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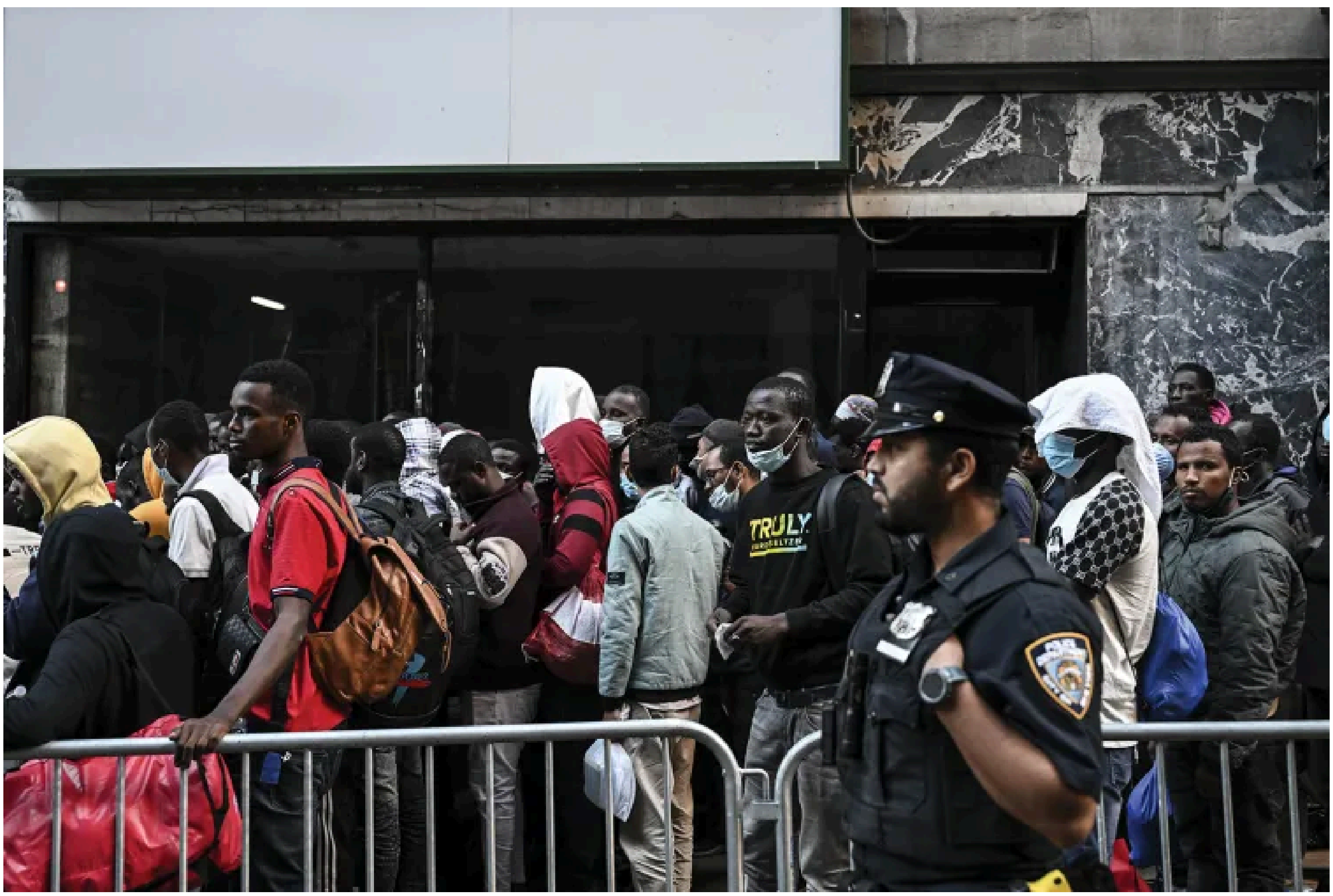
New York City's Migrants Surge Enlists a Reluctant Commercial Real Estate Industry

Any real solution would have to come from federal policy changes, leaders say

BY REBECCA BAIRD-REMBA SEPTEMBER 18, 2023 6:00 AM



MIGRANTS OUTSIDE OF THE ROOSEVELT HOTEL IN MANHATTAN IN AUGUST.

PHOTO: FATIH AKTAS/ANADOLU AGENCY VIA GETTY IMAGES declared that the migrant crisis — which has drawn at least 110,000 immigrants seeking asylum — would destroy New York City, shocking New Yorkers and outside observers alike.

"Let me tell you something, New Yorkers, never in my life have I had a problem that I did not see an ending to. I don't see an ending to this," he declared. "This issue will destroy New York City. We're getting 10,000 migrants a month."

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Two days later, his administration sent out a letter notifying all city agencies that they would be subject to another round of across-the-board budget cuts — 5 percent this fall, followed by two more 5 percent cuts in the spring — for a 15 percent overall cut in city spending over the next several months. Adams has argued that the migrant crisis could cost the city $12 billion over the next two years.

The city budget office claims that it will cost $2.3 billion for the current fiscal year 2024 to house and feed asylum seekers, plus $4.1 billion in the next fiscal year. However, the independent Fiscal Policy Institute found that the 15 percent budget cut would result in a $9.6 billion reduction in spending for this year and a $9.7 billion cut in the next one. The proposed cuts would result in a more than $2 billion reduction in spending for the Department of Education, and a $1.4 billion reduction for the Department of Social Services, which handles food stamps, rental assistance and other subsidy programs for the city's poorest residents.

request for 15 percent cuts across all agencies — which totals $10 billion in cuts in one year — significantly overstates the fiscal impact of migrant arrivals," said Nathan Gusdorf, the executive director of the Fiscal Policy Institute, in a statement. He pointed out that the city assumes it will continue paying $383 per household each night to house migrants in hotels, disaster relief shelters and other facilities for the next two years. This estimate assumes "that no progress is made on finding efficiencies in housing or work permits," Gusdorf noted.

Several thousand hotel rooms across the five boroughs have been turned into shelters for asylum seekers, mostly funded through a contract with the Hotel Association of New York City Foundation. The group is the philanthropic arm of the city's largest hotel trade organization, representing 300 hotels with 80,000 rooms. The original $238 million contract covered about 55 hotels that would house "at least 5,000 migrants," *The New York Post* reported in January. The scale of the contract has since grown, with more than 100 hotels now housing migrants, according to Vijay Dandapani, the head of the Hotel Association of New York City.

Hotels in the contract include Midtown's Roosevelt Hotel — outside of which hundreds of migrants slept on the sidewalk for days waiting to be processed in early August — the Redbury Hotel in NoMad, and the Collective Paper Factory in Long Island City, Queens, which just traded at a loss last month.

"The hotel industry is not back," Dandapani explained. "If it were, you would not have a bunch of hotels trying to get this business. At the end of two or three years, your rooms will be destroyed — furniture, drapes, bathroom, it all has to go."

He noted that 7,000 rooms are still closed and 11,000 rooms are housing asylum seekers. Even with migrants propping up the city's hotel business, hotel percent throughout this year. Hotels associated with major brands like Hilton and Marriott used to sell for $500,000 per room, and now their owners are lucky if they can fetch $200,000 per room, he said.

“Based on the horizon that they see right now, this is the optimal position,” said Dandapani. “Every single hotel that we’ve come across has taken a considered look at this. Your heating bill is going to go up, your lobby air conditioning is going to go up. Even after all of that, they still consider it.”

The city has managed to avoid publicizing the details of many of its contracts with hotels and other landlords, largely by signing the contracts with the New York City Health + Hospitals (H+H) Corporation rather than the city’s social services or emergency relief agencies. While many of the hotels-turned-shelters are paid for through the Hotel Association’s contract with the public hospital system, some hotels have signed direct contracts with H+H.

A report released by the city comptroller’s office in March confirmed contracts with owners of the Wolcott Hotel on West 31st Street in Koreatown, the Watson Hotel on West 57th Street in Hell’s Kitchen, and the Stewart Hotel on Seventh Avenue near Pennsylvania Station. The city has released relatively few details about the hotel contracts via public records requests from reporters. However, *The New York Times* reported in March that the city paid Stewart Hotel owner Patriarch Equities — which includes Isaac and Eli Chetrit and Ray and Jack Yadidi of Sioni Group — $200 a night for the 611-room property. If the city rented out the entire hotel, it would be paying $3.6 million a month. The building had been slated for a residential conversion.

The city has also constructed 13 Humanitarian Emergency Response and Relief Centers (HERRCs), which are essentially large disaster relief tents with rows of cots, dining areas, and trailers parked on-site for bathrooms and showers. The at the HERRCs is likely to be even higher than the cost of a hotel, which was $339 per night in March. The HERRCs have, so far, been funded through a $310 million contract with H+H. A pair of Texas-based disaster relief contractors, SLCO and Garner Environmental Services, received two contracts last November totaling $165 million to help construct and operate the emergency shelters. The city, however, is seeking even more subcontractors to set up the HERRCs, according to a notice published in *The City Record* last month.

"I wish the HERRC contracts weren't under Health + Hospitals," said Christine Quinn, a former City Council speaker who now runs homeless services organization WIN. "Because H+H is an off-budget agency, there's less transparency than there would be if they were under the Health Department or DHS."

She argued that the city should be using housing vouchers rather than hotels to house migrants.

"The best way to get these folks housed is to get them a housing voucher so they can pay their rent in the private sector," Quinn said. "Housing vouchers are the cheapest way to house people — $72 a night. Hotels, where you get the least amount of service — $383 a night. Why would we want to spend more and get less, and not get permanent housing? We could save about $3 billion."

The Adams administration has also been fighting lawsuits on multiple fronts, both to overturn its requirement to shelter asylum seekers and to force the counties surrounding New York to house migrants. The state and the city have been fighting in court over New York City's right to shelter, which dates back to a 1981 consent decree requiring the city to provide unhoused New Yorkers with a place to sleep. Gov. Kathy Hochul has said she will not compel other cities and towns to house migrants, and her lawyers have sent letters detailing the state's boroughs.

While the state has pitched nearly two dozen of its properties to the city for shelters, the Adams administration has deemed only a handful acceptable for housing asylum seekers. Those sites include the defunct Lincoln Correctional Facility in Harlem, a hangar at JFK Airport and the parking lot of the half-abandoned Creedmoor Psychiatric Center in Queens. The city has recently completed HERRC shelters for 4,000 people at Creedmoor and on Randalls Island, and is working on another at Floyd Bennett Field in southern Brooklyn. Floyd Bennett is controlled by the National Park Service and required an agreement with the federal government.

However, the mayor, the governor and New York's most powerful business leaders are united on one point — demanding that the federal government step in and help. While New York officials want more federal funding, they are desperate for President Joe Biden to grant temporary protected status to the asylum seekers, particularly those who have fled violence and unrest in Venezuela and make up an estimated 40 percent of the current migrant population in New York City. The status would allow migrants to obtain work permits much faster.

Kathryn Wylde, head of the Partnership for New York City, a group that represents the city's largest companies as well as major real estate firms like Silverstein Properties and Newmark, said she believes that allowing fast-tracked work permits might help solve some of the underlying issues at play.

The surrounding New York counties "won't accept people because they can't go to work," Wylde argued. "It's an entirely different conversation if people can get work permits. The idea is for people to get temporary protected status to go to temporary protected status for Venezuelans."

Wylde and her membership penned an open letter to President Biden and congressional leaders on Aug. 28, demanding more federal funding for food and shelter and expedited federal processing of asylum applications and work permits.

She emphasized that her organization does not support the right to shelter for asylum seekers.

"We support New York being a sanctuary city, and across the country there are a couple dozen sanctuary cities," explained Wylde. "They can go to our hospitals, they can register their kids in our schools, and they won't get turned over to ICE. That's very different from promising to take care of the world and providing food and shelter to tens of thousands or hundreds of thousands.

"We do not support the right to shelter for people who are not residents of the city. We've got to stop the influx, and the only way to do that is for the federal government to take action and for the city to clarify that the right to shelter does not apply to this migrant population."

Two state legislators — Queens Assemblywoman Catalina Cruz and Bronx Sen. Luis Sepúlveda — have introduced a bill aimed at allowing the state to issue temporary work permits to noncitizens. It's unclear if the state has the authority to do this, because it would be an end-run around federal immigration law regarding work permit rules. State Sen. Zellnor Myrie also pitched a city version of the federal work permit program, modeled off the IDNYC program that allows undocumented immigrants to get a local photo ID.

The city, meanwhile, has announced efforts to help more migrants apply for both asylum and work permits, and the federal government has ramped up

New York City.

The White House also vowed earlier in September — around the time of Mayor Adams's remarks — to "work with New York state and New York City on a month of action to help close the gap between noncitizens who are eligible for work authorization and those who have applied, to meet labor needs in New York."

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