



NEW YORK STATE SENATOR

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## Forwarding: Mayor's Office of Special Enforcement Secures \$1.2 Million in Settlements from Illegal Short-Term Rental Lawsuits

BRIAN KAVANAGH August 10, 2021

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New York—The Mayor's Office of Special Enforcement (OSE) secured more than \$1.2 million in settlements in three illegal short-term rental lawsuits. The three lawsuits involved short-term rental operations and other illegal uses of the City's housing for private gain, with operators illicitly earning hundreds of thousands of dollars while taking much-needed rental units out of the market, including rent-stabilized apartments.

"Illegal short term rental operations take many forms, but OSE is here to hold the owners and operators accountable for their actions and to preserve housing for New York City families," said **Christian Klossner, Executive Director of the Office of Special Enforcement**.

"Today's settlements send a clear message that illegal hotels will not be tolerated in our city and those who operate them will be punished," said **City Council Speaker Corey Johnson**. "I'm proud that the Council voted to strengthen the Office of Special Enforcement to make it easier to find lawbreakers. Illegal hotels are a nuisance in our communities and take away affordable housing at a time when we need it desperately. I thank the Office of Special Enforcement for their work on this issue, as well as the de Blasio Administration and my colleagues at the Council for their steadfast commitment to putting these illegal hotels out of businesses."

A settlement of \$516,000 was reached in a lawsuit against operator Rose King, which is approximately the amount of money King generated through Airbnb rentals. King created more than 30 different Airbnb host accounts, which she used to advertise and operate illegal short-term rentals in at least a dozen of the 60 units of residential housing located in three buildings on Manhattan's Lower East Side.

In a separate case, the City obtained a \$700,000 settlement against Big Apple Management LLC, which it alleged permitted illegal short-term rentals in dozens of apartments across seven buildings in the heart of Manhattan's Hell's Kitchen neighborhood, and the owners of those buildings. The settlement with Big Apple Management and the owners also consists of a permanent injunction and covers more than 90 units in the seven buildings sued by OSE, as well as five separate buildings with 33 apartments that were not part of OSE's suit.

The City also reached a settlement with SoHo Lofts NYC LLC, a company that was one of several defendants in a case involving illegal short-term rental activity in four East Village

apartment buildings. The owners of the buildings, 219 Av A NYC LLC, allowed a variety of illegal uses to displace permanent residents, including allowing SoHo Lofts to broker "co-living" arrangements in more than 10 units throughout the four buildings, some of which were rent-stabilized. SoHo Lofts was found to be operating units that had been illegally converted into multiple sub-units and which were advertised as rentals "in Manhattan's most desirable neighborhoods."

OSE's settlement of the City's claims against SoHo Lofts consists of a permanent injunction and a settlement payment of \$10,000. SoHo Lofts has also agreed to provide the City with access to its entire portfolio of rental apartments so the City can investigate whether the firm currently possesses additional rent-stabilized apartments. Should the City discover that SoHo Lofts is occupying rent-stabilized units, SoHo Lofts has agreed to vacate those apartments and return them to the housing market within 30 days.

New York City law prohibits the use of permanent residential units for rentals of fewer than 30 consecutive days, and State law prohibits advertising such use when the units are in a Class A multiple dwelling (3 or more units). Short term rentals where a host is staying with up to two short term guests generally not violate these laws, although may violate other laws, lease provisions, and building rules.

"The City's ongoing enforcement of laws against illegal hotels is an important aspect of our larger efforts to ensure that all New Yorkers have access to high-quality, safe, and affordable housing," said **State Senator Brian Kavanagh, chair of the Senate Housing Committee**. "I applaud the Mayor's Office of Special Enforcement for its vigilance in pursuing landlords who seek to further deplete the city's affordable housing stock by illegally converting apartments into short term rentals. Hopefully, legal actions like this one will send a message to others who might choose to ignore these laws that such behavior will not be tolerated. I look forward to continuing to work with the Mayor's Office of Special Enforcement, as well as with my

colleagues at all levels of government, to prevent these types of abuses going forward."

"Once again we see just how prevalent the problem of illegal short-term rentals is in our city," said **State Senator Liz Krueger**. "Commercial operators are raking in millions of dollars while illegally taking units off the market that should be homes for regular New Yorkers, and pushing up rents for everyone else. I congratulate OSE on this significant victory, and thank them for continuing to pursue these important cases."

"It is critical to preserve what affordable and rent stabilized housing we have," said **Assembly Member Harvey Epstein**. "OSE's efforts saved over 225 units of housing and stopped this illegal behavior from landlords who are trying to avoid rent regulation."

"This incredible success by the Office of Special Enforcement shows how effective legal strategy by the City affects the lives of New Yorkers and renters alike. By ensuring that rent regulated apartments are rented by people looking to permanently live in those spaces, we are maintaining affordable housing and giving working New Yorkers a chance to remain living in their communities. I am pleased to hear that SoHo Lofts will be returning their spaces, which are illegally rented, back to their original status and long-term tenants will find an opportunity to live in downtown neighborhoods. I commend the Office of Special Enforcement on their terrific work," said **Assembly Member Deborah Glick**.

"For over ten years, the city, and OSE in particular, has worked consistently to end illegal hotel activity and return units back to affordable and rent regulated housing," said **Assembly Member Richard Gottfried**. "This latest success, for approximately 225 units in 35 buildings in Manhattan, is especially significant."

"We are in the midst of a prolonged housing and homelessness crisis, made worse by the COVID-19 pandemic. Any housing unit that is intentionally and illegally held back from the

market for use as an illegal hotel for tourists only deepens that crisis and ensures that the number of New Yorkers who live on the street or in shelter with the families continues to rise. I am grateful that the New York City Office of Special Enforcement (OSE) for continuing to do the important work of rooting out illegal hotel activity whenever it rears its head. We must take back our housing units so they can be used as homes," said **Assembly Member Linda B. Rosenthal**, author of the state law to ban advertising of illegal hotels.

"I am immensely happy to see city resources working to protect affordable units and hold greedy and unlawful landlords accountable," said **Council Member Margaret Chin**. "Residents neighboring the District 1 buildings in this settlement have known for a long time about these illegal short-term rentals, and I am very glad that the city is taking legal action against SoHo Lofts. It is abhorrent to monetize our city's rent-stabilized units as short-term rentals when so many families desperately need affordable housing. I will advocate for the aggressive pursuit of illegal operators like Rose King, who misused residential units in the Lower East Side by advertising them on Airbnb. The complete return of revenue from her illegal short-term rentals is a victory for District 1 and the city as a whole, and I hope this sends a message that this criminal activity will be swiftly prosecuted."

"The Office of Special Enforcement and New York City are not messing around," said **Council Member Ben Kallos**. "These recent settlements prove that we are doing a lot to combat tenant harassment and any other malfeasance committed by landlords. This is a City of renters and we need to protect every single unit we can against being used as an illegal short-term rental. The word is out now, do not engage in this type of behavior with illegal short-term rentals or the City may be coming for you sooner than you think."

"I am grateful to the Mayor's Office of Special Enforcement for their work to preserve affordable housing in our communities," said **Council Member Carlina Rivera**. "For too long, bad actors have robbed our housing stock of rent-regulated units in order to turn a higher

profit on short-term rentals. These settlements finally bring accountability to corporate tenants who haven't been good neighbors, and return affordable housing opportunities to the communities that need them most. I'm proud to have worked with the Mayor on groundbreaking legislation to address this issue, and look forward to continuing to work together to protect our affordable housing."

"As tens of thousands of New Yorkers sleep in homeless shelters, building owners are profiting from illegal hotel stays in apartments that are supposed to be homes," said **Council Member Helen Rosenthal**. "But we are fighting back -- and the most recent settlements obtained by the Office of Special Enforcement mean that hundreds of apartments will again be available for New Yorkers who need a home. I want to thank Mayor de Blasio and Executive Director Klossner for staying with the fight to protect our housing stock from illegal conversion -- of profound importance as New York City continues to undergo an affordable housing crisis."

"The City's and this administration's dedication to preserving NYC's affordable housing is to be applauded," said **Tom Cayler of the West Side Neighborhood Alliance**. "OSE's strategy to not only acquire fines, but, and more importantly, to retain Rent Stabilized housing demonstrates the City's commitment not only stop illegal hotels, but to prevent illegal uses from defacto De-Regulating protected housing. This is something DHCR and the state have proven themselves incapable of doing."

"St. Nicks Alliance applauds the Mayor's Office of Special Enforcement for their arduous and effective labor ensuring that rent regulated apartments continue to be accessible to New Yorkers in need of those units and not lost to illegal hotels," said **Rolando Guzman, Deputy Director of Community Preservation**.

"Speaking on behalf of my neighbors, we are incredibly hopeful to not have to experience another Airbnb nightmare in Hell's Kitchen and Chelsea," said **Chris LeBrón, President of the W47th St Tenant's Association**. "The loss of affordable apartments and the loss of neighbors cannot be adequately measured in a dollar penalty but \$700,000 sure is a great deterrent to other bad faith housing actors."

"For years, commercial operators such as SoHo Lofts have relied upon illegal short-term rentals as a business model, removing affordable apartments from the housing market & transforming residential buildings into transient hotels. We applaud the efforts of the Mayor's Office of Special Enforcement (OSE) and their legal team in continuing to target these bad actors & proactively address these issues at the neighborhood level," said **Yonatan Tadele, Housing Organizer, Cooper Square Committee**.

### **About the Mayor's Office of Special Enforcement**

The Mayor's Office of Special Enforcement (OSE) promotes public safety, community, livability, housing affordability, and other issues concerning those who live in or visit New York City. The multi-agency team provides innovative, solutions-oriented enforcement against harmful illegal industries and activities that one agency alone cannot address. Our dedicated and highly qualified law enforcement professionals, inspectors, investigators, and attorneys promote public safety through enforcement and by proactively fostering community relationships through educational outreach. For more information, visit [www.nyc.gov/ose](http://www.nyc.gov/ose).

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