



NEW YORK STATE SENATOR

Liz Krueger

State Senator Liz Krueger Rallies Against Proliferation of Illegal Hotels: Says Action Must be Taken to Stop Illegal Activity and Protect Affordable Housing

LIZ KRUEGER May 31, 2008

New York— State Senator Liz Krueger joined fellow members of the Illegal Hotels Working Group at a rally today to call attention to the problem of proliferating illegal hotels -- the practice of some in real estate of renting out apartments in residential buildings for short term stays. The rally was held to highlight a new report that documents this growing problem across Manhattan.

"The proliferation of illegal hotels needs to be stopped now!" said Senator Krueger.

"Manhattan already has a major affordable housing crisis, and the increase of illegal hotels that we've seen in recent years has significantly worsened this situation. The city has now lost between 5,000 to 10,000 rental units to the illegal hotel business."

This report documents that of the 206 buildings studied that are currently operating as illegal hotels in the city there are two types, "tourist" and "extended stay" or "corporate housing." "Tourist hotels" are buildings that rent apartments for as little as one night. "Extended stay hotels" and "corporate housing" rent apartments for 30 days or more. While "tourist hotels" are illegal under all circumstances in residentially zoned buildings, the New York City Department of Buildings says that a 30-day stay in a unit is considered a

permanent residency, and therefore may be legal under certain antiquated laws.

The landlords of many of the buildings where illegal hotels are operated are also illegally accepting millions of dollars in tax subsidies and abatements that are actually intended only for affordable housing. The 421-a and J-51 tax abatement programs were meant to encourage residential development and rehabilitation. However, this study found that there were 20 buildings that operated illegal hotels who wrongly had their tax assessments reduced by \$188 million through the 421-a abatement.

The biggest obstacle in ending the practice of illegal hotels is that there is no disincentive for operating one. Under existing laws, even if landlords are caught operating illegal hotels they are only subject to a one time, maximum \$800 fine — far too little to impact the incentives of breaking these laws.. The operation of illegal hotels also creates an incentive for landlords to harass tenants until they leave so that they can then turn previously affordable apartments into lucrative Manhattan hotel rooms.

"The law says a 30-day stay is legal, but if 12 different people move in and out of an apartment each year, I don't believe anyone could consider that apartment a permanent residence," stated Senator Krueger. "This loophole needs to be closed so that profiteers can no longer steal tens of millions of dollars in tax subsidies meant for affordable housing as they evict people from their homes."

The report details a number of ways that the State could help alleviate the problem including:

Providing additional funding to DHCR for more staff and resources to enforce the law (there are currently less than a dozen enforcement agents in the state)

Allowing DHCR to return rent levels of misused units to their last legal regulated rent.

Giving HPD inspectors the authority to conduct inspections on behalf of DHCR

"As the ranking Democratic member of the Senate Standing Committee on Housing, Construction and Community Development, I am committed to advocating for legislation that will put an end to illegal hotels," said Senator Krueger.

Besides the steps that can be taken by the state there are also a number of initiatives outlined in the report that the city should take on. Presently, the Mayor's Office is looking into ways to change the zoning codes and Councilwoman Gale Brewer has introduced a bill (Intro 534) that would create a per unit, per day fine structure to deter landlords from operating illegal hotels.

"I have had dozens of constituents from across my district reach out to me regarding illegal hotels in their buildings," concluded Senator Krueger. "Right around the corner from my office at 279 East 44th Street there are a number of apartments being used illegally as hotel rooms. This epidemic has spread throughout the entire borough of Manhattan and our working group of elected officials, advocates and tenants are here today to make sure these calls for help don't continue to go unheard."