



## Letitia James

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### TESTIMONY OF NEW YORK CITY PUBLIC ADVOCATE LETITIA JAMES BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON HOUSING AND BUILDINGS - OVERSIGHT: SHORT TERM RENTALS – STIMULATING THE ECONOMY OR DESTABILIZING NEIGHBORHOODS?

JANUARY 20, 2015  
CITY COUNCIL CHAMBERS

Affordable housing is at crisis levels in our city. With vacancy rates in the single digits, now more than ever we must protect our diminishing stock of affordable housing. Illegal hotels and short-term vacancies are a growing threat in neighborhoods. My hope is that today's hearing will shed light on what we as a city can be doing to regulate these industries and protect our citizens.

Although the company has only been around for seven years, Airbnb has become an increasing threat to affordable housing in New York. Since Governor Pataki imposed vacancy decontrol in 1997, affordable housing has drastically diminished, and illegal Airbnb usage is now accelerating its demise. And the problem is only getting worse.

The heart of the issue – and the heart of Airbnb's multibillion dollar operation – has been its use of 4,600 rental units for illegal short-term bookings. That is a staggering number, with serious implications. Typically, "guests" stay in a unit for 30 days or less, and the apartments' legal owners are not present. These stays are in clear violation of the City's 2010 Multiple Dwellings Law. The New York State Attorney General's office has determined this was the case with 72 percent of units rented out on Airbnb.<sup>1</sup>

The real motor driving the company's growth has been the "Commercial User," who owns and rents out multiple units. The Attorney General's Office reports that six percent of hosts were able to dominate the platform by "accepting 36 percent of private short-term bookings, and receiving...37 percent of all host revenue." By contrast, in 2010, owners of multiple units accounted for only 18 percent of private short-term rental revenue.

Why would these commercial users risk prosecution under the law when they can easily rent out their units to long-term tenants? The answer is opportunity. As early as 2002, housing advocates from Manhattan's West Side reported "landlords simply [not] renting rooms to permanent tenants, and independently placing ads on the internet in order to rent solely to tourists."<sup>2</sup> This was a tactic to turn Single Room Occupancies and rent regulated apartment buildings into more lucrative uses. Airbnb and companies like it have only intensified this process. While the lion's share of its units remain in already-gentrifying neighborhoods,<sup>3</sup> Airbnb has thoroughly

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<sup>1</sup> <http://www.ag.ny.gov/pdfs/Airbnb%20report.pdf>

<sup>2</sup> [http://www.hcc-nyc.org/tenorg/documents/IHWG\\_Report\\_2008.pdf](http://www.hcc-nyc.org/tenorg/documents/IHWG_Report_2008.pdf)

<sup>3</sup> <http://www.ag.ny.gov/pdfs/Airbnb%20report.pdf>



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penetrated areas like Harlem and Bed-Stuy—precisely the communities that are least equipped to lose their rent-regulated apartments.

Presently, there are over 2,000 Airbnb listings in Bedford Stuyvesant, Bushwick, Greenpoint, and Fort Greene, where rents have increased by more than 28 percent from 2006 to 2012. Airbnb’s rapid growth in neighborhoods, such as these, that have seen an explosion in rents is exacerbating the housing crisis and one of the factors that has unfortunately contributed to Brooklyn being ranked as the least affordable county in the nation. And the neighborhood guide on Airbnb’s website is already touting “Ridgewood’s modest neighborhood corner stores and old-world meat markets,” and “Red Hook’s dilapidated beginnings [which] are transforming into distinctly artistic ends.”<sup>4</sup> In a housing market where only around 67,000 units became available for rent last year, can we really afford to have 4,600 apartments taken over for use as illegal hotels? Not only does this deprive potential renters of affordable units, but, by cutting into the supply of available housing, it drives up the prices of the remaining apartments.<sup>5</sup>

The Office of the Public Advocate has long been critical of Airbnb and companies like it. Last May, when Airbnb started to advertise in the city’s subway and buses, we urged the MTA to ban the posters until Airbnb was cleared of all charges by the Attorney General’s Office. The ads showcased New Yorkers fixing pancakes and sharing good times with their Airbnb clients. Neither we nor the Attorney General hold any grudges with these hosts. As long as hosts actually stay with their guests, they are not breaking the law (though they must be mindful of the terms of their leases). But more often than not, Airbnb “hosts” are absentee landlords who aim to take affordable units off the rental market for their own financial gain, without any consideration of the law or its impact on our City.

It is incumbent upon the City to take action to limit the deleterious effects of Airbnb’s illegal actions by better enforcing the laws through bringing on more inspectors. Additionally, I penned a letter to Airbnb last December, which called upon them to do a diligent job of self-policing to ensure their hosts are not violating state law. I am confident that Airbnb knows which of its users are illegal hotel kingpins, and they can and should immediately remove these violators that are robbing New York City of vast amounts of affordable housing units. These actions will bring more units back into the open market and drive down prices requiring less need for hard pressed New Yorkers to rent out their spare rooms through Airbnb just to make ends meet. I thank the council for highlighting the issues associated with short-term rentals as critical to protecting New York City’s precious affordable housing supply.

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<sup>4</sup> <https://www.airbnb.com/locations/new-york/neighborhoods>

<sup>5</sup> [http://metcouncilonhousing.org/news\\_and\\_issues/tenant\\_newspaper/2014/may/illegal\\_hotels\\_coming\\_to\\_a\\_neighborhood\\_near\\_you](http://metcouncilonhousing.org/news_and_issues/tenant_newspaper/2014/may/illegal_hotels_coming_to_a_neighborhood_near_you)