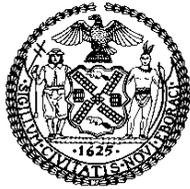


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**THE COUNCIL**

**Committee Report of the Infrastructure Division**

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**COMMITTEE ON HOUSING AND BUILDINGS**

Jumaane D. Williams, Chair

**January 20, 2015**

**Oversight: Short Term Rentals – Stimulating the Economy or Destabilizing Neighborhoods?**

## **Introduction**

On January 20, 2015, the Committee on Housing and Buildings, chaired by Council Member Jumaane D. Williams will hold an oversight hearing entitled “Short Term Rentals – Stimulating the Economy or Destabilizing Neighborhoods?” The Committee expects to receive testimony from representatives of the Mayor’s Office of Special Enforcement, short-term rental service providers, housing advocates, legal service providers, members of the real estate industry, and other interested members of the public.

## **Background**

For over a decade, there has been debate over the issue of the conversion of long-term occupancy residential buildings into short-term rentals or illegal hotels. Those in support of allowing conversions argue that short-term rentals help bring in additional revenue for homeowners and tenants,<sup>1</sup> stimulate the economy,<sup>2</sup> and provide greater affordability for visitors.<sup>3</sup> Opponents argue that short-term rentals are often illegal<sup>4</sup> and that they deplete the supply of affordable housing.<sup>5</sup>

In November 2006, the City established the Office of Special Enforcement (OSE) in response to the spread of illegal hotels in New York City. OSE was given citywide jurisdiction to coordinate enforcement efforts between several agencies, to inspect illegal hotel complaints. At that time, conversion of permanent residences into short-term rentals generally implicated section 4(8)(a) of the New York State Multiple Dwelling Law (MDL), which prohibited rentals

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<sup>1</sup> See Airbnb’s Economic Impact in New York City *available at* <http://blog.airbnb.com/airbnb-economic-impact/>.

<sup>2</sup> *Id.*

<sup>3</sup> See Elizabeth Harris, The Airbnb Economy in New York: Lucrative but Often Illegal, N.Y. Times, Nov. 3, 2013, available at <http://www.nytimes.com/2013/11/05/nyregion/the-airbnb-economy-in-new-york-lucrative-but-often-unlawful.html>.

<sup>4</sup> New York State Office of the Attorney General, Airbnb in the City 8 (2014) available at <http://www.ag.ny.gov/pdfs/AIRBNB%20REPORT.pdf> (hereinafter “AG’s Report”).

<sup>5</sup> *Id.* at 12.

of less than 30 days in “Class A” multiple dwellings<sup>6</sup>. The MDL then defined Class A multiple dwellings to be those occupied “as a rule, for permanent residence purposes.”<sup>7</sup> The City interpreted that to mean that buildings such as apartment houses, tenement houses, and some Single Room Occupancies must be used only for permanent residence.<sup>8</sup>

In 2007, short-term rental operators brought suit challenging the City’s interpretation of the MDL by arguing that the prohibition against conversion was ambiguous.<sup>9</sup> In 2009, the Appellate Division agreed and ruled that Class A buildings were not violating the MDL by allowing some dwelling units to be used for short-term rentals, provided that the majority of the dwelling units in the building were used for long-term occupancy.<sup>10</sup> This ruling made it difficult for OSE and DOB to enforce the MDL against illegal hotels.<sup>11</sup>

In response to the Appellate Division’s decision, the New York State Legislature passed legislation in July 2010 to clarify the terms of transient occupancy under the MDL. Chapter 225 of the Laws of 2010 defined the term “permanent resident purposes” as occupancy by a natural person or family for 30 consecutive days or longer.<sup>12</sup> However, State Law allows permanent occupants to rent out a room in their unit, provided the host also remains in the unit.<sup>13</sup> Visitors

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<sup>6</sup> New York State Multiple Dwelling Law §4(7). Multiple dwelling is defined as “a dwelling which is either rented, leased, let or hired out, to be occupied, or is occupied as the residence or home of three or more families living independently of each other.

<sup>7</sup> [AG’s Report](#) at 18.

<sup>8</sup> New York City Law Department, Office of the Corporation Counsel, *Owners of Three Upper West Side SRO Buildings Agree to Restore Buildings’ Use As Permanent Residences*, available at: <http://www.nyc.gov/html/law/downloads/pdf/Continental%20Settlement.pdf>

<sup>9</sup> See New York State Assembly Memorandum in Support of Legislation for Assembly bill number A. 10008 of 2010, available at [http://assembly.state.ny.us/leg/?default\\_fld=&bn=A10008&term=2009&Summary=Y&Memo=Y](http://assembly.state.ny.us/leg/?default_fld=&bn=A10008&term=2009&Summary=Y&Memo=Y)

<sup>10</sup> See *City of New York v. 330 Continental, LLC* 60 A.D3d 226 (1st Dept. 2009), available at: <http://www.newyorklawjournal.com/id=1202500597670?keywords=City+of+New+York+v.+330+Continental,+LLC&publication=New+York+Law+Journal>

<sup>11</sup> See New York State Assembly Memorandum in Support of Legislation for Assembly bill number A. 10008 of 2010, available at [http://assembly.state.ny.us/leg/?default\\_fld=&bn=A10008&term=2009&Summary=Y&Memo=Y](http://assembly.state.ny.us/leg/?default_fld=&bn=A10008&term=2009&Summary=Y&Memo=Y)

<sup>12</sup> See Section 1 of Chapter 225 of the Laws of 2010

<sup>13</sup> New York State Multiple Dwelling Law §4(8)(a)(1)(A).

are also permitted to stay in a permanent residential dwelling without the permanent occupant being there if no monetary compensation is given to the permanent occupant.<sup>14</sup>

Conversion of permanent residences to short-term rentals may also violate City laws. New York City prohibits changes made to a building that are not consistent with that building's certificate of occupancy (CO),<sup>15</sup> which describes the legal use and occupancy of a building.<sup>16</sup> If the building's CO does not authorize use as a transient hotel, then the property owner would be violating the law if he or she used the building for short-term rentals.

Local Law 45 of 2012 bars illegal conversions of dwelling units from permanent residences. It also classifies the illegal conversion of more than one permanent dwelling unit, or a subsequent violation for an illegal conversion at the same dwelling unit or building, as an immediately hazardous violation.<sup>17</sup>

Finally, operating short-term rentals in permanent dwelling units may violate the New York City Fire Code. Under the Fire Code, transient residential occupancies must follow more stringent fire protection requirements as occupants are less familiar with the layout of the building and may find it more difficult to evacuate the building quickly in an emergency.<sup>18</sup> Some of the more stringent fire protection requirements include the posting of diagrams on every guest room entrance door showing the route to two stairwells or other means of egress<sup>19</sup> and the provision of a lobby fire command center.<sup>20</sup>

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<sup>14</sup> New York State Multiple Dwelling Law §4(8)(a)(1)(B).

<sup>15</sup> New York City Administrative Code, Section 28-118.3.2

<sup>16</sup> See, New York City Department of Buildings, Certificate of Occupancy, *available at*: <http://www.nyc.gov/html/dob/html/development/certificates.shtml>

<sup>17</sup> Local Law 45 of the City of New York for Year 2012, *available at*: <http://legistar.council.nyc.gov>

<sup>18</sup> AG's Report at 23.

<sup>19</sup> New York City Fire Code 405.5

<sup>20</sup> New York City Fire Code 907.3

Complaints relating to illegal hotels are referred from the City Service Center at 311 to OSE.<sup>21</sup> Upon receipt of a complaint, OSE investigates the conditions by sending an inspection team to the location. If a violation exists, OSE can determine the proper enforcement action and issue DOB violations, Environmental Control Board (ECB) Notices of Violations (NOV), Fire Department violations, and Department of Health violations. ECB violations issued by OSE are referred to DOB's Administrative Enforcement Unit for prosecution.<sup>22</sup>

### **Spread of Short-Term Rentals**

Despite the legislative and enforcement efforts discussed above, the New York State Attorney General (NYAG) has found that short term rentals have continued to proliferate in New York City.<sup>23</sup> In response, the NYAG launched an investigation into Airbnb, a web platform that creates an online marketplace for short-term rentals. The investigation was started due to concerns that Airbnb users may be violating fire safety, zoning, tax and other applicable laws.<sup>24</sup> Under a data-sharing agreement<sup>25</sup> between Airbnb and the NYAG, Airbnb produced information about 497,322 transactions for stays occurring between January 2010 and June 2, 2014.<sup>26</sup> With this data, the NYAG released a report called "Airbnb in the City," which offers a snapshot of Airbnb users and how the platform is used. The report found:

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<sup>21</sup> Mayor's Office of Special Enforcement Testimony for December 13, 2011, *available at* <http://legistar.council.nyc.gov>

<sup>22</sup> *Id.*

<sup>23</sup> AG's Report, at 2.

<sup>24</sup> *Id.*

<sup>25</sup> This data sharing agreement, which was agreed to on May 20, 2014, resulted from NYAG serving a subpoena on Airbnb on May 14, 2014 for detailed information about rental transactions. *Id.* at 4.

<sup>26</sup> *Id.* at 4.

- The number of unique units booked for private short-term rentals has increased from 2,652 units in 2010 to 16,483 in just the first five months of 2014. Private bookings in New York City went from 20,808 in 2010 to an estimated 243,019 in 2014.<sup>27</sup>
- The NYAG estimates that private short-term rentals generated over \$500 million between the start of 2010 and middle of 2014.<sup>28</sup>
- NYAG estimates that short-term rental operators owe \$33 million in hotel taxes.<sup>29</sup>
- NYAG concluded that 72% (25,532 out of 35,354) of the private units used as short-term rentals on Airbnb violated the New York State Multiple Dwelling Law and/or the new York City Administrative Code.<sup>30</sup>
- Six percent (1,406 out of 25,463) of hosts acted as commercial users administering anywhere from 3 to 272 units apiece and earning \$168 million through short-term rentals. The other 24,057 hosts each offered no more than two unique units on Airbnb and earned \$283 million in revenue.<sup>31</sup>
- Since 2010, 124 commercial users controlled 10 or more unique units for short-term rentals. These units were rented out regularly and earned \$60 million.<sup>32</sup>
- The number of units dedicated primarily or exclusively for short-term rentals increased from 18 percent in 2010 to 38 percent in 2013. Airbnb's revenue increased from over \$270,000 in 2010 to \$10 million in 2013.<sup>33</sup>

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<sup>27</sup> *Id.* at 6.

<sup>28</sup> *Id.* at 7.

<sup>29</sup> *Id.* at 9.

<sup>30</sup> *Id.* at 2.

<sup>31</sup> *Id.* at 10.

<sup>32</sup> *Id.* at 11.

<sup>33</sup> *Id.* at 13.

- Over 4,600 residential units were primarily used as short-term rentals. Nearly 2,000 of these units were booked cumulatively for six months or more, making the units unavailable for long-term residents.<sup>34</sup>
- Neighborhoods that are undergoing gentrification accounted for the majority of the private short-term rentals in New York City. Bookings in three Manhattan neighborhoods (Greenwich Village/Soho, Chelsea/Hell’s Kitchen and Lower East Side/ Chinatown) accounted for more than 40 percent of the host revenue or approximately \$187 million.<sup>35</sup>
- The majority of the short-term rentals on Airbnb occur in units located in Brooklyn and Manhattan. Manhattan has 17,063 hosts who collectively received \$338 million in revenue for short-term rental of 23,711 unique units. Brooklyn has 7,891 hosts, 10,114 unique units and received \$100 million in revenue for short-term rentals. Queens, Staten Island, and The Bronx have 1120 hosts, 1,525 unique units, and received in revenue approximately \$12.2 million in short-term rentals.<sup>36</sup>

The NYAG findings clearly show a growth in short term rentals in New York City. This growth has resulted in fervent arguments in support and in opposition to such rentals. The main arguments are summarized below.

### **Arguments Made In Support of Short-Term Rentals**

Supporters urge that legal short-term rentals operating in the City provide numerous benefits to homeowners, renters, business owners, tourists and the economy. Legal short-term rentals include rooms rented in one- and two-family homes; rooms rented for less than 30 days in

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<sup>34</sup> *Id.* at 3.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 15.

an apartment where the lawful tenant is present; and rooms or apartments rented for 30 days or longer.<sup>37</sup>

### *Additional Revenue for Homeowners and Renters*

A third of the City's approximately three million households own their homes and two-thirds rent their homes.<sup>38</sup> According to a report prepared by New York State's Office of Budget and Policy Analysis, in 2012, 15.1% of New York State's homeowner households paid at least 50% of household income in monthly housing expenses.<sup>39</sup> According to New York University's Furman Center for Real Estate and Urban Policy, in 2012 more than one million of the City's renter households were rent burdened, meaning they paid more than 30% of household income in rent.<sup>40</sup> Of those one million renters, nearly 600,000 were severely rent-burdened, meaning they paid more than 50% of household income in rent.<sup>41</sup> Further, the median rent in the City rose by 11% from 2005 to 2012, while the median household income only rose by 2% during the same time period.<sup>42</sup>

Rising housing costs and stagnant wages have made housing unaffordable for many of the City's households. Short-term rental supporters suggest that operating short-term rentals might allow the City's financially burdened homeowners and renters to stay in their homes by providing such households with supplemental income. Anecdotally, several families have claimed that the supplemental income made by renting their home or apartment through short-

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<sup>37</sup> See Section 1 of Chapter 225 of the Laws of 2010.

<sup>38</sup> See New York University's Furman Center for Real Estate and Urban Policy's State of the City's Housing & Neighborhoods Report *available at* <http://furmancenter.org/research/sonychan/2013-state-of-new-york-citys-housing-and-neighborhoods-report>.

<sup>39</sup> See New York State's Office of Budget and Policy Analysis Report: Housing Affordability in New York State *available at* [http://www.osc.state.ny.us/reports/housing/affordable\\_housing\\_ny\\_2014.pdf](http://www.osc.state.ny.us/reports/housing/affordable_housing_ny_2014.pdf).

<sup>40</sup> See New York University's Furman Center for Real Estate and Urban Policy's State of the City's Housing & Neighborhoods Report *available at* <http://furmancenter.org/research/sonychan/2013-state-of-new-york-citys-housing-and-neighborhoods-report>.

<sup>41</sup> *Id.*

<sup>42</sup> See New York University's Furman Center for Real Estate and Urban Policy's The Cost of Renting in New York City *available at* <http://furmancenter.org/NYCRentalLandscape>.

term rental websites such as Airbnb or HomeAway has allowed them to pay their bills and stay in their homes.<sup>43</sup> Airbnb claims that from 2012 to 2013, 87% of the City's Airbnb hosts rented out the homes they lived in and that the typical host earned \$7,530 per year from such rentals.<sup>44</sup> Further, Airbnb claims that 62% of the City's Airbnb hosts say Airbnb helped them stay in their homes.<sup>45</sup>

### *Stimulate the Economy Outside of Traditional Tourism Areas*

According to NYC & Company, the official marketing, tourism and partnership organization for the City of New York, the hotel sector's expansion outside of traditional tourism areas, such as Mid-Manhattan, has been a key corollary to the increase in tourism in boroughs beyond Manhattan.<sup>46</sup> From 2006 through 2012, 95 hotels were built in Manhattan and 72 hotels were built outside Manhattan, which means that the hotel sector is expanding outside of traditional tourism areas.<sup>47</sup> Short-term rental proponents argue that short-term rentals outside of traditional tourism areas provide the City's visitors with even more options for accommodations. For example, Airbnb estimates that between 60% and 70% of hotel rooms are located in Mid-Manhattan, while 82% of Airbnb listings are located outside of Mid-Manhattan.<sup>48</sup> Of the Airbnb visitors to the City from 2012 to 2013, 188,600 (45%) stayed outside of Mid-Manhattan, 88,200 (21%) stayed in Mid-Manhattan, 118,400 (28%) stayed in Brooklyn, 16,200 (4%) stayed in Queens, 3,200 (1%) stayed in the Bronx and 1,400 (<1%) stayed in Staten Island.<sup>49</sup> Further,

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<sup>43</sup> Tim Murphy, Broke Creatives Now Afraid to Rent Their Apartments on Airbnb, *New York Magazine*, Oct. 23, 2013 available at <http://nymag.com/daily/intelligencer/2013/10/broke-creatives-now-afraid-to-host-on-airbnb.html>

<sup>44</sup> See Airbnb's Economic Impact in New York City available at <http://blog.airbnb.com/airbnb-economic-impact/>.

<sup>45</sup> *Id.*

<sup>46</sup> See NYC & Company's Report: New York City Tourism: A Model for Success available at [http://www.nycgo.com/assets/files/pdf/New\\_York\\_City\\_Tourism\\_A\\_Model\\_for\\_Success\\_NYC\\_and\\_Company\\_2013.pdf](http://www.nycgo.com/assets/files/pdf/New_York_City_Tourism_A_Model_for_Success_NYC_and_Company_2013.pdf).

<sup>47</sup> *Id.*

<sup>48</sup> See Airbnb's Economic Impact in New York City available at <http://blog.airbnb.com/airbnb-economic-impact/>.

<sup>49</sup> *Id.*

Airbnb estimates that Airbnb visitors generated \$632 million in economic activity for the City from 2012 to 2013: \$528 million in Manhattan, \$89 million in Brooklyn, \$12 million in Queens, \$3 million in the Bronx and \$955,000 in Staten Island.<sup>50</sup>

### *Greater Availability and Affordability for Visitors*

Tourism to New York City has increased substantially over the past few years. According to NYC & Company, there were 54.3 million visitors to the City in 2013, up from 37.8 million visitors in 2003.<sup>51</sup> Visitors to the City spent \$38.8 billion in 2013, up from \$18.5 billion in 2003.<sup>52</sup> The average hotel occupancy in the City in 2013 was 88.3%, compared to 76.3% in 2003.<sup>53</sup> The average daily rate for a hotel in the City was \$290 in 2013, compared to \$193 in 2003.<sup>54</sup> Airbnb has argued that its lower prices allow tourists on a budget to visit, when they otherwise might not be able to do so.<sup>55</sup> At least 400,000 visitors used Airbnb to stay in the City from 2012 to 2013.<sup>56</sup> Further, Airbnb claims that its visitors spend less money on lodging, allowing them to spend more money eating, shopping and exploring the City.<sup>57</sup>

### **Arguments Made In Opposition to Short-Term Rentals**

Arguments in opposition to short-term apartment rentals on home-sharing sites such as Airbnb, VRBO, Roomorama, NY Habitat and HomeAway fall into three main categories – (1) opponents argue that short-term rentals involve flagrant violation of State and City illegal hotel laws; (2) they claim that short-term rentals pose safety concerns for the neighbors of hosts; and

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<sup>50</sup> *Id.*

<sup>51</sup> See NYC Statistics available at <http://www.nycgo.com/research/nyc-statistics-page>.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> See Elizabeth Harris, The Airbnb Economy in New York: Lucrative but Often Illegal, N.Y. Times, Nov. 3, 2013, available at <http://www.nytimes.com/2013/11/05/nyregion/the-airbnb-economy-in-new-york-lucrative-but-often-unlawful.html>.

<sup>56</sup> See Airbnb's Economic Impact in New York City available at <http://blog.airbnb.com/airbnb-economic-impact/>.

<sup>57</sup> *Id.*

(3) opponents say that the proliferation of short-term rentals exacerbates the affordable housing shortage in New York City.

### *Illegal Hotel Law*

One critique of home-sharing sites offered by opponents is that apartment hosts are flagrantly violating the MDL. As noted above, in July 2010, the New York State Legislature clarified that the term “permanent residence” meant occupancy by a natural person or family for 30 consecutive days or longer.<sup>58</sup> Any occupancy for less than 30 days in which the lawful tenant is not present *and* will receive monetary compensation from the temporary occupant is considered a violation of this law.<sup>59</sup> The City has adopted a similar measure in the Administrative Code.<sup>60</sup>

At first glance, most home-sharing websites do not require that apartment hosts violate these laws in that the sites often offer the host-user options to rent an apartment for greater than 30 days. Airbnb, for example, warns its hosts to be mindful of any local laws or language in their lease agreements that may prohibit short-term rentals.<sup>61</sup> However, a user must follow a separate link in order to access these warnings.<sup>62</sup> Opponents of short-term rentals argue that, by providing a mechanism for illegal short-term rentals to be published and booked, these websites serve as an engine for violation of the law. The NYAG’s report on Airbnb appears to support this

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<sup>58</sup> See Section 1 of Chapter 225 of the Laws of 2010. The State Law does allow permanent residential occupants to have house guests, lawful boarders, roomers or lodgers. Visitors are also allowed to stay in a permanent residential dwelling without the presence of a permanent occupant so long as there is no monetary compensation given to the permanent occupant.

<sup>59</sup> *Id.*

<sup>60</sup> NYC Ad. Code § 27-2004(a)(8)(a).

<sup>61</sup> “Airbnb Responds to Questions About Hosts Breaking Local Laws,” Ron Lieber, *available at* <http://bucks.blogs.nytimes.com/2012/11/30/airbnb-responds-to-questions-about-hosts-breaking-local-laws/?ref=your-money>, Nov. 30, 2012.

<sup>62</sup> See generally, “Airbnb,” *available at* <https://www.airbnb.com/>.

position by finding that 72% of the site's listings for private, short-term rentals appear to violate some provision of the state and local laws prohibiting these rentals.<sup>63</sup>

Additionally, there are various building, fire, zoning and health code laws that illegal hotel operators might violate. For this reason, OSE includes representative inspectors from the Fire and Police Departments, the Departments of Buildings, Housing Preservation and Development, Environmental Protection and Health and Mental Hygiene.<sup>64</sup> Consequently, a host found to be violating the MDL may also find themselves subject to fines and penalties for violations of others laws as well.

### *Safety Concerns*

There are heightened construction and safety requirements for transient residential buildings, when compared to non-transient residential buildings. Short-term rental opponents argue that, since most short-term rentals are operating out of non-transient residential buildings, these buildings are almost certainly violating these safeguards. For example, transient residential occupancies have specific requirements for fire safety and evacuation plans, clearly marked exit paths and the installation of sprinklers in certain locations.<sup>65</sup> Opponents of short-term rentals hold that, because illegal hotel operators fail to abide by these additional safeguards, they place their guests and permanent residents at serious risk of harm.

### *Affordable Housing Shortage*

Opponents of home-sharing sites argue that they provide a platform for the illegal use of an apartment, which directly threatens the City's already strained permanent housing stock by

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<sup>63</sup> AG's Report, at 2.

<sup>64</sup> See, Executive Order No. 96 of 2006.

<sup>65</sup> 2013 Fire Code §§FC 404.2.1, 1001.2 and 903.2.

narrowing the market for this housing, contributing to the affordable housing crisis. Initial Findings from the 2011 Housing Vacancy Survey conducted by the Department of Housing Preservation and Development indicated that the City continues to suffer from a housing crisis with an apartment vacancy rate of just 3.12%. According to Senator Liz Krueger, the lead sponsor of the Illegal Hotels Law, “[t]his law wasn’t designed to address the illegal sublet issue, [i]t’s the illegal hotel-operation issue.”<sup>66</sup>

The Attorney General’s report found that of the 25,463 hosts captured during the review period, 1,406 hosts, or six percent, received more than one-third of the revenue generated during that timeframe, totaling \$168 million dollars.<sup>67</sup> Commercial hosts on Airbnb rented out spaces anywhere from three to 272 units.<sup>68</sup> The Attorney General estimates that at least 2,000 of the units it reviewed were booked for short-term stays over a period of six months or longer, which means that they were not likely being used as long-term housing for the remainder of the year. These long term rentals by commercial users accounted for over \$27 million dollars, or 38%, of fees paid to Airbnb.<sup>69</sup>

Opponents argue that the increase of illegal hotels exacerbates the affordable housing shortage by incentivizing owners to rent out available units on home-sharing websites rather than signing traditional lease agreements.<sup>70</sup> In three of Brooklyn’s most rapidly gentrifying neighborhoods – Bed Stuyvesant, Fort Greene, Bushwick and Greenpoint – Airbnb has

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<sup>66</sup> “Airbnb: hugely popular, still illegal,” Annie Karni, *available at* <http://www.crainsnewyork.com/article/20130512/TECHNOLOGY/305129987#>, May 12, 2013.

<sup>67</sup> *Supra*, n. 3 at 10.

<sup>68</sup> *Id.*

<sup>69</sup> *Id.* at 13.

<sup>70</sup> “De Blasio asked to crack down on Airbnb,” Andrew Haskins, *available at* <http://www.crainsnewyork.com/article/20140912/BLOGS04/140919950/de-blasio-asked-to-crack-down-on-airbnb>, Sept. 12, 2014.

approximately 2,000 listings.<sup>71</sup> The cost of rent in those same neighborhoods recently earned Brooklyn the designation as the least affordable housing market in the country<sup>72</sup> as rents have risen as much as 28% between 2006 and 2012.<sup>73</sup> As further support, the Attorney General's investigation noted a correlation between the neighborhoods of the City that experience the highest levels of short-term rentals and the neighborhoods experiencing higher rates of gentrification.<sup>74</sup>

### **Conclusion**

The use of long-term occupancy for short-term rentals, and the use of home-sharing websites to facilitate short-term rentals, has become increasingly contentious in NYC, with some claiming that the practice is a useful way to supplement their income and others claiming that it reduces the supply of housing and the number of affordable units. At today's hearing, the Council would like to gather additional information about the effect that these short-term rentals and home-sharing sites have on New York City and explore ways to mitigate any damage caused by such uses.

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<sup>71</sup> "Public Advocate Letitia James blasts Airbnb for making Brooklyn 'least affordable' housing market in the nation," Annie Karni, *available at* <http://nydn.us/1wns4xh>, December 12, 2014.

<sup>72</sup> "Brooklyn Is the Least Affordable Housing Market in the Country," Joe DeLessio, *available at* <http://nym.ag/1I4ygAi> via @intelligencer, December 4, 2014.

<sup>73</sup> AG's Report, 62.

<sup>74</sup> AG's Report, at 16. The Attorney General's report states that "[t]he Lower East Side was the most rapidly gentrifying neighborhood in New York City (based on the spread between median rents of new residents compared with all renters)." The Lower East Side was also listed as one of the top three most popular community districts based on the number of rentals.