



**New York Homeowners Alliance Corp.**  
Empowering Homeowners in NYC

## **MEMO TO NEW YORK CITY COUNCIL**

### **RE: LOCAL LAW 18/2022 (MAYOR'S OFFICE OF SPECIAL ENFORCEMENT FOR SHORT TERM RENTALS)**

Honorable Members of the New York City Council,

New York Homeowners Alliance Corp. presents this memorandum in response to the [memo](#) addressed to the Council by the Coalition Against Illegal Hotels (CAIH) on September 5<sup>th</sup>, 2023. While we recognize the imperative to address housing concerns in our city, it is equally crucial that the discourse is based on accurate and transparent data, especially when it affects the lives and livelihoods of New Yorkers.

#### **Erroneous Representation of Data**

The CAIH cited sources such as the NYC PLUTO Database, 2023, and the American Community Survey 2021 Five-Year Estimates to argue that 1- and 2-family homes make up a "substantial chunk of NYC's housing stock." The number presented, 311,804 units, is misleading. This figure represents occupied units and does not provide insight into the number of unoccupied units, or the willingness of these homeowners to enter the long-term rental market.

Notably, NYC Public Advocate Jumaane Williams recently stated on [WNYC Radio](#) that "1- and 2-family homeowners represent 44 percent of the city's housing stock". This assertion could only be based on the flawed addition of the total reported number of 1- and 2-family homes to the number of occupied units within these homes, resulting in an inflated figure. Additionally, neither the Public Advocate's statements nor CAIH offer any data whatsoever on the actual housing stock that is unavailable after the consideration of these factors, which is likely inconsequential at best. NYHOA does not believe that this false claim was intentional on the part of the Public Advocate, as the majority of data being reported on the housing stock has been wholly inconsistent.

## Overlooked Factors in the Housing Crisis

The housing crisis in NYC is multi-faceted, but CAIH's focus on 1- and 2-family homeowners diverts attention from significant contributors:

1. Warehousing by Property Owners: The estimated more than [40,000](#) rent-stabilized [units](#) intentionally kept off the market by owners of large multi-dwelling properties exacerbate the housing crisis and inflate rental prices.
2. Gentrification by Wealthy Developers: While CAIH laments the “destabilization of residential neighborhoods” and the “fueling of gentrification,” they ignore the [gentrifying effects](#) of luxury developments, many of which offer minimal affordable housing options. The salary requirements for these “affordable” units often far exceed the Area Median Income (AMI) for the neighborhoods in which they are located.
3. Reliance on Short-term Rentals: Many 1- and 2-family homeowners depend on short-term rentals to sustain their livelihood in an [increasingly expensive city](#). Ignoring their needs creates an environment where homeowners—especially in communities of color—are marginalized while developers benefit.
4. Institutional Property Investment: Mass purchases of residential properties by private equity firms, real estate investment trusts (REITs), and institutional investors have also been inflating rent prices in NYC. While these entities make up a relatively small share of the rental market, their buying power and strategic acquisition of single-family homes, especially in gentrifying communities, significantly impact property availability. This exacerbates demand for long-term rentals and leads to [skyrocketing rental prices](#).
5. STR Bad Actors: Instead of focusing on 1- and 2- family homeowners who engage in home sharing, the attention should be placed on the widespread STR arbitrage conducted by multiple dwelling property [owners](#) and investors. These bad actors have exploited loopholes and gray areas in New York’s short-term rental laws to operate [multi-million-dollar enterprises](#) across the city. They create dozens of host accounts and listings within their multiple-dwelling units and in apartments across various NYC neighborhoods. By doing so, they repurpose housing stock that could have served long-term residents, while contributing to skyrocketing rents. It is this type of activity—far removed from the 1- and 2- family homeowners seeking to make ends meet in their residences—that City Council should be most concerned about when looking to enforce and amend short-term rental laws. It is essential for any legislation or public discourse on the matter to accurately pinpoint the actual culprits contributing to the problem, rather than casting a wide net that traps smaller property owners who are not part of the issue.
6. The Challenges of Long-term Rentals for Small Homeowners: Recently, institutional investors like US Masters Residential Property Fund, a publicly-traded, Australian REIT that owns 479 properties across the New York City metro area, specializing in single-family homes, have begun to [divest](#) from their housing portfolios, citing a perceived lack of profitability in the long-term rental market. These investors point to inflated renovation costs

as a key factor in this trend, alongside rent caps and a series of tenant-friendly laws that they<sup>3</sup> argue work against them. This situation presents an opportunity for a nuanced discussion about the multifaceted factors that discourage landlords from entering or staying in the long-term rental market in New York City.

It's worth noting that the concerns of these large institutional investors mirror the apprehensions of smaller 1- and 2- family property owners, albeit on a different scale. For these smaller property owners, a single [problematic long-term rental](#) could have severe financial ramifications. As the cost of living continues to rise, coupled with property taxes and the cost of home maintenance, small property owners find themselves in increasingly precarious financial situations. The city's tenant-friendly laws, while essential for protecting renters, may inadvertently exacerbate the hesitation that these small property owners feel about committing to the long-term rental market. This mutual hesitancy adds another layer to the already complex issue of housing in NYC and warrants more in-depth discussion and potential legislative reevaluation.

By not considering these elements, CAIH's focus on 1- and 2-family homeowners as a significant contributor to the housing crisis is not only misguided but also diverts resources and attention from the root causes that deserve immediate action.

### **Distorted Narratives: How Inside Airbnb's Racially Charged Data Misguided Policy**

The reliability of data is paramount when crafting and enforcing legislation, particularly in areas as sensitive and crucial as housing. Disturbingly, some sources of information that have influenced perceptions and, potentially, policy are deeply flawed and offensive. A notable example is the work of Inside Airbnb, a publication known for its unscrupulous reporting, particularly on alleged gentrification in predominantly Black neighborhoods.

Murray Cox, the owner of and primary reporter for Inside Airbnb, has openly admitted to employing a highly offensive and racially insensitive method of data collection, highly akin to the notorious "[Brown Paper Bag Test](#)," in which the authentication of a person's Black identity was verified by holding a brown paper bag next to their face to measure their hue. This antiquated, widely condemned, and highly criticized method involved Cox creating software to data mine [Airbnb host photos](#) in predominantly Black neighborhoods, attempting to measure each person's skin tone against a random shade of brown he personally selected, supposedly defining their race based on this deeply flawed and [racially insensitive approach](#).

Not only is this method offensive, undermining the diversity and varied complexions within African American communities and other ethnic groups, but it also perpetuates harmful stereotypes extending back to [slavery](#), and has been debunked and denounced by academics for the last century. This method's use reflects a fundamental misunderstanding and misrepresentation of race and ethnicity, leading to potentially harmful misinformation.

This racially biased and inaccurate presentation of information has been shared in numerous articles by [Inside Airbnb](#), and, subsequently, [additional publications](#), purportedly serving as a "defense" of Black neighborhoods. The research was even lauded by former Council Member Helen Rosenthal, who co-sponsored the bill that later became Local Law 18. However, the irony is that many individuals labeled as "invaders" by this unreliable source are likely long-

time Black residents, endeavoring to navigate economic hardships in their own communities. 4 This racially charged and biased presentation of data not only exacerbates divisive narratives while insulting the integrity of marginalized communities, but also casts shadows over the motivations and integrity behind Local Law 18.

It is alarming that such a baseless and racially offensive method has been used to push an agenda seemingly favoring the hotel industry. Such tactics do not contribute to a nuanced and informed discussion about the housing crisis and short-term rentals, but instead, compromise the credibility of the dialogue surrounding housing legislation in New York City. The use of unreliable data based on harmful, offensive stereotypes is unacceptable and should be emphatically rejected in the ongoing conversation about housing and legislative solutions in the city.

### **Questionable Data and Unscrupulous Tactics**

One of the most striking omissions in the CAIH's memo is the lack of context regarding the 11,934 complaints about illegal short-term rentals (STRs) filed from 2017 to 2021. While this number may seem alarming at first glance, CAIH fails to disclose a critical piece of information: A significant portion likely originated from hotel industry-funded sting operations specifically designed to target private homeowners.

Organizations like the now-defunct [Share Better](#), mainly bankrolled by the Hotel Association of New York City & the New York Hotel and Motel Trades Council, have been notoriously aggressive in their tactics. In 2017 alone, Share Better boasted about spending over \$1 million on efforts to "knock out more Airbnb listings faster." How did they do it? By employing private investigators who used fake IDs and social media accounts to book rooms, carrying hidden cameras to gather evidence, and funneling this information to the Mayor's Office of Special Enforcement (OSE). These investigators sought telltale signs, no matter how minute or inconsequential—like small shampoo bottles or the lack of family photos—to prepare comprehensive reports so unsuspecting homeowners would be slapped with fines, oftentimes for conditions they were not aware were illegal.

This raises ethical concerns about active collaboration between these groups and the OSE in "seeking out violations." More importantly, it puts the validity of CAIH's cited complaint data into question; data that was also cited in OSE Executive Director Christian Klossner's affirmation submitted to the New York Supreme Court in response to the lawsuit that was recently filed by Airbnb Inc. against the City of New York and the OSE. These numbers have been recited repeatedly in the media, and even in the amicus testimony of Mike Mckee, a representative from CAIH during the August 8<sup>th</sup> hearing with Supreme Court Judge Arlene P. Bluth. How many of these complaints genuinely originated from concerned neighbors or community members witnessing disturbances or illegal activity, as opposed to being manufactured by hotel industry-funded operations? This skewed data not only misrepresents the scale of the issue but also leads to misguide policy decisions.

On page 1, section 3 of Mr. Klossner's [affidavit](#) in support of the city's answer to the Airbnb lawsuit, he states, "The illegal conversion of permanent residences into STRs constitutes a public nuisance." But how can that be measured when many of the "public complaints" are

being filed by admitted undercover operatives working in collusion with the OSE? It is additionally concerning that Tom Cayler of CAIH, which takes credit for “helping to draft Intro 2309 and lobbied for its enactment—the bill which became Local Law 18,” was also a [founding member](#) of Share Better, the same organization that admittedly spent enormous sums of money to drive up the numbers of STR complaints and violations that are currently being used as a justification for Local Law 18. 5

By excluding this context, CAIH's narrative becomes an unreliable basis for understanding the nuances of the housing crisis and the role of 1- and 2-family homeowners within it. It also serves as the pretext to a law that was written, at least in part, using that false information as guidance.

## Recommendations

The Coalition Against Illegal Hotels is accurate when stating that Local Law 18 does not amend existing state and city laws that define illegal STR activity. This very point underscores our call for a moratorium, aimed at revising the housing code language that unjustly subjects 1- and 2-family homeowners to safety standards originally designed for hotels, apartment buildings and multiple dwellings.

In light of these concerns, New York Homeowners Alliance Corp. recommends the introduction of a legislative amendment to Local Law 18, creating a carve out for 1- and 2-family dwelling owners, and support for a moratorium on Local Law 18 enforcement against said homeowners. This demographic was reportedly not the target of the legislation, as noted by CAIH in its initial [memorandum](#) in support of this law, specifically pointing to “buildings with three or more units.”

Additionally, the OSE is already overwhelmed by the volume of applications related to this law. As of now, less than 20 percent of the more than 4,000 applications could potentially be processed by the end of this calendar year, and maybe less, considering Mayor Adams’s recent announcement of 5 percent budget cuts across city agencies by [November](#), with an anticipated additional 5 percent early next year. Given this backlog, we anticipate that tourism will decline sharply, which, by estimates, could result in a loss of at least \$12 billion in direct visitor spending and a total economic impact of nearly \$20 billion. There have already been thousands of cancelations by tourists, and the prices of many NYC hotels—that are already at 90 percent capacity—have already doubled, and in some cases, tripled since September 5<sup>th</sup>, when Local Law 18 took effect.

This legislation, in its current form, will disproportionately benefit wealthy developers and investors, enabling them to transform regulated apartments into more profitable short-term rentals. This shift directly reduces the long-term rental market stock, intensifying the housing crisis.

## Conclusion

The Coalition Against Illegal Hotels, through its media affiliates such as Inside Airbnb, has perpetuated misinformation, casting homeowners in an unfavorable light, while turning a blind eye to the primary contributors to NYC's housing crisis.

We unequivocally support the provisions of Local Law 18 aimed at curbing the illicit activities of large-scale operators who transform apartment buildings into illegal hotels and wealthy investors who monopolize the city's housing stock. These are the true culprits who damage our neighborhoods and exacerbate the housing crisis. However, it is both misleading and inaccurate to lump 1- and 2-family homeowners, who live in their properties, into this category. According to court [filings](#) by the OSE, 1- and 2-family dwelling units represent a mere 15 percent of the city's housing stock (NYSCEF Doc. No. 71 at 32). This contradicts the aforementioned reporting and supports a carve out for owner-occupied dwellings that represent a significantly smaller portion of that data set. They are, quite clearly, *not* part of the problem targeted by this law, and any efforts to block our push for exemptions for these homeowners can only be seen as an attempt to exert undue control rather than solve the real issues at hand.

We urge the Council to act swiftly and thoughtfully, keeping the best interests of its constituents at heart. Mayor Adams has already expressed support for a moratorium on enforcement against small homeowners until a reasonable amendment can be legislated. In fact, he has recently [proposed](#) the loosening of restrictions for SROs and lifting of "limitations on small and shared units," which stands in direct contrast to the highly restrictive housing codes that serve as the pretext to the seemingly insurmountable OSE regulations. Common sense amendments to the law and housing codes are clearly the best path forward. Therefore, we ask that you support this initiative in good faith, and without undue influence from special interest groups that have clearly been acting in bad faith.

For further discussions, you can contact us at [info@nyhomealliance.org](mailto:info@nyhomealliance.org).

Sincerely,

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