buildings studied here is the displacement of long-term tenants.

Fire Safety

Most residential buildings being occupied illegally as hotels do not meet the stricter standard for fire safety that applies to legal hotels in New York City. The New York City building code requires operators of units with transient occupants (such as hotels) to fulfill special requirements. By evading these regulations, illegal hotel operators create an unsafe situation for both guests and permanent residents.

Quality of Life

Transient guests are less likely than permanent residents to respect basic courtesies regarding issues such as noise and late night/early morning activity. In addition, hotel use often leads to a degradation of building-wide services, as maintenance needs of residents are neglected and common areas are converted into facilities for hotel guests.

Security

When a hotel is operating in a building, permanent residents cannot rely on traditional means of restricting access to the building, including buzzer access and, when applicable, doorman protection. In addition, hotel guests are not subject to the application requirements that would apply to permanent residents (such as references, credit checks, and proof of income), so neither residents nor hotel operators can screen their backgrounds. Residents also report a diminution of informal forms of building security, including networks of neighbors keeping vigilance and the ability to identify suspicious activity and uninvited visitors.

Impacts for New York City

Loss of housing

As noted above, illegal hotel conversions are widespread in rent-regulated buildings and SROs. In the 2005 Housing and Vacancy Survey, the net vacancy rate for Manhattan apartments was 3.79%, which is defined as a

Spotlight: Damage to New York's Reputation

Because illegal hotels are largely unregulated and cater often to one-time guests who book their stays sight-unseen over the internet, they lack many of the incentives that legitimate hotels have to care properly for their guests.

Some visitors who had negative experiences at illegal hotels have taken their grievances to the press and online. This creates bad publicity that reflects badly on New York City as a whole.

In 2006, the Frommers.com web site posted an article warning that hotels advertised online could be "illegal operations driving New Yorkers out of their homes" and might offer substandard service.

On sites like tripadvisor.com, message boards about New York's illegal hotels are filled with horror stories. One hotel in our study was described on that site as "rife with housing code violations, many pertaining to lack of smoke alarms and inadequate fire escape routes."

One visitor had such a bad experience with illegal hotel operator WooGo that he started a web site, woogosucks.com, to warn other travelers. The Associated Press covered that disgruntled traveler in a story that was picked up in many media outlets outside of New York, including USA Today, the Washington Post, and the International Herald Tribune.

"housing emergency" in city and state law. Given the low vacancy rate, the City and State have established the creation of residential housing, especially affordable housing, as a public policy priority. A significant trend of conversion of residential units into hotel rooms intended for non-residents would undermine that policy priority.

In the 47 buildings where we were able to gather detailed apartment-by-apartment information for this study, we found 3,269 units that had been lost to tourist hotel or extended stay use, of which 2,178 were in SROs and 1,091 were in other types of buildings. 1,742 units were in buildings that we classified as tourist hotels, while 1,527 units were in buildings we classified as extended-stay hotels. While it is difficult to extrapolate this data to the full sample of buildings, even a conservative estimate would suggest that between 5,000 and 10,000 units have been removed from the city's permanent housing market. The loss of these units puts upward pressure on rents citywide and makes it more difficult for New Yorkers to live in the city.

The loss of a large number of SRO units imposes a particularly heavy burden on the most vulnerable New Yorkers. SROs are a source of much-needed affordable housing for

thousands of low-income New Yorkers. However, their layout makes them extremely easy to convert to illegal hotels. Landlords often pack several unsuspecting guests into a room after forcing out permanent, rent-stabilized tenants. SROs represent a critical segment of New York's affordable housing, and illegal commercial hotel conversion is a grave threat to their existence.

Damage to the city's reputation

New York depends on its reputation as a quality destination in order to attract visitors. Because they frequently do not offer the same level of service as a legitimate hotel and operate without many of the consumer protections found in legal hotels, illegal hotels often anger customers who have bad experiences with them, which damages the reputation of the city as a tourist-friendly destination. As the illegal hotel problem has grown, tourist guides such as Frommer's have published articles warning about illegal hotels when visiting New York, and individuals have begun to spread negative word-of-mouth on websites like tripadvisor.com (see sidebar). New York's illegal hotel problem has been featured in local media nationwide.

Undermining legitimate hotels

Because they do not obey the same legal regulations, illegal hotels can undercut the prices of legitimate hotels, making it more difficult for legitimate hotels to attract guests. Illegal hotels can cut costs by evading regulations regarding sanitary conditions, fire safety, and building services. Moreover, as noted above, poor experiences with illegal hotels reflect poorly on the city as a whole as a tourist destination.

Labor

Legitimate hotels employ 22,000 unionized workers, while illegal hotels almost invariably employ lower-paid non-union labor. These workers face dangerous, unsanitary, and unregulated conditions. In addition, hotel use of residential buildings can lead to building staff being forced to perform tasks that are not part of their contracts.

Tax subsidies

Landlords in New York receive a variety of subsidies from the city, state and public authorities, which are intended to promote residential housing development. In the study, we found that landlords who lease to hotel operators are benefiting from subsidies that include tax abatements (12% of buildings), reductions in assessments (13% of buildings), and publicly-

financed tax-free bonds (5% of buildings). This represents a substantial loss of revenue to city government and other agencies.

1.3 Public Policy Responses

The City of New York has begun to take action against illegal hotel operators. However, legal and funding limitations have undermined the response, allowing the illegal hotel industry to grow in recent years.

1.3.1 Responses to date

- In 2006, the Office of Midtown Enforcement was restructured into the citywide Office of Special Enforcement, and charged with combating illegal hotels. Mayor Bloomberg appointed a new director and boosted the agency's funding, which has allowed for more active enforcement of existing regulations.
- The city has undertaken strategic investigations of buildings where illegal hotel activity has been prominent. In some of these cases violations have been issued, such as the Atrium Suites at 160 Bleecker Street and the Imperial Court at 307 W. 79th Street.
- The city has pursued legal action against three illegal hotels operating in SROs on the Upper West Side. In September 2007, the city won a court

Spotlight: Tax subsidies for illegal hotels

The extended-stay hotel industry is growing rapidly in one type of building where New Yorkers might not expect it: buildings that have been subsidized by taxpayers through the 421-a tax abatement program.

The program exempts new residential buildings from much of their property tax burden in order to encourage residential development in the five boroughs. In some areas of the city, the building owner must provide 20% low-rent housing in order to qualify for the program.

But in some subsidized buildings surveyed for this report, many of the apartments aren't used as residences at all: they have been leased to extended-stay hotel providers, which then rent them as hotel rooms for tourists and business visitors. In this study, we found illegal hotels in 20 buildings that received 421-a tax abatements.

These buildings had their assessments reduced by a total of 188 million dollars. New Yorkers have spent millions to subsidize those 20 buildings, and millions more to encourage other buildings around the city. They may be surprised to learn that a portion of their foregone tax revenue is paying for hotel guests and corporate travelers.

injunction that shut down these hotels, though the injunction was later stayed and the case continues to wind its way through the courts.

1.3.2 Limitations of the current response

While the initiatives of Mayor Bloomberg and city agencies have had a substantial impact, progress against illegal hotels is hampered by limitations in the law, insufficient resources for enforcement, and the lack of an established resolution procedure for affected buildings.

Law

- The existing fine structure does not provide a sufficient disincentive to illegal hotel activity. Fines are levied per building and per inspection, rather than per unit and per day. The current structure makes it economically rational for hotel operators to accept fines as a cost of doing business. In the case of 160 Bleecker Street, for example, the city proved illegal hotel activity but was only able to levy a fine of \$800.
- Currently, hotel use is governed by a complicated patchwork of state and local law-regulations that have not been updated since the proliferation of illegal hotels began. This confusion creates loopholes for landlords, and makes it difficult to establish the legal status of hotels in certain buildings.
- Existing law is subject to administrative interpretation. Currently, the Department of Buildings has interpreted the building code to mean that a 30-day stay in a unit can be considered “permanent” residency. As a result, it is possible for landlords to have as many as 12 different “permanent” residents in one year, without technically being in violation of the law.
- Extended-stay hotels are not currently governed by the city’s zoning resolution. As a result, they have been improperly classified as residential operations and have operated with impunity in residential buildings.
- The co-op and condo conversion law does not give the Attorney General sufficient power to punish landlords who run illegal hotels while their conversion applications are pending. Under current law, illegal use during a conversion application is not grounds for denying the application.

Enforcement

- The New York State Department of Housing and Community Renewal (DHCR) is charged with enforcing laws against harassment of tenants and denial of services. However, illegal hotel use is not currently considered to
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Spotlight: Rent-Stabilized SRO Owner Hank Freid

Hank Freid, voted the fifth worst landlord in the city by Housing Here and Now, is the owner of Broadway Studios at 230 West 101st St. This SRO building used to house rent-stabilized tenants paying

approximately \$200-\$500 per month for a small room and a shared bathroom. Out of 120 residential SRO units, there are now only about 12 units occupied by permanent tenants. All other units are rented to tourists, often international students, with four to eight per room and bunk beds for sleeping accommodations.

By overcrowding these rooms, the building's owner can make \$400 per night on a room.

Units on the first floor were entirely removed to make way for a lounge and internet café. Permanent tenant Eric Abrams has been a leader in the fight against Freid. He reports, "Other tenants have been illegally locked out of the building, offered repeated buyouts and bullied into leaving." Abrams has been fighting against his own eviction in housing court for over a year.

Despite the Mayor's Office of Special Enforcement's placing numerous violations on the building for illegal use and illegal conversion of SRO units, Hank Freid continues to rent rooms on a nightly basis to tourists.

constitute a case of harassment or service reduction.

- DHCR can only respond to complaints that come from tenants. This makes it more difficult to pursue actions for illegal use, and it makes it impossible in cases where there are no permanent residents remaining in a building that is being used as a hotel.

- A for-profit corporation can be the tenant of record in rent-stabilized units. This creates a loophole for operators of illegal hotels, who can legally hold the leases to the apartments they then misuse as hotel rooms.

- DHCR and the city's department of Housing Preservation and Development (HPD) have not developed a coordinated approach to document illegal use in units receiving tax subsidies, so it is impossible to know how much revenue is being lost due to misuse of residential buildings.

- DHCR only has far too few agents in all of New York State to adequately investigate the violations that are occurring.

Resolution

- Even in cases where illegal hotels are successfully shut down, there is currently no strategy in place for returning units to legal use, nor is there any government agency charged with this task.

1.4 Recommendations

It is clear that the use of residential units as hotels is substantial and widespread. Given the tight housing market in New York City, the problem is unlikely to subside without aggressive legislative and regulatory action. In order to maintain and build upon the progress which has been made in combating illegal hotels, there are a number of changes to law and administrative policy which could be undertaken, both at the city and the state level.

1.4.1 City

Changes in land use regulations

- The city zoning resolution should be amended to clarify what uses are permitted in residential zones; these zones must necessarily prohibit both transient and extended-stay hotel use. A recent proposal by the Administration includes precisely these restrictions; that component of the Administration's proposal should be considered quickly and adopted by other participants in the land use review process.
- The zoning code should establish permitted zones for extended-stay hotels, preferably in commercial districts, so that these businesses can operate legitimately in the city. This recommendation is also included in the recent Administration proposal.
- The Department of Buildings should change its interpretation of the building code, to clarify that a 30-day stay is not sufficient to qualify as permanent residency. Mandating a minimum of 90 days would do a better job of deterring the use of apartments for transient accommodation and would be consistent with the land use proposal submitted recently by the Administration.

Changes in the fine structure

- Fines on illegal hotel operators should be levied per unit, per day that an infraction continues. This is the only way to ensure that the fines provide a sufficient incentive for landlords to comply with the law. Councilmember Gale Brewer has introduced a bill in the city council (Intro 534) which would make this change.
 - All participants in the illegal hotel industry must be held legally accountable for the operation. That includes building owners and middleman operators.
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Intro 534 would also clarify that all participants are accountable for hotel operations.

Administrative changes

- The city should make a long-term commitment to funding enforcement of the laws regarding residential use. Specifically, the Mayor's Office of Special Enforcement should be given a long-term mandate and funding commitment; in its incarnation as the Mayor's Office of Midtown Enforcement, its funding fluctuated substantially, undermining its enforcement capacity.
- HPD should coordinate with DHCR to enforce use restrictions on properties receiving public subsidies intended for residential development.

1.4.2 State**Administrative changes**

- DHCR should officially classify illegal hotel use in rent-regulated units as an "illusory tenancy," allowing rents in misused units to be set back to their last legal regulated rent after the hotel use ends.
- DHCR should work with HPD to accurately track regulated rents in all units in buildings receiving tax abatements; this process is currently required by law but enforcement has fallen short.
- Additional funding should be provided to DHCR, in order to provide the staff and resources necessary to enforce the law.

Legislative changes

- For-profit corporations should be prohibited from being the tenant of record in rent-stabilized units.
- The Attorney General should be empowered to deny condo or co-op conversion applications from landlords who run illegal hotels during the application process.
- HPD inspectors should be empowered to conduct inspections for illusory tenancies and inaccurate rent registrations on behalf of DHCR.

1.5 Conclusion

This study has found that the conversion of residential apartments to hotels is a large-scale issue, and one that affects neighborhoods across New York City. Economic pressures have combined with legal ambiguity and lax enforcement

to create a situation in which many building owners choose to operate or allow illegal hotels rather than permanent tenancies in their buildings. This has many adverse consequences for permanent residents, and it takes a substantial number of apartments out of the housing market, at a time when affordable housing is already extremely scarce. In addition, illegal hotels create negative publicity for the tourism industry, and undercut legitimate hotel operators.

Illegal hotels are not, however, a permanent feature of the Manhattan landscape. Testimony from tenants and advocates indicates that they are a recent development, at least at their present scale. This suggests that with better enforcement, targeted policy changes, and better cooperation between state and city agencies, it is possible to create a legitimate space for hotel and corporate housing operations, while protecting quality of life and access to housing for all New Yorkers.



Assembly Members Dick Gottfried and Linda Rosenthal stand in the lobby of the Imperial Court, an illegal hotel on West 79th Street. Assembly Member Rosenthal demonstrates the keycard she received after she checked in undercover as a guest for the weekend.

Chapter 2: Methods

The original data in this report was compiled from reports submitted by members of the Illegal Hotels Working Group. This data was supplemented by information from city records, print and online advertising, other studies, and other publicly available data.

2.1 Hotel Survey and Definition of Illegal Hotel

The full list of 224 buildings was developed from reports supplied by Working Group members. Most reports originated from the offices of elected officials representing the area where the hotel was operating, or from community organizations that represent tenant interests. Contributing organizations and elected officials are listed as sponsors of the report.

In order to define an illegal hotel for the purposes of the study, we cross-referenced evidence of short-term stays and hotel use with each building's Certificate of Occupancy and permitted uses under the City's zoning code. In order to be considered an illegal hotel, a building must be in a residential zone or have a residential Certificate of Occupancy and advertise or offer short-term stays for tourists or business visitors.

Further information about the buildings in the data set was collected for a subset of buildings. The primary method of data collection for this portion of

Evidence of hotel activity	Times cited
1 Signage	7
2 Keycard Entry	3
3 Maid Service	16
4 Spoke to Tourist	21
5 Observed Tourist	22
6 Check-in desk	13
7 Spoke to building staff	9
8 Door markings	7
9 Common areas used for hotel	6
10 Mailboxes out of use	7
11 Internet advertising	8
12 DOB violations	2
13 Other	223

Table 2.1: Evidence of Illegal Hotel Activity

the study was a survey, reproduced in appendix B below. The form was filled out by anyone who wanted to report on illegal hotel activity in a building. Most of the respondents were building residents who had contacted Working Group members, but a few forms were filled out by non-tenant members of the group who made site visits to the building. The form asked for the number of units in the building, as well as the number being used as hotel rooms. In addition, the respondent was asked to check off boxes indicating the evidence of illegal hotel use that they had personally observed. The list of indications of hotel activity was developed in consultation with members of the Working Group. The options for the respondents to report included:

- Signs in the building indicating that a hotel was operating
- Installation of keycard entry systems for certain rooms only
- Maid service in certain rooms only
- Interactions with tourists in the building
- Tourists observed entering and leaving the building
- Check-in desk for guests in the building
- Building staff confirmed hotel use
- Door marking altered on certain rooms
- Common building areas used for hotel guests
- Mailboxes open or covered for some rooms

Details were ultimately collected for a total of 47 buildings. Of these, data for 39 buildings came from the survey form. For another 8 buildings evidence came from Internet or print advertisements for hotel rooms which included the address of the buildings and listed numbers of available rooms. Examples of such advertisements are included in appendix A. In addition, where the Department of Buildings had cited a building for illegal hotel operation, this was taken as evidence of an illegal hotel.

For each of the buildings in our detailed subset, at least one sign of hotel use was reported. The breakdown for each type of evidence is given in table 2.1.

The buildings in the detailed subset were collected on an ad-hoc basis by volunteers, and are concentrated in areas of the city where active members of the Working Group are based. For this reason, they cannot be considered a representative sample of the total group of buildings—we cannot be confident that the size and scope of the hotel operations are the same in these buildings as in the buildings we did not measure. In a later section, we will make some tentative generalizations about the overall data set; for the most part, however, the detailed data should not be considered to represent the entire group of hotels.

2.2 Other data sets

The only other data set used in the preparation of this report is the New York City Housing and Vacancy Survey. This survey is conducted by the U.S. Census for the city Department of Housing Preservation and Development. The survey documents general housing conditions in the city. Further information about the survey is available at:

<http://www.census.gov/hhes/www/housing/nychvs/nychvs.htm>
1

2.3 City Records

Information from our building survey was supplemented by publicly available records. Data on tax exemptions, assessment reductions, and tax-subsidized bonds was taken from the City of New York Department of Finance's ACRIS system. Online city property records were used to estimate numbers of rent-regulated units. These resources can be found at:

<http://www.nyc.gov/html/dof/html/jump/acris.shtml>
<http://nycserv.nyc.gov/nycproperty/nynav/jsp/loginpage.js>
P

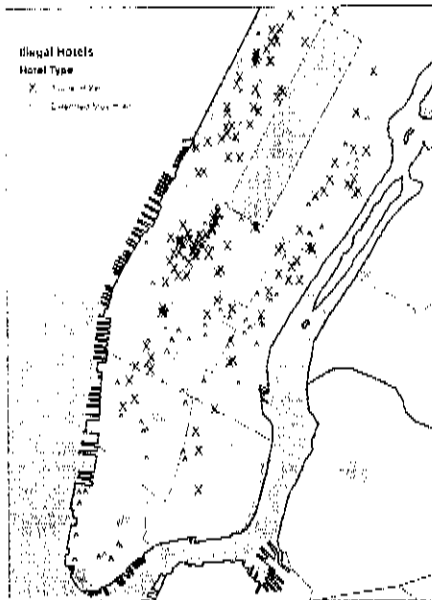


Figure 3.1: Illegal hotels in lower Manhattan

Chapter 3: Survey of Illegal Hotel Activity in Manhattan

3.1 Overview

Out of a total of 224 buildings, we distinguished two different types of buildings:

- *Tourist hotels.* These are companies which rent rooms for as little as one night, catering to tourists and other short-term visitors to the city.
- *Extended stay hotels.* Also sometimes called “corporate housing”. These are companies which advertise rooms for periods of 30 days or more, though we found that in many instances the actual stays were for shorter periods.

This distinction was made because under current Department of Buildings interpretations of the law, extended stay providers can claim to be operating legally. In buildings that are classified for residential use, landlords are required to rent to permanent residents, not transient guests. The law does not precisely define “permanent” for this purpose. But the city’s Department of Buildings has interpreted the law to mean that anyone who stays in an

Report on the Growth of Illegal Hotels

	1	2	3	4	5	6	7	8	10	11	12
Tourist Hotel	6	4	5	34	14	19	27	17	2	0	0
Extended Stay	5	7	1	18	8	15	23	15	2	1	1

Table 3.1: Distribution of hotels by community district

	1	2	3	4	5	6	7	8	9	10
Tourist Hotel	9	10	46	16	14	26	1	4	2	0
Extended Stay	7	5	28	10	17	20	0	2	6	1

Table 3.2: Distribution of hotels by city council district

	64	65	66	67	68	69	70	71	72	73	74	75
Tourist Hotel	5	13	11	22	0	9	1	1	0	10	9	47
Extended Stay	6	14	11	19	2	6	1	0	1	11	1	24

Table 3.3: Distribution of hotels by assembly district

	25	26	28	29	30	31
Tourist Hotel	11	46	2	46	9	14
Extended Stay	7	34	2	40	3	10

Table 3.4: Distribution of hotels by senate district

apartment for more than 30 days is a permanent resident. For this reason, many companies which provide corporate housing stipulate that leases must be for 30 days, in order to claim compliance with the law.

This report includes corporate housing businesses because they have many of the same negative impacts as short-term tourist hotels, even if they cater largely to guests with longer stays. We also found that in practice, some corporate housing providers actually allow stays of much less than 30 days, as suggested in previous media reports.¹

3.2 Geographic Distribution

Although there are sporadic reports of illegal hotels in other boroughs, the geographic scope of the study was limited to Manhattan. Hotels in other boroughs were excluded from the analysis. Most of the buildings in the data set are south of 96th Street. Figure 3.1 shows the geographic distribution of tourist hotels and extended stay hotels for these buildings.

Hotels are also present across political jurisdictions. Table 3.1 through 3.4

	Non-SRO	SRO
Tourist Hotel	101	24
Extended Stay	81	16

Table 3.5: Types of hotel by type of building

show the distribution of hotels across Community Districts, City Council districts, State Assembly districts, and State Senate districts.

3.3 Effect on SRO units and residential hotels

A Single Room Occupancy building, or SRO, is often referred to as an "SRO hotel." This report also tracks a small number of Class A "residential hotels," grouped with SRO buildings in attached tables and charts. Though these buildings sometimes contain the word "hotel" in their title, they actually serve residential tenants, and they are a staple of New York City's most affordable residential housing. All of the SROs cited in this study are only legally allowed to rent for residential use. Due to their affordability, Single Room Occupancy buildings provide housing for some of the poorest and most vulnerable members of society. Often an SRO is the only alternative to homelessness. However, SRO buildings are under pressure from gentrification, and illegal hotels in SROs have become a major problem.

Table 3.5 shows the distribution of SRO and non-SRO buildings, by type of illegal hotel. There are a total of 40 SRO buildings in the study; all of them are being used as tourist hotels.

The SRO buildings are mostly located on the Upper West Side of Manhattan. This is partly because SROs in general are concentrated in this area, and partly because Goddard-Riverside's West Side SRO Law Project, which was active in providing data for the report, works largely in this neighborhood.

3.4 Condominiums and Co-ops

Most of the buildings we identified contained rental apartments (in most cases there were still rental tenants, although in some cases all the units had been converted to hotel use). However, we also identified hotels operating in condominium or co-op buildings. If the certificate of occupancy specifies residential use, then hotel use is illegal in a condo or co-op, just as it is in a rental unit. The impacts associated with the use of condominium units are somewhat different—some impacts identified elsewhere, especially the impact on rents, are not as applicable. Many of the impacts are the same, however, with respect to safety and larger economic effects. And since only

16 condo and co-op units were included in the study, they do not significantly impact our broader conclusions.

3.5 Rent Regulated Apartments

New York’s rent regulations are intended to preserve affordable housing for the city’s residents. However, corporations, as legal persons, are allowed to be leaseholders for rent-regulated apartments. In order to get some estimate of the number of regulated units being threatened by illegal hotel conversions, we collected data on the number of rent-regulated units in each building we studied. This is not a precise measure of the number of regulated units being lost, for two reasons. First, not all regulated units in these buildings are being used as hotel rooms, and in many cases we were unable to determine exactly how many units had been converted to hotel use. Second, not all hotel rooms are necessarily regulated, even if other units in the building are—rent

	Buildings	Units	SCRIE/DRIE
Tourist Hotels	80	5098	9
Extended Stay	71	5865	14
All buildings	151	10963	23

Table 3.6: Rent Regulated units in buildings with illegal hotels

regulation occurs on a unit-by-unit basis, rather than covering entire buildings.

However, it is not possible to obtain more precise data. The following should therefore be taken as a description of the general context of buildings in which hotel conversions are occurring, rather than as a precise estimate of the number of rent regulated units being used by hotel operators.

The number of rent regulated units in each building was determined by examining the Statements of Account that are produced and made publicly available by New York City’s department of Finance. Owners of buildings with rent regulated apartments are required to pay a fee of \$10 per unit, and this shows up on the Statement of Account. Details about the number of buildings with rent regulated units, as well as the total number of regulated units, are given in table 3.6. In addition to the figures for rent regulation, an additional column shows the number of buildings with tenants eligible for two other programs, SCRIE (Senior Citizen Rent Increase Exemption) and DRIE (Disabled Rent Increase Exemption). These are programs which freeze rents for eligible seniors and disabled tenants. Landlords with eligible tenants receive compensation for the lost rent in the form of tax exemptions.

It should be noted that this is a somewhat imprecise measure of the number of regulated units, however. In 1993, the penalties for not reporting rent regulated units were greatly reduced, and since then the city has not rigorously enforced the reporting requirements. For this reason, many believe that a significant number of property owners fail to report rent regulated units. We have no reason to believe that the building owners in our study are exceptions to this. Indeed, if they are willing to rent to illegal hotel operators, they may be more likely to evade rent regulations as well. Thus these figures should be taken as a lower-bound estimate of the true number of rent regulated units in these buildings.

3.6 Tax Subsidies

New York City, New York State, and various public authorities provide incentives for residential construction. We identified two types of financial benefit received by buildings containing illegal hotels: tax abatements and publicly-financed bonds. Each of these benefits is associated with reduced property tax assessments, which reduces the landlord's tax bill to the city.

3.6.1 Tax Abatements

There are two main types of tax abatement that are relevant to this study, the 421-a and J-51 programs. The 421-a Program is administered by the NYC Department of Housing Preservation and Development (HPD) to promote multi-family residential construction. It provides a declining exemption on the increased property value that is created by new construction. The J-51 Program is similar, but encourages the renovation of residential properties by

	Buildings	Total Units	Avg. Assessment Reduction (Thousands)
421a	20	7140	22942
J-51	8	911	.
Other	10	2853	18770

Table 3.7: Tax Subsidies to Illegal Hotels

granting partial tax exemption and abatement benefits. Both programs provide a partial exemption from property taxes for eligible property owners, although the amount of the exemption varies.

In addition, there a number of less common tax abatements that affect tax assessments. Many of these are targeted to specific neighborhoods, such as

those related to residential conversions in lower Manhattan, and those directed by the Battery Park City authority. For the purposes of this study, these miscellaneous abatements have all been lumped together as one.

Table 3.7 shows the number of buildings in our survey that received tax exemptions, along with the number of units eligible for the exemption and the average reduction in property tax assessment granted to each building. Note that we do not know how many of these units are being used as hotel rooms, and how many are in legal residential use. The point of these numbers, however, is to show that landlords are benefiting from public subsidies and reducing their assessments by millions of dollars, even while they are subverting the intention of the subsidies by turning residential units into hotel rooms.

3.6.2 Publicly-financed bonds

While tax abatements allow building owners to pay less in taxes, some landlords also take advantage of subsidized loans of various kinds. These often finance the purchase of buildings on more favorable terms than would be available if financing was procured from a private bank. These subsidies are typically targeted to promote specific types of development, such as affordable housing or neighborhood revitalization. Several examples of this type of public financing appeared in our study.

The New York City Housing and Development Corporation secures loans and provides a variety of financing programs for the creation and preservation of multi-family affordable housing throughout the five boroughs of New York City. HDC provided financing for a total of 4 buildings in the study.

The New York State Housing Finance Agency is similar to HDC, but covers all of New York State. Their mission is to create and preserve high quality affordable multifamily rental housing that serves communities across the State of New York. HFA provided financing for a total of 9 buildings in the study.

In addition to HDC and HFA, there are a number of programs which provide financing to developers for special purposes. For example, the City of New York has provided subsidies and tax abatements to developers who convert buildings to residential use in lower Manhattan, and the Battery Park City Authority finances affordable housing in the area of Battery Park City. In total, these miscellaneous other sources of financing applied to 7 buildings in the study.

	Total	Extended Stay	Tourist Hotel
Furnished Quarters	41	19	22
Bridge Street Worldwide	23	7	16
Churchill Corporate Services	12	2	10
Signature Properties	10	5	5
Alternative Business Accommodations	20	7	13

Table 3.8: Major operators of illegal hotels

3.7 Hotel Operators

While some illegal hotels are small-scale operations, in which a single landlord rents out rooms to transient tenants, most are not. In the most common circumstance, a landlord will rent out rooms, or even entire floors, to a company which specializes in running hotels. Out of the individual hotel buildings in the study, 92, or 45%, were operated by companies that operated a hotel in at least one other building.

We found several companies that operated hotels in five or more buildings. They are listed in table 3.8. A number of buildings contained operations of multiple companies, so they are counted multiple times in this table. Note that these large scale operations operate in many buildings that are classified as tourist hotels, in addition to those classified as extended stay housing. This is despite the fact that tourist hotels are often more secretive, so there may be large operators of these hotels who we were simply unable to identify.

Notes

1. Chris Lombardi. "Thirty-day policy on hotel stays ignored by Marriott". *Chelsea Now* (2007)



Sonia Ingram, a tenant at an illegal hotel building on West 86th Street, speaks with the press at an illegal hotels demonstration.

Chapter 4: Impacts of Illegal Hotels

This section summarizes our findings about the local and citywide impact of illegal hotels. Reports from tenants and tenant advocates were compiled in order to assess the impact of illegal hotel use on the residents of affected buildings. These residents often face harassment or displacement, and those who remain in affected buildings suffer from decreased safety, security and quality of life. Illegal hotels also have negative impacts that go beyond the individual affected buildings: these include damage to the legitimate hotel industry, damage to the city's reputation, and loss of tax revenue due to the misuse of targeted tax subsidies.

4.1 Impacts on Residents

4.1.1 Quality of Life

As transient residents, hotel guests have fewer ties with their neighbors, and may be less considerate of the peace and quiet of those with whom they share the building. This is especially true if guests are unaware that their hotel room

shares a building with permanent residential tenants, as is often the case, particularly for tourist hotels.

Tenant respondents to the study report problems of this kind, particularly pertaining to noise in the early morning and late at night. One survey respondent reports studio apartments being used to house as many as four people, and other rooms being rented for multiple weekend parties. Another respondent refers to "loud TV's, slamming doors and raw garbage on the floor near the trash chute . . . even after notices by tenants have been posted."

A second type of quality of life issue arises due to the degradation of building maintenance services. Often, basic maintenance and sanitation services for tenants are ignored because building staff are used to service hotel guests instead. Moreover, a very common phenomenon in the buildings under study was the conversion of parts of the building into hotel-specific use. Most often, rooms or common areas are turned into facilities such as gyms or computer labs for hotel guests. Tenants are often barred from using these facilities. In addition, common facilities such as laundry rooms and elevators are often heavily used by hotel housecleaning staff, limiting the ability of permanent tenants to use these facilities.

4.1.2 Security

The transience and anonymity of hotel guests creates problems not just for quality of life, but for security as well. An important aspect of safety in a residential buildings is the ability of residents to keep an eye on their surroundings and report suspicious activity. When a building is used as a hotel, this becomes much more difficult. In our study, many tenants complained of a steady stream of anonymous guests. With new people constantly entering and leaving the building, it is impossible for residents to determine whether someone belongs in the building. Moreover, hotel guests are not subject to the kinds of background checks that landlords typically perform for permanent residents.

4.1.3 Fire Safety

A hotel is a much more intensive use of space than a residential building. There are more people coming in and out of the building, and they are less familiar with the building's layout. There may be more people staying in a unit than would be the case if they were permanent residents. For all of these reasons, the New York City building code has more stringent fire safety

requirements for hotels than for residential buildings. For example, a building in class J-1, which is a “transient” residence where residents do not stay for more than 30 days at a time, must have a closed circuit electrically supervised fire system. For larger hotels, a complete fire safety plan is required. The relevant code is reproduced below:

These rules and regulations shall apply to buildings or parts thereof classified in Article 11 of Subchapter 3 of Chapter 1 of [sic] Title 27 of the Administrative Code of the City of New York as occupancy group J-1, J-2 occupied or arranged to be occupied in whole or part by a transient occupancy. For the purpose of these rules and regulations, buildings or parts thereof which contain a total of more than 30 sleeping rooms or can accommodate a total of more than 30 lodgers, or contains more than 15 sleeping rooms, or can accommodate more than 15 lodgers above the first or ground story, used for living or sleeping purposes by the same person or persons for a period of ninety days or less shall be considered as being occupied by a transient occupancy. Such buildings shall include but are not limited to buildings occupied as hotels, motels, lodging houses, dormitories and single room occupancies. All such buildings occupied or arranged to be occupied in whole or part by a transient occupancy, regardless of the number of sleeping rooms or accommodations, over 75 feet in height, shall comply with these rules and regulations. The owner or other person having charge of such building shall file a Fire Safety Plan with the Fire Department indicating compliance with ¶15-05(b) within 30 days after the effective date of these rules and regulations. The owner or other person shall resubmit the revised Fire Safety Plan for approval within 30 days after receiving comments from the Fire Department. Upon approval, the Fire Safety Plan shall be immediately put into effect. The owner or other person having charge of such building shall comply with ¶¶15-05(c)(1) to 15-04(c)(5) within 30 days of the effective date of these rules & regulations. (Building Code of the City of New York, 2004).

Since they operate without the knowledge of the City, illegal hotel operators can avoid the expense of complying with these regulations. By doing so, they place both guests and residents at greater risk.

4.1.4 Harassment

Even when legal action is taken against landlords for illegal hotel uses, harassment against tenants often continues. This is illustrated in the case of One Bank Street, where cases are pending regarding the landlord’s receipt of

tax abatements while running an extended stay hotel operation. An article in a neighborhood newspaper reports that ten tenants have moved out of the building while these proceedings are underway. Another tenant is fighting eviction proceedings. One of these tenants reports feeling forced to leave, because "my husband and I would also not be able to provide housing for ourselves without a 'clean' renter's record."¹

Evidence gathered from press accounts and from tenant advocates indicates that such situations are not uncommon. A tenant in a different building reports that "Many of her neighbors accepted money to move out . . . while others were sent spurious bills over and over —'rent we don't owe, or charging us for repairs they don't even do.'"² In another building, a lawyer for tenants alleged "'veiled threats' and 'interruption of essential services' in the months leading up to the planned hotel conversion has constituted an illegal form of harassment intended to drive out the rent-regulated residents."³

4.2 Impacts on New York City

4.2.1 Loss of Housing

The Housing and Vacancy Survey (HVS) is a comprehensive housing market survey required every three years by State and City rent-regulation laws. It is designed to determine New York City's overall vacancy rate for rental housing. 2005 is the most recent year for which complete data is available. The 2005 HVS found that there were 22,198 vacant rental units in Manhattan. This amounted to a net vacancy rate for Manhattan apartments of 3.79%. Because the vacancy rate is less than 5%, this situation is defined as a "housing emergency" in city and state law.⁴

In the 47 buildings where we were able to gather information, we found 3,269 units that had been lost to tourist hotel or corporate housing use (see previous chapter for a description of the survey methods). If the number of units in the un-measured buildings follows the same distribution as the ones we measured, we would predict that 14,328 total units of housing have been lost in the buildings in the study. This estimate may be inaccurate insofar as the buildings where we counted units are systematically different from the buildings where we were unable to count units.

Even the most conservative reasonable estimates of the total number of apartments removed from the housing market would fall between 5,000 and

10,000 units, a significant number when there are so few vacancies.

In addition, as shown in the previous chapter, a large number of the lost units are in SRO buildings. These buildings serve a vulnerable population which often has few housing options, so the loss of these units has a particularly serious impact.

4.2.2 Damage to City's Reputation

As noted above, illegal hotels are not subject to the same level of regulation as legal hotels. However, guests who use these hotels are frequently unaware that they are illegal, and their experiences with illegal hotels may negatively impact visitor perceptions of the city, which would have negative implications for the city's tourist economy. Recent news coverage suggests that negative publicity about illegal hotels in New York has already begun to spread.

- In June 2006, local business-oriented magazine *Crain's* reported on the growing wave of illegal conversions.⁵ The article warned that "unsuspecting visitors from around the world are showing up at their 'hotels' only to find they are apartment buildings, with rooms that frequently lack even the barest essentials."
- In 2006, the travel website *Frommers.com* published an article entitled "Is Your New York Hotel Legal?"⁶ The article warned travelers that some New York hotels were actually "illegal operations driving New Yorkers out of their homes", and that they might be unsafe or offer inferior customer service.
- On sites where members of the public can submit reviews of hotels, some users are reporting bad experiences with illegal hotels. On one site, *tripadvisor.com*, a user complains of a buildings "rife with housing code violations, many pertaining to lack of smoke alarms and inadequate fire escape routes."⁷ For another hotel, guests complained of asbestos, gas smells, and dirty rooms.⁸
- One visitor, Kelly Britt, had such a bad experience with illegal hotel operator *WooGo* that he started a website, *woogosucks.com*, to warn other travelers. Mr. Britt's website was reported on the by *Associated Press* in a story that was picked up in many media outlets outside of New York, including *USA Today*, the *Washington Post*, and the *International Herald Tribune*.⁹

While it is not possible to say how many tourists are kept away from the city by such press, bad publicity may have a negative impact on the city in the

long run. Bad experiences with illegal hotels undermine the efforts of businesses and city government to promote an image of New York as a safe and welcoming destination for guests.

4.2.3 Undermining Legitimate Hotel Businesses

Legitimate hotels are a major component of New York City's economy, providing jobs and tax revenue. These businesses are threatened by illegal competition, because illegal hotels are able to cut corners on a number of costs incurred by their legal counterparts:

1. Fire Safety. As noted above, hotels must meet a higher standard for fire safety than residential buildings. This imposes costs on operators.
2. Security. The security of guests is essential to the reputation of a hotel, so spending on security is another major cost. However, since illegal hotels are often ephemeral operations, they can get away with spending less on security in order to keep rates low.
3. Labor costs. As described in the next section, illegal hotels can spend less on labor by employing non-union labor, or by using building superintendents to perform hotel-related tasks.
4. General upkeep and maintenance. Since they are less concerned with maintaining their reputations, illegal hotels can spend less on basic maintenance and services that guests would expect at a legitimate hotel. (See also "Damage to City Reputation", above.)

4.2.4 Impact on labor

Illegal hotels have negative consequences for both employees in buildings where they operate and for workers employed in the legitimate hotel sector. Tenants report that building staff are often required to perform services related to hotel operations, even when these tasks fall outside of the employee's contractual requirements. In certain cases, building employees have even been asked to aid in harassment tactics designed to drive residential tenants to leave their apartments.

In the long run, unchecked growth of illegal hotels also has negative implications for workers employed in the city's legitimate hotel sector, which employs over 30,000 workers (figures from the Hotel Association of New York City, <http://www.hanyc.org/>). As noted above, competition from illegal operators puts financial pressure on legitimate hotels. In order to compete

with hotels that employ cheaper labor, hotels could be forced to put pressure on the wages and working conditions of their workers, many of whom are unionized. According to the hotel union UNITE-HERE, there are 126 hotels in New York that employ union labor. These hotels employ 22,000 workers, who enjoy relatively good wages and benefits. (Hotel and membership figures are taken from the UNITE-HERE operated site <http://www.hotelworkersrising.org>). In contrast, workers at illegal hotels are generally not unionized—or if they are, they do not have contracts that explicitly cover hotel-related duties. Unionized hotels are an important source of middle-class jobs for New Yorkers, and the threat from illegal competition could adversely impact working people citywide.

4.2.5 Tax Subsidies

In a previous section, it was shown that many landlords are receiving tax subsidies from city or other authorities, while simultaneously profiting from the illegal hotel industry. These are subsidies which are intended to encourage various kinds of residential development—when landlords take these subsidies and convert units to hotel use, they undermine the intention of these programs and reduce the overall supply of housing in the city. In addition, the city loses a sizable amount of revenue due to the reduced tax assessments enjoyed by these property owners.

Thus far, this misdirection of subsidies has occurred relatively unchecked. Even when illegal hotels are officially penalized by the city, municipal agencies do not currently check to see whether the offending landlords are recipients of tax subsidies. Thus, even landlords who receive fines for operating illegal hotels may continue to benefit from a reduced tax burden.

Notes

1. Chelsea Now, 26(2), March 28-April 3, 2008
 2. "As tourists fill illegal hotels, residents told to check out." *The Villager*, 76(39), February 21-27, 2007.
 3. "Dear Tenants, Please Leave, Love, Hotel Breslin." *New York Observer*, January 29th 2008.
 4. Moon What Lee. "Selected Findings of the 2005 New York City Housing
-

and Vacancy Survey." City of New York. 2006.

5. Julie Satow. "Tourists get taken in fake-hotel scam". *Crain's New York*

6. Sascha Segan. "Is Your New York Hotel Legal?" Frommers.com, 2006.
<http://www.frommers.com/articles/3846.html>.

7.

http://www.tripadvisor.com/Hotel_Review-g60763-d616558-Reviews-Woogo_Midtown_Encore_Hotel-New_York_City_New_York.html.

8. http://www.tripadvisor.com/ShowUserReviews-g60763-d557499-r5439236-Mount_Royal_Hotel_Hostel-New_York_City_New_York.html

9. See e.g., USA Today, "Online hotel bookings may land you bed (bugs) and breakfast".
http://www.usatoday.com/travel/hotels/2006-06-29-new-york-hotel-scams_x.htm

Chapter 5: Summary of findings

This study has attempted to establish the scope and impact of illegal hotel conversions in Manhattan through an empirical investigation of buildings where these conversions are taking place. Given certain limitations of time and resources, our findings cannot be considered a complete account of the problem. Indeed, since we relied on reports volunteered by individuals and organizations, along with media and public records, our results are a conservative estimate of the true scope of the illegal hotel industry.

Regardless, we were still able to document a large and widespread problem of illegal hotel conversions. We conclude that:

- Illegal hotels were not historically widespread in New York. Instead, the problem has grown rapidly within just a few years.
- Illegal hotels exist in many types of residential buildings, including buildings with many rent stabilized units.
- SRO buildings, which serve particularly vulnerable populations, have been especially hard hit by the trend to illegal hotel conversions.

The broader impacts of illegal hotels, although difficult to quantify, are real—both for individual residents of affected buildings and for the city as a whole. Local residents face decreased safety and quality of life, and the loss of residential units puts pressure on an already very tight housing market. Moreover, illegal hotels negatively impact the city by spreading bad publicity, undermining legitimate hotels, and misappropriating tax subsidies which are intended to promote local residential development.

Fortunately, city and state government have begun to address the problem. Increased enforcement of regulations against illegal hotel operators has already shut down some of these operations. And there is additional action that can be taken: by revising building codes and zoning regulations, and increasing the resources for enforcement, it is possible to substantially ameliorate the negative effects of illegal hotel conversions.

However, solving the problem of illegal hotels should not be seen purely as a matter of punitive enforcement against violators. While illegal hotels are undesirable for many reasons, Manhattan's economy has a vital need for adequate hotel accommodations. If steps are taken to ensure sufficient space for hotels in appropriate areas, the root causes of the illegal hotel problem can be eliminated or greatly reduced.

Appendix A: Advertising materials

This section contains advertising material which was used as evidence of illegal hotel use in certain buildings. This is not the complete set of advertisements which were used; it is provided as an example.

Appendix B: Survey Form

This is the form which was used to collect the data for the 47 buildings where we have reported the number of units being used as illegal hotel rooms. The form was also available in Spanish, in a translation provided by Goddard-Riverside's West Side SRO Law Project.

Report on the Growth of Illegal Hotels

Illegal Hotels Survey 2007
Data Reporting Form

Thank you for participating in the survey! Use this form to report information about illegal hotel use in your building. Please be sure to fill in the complete building address. It is also very important that you make your best estimate of the number of rooms that are being used as hotel rooms and check off at least one reason why you believe there is illegal hotel activity in the building.

Please return the form as soon as possible to John Raskin at Housing Conservation Coordinators: 777 10th Ave., New York NY, 10019. You can also fax the form to John at (212) 541-5966.

Your Name: _____

Your Phone: _____

E-mail: _____

Building Address: _____

Zip: _____

Do you live in the building? Yes No

Is the building an SRO? Yes No

Total Number of Units in Building: _____

Number of illegal hotel units: _____

List the apartment numbers of units being used as hotel rooms:

What signs of illegal hotel use have you seen in the building? Check all that apply:

- | | |
|---|---|
| <input type="checkbox"/> Signs in building indicate which units are hotels | <input type="checkbox"/> Former rooms converted to common tourist areas (storage, office, computer lab) |
| <input type="checkbox"/> Other signage indicating hotel | <input type="checkbox"/> Mailboxes open or covered |
| <input type="checkbox"/> Keycard entry for some rooms | <input type="checkbox"/> Other (please describe): _____ |
| <input type="checkbox"/> Maid service for some rooms | |
| <input type="checkbox"/> Spoke to tourist in unit | |
| <input type="checkbox"/> Observed tourists entering/leaving apartment | |
| <input type="checkbox"/> Tourists observed with luggage | |
| <input type="checkbox"/> Check-in desk/check-in procedure for tourists | |
| <input type="checkbox"/> Building staff identified hotel units | |
| <input type="checkbox"/> Doors painted/marked differently (different borders, missing bolts or peepholes) | |
