The Rent Guidelines Board

2000 Price Index of Operating Costs

April 25, 2000

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Introduction

The Price Index of Operating Costs (PIOC) measures the price change in a market basket of goods and services used in the operation and maintenance of rent stabilized apartment buildings in New York City. The goods and services which make up the market basket were originally selected on the basis of the findings of a study of 1969 expenditure patterns by owners of rent stabilized apartment buildings. Minor changes in the specification of some of these goods and services have been carried out over time to maintain the representativeness of the market basket. The relative importance of the various goods and services in the market basket was updated in 1983 by means of a study of expenditure patterns of owners of rent stabilized apartment buildings.

The Price Index of Operating Costs for Rent Stabilized Apartment Buildings rose ...

The PIOC was maintained by the Bureau of Labor Statistics (BLS) from 1970 to 1981. From 1982 to 1990, the PIOC was prepared by private consulting firms.In 1991, the Rent Guidelines Board (RGB) staff's growing expertise and familiarity made it possible to move the PIOC "in house."

The PIOC measures changes in the cost of purchasing a specified set of goods and services,which must remain constant both in terms of quantity and quality from one year to the next. The need to exclude the effect of any alterations in the quality of services provided requires that very careful specifications of the goods and services priced must be developed and applied. The pricing specifications must permit the measurement of changes in prices paid for carefully defined pricing units with specific terms of sale, such as cash, volume or trade discounts. For certain items, such as real estate taxes, the price paid is determined administratively, and the information is collected from city records.

Changes in the overall PIOC result from changes in the prices of individual goods and services,each weighted by its relative importance as a percentage of total operating and maintenance expenditures. Because the market basket is fixed in the sense that the quantities of goods and services of each kind remain constant, the relative importance of different goods and services will change when their prices increase either more quickly or more slowly than average. Thus, the relative importance, or weight, attached to each good or service changes from year to year to reflect the different rates of price change among the various index items. The expenditure weights used in the construction of the 2000 Price Index are those developed for the 1983 Expenditure Study and revised on the basis of the 1982-99 measured price changes.

WHAT'S NEW

- ✔ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) rose 7.8% this year.
- ✔ Costs in pre-war buildings rose 8.8%.
- ✔ The PIOCwas higher than projected mainly because of a sharp and unanticipated increase in fuel costs.
- ✔ The "core" PIOC, which excludes the erratic changes in fuel oil,natural gas,and electricity costs,is useful for analyzing inflationary trends. The core rose by 3.8% this year.
- ✔ Real estate taxes rose 5.2% due mainly to the strong rise in assessments.
- ✔ Labor costs rose 2.6%,a drop from last year's growth of 3.4%.
- ✔ The Utilities component increased by 5.7% due to significant increases in fuel-related utility costs.
- ✔ Insurance costs grew by 0.7%, a decrease from the 3.5% increase found last year. Rate increases fueled much of the growth in insurance costs.
- ✔ The Price Index for Apartments is projected to increase 3.8% next year.
- ✔ Traditionally, RGB staff has computed a "commensurate rent increase" based on the PIOC. The original or "traditional" formula,which did not consider the mix of lease terms or the erosion of owner's income by inflation,and the "Net Revenue" formula which considered lease terms but disregarded the impact of inflation,have been eliminated this year. The preferred method,known as the "CPI Adjusted NOI" formula,is given this year, with two alternative approaches.

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 1999-2000 price changes in each index component are also presented in this table. The expenditure weights and the 1999-2000 price changes are then combined to provide the overall change in the PIOC over the period from 1999-2000.

The 1983 Expenditure Study provides a basis for calculating separate sets of expenditure weights for buildings constructed before 1947 and for buildings constructed in 1947 or later. Typically, buildings constructed before 1947 incur a lower percentage of operating and maintenance costs for property taxes, but their fuel costs represent a significantly higher percentage of total operating and maintenance costs than do the fuel costs of the post-1946 buildings. The differences between the pre- and post-1946 buildings are submerged when their expenditure patterns are combined in the construction of the overall PIOC. It is nevertheless possible to develop separate price indexes for the pre-1947 and post-1946 buildings.

The PIOC consists of nine cost components, each designed to measure changes in a category of costs such as fuel, insurance, utilities, etc. The methodology for each component is described in the final section of this report.

Terms and Definitions

Price Index - the measure of price change in a market basket of goods and services.

Component - categories of goods and services, such as Labor Costs or Taxes, that comprise the market basket of a price index.

Item - representative individual goods and services within a component, such as Pushbroom, Plumbing, Faucet or Roof Repair.

Price Relative - the ratio of current and prior year's prices.

Expenditure Weight - the relative importance of the change in costs of different goods and services.

Specification - defined pricing units with specific terms of sale, such as cash, volume or trade discounts.

Summary

This year, the PIOC for rent stabilized apartment buildings rose by 7.8%, a sharp increase from the previous two years in which PIOC-measured prices had been nearly flat. Over the past year, increases in costs occurred in all PIOC components. Among the seven components unaffected by energy prices, these cost increases ranged from 0.7% for insurance to 5.2% for real estate taxes. Of the remaining two components, utility costs increased by 5.7% and fuel costs increased by an extraordinary 54.8%. This is the largest one-year increase in fuel costs in the 30-plus-year history of the PIOC. The "core" PIOC, which excludes the erratic changes in fuel oil, natural gas and electricity costs, is useful for analyzing inflationary trends. The core PIOC rose by 3.8% this year, somewhat outpacing the Consumer Price Index (CPI), which grew by 3.4% from March 1999 to March 2000.

Change In Costs for Rent Stabilized Apartment Buildings, April 1999 to April 2000

Taxes	5.2%
Labor Costs	2.6%
Fuel Costs	54.8%
Utilities Costs	5.7%
Contractor Services	4.6%
Administrative Costs	4.0%
Insurance Costs	0.7%
Parts & Supplies	1.9%
Replacement Costs	0.8%
All Costs	7.8%

Price Index Components

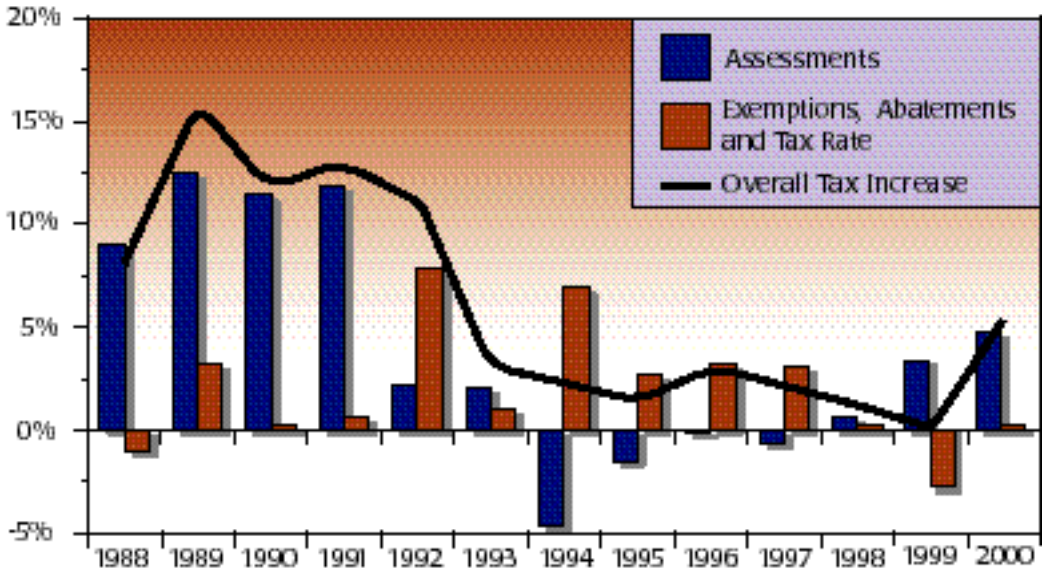
Taxes

The Tax component of the Price Index is based entirely on real estate taxes. The change in taxes is estimated by comparing aggregate taxes levied on rent stabilized apartment houses in FY 1999 and FY 2000. The tax data was obtained from the New York City Department of Finance.

Real estate taxes rose this year by 5.2%. The change in taxes was primarily due to a strong rise in assessments. The tax rate for Class Two properties rose last year for the first time in three years. Changes in tax exemptions and abatements had little impact on taxes this year.

Rising Property Values Increase Billable Assessments for the Third Consecutive Year

(Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate)



Source: New York City Department of Finance

Tax Rate — The total tax levy for all properties in the City (commercial and residential) increased by more than 3% from 1999 to 2000, mainly due to rising assessments. The distribution of the levy among property classes tends to shift from year to year. In recent years, more of the tax burden has fallen on Class Two properties,the category that contains the vast majority of rent stabilized buildings. Last year, however, the levy share for Class Two properties declined for the first time in several years, by 2.1%, while each of the other classes experienced increases. In FY 2000, however, the Class Two levy share increased by 2.6%.

In FY 1996 and FY 1997, intervention by the Mayor and the City Council slowed the increase in taxes for rent stabilized properties from what they otherwise would have been. In FY 1996, the Class Two tax rate would have risen 5.6% had the City Council not intervened and limited the increase to 2.4%. A similar course of events led to an increase in the Class Two tax rate of 2.3% in 1997. In 1998, the tax rate for Class Two properties was essentially unchanged, falling slightly by 0.1%, and in 1999, the tax rate for Class Two fell more rapidly, by 2.8%. This year, the tax rate for Class Two increased by 1.0%.

Assessments — The assessed valuations of rent stabilized buildings rose dramatically from the late 1980's through 1991, increasing 8% or more each year (see the accompanying chart). In 1992 and 1993, the increase in valuations for stabilized buildings slowed to 2% per year. The impact of the recession was finally reflected in tax bills the following two years—valuations dropped 4.7% in FY 1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years.

For the third time in the last seven years, assessments of rent stabilized buildings increased. Across the City, assessments rose by 5.0%,an increase over last year's rise of 3.1%. All five boroughs showed increases in assessments, ranging from 3.7% in Queens to a rise in both Manhattan and Staten Island of 5.5% in FY 2000. Assessments rose in the Bronx by 5.1% and by 4.2% in Brooklyn.

Abatements and Exemptions — This year, the number of buildings with abatements declined marginally, and the average benefit of the typical abatement also fell slightly.

Many of the buildings that were renovated during the 1970's and 80's in New York City

benefited from tax abatements. In recent years, many of these abatements have been expiring. The value of tax abatements increased this year in the Bronx and Staten Island, somewhat offset by the declining value of abatements in the other boroughs. The net impact of the change in abatements in FY 2000 is a slight increase in the tax liability for rent stabilized buildings as a whole, by approximately 0.04%.

Similar to last year, the average value of tax exemptions increased. However, the increase in tax exemptions had a larger impact on the real estate tax component of the Price Index than the change in abatements. For all stabilized properties, exemptions slightly reduced owner's tax bills by 0.92%.

Labor

The price index measure of labor costs includes union and non-union salaries and benefits, in addition to Social Security and unemployment insurance. The cost of unionized labor comprises more than two-thirds of the Labor component and over 17% of the entire price index.

Labor costs rose 2.6%, a drop from last year's growth of 3.4%. This is a departure from the past two years in which the change in costs increased, from 2.3% in 1997 to 2.7% in 1998,and from 2.7% to 3.4% in 1999. Prior to 1998,the percentage increase in the Labor component had declined for four consecutive years. This year, labor costs increased less quickly due in large part to non-union labor wages, which increased by 3.8% compared to lasts years growth of 6.2%.

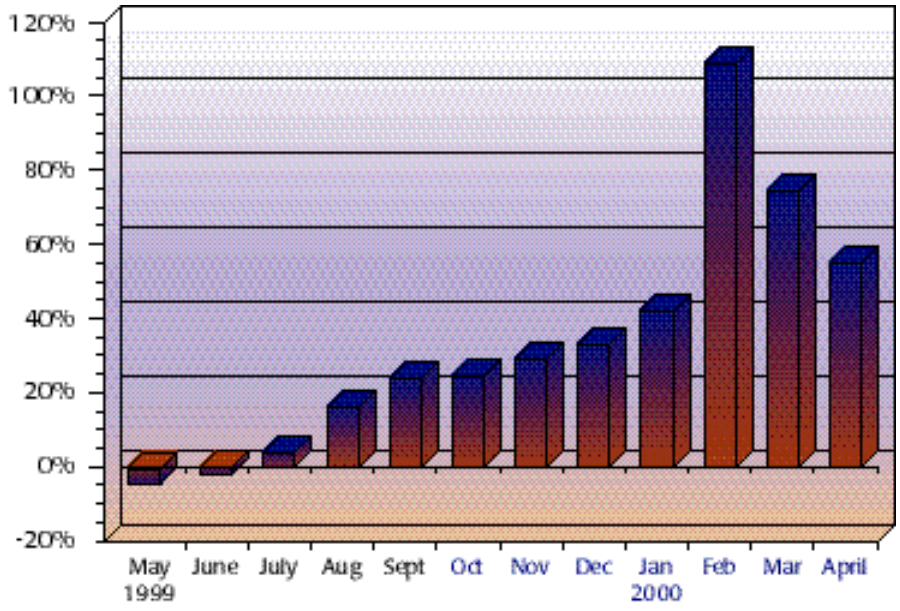
Fuel

In a reversal of last year's sharp decline, the cost of fuel oil rose sharply by 54.8% this year. The cost increases for #6 fuel oil, #4, and #2 were 64%, 58% and 36% respectively.

This past winter was a costly one for heating oil customers, especially during the first quarter of 2000. The upsurge in fuel costs was due primarily to

Fuel Oil Prices Rose Sharply in the 1999-2000 Heating Season

(Price of #2, #4 and #6 Fuel Oil by Month, 1999-2000, Compared to Previous Year)



Note: Purple text indicates the months in the 1999-2000 heating season.
Source: RGB Fuel Vendor Survey. Prices Indices of Operating Costs, 1999 and 2000.

rising fuel prices. Colder weather, rising crude oil costs and, at times, precariously low supplies propelled prices to record heights. This year, about 3.5% of the increase in fuel costs to building owners was due to winter weather that was slightly colder than last year.

Utilities

The Utilities component consists primarily of electricity, natural gas, and water & sewer charges. Telephone and steam costs are a small part of the Utility component. In the case of most Utilities items, changes in costs are measured using the PIOC specifications (i.e. the quantity of electricity, steam etc. being purchased) and the changes in rate schedules. Water/sewer costs are based on billings obtained from the City's Department of Environmental Protection (DEP).

This year, Utilities increased by 5.7%, led by significant increases in fuel-related utility costs. The double-digit increases in electricity and steam prices were offset by a relatively low (3.4%) increase in water and sewer costs. Water and sewer costs account for more than 60% of the Utilities component.

The cost of electricity increased by 14.1% this year, up significantly from a drop of nearly 8% last year. The increase in electricity prices was driven primarily by fuel adjustments, which rose consistently throughout the heating season due to the rising cost of fuel.

Charges for rent stabilized buildings that were billed for water and sewer utility charges on a frontage basis in both FY 1999 and FY 2000 increased by 4.0%. Water and sewer charges increased by 1.2% for buildings billed on a metered or mixed billing basis,which includes buildings that had metered bills in both calendar year 1998 and 1999, and buildings that switched from frontage to metered billing from 1998 to 1999. Analysis of the data indicated that water/sewer costs in metered buildings did not increase as much as the rate increase voted on by the Water Board primarily because of consumption and occupancy changes. Additionally, a larger number of buildings moved from frontage to metered billing, 6% from 1998 to 1999 as compared to 3% from 1997 to 1998. These buildings experienced an 11% decrease in billing due to the fact that metered bills are calculated based on consumption,and are usually lower than the frontage bills,which are calculated based on building size,the number of units and the number of fixtures.

It should be noted that for buildings which had metered bills for both 1998 and 1999, over one-third saw a decrease in their bills, indicating that some owners have been able to reduce water use. An additional 13% of buildings billed on meters in both years had increases that were less than the Water Board rate increase. The combined overall increase in water and sewer costs was 3.4% for all buildings.

Natural gas costs rose this year, by 4.2%. The PIOC measures gas, like fuel oil, largely on a "cost-weighted" basis that takes both the price and heating degree-days into consideration.[1] Gas costs increased due to a slightly colder weather and an increase in fuel adjustments.

Contractor Services

Contractor Services costs rose 4.6%; the largest increase in the past nine years. The most important items in this component, repainting and plumbing costs, rose 6.2% and 3.4% respectively. All of the other items had increases between 1.0% to 5.4%.

Repainting and plumbing costs comprise two-thirds of the Contractor Services component. Several painters and plumbers cited that the reason for the increased prices to their customers was due to the rising costs of both materials and labor. Several respondents reported that there is a "hot market," so they are charging more for their services than they did in the previous year.

Unlike last year, every item in the Contractor Services component experienced some rise in costs. Repainting showed the highest increase (6.2%) of any item in this component with range repair having the smallest increase of 1.1%.

Administrative Costs

Administrative costs rose 4.0% over the last 12 months. Fees paid to management companies, accountants, and attorneys make up nearly this entire component.

A large portion of the growth in Administrative Costs can be contributed to a substantial rise in management company fees (4.1%) which comprise two-thirds of this component. Management fees are often tied to apartment buildings' rental income and are affected by change in rents and vacancies. This year's growth is higher than last year (3.0%), indicating that management companies saw increased rents and fewer vacancies in the buildings they manage.

The cost of attorneys' fees increased 3.3%,which is significantly higher than the prior year's rise of 1.0%. The cost increase associated with accounting rose 4.3% in 2000,slightly faster than last year's rate (4.0%). Attorneys cited increases in court fees and a strong economy as reasons for charging a higher rate to their clients, while accountants claimed that increases in overhead costs and their heavier workload contributed to a rise in their fees.

Prior to the 1999 PIOC, the cost of administrators (i.e. attorneys, accountants and management companies) had increased faster than that of their counterparts, skilled contractors for seven straight years. In 1999, this trend reversed, with the increase in cost of skilled contractors outpacing the growth in administrators' costs by 0.6 percentage points. This new trend continued in 2000 with skilled contractors again outpacing the rise in administrators' costs by the same 0.6 percentage points.

Insurance

Insurance costs rose this year by 0.7%, a minimal increase compared to 3.5% growth seen in 1999. A record number of insurance cost reports (656) were verified this year; up from the previous high of 636 confirmed last year.

Nearly half (49%) of the building owner survey responses indicated an increase in insurance costs. Just less than one-fourth of the responses reported no change from the previous year while 27% showed a decrease in costs.Rate hikes fueled insurance cost growth, with roughly 40% (245) of this year's respondents claiming higher rates, as opposed to only one-quarter (150) that reported rate declines.

Over 17% of the building owner responses reported a change in insurance carriers for the surveyed building in the past year. This percentage is up from 11% in 1999 and 10% in 1998. As a result, 46% of the owners who switched carriers benefited from this change with a median decrease of 18% in their insurance costs. Owners who found new carriers seem to still be benefiting from a higher degree of competition between insurance companies that was reported in last year's PIOC report.

The removal of lead-based paint coverage from insurance policies continued in 2000 at the same pace as the previous year. Only 2.4% of building owners reported that insurers were withdrawing lead-based paint coverage from their policies over concern for the potential costs of liability for lead-related health problems.

Parts and Supplies

The Parts and Supplies component accounts for roughly two percent of the entire Price Index. The overall increase in the Parts and Supplies component was 1.9%. Increases in this component have not exceeded 2.5% since 1991 when Parts and Supplies rose 3.6%.

Replacement Costs

The Replacement Costs component is even less significant than the Parts and Supplies component, its weight being only 1/100th of the PIOC. This year's increase in the Replacement Costs component was only 0.8%.

Rent Stabilized Hotels

The Hotel Price Index includes separate indices for each of three categories of rent stabilized hotels (due to their dissimilar operating cost profiles) and a general index for all stabilized hotels. The three categories of hotels are: 1) Hotels—a multiple dwelling which has amenities such as a front desk, and maid or linen service; 2) Rooming Houses—a multiple dwelling other than a hotel with thirty or fewer sleeping rooms;and,3) single room occupancy hotels (SROs)—a multiple dwelling in which one or two persons occupy a single room residing separately and independently of other occupants.

The price index for all stabilized hotels rose 8.0% this year, slightly more than the increase in the apartment price index. The primary difference between the increase in the hotel index and the apartment index was in the tax component. The increase in taxes for all types of hotels was 7.2% overall (versus 5.2% in apartment buildings),driven mainly by the increase found in assessments for "traditional" Hotels. There was notable diversity among hotel subgroups in tax expense this year, as "traditional" stabilized Hotels experienced an increase in taxes of 10.9%,while Rooming Houses and SRO's had lower tax increases of 5.7% and 4.7% respectively.

While the increase in cost for taxes was higher for stabilized hotels than for apartments, these properties also experienced higher increases for utilities and labor expense. The increase in utility cost for hotels was 7.6%;somewhat larger than the 5.7% increase for apartments. The difference was due primarily to electricity costs in Hotels, which is weighted more heavily in hotels than in apartments. The sharper increase in the tax,labor and utility components caused the price index for all stabilized hotels to rise somewhat faster than the price index for all stabilized apartments.

Among the different categories of hotels, the index for "traditional" Hotels increased 8.8%, SROs by 8.6% and Rooming Houses by 8.1% respectively.[2] (See Appendices 4 and 7)

Change In Costs for Rent Stabilized Hotel Buildings, April 1999 to April 2000

Taxes	7.2%
Labor Costs	3.9%
Fuel Costs	43.7%
Utilities Costs	7.6%
Contractor Services	2.9%
Administrative Costs	3.8%
Insurance Costs	0.7%
Parts & Supplies	2.0%
Replacement Costs	1.3%
All Costs	8.0%

Change In Costs for Rent Stabilized Loft Buildings, April 1999 to April 2000

Taxes	5.2%
Labor Costs	3.1%
Fuel Costs	50.6%
Utilities Costs	5.8%
Contractor Services	4.6%
Administrative Costs,Legal	3.3%
Administrative Costs,Other	4.1%
Insurance Costs	0.7%
Parts & Supplies	1.9%
Replacement Costs	0.8%
All Costs	5.8%

Rent Stabilized Lofts

The increase in the Loft Index this year was 5.8%,2 percentage points less than the increase for apartments. This difference is explained by the fact that fuel costs that grew rapidly are less important for lofts than for apartments, and insurance costs that grew hardly at all are more important for lofts than for apartments.

Projected Change In Costs for Rent Stabilized Apartment Buildings, April 2000 to April 2001

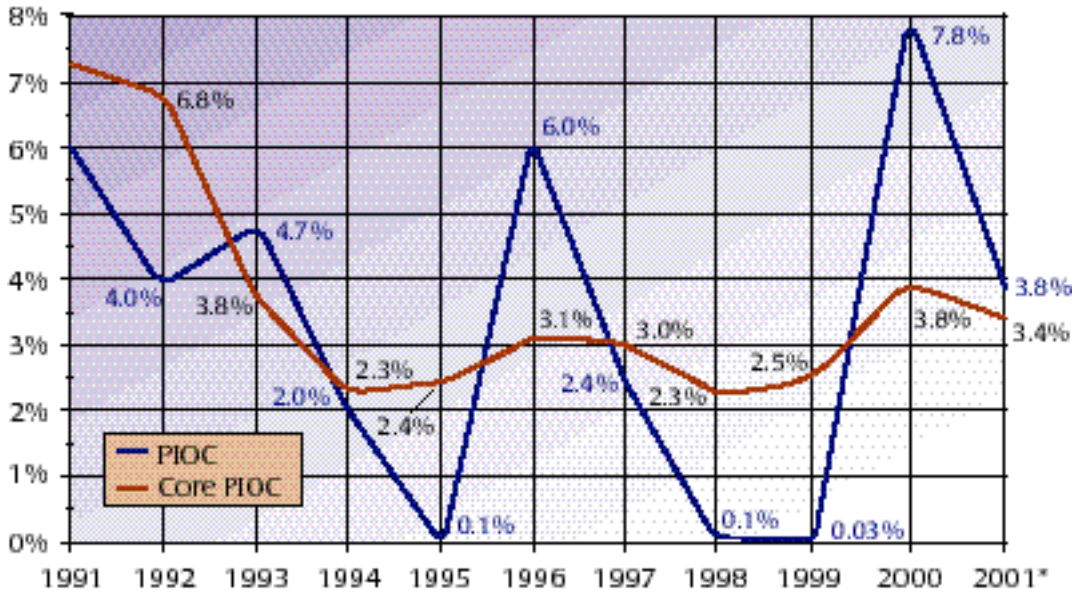
Taxes	5.2%
Labor Costs	2.9%
Fuel Costs	7.0%
Utilities Costs	3.2%
Contractor Services	3.6%
Administrative Costs	3.4%
Insurance Costs	0.9%
Parts & Supplies	2.0%
Replacement Costs	1.0%
All Projected Costs	3.8%

2000-2001 PIOC Projections

Each year, projections for the components of the PIOC are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to rise in the year following the current price index. Along with the current PIOC, the PIOC Projection provides a basis to assist the Board in setting guidelines for tenants choosing two-year leases.

The "Core" Increases to Level Last Seen in 1993

(Percent Change in the Price Index of Operating Costs and the Core PIOC, 1991-2000)



*Note: The percent change for 2001 was estimated. The "Core" increase for 1999 was revised due to improved methodology.

Source: Price Indices of Operating Costs, 1991-2000, PIOC projection for 2001

Projecting changes in the PIOC has become more challenging in recent years. Energy prices—which affect about one-eighth of the market basket of operating costs measured in the index—have become increasingly volatile. Unpredictable geo-political events and changing weather patterns are some of the forces behind large changes in fuel-related costs (heating fuel,electricity, gas and steam), that have in turn hindered the accuracy of the PIOC projections in recent studies.

This year, operating costs in rent stabilized apartment buildings rose by 7.8% versus last year's RGB projection of 5.3%. The steep increase in fuel costs contributed the most to the variance between the 2000 projection and the actual 2000 PIOC. Fuel costs increased by 55% versus the expected increase of 22%. PIOC projection methodology assumes a return to "normal" weather based on the most recent five-year average (See Endnote 1) when predicting fuel costs. The fact that the past year was slightly colder than the prior year added about 3.5% to the large rise in fuel costs. Spikes in energy prices, which were much higher than anticipated,drove the bulk of the fuel cost increase. Rising energy costs and the slightly colder weather also contributed to utility costs rising more quickly than predicted. Contractor Services and Administrative prices rose more rapidly than anticipated,while Insurance costs, another volatile and unpredictable component, rose less than the 2000 estimation. The Real Estate Tax, Labor, Replacement Costs and Parts and Supplies components, about 47% of the PIOC, rose within three-tenths of one percent of the projected levels.

The "core" PIOC (see chart), which measures long term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 3.8% versus last year's RGB projection of 3.7%. All of the increases in the core components in the 2000 projection and the actual 2000 core show a high level of agreement. It is interesting to note that the CPI grew from March 1999 to March 2000, the latest figures available, by 3.4%. Although the CPI uses a different market basket, the change in non-fuel related costs is very similar this year.

Overall, the PIOC is expected to grow by 3.8% from 2000 to 2001 due to a 5.2% projected increase in taxes,a 7.0% projected rise in fuel costs and more moderate projected growth in labor, utility, contractor services and administrative costs. The "core" PIOC is projected to rise more slowly than the overall PIOC, by 3.4%.

Taxes +5.2%

Property taxes comprise roughly a quarter of the PIOC. From the mid 1980's to the early 1990's,taxes often rose faster than the overall PIOC. Recently however, slower increases in tax rates and falling or stable assessments meant lower than average increases in taxes. However, the 5% increase in assessments found in 2000 may indicate that the effects of the NYC economic recovery are finally being felt in the Tax component.

Class Two properties include rent stabilized apartments, co-ops and condominiums. Within this category, rent stabilized dwellings are classified as either "rental buildings" or "4-10 unit family buildings." Based on the preliminary tax roll, the Finance Department forecasts billable assessments (the assessed value of a property on which tax liability is based) for rental buildings to increase by 8.6%, while billables for 4-10 family buildings are expected to increase by 4.8% in 2001. However, preliminary assessments are slightly imprecise because following the release of the tentative assessment roll each year, a small percentage of appraisals are contested and overall final assessments are generally reduced.

After adjusting for estimated changes in the class levy share, the value of exemptions, the tax rate, the value of abatements, and contested assessments, it is estimated that the tax cost to owners will grow by 6.5% and 2.8% respectively for rentals and 4-10 unit properties. Once these tax class categories are combined according to their proportion of the stabilized stock and distribution by borough, average property tax bills for rent stabilized buildings, which are predominantly classified as "rental" buildings, are estimated to increase by 5.2% in the next fiscal year.

Labor Based Components

(Labor Costs +2.9%,Administrative Costs +3.4% and Contractor Services +3.6%)

Labor Based Components in the PIOC include "Labor Costs," comprising the wages and benefits of building maintenance workers (e.g. superintendents, porters, etc.), "Contractor Services," which primarily covers the work of plumbers and painters, and "Administrative Costs," which is almost entirely comprised of management,legal,and accounting fees.

At the release of this report a new contract for Union Local 32B -32J had yet to be negotiated for the year 2001. The only wages set for the upcoming year are for Local 32E. All other projected labor increases are based on a three-year average.

Wages for members of Local 32-E will rise 1.8% while wages for Local 32B-32J are predicted to rise 2.7%. By combining these increases with the remaining items in the Labor component, an increase of 2.9% is projected in labor costs for the coming year.

Increases in "Administrative Costs" and "Contractor Services" are projected by averaging the growth rates observed in each component over the past three years. Administrative cost increases have been fairly constant over the decade and are estimated to rise by 3.4% over the next year. In comparison,the cost of Contractor Services has been more variable in the recent past and based on a three-year average is projected to increase by 3.6% next year.

Fuel +7.0%

The cost of fuel oil depends heavily on volatile weather patterns as well as political and economic variables that cannot be reliably predicted. Given these difficulties (and barring unforeseen natural or geo-political events),the cost of fuel oil in New York City is estimated to rise by 7.0% in the coming year following last year's significant cost increase.

Similar to last year, the biggest single factor influencing petroleum product prices over the next year will be crude oil prices. In 2000,average annual crude oil costs for the first half of the year are expected to be about double the price compared to the same period a year ago. These higher crude oil

prices mean higher petroleum product prices, however, crude prices are projected to decline in 2001.

Assuming that annual temperatures return to the most recent five-year average for Central Park, New York City (see Endnote 1), which will be about 5% colder than that experienced in 1999-2000, the commensurate increase in demand for heating fuels will in turn accelerate the cost of fuel oil to building owners.

In sum,based on current U.S.Energy Information Administration (EIA) forecasts, rising fuel prices and elevated fuel consumption brought about by "normal" weather conditions, are estimated to increase fuel oil costs to owners of stabilized buildings in New York City by 7.0% in the next year.[3]

Utility Costs +3.2%

In the PIOC,the costs of electricity, natural gas, water and sewer service, purchased steam, and telephone service are grouped as "Utility Costs." Water and sewer costs alone account for about 62% of this component, while electricity and gas comprise another 35% of the utility category (17% and 18% respectively). Steam and telephone prices constitute the remainder of the utility component (3%).

Next year, the overall cost of utilities is estimated to rise by 3.2%. The bulk of this growth will come from a sharp estimated increase in the cost of natural gas (11.4% according to EIA estimates). The projected rise in gas costs is offset by more moderate estimates of increases in electricity costs (2.6%),and in water and sewer rates (a 1.0% increase is proposed for the coming year).

The New York State Public Service Commission (PSC) estimates that, following a recent rate drop, electricity base rates will remain constant in the upcoming year. In April 2000, Con Edison's electricity rates were reduced by 2.0% for most multi-family buildings. Next April, electricity rates for these properties are expected to decline an additional 2.0% - 3.5%,depending on the size of the building. However, adjustment charges for the changing cost of supplying power should increase somewhat assuming fuel prices behave as predicted. Using EIA projections, the cost of electricity is estimated to rise by 2.6% over the coming year.

Natural gas costs are estimated to increase by 11.4% next year. With current storage levels above those of last year's,natural gas prices are projected to stay relatively constant. In addition, both Brooklyn Union Gas and Con Edison project a continuation of their rate freeze next year. Assuming a return to the five-year average weather pattern, however, in combination with EIA estimates for the change in natural gas prices, increased consumption is projected to ultimately produce growth in gas costs of 11.4% over the next year. (See Endnote 2)

During the past ten years,Water and Sewer costs have grown the fastest of all the items in the Utilities component. After many double digit increases,water and sewer rates were frozen from FY 1994 to FY 1995. Rates were unfrozen in FY 1996, rising by 5%, followed by increases of 6.5% in FY 1997 and '98. Rates rose less rapidly in the last two fiscal years, each by 4%. An increase of 1% for FY 2001 should take effect from July 1st, given current proposals before the New York City Water Board.

In total, weighted increases in water/sewer charges, electricity and natural gas costs, are projected to cause Utility Costs to rise by 3.2% in 2000.

Insurance Costs +0.9%

Insurance Costs for rent stabilized buildings increased 0.7% last year. This highly variable component showed a decrease of 1.5% in 1998 and an increase of 3.5% in 1999. Based on the latest three-year average, Insurance Costs are estimated to rise by 0.9% over the coming year.

Parts & Supplies +2.0%

The Parts and Supplies component has usually played a very small role in the PIOC,comprising less than 3% of the index in 2000. Over the past five years there has been very modest growth in this component ranging from 0.8% to 2.2%. This trend should extend to 2001 when the cost of Parts and Supplies is estimated to increase by 2.0%.

Replacement Costs +1.0%

This component accounted for about one-percent of the entire price index in 2000. Over the past year, Replacement Costs increased by only 0.8%. The modest 14-year trend of growth in Replacement Costs should continue with costs rising by an estimated 1.0% over the next year.

Commensurate Rent Increase

Throughout its history, the Rent Guidelines Board has used a formula,known as the "commensurate rent increase," to help determine annual rent increases for rent stabilized apartments. In essence, the "commensurate" combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to rise for net operating income (NOI) in stabilized buildings to remain constant. The "commensurate" increase described below is primarily meant to provide an initiation, and not a floor or ceiling, for discussion concerning prospective guidelines.

In its simplest form,the commensurate rent increase is the amount of rent growth needed to maintain landlords' current dollar NOI at a constant level. In prior years, three different methods of calculating the commensurate increase were provided in the PIOC report. The original or "traditional" formula,which did not consider the mix of lease terms or the erosion of owner's income by inflation, and the "Net Revenue" formula which considered lease terms but disregarded the impact of inflation,have been eliminated this year. The preferred method,known as the "CPI-Adjusted NOI" formula, is given this year, with two alternative approaches.

"CPI-ADJUSTED NOI" INCREASES WITH VACANCY INCREASE

1 Year Lease	2 Year Lease
6.0%	10.0%

The "CPI-Adjusted NOI" formula considers the mix of one- and two-year lease terms while adjusting NOI upward to reflect inflation, keeping both O&M and NOI constant. This year, the formula is presented in two ways. First, the formula is presented with an assumption for stabilized apartment turnover and vacancy increases,and second,without this assumption.

"CPI-ADJUSTED NOI" INCREASES

1 Year Lease	2 Year Lease
8.5%	12.0%

A set of guidelines which would preserve NOI in the face of the 3.4% increase in the Consumer Price Index (March '99 to March '00) and the 7.8% rise in the PIOC, including an assumption for turnover and the median Citywide vacancy increase found in the 1998 Recent Movers Survey of 12%,is 6.0% for a one-year lease and 10.0% for a two-year lease. Guidelines using this formula without including an assumption for turnover and vacancy increases are 8.5% for a one-year lease and 12.0% for a two-year lease.[4]

The "CPI-Adjusted NOI" method has its limitations. The "CPI-Adjusted NOI" formula inflates the debt service portion of NOI, even though interest rates have been generally falling over recent years. However, the fact that this year's Mortgage Survey found an increase in interest rates for multi-family stabilized properties may indicate that this trend is reversing.

The commensurate rent increase may be best thought of as a starting point for deliberations. The other Rent Guidelines Board annual research reports (e.g. the Mortgage Survey and the Income and Expense Study) and testimony to the Board can be used to modify the various estimates depending on these other considerations.

Methodology

Owner Survey

The Owner Survey gathers information on management fees, insurance, and non-union labor from building managers and owners. Survey questionnaires, accompanied by a letter describing the purpose of the PIOC, were mailed to the owners or managing agents of stabilized buildings. If the returned questionnaire was not complete, an interviewer contacted the owner/manager and the missing information was gathered. All of the price information given by the owner/managing agents was then confirmed by calling the relevant insurance and management companies and non-union employees.

The sample frame for the Owner Survey included more than 41,000 stabilized buildings registered with the New York State Division of Housing and Community Renewal (DHCR) in 1998. A random sampling scheme was used to choose 5,100 addresses from this pool for the owner mailing. The number of buildings chosen in each borough was proportional to the share of stabilized buildings in that borough.

The "multiple contact" method was used for the second consecutive year for the Owner Survey. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample. Roughly 20% of the questionnaires mailed out were returned to the RGB,the highest response rate since the PIOC was brought "in house" in 1991. A total of 686 of these contained information that was used,including a record number of verified insurance prices (656), non-union labor quotes (174) and management fees (124). The number of verified prices in 1999 and 2000 for the Owner Survey is shown in Appendix 1.

Fuel Oil Vendor Survey

Fuel price information is gathered on a monthly basis via a telephone survey. A monthly survey makes it possible to keep in touch with fuel vendors and to gather the data on a consistent basis (i.e.on the same day of the month for each vendor). Vendors are called each month to minimize the likelihood of misreporting and also to reduce the reporting burden for the companies that do not care to look up a year's worth of prices. The number of fuel quotes gathered this year was comparable to last year and is contained in Appendix 1.

To calculate changes in fuel oil costs, monthly price data is weighted using a degree-day formula to account for changes in the weather. The number of heating degree-days (see Endnote 1) is a measure of heating requirements.

Real Estate Tax Computations

The sample of buildings used to compute the 2000 tax price relative was drawn by providing a list of rent stabilized properties registered with DHCR to the Department of Finance. Finance "matched" this list against its records to provide data on assessed value, tax exemptions, and tax abatements for more than 36,000 buildings in FY 1999 and FY 2000. A new and more up-to-date list of rent stabilized buildings was used this year—it included buildings that registered with DHCR in 1998.

The Department of Finance data was used to compute a tax bill for each stabilized building in FY 1999 and FY 2000. The change computed for the PIOC is simply the percentage increase in aggregate tax bills for these buildings from FY 1999 to FY 2000.

Vendor Survey

The Vendor Survey is used to gather price quotes for Contractor Services (e.g. painting), Administrative Costs (e.g. management and attorney fees), Parts & Supplies (e.g. mops), and Replacement Costs (e.g. refrigerators). As in prior years,an effort was made to update the vendor database by adding new vendors and deleting those who no longer carry the products in question. All vendor quotes were obtained over the telephone. The telephone interview procedures used for gathering price quotes were unchanged from prior years. The number of recorded price quotes (731) gathered was the most since the PIOC was brought "in house" in 1991 and 18% more than in 1999. For a detailed description of the items priced and the number of price quotations obtained for each item, refer to Appendix 1.

Water/Sewer Sample

After introducing a new methodology to measure water/sewer costs last year, which analyzed the actual bills from a sample of rent stabilized buildings, the sample size used was increased from 625 in 1999 to 1,200 in 2000. The random sample of 1,200 stabilized buildings drawn from the most recent list of stabilized buildings registered with DHCR in 1998 included 846 (75%) buildings billed on frontage in both years, 214 (19%) buildings billed on metered billing in both years, and 66 (6%) properties that switched from frontage to metered billing. Seventy-four properties, about 6% of the original sample, were rejected from the final sample because of missing or unusable data. Compared to last year's sample, the percentage of buildings moving from frontage to metered billing (6% during 1998-1999 and 3% from 1997-1998) has increased. This is to be expected as it is DEP's plan to eventually move all buildings to metered billing. It should be noted that proposals currently before the Water Board would combine the metering program with an option to be billed either by meter or on a new flat-rate scheme.

With the assistance of DEP staff, each building account was scrutinized to obtain the correct billing amount for the current and prior year. Adjustments had to be made for disputed bills, rebills, rebate program credits, and irregular billing periods that may occur in any account. Upon examining preliminary results, it was determined that for buildings billed on the frontage scheme (the system of water/sewer billing based on the size of the building and the number of units and fixtures in a property), nearly all showed increases in water/sewer costs that were exactly equivalent to the rate set by the New York City Water Board—4.0%. However, metered buildings, or buildings that moved from frontage to metered billing over the period, had often highly variable changes in costs. This was due mainly to changes in consumption and occupancy. Other reasons include: problems with equipment (meters and dials); leaks which hadn't been fixed yet; customer read bills are sometimes incorrect or miscalculated, but are always corrected later; and estimated bills (used when an actual read isn't available) may be under- or over estimated, but this is also corrected in future billing cycles.

Two utility items—frontage and metered (which includes buildings billed on frontage in the prior year and metered in the current year)—are used to more accurately measure water and sewer costs. The sample data showed that the proportion of rent stabilized Class 2 residential properties that were billed on a frontage basis in both years was 75%. Properties which were on metered billing (or frontage-to-metered) over the period was 25%. From this analysis, weights were assigned to the two component items within the utility cost category. Similar to the method used in prior years, the Water Board increase of 4.0% in water/sewer rates was used for buildings in the frontage component item.

Actual billing data was collected and analyzed for buildings that were billed via meter in both 1998 and 1999, or changed from frontage to metered billing. The 1.2% increase found in buildings billed on a metered basis should be viewed with some caution, however. Although the sample size was doubled this year, because substantial variability was again found in the changes in metered bills over the period, the estimated item price relative for Water & Sewer - Metered is not highly statistically reliable.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC, including union contract and benefit information, Social Security rates, unemployment insurance rates, heating degree-days, and utility rate schedules. These items are used in computing some of the labor components, changes in utility costs for electricity, gas, steam, and telephone, and the cost weighted-change in fuel expenses.

Price Index Projections

The PIOC Projections are estimated by using data from Federal, state and local agencies, estimates from related industry experts and trend forecasting using 3-year averages.

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2001 to estimate (for Class Two properties) the change in class levy share and assessments, the tax rate and the impact of exemptions and abatements in the coming fiscal year. These estimates produce a projected tax cost for the owners of rental and 4-10 family buildings. Labor costs are projected by analyzing labor contract terms supplied by apartment workers union Local 32-E and a three-average of all other Labor items. Fuel costs are projected by using data and information from the U.S. Energy Information Administration's current "Short-Term Energy Outlook" report,which includes assumptions about changes in usage according to a projected return to an average of the last five year's weather. Utility costs are projected by obtaining rate projections for the coming year from the New York State Public Service Commission,the New York City Water Board, industry representatives from area utility companies and EIA projections. Natural gas rate projections are combined with assumptions about usage if the coming year's weather had the five-year average number of heating degree-days (see Endnote 1).

The other cost components, Administrative, Contractor Services, Insurance, Parts and Supplies, and Replacement Costs are projected by using 3-year averages of the component price relatives.

Acknowledgments

The Rent Guidelines Board would like to acknowledge the following individuals for their assistance in the Price Index of Operating Costs this year: Dr. Anthony Blackburn for editorial assistance; Dr. James F. Hudson for technical assistance and reviewing methodology; and Shirley Alexander for supervising the data collectors for the owner and vendor surveys. ❒

Endnotes

(1) "Normal" weather refers to the typical number of heating degree-days measured at Central Park over a given period. A heating degree-day is defined as, for one day, the number of degrees that the average temperature for that day is below 65 degrees Fahrenheit. The most recent five-year average "normal" temperature, refers to the total number of average annual Heating Degree Days from 1995 to 1999 measured in Central Park by the National Weather Service.

(2) This year for the first time, the 'All-Hotels' price index change lies outside the range of the price index changes of the individual hotel categories. This seemingly paradoxical outcome results from the fact that, for several years, the 'All-Hotels' tax and utility price relatives were constructed using data which included some buildings whose Multiple Dwelling Law classifications (Hotel, Rooming House, SRO) were not known. As a result, the 'All-Hotels' price index is not an exact weighted average of the Hotel, Rooming House and SRO indices.

(3) Source: "Short-Term Energy Outlook," April 2000. U.S. Energy Information Administration, Department of Energy.

(4) The following assumptions were used: (1) The required increase in landlord revenue is the sum of the increase due to increased costs and the impact of inflation on NOI. The increase in revenue due to costs is 61% of the 2000 PIOC increase of 7.8%, or 4.75%. The 61% figure is the most recent ratio of average operating costs to average income in stabilized buildings. The increase in revenue due to the impact of inflation on NOI is 39% times the latest March 1999 to March 2000 12-month increase in the CPI (3.4%) or 1.32%. Thus, the total increase in landlord income required is 6.07%. Assumptions regarding lease renewals were derived from the 1999 Housing and Vacancy Survey. In a given year approximately 29% of stabilized tenants sign a one-year lease, and 29.5% sign a two-year lease. Another 29.5% have a two-year lease but do not sign, and 11.6% turn over, and are subject to a vacancy lease. For the commensurate including a vacancy assumption, the 12.0% median increase in vacancy leases found in the 1998 Recent Movers Study was used. These terms are only illustrative. Other combinations of terms could produce the 6.07% increase in landlord revenue.

Appendix

1. PIOC Sample, Number of Price Quotes per Item, 1999 vs. 2000

Spec	Description	1999	2000
211	Apartment Value	158	175
212	Non-Union Super	87	114
216	Non-Union Janitor/Porter	53	60
	LABOR COST	298	349
301	Fuel Oil #2	32	31
302	Fuel Oil #4	9	9
303	Fuel Oil #6	7	7
	FUEL COSTS	48	47
501	Repainting	126	131
502	Plumbing,Faucet	32	34
503	Plumbing,Stoppage	28	31
504	Elevator #1	11	14
505	Elevator #2	11	14
506	Elevator #3	11	14
507	Burner Repair	10	13
508	Boiler Repair,Tube	10	10
509	Boiler Repair,Weld	5	5
510	Refrigerator Repair	9	11
511	Range Repair	12	12
512	Roof Repair	22	24
513	Air Conditioner Repair	8	11
514	Floor Maint. #1	6	10
515	Floor Maint. #2	6	10
516	Floor Maint. #3	6	10
518	Linen/Laundry Service	5	6
	CONTRACTOR SERVICES	318	360
601	Management Fees	89	124
602	Accountant Fees	28	28
603	Attorney Fees	21	23
604	Newspaper Ads	18	20
605	Agency Fees	5	5
606	Lease Forms	7	10
607	Bill Envelopes	10	14
608	Ledger Paper	5	9
	ADMINISTRATIVE COSTS	183	233

Spec	Description	1999	2000
701	INSURANCE COSTS	636	656
801	Light bulbs	6	10
802	Light Switch	6	10
803	Wet Mop	8	8
804	Floor Wax	5	7
805	Paint	14	16
806	Pushbroom	6	8
807	Detergent	8	7
808	Bucket	10	11
809	Washers	10	12
810	Linens	10	10
811	Pine Disinfectant	5	7
812	Window/Glass Cleaner	9	6
813	Switch Plate	6	10
814	Duplex Receptacle	7	11
815	Toilet Seat	13	16
816	Deck Faucet	11	13
	PARTS & SUPPLIES	134	162
901	Refrigerator #1	10	7
902	Refrigerator #2	10	10
903	Air Conditioner #1	5	5
904	Air Conditioner #2	5	5
905	Floor Runner	6	13
906	Dishwasher	5	9
907	Range #1	5	7
908	Range #2	6	7
909	Carpet	11	15
910	Dresser	5	9
911	Mattress & Box Spring	6	13
	REPLACEMENT COSTS	74	100
	All Items	1691	1907

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2000

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES,FEES,& PERMITS	0.2589	1.0518	5.18%	0.1371
201	Payroll,Bronx,All	0.1216	1.0181	1.81%	0.0000
202	Payroll, Other, Union,Supts.	0.1171	1.0276	2.76%	0.0000
203	Payroll,Other, Union,Other	0.2887	1.0276	2.76%	0.0000
204	Payroll,Other, Non-Union,All	0.2800	1.0384	3.84%	0.9024
205	Social Security Insurance	0.0470	1.0294	2.94%	0.0000
206	Unemployment Insurance	0.0063	1.0897	8.97%	0.0000
207	Private Health & Welfare	0.1393	1.0005	0.05%	0.0000
	LABOR COSTS	0.1762	1.0262	2.62%	0.2527
301	Fuel Oil #2	0.2864	1.3576	35.76%	2.0807
302	Fuel Oil #4	0.2103	1.5790	57.90%	3.4882
303	Fuel Oil #6	0.5033	1.6432	64.32%	3.2402
	FUEL	0.0733	1.5479	54.79%	1.8849
401	Electricity #1,2,500 KWH	0.0124	1.1081	10.81%	0.0000
402	Electricity #2,15,000 KWH	0.1528	1.1441	14.41%	0.0000
403	Electricity #3,82,000 KWH	0.0000	1.1466	14.66%	0.0000
404	Gas #1,12,000 therms	0.0047	1.0634	6.34%	0.0000
405	Gas #2,65,000 therms	0.0507	1.0410	4.10%	0.0000
406	Gas #3,214,000 therms	0.1284	1.0414	4.14%	0.0000
407	Steam #1,1.2m lbs	0.0144	1.2306	23.06%	0.0000
408	Steam #2,2.6m lbs	0.0053	1.2763	27.63%	0.0000
409	Telephone	0.0116	1.0120	1.20%	0.0000
410	Water & Sewer - Frontage	0.4780	1.0400	4.00%	0.0000
411	Water & Sewer - Metered	0.1417	1.0119	1.19%	2.8328
	UTILITIES	0.1466	1.0568	5.68%	0.4014
501	Repainting	0.4075	1.0622	6.22%	0.8211
502	Plumbing,Faucet	0.1382	1.0404	4.04%	1.1930
503	Plumbing,Stoppage	0.1264	1.0274	2.74%	1.1598
504	Elevator #1,6 fl.,1 e.	0.0544	1.0536	5.36%	1.9909
505	Elevator #2,13 fl.,2 e.	0.0363	1.0382	3.82%	1.9062
506	Elevator #3,19 fl.,3 e.	0.0209	1.0518	5.18%	2.4443
507	Burner Repair	0.0391	1.0328	3.28%	1.2893
508	Boiler Repair,Tube	0.0461	1.0389	3.89%	1.6797
509	Boiler Repair,Weld	0.0339	1.0161	1.61%	1.1621
510	Refrigerator Repair	0.0130	1.0230	2.30%	1.0248
511	Range Repair	0.0140	1.0105	1.05%	0.6165
512	Roof Repair	0.0555	1.0278	2.78%	1.1636
513	Air Conditioner Repair	0.0090	1.0200	2.00%	1.2207
514	Floor Maint.#1,Studio	0.0003	1.0422	4.22%	2.0777
515	Floor Maint.#2,1 Br.	0.0005	1.0297	2.97%	1.2315
516	Floor Maint.#3,2 Br.	0.0049	1.0347	3.47%	1.7606
	CONTRACTORSERVICES	0.1564	1.0458	4.58%	0.4410
601	Management Fees	0.6824	1.0409	4.09%	1.2740
602	Accountant Fees	0.1430	1.0426	4.26%	1.5498
603	Attorney Fees	0.1351	1.0330	3.30%	1.7419
604	Newspaper Ads	0.0045	1.0245	2.45%	0.8504
605	Agency Fees	0.0054	1.0509	5.09%	3.6527
606	Lease Forms	0.0105	1.0282	2.82%	1.2400
607	Bill Envelopes	0.0101	1.0397	3.97%	1.3069
608	Ledger Paper	0.0090	1.0095	0.95%	0.9687
	ADMINISTRATIVE COSTS	0.0885	1.0396	3.96%	0.9280
701	INSURANCE COSTS	0.0665	1.0066	0.66%	0.0701
801	Light Bulbs	0.0385	1.0000	0.00%	0.0000
802	Light Switch	0.0491	1.0000	0.00%	0.0000
803	Wet Mop	0.0411	1.0314	3.14%	2.3989
804	Floor Wax	0.0397	1.0235	2.35%	1.6126
805	Paint	0.2198	1.0293	2.93%	2.1519
806	Pushbroom	0.0367	1.0043	0.43%	1.0333
807	Detergent	0.0329	1.0000	0.00%	0.0000
808	Bucket	0.0428	0.9927	-0.73%	2.2435
809	Washers	0.1002	1.0155	1.55%	1.4325
811	Pine Disinfectant	0.0482	1.0000	0.00%	0.0000
812	Window/Glass Cleaner	0.0518	1.0060	0.60%	0.6291
813	Switch Plate	0.0449	1.0362	3.62%	1.9836
814	Duplex Receptacle	0.0349	1.0000	0.00%	0.0000
815	Toilet Seat	0.0989	1.0286	2.86%	1.3627
816	Deck Faucet	0.1203	1.0370	3.70%	2.0813
	PARTS AND SUPPLIES	0.0234	1.0193	1.93%	0.5988
901	Refrigerator #1	0.0899	1.0298	2.98%	2.0254
902	Refrigerator #2	0.4797	0.9987	-0.13%	0.8067
903	Air Conditioner #1	0.0172	1.0102	1.02%	0.9668
904	Air Conditioner #2	0.0223	1.0000	0.00%	0.0000
905	Floor Runner	0.0875	1.0192	1.92%	1.8860
906	Dishwasher	0.0477	1.0089	0.89%	0.4846
907	Range #1	0.0442	1.0419	4.19%	3.3426
908	Range #2	0.2116	1.0070	0.70%	1.7868
	REPLACEMENT COSTS	0.0101	1.0077	0.77%	0.6130
	ALL ITEMS	1.0000	1.0782	7.82%	0.1938

3. Price Relatives by Building Type, Apartments, 2000

Spec #'s	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES,FEES, & PERMITS	1.0518	1.0518	1.0518	1.0518	1.0518
201-207	LABOR COSTS	1.0274	1.0248	1.0286	1.0259	1.0302
301-303	FUEL	1.5289	1.6074	1.6311	1.5484	1.5128
401-411	UTILITIES	1.0498	1.0708	1.0476	1.0551	1.0876
501-516	CONTRACTOR SERVICES	1.0452	1.0472	1.0494	1.0449	1.0438
601-608	ADMINISTRATIVE COSTS	1.0262	1.0359	1.0326	1.0301	1.0253
701	INSURANCE COSTS	1.0066	1.0066	1.0066	1.0066	1.0066
801-816	PARTS AND SUPPLIES	1.0196	1.0187	1.0201	1.0190	1.0135
901-908	REPLACEMENT COSTS	1.0079	1.0073	1.0078	1.0078	1.0098
	ALL ITEMS	1.0881	1.0723	1.0461	1.0909	1.0822

Note:In prior years appendix 3 included intermediate computations at the item level that were not actual price relatives. The item price relatives for appendix 3 are the same as the item relatives in the All-Apartments index (see appendix 2). This year the intermediate computations have been eliminated and only the actual component price relatives are reported. Item price relatives are not repeated from appendix 2.

4. Price Relative by Hotel Type, 2000

Spec #	Item Description	Hotel	RH	SRO
101	TAXES,FEES,& PERMITS	1.1086	1.0571	1.0470
205-206,208-216	LABOR COSTS	1.0365	1.0537	1.0442
301-302	FUEL	1.4251	1.3576	1.5446
401-407,409-411	UTILITIES	1.0753	1.0735	1.0779
501-509,511-516,518	CONTRACTOR SERVICES	1.0266	1.0336	1.0335
601-608	ADMINISTRATIVE COSTS	1.0378	1.0384	1.0381
701	INSURANCE COSTS	1.0066	1.0066	1.0066
801-816	PARTS AND SUPPLIES	1.0189	1.0211	1.0215
901-904,907-911	REPLACEMENT COSTS	1.0130	1.0118	1.0122
	ALL ITEMS*	1.0880	1.0806	1.0860

* See Endnote 2

Note:In prior years appendix 4 included intermediate computations at the item level that were not actual price relatives. The item price relatives for appendix 4 are the same as the item relatives in the All-Hotel index (see appendix 7).This year the intermediate computations have been eliminated and only the actual component price relatives are reported. Item price relatives are not repeated from appendix 7.

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2000

	% Change Due to Assessments	% Change Due to Exemptions	% Change Due to Abatements	% Change Due to Tax Rate	% Change Due to Interactions	Total % Change
APARTMENTS						
Manhattan	5.50%	-1.31%	0.04%	0.99%	0.04%	5.26%
Bronx	5.09%	-1.00%	-0.11%	1.17%	0.04%	5.19%
Brooklyn	4.23%	0.30%	0.13%	1.13%	0.05%	5.84%
Queens	3.67%	-0.48%	0.08%	1.10%	0.03%	4.41%
Staten Island	5.45%	-3.15%	-1.88%	1.06%	0.02%	1.50%
Total	4.98%	-0.92%	0.04%	1.05%	0.04%	5.18%
HOTELS						
Hotels	13.38%	-0.15%	-0.08%	-2.01%	-0.29%	10.86%
Rooming Houses	4.95%	-0.05%	0.02%	0.77%	0.01%	5.71%
SROs	4.78%	0.97%	-0.99%	-0.07%	0.02%	4.70%
Total	8.00%	0.39%	-0.49%	-0.65%	-0.10%	7.15%

Note : Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2000

Borough	Community Board	Number of Buildings	Tax Relative
Manhattan	All	12,991	5.26
	1	35	117.1*
	2	1,223	6.4
	3	1,545	5.9
	4	1,028	-3.0
	5	300	5.0
	6	960	5.3
	7	2,099	6.2
	8	2,342	5.6
	9	704	4.0
	10	746	1.2
	11	571	2.2
	12	1,418	6.7
Lower Man.	1-8	9030	5.24
Upper Man	9-12	3961	5.49
Bronx	All	4,864	5.19
	1	245	3.0
	2	205	-3.7
	3	239	-6.2
	4	649	4.2
	5	635	7.1
	6	450	2.1
	7	922	7.1
(Bronx cont.)	8	346	3.7
	9	286	8.4
	10	170	5.6
	11	274	7.2
	12	381	6.3
Brooklyn	All	12,390	5.84
	1	1,480	5.0
	2	685	11.6
	3	732	9.4
	4	1,249	8.1
	5	296	8.2
	6	997	9.3
	7	883	6.0
	8	934	6.8
	9	550	4.8
	10	835	4.7
	11	752	4.3
	12	618	4.7
	13	174	3.5
	14	902	5.7
	15	391	5.0
	16	221	5.5
	17	604	5.0
	18	69	3.8
Queens	All	6,355	4.41
(Queens cont.)	1	1,817	5.2
	2	844	7.1
	3	397	5.3
	4	366	4.1
	5	1,148	6.7
	6	348	4.0
	7	428	3.4
	8	185	2.6
	9	193	7.0
	10	64	5.1
	11	130	6.4
	12	150	5.4
	13	51	2.1
	14	86	4.9
Staten Island	All	175	1.50
	1	117	1.0
	2	33	3.1
	3	21	2.5
No Comm. Board Listed	NA	252	3.5
Citywide	All	36,775	5.18

*The 117.1% increase found in Manhattan's Financial District is due to the impact of 5 buildings that had large increases in tax cost from FY1999-2000. Two buildings had no taxes in the previous year but experienced high tax cost increases in the current year because of expiring exemptions and increases in assessed value. Three other properties had declines in exemptions in the current year that resulted in large increases in tax costs over the previous year.

7. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 2000

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES,FEES,& PERMITS	0.2389	1.0715	7.15%	0.5469
205	Social Security Insurance	0.0578	1.0294	2.94%	0.0000
206	Unemployment Insurance	0.0138	1.0897	8.97%	0.0000
208	Hotel Private Health/Welfare	0.0355	1.0248	2.48%	0.0000
209	Hotel Union Labor	0.3286	1.0286	2.86%	0.0000
210	SRO Union Labor	0.0128	1.0262	2.62%	0.0000
211	Apartment Value	0.1173	1.0779	7.79%	0.7311
212	Non-Union Superintendent	0.3078	1.0325	3.25%	1.1536
213	Non-Union Maid	0.0000	0.0000	NA	0.0000
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000
215	Non-Union Maintenance Worker	0.0000	0.0000	NA	0.0000
216	Non-Union Janitor/Porter	0.1263	1.0525	5.25%	1.3374
	LABOR COSTS	0.1947	1.0393	3.93%	0.4025
301	Fuel Oil #2	0.7203	1.3576	35.76%	2.0807
302	Fuel Oil #4	0.0137	1.5790	57.90%	3.4882
303	Fuel Oil #6	0.2660	1.6432	64.32%	3.2402
	FUEL	0.0798	1.4366	43.66%	1.7296
401	Electricity #1,2,500 KWH	0.0779	1.1081	10.81%	0.0000
402	Electricity #2,15,000 KWH	0.0815	1.1441	14.41%	0.0000
403	Electricity #3,82,000 KWH	0.2533	1.1466	14.66%	0.0000
404	Gas #1,12,000 therms	0.0458	1.0634	6.34%	0.0000
405	Gas #2,65,000 therms	0.0349	1.0410	4.10%	0.0000
406	Gas #3,214,000 therms	0.1435	1.0414	4.14%	0.0000
407	Steam #1,1.2m lbs	0.0002	1.2306	23.06%	0.0000
409	Telephone	0.1903	1.0120	1.20%	0.0000
410	Water & Sewer - Frontage	0.1332	1.0400	4.00%	0.0000
411	Water & Sewer - Metered	0.0395	1.0119	1.19%	2.8328
	UTILITIES	0.1575	1.0757	7.57%	0.1119
501	Repainting	0.2091	1.0622	6.22%	0.8211
502	Plumbing,Faucet	0.0805	1.0404	4.04%	1.1930
503	Plumbing,Stoppage	0.0780	1.0274	2.74%	1.1598
504	Elevator #1,6 fl.,1 e.	0.0343	1.0536	5.36%	1.9909
505	Elevator #2,13 fl.,2 e.	0.0315	1.0382	3.82%	1.9062
506	Elevator #3,19 fl.,3 e.	0.0297	1.0518	5.18%	2.4443
507	Burner Repair	0.0263	1.0328	3.28%	1.2893
508	Boiler Repair, Tube	0.0280	1.0389	3.89%	1.6797
509	Boiler Repair, Weld	0.0243	1.0161	1.61%	1.0248
511	Range Repair	0.1516	1.0105	1.05%	0.6165
512	Roof Repair	0.0230	1.0278	2.78%	1.1636
513	Air Conditioner Repair	0.0426	1.0200	2.00%	1.2207
514	Floor Maint.#1,Studio	0.0009	1.0422	4.22%	2.0777
515	Floor Maint.#2,1 Br.	0.0019	1.0297	2.97%	1.2315
516	Floor Maint.#3,2 Br.	0.0173	1.0347	3.47%	1.7606
518	Linen/Laundry Service	0.2208	1.0000	0.00%	0.0000
	CONTRACTOR SERVICES	0.1050	1.0291	2.91%	0.2788
601	Management Fees	0.6128	1.0409	4.09%	1.2740
602	Accountant Fees	0.0826	1.0426	4.26%	1.5498
603	Attorney Fees	0.1403	1.0330	3.30%	1.7419
604	Newspaper Ads	0.1048	1.0245	2.45%	0.8504
605	Agency Fees	0.0238	1.0509	5.09%	3.6527
606	Lease Forms	0.0118	1.0282	2.82%	1.2400
607	Bill Envelopes	0.0136	1.0397	3.97%	1.3069
608	Ledger Paper	0.0103	1.0095	0.95%	0.9687
	ADMINISTRATIVE COSTS	0.0990	1.0380	3.80%	0.8377
701	INSURANCE COSTS	0.0371	1.0066	0.66%	0.0701
801	Light Bulbs	0.0159	1.0000	0.00%	0.0000
802	Light Switch	0.0185	1.0000	0.00%	0.0000
803	Wet Mop	0.0485	1.0314	3.14%	2.3989
804	Floor Wax	0.0494	1.0235	2.35%	1.6126
805	Paint	0.1206	1.0293	2.93%	2.1519
806	Pushbroom	0.0417	1.0043	0.43%	1.0333
807	Detergent	0.0440	1.0000	0.00%	0.0000
808	Bucket	0.0522	0.9927	-0.73%	2.2435
809	Washers	0.0500	1.0155	1.55%	1.4325
810	Linens	0.3157	1.0232	2.32%	2.3029
811	Pine Disinfectant	0.0188	1.0000	0.00%	0.0000
812	Window/Glass Cleaner	0.0200	1.0060	0.60%	0.6291
813	Switch Plate	0.0531	1.0362	3.62%	1.9836
814	Duplex Receptacle	0.0421	1.0000	0.00%	0.0000
815	Toilet Seat	0.0493	1.0286	2.86%	1.3627
816	Deck Faucet	0.0600	1.0370	3.70%	2.0813
	PARTS AND SUPPLIES	0.0623	1.0198	1.98%	0.8173
901	Refrigerator #1	0.0192	1.0298	2.98%	2.0254
902	Refrigerator #2	0.1018	0.9987	-0.13%	0.8067
903	Air Conditioner #1	0.0611	1.0102	1.02%	0.9668
904	Air Conditioner #2	0.0751	1.0000	0.00%	0.0000
907	Range #1	0.0083	1.0419	4.19%	3.3426
908	Range #2	0.0408	1.0070	0.70%	1.7868
909	Carpet	0.3443	1.0142	1.42%	1.0695
910	Dresser	0.1777	1.0343	3.43%	2.4583
911	Mattress & Box Spring	0.1717	1.0000	0.00%	0.0000
	REPLACEMENT COSTS	0.0259	1.0127	1.27%	0.5868
	ALL ITEMS	1.0000	1.0801	8.01%	0.2305

8. Expenditure Weights and Price Relatives, Lofts, 2000

Spec #	Item Description	Weights	Price Relative
101	TAXES	0.2470	1.0518
201	Payroll, Bronx,All	0.0000	1.0181
202	Payroll,Other, Union,Supts.	0.2928	1.0276
203	Payroll,Other, Union,Other	0.0000	1.0276
204	Payroll,Other, Non-Union,All	0.5332	1.0384
205	Social Security Insurance	0.0465	1.0294
206	Unemployment Insurance	0.0070	1.0897
207	Private Health & Welfare	0.1204	1.0005
	LABOR COSTS	0.1163	1.0306
301	Fuel Oil #2	0.3628	1.3576
302	Fuel Oil #4	0.5310	1.5790
303	Fuel Oil #6	0.1062	1.6432
	FUEL	0.0470	1.5055
401	Electricity #1,2,500 KWH	0.0124	1.1081
402	Electricity #2,15,000 KWH	0.1539	1.1441
403	Electricity #3,82,000 KWH	0.0000	1.1466
404	Gas #1,12,000 therms	0.0047	1.0634
405	Gas #2,65,000 therms	0.0506	1.0410
406	Gas #3,214,000 therms	0.1283	1.0414
407	Steam #1,1.2m lbs	0.0144	1.2306
408	Steam #2,2.6m lbs	0.0052	1.2763
409	Telephone	0.0116	1.0120
410	Water & Sewer - Frontage	0.5114	1.0400
411	Water & Sewer - Metered	0.1075	1.0119
	UTILITIES	0.0805	1.0578
501	Repainting	0.4074	1.0622
502	Plumbing,Faucet	0.1382	1.0404
503	Plumbing,Stoppage	0.1265	1.0274
504	Elevator #1,6 fl.,1 e.	0.0544	1.0536
505	Elevator #2,13 fl.,2 e.	0.0363	1.0382
506	Elevator #3,19 fl.,3 e.	0.0208	1.0518
507	Burner Repair	0.0391	1.0328
508	Boiler Repair,Tube	0.0461	1.0389
509	Boiler Repair,Weld	0.0340	1.0161
510	Refrigerator Repair	0.0130	1.0230
511	Range Repair	0.0140	1.0105
512	Roof Repair	0.0554	1.0278
513	Air Conditioner Repair	0.0090	1.0200
514	Floor Maint.#1,Studio	0.0003	1.0422
515	Floor Maint.#2,1 Br.	0.0006	1.0297
516	Floor Maint.#3,2 Br.	0.0049	1.0347
	CONTRACTOR SERVICES	0.0836	1.0457

Spec #	Item Description	Weights	Price Relative
	ADMINISTRATIVE COSTS,LEGAL	0.1150	1.0330
601	Management Fees	0.7975	1.0409
602	Accountant Fees	0.1543	1.0426
604	Newspaper Ads	0.0055	1.0245
605	Agency Fees	0.0066	1.0509
606	Lease Forms	0.0115	1.0282
607	Bill Envelopes	0.0131	1.0397
608	Ledger Paper	0.0114	1.0095
	ADMINISTRATIVE COSTS - OTHER	0.1063	1.0406
701	INSURANCE COSTS	0.1606	1.0066
801	Light Bulbs	0.0385	1.0000
802	Light Switch	0.0491	1.0000
803	Wet Mop	0.0410	1.0314
804	Floor Wax	0.0398	1.0235
805	Paint	0.2197	1.0293
806	Pushbroom	0.0367	1.0043
807	Detergent	0.0329	1.0000
808	Bucket	0.0428	0.9927
809	Washers	0.1002	1.0155
811	Pine Disinfectant	0.0482	1.0000
812	Window/Glass Cleaner	0.0519	1.0060
813	Switch Plate	0.0449	1.0362
814	Duplex Receptacle	0.0350	1.0000
815	Toilet Seat	0.0989	1.0286
816	Deck Faucet	0.1204	1.0370
	PARTS AND SUPPLIES	0.0243	1.0193
901	Refrigerator #1	0.0899	1.0298
902	Refrigerator #2	0.4797	0.9987
903	Air Conditioner #1	0.0172	1.0102
904	Air Conditioner #2	0.0222	1.0000
905	Floor Runner	0.0874	1.0192
906	Dishwasher	0.0477	1.0089
907	Range #1	0.0441	1.0419
908	Range #2	0.2117	1.0070
	REPLACEMENT COSTS	0.0196	1.0077
	ALL ITEMS	1.0000	1.0584