

1996 INCOME AND EXPENSE STUDY

The Rent Guidelines Board (RGB) has analyzed changes in the costs of operating rental apartment buildings in New York City since the enactment of the Rent Stabilization Law in 1969. For many years staff effort was focused on the Price Index of Operating Costs (PIOC), which uses survey data to track changes in operating and maintenance (O&M) costs. In turn, the Board relied heavily on the PIOC and other indices in determining annual rent increases for stabilized apartment buildings.

Despite on-going complaints from both tenant and landlord groups, the accuracy of the PIOC could not be reliably gauged until 1990. In that year, RGB staff acquired new data that permitted independent verification of the PIOC's accuracy: income and expense (I&E) statements, filed annually by owners of "income producing" properties with the Department of Finance. These I&E statements contain detailed information on revenues and costs in rent stabilized buildings. They are

particularly useful because they comprise both cross-sectional data, reflecting the condition of rent stabilized housing stock in a given year, and longitudinal data, which reflect changes in the condition of buildings which have filed I&E forms in at least two successive years.

LOCAL LAW 63

The existence of income and expense data for rent stabilized properties stems from Local Law 63, enacted in 1986. This statute requires owners of income producing properties in New York City to annually file Real Property Income and Expense (RPIE) statements with the Department of Finance. Although the law exempts certain properties, including cooperatives, condominiums, buildings with an assessed value below \$40,000 and those with fewer than 11 units, from filing, the financial characteristics of thousands of rent

SUMMARY

The 1996 Income and Expense Study indicates greater financial health in New York's rent stabilized housing stock for 1994. This improvement was fueled by growth in rents (4.5%) and incomes (4.7%) which outpaced increases in expenses (2.5%) over the year. Increased collections of residential and commercial rents, rather than increases in contract rents, primarily spurred this surge in revenues. As rent and income growth accelerated over the year, operating expenses remained fairly stable, rising at a similar pace to that observed in 1993. Overall, these trends propelled net operating incomes nearly to levels experienced in 1989, before New York's economy and real estate markets were beset by recession.

This year's longitudinal data also indicate that, in contrast to previous years, operating costs measured by I&E data rose faster (2.5%) than PIOC-measured costs in 1994 (1.6%). Between 1989 and 1994, costs reported in I&E filings rose by 21% while those measured by the PIOC grew by 27%. This may mean that the PIOC provides more accurate findings under better economic conditions, although additional years of study are required before this can be definitively proven.

Average rent per unit: \$564
Average rent, pre-war buildings: \$511
Average rent, post-war buildings: \$703
Average gross income: \$628

Average rent, residential only buildings: \$540
Average income, residential only buildings: \$555

Average expenses per unit: \$415
Average audit-adjusted expenses: \$381
Average expenses, pre-war buildings: \$386
Average expenses, post-war buildings: \$490

Average expenses, residential only buildings: \$381
Avg. audit-adjusted expenses, residential only bldgs: \$350

stabilized buildings throughout New York are annually catalogued in RPIE returns. While data on individual properties is strictly confidential, Local Law 63 does allow the Finance Department to release summary statistics of annual RPIE data.

Over the last seven years Finance has provided the RGB with summary data for a random sample of rent stabilized properties. Samples in the first two studies were limited to 500 buildings, because RPIE files were not automated. Four years ago, following the computerization of all I&E filings, the sample size was increased to over 10,000 properties.

METHODOLOGY

1996 marks the seventh year that RGB staff has used RPIE income and expense data to monitor conditions and trends in New York's rent stabilized apartment buildings. Longitudinal data is particularly useful in this regard, because it traces actual revenues and costs (as reported by building owners) for the same properties over a number of years. This in turn provides an accurate gauge of the PIOC's recent performance in measuring changes in operating costs in the stabilized housing market.

The 1996 Income and Expense Study extends this process of data verification by examining the veracity of RPIE information itself. This is accomplished by comparing RPIE information with data from Tax Commission Income and Expense (TCIE) forms submitted to the New York City Tax Commission by owners of stabilized properties who protested their tax assessments in 1995.

The data used in this report was primarily summarized from 1995 RPIE forms returned to the Department of Finance by building owners. Longitudinal data encompasses properties which filed RPIE forms in both 1994 and 1995. However, analysis of filing dates indicates that RPIE averages reflect conditions occurring around July of the calendar year in question, so that this year's longitudinal study measures changes in costs and income from July 1993 to July 1994.

This year 12,834 and 11,446 buildings were respectively analyzed for the cross-sectional and longitudinal I&E studies. Figures were produced by

matching a list of 39,000 rent stabilized properties registered with the New York State Division of Housing and Community Renewal (DHCR) with a list of buildings which had filed a 1995 RPIE statement (or 1994 and 1995 statements for the longitudinal sample). Buildings on the RGB list were excluded from both samples for the following reasons:

- They contained fewer than 11 units. Owners of buildings with fewer than 11 apartments (without commercial units) are not required to file I&E forms;
- Owners did not file a 1995 RPIE form for the cross-sectional study, or a 1994 and a 1995 RPIE form for the longitudinal study;
- No unit count could be found on completed RPIE filings;
- No "apartment rent" was recorded on the RPIE forms. In these cases forms were improperly completed or the building was vacant;

Three additional methods were used to weed out inaccurate building information which could have distorted the final results:

- In prior I&E studies, Finance used the total number of units from the RPAD (assessed value) file to categorize buildings by size and location. In many instances, it was discovered that the unit counts on RPIE forms were different than those on the RPAD file. Following a review of both sources, RGB staff ultimately decided that residential counts from the RPIE form were more reliable.
- Average monthly rents for each building was tested to control data quality. Using averages from the 1993 HVS, RGB staff provided Finance with rent intervals for each borough. Buildings with average rents outside of the ranges were removed from both samples. This year, 454 buildings were expelled from both samples for this reason. Most (286) of these buildings were expelled for having average rents below \$100 per month, although 126 buildings with average rents in excess of \$2000 per month were also removed.

- Buildings in which operating costs exceeded income by more than 300% were excluded from both the cross-sectional and longitudinal samples. Eighteen properties were excluded from each sample for this reason. Among these buildings, operating costs were eight times higher on average than income in 1994. In half of these properties, costs were eleven times higher than income.

As in prior studies, after compiling both samples, Finance categorized sample data into "cells" reflecting particular types of rent stabilized buildings throughout the five boroughs (such as structures with 20-99 units built in Brooklyn before 1947).

The Department of Finance keeps computerized information on all properties which filed Tax Commission Income and Expense (TCIE) forms with the Tax Commission in order to appeal their property taxes in a public hearing. Since TCIE forms do not have to be filed by owners of residential buildings with fewer than eight units in order to protest their assessments, the

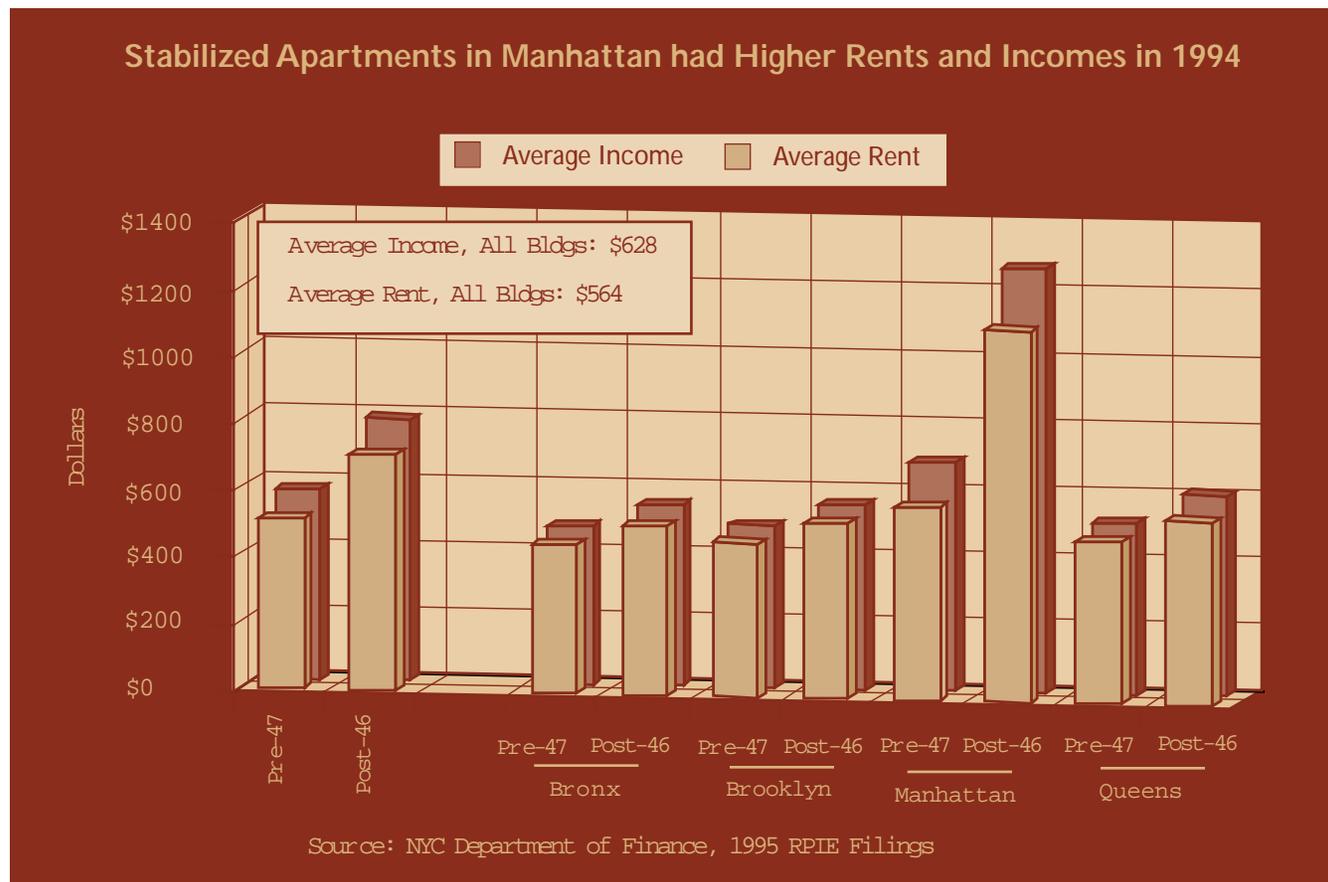
mass of stabilized buildings which file TCIE forms in a given year is similar to those traditionally analyzed in the Income and Expense Study. In 1995, roughly 9,000 rent stabilized buildings filed TCIE forms with the Tax Commission. As with RPIE filings, this data reflects conditions in effect during 1994.

CROSS SECTIONAL STUDY

RENTS

The 1994 average monthly rent collected by owners of rent stabilized apartment buildings was \$564 per unit. Rents for Post '46 units were substantially higher (\$703) than those for pre-war units (\$511). As in prior years, average rents were highest in Manhattan (\$695), followed by Queens (\$525), Brooklyn (\$474) and the Bronx (\$457).

The sheer size of both the cross-sectional and longitudinal samples (each over 500,000 dwellings) allows reliable statistics to be calculated for rent, income and costs



in most of the building types encountered throughout New York's boroughs. The chart on the previous page summarizes average rents and incomes for each of the building categories examined in the I&E study.

Average rents obtained from RPIE filings tend to be lower than measures of mean contract rent obtained from both the triennial New York City Housing and Vacancy Survey (HVS) and the New York State Division of Housing and Community Renewal (DHCR). The crux of the difference between the two measures is that RPIE data accounts for vacancy and collection losses. Average contract rents from the HVS and DHCR registration data merely reflect contract rents, which may not be collected in full due to vacancies or non-payment of rent. Additionally, RPIE information reflects rents collected over a 12-month period, while HVS figures pertain only to the first three months of any given year.

Last year, mean contract rents from the 1993 HVS were roughly 6.1% higher than average rents from 1993 RPIE filings. Unfortunately, a similar comparison for 1994 data cannot be undertaken until the completion of the 1996 HVS. However, the 1994 average rent from I&E filings (\$564) was 12% lower than the mean contract rent for stabilized apartments registered with DHCR in 1994 (\$642). This represents a decline of one percentage point from the 13% "gap" observed between the two indices in 1993.

The shrinkage of the gap between average rent collections and mean contract rents may herald lower vacancy and collection losses in the stabilized housing market. Smaller "gaps" between I&E and DHCR average rents may indicate that owners are collecting more of the stabilized rents they are legally entitled to charge, due to lower vacancies, fewer "preferential rents" or fewer non-paying tenants. Part of the observed decrease in the "gap" may also reflect a drop in the number of rent-controlled apartments.

Historically, the disparity between the two measures has been falling steadily since 1991, when average I&E rents were 15% lower than the DHCR mean contract rent. The decline in the "gap" stems from the fact that rent collections consistently grew faster than contract rents after 1992, as documented in the table on this page. Ironically, growth in rent collections exceeded the rise in the RGB's own rent index for 1994 (2.9%), which tracks maximum allowable rent increases that result

Rent Collections Continued to Outpace Contract Rents in 1994

Year:	DHCR Rents	RPIE Rents	RGB "Rent Index"
1990-91	5.2%	3.4%	4.2%
1991-92	3.8%	3.5%	3.9%
1992-93	2.8%	3.8%	3.1%
1993-94	3.1%	4.5%	2.9%

Source: NYC Dept. of Finance and NYS Division of Housing and Community Renewal

from Rent Guidelines Board orders for a given year. This further strengthens the theory that property owners are reaping greater revenues partly as a result of reduced vacancy and collections losses rather than outright rent increases.

Many owners of rent stabilized apartment buildings augment their revenues by selling services to their tenants as well as by renting commercial space. 1995 RPIE filings show an average gross income of \$628 per rent stabilized unit in 1994. This figure encompasses rent from stabilized apartments as well as the sales of services (e.g. laundry, garages/parking) and commercial income. Such proceeds constituted roughly 11% of the total income earned by building owners in 1994. Manhattan owners especially benefit from commercial income, with 16% of their revenues coming from commercial units and services. The respective figures for the other boroughs are 7% in Queens, 6% in the Bronx and 5% in Brooklyn.

OPERATING COSTS

In addition to revenues, RPIE filings include data on eight types of operating costs. In contrast to revenues, however, this data does not distinguish between costs for commercial space and those for apartments, making the calculation of "pure" residential operating and maintenance costs impossible. Thus, the residential O&M costs reported below are rather high because they include maintenance costs for commercial space.

The average monthly operating and maintenance cost for all rent stabilized units was \$415 in 1994. Costs were

substantially higher for Post '46 units (\$490) and much lower for the pre-war stock (\$386). In the boroughs, costs parallel rents - lowest in the Bronx (\$340) and highest in Manhattan (\$516). The chart below shows costs according to building age.

Over the past six years, the Department of Finance and RGB staff have extensively scrutinized RPIE expense data for accuracy. Assessments of early samples indicated that more than half (55%) of "miscellaneous" costs were actually administrative or maintenance costs, while another 15% were not valid business expenses. Finance explored these findings further in 1992 by conducting thorough audits on the income and costs of forty six rent stabilized properties.

The auditors ultimately found that owners overstated O&M costs in RPIE filings by about 8%. Costs tended to be less accurately recorded in small (11-19 units) and medium (20-99 units) sized buildings (overstated by 13% and 9% respectively). Expenses in large (100+ units) buildings appeared to be more accurate (overstated on average by only 2%), but remain somewhat inconclusive since several owners of large stabilized properties refused to cooperate with Finance's assessors.

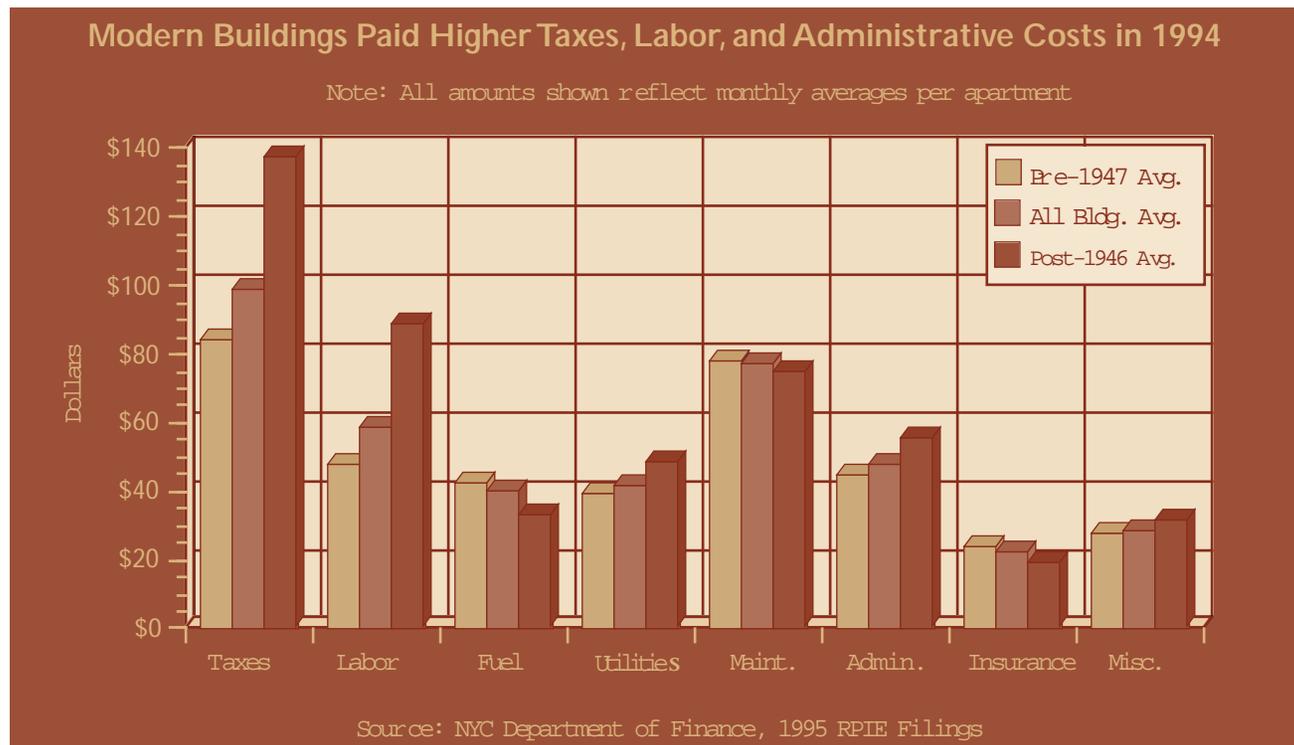
Expense reductions were concentrated in three categories: maintenance, administration, and miscellaneous costs. Maintenance had to be lowered by an average of

11% for all buildings, while administration and miscellaneous costs were respectively trimmed by one-quarter (25%) and approximately one-third (37%). Adjustment of 1994 RPIE data by the results of the 1992 audits reduces average O&M costs for stabilized buildings from \$415 to \$381.

Audit-adjusted monthly O&M costs for buildings without commercial units were about \$31 lower (\$350) than the average for all buildings. In 1993, RGB staff found that taxes accounted for almost half (47%) of the difference between "all-residential" buildings and all-stabilized buildings. Labor, maintenance and administrative costs accounted for most (39%) of the remaining variation between the two groups. This year taxes accounted for just under half (49%) of the difference while labor, maintenance and administrative costs accounted for roughly 30% of the total variation. Taxes, miscellaneous and administrative expenses were respectively 19%, 11% and 9% lower on average for buildings without commercial space than for all stabilized properties.

COMPONENTS OF OPERATING COSTS

In 1994, two-thirds of total expenses in stabilized buildings were comprised of property taxes, maintenance,



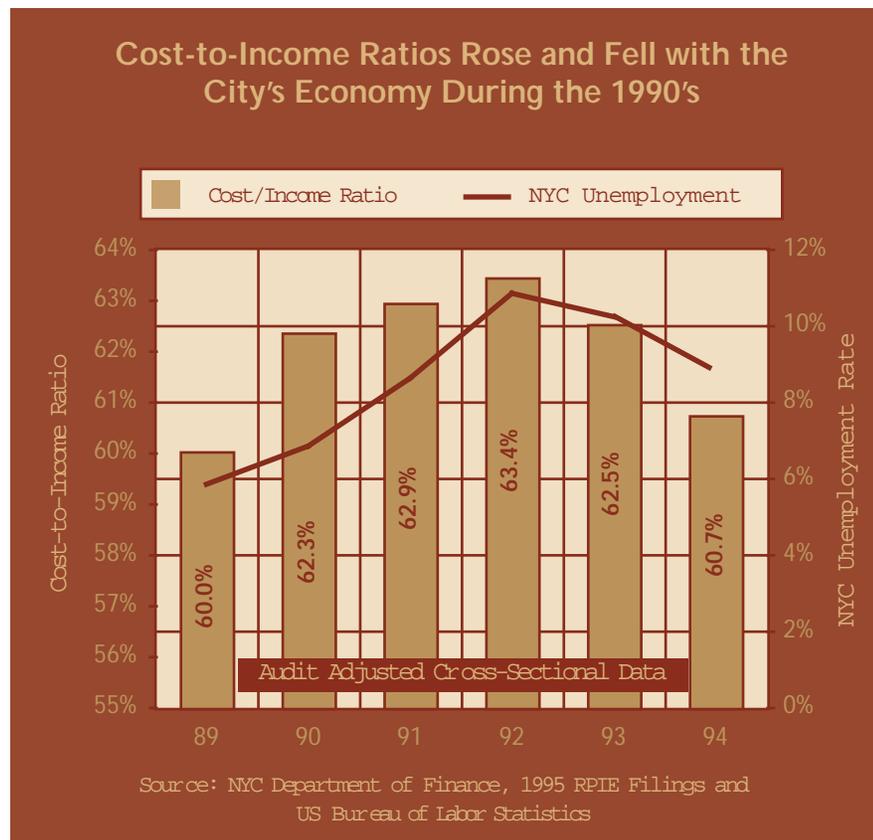
labor, and utility costs. Older (pre-47) buildings spent more than average on maintenance, insurance and fuel costs, while consequently spending less on taxes and labor costs. Newer (post-46) buildings, on the other hand, spent relatively more money on taxes and labor costs and less on maintenance, administrative, insurance and fuel costs. Much less variation was observed within the other three expense categories (utilities, insurance and miscellaneous costs) among buildings of different age.

Building size also affected the distribution of costs in rent stabilized buildings. As in 1993, taxes, utilities, fuel and maintenance costs again dominated total operating costs in buildings of various sizes in 1994. Labor costs continued to be particularly associated with size, comprising much larger shares of total O&M costs in larger buildings, probably due to the concentration of large, modern (post-46) stabilized buildings in Manhattan, which tend to employ doormen. In contrast fuel and insurance decreased with size in 1994, probably, due to efficiencies of scale realized by larger properties, particularly those with 100 or more units.

OPERATING COST RATIOS

The proportion of gross income spent by stabilized building owners on audited operating costs dramatically declined to 60.7% during 1994, as shown in the chart on this page. As New York fell into the throes of a deep national recession and rising local unemployment, building owners steadily paid an increasing share of their revenue for operating costs. This recessionary trend started to reverse around 1993, when the city's economy began to improve and help building owners, as average growth in rents and income outpaced costs to push the average cost-to-income ratio down to 62.5%. This trend continued more aggressively in 1994, as rents and incomes continued to grow faster (respectively 4.5% and 4.7%) than expenses (2.5%).

Various factors explain the observed relationship between the recent recession and rent collections. Housing costs typically comprise the largest single expense facing households, particularly those with children. In the face of rising rents, as well as inflation, household incomes must also increase in order for housing to remain affordable. In turn, wages and income tend to grow faster during economic upswings, as employers face increased competition for workers, and are willing to pay higher costs in order to secure additional labor required for expansion. In contrast, depressionary cycles cause profits to shrink, forcing some businesses to shed workers and others to delay additional expansionary investment. As unemployment rises, workers become more abundant, depressing growth in wages and incomes. In such times, it becomes more difficult for households, faced with stable or slowly increasing rents and declining incomes, to meet rent payments and other housing related costs. This "squeeze" between dropping wages and stable rents forces some renters, particular those with lower incomes, to delay their rent payments, or to skip them altogether.



This cycle was evident as New York was beset by recession in the late 1980's and early 1990's. 1989 was a particularly bad year for owners, with costs rising by 7% in while income increased only by 3%. The loss of 109,000 jobs that year, and 320,000 more by 1992, depressed tenant income so much that a rebound was delayed until 1993. Between 1990 and 1992 average "real" incomes for rent stabilized tenants declined by 10.3%¹. Households with low and middle incomes, who ironically faced the highest rent increases observed during this period, suffered disproportionately from this decline. As rents continued to increase, stabilized housing became less affordable, with average rents comprising 28% of the income of tenants in 1992 as opposed to 26% in 1990. In such conditions, some tenants, particularly those with lower incomes, evidently could not make timely rent payments. These factors explain the growth of the "gap" between average rent collections and mean contract rents from 10% to 14% between 1989 and 1992. These factors also illuminate the particularly acute rise in collection losses in pre-war buildings, which tend to have poorer residents².

In 1993, New York started to pull out of its economic tailspin, as unemployment dropped slightly and the Gross City Product began to rise. Collection and vacancy losses probably dropped, particularly in post-war properties, and revenues in stabilized buildings began to grow faster than expenses. As employment growth accelerated in 1994 these trends intensified.

"DISTRESSED" BUILDINGS

Among the properties that filed 1995 RPIE forms, 1317 buildings, slightly more than one-tenth of the cross sectional sample, had O&M costs in excess of gross income. Only 60 of these buildings were built after 1946. In the previous two years such "distressed" buildings comprised twelve percent of the cross sectional sample.

Buildings with expenses greater than revenues in 1994 suffered from both abnormally high expenses (108% of the 1994 all-building average) and low rents and income (respectively only 61% and 5% of the all-building average). Most of the variance in unadjusted costs between these and other stabilized buildings was found in the insurance, fuel, maintenance and "miscellaneous"

categories, which in these "distressed" buildings were respectively 118%, 130%, 139% and 177% of the stabilized average. Not surprisingly, these buildings also paid less property taxes (70% of the all-building average) than other stabilized structures. In 1993, taxes in such "distressed" buildings averaged 75% of the all building mean. Whether this trend reflects falling values or different assessment practices is uncertain.

LONGITUDINAL STUDY

RENTS

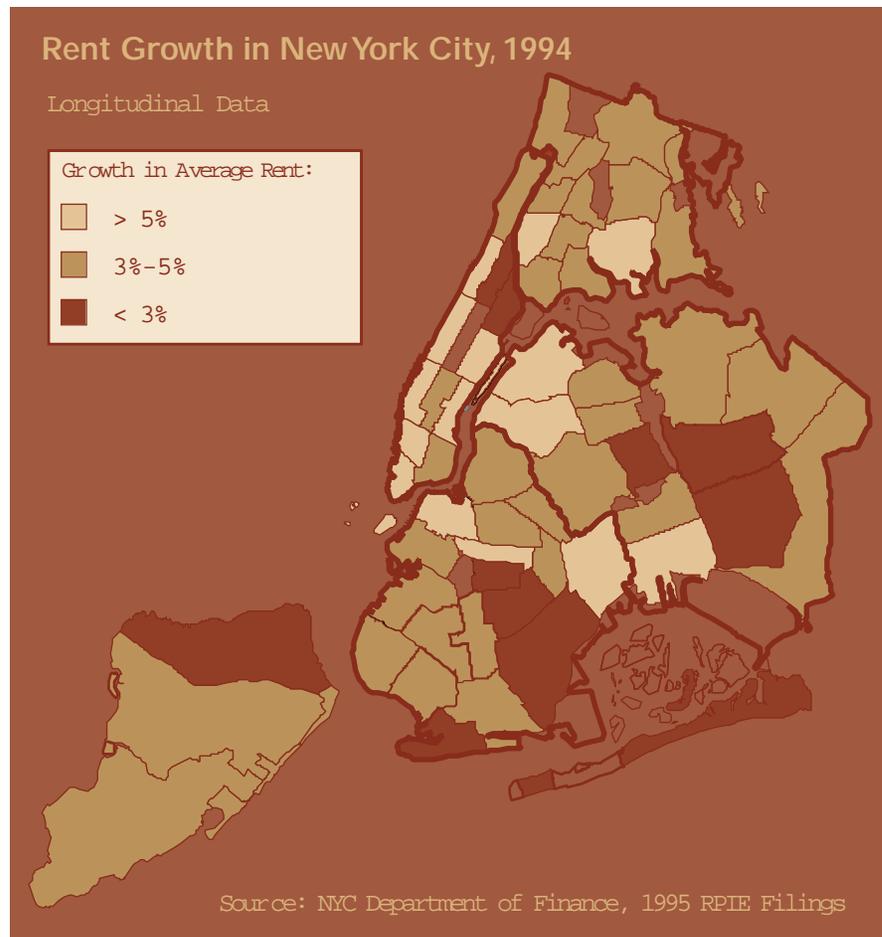
Roughly 11,400 stabilized properties filed RPIE forms in both 1994 and 1995. "Longitudinal" analysis of these buildings permits accurate measurement of changes in costs and rents, and provides a basis for evaluating the RGB's price index. As in the cross-sectional sample, longitudinal I&E data, although filed with Finance in 1994 and 1995, reflects conditions for calendar years 1993 and 1994.

Between 1993 and 1994, average rents increased by 4.5%, significantly higher than the rise observed between 1992 and 1993 (3.8%). In contrast to last year, rents in older (pre-47) buildings grew faster (5.1%) than those in more modern (post-46) properties (3.5%). This was likely due to relatively fast rent growth among small (11-19 unit) and medium-sized (20-99 unit) buildings, averaging respectively 5.5% and

Rents Rose Faster Than Costs During 1994

Period	I&E		Change,
	Rents	Costs	O & M Ratio
1988-89	NA	NA	60%
1989-90	3.3%	7.1%	62.3%
1990-91	3.4%	3.4%	62.9%
1991-92	3.5%	4.2%	63.4%
1992-93	3.8%	2.1%	62.5%
1993-94	4.5%	2.5%	60.7%

Note: O&M Ratio refers to the proportion of gross income consumed by audit-adjusted operating costs



4.5%, and relatively slow rent growth in large (100+ unit) stabilized buildings (3.8%). In terms of both age and size, rents grew least in mid-sized, post-war buildings (by 2.5%) and most in small post-war properties (5.8%), which form only a small portion of the stabilized stock.

While rents generally increased throughout New York's rent stabilized housing stock in 1994, some areas experienced stronger gains than others. For the first time, RGB staff was able to plot changes in average rents across the city's 59 Community Districts, summarized in the map above.

As shown, rents increased more than 5% throughout most of the "Manhattan Core" below East 96th and West 110th Streets. This trend partially explains why average rents in Manhattan rose faster (4.8%) than the stabilized market average for the second consecutive year. However, rent collections also rose beyond the stabilized average in several less affluent areas, notably Morrisania in the Bronx along

with Crown Heights and East New York in Brooklyn and Astoria in Queens. The reasons for this are not clear, although stabilized housing in these neighborhoods is considerably older than the citywide norm. As noted earlier, buildings constructed before 1947 exhibited higher average rent growth (5.1%) than their modern counterparts (3.5%).

Although New York's resurgent economy lifted stabilized rents throughout the city in 1994, properties in some areas of the city experienced below average growth in rent collections. These included less affluent neighborhoods such as Central and East Harlem, Coney Island and Jamaica, along with more prosperous areas such as Flatbush, Canarsie and Forest Hills. No single factor can be identified for this trend, except that stabilized housing in each of these areas is fairly modern, with at least 25% of

stabilized buildings constructed after 1946 (23% of all stabilized apartments in New York are located in post-46 buildings).

During the 1980's, rent collections accelerated faster than the RGB's expectations. This began to occur again in 1993, as rent growth of 3.8% exceeded both the RGB's rent index (3.1%) and the increase observed in DHCR registered rents (2.8%) between 1992 and 1993. This trend was more strongly evident in 1994, as average rent collections increased by 4.5% while the Rent Index grew by 2.9% and DHCR rents rose 3.1%.

Gross income (i.e. apartment rent, sales of services, and commercial rent) collected by owners between 1993 and 1994 increased by 4.7%, slightly more than growth in apartment rents. Unlike last year, income in modern (post-46) apartments rose slower (3.6%) than in the pre-47 stock (5.3%). Also, in complete contrast to last year's findings, income grew fastest in small buildings (6.2%) and slowest in large ones (3.8%).

OPERATING COSTS

Overall operating and maintenance costs rose 2.5% during 1994, making it the second consecutive year that expenses grew slower than revenues. Costs rose much less in modern properties built after 1946 (0.7%) than in those built before 1947 (3.4%). This disparity stemmed from decreases in the average amount of property taxes (-.5%), fuel (-2%) and miscellaneous costs (-6%) incurred by post-war buildings. Size, as found in last year's I&E study, also influenced cost growth, with expenses in mid-sized buildings increasing faster (3.1%) than those in both small and large buildings (respectively 2.4% and 1.1%).

Of the various expenses monitored in the Income and Expense study, insurance, maintenance and labor costs grew fastest (by respectively 5.4%, 4.7% and 3.9%) between 1993 and 1994. On the other hand, utility costs (charges for electrical service and water/sewer use) declined very slightly by 0.1%, while fuel costs declined (-1.3%) for the second consecutive year. Most importantly, property taxes, the largest single cost confronting most stabilized building

owners, continued to be remain fairly stable in 1994 by increasing only 2%.

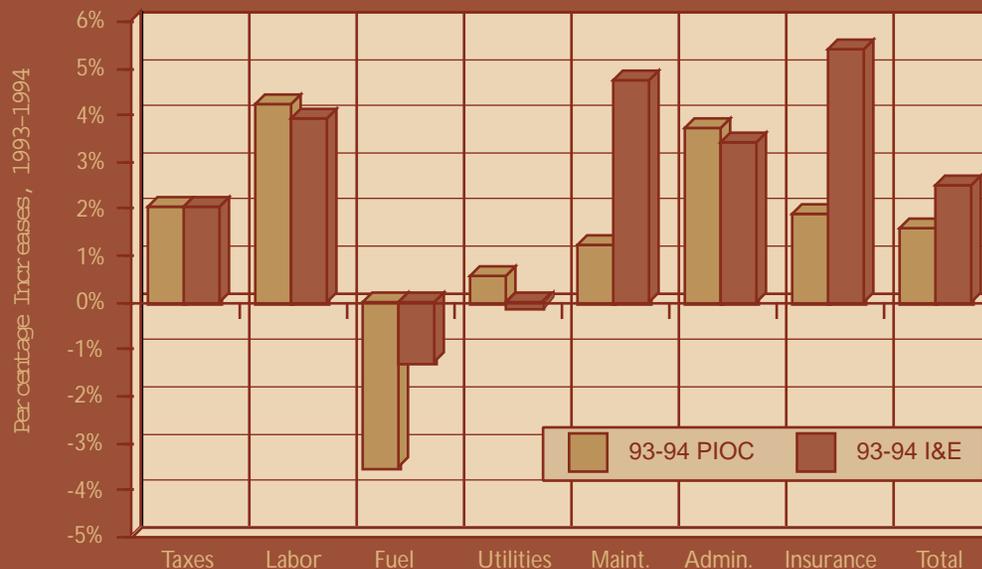
Over the past few years, as the chart below indicates, growth in PIOC-measured costs has consistently outpaced expense increases reported by building owners in RPIE data. In 1994, this trend reversed, as shown on the table on this page. Average expenses rose by 2.5% according to RPIE filings while

I&E Costs Rose Faster Than PIOC Costs for the First Time in Recent Years

<u>Period</u>	<u>PIOC Costs</u>	<u>I&E Costs</u>
1989-90	9.5%	7.1%
1990-91	5.5%	3.4%
1991-92	4.2%	4.2%
1992-93	4%	2.1%
1993-94	1.6%	2.5%

Note: PIOC figures adjusted for comparison to I&E data

During 1994, Owners Reported Greater Changes in Insurance Maintenance and Fuel Costs than Reported in the PIOC



Source: NYC Department of Finance, 1995 RPIE Filings

PIOC-measured costs for the same period rose 1.6%. Most of this difference stemmed from faster owner-reported growth for insurance, maintenance and fuel expenses. From 1989 to 1993, the PIOC regularly reported higher increases in these sectors than were actually recorded in RPIE filings.

Comparison of I&E and PIOC data is somewhat distorted due to differences in the ways cost components are measured and the way information is gathered. Components examined in the PIOC are mainly measured on an April-to-April basis, while most expense statements (88%) filed by landlords are based on the calendar year, requiring the use of weighted averages to achieve comparable figures. Despite these drawbacks, it seems that the PIOC may have become more "accurate", in terms of the disparity between I&E and PIOC measured expenses, as New York's rent stabilized housing market emerges from the recession of the early 1990's. This may indicate that the PIOC is better at tracking costs during economic upswings, when all types of costs are generally increasing, and when accelerating revenue growth induces fewer owners to cut back on maintenance services.

OPERATING COST RATIOS

Overall, the proportion of gross income spent on unaudited expenses declined by nearly one-and-one third (1.3) percentage points between 1993 and 1994. The proportion of income spent on audited expenses also fell by a similar margin. Change was also observed in the proportion of rents used to pay audited costs, which dropped by 1.3 percentage points.

The percentage of buildings with costs in excess of revenues declined from 11% to 9% of the roughly 11,000 buildings that filed RPIE forms in 1994 and 1995. Though fewer buildings faced income ratios over 100% in 1994, the basic characteristics of these buildings did not change. As reported in the cross-sectional study, these buildings are burdened by low average rents and high operating expenses. Unfortunately, the summary statistics available to staff are not adequate for more thorough insights. For example, we were unable to analyze the difference between the buildings with income ratios above 100% and those buildings that, in prior years, had negative net operating income.

TAX COMMISSION DATA

This year, for the first time, RGB staff was able to access income and expense data for over 11,000 rent stabilized buildings that filed Tax Commission Income and Expense (TCIE) forms in 1995. This data, as with information obtained from regular RPIE forms, reflects conditions in effect during 1994. Buildings with seven or more dwellings must file TCIE forms in order to appeal their property tax bills in a public hearing before the New York City Tax Commission.

Due to time constraints in obtaining this year's Tax Commission data, staff was unable to weight 1994 TCIE data by the results of the 1993 Housing and Vacancy Survey (HVS). Because of this, averages derived from the 1994 TCIE data are not directly comparable to those reported earlier in this study, which are weighted by the HVS. Weighting allows staff to control for age differences that exist between the annual samples of rent stabilized buildings drawn for the I&E study and the city's entire stabilized housing stock, as described by the HVS. Lack of weighting required staff to compare average figures derived from unweighted RPIE and TCIE information.

As a whole, the buildings in this year's TCIE sample earned more revenue, and incurred higher expenses, than buildings in the cross-sectional RPIE sample. Mean rents and income in TCIE properties were respectively 104% and 110% of the average for RPIE buildings, while expenses were 108% of the RPIE average. This variance was primarily due to the fact that 28% of the apartments in the TCIE sample were located in modern (post-46) properties, as opposed to 22% of dwellings in the RPIE cross-sectional sample. Overall, average cost-to-income ratios in TCIE buildings were slightly lower (59.6%) than those in RPIE properties during 1994, despite their higher costs.

These characteristics indicate that income and expense data from TCIE filings is not significantly different from that obtained from RPIE filings. While the source of the observed difference cannot presently be determined, its existence does not diminish our confidence in RPIE data currently used by the Board. Indeed, staff expected variation between the two samples to be higher than observed. Although weighting of the two samples by the 1993 HVS will

definitively determine the accuracy of the RPIE filings, the preliminary findings noted above uphold the general veracity of the data used in this study and those in previous years.

The apparent lack of significant variation between TCIE and RPIE filings presents interesting implications for future research. Because TCIE data is public information, whereas RPIE filings are not, income and expense information for individual buildings can be obtained from the Tax Commission for use in detailed statistical analyzes. This capability will allow staff to better examine subtle trends affecting New York's stabilized housing, which is difficult given the confidentiality restraints of RPIE filings. □

END NOTES

¹ According to the 1991 and 1993 Housing and Vacancy Surveys, real incomes for households living in rent stabilized apartments fell from \$29,896 to \$26,819.

² Using the 1991 and 1993 Housing and Vacancy Survey and RPIE data, the difference between average rent collections and the HVS mean contract rent was respectively 12%, 10% and 11% in 1991, 1992 and 1993 for pre-war stabilized buildings. In post-war properties, average collections were 1% higher than mean contract rents in 1991, 1% lower in 1992 and virtually the same in 1993.