Rent Stabilized Housing in New York City

A Summary of Rent Guidelines Board Research, 1993

New York City Rent Guidelines Board

Aston Glaves
Chairman

Public Members
Hilda Blanco
Barbara Gordon-Espejo
Agustin Rivera
Jane Stanicki

Tenant Members
Leslie Holmes
Kenneth Rosenfeld

Owner Members
Joseph Forstadt
Harold Lubell

Rent Guidelines Board Staff

Timothy Collins
Executive Director

Douglas Hillstrom
Director of Research

Annie Georges
Research Associate

Ashley How
Research Associate

Patricia Stone
PIOC Survey Manager

Andrew McLaughlin
PIOC Survey Supervisor

Leon Klein
Office Manager

Cecille Latty
Public Information

Table of Contents

Appendices

A Letter from the Chairman

Each year the Rent Guidelines Board adopts rent orders which affect over 600,000 rent stabilized apartments. Traditionally, the Board's discussions focus on the "average" tenant and the "typical" apartment. By extension, the rent increases voted by the Board treat all apartments equally. This year's increases of 3% for a one year lease and 5% for a two year lease applied to all renewal leases.

Despite the ravages of the recession, prospects for the average apartment (and by extension the average building) appear to be improving. Increases in operating and maintenance (O&M) costs have slowed considerably since the late 1980's. The outlook for the near term is also very favorable. The RGB's staff estimates that O&M costs will increase only 3.1% in 1993-94, the lowest rate since 1987.

Although unemployment remains high and the recession continues to restrain increases in tenant income, prospects for the average rent stabilized household have improved somewhat since last year. Employment levels in the city have stabilized and the unemployment rate is a bit lower than in 1992. In addition, if results of the 1991 Housing and Vacancy Survey are indicative of current market conditions, tenant rent burdens have remained stable in recent years, while the number of apartments renters can choose from has increased sharply.

To sum up from the perspective of the "average" tenant and landlord, existing market conditions may not be ideal, but they are certainly improved from a year or two ago.

Unfortunately, the Board cannot rest at ease about conditions in the low rent portion of the stabilized stock. This year's presentations to the Board by RGB staff and a variety of housing experts highlighted growing problems in the low rent stock, including above average real estate tax increases, rapidly increasing tax arrears, continued tenant hardships, and increased vacancy and collection losses.

The problems confronting affordable housing may well worsen in the next few years. In particular, the increasing burden of environmental regulations and costs will have a much greater impact on the low rent housing stock than on our prototypical "average" rent stabilized unit. Water metering, for instance, will shift part of the burden of paying for water and sewer services from more affluent buildings to the less affluent. The need to eradicate lead paint is another example of an environmental problem which will most seriously affect the finances of older, less profitable housing.

Given the myriad problems confronting the low rent housing stock, should the Rent Guidelines Board shed its preoccupation with the "average" building and its "one-size-fits-all" guideline policy? A change in the RGB's policy is certainly possible but not easily accomplished. The Board must consider a number of questions: Should these problems be addressed outside of the rent setting process? Is it possible for the RGB to accurately target buildings in need of assistance? Would rent increases in low income properties be sufficiently collectible to prevent housing losses, or would they simply place undue strain on low income households without salutary effects?

It is not yet clear whether the Rent Guidelines Board should change its approach. Nonetheless, pressures on the low rent stock will continue to increase, even if economic conditions improve somewhat. When the twin goals of preserving the housing stock and maintaining reasonable rent levels cannot be mutually

achieved through general rent setting mechanisms, some thought must be given to new approaches. At present, the level of inter-agency and public dialogue concerning these problems is quite high. This year the Rent Guidelines Board expressed a unanimous interest in actively promoting this dialogue and in examining possible solutions. Notably, this is the first time the Board has spoken with one voice on a substantive policy issue.

As this publication goes to press, the RGB staff is gathering information on economically distressed housing. This year's report on tax arrears in rent stabilized housing was certainly useful to the Board. I hope that an expanded version of this report will allow the Board to delve more deeply into the problems of distressed rental properties in the coming months.

Before concluding, I would like to express my appreciation to each of the members of the Rent Guidelines Board. During last year's "guideline season" the Board reviewed numerous reports and sat through several days of public testimony. Board attendance was excellent and the discussions were thorough (sometimes painfully thorough). I would also like to add a special note of recognition for Joseph Forstadt, an owner representative, who just completed his tenth year of service on the Board. Whether we have agreed with him or not, Joe has been a brilliant advocate for owners and a diligent Board member. His presence has sharpened the discourse and earned the respect of those on all sides of the table.

Our small research staff continues to be one of the best sources of housing information in the City. Their work is one of the little known success stories in local government. Over the past four years they have dramatically expanded and improved the information available to the Board, tapping into a variety of information sources and undertaking responsibilities formerly performed by highly paid consultants. This happened at a time when the financial resources available to the Board were actually reduced. I want to again thank Tim Collins, the Board's Executive Director and Counsel, and Doug Hillstrom, Director of Research, for their outstanding leadership.

Finally, I would like to close by publicly announcing my retirement. When I first accepted the responsibility of chairing the Rent Guidelines Board, I was deeply apprehensive about my role in what had been described as a "no win" public office. These past four years have indeed presented some trying moments. But on the whole I found the experience quite fulfilling. In fact, the members of the Board and the staff, as well as industry and tenant advocates, raised my appreciation for the seriousness and professionalism which undergirds the rent setting process. Unfortunately, the brief moments of partisan passion captured by the media at the annual hearings fail to convey that seriousness and professionalism.

All in all, both the owners and tenants have presented powerful and eloquent testimony about their concerns. The respect I have for both sides has been greatly enhanced by my experience on the Board. The painful problem is that the two groups are dealing with an incommensurable good: to owners we are discussing an investment, to tenants, a home. The consequence of that dilemma is not being able to please both sides at the same time.

We do, however, have the ability to assure the public that the process is governed by integrity and that our discussions are rigorous and informed. The greatest sin in this case is that of silencing or ignoring those most affected by the system. If the promotion of robust debate and thoughtful examination of the issues is any measure of success, then I leave with a deep sense of accomplishment.

I am most grateful to everyone who helped make it happen.

Thank you.

Aston L. Glaves
November 15, 1993

Acknowledgments

This volume summarizes all the major research projects - including the 1993 Price Index of Operating Costs (PIOC) - produced by the staff of the Rent Guidelines Board during the 1993 guideline "season." We accept full responsibility for the analysis and findings contained herein.

The PIOC is certainly the most resource intensive project undertaken by the RGB. The index requires hundreds of hours of staff time to complete; by the time the PIOC is wrapped up, the endurance of its participants is usually stretched to the limit.

Pat Stone and Andrew McLaughlin were responsible for the vendor and owner surveys, which are crucial elements of the PIOC. This year was Pat and Andrew's third effort, and also their best. The survey was better organized than last year and a record number of insurance quotes was gathered. Andrew was mainly responsible for the supervision of the PIOC survey crew this year.

As usual, Speedwell Inc. worked with RGB staff to compute the tax and water/sewer components of the price index. They also reviewed the final draft of the PIOC. A special effort was made this year to ensure the accuracy of the tax and water calculations and to establish better ties with the Finance Department.

Everyone on the RGB research staff contributed to the PIOC in some way. Annie Georges chose the sample for the owner survey and calculated changes in fuel prices. Ashley How was responsible for the labor and utilities components and the 1994 PIOC projection. Over the past year she has thoroughly documented utility rate schedules, making it much easier for staff to track changes in these costs.

Finally, no acknowledgements would be complete without mentioning our temporary survey workers. Many thanks for diligent efforts to: Darrell Brown, Fatima Futa, Regina Nealy, Martha Romero, Clarissa Sanders, John St. Victor, John Williams, and Marlene Wilson.

The RGB also benefitted greatly from the assistance of several city and state agencies. The Department of Finance (DOF) helped to prepare files used in computing changes in real estate taxes for the PIOC. For the fourth consecutive year, DOF also supplied the RGB with crucial data from owner income and expense (I&E) filings. Lisa Avruch produced much of this information, often under tight time constraints. We would like to thank Julie Walpert for acting as liason between the DOF and the RGB on these and other matters. James Rheingrover provided updated and improved figures on real estate sales prices.

We would like to thank Commissioner Michetti and the Department of Housing Preservation and Development (HPD) for supporting a number of projects, most notably RGB staff's review of the 1991 Housing and Vacancy Survey. Moon Wha Lee, Assistant Commissioner of Housing Policy and Supervision at HPD, provided HVS data. Following first publication, his staff reviewed the RGB's HVS study and supplied useful comments.

A number of other agencies supported this year's research agenda. The Department of City Planning supplied the RGB with important data on real estate tax arrearages. Co-op conversion data was obtained from the New York State Attorney General's Office. The New York State Public Service Commission and the New York City Water Board and Department of Environmental Protection also provided information and relevant data for a number of this year's research projects.

Finally, two disclaimers must be made regarding this report. First, this volume includes only this year's RGB staff research. The Board was also provided with a wide variety of additional sources of information, including Speedwell Inc.'s report *The Projected Impact of Conversion to Metered Billing for Water and Sewer Services on New York City's Multifamily Housing*, and written submissions and oral testimony from building owners, tenants, housing scholars, public officials and other interested parties. In addition, although this report does include a summary of the Board's guidelines for 1993-94, it is not intended as an explanation of these guidelines. Those who are interested in this issue should consult the Board's explanatory statements which are issued in conjunction with this year's rent orders.

Timothy Collins
Executive Director

Douglas Hillstrom
Director of Research

New in 1993

This is the fifth annual compilation of research from the Rent Guidelines Board. A fair amount of the material in *Rent Stabilized Housing in New York City* remains the same from year to year. For instance, the Price Index of Operating Costs for Rent Stabilized Apartment Houses is done each guideline "season" and the Owner Income and Expense Studies are rapidly becoming a fixture of the RGB's research agenda. However, much of the research is new or improved each year. We think it is useful to point out a few of this year's highlights, as well as additions to the appendices which might be useful to other housing researchers.

One of the special studies undertaken this year was a ten year retrospective of the **New York City Housing and Vacancy Survey** (page 62). Although this RGB piece appeared some time before the 1991 Stegman report, its focus was considerably narrower. The analysis was restricted to rent stabilized units and to the issues of most concern to the Rent Guidelines Board - namely, changes in income, rent, affordability and housing conditions.

Despite the litany of complaints the Board hears each year from both landlords and tenants, the HVS data showed that BOTH groups gained during the eighties. Tenant incomes rose faster than inflation and they had more income to spend on non-housing goods by the end of the decade. Owners' rents rose substantially faster than the rate of inflation and also outpaced the RGB's Price Index of Operating Costs.

Of course not ALL tenants and landlords gained. The real income of lower income households declined while more affluent households gained. The net result was a more unequal distribution of income. A substantial increase occurred in the number of households containing roommates and relatives; crowding was also up sharply. In short, the decade was not so kind to younger and/or less affluent renters.

In addition to the regular HVS, **a special survey of SRO housing** was also commissioned by HPD in 1991. A rudimentary look at this data was presented to the Board last Spring. In this publication that analysis has been expanded (page 92).

Last year's research publication contained a table showing changes in tax arrears in recent years. The information was definitely cause for concern, since arrearages per unit rose 31% from 1991 to 1992. One possible implication - that growing arrears might lead to rapid increases in city tax foreclosures - was ominous.

Our report on **Tax Arrears in Rent Stabilized Housing** (page 50) looks at the problem of arrears in much greater detail than was possible last year. The conclusions of the report are sobering. The overall amount of arrears has continued to increase and a large percentage of buildings in arrears have been included in recent *in rem* actions. Despite this threat, many of the owners have failed to take any action to forestall foreclosure.

The situation is certainly very serious, but it is unclear whether we can expect an avalanche of city vestings comparable to the early eighties. The redemption rate for properties included in *in rem* filings is not yet significantly lower than in previous years and the number of buildings with arrears fell slightly by the end of 1992. It is too early to tell whether the situation is stabilizing or if vestings will continue to rise.

The relationship between rents, operating and maintenance expenses, and owner income lies at the very heart of rent regulation. During the past few years the RGB has made a concerted

effort to measure the long term impact of rent stabilization on net operating incomes. An auxiliary aspect of the income and expense investigation has been to evaluate and improve the tools the Board uses to measure changes in income and expenses (e.g. the PIOC, Finance Income and Expense data).

The **Review of Changes in Income and Expenses, 1967-91** (page 33) brings together many of the threads of previous income and expense studies while adding some important new findings. It is, of course, difficult to draw hard and fast conclusions on this issue, given the massive shifts in the housing stock which have occurred during the last twenty years. Yet, it appears reasonable to conclude that rent regulations have had little adverse impact on income and expense ratios over the long term. The best available evidence suggests that the RGB has done a generally effective job immunizing owners from cost-push inflationary pressures while protecting tenants from excessive demand driven rent increases.

Owner Income and Expense

1993 Price Indices of Operating Costs

Introduction

Prior to establishing its annual guidelines, the Rent Guidelines Board (RGB) is obligated by law to examine operating and maintenance costs that are incurred by owners of stabilized buildings. In the early 70's, the RGB relied heavily on its Price Index of Operating Costs for Rent Stabilized Apartment Houses (PIOC) to measure changes in these charges and costs. However, since the late 70's, some critics as well as Rent Guidelines Board members felt that additional data was needed to determine the profitability of stabilized housing beyond an annual price survey.

The PIOC measures the price change in a market basket of goods and services which are used in the operation and maintenance of stabilized buildings. The original PIOC expenditure weights and market basket were devised by the U.S. Bureau of Labor Statistics (BLS) which was retained by the RGB as the PIOC contractor from 1970 to 1981. From 1982 to 1990, the PIOC was prepared by private consulting firms. In 1991, the RGB staff's growing expertise and familiarity made it possible to move the PIOC "in house." This is the third year that the RGB staff has produced the PIOC.

In order to address the ongoing concerns about the accuracy of the PIOC methodology in estimating cost changes, the RGB commissioned the PIOC contractors to undertake various PIOC-related studies in the 80's. However, for a variety of reasons, these studies did not lead to substantive changes in the PIOC market basket, methodology, or the way the study was administered.

Since 1989, RGB staff has completed a substantial amount of research designed to evaluate the accuracy of the PIOC. The major topics of concern have been the reliability of the 1982 expenditure study (which re-weighted the PIOC components), the overall accuracy of the PIOC, and the precision of various PIOC components.

The availability of landlord income and expense (I&E) information from the Department of Finance made it possible to examine the reliability of the PIOC expenditure weights. In general, the I&E information confirmed that the PIOC weights are quite accurate. Last year for the first time, staff was able to compare actual increases in costs (Finance I&E data) with changes in the PIOC. We found that the PIOC measurement (9.6%) was higher than the I&E data would suggest (7.1%). This year's Income & Expense Study found a 3.4% increase in O&M compared to a 5.5% increase in the PIOC. Yet no conclusions should be drawn from two year's comparisons - several years worth of data will be needed before we can make reliable statements about the accuracy of the PIOC.

Beginning with the 1991 PIOC, several administrative changes were made to facilitate the data collection process. Staff reorganized and computerized the PIOC vendor database, updated the mailing list for the owner survey, and completely redesigned the owner survey mailing materials. In addition, price quotes for fuel oil were gathered on a monthly basis rather than once a year.

Following completion of the 1992 PIOC, further efforts have been made to improve the quality of data collection and our understanding of the PIOC. Utility rates and charges are now tracked on a bi-monthly basis instead of yearly. An effort to gauge the accuracy of the PIOC by comparing its findings with actual expense data has continued. While the controversy concerning the accuracy and legitimacy of the PIOC may never be fully resolved, efforts will continue to improve the PIOC on both an administrative and technical basis.

Rent Stabilized Apartments

Summary

The overall increase in the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City (PIOC) between April 1992 and April 1993 was 4.7%. In last year's PIOC projection we predicted that "the momentum of economic recovery will probably bring somewhat larger increases in some of the PIOC components since market conditions in the past few years have depressed demand and prices for services to stabilized buildings." As it turns out, the economic recovery was not as imminent as our 5.3% projection supposed. The slack in the economy has made it impossible for many vendors to raise prices. The absence of inflationary pressures in the private sector, combined with the lowest tax increase since 1984 and a substantially higher utilities increase than projected, has resulted in the 4.7% increase.

Change in Components of the Price Index of Operating Costs for Rent Stabilized Apartments, April, 1992 to April, 1993

Taxes	3.1%
Labor Costs	5.6%
Fuel Costs	5.2%
Utilities Costs	12.7%
Contractor Services	2.5%
Administrative Costs	3.8%
Insurance Costs	-.5%
Parts & Supplies	1.0%
Replacement Costs	4.2%
Overall	**4.7%**

Double digit tax increases were recorded between 1989 and 1991, largely due to growing assessments. Last year's 11% increase was mostly the result of a tax rate hike rather than rising property values. This year was quite different. The tax rate rose a scant two-tenths of a percent, and since fully two-thirds of the stabilized buildings had reached their maximum assessments, values did not increase much. As a result, taxes increased only 3.1%.

Labor costs were up 5.6%, nearly the same increase as last year. The rate of increase in labor costs has been extremely consistent during the past seven years, ranging from 5.1% to 5.7% .

As we noted in the 1991 PIOC report, Contractor Services and Administrative Costs are largely labor-based and depend to a great extent on the strength of the local economy. Given that weak economic conditions in New York City persist, it is not surprising that the increases in the Contractor Services and Administrative Costs components (2.5% and 3.8% respectively) are among the lowest in the last ten years.

In last year's PIOC projection we assumed that fuel supplies would be stable, economic activity somewhat improved, and the weather slightly cooler than in 1991-92. The net effect of was to have been a 5.1% increase in fuel prices. Our projection proved to be fairly accurate - fuel prices rose 5.2%.

The utilities relative was pushed higher by substantial utility rate hikes which became effective during the year. In addition, water and sewer costs were up nearly 10%. Since water and sewer charges now constitute 56% of the utilities component, the overall increase in utilities was 12.7%.

This is the sixth consecutive year that changes in insurance costs were less than the overall PIOC increase. Increases in the Parts & Supplies and Replacement Cost components, which have been fairly consistent (and low) over the past eight years, continued to follow the same pattern. Prices for Parts and Supplies increased a meager 1% while Replacement Costs were up 4.2%.

Elements of the Price Index

Owner Survey

The owner survey gathers information on management fees, insurance, and non-union labor from building managers and owners. Survey forms, accompanied by a letter describing the purpose of the PIOC, were mailed to the owners or managing agents of several thousand stabilized buildings. If the survey form was returned, the owner/manager was contacted by an interviewer to verify the information and to obtain additional information if necessary. All of the price quotes of the owner/managing agents were confirmed by calling the insurance and management companies and non-union employees.

The sample frame for the owner survey included 39,000 stabilized buildings which registered with DHCR in 1989 and/or 1990. A stratified sampling scheme was used to choose approximately 6200 addresses from this pool for the owner mailing - about 300 more than in 1992. The number of buildings chosen in each borough was proportional to the concentration of stabilized buildings in that borough.[1] Nearly 16% of the 6200 surveys mailed out were returned to the RGB. About 450 of these contained information which was used. The number of verified price quotes in 1992 and 1993 for the owner survey is shown in Table B.1 on page 98.

[1] This sampling scheme was also used in 1991 and 1992. This year we decided to test the validity of the sampling strategy by comparing characteristics of last year's survey respondents with the stabilized stock as a whole. We suspected that our respondents might be disproportionately owners of smaller buildings. However, this was not the case. Both the distribution of building sizes and the borough distribution mirrored the characteristics of the stabilized stock as a whole, providing assurance that the stratified sampling method is appropriate for this study.

Fuel Oil Vendor Survey

Fuel price information has been gathered on a monthly or bi-monthly basis for the past two years. 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). Calling vendors each month minimizes the likelihood of misreporting and also reduces the reporting burden for the companies which don't care to look up a year's worth of prices. Finally, the monthly survey shifts some staff work out of the very busy Spring period.

Only a few vendors declined to participate on a monthly basis. Several of these did agree to provide two year's worth of data in April 1993. The number of fuel quotes gathered this year was comparable to last year and are listed in Table B.1.

Tax Computations

The list of buildings used to compute the change in taxes was updated for the 1991 PIOC. This list included all buildings which registered at least once with DHCR between 1984 and 1989. Given the glacial pace of change in the rent stabilized stock, this same building database has been used to compute the tax component this year. An update of the list is planned for the 1994 PIOC.

As was the case last year, a list of *in rem* buildings was obtained from the Department of Housing Preservation and Development. These buildings had been vested by the city and were not, in effect, privately managed rental buildings. They were excluded from the tax analysis.

RGB and consultant (Speedwell, Inc.) staff met with Department of Finance personnel this year to review methodology for the PIOC tax and water/sewer computations. The general accuracy of Speedwell's methods was confirmed.

Some additional information was obtained which will allow Speedwell to refine the water/sewer calculations somewhat. Additional meetings will be required next year after all of Finance's data has been shifted to the "Fair Tax" system.

Vendor Survey

The Vendor Survey is used to gather price quotes for contractor services, administrative costs, parts & supplies, and replacement costs. 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. Vendor quotes were obtained in person and over the telephone. The method used depended on the particular product or service being priced (e.g. all painters were contacted by telephone due to the difficulty of meeting with them during business hours).

The procedures used for gathering price quotes were unchanged from prior years. The number of price quotes was about the same in 1993 and 1992. For a detailed description of the items priced and the number of price quotations obtained for each item, refer to Appendix B, Table B.1 on page 98.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC. They are:

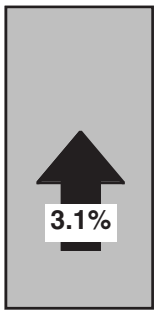
Union contract and benefit information
Social security rates
Unemployment insurance rates
Heating degree days
Utility rate schedules

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 prices.

Changes in PIOC Components

Taxes

The tax component is based entirely on real estate taxes. The change in taxes is estimated by comparing the aggregate taxes levied on rent stabilized apartment houses in 1992 and 1993 (For additional detail on how the tax computation compares to last year, see the earlier section on "Elements of the PIOC"). The tax data was obtained from the Department of Finance.



Taxes levied on rent stabilized apartments increased by 3.1% in the past year, the lowest rate of increase since 1984. The tax increase was largely due to increased assessments. The tax rate rose less than one-half percent.

The chart on the next page disaggregates the increase in real estate taxes into changes in billable assessments, and the tax rate, tax exemptions, and abatements. Changes in assessments and the tax rate usually have the biggest impact on this component. The influence of exemptions and abatements is often negligible. We have grouped these with the tax rate for purposes of illustration.

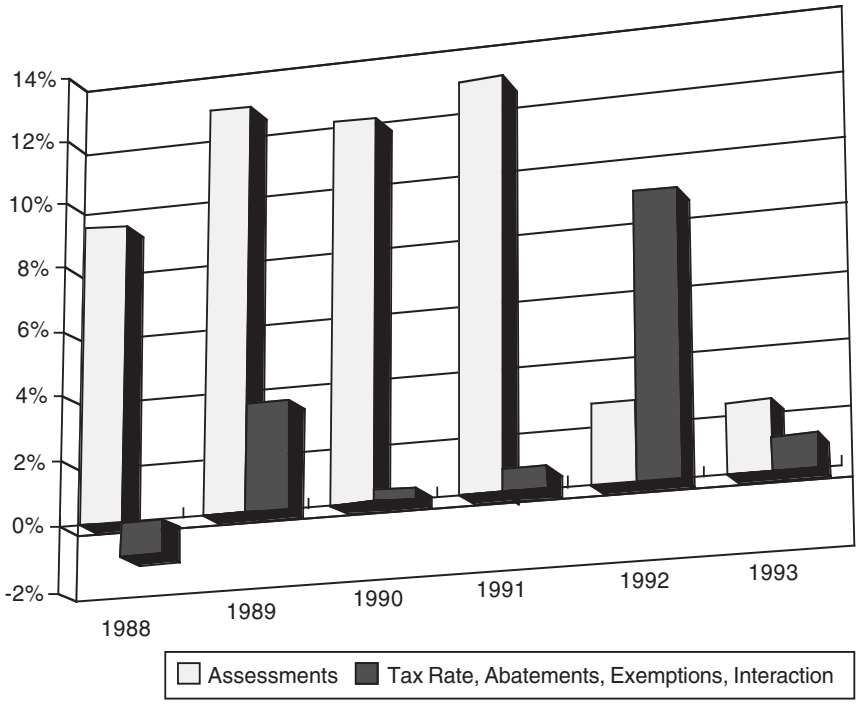
Most of the overall tax increase this year can be attributed to the increase in assessments, although expiring abatements and exemptions played a bigger role than usual. This is in marked contrast to last year, where an increase in the tax rate was the most important factor.

This year the change due to increases in billable assessments (2.1%) was about the same as 1992 and substantially below prior years (i.e. 12.5% in 1989, 11.7% in 1990, 12.2% in 1991).

Actual assessments for rent stabilized buildings fell again last year, for the second year in a row, but since transitional assessments continued to increase slightly, the so called "billable" assessments (i.e. the figure on which an owner's taxes are actually based) rose slightly.

As a check on the accuracy of the tax relative, the tax change was also computed using the Finance Department's Open Balance Register (OBR). The OBR includes information on bills sent and payments received by Finance. This computed tax relative was in accord with the standard methodology.

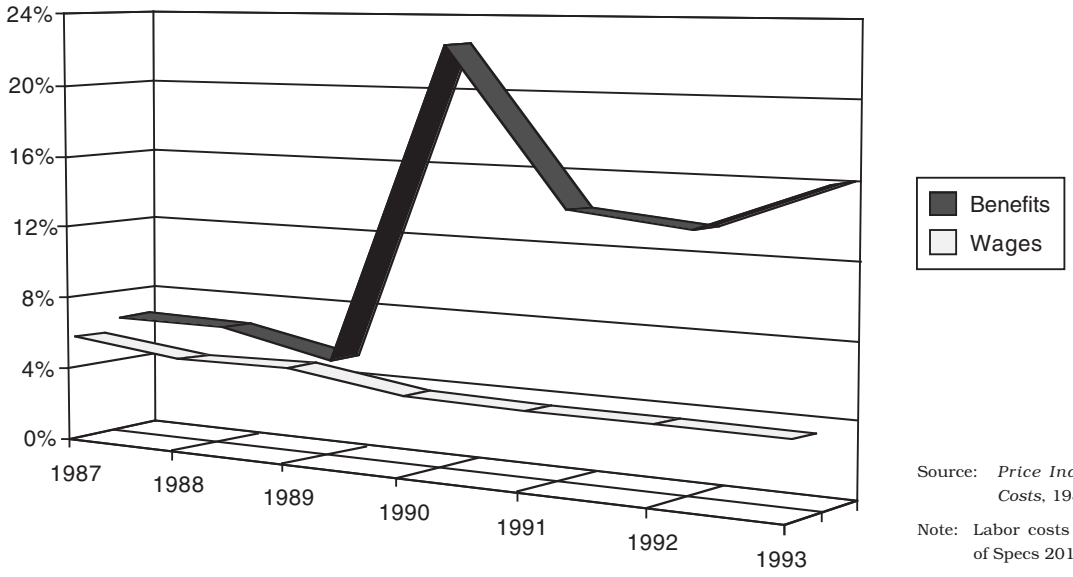
Components of Tax Change, 1988-93



Source: *Price Index of Operating Costs*, 1988 - 1993.

Note: Overall change in tax component by year: 1988 (8.1%), 1989 (15.8%), 1990 (12.0%), 1991 (12.8%), 1992 (11.0%) and 1993 (3.1%).

Percent Change in Wage Costs and Health & Welfare Benefits, 1987-93

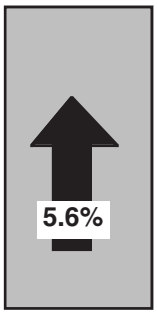


Source: *Price Index of Operating Costs*, 1987 - 1993.

Note: Labor costs weighted average of Specs 201 to 204.

Labor Costs

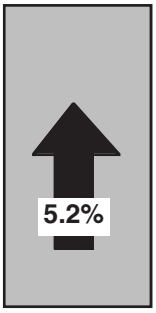
The labor component is based on several measures of labor costs, including union contracts (wages and benefits), non-union wage increases as measured by the owner survey, and changes in social security and unemployment insurance. Overall increases in labor costs have been remarkably consistent during the past several years, approximating just over 5% each year.



Last year we noted that the consistency of the labor component masks some of the variation in recent years within its subcomponents. The wage portion of labor costs has been relatively constant in recent years while the benefits portion (largely health care costs) has skyrocketed (see chart below). In the 80's wage increases were typically 5% or more per year. In 1993, by comparison, wages were up 4% while benefits rose 16%.

Fuel Oil

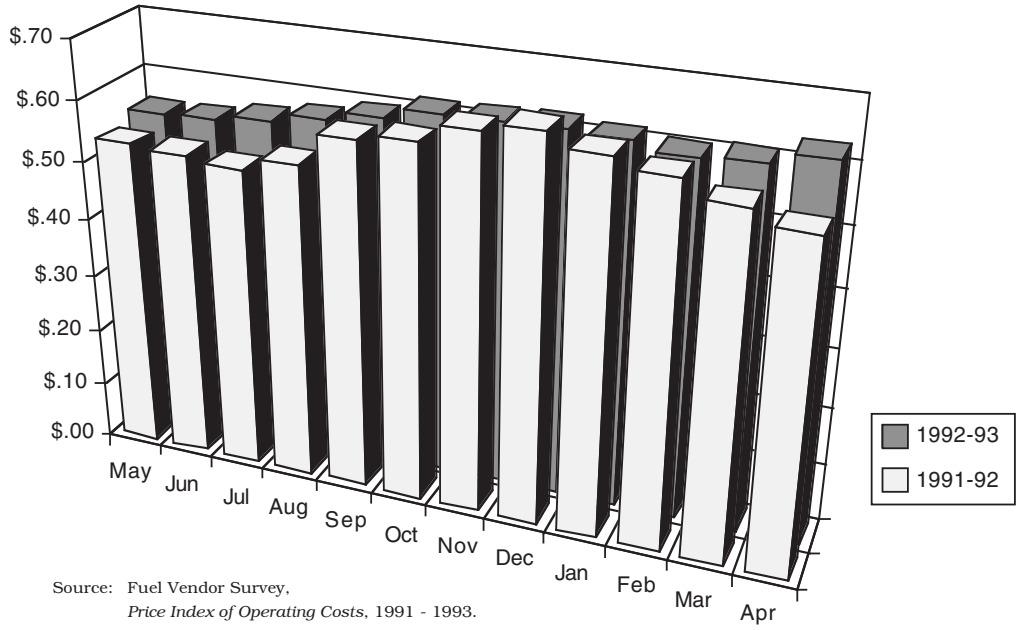
The fuel oil component measures changes in the price of three types of fuel oil - #2, #4, and #6. The PIOC includes a different weight for each of the fuel grades which reflects the percentage of rent stabilized units using the particular type of fuel oil. In the current year's PIOC, #6 oil accounts for half of the fuel oil component while the other two grades make up roughly 25% each.



To calculate changes in fuel oil costs staff gathers monthly price data from fuel oil vendors and weights the data using a degree day formula. The number of degree days is a measure of heating requirements.

Last year there was no devastating cold spell as in 1990, nor did a war erupt to drive prices higher as in 1991. The end of the Persian Gulf war and the deepening recession both acted to push down fuel oil prices. As a result, in 1992 fuel prices fell 10.9%. As the chart illustrates, fuel prices this year were largely unchanged. The increase of 5.2% in the fuel price component was mainly due to colder weather this year rather than changes in oil prices. For the first time in many years, the weather was actually colder than the historical norm.

Price of #6 Fuel Oil, 1991-92 and 1992-93



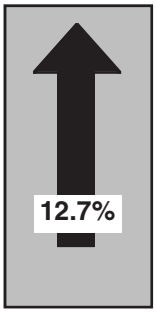
Source: Fuel Vendor Survey,
Price Index of Operating Costs, 1991 - 1993.

Note: Fuel prices NOT weighted by degree days.

Among the various fuel oil grades, the increases were: #6, 5.8%, #4, 4.0% and #2, 4.9%. As is usually the case, the price swing for #6 fuel oil was somewhat greater than for the other grades. This is probably due to the smaller number of price quotes for #6 oil and greater price volatility for this grade.

Utilities

The utility component of the PIOC showed the largest increase this year, rising 12.7%. With the exception of telephone costs (a very minor part of utilities), most other expenses showed double-digit price increases.



The utilities component consists primarily of electricity, natural gas, and water & sewer charges. Telephone and steam costs are a small part of the utilities index. In the case of most utility components, changes in price 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 actual billings from the Department of Finance.

In previous years utility information was generally obtained by calling particular companies (e.g. Brooklyn Union Gas) or the Public Service Commission. During the past twelve months a concerted effort was made to document all aspects of the utilities component by requesting detailed rate schedules and definitions of the terms used by rate regulators. Some minor changes were made in the calculation of the utilities sub-components as a result. The RGB is now in a much better position to track changes made by regulators and to project utility rate increases.

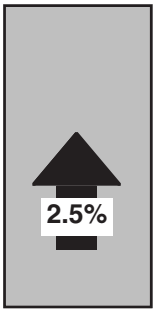
Over the past several years water and sewer charges have risen so quickly they now represent 56% of all utilities costs. The double-digit increases in water/sewer charges make water & sewer costs an increasingly important part of landlords' operating budgets. This year total water & sewer charges were up 9.8%.

Electricity costs rose sharply this year, up about 17%. Electricity costs have traditionally been measured on an April-to-April basis rather than a cost-weighted basis (as in the case of fuel oil and gas). The increase in electricity is a result of two rate increases approved by the Public Service Commission since April 1992.

Gas costs increased considerably this year too, rising about 18%. Gas, like fuel oil, is measured largely on a "cost-weighted" basis which takes both price and heating degree days into consideration. About half of the increase in gas costs was due to colder weather during this year's heating season while the other half can be attributed to rate increases.

Contractor Services

The Contractor Services component is composed of sixteen items, the most important of which are repainting and plumbing repairs. An increase in the Contractor Services component this year of 2.5% is nearly identical to last year's change (2.4%), the lowest increase since 1969.



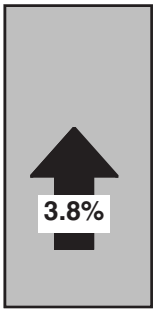
In 1991 we reported that some contractors had reduced prices due to a shortage of business. The impact of the recession became even more apparent in the 1992 PIOC, and counter to our expectations, pressures to maintain or reduce prices have remained very high to date. In this year's survey about one seventh of the painters reported price decreases, mainly due to lack of business. As a result, the increase in repainting costs was a mere 1.8%.

Plumbers, like painters, struggled to maintain prices for their services. One of the PIOC's plumbing "specs" actually showed a decrease while the other rose only one half percent. The exceptions in the Contractor Services component were fairly strong price increases for elevator maintenance and boiler

repairs. Without more substantial price hikes in these areas, we probably would have seen another all-time low in the Contractor Services component.

Administrative Costs

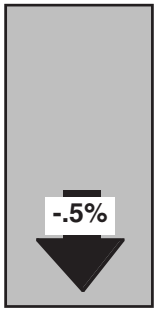
Nearly two-thirds of the administrative costs component consists of management fees while most of the remainder is accountant and attorney services. Management fee quotes are obtained from owners and are verified by calling the management companies. The data is used only if the management company has no equity interest in the apartment building. The number of management fee quotes declined somewhat this year, largely because staff instituted additional quality controls (see Appendix B). This year's increase of 4.4% in management fees is slightly higher than last year (3.3%) but low by historical standards.



Fee quotations were obtained from accountants and attorneys based on specifications in the PIOC. Until recently, these costs have increased faster than the rate of inflation. However, last year accountant fees were up only 3.7% and the cost of attorneys' time was unchanged. The situation this year is similar - accountant fees rose only 3.7% and attorney fees were up a scant 2%.

Insurance Costs

A total of 443 verified insurance quotes were obtained, compared to 218 in 1992. The PIOC survey team was exceptionally successful in gathering insurance quotes this year. In part this was due to their diligence, but some of the credit can be attributed to changes in survey methods made this year.

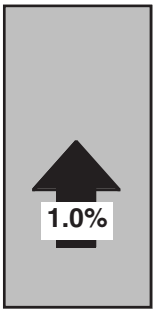


Information on insurance costs and coverage (i.e. deductible, value, coverage change) was obtained through the owner survey. The survey staff used a policy number and the name of a contact person provided by the management company or building owner to confirm the 1992 and 1993 price quotes with the insurance carrier. To insure that the PIOC accurately measures the effect of changes in the price of insurance coverage, the influence of changes in coverage is statistically removed in the computation of the insurance component.

Recent increases in insurance have been quite moderate, ranging from -.6% in 1989 to 4.4% in 1991. These results are generally in line with the findings of staff's recent I&E study.

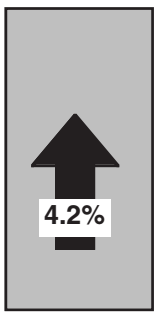
Parts and Supplies

Increases in this component have been fairly consistent and generally low since 1983. This year prices rose even less than usual - only [illegible]he low weight of the parts and [illegible]ponent in the PIOC (less than 3%) [illegible] price increase in this component, [illegible]plies had no impact on the overall [illegible] this year.



[illegible]ent Costs

The replacement costs index is less significant than the Parts and Supplies component, accounting for slightly more than 1% of the price index. Price changes have been quite low since 1983, ranging from a -0.4% decrease to 3.8%. The increase this year was slightly higher (4.2%), but has very little impact on the overall increase in the PIOC. ❒



Rent Stabilized Lofts

The overall increase in the loft price index was 3.5%, somewhat less than the increase in the apartment index (see table below). The biggest difference between the apartment and the loft indices is the weight for legal expenses. In the apartment PIOC attorney fees have a weight of about 1%, but comprise almost 12% of the loft index. Since legal fees rose only 2.1% this year, the effect was to depress the amount of increase in the loft index. Other factors worked in the same direction. Labor costs increased at a slower rate than in the apartment sector. Fuel costs also rose less since fewer lofts use #6 fuel oil. All of these factors combined resulted in the 3.5% increase. ❒

Change in Components of the Price Index of Operating Costs for Rent Stabilized Lofts, April, 1992 to April, 1993

Taxes	3.1%
Labor Costs	5.4%
Fuel Costs	4.5%
Utilities Costs	12.7%
Contractor Services	2.5%
Administrative Costs, legal	2.1%
Administrative Costs, other	4.1%
Insurance Costs	-.5%
Parts & Supplies	1.0%
Replacement Costs	4.2%
Overall	**3.5%**

Projection of Price Index for 1993-94

Summary

The chart on the next page shows the projected price increases for 1993-1994 compared to actual increases measured by the 1993 price index. The major differences between the 1994 projection and the 1993 PIOC will be in the taxes and the utilities components. These two pieces of the price index, which have accounted for a disproportionate part of the PIOC increase in recent years, will not contribute to an increase in the 1994 PIOC.

The projected increase for the 1994 PIOC is 3.1%, this would be the lowest increase since 1987. The low projection is mainly due to smaller increases in the Taxes and Utilities components. The Dinkins' Administration is attempting to stabilize tax and water/sewer rates by imposing rate freezes for at least the next year.

Depressed economic conditions in recent years have resulted in increases in the Contractor Services, Administrative Costs, and Insurance Costs components which have been relatively low. The projected increases for these three components are based on the latest three-year averages and will also be relatively small in 1994. Given considerable price stability in most of the PIOC components, changes in the Fuel and Labor components will account for more than half of the price index increase in 1994.

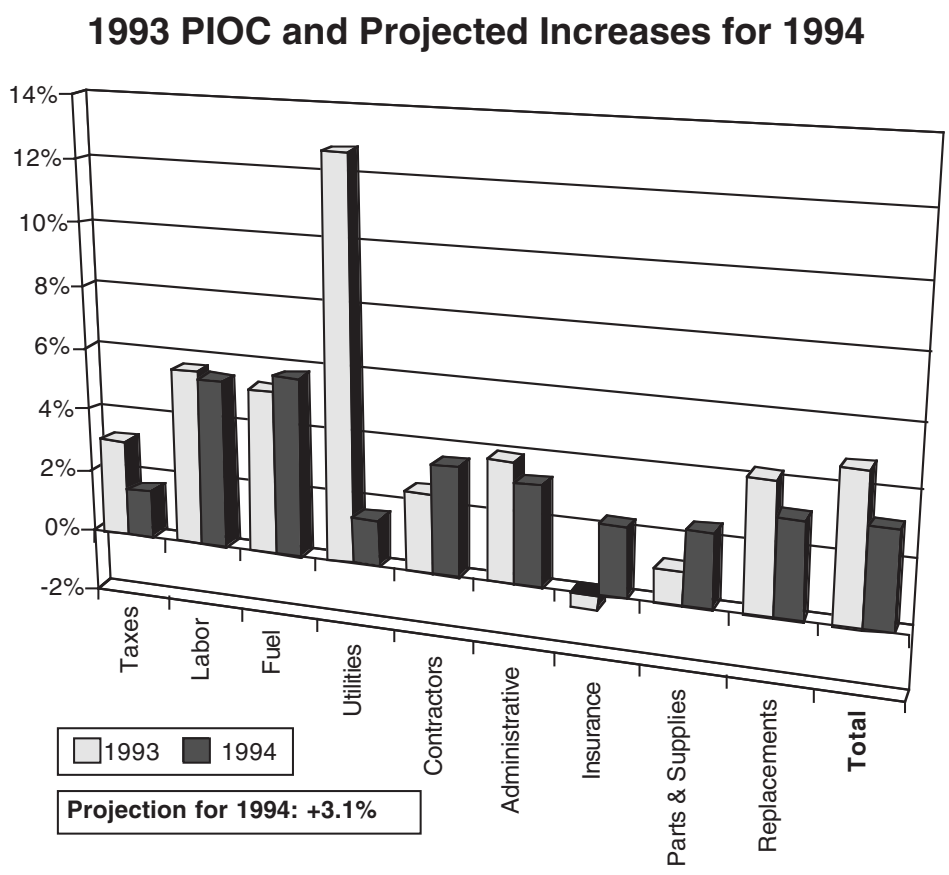
Components

Taxes +1.5%

The importance of real estate taxes has grown over the years. It has become the largest single component of the PIOC and now comprises 26% of overall operating costs. From 1985 to 1992, the increase in taxes exceeded the overall increase

in the PIOC. In 1993 this pattern was broken. A virtually unchanged tax rate and a small increase in billable assessments resulted in a 3.1% increase in taxes.

Although the overall real estate tax rate will remain roughly constant next year, distribution of the levy among the various classes of property will change to the disbenefit of rental (i.e. Class Two) properties. The tax rate will rise approximately 5%. Other factors that will affect taxes next year are the changes in billable assessments, and changes in exemptions and abatements. Based on the preliminary tax roll, Finance expects billable assessments for rental buildings with 11 or more units to decrease by 2%, while billables for 4-10 unit buildings are forecast to increase by 8%. Using these figures, the change in billable assessments for all stabilized buildings, which are mostly rental buildings, should be a decrease of 1%.



In previous tax projections, no downward adjustment was made to offset the effect of tax reductions before the beginning of the fiscal year. A comparison between the actual and the projected increases in taxes for the past four years shows that the projections have been consistently higher than the actual increases by about two and one-half percent each year. Taking this effect into consideration, along with a 5% rate hike and a 1% drop in assessments, the projected change in taxes is +1.5%.

Labor-Based Components

(Contractor Services +3.5%, Labor Costs +5.6%, and Administrative Costs +3.2%)

Each of these three components is based primarily on some type of labor cost. Services of plumbers and painters account for most of the expenses in Contractor Services while "Labor Costs" consist of wages for staff who handle building maintenance (e.g. supers, porters). Lastly, Administrative Costs are largely management fees, attorney fees, and accountant fees.

Labor costs will probably show the highest increase among the three labor-based components. It is generally quite easy to "project" the labor component since union wage settlements are known well in advance. This year's projected increase of 5.6% for union-labor costs is based on the actual wage and benefit increases under the current contracts, which cover the 1993-1994 PIOC period. The increase in the non-union portion of the labor component is based on this past year's increase.

Based on the latest three-year averages of the Contractor Services and Administrative Costs components, the projected increases for

Contractor Services and Administrative Costs are 3.5% and 3.2% respectively.

Utility Costs +1.5%

Utility costs consist of electricity, natural gas, water/sewer charges, purchased steam, and telephone bills. The first three items account for over 95% of the utility index.

The projected increase in the utility index will probably be the second lowest increase among all of the PIOC components. Con Edison will impose the last of three authorized increases in electricity rates on April 1, 1994. It is also likely that both Con Edison and Brooklyn Union Gas will file for rate increases in natural gas and steam during the 1993-1994 PIOC period. However, after several years of double-digit increases, it is unlikely that there will be any increases in water and sewer charges during fiscal years 1994 and 1995. Without increases in water and sewer charges, which account for nearly 60% of the utility component, utility costs will increase by only 1.5%.

Con Edison estimates that its April, 1994 increase in electricity rates will be close to 5%, although the actual changes in total costs for electricity will also depend on the fluctuations in the fuel adjustment charge and various tax rates. In other words, the price of electricity may rise more or less than changes in rates.

In addition to higher electricity rates, Con Edison is planning another round of rate increases for gas and steam this October. Unlike the increase in electricity rates, the rate of increase in gas and steam are not yet known. This projection assumes that Con Edison will increase its gas and steam rates by levels that are comparable to last October, 2% for gas and 3.5% for steam. Additionally, it is likely that Brooklyn Union Gas will increase its gas rate by 2% in October 1993. It should be stressed that these are preliminary figures, the actual rates of increase will be determined by the Public Service Commission after June 1993.

Following several years of substantial increases in water and sewer charges, Mayor Dinkins has proposed - among other conservation and cost-savings measures to keep water and sewer bills low - to freeze the water and sewer rate for the next two fiscal years. Although the Water Board will not vote on the proposal until May 11, 1993, it appears likely that it will adopt the Mayor's plan. According to city officials, the Water Board has been operating with a surplus in fiscal 1992 and 1993 and such surpluses must be spent on water and sewage operations. Instead of allocating all of the surplus toward capital projects, Mayor Dinkins has proposed to finance a rate freeze.

Without an increase in water and sewer charges, the combined increases among the other three types of utilities will most likely result in an increase of 1.5% in utility costs in 1994.

Editor's Note: The Mayor's plan to freeze the Water & Sewer rate was adopted for fiscal 1994 and 1995.

Fuel +5.7%

Predicting changes in fuel oil costs can be difficult since it involves making assumptions about political and economic variables that are subject to substantial uncertainty. In addition, one has to factor in the impact of short-term weather patterns. Changes in weather conditions sometimes have a greater impact on fuel oil costs than political or economic events.

According to Jim Wagner, an analyst at the National Weather Service's Climate Analysis Center, the weather pattern in recent months can be explained by the combination of El Nino and volcanic haze from the eruption of Mount Pinatubo in 1991. El Nino, which is the vast pool of warm water that develops every two to seven years in the eastern Pacific Ocean off South America, resurged 15 months ago and caused a chain of atmospheric events including heavy rains and storms.[2]

[2] William K. Stevens; "A Year of Weather: Some of It Was Strange;" New York Times, March 9, 1993, p C1.

In addition to El Nino, the global haze of sulfurous aerosols from the eruption of Mount Pinatubo has reflected enough sunlight to alter large-scale patterns of atmospheric circulation. As a result, the Summer of 1992 was the coolest Summer in decades. While December and January 1993 were mild, February and March were cooler than they have been in years. In terms of degree days, the weather for the 1993 PIOC was slightly cooler than "normal." However, since the cooler weather did not arrive until almost the end of the heating season, its effect on fuel oil prices during 1993 was muted.

The total degree days for the 1994 PIOC should be similar to this year's weather pattern, slightly cooler than normal. According to several meteorologists and aeronautic scientists who studied the effect of El Nino and Mount Pinatubo, the climatic changes that were brought about by El Nino and the cooling effect of Mount Pinatubo should gradually diminish by early 1994.

According to the Energy Information Administration's February "Short-Term Energy Outlook - Quarterly Projections," both demand and supply for petroleum should increase somewhat in the short-run. This particular forecast assumes that net oil exports from the former Soviet Union will continue to decline. In addition, Iraqi production will be limited to meeting domestic demand plus a small volume of exports to Jordan. On the other hand, Kuwait will further increase its production capacity while other OPEC member countries will adjust their output level in accordance with the OPEC agreement.[3]

The Energy Information Administration (EIA) projects an increase of 3.4% in domestic industrial output through 1994. This modest industrial growth should stimulate domestic petroleum demand in the short-run. Moreover, recent cooler weather patterns are projected to boost the demand in the short-run. Combining all of the changes in demand, supply, and weather conditions, the current petroleum price of $19 per barrel should increase to $20 per barrel in 1994. The EIA projects increases of 4%, 6%, and 6.5% in fuel oil grades two, four, and six next year.

To sum up, barring any unforeseen wars or natural disasters, and assuming a slight upward production capacity, gradually increasing demand for petroleum, and close to normal weather conditions, the cost-weighted fuel prices should increase about 5.7%.

Insurance Costs +2.1%

After a period of substantial increases in insurance costs, the insurance market stabilized in 1988 and has been relatively constant since then. In 1993 insurance costs declined slightly rather than increasing by 3.4% as projected. The projected increase of 2.1% for the 1994 PIOC is based on the latest three-year average.

Parts & Supplies +2.4%

The Parts and Supplies component is a very small part of the PIOC, with a weight of less than 3% in 1994. Price increases for Parts and Supplies will also be relatively small in 1994. The projected increase of 2.4% is based on the latest three-year average.

Replacement Costs +3.0%

Replacement Costs will probably increase by 3% in 1994. The expenditure weight of this item has fallen steadily over the years and now accounts for about 1% of the overall price index. The projected increase is again based on the average price increase over the past three years. ❑

[3]"Short-Term Energy Outlook," Energy Information Administration, United States Department of Energy, First Quarter, 1992, p. 1.

Income & Expense Studies

Introduction

Local Law 63, enacted in 1986, requires owners of income producing properties to file income and expense (I&E) statements with the Department of Finance. Certain properties are exempt such as cooperatives and condominiums, buildings with 10 or fewer units or with an assessed value of less than $40,000. Although the law does not preclude Finance from releasing summary statistics, no information on individual I&E forms can be disclosed.

Finance has provided the RGB with summary data for a random sample of rent stabilized properties for the last three years. In the first two studies, the sample was limited to 500 buildings. This sample size was sufficiently large to compute reliable estimates of rent and operating expenses, but was not so enormous as to overwhelm Finance staff with data entry. Last year, following the computerization of all I&E filings, the sample size was increased to over 14,000 properties.

This is the second year that staff has been able to obtain longitudinal data in addition to cross-sectional data. Comparing the same sample of properties over time is the best way to measure increases in rent and operating costs. The longitudinal sample is also a valuable tool for evaluating the price index.

Although the I&E forms were filed in 1991 and 1992, the cost and rent data for the longitudinal study was largely from calendar years 1990 and 1991. Prior analysis of filing dates for the I&E submissions showed that the rents and costs provided were as of July of the calendar year in question. Therefore the longitudinal study measures changes from July 1990 to July 1991.

This year the sample size (11,730) is substantially lower than last year's (14,020). However, the reduced sample does not appear to have biased the results. The data entry was done randomly and the loss of buildings was quite evenly distributed among all the boroughs.

Even though we were unable to view the raw data, staff worked very closely with Finance to ensure that the data entry was accurate and that the summary statistics provided to us were reliable. After the data was received from Finance, RGB staff checked it for consistency and aggregated it to produce estimates of rent and income collected, and operating & maintenance costs. Due to the large number of buildings in both samples (over 10,000 properties) we were able to calculate monthly per unit statistics for rent, income and O&M expenses for most combinations of building sizes and all boroughs. Some of these "cells" contained too few properties to compute reliable statistics. Data for these cells are not reported. Prior I&E studies used the 1987 HVS to weight the data. However for this year's study weights were derived from the 1991 HVS.

Summary

Cross Sectional Study

Income

- Average monthly rent per unit collected by owners in 1991 was $505. Collections in the older pre-war stock were $451 while average collections for Post '46 units were $653.

- Average gross income, which includes rent collected from commercial units, was $559. Sources of income, other than apartment rent, constitute about 11% of income for landlords as a group.
- The average gross income per unit for buildings without commercial units was $499.

O&M Costs

- The average monthly operating and maintenance cost for all units is $382. Costs are substantially higher for Post '46 units ($470) and much lower in the pre-war stock ($350).
- If we assume that an audit of the 1991 income and expense data would yield similar findings as last year's audit, one would expect actual O&M costs (i.e. "adjusted" costs) for all stabilized buildings to be approximately $351 rather than $382.
- The unadjusted average O&M cost for buildings without commercial units is $346, or about $36 less than the unadjusted average for all buildings.

O&M Ratios

- The adjusted overall O&M to rent ratio for all stabilized units is .70 while the adjusted O&M to gross income ratio is substantially lower at .63. The respective unadjusted figures are .76 and .68.

Longitudinal Study

Changes in Income

- The average rent collected increased by 3.4% in 1991, virtually the same rate of increase as in 1990. Rents in the Post '46 stock went up 2.3% while collections in Pre '47 buildings rose 4.1%.
- Rents rose fastest in Brooklyn (5.6%) and slowest in Manhattan (2%). The increases for Bronx and Queens were 4.7% and 3.9%, respectively.
- The amount of total income (i.e. apartment rent, sales of services, and commercial rent) collected by owners increased by 3.2%, slightly less than the rate of increase in apartment rents.

Changes in Costs

- Overall operating and maintenance costs increased 3.4%, equivalent to the rate of increase in rent and income collected for the year.
- The increase in expenses varied slightly among the boroughs, ranging from 3.1% in the Bronx to 3.4% in Queens, with the exception of Brooklyn where expenses rose 4%.
- The PIOC rose 5.5% while expenses reported to Finance went up 3.4%. Over the two year period (1989-1990, 1990-1991) the PIOC showed a 16% increase in costs, whereas figures reported to Finance showed an 11% increase in costs.

Changes in O&M Ratios

- The proportion of income spent on expenses remained the same in 1990 and 1991. There was also no change in the proportion of rent dollars used to cover expenses.

Sample and Methodology

The RGB provided the Department of Finance with a list of 39,000 properties that were registered with the DHCR. After Finance staff matched this list with the 1992 I&E filings the number of properties was reduced to about 11,730. Buildings were "lost" for the following reasons:

- The number of units in the building was less than 11. Owners of buildings with less than 11 apartments (without commercial units) are not

required to file I&E forms;

- The owner did not file an I&E form;
- No unit count could be found;
- No match was made with the Assessed Value file;
- No "apartment rent" was recorded on the I&E form. In these cases the form was improperly filled out or the building was vacant;
- No I&E data was entered in the database. Some of these owners may have submitted an income and expense statement to the City's Tax Commission in which case they do not have to submit an I&E form to the Property Division. Income statements submitted to the The Tax Commission are not yet computerized.

Two major steps were taken to weed out any inaccurate building information which might distort the final results:

- In the past Finance used the total number of units from the RPAD file to assign buildings to the appropriate cells. It was discovered that, in many instances, the units on the I&E form were different than those on the RPAD file. Given the probable errors in RPAD, the residential units from the I&E form were used to assign the cells and to compute averages.
- In order to control for data quality, the average rent per month for each building was verified. Using average rents from the 1991 HVS, RGB staff provided Finance with a rent interval for each borough. If a building's average rent was outside the range then the building was removed from the sample. A total of 38 buildings had average rent outside the given borough range, including several with rents over $20,000 per unit. These were removed from the sample.

Using the final sample of 11,700 properties, Finance produced "cell" statistics as they have done in the past.

Cross Sectional Study

Rents

The 1991 average monthly rent collected by landlords (all units) was $505. Rents for Post '46 units were substantially higher ($653) while pre-war units rented for less ($451). Manhattan rents ($621) far exceeded those of the other boroughs. Rents in Queens were the next highest ($470), followed by Brooklyn ($427) and the Bronx ($405).

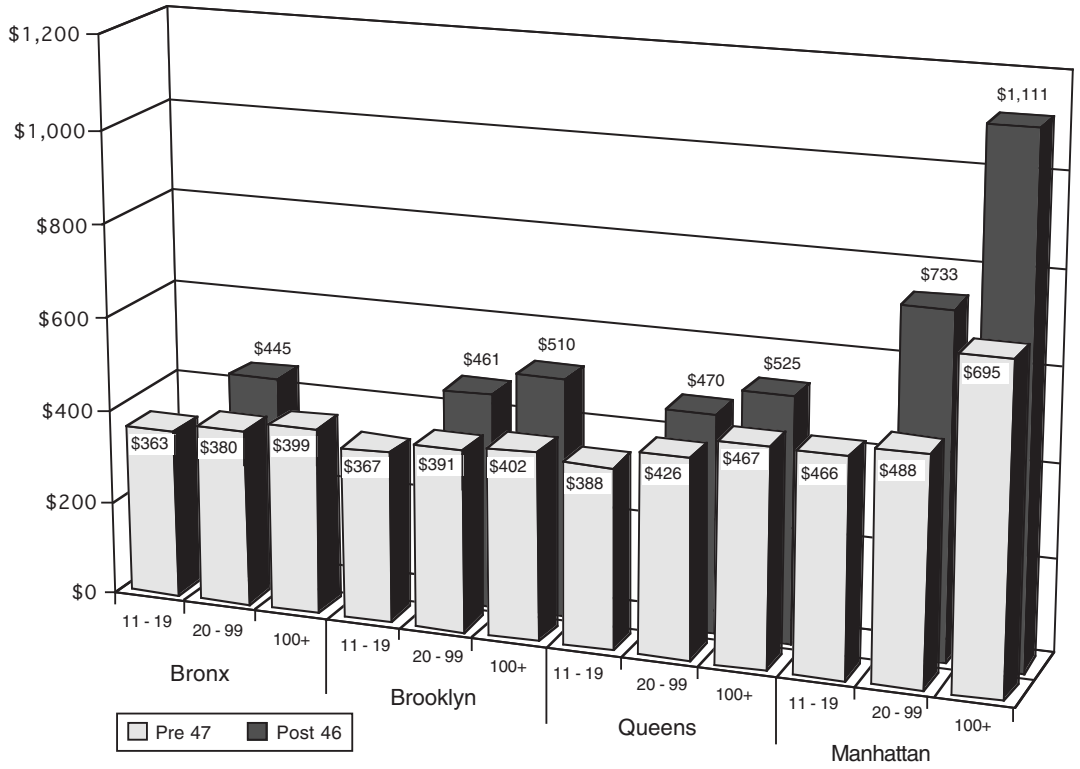
According to the New York City Housing and Vacancy Survey (HVS), the 1991 mean contract rent for all units in stabilized buildings was $525, or 4% higher than the I&E average.[1] Average contract rent in the older pre-war stock was $512, and for Post '46 units it was higher at $644. One reason why the I&E rent is lower than the HVS rent is because the I&E data captures collection and vacancy losses. In addition, the HVS took place in the first three months of 1991 while the I&E sample reflects average rent collections over a 12-month period.

It is also interesting to note the relationship between registered rents and the rents collected by landlords as measured in the I&E study. For the last three years staff estimated that rent collected was about 90% of registered rent. For 1991, staff estimated that rent collected was 85% of the registered rent. The percentage does not vary in the boroughs. The gap between legal rents and rents actually collected reflects a number of factors, including preferential rents, collection losses, vacancy losses and the presence of rent controlled units.

With a sample size of more than 500,000 units it is possible to compute reliable statistics on rent for most of the building types by

[1] Inevitably, the I&E sample includes some controlled units. In order to arrive at a rent figure comparable to the I&E data, controlled and stabilized units from the 1991 HVS data were combined to compute an average rent for all regulated units.

Average Rent Collected per Unit per Month by Borough, Building Size and Year Built



Source: NYC Department of Finance, Income & Expense Filings.

Note: Sample size for 11-19 unit Post '46 buildings and 100+ unit Post '46 buildings in the Bronx are insufficient for the computation of average rents. All rent statistics are based on data from at least 40 buildings. As noted elsewhere in this report, "average rent" in this study is rent collected by landlords.

borough. The chart above shows average rent collected for each of the building types.

Average gross income per unit, which includes income from the sales of services (e.g. laundry, garages/parkings), as well as rent from commercial units, was $559. Sources of income, other than apartment rents, constitute about 11% of income for all landlords. Manhattan owners in particular benefited from commercial income: 17% of their income is derived from commercial units and services. The respective figures for the other boroughs are: the Bronx and Queens (6%), and Brooklyn (5%).

O & M Costs

In addition to the O&M costs attributable to apartments, the I&E expense categories also include costs for commercial units. Since expenses for commercial and apartment units are not listed separately on the I&E forms, it was not possible to compute a “straight” residential operating and maintenance cost. It should therefore be kept in mind that the costs per residential unit reported below are somewhat higher due to the inclusion of the costs attributable to commercial units.

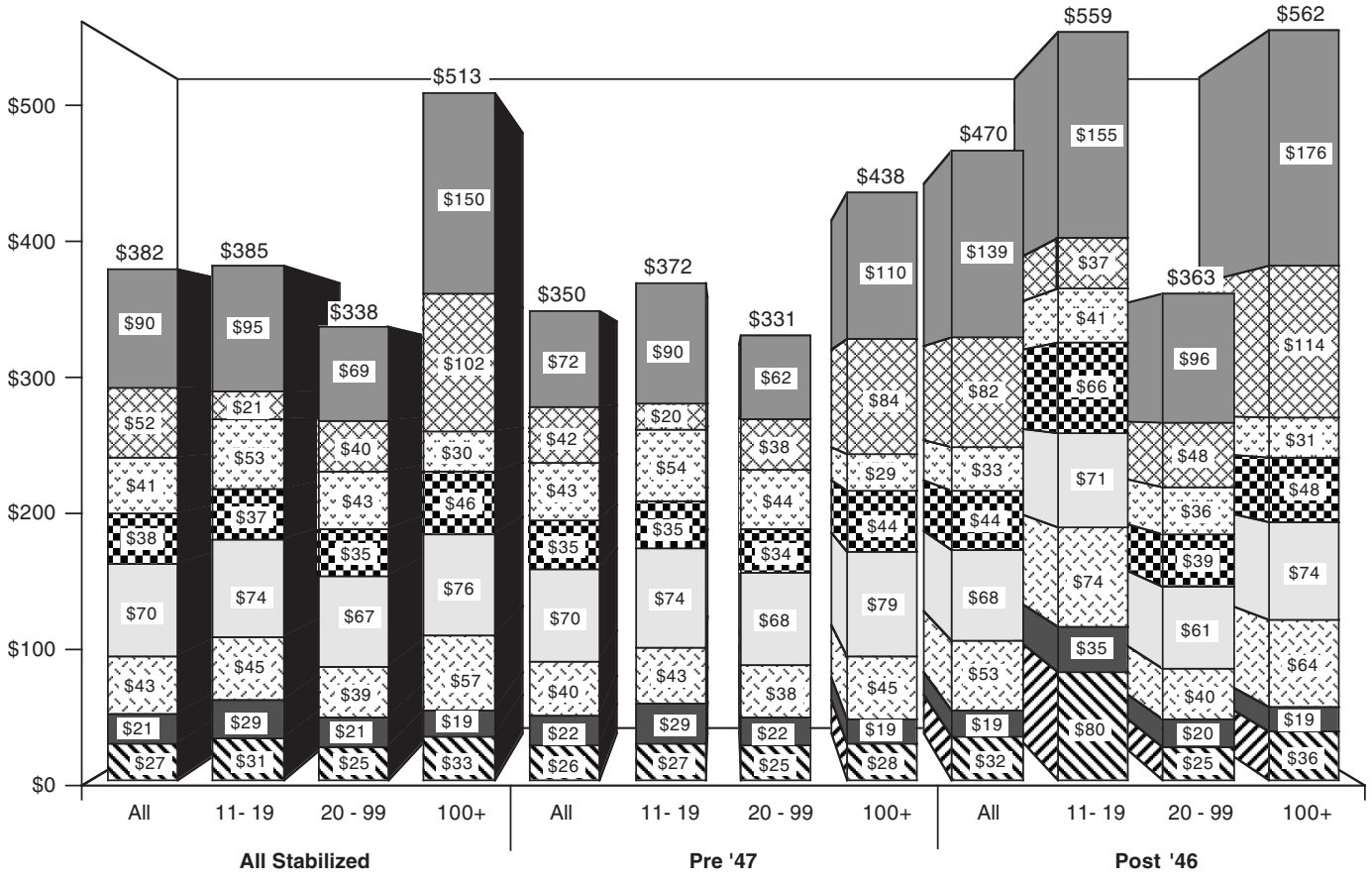
The average monthly operating and

maintenance cost for all units is $382. Costs are substantially higher for Post '46 units ($470) and much lower for the pre-war stock ($350). In the boroughs costs parallel rents - lowest in the Bronx ($304) and highest in Manhattan ($482). The chart below shows costs broken down into the various components by building size, and pre- and post-war status.

In prior studies, when the sample was limited to 500 buildings, assessors from the Department of Finance examined the miscellaneous category and reallocated and/or eliminated expenses where this was appropriate. This year due to time constraints as well as the magnitude of the sample size, Finance could not adjust the miscellaneous expense category. Based on prior adjustments made by the assessors, one would expect the miscellaneous expenses (average for all buildings) to shrink by about 70%, falling from $27 to $8. Approximately 15% would be disallowed and 55% would be redistributed to other categories. Most of the redistributed expenses would be placed in the maintenance and administrative categories.

Last year, however, Finance supplied several auditors over a three month period to conduct audits on the income and expenses of 46 stabilized properties. We found that the audit results were much more thorough than the assessors' review of the miscellaneous expenses.

1991 Estimated Average Operating & Maintenance Cost by Building Size and Year Built



Source: NYC Finance Department, Income & Expense Filings.

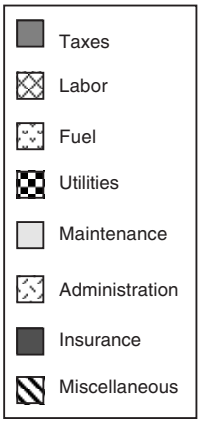
Note: Components may not add due to rounding. Costs are per apartment per month.

The findings of the audit showed that overall O&M expenses were reduced by 8%.

The categories which accounted for nearly all of the expense reduction were maintenance, administration, and "miscellaneous." The largest reduction was in miscellaneous expenses. The smallest residential buildings experienced an 85% reduction and the largest buildings had a 17% reduction in miscellaneous expenses.

If we assume that an audit of the 1991 income and expense data would yield similar findings to last year's audit, one would expect the average O&M cost for stabilized buildings to be $351 rather than $382.

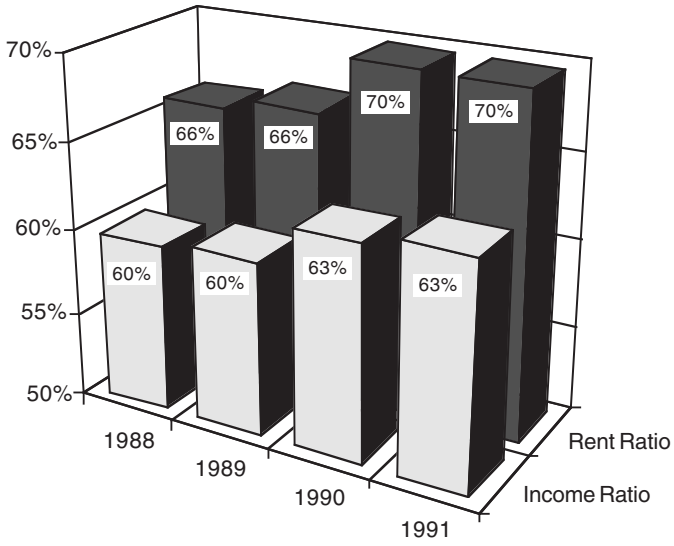
The unadjusted average monthly O&M costs for buildings without commercial units was $346, or about $36 less than the unadjusted average for all buildings. Last year in examining the difference between the "all residential" buildings, staff found that taxes accounted for 50% of the difference while the remaining difference was attributable to maintenance and administrative expenses. This year we found that this relationship has changed slightly. Taxes accounted for 40% of the difference while labor and maintenance costs accounted for more than one-fourth of the remaining difference.



O & M Ratios

In order to preserve continuity and to allow comparison with previous studies, the overall expenses from prior cross sectional studies were adjusted based on the audit study. The chart below shows changes in the estimated O&M to income and the O&M to rent ratios for four years. In 1988 the proportion of income spent on expenses was estimated at 60%, but by 1991 the O&M to income ratio rose to 63%. (Note that the respected unadjusted figures are 65% and 68%. See chart footnote.)

Changes in the O&M-to-Income and O&M-to-Rent Ratios, 1988 - 1991



Source: NYC Department of Finance, Income & Expense Filings.

Note: The figures used in the chart were adjusted with the audit results. The unadjusted costs-to-income ratio are: 1988 and 1989 - 65%, 1990 and 1991 - 68%; for costs-to-rent ratio, they are: 1988 and 1989 - 72%, 1990 and 1991 - 76%.

Apparently 1990 was a bad year for the stabilized housing market. In last years' longitudinal study staff estimated an increase of 7% in expenses, while rents rose by only 3%.[2] However landlords' plight did not worsen in 1991; the proportion of income and rent used to cover expenses was unchanged from 1990 to 1991. The longitudinal portion of this study also found no increase for both of these ratios, corroborating these figures.

Approximately 13% of the properties had an O&M to income ratio over 100% compared to 14% last year. Overwhelmingly, these are Pre '47 buildings. Only 5% of post-war buildings have ratios over 100%. These buildings have below

[2] This study measured changes in costs, rents and income from 1989 to 1990. See *Rent Stabilized Housing in New York City: A Summary of Rent Guidelines Board Research, 1992.*

average rent collection combined with above average expenses. The difference in costs between those buildings with expense to income ratios over 100% and the average for all buildings is mainly attributable to above average fuel, labor and maintenance costs.

Longitudinal Study

How have owners' expenses changed and how much did rent collections increase in 1991? How well has the PIOC predicted the change in costs for 1991? The longitudinal study is designed to measure the changes in costs and rents from 1990 to 1991, and provides a basis for evaluating the price index.

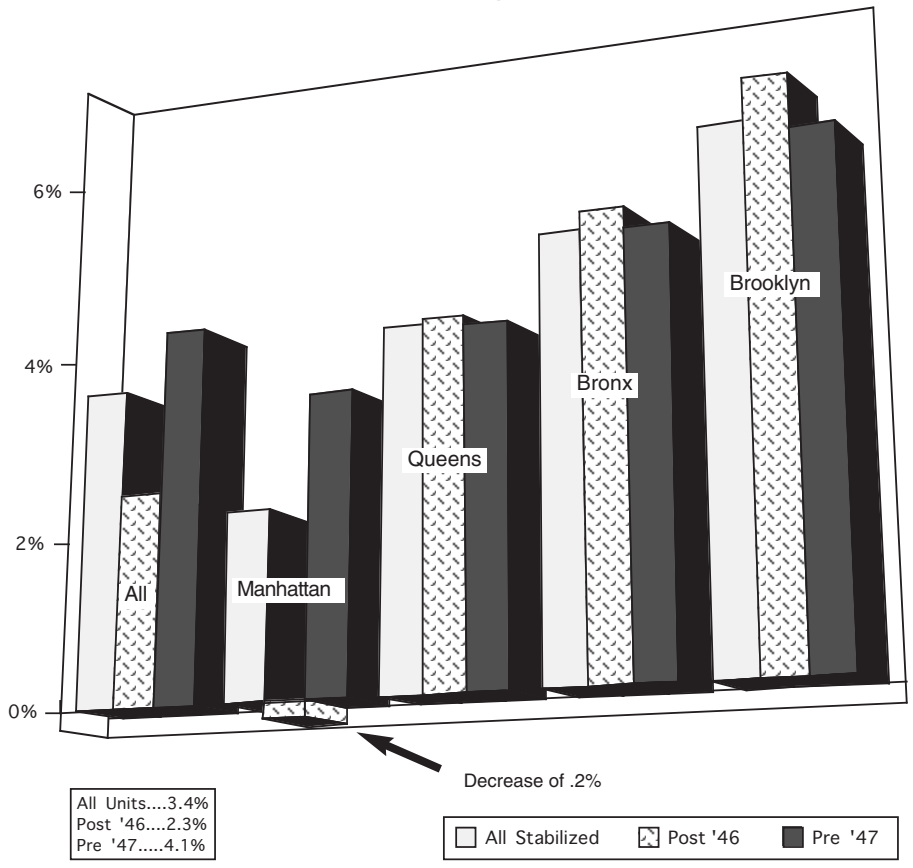
The list of 39,000 registered properties was also used as the starting point for this year's longitudinal sample. Of the 11,730 registered stabilized properties that filed a 1992 I&E statement only 10,330 filed an I&E form in both 1991 and 1992. Recall that even though the I&E forms were filed in 1991 and 1992, the data is largely for calendar years 1990 and 1991.

Rents

Average rent collection increased by 3.4% in 1991, the same rate of increase as in 1990. Rents rose fastest in Brooklyn (5.6%) and slowest in Manhattan (2%). The increases for the Bronx and Queens were 4.7% and 3.9%, respectively. Rents in the Post '46 sector went up 2.3% while collections in Pre '47 buildings rose 4.1%.

It appears that, in 1991, for large Manhattan buildings built after the war, rent collections actually declined somewhat. This, in part, reflects the high vacancy rate in Manhattan. The 1991 HVS data showed that the vacancy rate in Manhattan was the highest in the city (4.9%) while the vacancy rate was much lower in the outer boroughs, ranging from 3 to 4%. Furthermore, given the weak economy and above average rent for Manhattan apartments, landlords may have been unable to collect the full

Percentage Change in Monthly Average Rent Collection by Borough and Year Built



Source: NYC Department of Finance, Income & Expense Filings.

increases authorized by the RGB.

Based on the guidelines authorized by the Board, staff predicted a 4.2% increase in rent for 1991. The gap between the allowable rent increase and what was actually collected (3.4%) indicates, to some degree, preferential rents as well as vacancy losses. The change in average rent collected was also lower than the increase in registered rents with DHCR. The average registered rent rose from $562 to $590 during the period, or 5%.

The amount of total income, (i.e. apartment rent, sales of services, and commercial rent), collected by owners increased by 3.2%, slightly less than the rate of increase for apartment rents. Income in the Pre '47 sector rose at a greater rate (3.6%) than in the Post '46 stock (2.3%). This is in contrast to last year, when we found that income for Post '46 units rose faster (4.4%) than in the Pre '47 stock (3.4%). **From 1989 to 1991, average rent collected for stabilized units rose 6.8%, the legal average registered rent increased 12% and the RGB "rent index", based on the increases allowed by the Board, was 11%**. The rate of increase in income was about the same as rent, 7%.

O&M Costs

Overall operating and maintenance costs increased 3.4% from 1990 to 1991, equivalent to the rate of increase in rent and income collected for the year. The increase in expenses varied slightly among the boroughs, ranging from 3.1% in the Bronx to 3.4% in Queens, with the exception of Brooklyn where expenses rose 4%. Manhattan is the only borough in which expenses rose faster than rents (3.2% vs. 2%). Changes in costs were about the same in the pre- and post-war sectors as the overall average - 3.2% for Pre '47 buildings and 3.7% for Post '46 properties.

Among the various components, taxes rose the most (12.8%) followed by utilities (8.9%) and labor costs (3.8%). The smallest changes were registered for insurance (0.8%) and maintenance (-0.3%). The cost of fuel, on the other hand, plummeted 8%.

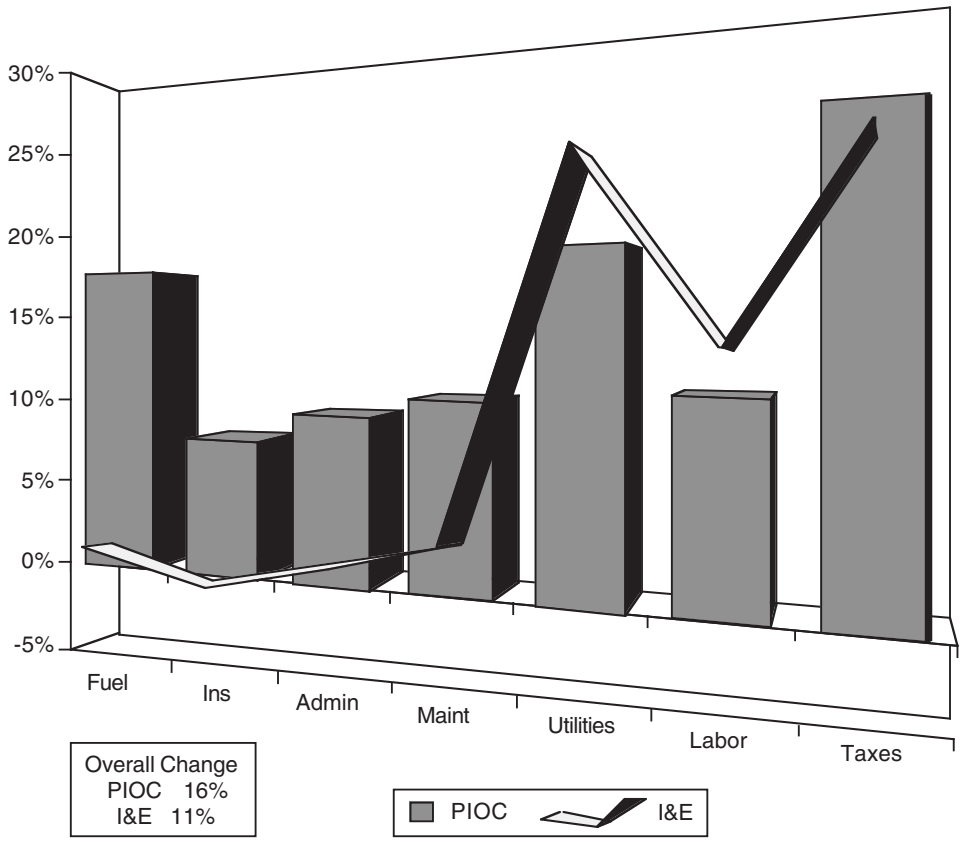
How do the changes in the I&E figures compare with the cost increases measured by the PIOC? The dissimilarities in how the O&M components are measured in each set of data make the comparison somewhat inexact. Many of the price index components are measured on an April-to-April basis while the majority of landlords (88%) file expense statements for the calendar year.

The I&E data consists of actual expenditures while the PIOC, for the most part, uses proxies to measure actual cost changes. Since the PIOC only measures the changes in the course of one year and does not show the variations in the rate of increase throughout the year, it forces us to make somewhat simplistic assumptions and to use a weighted average of two PIOCs to make a comparison with the I&E data.

Despite those drawbacks, it is useful to make this comparison in order to evaluate how well the PIOC methodology predicts changes in costs. This is the second year that we are comparing the PIOC with the I&E figures. For 1990, we found that the PIOC increase was 9.6% while expenses reported to Finance increased 7.1%. For 1991, the PIOC rose 5.5% while expenses reported to Finance went up 3.4%. The chart on the next page shows the compounded rate of change for the PIOC and the I&E cost components over the two year period. During that period, the price index measured a 16% increase in costs, while actual expenditures reported to Finance rose 11%.

Though the rate of change varies considerably by component, there are some similarities. The three components with the lowest rate of change in the I&E (maintenance, administration, insurance) are also the lowest in the price index. Also, the price index has been

Comparison of the Percentage Change in O&M Costs, Price Index of Operating Costs vs. Income & Expense Data, 1989 - 1991



Source: NYC Department of Finance, Income & Expense Filings. 1990 - 1992 *Price Index of Operating Costs*.

able to adequately measure the changes in taxes as well as changes in labor costs.

On the other hand, the one component with the widest discrepancy is fuel. The reason may be due to the way the fuel data is collected. Often times, the prices quoted by the fuel vendors are not necessarily the prices ultimately paid by the buyers. Second, there is a lot of volatility in the fuel market; prices vary daily. Moreover, the fuel data from the PIOC mainly reflects variation in prices, whereas the I&E data also reflects actual changes in consumption. If landlords did cut back on usage, expenditures on fuel would decline. These factors cannot be easily incorporated into the methodology used to compute the fuel component.

A two year period, however, is hardly sufficient to make a definite conclusion about the accuracy of the PIOC and its various components. In the coming years, as we continue to make these observations, the differences in costs between the two sets of data will become clearer.

O&M Ratios

The proportion of income spent on expenses remained the same from 1990 to 1991. There was also no change in the proportion of rent dollars used to cover expenses.

The percentage of buildings with an O&M to income ratio in excess of 100% declined from 13% to 12% of the total sample. Though there are slightly fewer buildings operating with an income ratio over 100%, the basic characteristics of these buildings have not differed from year to year. As a group, these buildings have low average rents and high operating expenses. Unfortunately, the summary statistics available to staff are not adequate for a more insightful analysis. Without data from individual buildings, it is impossible to say how the profile of these buildings has changed over time. ❑

A Review of Changes in Income and Expenses, 1967-91

Introduction

The changing relationship between rents, operating and maintenance expenses, and owner income lies at the very heart of rent regulation. Other things being equal,[1] rents which generally preserve the inflation adjusted value of net operating returns over time accomplish one of the central goals of the stabilization system: fairness to good faith investors. In New York City measuring the effects of stabilization on net operating incomes is a matter of exceptional complexity. Massive shifts in the regulated stock over twenty four years make point to point comparisons of income and expense profiles impossible to develop with any precision. Since 1969 over 700,000 units have moved from rent control to stabilization. Some 60,000 stabilized units in post-war buildings have moved from rentals to co-ops. About 90,000 stabilized units are now in converted buildings and will be decontrolled upon vacancy. In addition, thousands of units left regulation via abandonment or foreclosure by the City. Only about one in five currently stabilized units were subject to stabilization in 1969.

The difficulty of making such measurements is, nevertheless, clearly outweighed by the need to develop some working understanding of the impact of stabilization on relative industry returns. The last report on this issue was issued by the RGB staff in 1989. Since that time a variety of new data sources have been made available to the Board. In 1990, for the first time, the staff was provided with information on rents and operating expenses from income and expense ("I&E") statements on file with the Department of Finance. In 1992, to test whether the I&E statements were generally reliable, forty-six properties were carefully audited. In addition, aggregate data on changing market values of multi-family buildings from 1975 through 1992 has been provided. Data on tax arrearages has been made available from the Department of City Planning. Finally, the State Division of Housing and Community Renewal has contributed data on registered rents. These considerable efforts have allowed us to examine long term trends with an eye towards changes in net operating incomes. In light of these information advances we have prepared an update of the 1989 report. While a few questions will require more time before conclusions may safely be drawn, many of the questions which troubled the Board over the past decade have been answered.

History of the Income and Expense Issue

Nineteen ninety-three marks the fiftieth year that New York City has been subject to some form of rent regulation. The long term impact of rent regulation on the quality and availability of housing is, therefore, an issue which has been a subject of public concern for some time. In his

[1] "Other things" of relevance here might include population trends, tenant incomes, the average age of the regulated housing stock and the return on investments of comparable risk and liquidity. To preserve the value of net operating incomes in the face of a declining population, sagging incomes, aging properties and declining returns on comparable investments would be to implement a form of profit insurance never intended by the system. On the other hand, modest gains in average net operating income might be expected in the face of a rising population, higher incomes, a decline in the average age of regulated buildings (reflecting new construction) and rising returns on comparable investments. Of course, "other things" are rarely equal - except perhaps on economics exams.

well known study, *The Urban Housing Dilemma: The Dynamics of New York City's Rent Controlled Housing*, George Sternlieb asked property owners in 1967 many of the questions that continue to occupy center stage in the debates over rent regulation. The focus of these questions is summarized in his introduction:

> "The rent control formula, as presently implemented in the city, has provision for a number of ways of securing rent increases, both in return for additional investment and in order to prevent undue owner hardship; but the formula raises numerous questions. How well have these increase methods kept pace with increased costs? To what degree has maintenance suffered as a function of rent control? What elements of the Rent Control Law are being utilized and are there variations in the knowledge and utilization of these formulas? Are there significant variations between operational patterns of rent controlled and non-rent controlled structures of which the city should be aware? What is the influence of tenant ethnic origins and welfare recipiency upon landlord attitudes? For that matter, who are the landlords and what are the factors which enter into their decision making, particularly in relationship to maintenance and other forms of investment procedure?
>
> New York City's housing policies and rent control must be considered as one element in the broad matrix whose function is to provide, both now and in the future, a satisfactory environment for the city's inhabitants. Currently, most social concern is with the tenant's needs. In the long run there is the question of whether these can be satisfied without a reasonable degree of assured return to the landlord.
>
> The mere age of the city's housing stock requires continual reinvestment. Within the context of our time, most of the funds must be secured from the private market. How competitive, given the variety of outlets for private capital, is New York City's housing?"

In short, Sternlieb's inquiry concerned the broad social and economic environment affecting investment in rental housing. An isolated examination of the relationship between rental income and operating costs without a careful look at how these other matters might affect (dis)investment patterns provides an incomplete basis for policy analysis. Yet, a full update on the wide variety of matters covered in his study would be very costly and time consuming (Sternlieb's field work began in 1967; his report was issued in 1972). For our immediate purposes, we will only examine Sternlieb's findings on the relationship between rents and operating costs in pre-war buildings.

The Pre-War Stock in 1967

Since "expenses" and "repair and maintenance costs" were separated in Sternlieb's analysis, and since these are combined in more recent data, we have combined them here for the purpose of later comparisons.

Mean operating cost to rent ratios[2] are reported in exhibits 3-1 and 3-5 in Sternlieb's report. Again, Sternlieb did not combine "expenses" and "repairs" as a percent of net rent received [see text accompanying exhibit 3-1]. The samples for expenses and repairs as a percent of rent received appear to be virtually identical - with only 6 of 664 buildings missing in the repairs table because of the "lack of baseline data." Consequently, combining the two tables to get expenses and repairs as a percent of net rent received is not too risky. Doing so provides the

[2] The O&M to rent ratio is the proportion of all rent that landlords spend on operating and maintenance expenses. A declining O&M ratio over time generally indicates that landlords are in a better position while a growing O&M ratio indicates that operating expenses are taking a larger portion of landlords' revenues, thereby leaving less net operating income.

O&M Ratios in Pre-war Structures in 1967

	Expenses	Repairs	Total
Old Law Structures			
5-19 units	66.05%	16.9%	82.95%
20 units or more	57.47%	12.6%	70.07%
New Law Structures			
5-19 units	60.15%	16.2%	76.35%
20-49 units	56.03%	13.0%	69.03%
50 units or more	52.54%	10.9%	63.44%
Structures Built After 1929			
10-49 units	54.04%	9.3%	63.34%
50 units or more	52.24%	8.9%	61.14%
Small Structures			
3 and 4 units	67.31%	19.5%	86.81%

mean O&M to rent ratios for the pre-war universe in 1967 as shown in the table above.

Note that "net rent received is a residual of gross potential residential rents, including imputed rents for superintendent and other resident employees and/or owners, and commercial rents; less vacancies and bad debts and other gross income elements" (p. 22, emphasis added). This observation is critical in making comparisons with more recent data on O&M to rent ratios which will be examined further on. Note also the affect of age and size upon the O&M ratios.

The universe of buildings examined by Sternlieb in 1967 included some 881,312 units in rent controlled (pre-war) buildings (Exhibit AII-8).[3] Tens of thousands of these properties were, no doubt, lost to abandonment since that time. Today some 707,000 pre-war apartments fall under rent stabilization while about 120,000 remain under rent control. Rent controlled properties with fewer than six units do not, as a matter of law, fall under rent stabilization upon vacancy. Since smaller properties have undergone vacancy decontrol and many marginal properties have been abandoned, one would expect that only a fraction of the buildings with very high O&M to rent ratios would have fallen under stabilization. Consequently, the average O&M ratios for buildings examined by Sternlieb may be affected somewhat if all properties which did not eventually fall under stabilization were removed from the sample. Those that made it into stabilization probably had slightly lower than average O&M ratios in 1967.

Examining the proportion of units in each class and the relative mean O&M ratios, and eliminating the 3-4 unit category, it appears that pre-war properties combined had a mean O&M to rent ratio of about .70.[4] Assuming a loss of the most distressed of these properties to abandonment and a slight loss (of five unit buildings) to decontrol, it appears that the properties which eventually fell under rent stabilization had O&M ratios in the mid to high 60s. Keep in mind that this estimate includes commercial income in the denominator of "net rent received". While not a precise estimate, this is the only figure available with which to compare with the current O&M ratios of pre-war buildings. As will be shown further on, it appears that O&M ratios in the pre-war stabilized stock were not demonstrably different in 1967 from the O&M ratios found in our recent study of 1991 income and expenses.

[3] The largest category was the New Law structures with 20-49 units which included 296,460 units.

[4] This figure is derived by multiplying the mean O&M ratios listed above by the number of units in each respective class (See Sternlieb, Exhibit AII-8), summing and then dividing by the total number of units in all classes (excluding 3-4 unit properties as noted).

The failure to achieve lower O&M ratios may have been affected, in part, by non-regulatory influences: aging buildings, relative declines in tenant income, vacancy losses etc. It is important to recall that owners of rent controlled units have been entitled to market rents upon vacancy except when newly stabilized tenants have initiated and prevailed in Fair Market Rent Appeals. Such appeals occur only in a fraction of eligible cases. Also, once stabilized, rents in pre-war buildings are increased periodically in accordance with established rent guidelines. Finally, rents may increase as a result of major capital or individual apartment improvements.

Perhaps a better measure of changes in O&M to rent ratios is found in the post-war universe to which we will later turn our attention.

Information Development After the Urban Housing Dilemma

Moving beyond 1967 allows us to focus on the workings of the Rent Guidelines Board and the impact of its decisions on the changing relationship between rents and operating costs. In order to put our newest information in perspective it is important to recall the history of Board practices and policies relating to this issue.

In 1969, in response to an extremely tight rental market with a vacancy rate at 1.23%, the newly enacted Rent Stabilization Law limited the rents of some 325,000 previously unregulated post-war units and about 75,000 decontrolled units. Specified increases above levels that had existed on May 31, 1968 were established by the City Council. Thereafter, the Rent Guidelines Board was given responsibility for further annual adjustments.

In the early days of stabilization (1970 to 1974) the RGB focused primarily on changes in operating and maintenance expenses (i.e. the Price Index of Operating Costs) to determine its rent guidelines. Dennis Keating, in his comprehensive review of the rent stabilization system (*Landlord Self-Regulation: New York City's Rent Regulation System 1969-1985*, Journal of Urban & Contemporary Law, Vol. 31:77) found that

> "Beginning in 1970, the RGB relied heavily, but not exclusively, on the BLS operating cost price index for its determination of rent increases. Initially, the absence of tenant representation on the RGB, the use of the operating cost price index, the RGB's secrecy, and its consideration of additional factors to justify rent increases occasioned little controversy. These issues, however, would later become much debated in a public forum. During this early era, the RGB convened annually, held no public hearings, and quietly issued annual rent increase orders."

Following a period of vacancy decontrol, in 1974 the State Legislature passed the Emergency Tenant Protection Act (ETPA). The act extended rent stabilization to hundreds of thousands of units previously subject to rent control. At the same time, the RGB was required to include designated seats for tenant and owner representatives.

Shortly after passage of the ETPA, in a letter of August 6, 1974 to Roger Starr (Administrator of the Housing Development Administration), Emmanuel Tobier (Chairperson of the Rent Guidelines Board) seems to have foreseen the probability that the RGB would need better information to reconcile the conflicting demands of tenants and landlords.

> ". . . we must re-examine the current relationship between operating and maintenance costs and building income in the rent stabilized sector . . . building owners might be willing to provide this data. Perhaps the easiest route might be to look at the relationship between operating costs and revenue, by examining a representative sample

of buildings, and incorporate this information into our guidelines."

By looking to voluntary disclosure of income and expense information from owners, Professor Tobier may have been attempting to catch a brief moment in time before the landlord-tenant relationship worsened beyond compromise. In fact, the last half of 1974 and the first months of 1975 were an unusually troubled period for the RGB. Lawsuits were filed challenging the legitimacy of the Board's orders. As a result, one rent guideline was invalidated on the procedural ground that the Board had failed to adequately explain the factual basis for its order and its methodology. This court decision led to the development of detailed explanatory statements which now accompany each new set of rent guidelines.

Dennis Keating sums up the atmosphere of the mid-70's -

"The protracted and acrimonious public conflict, in which the RGB's credibility, conclusions, and procedures were politically and legally challenged was a turning point in the history of the rent stabilization system. No longer would the rent-adjustment process under self-regulation be shielded from public scrutiny . . . Henceforth, the RSA and tenant groups would become increasingly combative . . ."

Although the RGB was sued by both landlord and tenant groups in the late 70's, the courts refused to invalidate the Board's methodology. The RGB continued to rely to a great extent on the Bureau of Labor Statistics' Price Index of Operating Costs (PIOC).

In addition to the studies produced by the RGB, tenant and landlord groups attempted to examine the income and expense issue from their different perspectives. Landlords argued that the net operating income of rent stabilized buildings was declining due to large increases in operating costs and insufficient rent increases. Tenants, on the other hand, believed that rents were rising faster than tenant incomes. During this period of stagnant income growth and high inflation in New York City it is possible that both groups were correct in their assertions.

It was not until 1982 that the issue of profitability of rent stabilized housing was raised once again by the RGB. In that year Urban Systems Research and Engineering (USR&E) replaced the Bureau of Labor Statistics as the contractor for the PIOC. In addition to the price index, the RGB also commissioned USR&E to undertake research on six so-called "special topics" including:

1. Operating cost to rent ratios
2. Mortgage financing and refinancing characteristics
3. Rates of return
4. Tenant turnover patterns and the distribution of lease terms
5. Tenant income characteristics
6. Use of city tax abatement programs and the use of energy conservation programs

In a publication of June 1, 1982 entitled "Research Design on Special Topics" USR&E broadly outlined a "rate of return" (i.e. landlord profit) study. The authors examined several different definitions of "rate of return" and the sources of data which would be required to examine actual landlord profits. They concluded that:

". . . it will be impossible to secure all the information necessary to calculate the actual rates of return on any significant or usable set of buildings. Such a data base would include owners' annual tax returns, annual financial statements on the buildings, financing arrangements and purchase/sale prices. This is evidently impossible to acquire."

It is unclear why the consultants concluded at that time that sources of data for a study of actual landlord profits were "evidently

impossible to acquire." USR&E did propose an alternative study of rates of return, using "a set of prototypical buildings, intended to be representative of the stabilized inventory." However, this study was never undertaken.

In 1982 USR&E was also commissioned to produce a landlord expenditure study. A sample was selected to be representative of all stabilized buildings in the city. In the fall of 1982 a survey questionnaire was mailed to over 2400 owners of stabilized buildings. In essence, the questionnaire asked owners to provide a detailed breakdown of operating and maintenance expenses for 1982. Approximately 400 landlords returned fully completed questionnaires.

The primary purpose of the 1982 Expenditure Study was to update the expenditure weights in the Price Index of Operating Costs. An expenditure weight is the percentage of landlord operating and maintenance (O&M) cost attributable to a given type of O&M expenditure (e.g. in 1982 the Price Index of Operating Costs assumed that fuel costs were 37% of all landlord expenditures in pre-'47 buildings. However, the 1982 Expenditure Survey found that owners of pre-'47 buildings spent only 29% of O&M on fuel in 1982. As a result, the expenditure weight for fuel was revised from .37 to .29 the following year). Precise expenditure weights are needed if year-to-year changes in overall O&M costs are to be accurately measured.

For reasons that remain unclear, Table 14 of the RGB's annual explanatory statement, which details the history of changes in the O&M to rent ratio, was NOT updated following completion of the 1982 Expenditure Study, even though the information to do so was available. Although tentative plans for a "operating cost to rent ratio" study were made in 1984, plans for the study were discontinued in 1985.

In the mid-80's criticism of the Price Index of Operating Costs continued to build. For instance, in 1985 the New York State Tenant and Neighborhood Coalition issued the following statement:

> "The Price Index is not only conceptually flawed, but yields no information whatever about actual landlord incomes, expenditures, or profits - the true measures of the economic condition of the industry. In contrast to the practices of every other body charged with the responsibility of regulating prices in the public interest, the Rent Guidelines Board neglects all questions of income and profitability when considering the need for rent adjustments."

At least some of these sentiments were apparently shared by the Board of Estimate, which, in a unanimous vote in 1985, passed a resolution supporting an examination of owners' books and records. The city administration did support legislative initiatives to allow such an examination. However, none of the proposals to require owners to "open the books" ever passed the State Senate. In the fall of 1985 members of the RGB asked the staff

> ". . . to prepare a report, in consultation with New York City's Department of Housing, Preservation and Development (HPD) and the New York State Division of Housing and Community Renewal (DHCR), regarding how the Board could obtain a representative sample of owners books and records and how such a sample and examination could be of use to the Board . . ."

After contacting both DHCR and HPD regarding the feasibility of obtaining a sample of owners' books it was concluded that

> ". . . Since both HPD and DCHR [sic] have stated that such a study could not take place without a legislative change which would either grant DHCR jurisdiction to conduct the study or grant subpoena power to the New York City Rent Guidelines Board, such a

study could not be undertaken . . ." (Research Report Regarding the Feasibility of Auditing a Representative Sample of Owners Books and Records dated January 31, 1986)

The situation that the RGB found itself in in 1986 was best summarized by an article in the New York Times entitled "Dissatisfaction with Stabilization's Cost Index Grows, but No Consensus has Emerged on Alternate System" (*New York Times*, July 6, 1986) . The article found that the two RGB tenant representatives had resigned "citing personal reasons but also dissatisfaction with this year's increases and the way they were determined."

In 1987, reflecting a continued dissatisfaction with the price index methodology, the Board of Estimate rejected the price index contract. The consultant selected for the study (USR&E) performed it gratis at the request of the Commissioner of the Department of Housing, Preservation and Development. Later that year the consultant filed a voluntary petition for bankruptcy protection. In 1988 and 1989 the price index was procured through the City University Research Foundation and, therefore, did not require Board of Estimate approval. Until 1991, the Rent Guidelines Board did not commission or fund the price index - procurement and payment were handled directly by the Department of Housing Preservation and Development (except in 1988 and 1989 as noted).

By 1987 it appeared that the debate over landlord "profits" had reached a standstill. However, in 1986 the City Council enacted Local Law 63, which mandated that owners of income-producing properties file income and expense statements with the City's Department of Finance. The law was passed in order to aid the city in determining assessed values of properties.

Local Law 63 filings were, of course, of much interest to the RGB, since a representative sample of these properties' income and expense statements could be used to calculate and update operating and maintenance cost to rent ratio. In addition, if the filings were obtained by the RGB on a regular basis they could be used to calculate year-to-year changes in landlord operating and maintenance costs and income to examine the accuracy of the Price Index of Operating Costs. However, Local Law 63 filings by themselves are not sufficient to calculate landlord "profits" since they do not contain any information on mortgage expense, changes in building resale values, and so on. In addition, these filings cannot by themselves replace the price index because the time periods reflected in the filings are at least one year old at the time of aggregation. The Board's mandate calls for more recent cost data which only the price index supplies.

Not long after Local Law 63 was enacted, litigation concerning various aspects of the law made it impossible for the RGB to obtain any of the new information. A temporary restraining order was imposed prohibiting the City's Finance Department from releasing any Local Law 63 data. On March 9, 1988 the RGB requested the city's Corporation Counsel to seek a lifting of the temporary restraining order. Although the attempt to lift the order was unsuccessful, the court order did eventually expire in March of 1989. Unfortunately, the RGB was still unable to obtain any Local Law 63 data. In a letter dated April 22, 1989, Anthony Shorris, Commissioner of the Department of Finance explained that until the case was fully settled the data would be reserved for Department of Finance purposes only. In addition, key entry of the data had not yet been implemented and would take some time.

In April 1989 Harriet Cohen, a tenant member of the RGB, requested that staff review "Table 14" of the Board's annual explanatory statement. "Table 14" contains a calculation of the operating and maintenance cost ratio for rent stabilized buildings from 1972 to the present (see Appendix C, Table C.3). After thoroughly

reviewing the history and methodology of "Table 14" staff concluded that "between 1970 and 1982 the "Table 14" O&M ratio seems to have diverged from the actual cost and rent data which can be obtained by using HVS and operating cost studies." The staff review did not conclusively show that the "Table 14" O&M to rent ratio was mistaken. However, it did show that "a lack of sufficient new survey data over the last 20 years has resulted in a present inability to supply valid corroborating evidence for the statistical and economic assumptions underlying "Table 14"." **The staff review suggested that the problem with "Table 14" most likely was a result of the inaccuracy of the Price Index of Operating Costs in measuring actual landlord expenditures between 1970 and 1982. It was strongly suggested that new studies be undertaken to:**

> ". . . provide a new O&M to rent ratio in both mean and median terms. Perhaps more importantly, a new study of rents and expenses could analyze the distribution of buildings in terms of varying O&M to rent ratios. This would help inform the Board as to the number of rent stabilized buildings operating at the margin, and the proportion of those with adequate net operating income. Finally . . . the PIOC (Price Index of Operating Costs) probably needs to be updated (to make it) . . . a more reliable indicator of cost increases in rent stabilized housing."

The events of the summer of 1986 were repeated in May of 1989 when the two tenant representatives resigned from the Board. In their letters of resignation Harriet Cohen and Stephen Dobkin stated that the city administration had "conspired to make it impossible . . . to obtain any data on owner profits or the steadily rising value of residential real estate" and that the City University Research Foundation had "once again been misused to produce the Price Index...which reflects only the owners' concerns." In addition, both called on the RGB to expand research efforts.

In the spring of 1990 the new city administration actively supported the RGB's efforts to obtain summary data from owner local law 63 income & expense filings. RGB and Finance staff worked together to produce the first I&E (income & expense) study. The methodology of the study is contained in *Rent Stabilized Housing in New York City: A Summary of Rent Guidelines Board Research, 1990*. Subsequent Income and Expense studies were produced in 1991, 1992 and 1993.

The Post War Stock in 1970

Before moving to the major findings of these studies we will need to revisit our analysis of the relationship between rents and operating costs in post-war buildings at the beginning of rent stabilization. This analysis was included in RGB's 1990 Research Summary (pages 26-30):

> "Using an estimate of the mean rent for stabilized post '46 apartments ($203) derived from a special tabulation of the 1970 decennial census and comparing it to the mean operating cost in 1969 ($110) found by the Bureau of Labor Statistics in its 1970 study of stabilized apartment houses yields a mean O&M ratio of .54. However, since the operating cost study measured 1969 costs and the census measured 1970 rents, it is possible that the true O&M ratio for 1970 may have been as high as .58 (adjusting for subsequent price increases). As far as we can tell, the "true" O&M ratio probably ranged between a low of .54 and a high of .58. The O&M ratio for 1970 in "Table 14" [the RGB index of rents and operating costs] was .55 and falls into this range."

An examination of these data sources in 1989 led to a conclusion that the .55 estimated O&M ratio for post-war buildings in 1970

appeared to be reasonable. This continues to be the best available estimate.

It is important to note, however, that this is an estimate of the ratio between operating costs and residential contract rents. The rents used here do not reflect vacancy or collection losses or commercial income. The 1967 O&M ratio for pre-war properties previously discussed is a ratio of operating costs to net rent received which adjusts for such losses and includes commercial income.

* * *

In short, we have concluded that the best estimates of the relationship between operating costs and rental income in the rent stabilized sector - at the outset of rent stabilization - are as follows:

- **In pre-war buildings which eventually fell under stabilization approximately 65¢ to 70¢ of each rent dollar actually collected was spent on operating costs in 1967.[5]**
- **In post-war buildings which first fell under rent stabilization in 1969, approximately 55¢ of each rent dollar contracted for in residential units was spent on operating costs.**

Today's Income and Expense Issues

The Pre-War Stock Today

Now, turning to the more recent data we find further complexities. The pre-war stock continues to include a significant number of rent controlled units. While contract rents for stabilized units in the pre-war stock were $512 according to the 1991 HVS, residential rents actually collected were much lower at $451 according to statements reflecting 1991 incomes and expenses filed with the Department of Finance. The effect of rent controlled units along with vacancy and collection losses and preferential rents thus becomes quite clear. These factors have a large impact on revenues in pre-war buildings independent of the influences of rent stabilization. The best we can do in terms of a comparative O&M ratio for the pre-war stock is a straightforward comparison of operating expenses with total building income (which appears comparable to Sternlieb's "net rent received"). This results in a ratio of .70. If we adjust the operating expenses downward by 8% (reflecting an estimate of over-reporting of expenses derived from our 1992 audits) the ratio is .64. Consequently, **the relationship of operating expenses with total building income in the pre-war stock in 1991 appears to be in the same range (.64 to .70) as it was in 1967.**

A few more qualifying observations are in order. First, pre-war buildings have aged some 26 years since 1967 and thus could be expected to have experienced rising O&M ratios - in the absence of regulatory changes. Second, collection and vacancy losses are probably quite a bit higher now than in 1967.[6] The gap between rents registered with DHCR and rent collections rose sharply in 1991 reflecting, in part, the effects of the current recession on collection and vacancy losses. In a related development, there has been a sharp decline in tenant incomes relative to rents. In 1970 the median gross rent as a percent of income was 19% for rent controlled households.[7] In 1991 the median gross rent to income ratio for stabilized pre-war buildings was over 29%.[8]

[5] See supra p. 34-36.

[6] Sternlieb found vacancy losses for most buildings ranging from .4% to 2.4%. Similarly, collection losses for most buildings ranged from a negligible .1% to 2.3% (see Sternlieb exhibits 2-2 and 2-3 and accompanying text). With over 4% of units in pre-war buildings vacant and available for rent in 1991, vacancy losses have clearly risen. We suspect that collection losses have also risen significantly.

[7] Sternlieb, *Housing and People in New York City*, Exhibit 5-12. Sternlieb's analysis was based upon a special tabulation of the 1970 decennial census.

[8] 1991 Housing and Vacancy Survey, Series IA- Table 36.

The Post-War Stock Today

Turning now to the post-war stock further complexities appear. One would expect that, as in the pre-war stock, residential rents collected would be below the contract rents reported in the 1991 HVS. This, however, is not the case. The I&E data for 1991 indicates that, on average, $653 in rent was collected for each apartment in post-war buildings. The HVS data indicates that the average contract rent for these units [excluding stabilized units in co-ops] was actually $652. While collection and vacancy losses are much smaller in post-war buildings (and rents received are not affected by the presence of rent controlled units) one would expect rent collections to be a bit less than contract rents. The staff's Table 14 rent index (updating a $203 average rent for 1970) suggests that the rent guidelines alone should have resulted in an average rent of some $662 - and that would not include administrative increases authorized for major capital improvements and individual apartment improvements. However, at least some of the increases authorized by the RGB and the DHCR are not charged at the high end of the market and this may partly explain why the $652 is lower than expected. Rents reported to surveyors are rents actually paid - including preferential rents. In short, the $652 figure for contract rents, while lower than actual rent collections would suggest, is still reasonable enough to be explained by sampling differences between the HVS and the I&E data.

Comparing the $652 HVS figure to average operating costs of $470 reported in the I&E data results in a ratio of operating costs to contract rents of .72. Adjusting the $470 figure by the 8% suggested by our audit findings produces a ratio of .66. Thus, **it appears that ratio of expenses to contract rents for post-war stabilized buildings has risen (from .55 in 1970) to at least .66.**

Again, a few qualifying observations are in order. Although some post-war stabilized units were newly constructed after 1970 (fewer than 10%), the average age of post-war buildings has obviously risen over 23 years. This alone would have resulted in some rise in O&M ratios. Second, less than two out of three of the original stabilized post-war units remain in unconverted buildings. Our operating cost and rent figures reflect only the approximately 200,000 units remaining in unconverted post-war properties. If conversions typically occurred in better and newer buildings this would leave behind properties with higher O&M ratios resulting in a misleading rise in the average. Finally, we suspect that preferential rents are a more common occurrence in post-war buildings today than in 1970. The contract rents reported to HVS surveyors are rents agreed to by tenants and owners - not necessarily the highest rents authorized by law. Contract rents in 1970 may have been much closer to legal limits. If the market has taken over the higher end of this stock, the rise in the O&M ratio may reflect a relative decline in demand for luxury units. That is, in the tight market of 1970 owners may have been less likely to rent below legal limits and their relative returns would have been higher. A loss of demand at the high end is the consequence of a changing market - not rent regulation. We cannot gauge the precise effect of any of these factors on the current O&M ratio. Nonetheless, it would certainly be misleading to suggest that this rise in the O&M ratio is wholly a function of rent stabilization.

Revisiting "Table 14"

As previously noted, much of the staff's past work focused on the accuracy and usefulness of a table which compares changes in operating costs (as measured by the PIOC) with changes in rents (as measured by staff

calculations derived from guideline increases). "Table 14" (see Appendix C.3) depicts O&M ratios rising from .55 in 1970 to .74 in 1993. Several weaknesses in the table have been acknowledged for some time. Changes in the housing stock and market factors noted above have certainly affected the relationship between rents and operating costs to some degree. Yet, if these were the only weaknesses the table might remain useful as a simple measure of the relationship between legal regulated rents and operating cost changes. Even for this limited purpose, however, the table is misleading in several categorical respects. First, the rent index contained in the table fails to account for administrative rent increases (MCI's and Apartment Improvement increases) and does not adjust for rents charged below established guidelines (preferentials). Coincidentally, however, the rent index appears to have tracked contract rents in post-war buildings quite effectively. If rents in post-war buildings were $203 in 1970 as we have suggested, the rent index projects a rise to $662 by 1991. The 1991 HVS reported mean contract rents at $663 for the post-war stock [not excluding stabilized units in co-ops].

The operating cost index contained in the table is more troublesome. The .55 base contained in the table reflects an estimate concerning only post-war units. As we have noted the vast majority of stabilized units (about 7 out of 10) are now in pre-war buildings which had higher O&M ratios. The cost index was adjusted (departing from the PIOC) in the 1970's in an attempt to accommodate for this influx of pre-war buildings into the stabilized sector. This attempt was misguided. As noted, the rent index reflects changes in rents initially in the post-war sector - so adjustments to the cost index to reflect the influx of pre-war units results in a one sided distortion of the changing relationship between costs and rents. If PIOC changes for post-war buildings had been left unadjusted the index would have risen from .55 in 1971 to 222.78 in 1991 (as adjusted the index rose even higher - to 228.96). From 1969 to 1971 average operating costs in post-war buildings had risen to about $128 per month. Updating this figure by the unadjusted index (i.e. by the PIOC for post-war buildings) to 1991 results in an average operating cost of $519 per month - fully 10.4% higher than the $470 figure for 1991 expenses reported by owners of post-war buildings on I&E forms, and 20.1% above the $432 staff estimate when an adjustment for estimated over-reporting is factored in.

We believe that this difference in cost estimates reflects a tendency on the part of the PIOC to overstate actual cost increases. We continue to suspect, however, that most of this bias occurred in the 1970 - 1982 period. When USR&E conducted its operating cost survey in 1982, an average monthly cost of $262 per unit was found in the post-war stock. Updating that figure by the PIOC for post-war buildings through 1991 results in an average cost of $441 per month - a figure much closer to our $432 estimate of actual costs. Note, however, that much of this period witnessed increasing investment and improvement in the city's housing stock - a time when we would not expect owners to limit maintenance and operating costs. Expenditures examined in our most recent I&E study suggest that from 1989 to 1991 actual costs rose by some 11% while the PIOC indicated a 16% rise (see page 31) - perhaps reflecting recession induced cost cutting. Since this longitudinal analysis covers only a two year period a conclusive statement on this pattern cannot be made at this time. What remains clear, however, is that **table 14, in its current form, presents a highly misleading picture of the changing relationship of operating costs to rents over time.**

Conclusions and Recommendations

A long effort to measure the impact of rent stabilization on the relationship between operating expenses and rents has resulted in some notable findings in recent years. Intricate and complex questions remain, however, and it is now evident that a clear picture may never emerge.

According to our best evidence, it presently appears that the ratio of operating costs to rent collections in the pre-war stabilized stock is about where it was twenty-five years ago. Given the passage of time and the probability of rising vacancy and collection losses, the pre-war stock seems to have achieved modest benefits transitioning to rent stabilization. Substantial evidence indicates that the ratio between operating costs and contract rents has risen in the post-war stock. The aging of that stock along with co-operative conversions and slack demand at the high end may explain much of this rise. Whatever deterioration may have occurred is clearly not as dramatic as is often charged. Recognizing the long period in which it was handicapped by inadequate information, it appears that the Rent Guidelines Board has done a remarkably effective job of immunizing owners from the effects of cost push inflationary factors while protecting tenants from demand driven rent increases. In this respect, the rent stabilization system has lived up to its mandate and continues to fulfill its purpose.

We note, however, that this analysis reflects industry averages and cannot capture the effects of stabilization on individual properties. In addition, although the impact of rent regulation on changes in the relationship between rents and operating costs may have been limited, that does not suggest that market influences on that relationship should be ignored by regulators. In the overall attempt to establish fair rents, market influences on housing viability are as critical a concern as market influences on tenants' ability to pay. Unfortunately, the current economic environment poses an equal threat to both.

We close with one recommendation. For over four years the staff has expressed serious reservations about the usefulness and accuracy of "Table 14". Nonetheless, we remained cautious about discontinuing the table for lack of a substitute. With current longitudinal income and expense data we have constructed a new and far more reliable index, using 1989 as a base year. Except for the most recent year and the coming year, this new index measures changes in building income and operating expenses as reported in annual income and expense statements. The second to last year in the table will reflect actual PIOC increases and projected rent changes. The last year in the table - projecting into the future - will include staff projections for both expenses and rents. A copy of the proposed new index is attached.

While we believe this to be a more reliable index, it is not without limitations. First, as noted, for the past and coming year the index will continue to rely upon the price index and staff rent and cost projections. Commercial income - accounting for some 11% of average owner income - will continue to be an independent variable on the rent side. While this figure will be corrected with actual income data each year, changes for the most recent and coming year will be estimated to follow residential rents. Because of the relatively small portion of income derived from commercial units, this should not throw the projections off by any significant amount - unless, of course, the commercial market undergoes abrupt changes. Second, while the new table attempts to measure industry conditions by looking at the overall relationship between costs and income, it does not measure the specific impact of rent regulation on that relationship. Because we cannot anticipate the effects of

preferential rents, MCI and individual apartment improvements for the past and coming year, such a specific measure is impossible to develop. More importantly, the continued presence of operating costs for commercial units in the I&E data[9] , impairs our ability to precisely measure the relationship of residential rents to purely residential operating costs. If, however, the goal of the table is to broadly monitor the health of the housing stock over time, the inclusion of all building income and operating costs is a preferred indicator in any event.

Before closing we would like to note the special nature of this report. We have attempted to objectively analyze income and expense trends in stabilized housing along with the history of policy development in this area. We also have suggested a new way of measuring future changes. These are not, however, simple administrative or ministerial matters. The ultimate determination of the relative state of the housing industry and the manner in which conditions are monitored are clearly matters which call for a legislative judgment. We hope that this report will assist the Board in making that judgment. ❑

[9] Residential rents are reported separately from commercial income, but expenses relating to commercial and residential space are not separated.

Editor's Note: On June 11, 1993 the Board voted to continue reporting "Table 14" along with the new table.

Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings, 1989-93

	Average Monthly O&M Per d.u.*	Average Monthly Income Per d.u.	Average O&M to Income Ratio*
1989	$370 ($340)	$567	.65 (.60)
1990	$382 ($351)	$564	.68 (.62)
1991	$382 ($351)	$559	.68 (.63)
1992**	$400 ($368)	$576	.69 (.64)
1993***	$412 ($379)	$592	.70 (.64)

* Operating and expense data listed is based upon unaudited filings with the Department of Finance. Audits of 46 buildings conducted in 1992 suggest that expenses may be overstated by 8% on average. See *Rent Stabilized Housing in New York City, A Summary of Rent Guidelines Board Research, 1992*, pages 40-44. Figures in parentheses are adjusted to reflect these findings.

** Expense figure includes expenses for 1991 (average expenses reported on income and expense statements filed with the Department of Finance) updated by the increase in Price Index of Operating Costs for the 4/1/92 -4/1/93 period (4.7%). Income figure includes income for 1991 (average income reported on income and expense statements filed with the Department of Finance) updated by a staff estimate based upon renewal and vacancy guidelines, choice of lease terms and estimated annual turnover rates (3.11%).

*** Expense figure includes 1992 expense estimate updated by staff projections for the period from 4/1/93 through 4/1/94 (3.1%) (Note: The projection was revised to 3.1% from 1.8% after the initial publication of this report.). Income includes income estimate for 1992 updated by staff estimate based upon renewal guidelines and choice of lease terms (2.8%).

1993 Rent Guidelines Board Mortgage Survey

Introduction

Section 26-510(b)(iii) of the Rent Stabilization Law requires that the Rent Guidelines Board examine, among other issues, the current "costs and availability of financing (including effective rates of interest)" prior to establishing its annual guidelines. This information is made available through an annual survey of lending institutions which finance multi-family properties in New York City. This report summarizes the findings of the staff's 1993 mortgage survey.

Summary

In 1991 we reported how the recession, in concert with the "S&L crisis" and the decline in the co-op market, affected multi-family lending. Although interest rates fell slightly in 1991, landlords were not necessarily better off since struggling banks were cutting back on lending. In 1992, banks became even more cautious and landlords more reluctant to borrow despite the Federal Reserve Board's aggressive effort to reduce interest rates. The 1992 mortgage survey found that because of adverse market conditions, many banks had tightened lending requirements or ceased lending to rent stabilized buildings altogether.

Our 1993 findings show that the multi-family loan market has begun to improve for both lenders and landlords, although there is a significant variation in the magnitude of recovery among lenders as well as landlords. Interest rates for new and refinanced multi-family loans have fallen nearly a percentage point from 10.1 percent to 9.2 percent, but this did not have a notable effect on the demand or the approval rate for new loans. A few lenders remained relatively prudent by tightening their lending standards even further. In addition, the level of refinancing activities reported in this year's survey indicates that only a limited number of landlords managed to reduce their mortgage payments through refinancing. Lastly, responses to questions on non-performing loans and foreclosure proceedings suggested that most lenders were able to stabilize or even reduce their share of shaky loans in the multi-family loan market.

Changes in the Mortgage Survey Sample and Questionnaire

Due to the enormous upheaval which has occurred among residential lenders over the past few years, a project was initiated in the summer of 1992 to bring the mortgage survey list up to date by adding additional banks and non-bank lenders. Taxpayer information was obtained from Department of Finance records for the 471 rent stabilized buildings included in the 1991 Income & Expense Study. Since it is common practice for lenders to pay real estate taxes, staff was able to generate a list of 70 banks and mortgage/equity companies which conceivably made loans to rent stabilized buildings.[1]

[1] It should be noted that banks paid taxes for approximately 30 percent of the buildings in the I&E study sample. Individuals represented another 30 percent of the buildings, while the remaining 40 percent are represented by various mortgage/equity companies, management companies or not-for-profit associations.

This preliminary list of 70 lenders was then reduced to 24 after matching it against the existing mortgage survey mailing list. However, following subsequent telephone contacts, only seven of the 24 lenders were added the survey pool. The other 17 lenders were eliminated because they recently left the multi-family loan market or merged with other banks that do not offer loans to stabilized buildings. After adding the seven new institutions, the survey was sent to 64 lenders (31 savings banks, 20 commercial banks and 13 savings and loans).

In addition to revising the mailing list, substantive changes were also made in the mortgage survey questionnaire. Questions on the relative importance of lending criteria were eliminated since responses to these questions have been very consistent over the past few years. In light of the lower level of interest rates available today, new questions were added on mortgage refinancing. Finally, the section on non-performing loans was expanded to include questions on foreclosure proceedings.

Response to the Survey

Thirty of the 64 financial institutions responded to our survey this year. However, 11 of these 30 lenders have left the multi-family market for various reasons. Two financial institutions were closed by the FDIC and were not offering any financial products. Six banks indicated that they do not offer multi-family loans. In addition, three other respondents, including two banks and one S&L, left the multi-family loan market due to recent mergers with other banks.

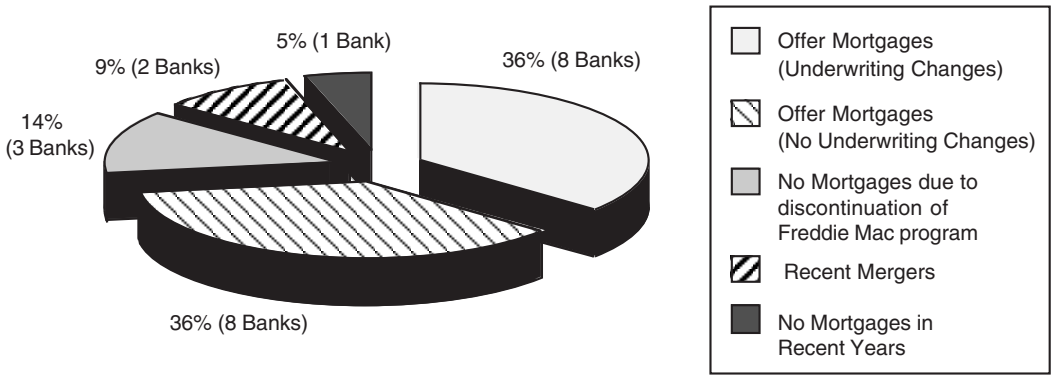
The 19 usable responses consisted of 10 savings banks, 5 savings & loans, and 4 commercial banks. Twelve of these respondents also participated in last year's survey. Their responses provide a valuable source for point-to-point comparisons.

Banks were once again asked to indicate what proportion of their portfolio consisted of loans to rent stabilized buildings. Nine of the 10 banks that participated in both surveys indicated a similar proportion of multi-family loans. One of these lenders expanded its multi-family loan program from less than 1 percent to 60 percent of its portfolio after taking over another financial institution in 1992.

Even though several lenders indicated that they have tightened their lending standards by decreasing the loan-to-value ratio, strengthening monitoring/reporting requirements, and/or adopting more stringent appraisals than a year ago, these changes did not substantially affect the volume of loan applications or the number of loans approved in the past year. Only five of the 19 respondents reported significant changes in the volume of loan applications. Two banks indicated an increase while three banks reported a decrease. Among the 19 respondents, only one bank significantly curbed its loan approval rate.

Lenders' responses to questions on non-performing loans and foreclosure proceedings suggested that some lenders were dealing with a smaller proportion of delinquent or defaulted loans than a year ago. In 1992, 25 percent of the respondents indicated an increase in non-performing loans ranging from 50 to 100 percent. In 1993, 25 percent of the respondents (5 banks) also reported an increase in non-performing loans but the increase was substantially smaller than last year's. Of these five respondents, two banks reported an increase of 30 percent in non-performing loans while the other three experienced an increase in the neighborhood of five to 10 percent. The remaining 14 financial institutions reported

1992 Mortgage Survey Respondents



Source: 1992 Rent Guidelines Board Annual Mortgage Survey.

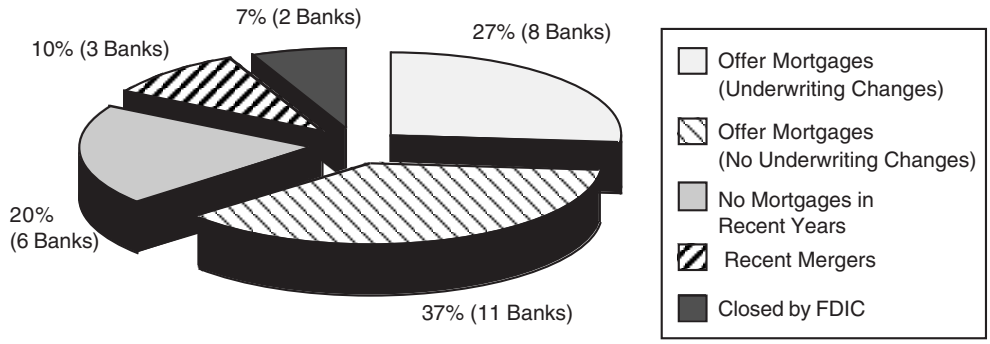
either a decrease or no change in the proportion of non-performing loans.

Of the 19 respondents, only two lenders indicated changes in the number of foreclosure proceedings. These two banks experienced a 20 percent and a 70 percent increase respectively. On the other hand, six of the remaining lenders reported that there were no foreclosures in stabilized buildings in the past year. Lastly, the remaining 11 banks did not experience any change in the number of foreclosure proceedings.

Financial Availability and Terms

One question which has long intrigued staff is the precision of the mortgage survey's interest rate estimate. Specifically, since we know that some banks make more loans than others, we wondered if it would be useful to weight each bank's interest rate by it's lending

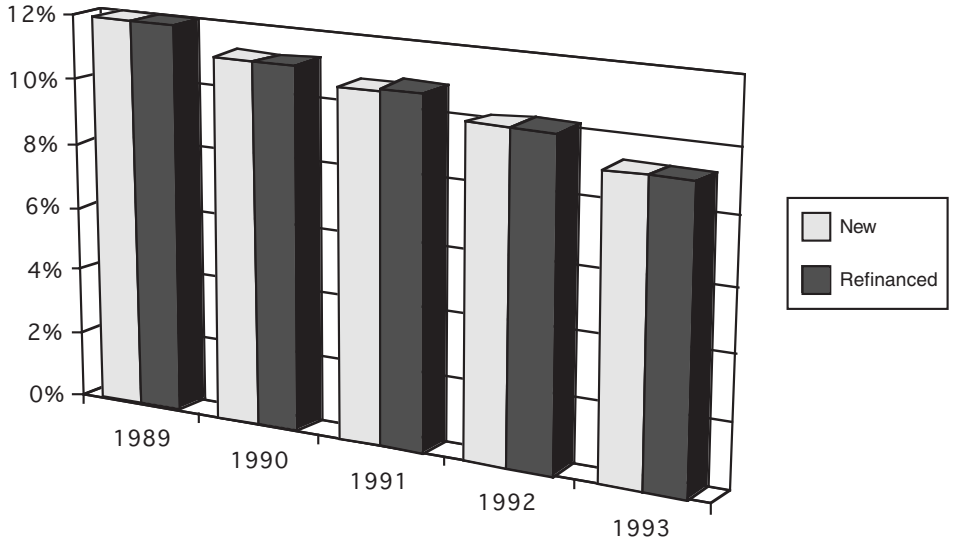
1993 Mortgage Survey Respondents



Source: 1993 Rent Guidelines Board Annual Mortgage Survey.

volume in computing the overall average rate. In last summer's effort to update the mortgage survey mailing list, staff was able to get a fairly accurate picture of the relative importance of each bank responding to the mortgage survey. By using the number of properties a bank mortgaged, a weighted interest rate was calculated for the banks that responded to last year's mortgage survey. An unweighted interest rate was also calculated.

Average Interest Rates for New and Refinanced Permanent Mortgages, 1989-93



Source: Rent Guidelines Board Annual Mortgage Surveys, 1989-93.

Last year's unweighted average interest rate was 9.8 percent compared to a weighted average of 9.7 percent. Since there was only one-tenth of a percent difference between the two rates, the methodology we have used to compute the interest rate for the mortgage survey is evidently reliable. There appears to be no need to weight the interest rates charged by the banks by the volume of loans made.

In last year's report, we found that the Fed's aggressive interest rate reduction effort brought a decrease in interest rates for multi-family loans half as large as the decrease in interest rates for 30-year conventional home mortgages. This year, interest rates for multi-family loans plummeted nearly a full percentage point from 10.1 percent to 9.2 percent while the interest rate for 30-year conventional home mortgages declined only slightly, from 8.4 to 8.2 percent. Compared to a year ago, landlords who recently purchased stabilized properties should realize substantial savings in their mortgage payments.

Unfortunately, even though lenders claim they have nearly identical terms for new or refinanced loans, it seems that lower interest rates through refinancing are not available to many borrowers. Of the 17 lenders that accept applications for refinanced loans, only four banks reported a significant level of refinancing activities. One bank refinanced 50 percent of its adjustable-rate loans to lower rate adjustable loans. Two banks refinanced 20 percent of their adjustable-rate loans to lower rate adjustable loans. Lastly, one bank refinanced 10 percent of its fixed-rate loans to lower fixed-rate loans.

Why haven't landlords been able to benefit more from lower interest rates by refinancing their properties? According to some lenders, they often rejected applications for refinancing because the current market values of properties have fallen. Many landlords now have mortgages which are larger than the market value of their properties. In order to refinance, these landlords would have to put substantial cash back into their buildings. As a result, refinancing is simply not an attractive option for many owners. ❑

Tax Arrears in Rent Stabilized Buildings, 1993

Summary

Last year's report on city owned buildings and tax arrears presented contrasting views on the condition of "marginal buildings" in the city. The information staff obtained on city ownership was distinctly upbeat - the number of buildings and units vested by the city for non-payment of taxes was at or near a ten-year low. Although this data was encouraging, the tax arrears numbers seemed to foreshadow a more difficult future. While the number of buildings in arrears was not much changed from previous years, the amount of arrears per apartment was up over 30% from the prior year. The implication was obvious - growing arrears might eventually lead to a marked increase in tax foreclosures by the city.

The evidence to support this dim forecast was intriguing but not necessarily compelling. Mean average arrears were up strongly, but no data was available on the types of buildings responsible for the increase. It was certainly possible that overfinancing of luxury properties played a major role.

The findings of this study do not support the "luxury building" hypothesis. It is clear that a relatively small group of buildings is responsible for a disproportionate share of tax arrears. It is also apparent that the amount of mortgage debt taken on by buildings with arrears is not supportable given current rent and expense levels. However, substantial increases in arrears have occurred in all types of buildings, both high and low rent, with or without mortgages.

Few of the buildings with tax arrears can be described as "luxury" buildings. In fact, the typical unit in a building with arrears is below average in many ways - it has substantially more housing code violations, is typically located in a low income neighborhood, and rents for 10-20% less than the average. The neighborhoods which suffered from the last wave of abandonment contain the majority of the housing in arrears.

The economic viability of many of these buildings is probably marginal even in the best of times. A significant portion of buildings with arrears have been city owned in the past or were included in an *in rem* action in the early or mid-'80s, before the current recession. Income and Expense information obtained from the Department of Finance indicates that income barely exceeds operating costs, leaving little room for extraordinary expenses, much less profits.

Based on the information gathered in this report, is another abandonment crisis imminent? The evidence seems to indicate that city vestings will increase in the near future, but not dramatically. Although both arrears and *in rem* filings have risen substantially in recent years, several indicators fail to signal any immediate upsurge in vestings:

- Vestings in FY 93 to date are a bit higher than in the past two fiscal years but lower than FY 89 and FY 90;

- The redemption rate for properties with *in rem* filings in calendar year 1991 is not notably lower than previous years;[1]

- Although the dollar amount of arrears per

[1] Approximately 84% of properties included in 1991 *in rem* actions had been withdrawn or severed from the *in rem* action by April 23, 1993. By comparison, 73% of properties in the 1990 actions had been withdrawn after one year and 91% after two years.

unit increased substantially in 1992 there was a small (3%) decrease in the number of buildings with arrears. This was the first decrease in the number of buildings with arrears since 1988;

- This report will show that two-thirds of buildings with arrears also have mortgage debt. Many of these mortgages are substantial. As banks foreclose on these properties tax arrears will be repaid in many, if not all, cases.

One rather substantial caveat is in order. There is significant anecdotal evidence that the city has adopted a more liberal approach regarding repayment of arrears. Tax repayment agreements have become more common. If these properties ultimately fail to repay their arrears a major increase in vestings could eventually materialize.

Methodology

Staff began this study by obtaining a tax arrears file from the Department of City Planning. The City Planning database included information from several sources, including the Department of Finance (e.g. tax arrears) and the Department of General Services (e.g. vestings). In 1991 and prior years City Planning revised the arrears figures annually; in 1992 bi-annual updates were begun. The newest tax arrears figures used in this report are quite current, dating from January 1993.

The sample for this study consists of stabilized buildings with tax arrears in one or more years from 1988 to 1993. All of these buildings were registered with the State Division of Housing and Community Renewal.[2] Buildings less than three quarters in arrears were excluded from the sample; the amount owed by many of these buildings was insignificant. Of the 38,000 registered buildings, 4555 (12%) were at least three quarters in arrears in January 1993.

In addition to the City Planning arrears data, information was also gathered from many other sources, including HPD (e.g. housing code violations), Finance (e.g. mortgage information, I&E data) and DHCR (e.g. registered rents). Since it was impossible to "computer match" much of this data with the City Planning tax arrears file, a random subsample of 333 buildings was chosen from among the thousands of buildings with arrears. In this report the discussion of specialized topics such as participation in city programs, rents, or mortgage debt are generally based on this smaller sample.

Change in Arrears, 1988 - 1992

During the past few years the number of buildings three or more quarters in tax arrears increased moderately, rising from approximately 4100 buildings in 1988 to 4555 in 1992, an increase of 11%.[3] The moderate rate of increase in buildings with arrears indicates that measurable financial stress is not spreading rapidly to all stabilized properties. Only about 200 buildings had three or more quarters arrears for the first time in 1992. **The problem confronting the city is NOT a huge influx of new buildings with arrears but the ongoing financial deterioration of the worst-off buildings.**

The average amount of arrears per unit has risen from $618 in 1988 to $1223 in 1992,

[2] The same list of rent stabilized properties is used to compute changes in real estate taxes for the Price Index of Rent Stabilized Apartments (PIOC). It consists of approximately 38,000 properties registered with the State Division of Housing and Community Renewal.

[3] The number of UNITS in buildings with arrears rose at faster pace (24%) as more large buildings joined the arrears group in recent years.

an increase of 98%. By contrast, real estate taxes rose approximately 62% for all stabilized properties and the Consumer Price Index was up 21%.[4] About half of the properties in our sample have had arrears for the past three years (1990-1992); about one-fourth have had arrears in all five years.

The increase in arrears per unit is no statistical fluke. Even after controlling for various factors (e.g. the small influx of new buildings with arrears, building size), our conclusions remain the same - arrears per unit have risen sharply over the past few years. However, an important question still arises: Are financial problems among one small group of buildings - for instance, highly mortgaged buildings - responsible for a disproportionate share of the increase?

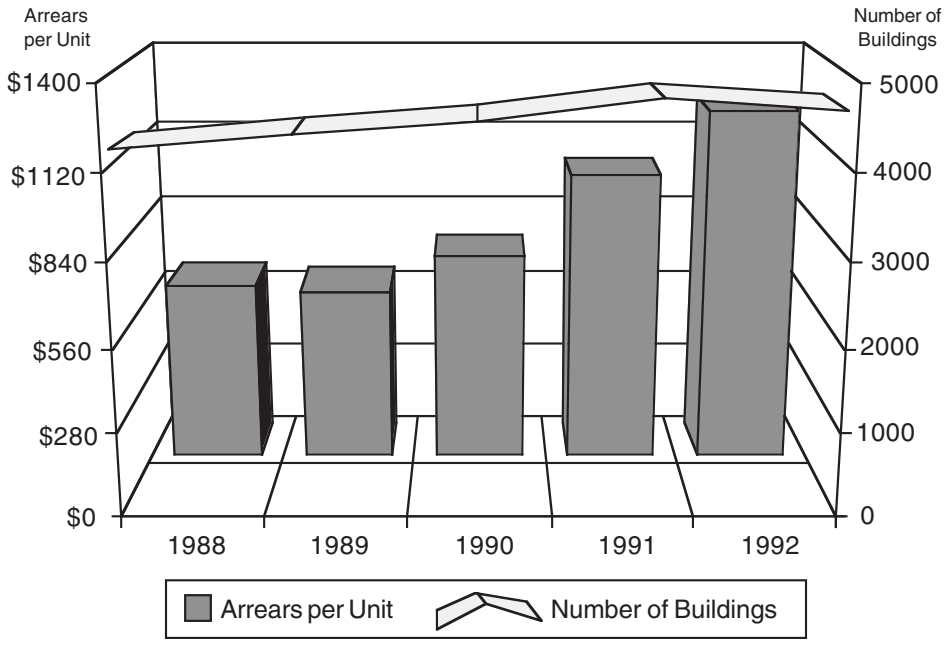
To test the possibility that a small group of high value buildings may have been responsible for much of the increase in arrears, we divided buildings in the subsample into five groups. Buildings in the top group have the highest assessments per unit. The lowest quintile has the lowest assessments per unit. As expected, a large proportion of the buildings with the highest assessments (about two-thirds) are in Manhattan.

There was a strong connection between real estate assessments and arrears. Buildings in the top asssessment category accounted for about 60% of all arrears. This proportion remained fairly constant from 1988 to 1992, indicating that the mix of buildings with arrears has not changed much from year to year. It appears that arrears for low assessment buildings have grown as fast as for high assessment buildings. **In short, even though a relatively small group of buildings has a disproportionate share of arrears, the change in arrears has been broad based; all types of buildings have had large increases in tax arrears.**

Although the amount of arrears owed by landlords is an interesting figure, it gives us no indication of landlords' ability to repay taxes. One way to do this is to compare landlords' cash flow with the amount of tax arrears. We devised a variable called "payback", which is simply the

[4] The tax figure cited here is for all stabilized properties. Unfortunately, it was not possible to get tax figures for our arrears sample. However, it is not unrealistic to assume that the tax increase was about the same for the arrears sample.

Tax Arrears per Unit and Number of Rent Stabilized Buildings in Arrears, 1992



Source: NYC Department of City Planning Tax Arrears Files, January, 1993.

Note: Includes buildings registered with the NYS Division of Housing and Community Renewal with three or more quarters arrears.

number of "rent roll months" which would be required to pay back taxes.[5] For buildings with arrears in 1992, the median payback is one month. In other words, the average landlord would need to pay the city one month's rent roll to clear all arrears balances.

Landlords in Manhattan (two month payback) are notably worse off than those in the Bronx (1.3 months) or Brooklyn (.8 months). Given this "outer borough" disparity it wasn't surprising to find that the amount of tax per unit IS postively correlated to the payback period.[6] In general, high tax buildings are in poorer shape than low tax buildings if "payback" is used as the criterion.

One of the incidental findings of this analysis concerns the relationship between average rent and the payback period. We found no relationship between rents and the payback period. High rent buildings require just as many months rent as low rent buildings to repay arrears. Or, to phrase this somewhat differently, low rent buildings are not necessarily at a disadvantage in repaying arrears if rent rolls are used as the sole criterion.

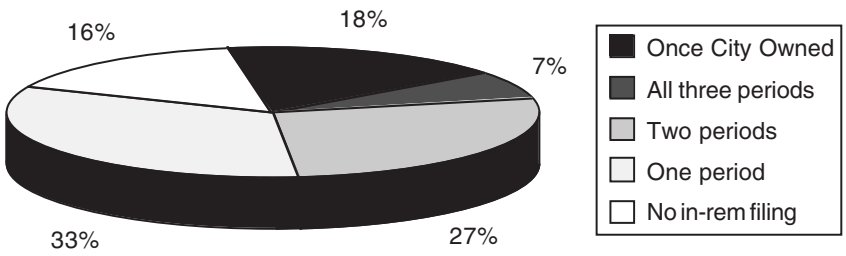
Vestings and "In Rem" Filings

To what extent are problems with arrears due to the current recession, rather than other factors, not necessarily related to the lack of present day prosperity? While this isn't an easy question to answer, we thought it would be possible to cast some light on the issue by gathering information on *in rem* filings during the 80's and early 90's for the arrears buildings. The filings were grouped into three periods, which roughly correspond to economic conditions during the past ten years: 82-85 (emergence from the recession), 86-89 (real estate boom), 90-92 (current recession).

If *in rem* filings are a good criterion of economic hardship, difficulties facing landlords have certainly worsened over the past ten years. Only one-fourth of the buildings were included in *in rem* filings in the early 80's (i.e. '82-'85), while about two-thirds were part of the early 90's filings (i.e. '90-'92). Buildings with only one filing are much more likely to have been included in the '90-'92 filings (69%) than in the early 80's filings (only 6%), indicating that more properties have been inducted into troubled times.

Given the severity of the current recession, it isn't terribly surprising that more properties are troubled in recent years. **More**

Rent Stabilized Buildings with Tax Arrears, Inclusion in *In Rem* Actions during Three Time Periods: 1982-85, 1986-89, 1990-92.



Source: NYC Department of Finance files.

Note: Buildings once city owned may also have been included in one or more *in rem* actions. Buildings in all three periods were included in at least one *in rem* action in each time period (i.e. '82-85, '86-89 and '90-92).

[5] The criterion "payback" is, of course, a rather simplistic measure of landlords' ability to pay. However, it is the best available proxy since we have no information on commercial income or the other financial assets of landlords.

[6] The correlation between real estate tax per unit (FY 93 assessments) and the payback period (1992 arrears) was quite high (.62) and was statistically significant at the .001 level.

interesting, perhaps, is that a substantial proportion of the buildings in our sample have a long history of tax arrearage, often dating back to the early 80's. More than one-sixth have been city owned at one time or another. Another third were included in *in rem* filings in two or more time periods.[7] Somehow, about one building in 14 (7% of the total) have managed to escape city ownership even after being included in filings throughout the 80's and early nineties (i.e. all three time periods, see chart on page 53).

The information on filings indicates that a substantial portion of buildings with arrears have had economic difficulties even in the best of times. Problems with arrearage have simply become much worse due to the recession. Given the recession and the large increases in arrears, how many of these problem plagued buildings will remain in private ownership?

It is possible for landlords to avoid foreclosure in a number of ways. If a property is included in an *in rem* filing and taxes are paid soon enough, the city issues a "Certificate of Withdrawl" or "Certificate of Redemption" which terminates the vesting process. Landlords can also avoid city title vesting by entering into a tax repayment agreement.

About one-quarter of all buildings are not threatened by an *in rem* filing. About one-third of the buildings in the sample either have some sort of repayment agreement or were issued one of the "Certificates" in the last three years. In short, this group of owners has taken action to avoid foreclosure. **Yet, a higher percentage of our sample buildings (about 40%) were included in an *in rem* filing in 1990, 1991, or 1992 and have NOT negotiated a repayment agreement or made restitution. These buildings remain at risk.**

[7] After we started this study in the Fall of '92, six buildings in the sample were title vested by the city. These buildings are included in "one-sixth" figure cited in this report. The remainder of buildings are not now city owned. A majority of buildings once owned by the city were title vested in the early or mid-80s and were eventually redeemed by their former owners. A substantially smaller number were auctioned (mainly in the late 70's) or released to participate in the DAMP program.

Characteristics of Buildings with Arrears

Size and Location

Most of the buildings more than three quarters in arrears are quite small. Over half contain fewer than 10 units and about 75% have fewer than 20 units. Only 1% of the buildings contain 100 or more units.

Apartment buildings with tax arrears are heavily concentrated in Brooklyn and Manhattan. Together, these boroughs have about 80% of all structures - about 40% in each borough. Looking at size of structure and borough together, fully two-thirds of all buildings with arrears contain less than 20 stabilized units and are located in either Brooklyn or Manhattan.[8]

We considered two factors to pinpoint neighborhoods with particularly high concentrations of problem buildings:

1. The percentage of units in the community board with arrears;

2. The absolute number of units in the community board in buildings with arrears.

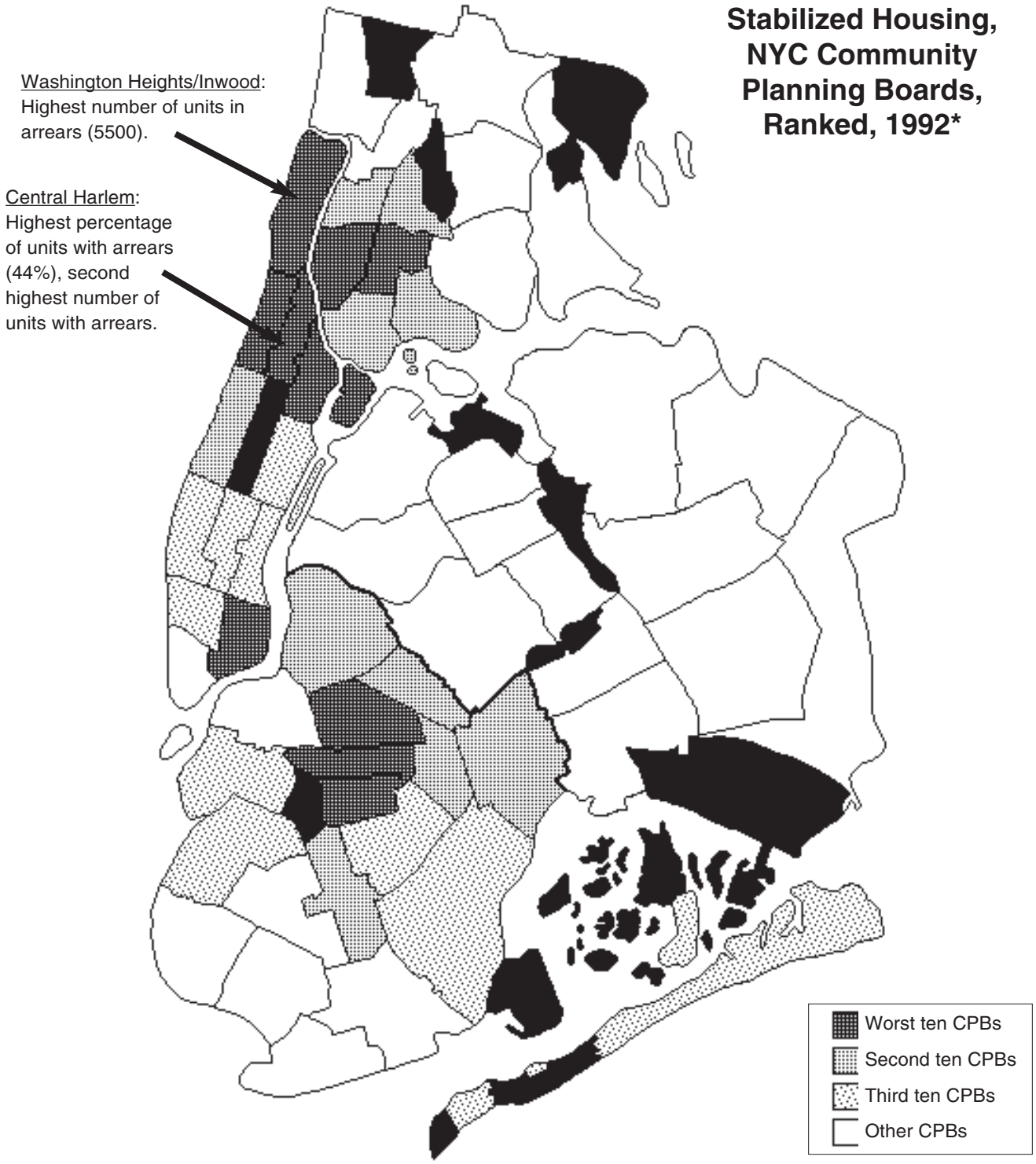
We computed an index which took into consideration both the percentage of units with arrears and the absolute number of units with arrears.[9]

The map on the next page shows community boards with particularly high

[8] The distribution of units among the boroughs is not terribly different from the building distribution. Brooklyn and Manhattan have the majority of the units (72%). The percentage of units in the Bronx (20%) is higher than the percentage of buildings since buildings are generally larger than in Brooklyn or Manhattan.

[9] Each community board was ranked based on the percentage of units with arrears (e.g. the community board with the highest percentage of arrears was Central Harlem, so it received a rank of "1") and the absolute number of units with arrears (e.g. Central Harlem had the second highest number of units with arrears among the community boards, so it received a rank of "2"). These rankings were combined to yield a composite score. These scores were then arrayed from lowest to highest.

Tax Arrears in Rent Stabilized Housing, NYC Community Planning Boards, Ranked, 1992*



* Community Planning Boards were ranked from worst to best based on two factors: 1)The percent of all stabilized units in the community board with arrears and, 2)The absolute number of units in arrears. These figures were added together to yield the CPB's overall score and CPB scores were then ranked (e.g. Central Harlem had the highest percentage of units in arrears and the second highest number of units for a score of three. This was the worst score in the city. Morningside Heights had the third largest number of units with arrears and the eighth highest percentage for a score of "11," the second worst in the city).

concentrations of arrears. All of the community boards in northern Manhattan, including East Harlem, Central Harlem, Morningside Heights, and Washington Heights/Inwood all ranked in the top ten. In fact, these community boards contain about 25% of all units in buildings with arrears. Problems seem to be particularly severe in Central/West Harlem. Nearly half of all units in Central Harlem (44%) are in buildings with arrears - the highest rate in the city. Central Harlem also has the second highest number of units in arrears (5200) among all boards, narrowly trailing Washington Heights/Inwood (5505 units).

Five of the ten boards with the most severe tax arrear problems are outside Manhattan and include Bedford Stuyvesant and Crown Heights in Brooklyn and Morrisania and Highbridge in the Bronx. All of these areas suffered severe abandonment during the seventies and early eighties.

Despite the fact that some areas of the city have high concentrations of building arrears, the problem is hardly limited to these areas. In Manhattan, the four northern community districts account for only about half of all units with arrears in the borough. In Brooklyn, the top four areas also have slightly more than half of all units with arrears.

Another way to look at arrearages is to examine the subboros with the greatest AMOUNT of arrears. **Using dollars owed rather than units in arrears gives us a completely different view of the situation.** In Manhattan the four northern subboros with the greatest concentration of units (52% of the borough total) account for only 18% of dollars owed. The Upper East Side, by contrast, has relatively few units in arrears (only 8% of the Manhattan total), yet owes one-fourth of all tax arrears in the borough.

These statistics clearly show that the "problem" of arrears is actually two separate problems. For HPD potential difficulties lie in the poorer neighborhoods. The buildings which HPD will probably end up owning and managing are in these areas. From the perspective of the Finance Department, the challenge is to raise revenue. Since most of the arrears are NOT in poorer neighborhoods, an obvious solution is to concentrate collection efforts on more affluent areas and buildings with substantial value.

Building Conditions

An overwhelming proportion of buildings with arrears are quite old - 80% are New Law or Old Law tenements and thus were constructed before 1929, while 70% of the units in our sample are in tenements. In the stabilized stock as a whole, only 57% of all apartments are in tenements. In short, the housing stock with arrears is somewhat older than average.

It also seems that buildings with arrears are in rather poor condition. On average, each UNIT has 5.5 housing code violations on record, including nearly one "C" violation per unit.[10] For the entire stabilized stock the figures are only 1.8 violations per unit and .25 "C" violations per unit - one third as high.[11] For buildings with arrears, conditions are similar in all boroughs with the exception of Queens, where violation counts are substantially lower.

Many of the buildings also have emergency repair (ERP) balances, indicating that landlords have failed to make needed repairs.[12] A check of HPD's records found that about 60% had ERP balances, or nearly double the citywide

[10] Violations in the "C" class are deemed very dangerous to life and health and should be abated immediately.

[11] To obtain these figures, a random sample of 100 rent stabilized buildings was drawn from the DHCR rent registration files. Data on housing code violations for these buildings was obtained from HPD.

[12] Under HPD's Emergency Repair Program, the agency can contract for repairs to a building if the building's owner does not correct maintenance deficiencies within a reasonable period of time. Charges for the repairs are billed to the owner and recorded in HPD's owner files as the "ERP balance."

average. About one-third of all buildings with arrears still owed the city for the repairs.[13]

A check of HPD's program database found that very few of the buildings have participated in government loan or grant programs. None had municipal or Section 312 loans and only one building was in any of the various Section 8 programs. A somewhat higher proportion of the buildings (4%, or 13 structures) had Section 8A municipal loans.

Income and Rents

No data on tenant income was available for our arrears sample. Even so, it was possible to estimate tenant income using 1991 HVS data. These estimates are rather gross approximations but do give us a general sense of where tenant incomes lie.

All of the buildings in our arrears subsample were assigned an average tenant income, based on data from the 1991 HVS. For instance, if a building in the subsample was located in community district number 1 in Brooklyn, it was assumed that the average household income in this building was $19,288.[14] To compute an average household income for our sample we weighted each building by the number of units in the building.

Average tenant income in buildings with arrears was estimated to be $20,700, about 25% lower than the average for all rent stabilized tenants ($28,742). The difference was greatest in Manhattan (50% lower than the borough average) and the least in Brooklyn (only 2% lower than the borough average).

Since a substantial number of buildings with tax arrears are in low income neighborhoods, one would expect rents to be below average. This certainly proved to be the case. The mean average registered rent per month of units in buildings with arrears was $467, compared to an average of $584 for all stabilized units, or about 20% less. The median for units with arrears was also 20% below the overall average.[15]

Buildings with arrears are on average rather small, so a better comparison of rents may be with stabilized buildings of 50 units or less. Ninety-five percent of the arrears buildings have fifty or fewer units. Using this comparison, registered rents for buildings with arrears lag the 1991 Housing and Vacancy Survey contract rent averages (both the median and mean) by about 5%. Since we know that registered rents tend to be about 5% above rents actually charged (i.e. HVS rents), on average, a reasonable conclusion is that **mean rents in buildings with arrears are 10% below comparably sized buildings and 20% below the average for all buildings.**

A number of buildings in the arrears sample may have rents insufficient to cover operating costs. In the RGB's recent I&E study the average adjusted operating cost was found to be $350. About one-third of the buildings with arrears have average building rents this low.[16]

[13] The average amount owed was $44 per unit. This figure is a median, rather than the mean average typically used. A small fraction of buildings with arrears have per unit ERP balances of $1000 per unit or more; as a result, the mean ERP balance per unit is not a very representative or useful figure. Consequently, we use the median.

[14] $19,288 was the average income for all stabilized tenants in Brooklyn sub-boro 1, according to the 1991 HVS. The assumption that the tenants in buildings with arrears will have incomes as high as other households in the sub-borough may be somewhat unrealistic. One might expect incomes to be lower.

[15] The mean average registered rent for stabilized units was $584 in April 1991. This information was provided by the NYS Division of Housing and Community Renewal. The median was $535 and was computed from a random sample of 100 rent stabilized buildings.

[16] The average O&M cost for all buildings in the RGB's 1993 Income and Expense study was $382. If this figure is adjusted by the results of the 1992 Audits (which found on average an 8% overreporting of costs), the figure becomes $350. Note that this figure is not a MINIMUM operating cost but an average, so that many of the buildings with rents below $350 could in fact be profitable.

This proportion is not unusually high, however. In the stabilized stock as a whole, about one-fourth of units rent for $350 or less.

Income & Expense Data

In an earlier section of this report we noted that buildings with tax arrears tend to be small - 75% have less than twenty units. Since this is the case, few of these owners are required to file Income and Expense Statements. In fact, of our subsample, I&E statements were filed for less than 25% of the buildings.

1993 I&E Data:
Units in Buildings with Tax Arrears vs. All Pre '47 Units

	Tax Arrears	All Pre '47
O&M Cost	$365	$350
Apartment Rent	$400	$451
O&M to Rent Ratio (Unadjusted)	91%	78%
Income from Commercial Units	7%	10%

The group filing I&E forms is probably not representative of all buildings with tax arrears. Likewise, the I&E figures are not descriptive of buildings with arrears in any useful way. However, the figures do allow an interesting comparison with the stock as a whole, or more specifically the pre-war stock.

The box on this page shows some of the more important characteristics of buildings with arrears and all pre-war structures. Overall monthly O&M expenses for the two groups are quite similar - $365 for buildings with arrears and $350 for all pre-war units. Buildings with arrears have higher average fuel and repair costs while taxes and labor costs are lower. Typically, higher labor costs and taxes are associated with better quality buildings.

The difference between the two building types is more apparent on the rent side of the equation. In buildings with arrears, the average amount of rent collected per unit is only $400, compared to the overall figure for pre-war buildings of $451.

Higher expenses and lower rents can have only one result - a very high rent to income ratio. The mean (unadjusted) O&M to rent ratio is .91, while the O&M to income ratio is .85. Comparable figures for the pre-war stock as a whole are .78 and .70, respectively.

Commercial Income

About one-fourth of the buildings with arrears have some type of commercial space, including stores, offices, garages, etc. This is the same proportion as in the stabilized stock as a whole.[17]

Using nearly any measurement of quality, buildings with commercial income are in better condition than those without commercial income. Physical conditions are superior (e.g. fewer housing code violations, lower ERP balances), and both rents and tax assessments are higher. The additional income apparently makes it easier to pay taxes - arrears owed per unit are about a third lower than average.

It is difficult to gauge the amount of commercial income which owners gather, since our only source of information is the Income and Expense Data, which is biased toward larger buildings. However, buildings with arrears appear to benefit somewhat less (or certainly no more) from commercial income than the average stabilized building. Owners of pre '47 buildings derive about 10% of their overall income from

[17] The comparison comes from a random sample of 100 rent stabilized buildings. In this sample we found that 25% of the buildings had one or more commercial units.

stores, offices, and services. The figure for buildings in arrears is 7%.

Mortgage Debt

Over two-thirds of the buildings have a mortgage of some sort and nearly half have two or more mortgages.[18] It was not possible to calculate owners' actual mortgage payments due to the complexity of the mortgage deed system. However, data on the amount of mortgage debt issued was available.[19]

The mean amount of debt for buildings with mortgages is $31,500 per unit.[20] If this figure seems rather high, it is due to a significant proportion of buildings with very high debt levels - ten percent of the buildings have mortgage debt in excess of $114,000 per unit.[21] The median amount of debt per unit is a more reasonable $20,700.

In some ways, buildings with mortgages are not strikingly different from those without mortgages. Mortgaged properties are somewhat larger (21 units vs. 14) and a bit more likely to be located in Manhattan. Housing code violations per unit and ERP balances are similar for the two groups.

The physical characteristics of mortgaged vs. unmortgaged buildings may not be markedly different, but finances do vary. Tax arrears per apartment unit are nearly twice as high for mortgaged properties. There is also a highly significant correlation between the amount of mortgage debt and the amount of arrears, which raises the obvious question: Did "over-mortgaging" contribute to recent increases in arrears?

If we are charitable and assume that 90% of registered rents are collectible ($434) and that "other" income of 7% is collected (i.e. from stores, offices), net income is about $467 per month for buildings with mortgages.[22] If O&M expenses are $335 per unit (i.e. the $365 reported to Finance deflated by 8%), the amount remaining for debt service and profit (NOI) is roughly $132 per unit per month.

This $132 per month is available to service average mortgage debt of $31,500 per unit. Is this a workable proposition? It is impossible to say for sure, simply because actual mortgage terms are unknown to us. However, these owners would need a very charitable lender to repay a loan of $31,500 with this amount. A payment of approximately $263 per month would be required to service a no amortization loan bearing an interest rate of 10%. A $20,700 loan (the median amount of mortgage debt for mortgaged properties) with the same terms would require $173 per month.

What proportion of properties have losses because of mortgage debt? This is not an easy question to answer since we have neither precise data on O&M costs nor on mortgage payments for individual properties. However, we were able to undertake a simulation of "profit" (on a cash basis) using very liberal assumptions about rent collections, O&M costs, and mortgage payments. We estimate that about two-thirds of properties with mortgages and arrears in 1992 would have cash losses after paying O&M and mortgage costs.[23]

[18] The precise figures are: No mortgage 31%, One 27%, Two 18%, Three 12%, Four 5%, Five or more 7%.

[19] The computerization of the mortgage deed system makes it possible to discover whether a building has a mortgage and the amount of the mortgage. Information on the terms and payments is much more difficult to obtain.

[20] Three buildings with mortgage debt per unit of one million dollars or more were eliminated from these calculations. It seems likely that the mortgage figures for these buildings are in error.

[21] About 75% of all buildings with debt more than the mean per unit are in Manhattan; most of the remainder are in Brooklyn.

[22] The mean rent for buildings with mortgages is $482 and is the figure used in these calculations.

[23] Our definition of "profit" is rental income minus O&M costs minus estimated mortgage payments. No provision was made for taxes (e.g. depreciation) so it it is possible that some of the buildings have a loss on a cash basis but are profitable after tax considerations. It was assumed that 100% of income was collected. An O&M cost was imputed to each of the buildings in our sample based on building size. The O&M figures are from the 1993 Income and Expense Study for Pre-war buildings. Mortgage payments were assumed to be based on a 10% no amortization mortgage.

There can be little doubt that properties with tax arrears are "over-mortgaged" as a group. Aggregate income is simply insufficient to cover the mortgage debt and operating expenses of these properties. Many of the mortgage holders are now presumably in the process of foreclosing on these mortgages. At this time we have no information on the extent of mortgage foreclosure.

Tax Assessments

The mean billable assessed value per apartment unit for all pre-war stabilized properties is approximately $8700.[24] The comparable figure for properties with arrears is $7100, about 20% less. It seems reasonable that assessments should be lower for properties with arrears. But is 20% an appropriate differential?

In an earlier section of this report we noted that rents for properties with arrears were approximately twenty percent lower than all stabilized properties and 10% less than a comparison group of similar size buildings. Collected rents (i.e. from the 1993 I&E Study) lagged behind other pre-war buildings by about 10%. Expenses were just slightly higher than average and commercial income was slightly lower than average. Although we are certainly not experts on the assessment process, these figures do not seem to support the notion that properties with arrears are generally "overassessed."

Policy Issues/Further Research

The material in this report is largely descriptive in nature. Although it is certainly useful for the RGB and other city policymakers to understand the characteristics of the housing stock in arrears, this report is not necessarily adequate for those who would design programs to aid landlords. Too many questions are unanswered. Just a few of these questions might include: How much do owners know about city programs and regulations? How many residential properties do these landlords own? How many landlords live in their buildings?

A questionnaire designed to answer these, and other questions was designed and tested by RGB staff in May 1993. Seventy owners were selected from the list of buildings with arrears; eleven owners responded to the survey. Due to the inadequacy of the survey lists, it was impossible to contact most of the seventy landlords in the available time.

This "test" survey was very useful. Apart from becoming aware of the inadequacy of the survey lists, several other issues came to light, including whether to question owners or managers, how to order the survey questions, etc. It was also interesting to find that none of the respondents lived in their buildings and that some structures with arrears are vacant or have been converted to co-ops. Efforts to refine the survey will continue during the summer of 1993. ❒

[24] The RGB's 1993 Income and Expense study found that in pre-war buildings average tax per rent stabilized unit per month was $72 or $864 per year. Capitalizing this amount by the current tax rate gives us the figure of $8700.

The NYC Housing and Vacancy Survey: A Ten Year Retrospective (1981-91)

Introduction

The New York City Housing and Vacancy Survey (HVS) is one of our most valuable sources of information on the rent stabilized housing stock. It consists of a sample of over 17,000 households and includes dozens of key housing and demographic variables. More important, perhaps, is that the survey information is relatively timely; the HVS is usually conducted once every three years by the U.S. Census Bureau.

The HVS began life as a byproduct of the rent regulation laws, its primary purpose to accurately measure the city's vacancy rate. The vacancy information was needed to examine "the need for continuing the regulation and control of residential rents and eviction" [L. 1965, c. 318]. Over the years the scope of the HVS has expanded considerably. The report commissioned by the city on the HVS, which has come to be known as the "Stegman Report" after its principal author since 1981, no longer focuses mainly on rent regulated housing. The 1987 edition included sections on co-op/condo conversion, the shelter allowance, and many other topics.

The focus of this report is much narrower. We restrict our analysis to rent stabilized housing units and concentrate on the issues of most concern to the Rent Guidelines Board - income, rent, affordability, and housing conditions. The emphasis here is on changes which occurred between 1981 and 1991, with additional data on 1987 - 1991 where appropriate. We hope that this report both sums up the eighties and provides a glimpse of present conditions in the market.

Editor's Note: The 1991 Stegman report was released in August 1993.

Summary

The Housing Stock

- The overall housing stock expanded by 188,000 units, rising from approximately 2.79 million in 1981 to 2.98 million in 1991. The decennial census, which measured changes over a somewhat different period (1980-1990), found an increase of only 46,000 units.
- The size of the rent stabilized stock was roughly the same in 1987 and 1991 - approximately one million units.

Income

- The income of rent stabilized tenants rose strongly, especially during the mid-80's. The mean income of all tenants went from $15,952 to $28,742 between 1980 and 1990.
- Income increases exceeded the rate of inflation. As a result, the mean constant dollar (i.e. inflation adjusted) income increased by approximately 7% over the ten years.
- Households in the bottom half of the income distribution did not fare as well as the average stabilized household. Constant dollar incomes for these households declined somewhat.

Rents

- The mean average stabilized rent rose from $297 in 1981 to $548 in 1991, or 85%. Charges in the older pre-war stock more than doubled (105%) while rents for Post '46 units increased considerably less (66%).
- Rents rose substantially faster than the rate

of inflation during the eighties, gaining 13% in constant dollars.

- Rent increases also outpaced the RGB's Price Index of Operating Costs (PIOC) by a fair margin. The ten year change in the PIOC was 71% compared to an 85% increase in rents.

Housing Affordability

- The median contract rent to income ratio rose only slightly, from 25.5% in 1981 to 25.8% in 1991.

- Despite the increase in the contract rent to income ratio (i.e. increased housing expenditures), the average rent stabilized tenant's constant dollar income for non-housing goods also rose.

Vacancies

- The overall vacancy rate rose by half between 1987 and 1991, from 2.6% to 3.9%. The increase was especially large in the Pre '47 sector - from 2.7% to 4.5%.

- Prospective renters had a substantially greater choice of units in 1991 than in 1987. The number of units affordable to the average tenant (using the 30% of income criterion) was up by half, from 16,000 in 1987 to 24,000 in 1991.

- Although the number of units available for rent increased in all rent categories, thereby benefitting all income groups, most of the growth was in high rent units.

- Rents for recent movers (i.e. moving in 1990 or 1991) rose strongly. While the average rent for occupied units was up 30% from 1987 to 1991, recent movers paid 42% more.

Demographics

- The proportion of stabilized units occupied by Hispanic and Asian households increased during the decade while occupancy by White households declined. Representation of Black households remained the same.

- Although still the predominant form of household, adult households without children have become less common. The percentage of households with children increased, while the number of adults living alone declined.

- Crowding among stabilized households was up sharply, from 7.6% in 1981 to 12.4% in 1991. The proportion of severely crowded households rose even faster, from 2.2% to 4.8%.

- Rent increases and relatively small additions to the housing supply evidently suppressed the formation of new households. The number of units occupied by "roommates" was up sharply as were households containing "relatives." A 50% increase in households with children over 18 since 1981 is another indicator that household formation has slowed due to high housing costs or inadequate income.

Housing and Neighborhood Quality

- The percentage of apartments with one or more maintenance deficiencies was about the same in 1991 and 1981.

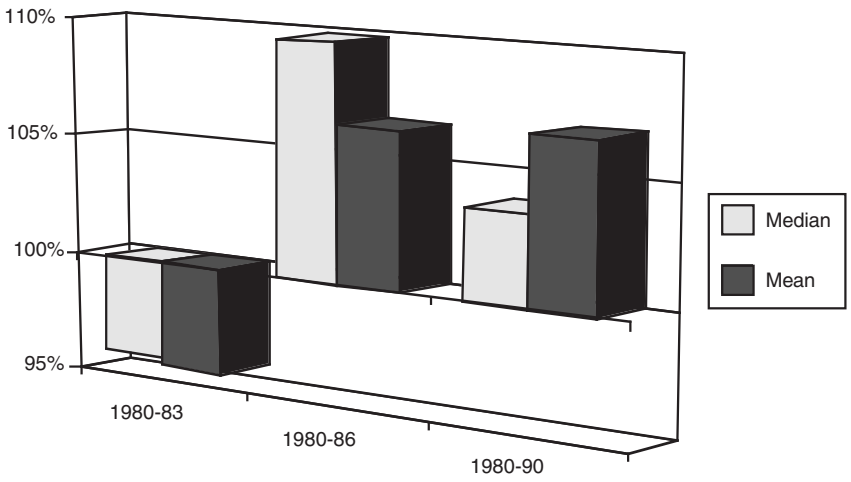
- Among the individual deficiencies measured by the HVS, there were far fewer problems with heat (e.g. boiler breakdown) but the percentage of tenants reporting rodents was up substantially.

- Twenty-five percent fewer tenants reported boarded up buildings in their neighborhood in 1991 than ten years before.

Tenant Income

The chart below shows changes in the median and mean incomes of rent stabilized tenants; the figures have been adjusted for increases in the cost of living. We use 1980 as the "base year" for the calculations.[1] Decreases in income result in figures below "100" while increases are recorded by figures over 100. This "index" method is useful in that it shows differences from the 1980 base in percentage terms.

Changes in Rent Stabilized Tenants Income, 1980-90
(1980 Income = 100)



Source: NYC Housing and Vacancy Surveys, 1981-91; Bureau of Labor Statistics, Consumer Price Index.

Note: 1980 income is given the value of "100." All figures are adjusted by changes in the Consumer Price Index.

As the chart shows, tenant income declined somewhat between 1980 and 1983, with no significant difference between the median and the mean. The real explosion in household earnings occurred between 1983 and 1986 as both the inflation rate and unemployment declined sharply. Increases of 11 to 14% (the mean and median, respectively) meant substantial improvements over 1980. Unfortunately, these gains eroded somewhat over the next several years - 1990 incomes were up from 4 to 7% over 1980 depending on the measure used.[2]

To ascertain which rent stabilized tenants fared best during the eighties, we ranked the incomes of tenants and placed each household in an income "decile". The top (tenth) decile is the 10% of rent stabilized tenants with the highest incomes, while the bottom decile is the 10% with the lowest incomes.[3] Not all stabilized tenants fared equally well during the eighties, as the box below shows.

The higher income groups did well during the eighties. For the top five deciles real income gains were substantial, ranging from nine to twelve percent. Lower income groups did not do nearly as well, and in fact lost some ground during the eighties. Most of the income losses

Income Change, 1980-1990, by Decile

Top decile	NA
9th	10
8th	12
7th	12
6th	9
5th	4
4th	-3
3rd	-6
2nd	-14
Bottom	NA

[1] The 1981 HVS measured 1980 incomes and the 1991 HVS recorded 1990 incomes.

[2] Computation of the change in the mean income is somewhat imprecise because the Census Bureau capped reported incomes at different levels in the various years.

[3] No data is reported for the bottom or top deciles. After examining the characteristics of bottom decile households in some detail we concluded that much of the HVS information for this group was probably unreliable. No precise change can be computed for the top quintile due to the Census Bureau's income caps.

occurred recently (i.e. from 1986 to 1990), with downward reductions of seven to fifteen percent in the last four years. Since 1991 was the worst year of New York's recession, one would suspect that the incomes of poorer households have continued to decline.

Rents

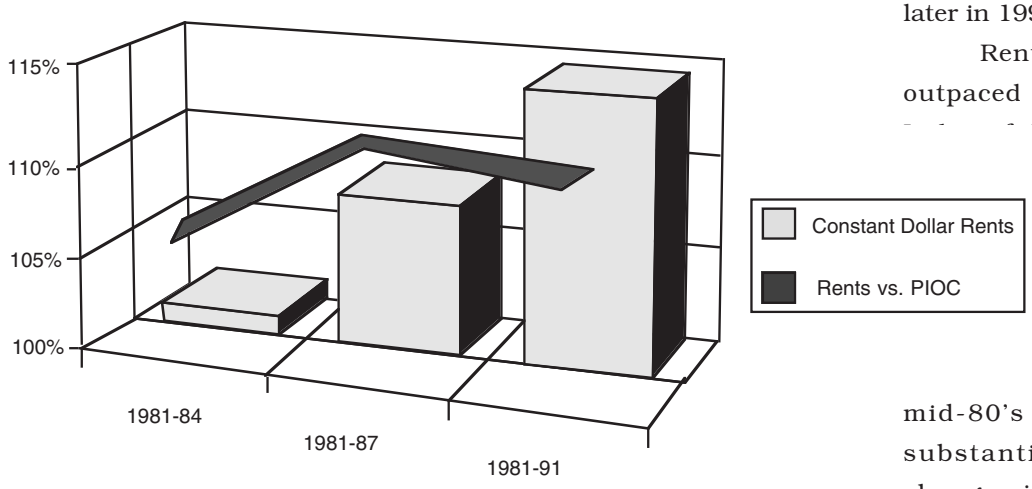
Rents rose strongly during the eighties, from an overall average of $297 in 1981 to $548 in 1991, an increase of 85%. Charges in the older Pre-war stock more than doubled (105%) while rents for Post '46 units increased considerably less (66%). The high rate of increase for older units was probably due in part to the transition of controlled units to the stabilized sector at market or near-market rents. The much slower rate of increase for Post '46 units was certainly affected by the migration of high rent units into the co-op sector.

Rents rose substantially faster than the rate of inflation during the eighties (see chart). From 1981 to 1991 constant dollar (i.e. inflation adjusted) rents increased 13%. There was considerable disparity between the two stabilized sectors. While Pre '47 rents were up 25% in constant dollars, there was little change among Post-war units - only 2% in real terms.

Constant dollar rent increases were lowest during the 81-84 period (1.1%) and highest from 1984-87 (6.8%). Surprisingly, rents continued to advance almost as strongly during the most recent four-years (87-91), rising 4.6%. This increase occurred despite the fact that incomes were weakening during the period. The reality of declining incomes may not have begun to affect contract rents until later in 1991.

Rent increases also outpaced the RGB's Price ating Costs Apartments ir margin. crease in the , compared ncrease in he early and mid-80's rent increases substantially exceeded changes in the PIOC. In the most recent period rent and PIOC increases were about equal.[4]

Changes in Contract Rent vs. the Consumer Price Index and the PIOC
(1981 Average Rent = 100)



Source: NYC Housing and Vacancy Surveys, 1981-91; Price Index of Operating Costs for Rent Stabilized Apartment Houses, 1982-91.

Housing Affordability

[4] The actual figures are: 81-84 (PIOC 12%, Rents 20%), 84-87 (PIOC 14.5%, Rents 19%), 87-91 (PIOC 33.5%, Rents 30%).

The mean contract rent in 1991 was $548, compared to $423 four years earlier. The increase of 30%, or roughly 7% per year, compares to an annualized rate of inflation rate of 5.5% per year. In short, rents rose significantly faster than the cost of living between 1987 and 1991. This was not a new phenomenon. In the previous section of this report we showed that throughout the eighties rent increases were greater than the consumer price index.

Household income also rose substantially during the past decade. After a weak start, due to substantial price inflation and relatively slow job growth from 1980 to 1983, incomes surged during the middle and latter parts of the decade. The mean income of rent stabilized households escalated more than 10% between 1983 and 1986 before stagnating between 1986 through 1990.

Despite strong increases in income, rents rose at a somewhat faster pace. Even so, the share of aggregate tenant income spent on rent was unchanged - 22% in 1981 and also in 1991. The median contract rent to income ratio rose slightly, from 25.5% in 1981 to 25.8% in 1991. Based on these figures one might argue that renters were just slightly worse off at the end of the ten year period. But is this really the case?

The box on this page shows how the average rent stabilized household fared at the beginning and end of the ten years, using three different measures of income and rent[5].

The increase in income for the average household depends upon how we define "average." The rent stabilized household in the middle of the income distribution (i.e. the median) was somewhat better off in 1991 than in 1981. Although this household's inflation-adjusted income did rise, a large share of the increased income was consumed by higher housing costs. Income available for non-rent items posted a small gain, up about $700.

Change in Income and Annual Rent (constant 1990 dollars), Rent Stabilized Households, 1981 - 1991

	Median	Mean	Middle Quintile
Income			
81	$20,200	$26,900	$20,100
91	$21,400	$28,900	$21,600
	+ 1200	+ 2000	+ 1500
Rent			
81	$5100	$5900	$5200
91	$5600	$6400	$6000
	+ 500	+ 500	+ 800
Income Available for Non-Housing Expenses			
81	$15,100	$21,000	$14,900
91	$15,800	$22,500	$15,600
	+700	+ 1500	+ 700

Using the mean average rather than the median yields a considerably rosier outcome. Income increased more and rents somewhat less. As a result, net income available for non-housing items rose about $1500, a 7.1% increase. Examining the middle quintile of the income distribution yields similar results as the median.

Note that despite the increase in the rent to income ratio mentioned previously, the average tenant had more income to spend on non-housing goods.[6] An increase in the rent to income ratio does NOT necessarily mean tenants

[5] Both rents and income have been converted to 1990 dollars for comparison purposes. As a result, the rent to income ratios are slightly different than those discussed previously. Figures are rounded to the nearest hundred. Only households reporting BOTH income and rent were used in calculations. As a result, figures may vary slightly from other means and medians in this report.

are worse off. In this case the determining factors were the relatively low rate of inflation and impressive income growth in the mid-80's, not so much the relative rates of increase in rent and (current dollar) income.

Vacancies

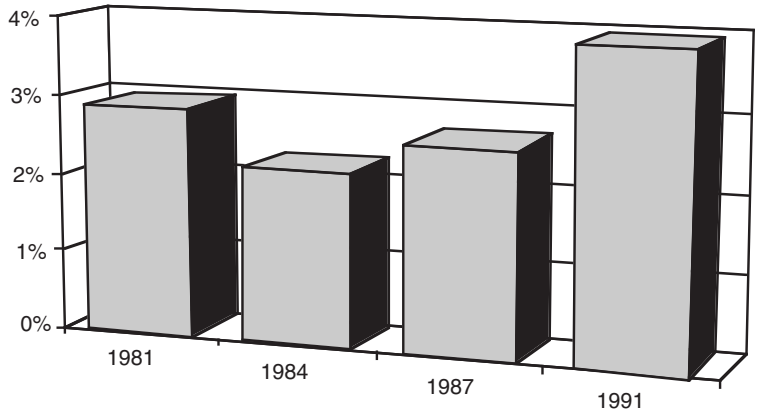
The overall vacancy rate rose by half between 1987 and 1991, from 2.6 to 3.9%. This was the highest rate ever recorded by the HVS. While the vacancy figure for the Post '46 sector was essentially stable (2.6% in 1987 and 2.3% in 1991) there was a big increase in the Pre '46 sector, from 2.7% to 4.5%.

The vacancy rate approaches the figure (5%) economists posit as an ideal rate in a correctly functioning market. Since the rate in the stabilized sector is far higher than it has ever been, what has happened? Have structural changes in the market (e.g. co-op conversion) created permanent changes? Or is the high rate simply a temporary imbalance between landlord's unrealistic rent expectations and tenant incomes?

The temporary imbalance argument seems attractive. As we noted earlier, rents rose strongly during the late eighties even though income was beginning to falter. In the Pre '47 sector rents were up 35% from 1987 to 1991 while incomes gained only 27%. This growing disparity between rent and income, coupled with a rising tide of job losses in the Spring of 1991, must have resulted in a large imbalance between supply and demand - precisely at the time data for the 1991 HVS was being gathered.

Important structural changes in the housing market did occur in the eighties which certainly affected the stabilized vacancy rate. Hundreds of thousands of units made the transition from the controlled to the stabilized sector. The co-op conversion phenomenon not only removed thousands of units from the rental stock, it also created tens of thousands of market rate rentals from previously stabilized units. This new class of housing became a source of competition for the stabilized stock and lifted the vacancy rate. However, the impact of structural changes is probably rather small compared to the supply imbalance effect.

Net Rental Vacancy Rate, Stabilized Units, 1981-91



Source: New York City Housing and Vacancy Surveys, 1981-1991.

A large increase in the vacancy rate is beneficial to renters in one sense - there are more housing units available to choose from. This was certainly true of the vacancy increase between 1987 and 1991. In 1987 there were about

[6] This conclusion is tempered if we also take average family size into consideration. According to the HVS, average family size increased slightly during the ten years. If we adjust the income and rent data for changes in household size over time the net benefit of gains in income would be reduced somewhat.

16,000 units (68% of all vacancies) affordable to the stabilized tenant with the average income.[7] By 1991 the number of affordable units increased substantially, to 24,000, still 68% of all vacant units. **IN SHORT, prospective renters had a substantially greater choice of units in 1991 than in 1987.**

On the whole, affluent families benefitted the most from the increase in vacancies. Although the number of units available for rent increased in ALL rent categories, thereby benefitting all income groups, most of the growth was in higher rent units. For instance, 40% of the additional for rent units (4900 units) were in the top one-fifth of the overall rent distribution while 81% were in the top two-fifths (9870 units).[8] In short, a substantial percentage of the additional vacant for rent units were only affordable to higher income families. This finding is congruent with the "temporary imbalance" argument previously described.

Another way to look at the vacancy market is to examine rents paid by "recent movers." If the demand for apartments has weakened (or the housing supply is expanding faster than demand), one might expect rents for newly occupied units to become more reasonable. In fact, this did not occur during 1990 and early 1991. Rents for recent movers rose strongly.[9] While the average rent for all occupied units was up 31%, recent movers paid 42% more in 1991 than movers did in 1987. With the exception of Queens, where increases were relatively low (14%), recent movers in boroughs with the preponderance of the stabilized stock paid substantially more - 42% in the Bronx, 36% in Brooklyn , and 43% in Manhattan.

The disparity between rents paid by recent movers and non-moving tenants also increased in the four years. In 1987 11% of the units rented by recent movers were in the bottom quintile of the rent distribution. In 1991 this figure dropped to 6%. Conversely, 34% were in the top rent quintile in 1987 while 39% were in 1991. In short, the disparity between rents of vacant and occupied units increased during the four years. While a vacant unit rented for 19% more than an occupied unit in 1987, the difference was 29% in 1991.

Demographics

The relationship between demographic change and demand for housing is not always clear. Nonetheless, when the number of households with children expands, when immigration escalates, when family size increases (usually because two generations of families are doubled up), these factors are pretty good indicators that demand for affordable housing is growing. If the housing market does not respond, one consequence is likely to be overcrowding.

The other sections of this report address the supply factors of the stabilized stock as well as the changes in income and rent for stabilized tenants. This portion presents an overview of such demographic changes as racial composition, families with children, single households as well as the changes in overcrowded households that have occurred in the city's stabilized stock in the last decade.

Ethnic and Racial Composition

From 1981 through 1991 the proportion

[7] Affordability is defined as 30% of income.

[8] Rents for occupied units were broken down into "quintile" ranges. The bottom quintile contains the one-fifth of units with the lowest rents, the second quintile the one-fifth of units with the next lowest rents, etc. There was an increase in the number of vacant for rent units in all rent ranges, but most of the increase was for higher rent units.

[9] For the 1987 HVS a recent mover was defined as moving into his/her current apartment in 1986 or 1987 (first three months). In 1991 a recent mover moved in during 1990 or 1991 (first few months).

of stabilized households occupied by Whites declined from 52% to 46% while the number of rent stabilized Black households remained essentially unchanged at about one-fifth. On the other hand, the number of stabilized units occupied by Hispanic and Asian households increased (see chart).

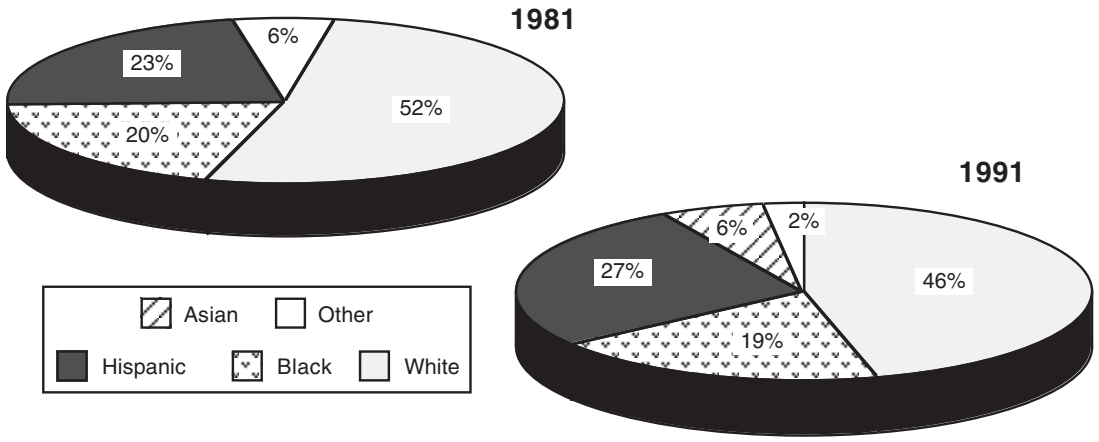
In 1981 Hispanic households were estimated at 23% of the stabilized stock, by 1991 the percentage of Hispanic households was reported at 27%. However, a distinction should be made among the different Hispanic groups. The proportion of stabilized units occupied by Puerto Ricans decreased from 14% to 12% from 1981 to 1991 while the percentage of other Hispanics in stabilized units rose from 8% in 1981 to 16% in 1991.

Prior to 1987 the HVS did not provide separate estimates for Asian households. However, the available data from the last two surveys seem to indicate that the Asian presence in stabilized housing has increased. From 1987 to 1991 this group's overall share of the city's stabilized household population increased from 4% to 6%.

Age and Sex Distribution

The mean age of householders in the stabilized stock has increased steadily over the years.[10] In 1981 the average age of a stabilized householder was 42 years, and by 1991 the average age of householders increased to 45. It is also interesting to note that as householders have gotten older, there was also a shift in the sex distribution. Whereas ten years ago male householders were in the majority, it is now female householders that comprise the majority in the stabilized stock. Even though the proportion of female householders continually increased, it was not until last year's survey that this group has shown a clear majority, from 46% in 1981 to 52% in 1991.

Racial Composition of the Stabilized Stock



Source: 1981 and 1991 Housing and Vacancy Surveys

Note: In 1981 the Census Bureau included Asian households in the "other" category. Hispanic households also include Puerto Rican households.

[10] The Census Bureau defines householder as the household member who owns or rents the sample unit. If that household member is not present, then the first person listed is designated as the householder.

Household Composition

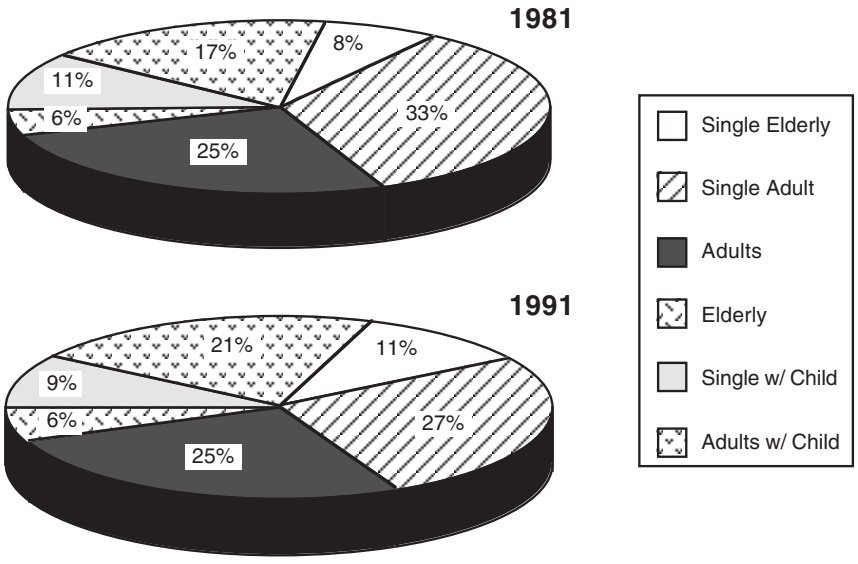
The HVS gathers information on six different types of households. The dynamics of these households and how they change over time gives us some understanding of the future demand for housing. The types of households are: adult household with children, single adult with children, elderly household with two or more adults one of which is older than 62 (with or without children), adult household with two or more adults (without children), single adult, and single elderly.

Stegman has characterized New York City as a city consisting largely of adults. Though still the predominant form of household, households without children have become less dominant. For example, from 1981 to 1987 about 27% of the stabilized households reported the presence of children under the age of 18 and about 14% reported household members who were under the age of 6. However, by 1991 30% of the households reported members who were under the age of 18 and 16% had children under 6.

A trend among older children has been to remain with parents or guardians rather than move out and form their own households. In 1981 8% of households had children older than 18. In 1987 this percentage increased to 10% and rose even further in 1991 (to 12%). Given the City's on-going economic slump it should not be surprising that many young adults have found it difficult to form their own households.

As the chart below shows, households with children increased from 28% in 1981 to 30% in 1991. The increase in households with children was among two parent households rather than single parents. Two parent households have continued to climb up for the last ten years, from 17% in 1981 to 19% in 1987, and in 1991 the proportion rose even further, to 21%. The proportion of single parent families who have formed their own households has taken the reverse course; single parent households declined throughout the last decade from 11% in 1981 to approximately 9% of the stabilized households in 1987 and 1991.

Distribution by Household Type, 1981 and 1991



Source: 1981 and 1991 Housing and Vacancy Surveys.

The apparent decline in single parent households may be slightly misleading. The household types discussed above only measure those households who live in their own housing units. As a result, doubled up families are most vulnerable to undercount. Fortunately, the 1991 HVS added some questions that allowed for an estimate of the number of doubled up families.

In 1991, 90,000 single parent families (or 9% of the stabilized stock) lived independently in their own housing units. However another 19,000 single parents were doubled up with other households, particularly adult households where other children were already present. If these single parent sub-families had occupied separate housing units, the percentage of households with single parent families would have been 12% of the stabilized households for 1991.

Among two parent families, the incidence of doubling up with other families was considerably lower. The HVS data estimated an additional 4,000 two parent sub-families.

Overall, 2.5% of the rent stabilized stock contained sub-families. Prior housing and vacancy surveys were not structured to estimate sub-families. Hence, it is difficult to state whether this proportion of sub-families reflects a decrease, increase, or has not changed from prior years.

The shift to fewer childless households is also reflected in other types of households. Specifically, households composed of single individuals living alone have decreased. At the time of the 1991 HVS, 38% of the rent stabilized tenants consisted of single individuals living alone, which is down three percentage points from the 1981 and 1987 surveys. Adult households without any children made up another 25% of stabilized households in 1991; this proportion is relatively unchanged since 1981.

Relatives and Nonrelatives

The presence of relatives, other than children and spouses, was reported as being more common; in 1981 about 6.6% of the households had relatives living with them. In 1991 the proportion of households with other family members increased to 11%. Whereas in prior surveys the average income for those households was about the same as the income for the whole stabilized stock, in 1991 the average income for households with other relatives was 7% less than the overall average income.

In 1991, 86,000 households (or 9% of all rent stabilized households) shared living accommodations with nonrelatives compared with 50,000 households (5%) in prior surveys. Since 1987 the HVS has kept track of the different types of nonrelatives sharing housing units. These nonrelatives are typically borders, roommates and unmarried partners. During this four year interval the survey showed that 80% of the increase was due to the presence of roommates and unmarried partners, and an additional 10% was the result of more households taking in borders.

Two-thirds of the renter households with nonrelatives were roommates/unmarried partners and consisted of 2 persons. In 1986 their average household income was $36,000 and in 1990 the HVS estimated their income at $40,000. The average income for these roommates was one-half and one-third higher than the average income for all stabilized households in 1986 and 1990 respectively.

Household Size

As the proportion of single person households declined there were some increases in larger household size, particularly four- and five-person households. For the rent stabilized stock as a whole, the HVS data showed that the mean average household size was 2.3 persons in 1991, up from 2.2 persons in 1981.

The HVS data also showed that minority householders had, on average, larger households. The average White household had less than two

persons compared to the other ethnic groups where mean household size ranged from 2.5 to 3.1 persons. About 2% of White households contained five or more persons, in contrast to minority households where at least 8% of households had five or more persons. In 1987 Asian renters had the highest average household size of 2.8 persons. In 1991 Asians were surpassed by non-Puerto Rican Hispanic renters with an average household size of 3.1 persons.

Crowding

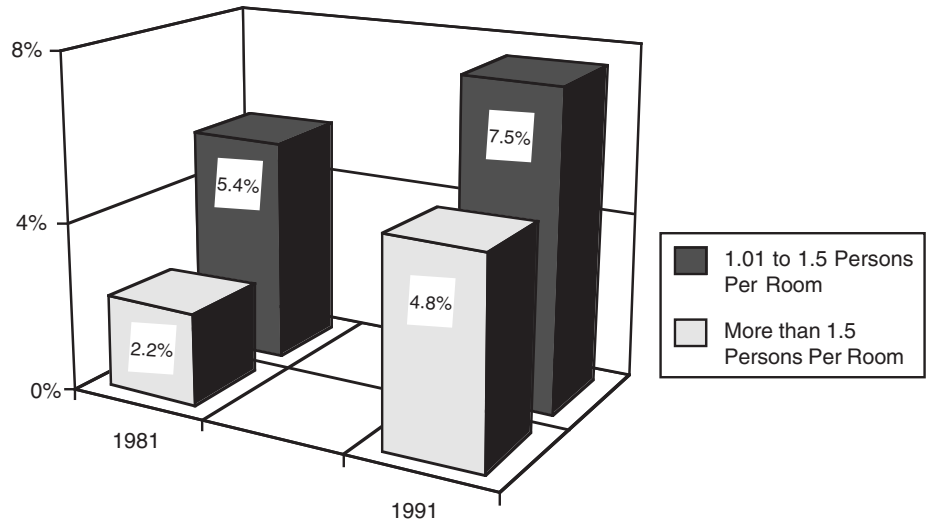
More households reported the presence of children, and household size increased particularly among minorities who occupied the majority of the stabilized stock. How have the shifts in household composition and household size affected crowding and demand for housing throughout the city?

In 1981, 7.6% of stabilized tenants lived in crowded units. By 1987 the crowding rate among stabilized households rose to 9%. According to the 1991 HVS 12.4% of the stabilized households lived in crowded conditions,[10] a sharp increase from prior surveys. Severe crowding also worsened. In 1991 an estimated 4.8% of the stabilized households lived in severely crowded conditions, up from 2.2% since 1981 (see chart).

Crowding typically occurred among households with children and to a smaller extent among adult and elderly households. As previously noted minorities were most likely to live in larger households and more of their households had children. Hence this population is more likely to have a deficit of living space.

The last two surveys showed that White renters only made up one-sixth of the crowded units. Whereas Asian households accounted for less than 6% of the overall stock, they made up about 13% of the crowded households. Crowding was most severe for Hispanic renters. They accounted for well over 40% of the crowded households. Crowding was particularly severe for non-Puerto Rican Hispanic renters, who accounted for 32% of the crowded units, up from 26% four years earlier.

Proportion of Crowded Stabilized Households, 1981 and 1991



Source: 1981 and 1991 Housing and Vacancy Surveys.

How much of the change in the overall rate of crowding can be attributed to Hispanic renters? Had the rate of crowding among non-Puerto Rican Hispanic households increased at the 27% rate for all households from 1987 to 1991, the overall level of crowding would have been 11% instead of 12%. In short, the "other" Hispanic

[10] Crowded is more than 1 person per room. Severe crowding is defined as more than 1.5 persons per room.

households were not unduly responsible for the increase in crowding from 1987 to 1991 -- all racial/ethnic groups were affected.

Crowding and Nonrelatives

Households with nonrelatives are typically two person households and involve roommates/unmarried partners. In the past a relatively small proportion of the households who reported the presence of nonrelatives had problems with crowding. For example, in the 1987 HVS 5% of the crowded households were households with nonrelatives present. However, in 1991 14% of the crowded households contained nonrelatives.

Even though the presence of nonrelatives is not the most significant contributor to the increase in crowding among stabilized households, it is apparent that the recession may have forced many individuals to share housing accommodations and expenses.

Affordability and Crowding

If the presence of nonrelatives is not the most important factor distinguishing crowded households, what characterizes a crowded household versus a non-crowded household? Crowded households typically consist of close relatives; family size is also an important factor. The HVS data indicates that crowding is more severe among households whose family size is above the city's norm.

Stegman in his 1987 report maintained that the crowding problem facing large families was "a mismatch between households and their apartments more than a housing problem per se." In looking at crowded households, one should also consider whether their income has kept pace with rising costs of housing.

The 1980 average income for crowded households was 19% lower than the average income for non-crowded households. However, in 10 years the difference narrowed; in 1990 average income for crowded households was 15% less than for non-crowded households. Non-crowded renter households also had higher housing costs. In 1991 these households paid an average monthly rent of $555 compared to $494 average monthly rent for crowded renter households.

Surprisingly, the data shows that the rent-to-income ratio is about the same for both types of households. However, the fact that total household income for crowded households is lower than non-crowded households raises the possibility that personal income for the former group is less than the latter group. Hence, in a large household where personal income is low, many individuals may contribute toward housing expenses. Therefore, to understand the issue of affordability in such a situation personal income may be a better indicator than total household income.

Prior to 1991 the Census Bureau did not break out personal income data. Thus, such an analysis can only be carried out for 1990 income. A disproportionately high percentage of the crowded households reported members with low income. About 79% of the crowded households had at least one or more members over the age of 18 whose income was less than $15,000, compared with 45% for non-crowded households and 49% for the stabilized stock as a whole.

It is quite apparent that most crowded households are composed of low income individuals. Based on the norm of a 30% rent to income ratio, if the average rent for a vacant apartment is $739 (or a median rent of $600) then most of these apartments are beyond the reach of an individual with an annual income of $15,000 or less. As long as the discrepancy between personal income and rent persists, crowded units will remain. On the other hand, factors such as the individual's perceived notion of neighborhood safety and the desire to be near one's relatives are likely to influence decisions to remain in crowded housing. In short, sociological

factors may be as important as economic factors in affecting crowding.

Housing and Neighborhood Quality

Housing quality is an important consideration in setting rent guidelines. The implicit purpose of the PIOC is to measure changes in operating costs needed to maintain apartments at a constant level of quality. In other words, if rent increases compensate for changes in O&M costs landlords should be able to adequately maintain their buildings.

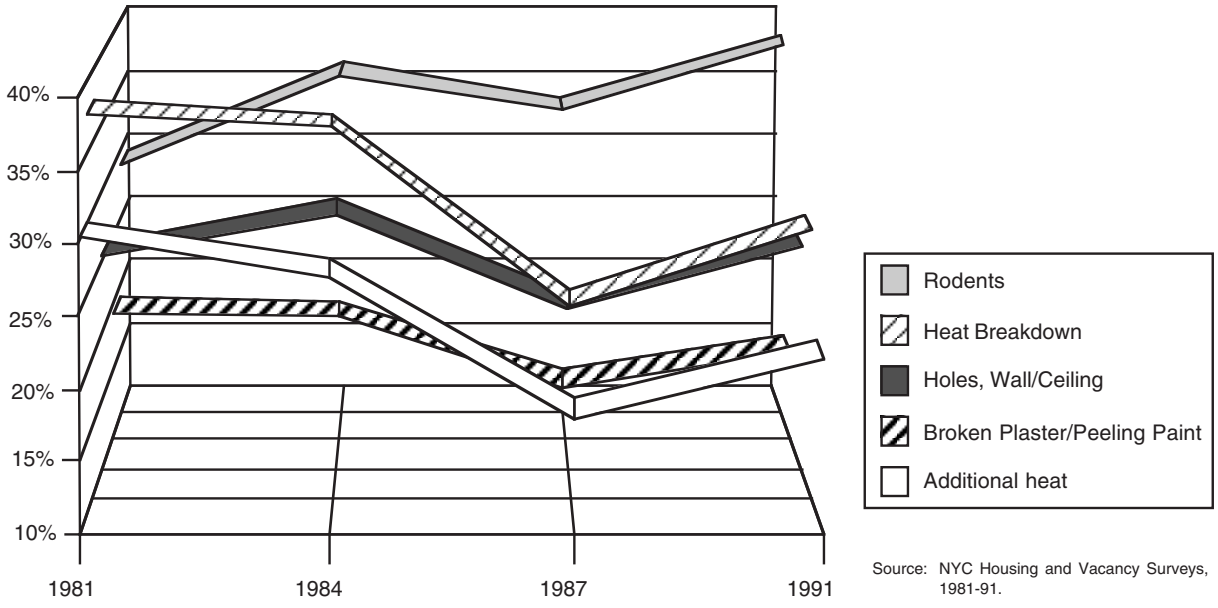
Each year the RGB hears a great deal of testimony on the expected impact of guidelines on housing quality. The arguments usually focus on the more dramatic aspects of the issue, particularly on housing "abandonment." Very little discussion ever occurs on a less exciting, but possibly more germane topic: How do guideline increases affect housing quality for the average renter?

One of the reasons this issue receives scant attention is that data on housing quality is scarce. The HVS is conducted only once every three years (four years in the case of the 1991 HVS) and a good deal of the HVS information is not necessarily useful for evaluating changes in housing conditions.[12] The 1991 HVS does include some new, and potentially very useful questions on housing quality (e.g. structural defects of buildings and two new maintenance deficiency items). Unfortunately, these added items cannot be used to measure changes in housing quality until the next survey appears in 1993 or 1994.

What are we left with? Mainly data on maintenance deficiences, as shown in the chart.[13] All of these variables, to a greater or lesser extent, measure the willingness and/or ability of

[12] For instance, it has been shown that measurements of "dilapidation" are unreliable - the Census Bureau no longer includes a question about dilapidation in the decennial census.

Percentage of Rent Stabilized Units with Maintenance Deficiencies, 1981-91



Source: NYC Housing and Vacancy Surveys, 1981-91.

landlords to properly maintain their properties. Some of the items are more indicative of maintenance effort than others. The presence of rodents, for instance, may be influenced by the city's eradication efforts as well as by landlords' expenditures. Items such as holes in the wall and broken plaster offer "purer" measurements of maintenance by landlords.

The percentage of apartments with one or more maintenance deficiencies was about the same in 1991 as in 1981. There has been no clear trend in the maintenance deficiency indicators over the past ten years - some are higher and some lower. Apartment dwellers reporting the presence of rodents increased (+32%) while those reporting cracks or holes in walls and ceilings (+4%) or in floors (+18%) also rose, albeit somewhat less. The biggest achievement during the decade was in the provision of heat. Households reporting that additional heat was required (e.g. the boiler was not functioning properly) fell 28% and the number of boiler breakdowns was also down substantially, by 22%.[14]

Combining all of the maintenance deficiency indicators into a single index of housing conditions gives us a better idea of how the quality of the stock has changed. One way to compute this index is simply to divide the total number of recorded maintenance deficiencies by the number of "possible" maintenance problems (e.g. supposing that every rental unit had every deficiency).[15] Computing this index gives us the following figures:

1981: 25.3% 1987: 20.0% 1991: 24.0%

After a substantial decline in units with maintenance deficiencies between 1981 and 1987, most of the housing improvements disappeared in 1991. In fact, one could argue that conditions were about the same in 1981 and 1991 since problems with rodents have increased (arguably the most important indicator of housing conditions, see footnote 15). Maintenance deficiencies increased in all boroughs except Queens, where there was a substantial decline in the percentage of units with problems.

What explains the recent decline in housing conditions after the sharp improvement in the early and mid-80's? How could it be that stabilized housing in New York declined in quality in recent years even though constant dollar rents were steady?

After looking at the maintenance deficiency data in many different ways, we were not able to resolve this question with any degree of certainty. Since the 1991 and 1987 surveys used different samples, it wasn't possible for us to compare changes in maintenance deficiencies for the same group of housing units over time. This would have been the preferable method.

Rather than stating that the quality of the stabilized stock has declined over the past four years, it is probably more accurate to say that the 1991 data shows that housing conditions in the stabilized stock are not as good as previously supposed. It is an open question whether the "decline" in housing quality between 1987 and 1991 was entirely real; some of the

[13] The HVS includes a number of questions which attempt to measure housing and neighborhood quality, or more accurately, the lack thereof. Surveyors evaluate the condition of buildings included in the survey and judge whether or not they are "dilapidated." They also determine whether other buildings in the area are "boarded up," and this year, for the first time, evaluated the condition of individual building components (e.g. the condition of stairways, windows). Persons interviewed for the HVS answer questions on "maintenance deficiencies" (e.g. breakdown in the heating system, presence of broken plaster or peeling paint), whether "boarded up" buildings exist in their neighborhood, and finally, how they evaluate neighborhood quality.

[14] The drop in heating problems may reflect the city's efforts, in particular HPD's heat hotline and its emergency repair program. In addition, it should be noted that fuel oil is a much smaller part of landlords' budgets than it was ten years ago.

[15] This method is rather unsophisticated since it assumes that each type of maintenance deficiency is of equal importance. A more precise method would weight the importance of each maintenance deficiency. An effort to do this using multiple regression analysis was made. Unfortunately, the regression analysis only showed that the maintenance deficiency indicators were not very useful in predicting rent levels. In fact, we found that only one of the maintenance deficiency items ("rodents") had a meaningful relation to rents.

change may be an artifact of a different sampling strategy for the 1991 HVS.[16]

In addition to asking questions about the quality of the housing unit, Census Bureau interviewers also inquire about residents' perceptions of neighborhood housing quality - specifically, whether there are boarded up buildings in the neighborhood. About one-fifth of all stabilized tenants reported boarded up buildings in the neighborhood in 1991 - basically unchanged from 1987 but down from about one-quarter since 1981.

It is difficult to summarize all of this information and say anything conclusive about changes in overall housing quality during the 80's. The HVS maintenance deficiency questions are weak indicators of housing quality. Some of the trends in maintenance deficiencies have been positive and others negative. The absence of longitudinal data and changes in the HVS sample further cloud the picture. It seems that the most we can say is that housing conditions appear to be no worse than in 1981 and may be somewhat better.

Changes in the Rental Stock

All Apartments

Since New York is an older city and most of its land area was developed in the first half of the twentieth century, changes in its housing stock tend to be rather slow. Even the rapid growth of the City's economy during the mid-80's had relatively little impact on the number of housing units. According to the HVS, the housing stock consisted of 2.79 million units in 1981. Ten years later the total was approximately 2.98 million, an addition during the decade of less than 200,000 units.[17]

Although the total number of housing units did not grow enormously from 1981 to 1991, the tenure distribution had changed by the beginning of the nineties. Historically, New York has been a city of renters. While this remains true, owners have been making up some ground, rising from 28% to 30% of households.

Rent Stabilized Apartments

At first glance the data appear to be encouraging. In 1991, the HVS estimated there were over one million rent stabilized housing units in the City - an increase of nearly 50,000 since 1987. With co-op conversion, abandonment, and other factors working to reduce the number of stabilized buildings and apartments, could it be that the stabilized stock is actually growing?

In the documentation which accompanies the 1991 HVS tabulations the Census Bureau makes a number of important warnings, including the following:

> *"...comparisons between the 1991 NYCHVS and earlier surveys [HVSs] should be made with caution... A significant part of [the] apparent increase [in all housing units]... may be the result of the new sample design and weighting procedures used in the 1991 survey. We suspect that many housing units added to the inventory through conversions... between 1975 and 1987 were not picked up in any previous NYCHVS."*

In other words, it is very likely that units were added to the stock between 1970 and 1990 and that some of these units were NOT necessarily counted in Housing and Vacancy Surveys before 1991. As a result, it is impossible to make direct comparisons of unit counts in 1987 and 1991. As we will show, the 50,000 unit difference is undoubtedly an overestimate of the increase in stabilized units during the four years.[18]

The Census Bureau also changed its "rent control status" classifications in 1991. As a result of

[16] There is some evidence that sample selection may have had an important impact on the maintenance deficiency variables. The change in the number of rent stabilized units in the boroughs (1987 to 1991) is highly correlated with changes in maintenance deficiencies. This suggests that the change in maintenance deficiencies may be in part an artifact of the two different samples in 1987 and 1991.

[17] The HVS is a sample survey rather than an enumeration. As a result, the survey may overestimate the growth in housing units. Comparing the 1990 and 1980 censuses shows an increase of only 46,000 units.

these changes:

> *"Data on control status for the 1991 NYCHVS **are not directly comparable** (our emphasis) with control status data from previous NYCHVS surveys because: (1) a new sample was used in 1991, (2) the changes in both administration and content of rent regulation laws and (3) the new coding, editing, and recoding procedures for control status used in 1991."*[19]

The documentation which accompanies the HVS notes that new procedures adopted in 1991 for coding rent control status "may tend to overestimate somewhat the number of regulated units in the city..." Another section of the documentation states that coding procedures may tend to undercount the rent controlled inventory, thereby leading to an overcount of stabilized units. In sum, it seems that all of the "biases" in the data tend to exaggerate the number of rent stabilized units. Given the incomparability of the 1987 and 1991 HVS data, is it possible to draw any conclusions about growth in the size of the rent stabilized stock?

One alternative is to look at changes in housing components. The table on this page illustrates flows into and out of the stabilized stock.

Additions to the stabilized stock come from only two sources: new construction and the transformation of controlled units to stabilized status following a vacancy. We estimate that between 1987 and 1991 these additions amounted to roughly 47,000 units.

Disregarding the loss of units through abandonment or demolition, which the HVS is not designed to measure, subtractions from the stock occur in a number of ways. Some units have been converted to owner-occupied or vacant for sale co-ops and condominiums. Co-ops and condominiums contain a large number of rent stabilized units, many of which are deregulated upon vacancy. Finally, there was a substantial increase in units "not available for sale or rent" between 1987 and 1991. A portion of these unavailable units came from the stabilized stock. The total from all categories amounts to about 46,000 units, or about the same number of units as were added to the stock.

Using these data, we can only conclude that the total number of stabilized units remained nearly constant between 1987 and 1991. Although this may not appear to be a very interesting finding, it is certainly at variance with the trends of the seventies and early-to-mid eighties. During those years the influx of controlled units greatly increased the importance of the stabilized sector. Now the controlled sector has far less significance (124,000 units in 1991). The effects of co-op conversion (both through owner-occupancy and deregulation) and physical losses from the stock will probably shrink the stabilized sector during the nineties. ❐

Additions to stock		Subtractions from stock	
Controlled to Stabilized	31,000	Converted to owner-occupied co-ops and condos	19,000
Never previously occupied	16,000	Converted, now vacant	1,000
TOTAL	47,000	Formerly stabilized, now unregulated	18,000
		Additional "vacant unavailable" units	8,000
		TOTAL	46,000

[18] The Housing and Vacancy Survey is a sample survey. As such, it reflects both sampling and non-sampling error. Some of the difference between unit counts in 1987 and 1991 could be due to sampling error, as well as other types of non-sampling error not specified by the Census Bureau. In addition, an argument could be made that the intense public oversight of the 1990 census resulted in a better enumeration in both the census and the HVS, thus exaggerating the change from prior years.

[19] All of the sample units in the HVS are coded by "control status" as "rent controlled," "stabilized," "public housing," etc. The procedures for classifying housing units in 1991 were notably different than in the first HVS in 1972.

Tenant Income and Housing Affordability

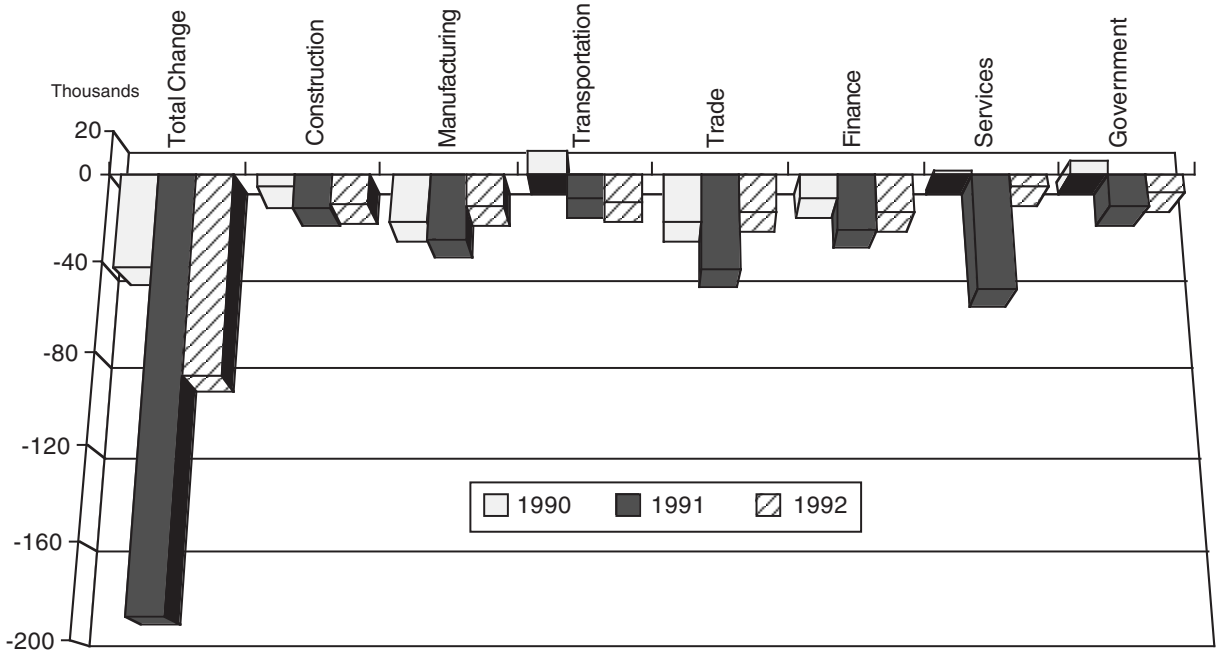
Job Growth

Though the national recession officially ended in 1991, job losses in New York City have continued. It appears that the current recovery has brought productivity increases, but with fewer workers. The productivity gains have been highest in industries like finance and services, the kind of industries that created the majority of the city's employment and highest income in the 1980s. Lately, the level of employment has grown much more slowly in these sectors relative to their profits and sales. Apparently "many services companies are tapping the labor-saving potential of computers, high speed telecommunications lines, and voice-mail systems that render secretaries obsolete."[1] Many economists expect this trend of high profits and sales with fewer workers to continue well into the next decade. Since the city's economy depends so heavily on the financial and service sectors, a strong recovery is unlikely until employment in these key sectors grows stronger.

According to the Bureau of Labor Statistics, in 1992 NYC's nonagricultural payroll employment plunged. As the graph shows, the loss of private payroll employment was quite substantial in 1991; in that year the city lost

[1] Steven Prokesch, "Service Jobs Fall as Business Gains,"New York Times, April 18, 1993, p. 43.

Yearly Average Changes in NYC Payroll Employment by Industry, 1990-92



Source: U.S. Bureau of Labor Statistics.

Note: In previous reports the change in employment was computed as of December. This year the change in employment has been computed using the average level of employment for the year.

191,000 jobs. Almost 50% of the total jobs lost occurred in the trade and service industries. Due to continuing weaknesses in the economy, an additional 90,000 jobs were lost in 1992.

The government sector, which in the past maintained high levels of employment even though private payroll employment declined, has not created jobs since 1990. In 1992 the public sector's payroll employment declined by almost 2%. This is not a surprise given the continuing fiscal problems facing both the state and the city. The net result of a weak job market is a high unemployment rate. The city's level of unemployment has been rising since 1988 (see chart). In 1992 the average unemployment rate was 10.8%, up from 8.6% in 1991. The city's average unemployment rate for the first three months of 1993 was 11.4%.

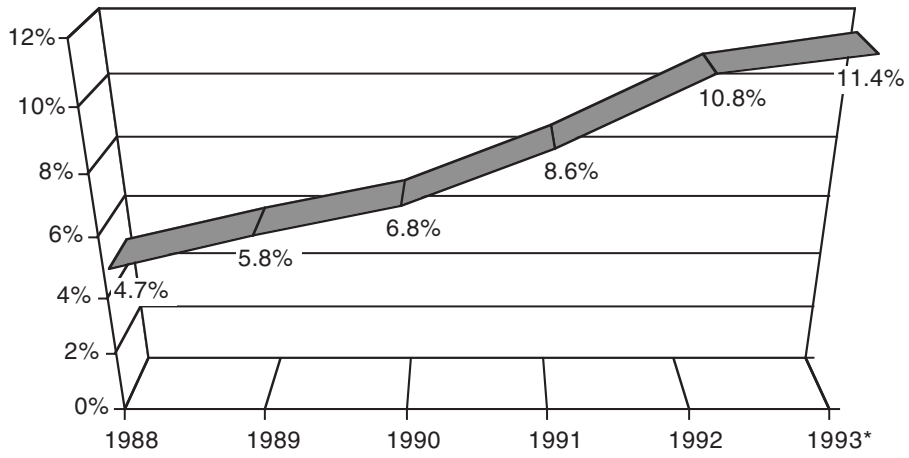
Income and Rent

In the past, without the availability of the Housing and Vacancy Survey (HVS), staff was forced to rely solely on less targeted income data to gauge changes in income for rent stabilized tenants. The 1991 HVS gathered 1990 income data as well as contract rent information for stabilized households. The income and rent data from the 1991 HVS were used in a prior report to illustrate the trends in affordability in the last decade.[2] Here it will suffice to summarize the key findings.

The mean 1990 income for all stabilized tenants was $28,742. The mean constant dollar income increased by approximately 7% from 1980 to 1990. However not all stabilized tenants fared equally well during that time. While the gains in income for the top earners were quite substantial, lower income groups lost some ground during the eighties. Most of the downward reductions for lower income households occurred in the most recent four year period (1986-1990) and ranged from 7 to 15%. Given that employment has been stagnant in both the public and private sectors, one

[2] See *The NYC Housing and Vacancy Survey: A Ten Year Retrospective (1981-91)*, page 62.

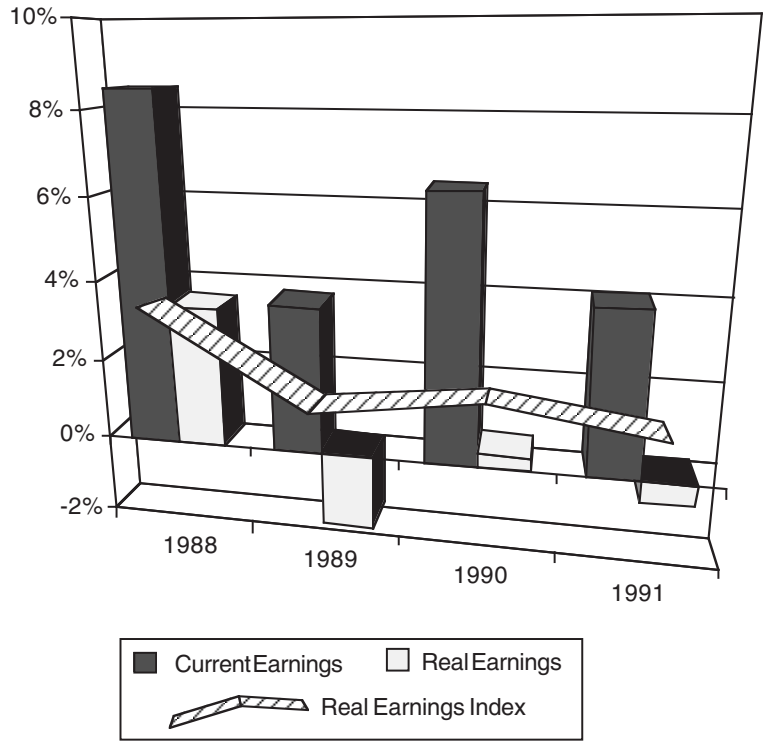
New York City Average Unemployment Rate, 1988-93



Source: NYS Department of Labor.

*The unemployment rate for 1993 is the average for January, February and March.

Changes in Current and Real Average Earnings for Workers Employed in NYC, 1988-91



Source: NYS Department of Labor.

suspects that the income of poorer and middle income households has continued to decline.

As previously noted, the most precise measure of income for stabilized tenants is from the HVS. Until the next survey, the most current income figures are those collected by other government agencies. Every year the NYS Department of Labor gathers earnings data from NYC employers. The earnings figures include wages and salaries for many persons who commute into the city. Despite the limitations of this data, it does provide some indication of income trends.

Since 1987 average gross earnings for workers employed in NYC increased 24% whereas real earnings were up only 1.4%. Average gross earnings increased by 6.4% in 1990, and an additional 4% the following year. Even though the change in current earnings was positive last year, the change in real earnings (i.e., inflation adjusted) was much weaker, declining half a percentage point.

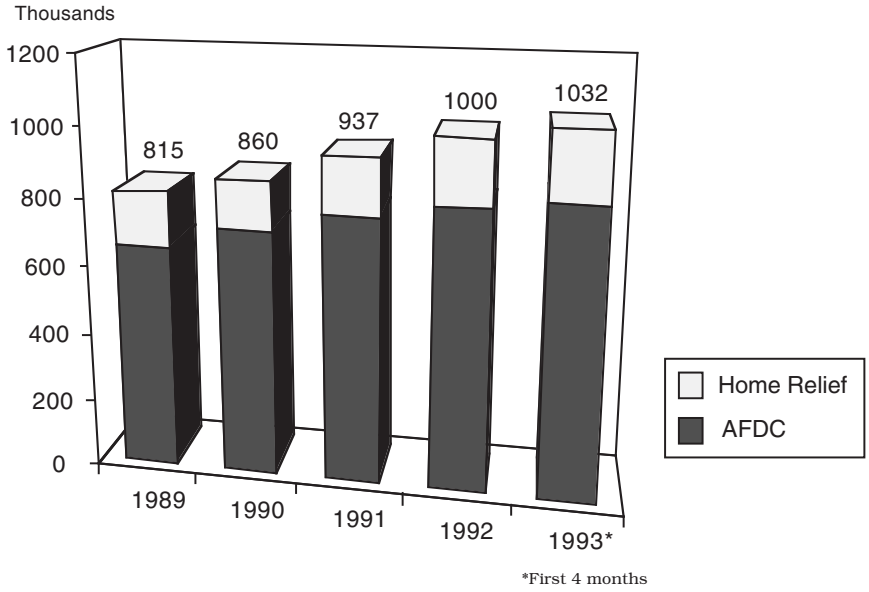
Although gains in real income were weakening from the late eighties through the early nineties, rents rose strongly - constant dollar rent rose 4.6% from 1987 to 1991 according to the HVS data. Based on 1990 income data from the HVS, the mean rent to income ratio was estimated at 22% while the median contract rent to income ratio was higher at 26%. However, recent information on changes in employment and earnings indicates that the share of income spent on rent payments has probably risen since the last HVS was conducted.

Low Income Renters

One of the dilemmas facing the city's government officials may very well be the fact that fewer and better paying jobs are being created while lower paying jobs are shrinking.[3] One suspects that with meager job prospects and the slow economic recovery, the overall effect is felt most profoundly in low-income households.

[3] Overall job levels decreased by about 8.5% from 1987 to 1991, whereas data in a New York Times article on April 18, 1993 showed that from 1987 through 1991 clerical jobs in the city dropped 12%. Moreover, in many industries employment at the professional and executive levels have increased while trainees and junior professionals positions have declined.

Public Assistance Recipients - AFDC and Home Relief Grants, Fiscal Years 1989-93



Source: Mayor's Management Report.

Note: The Category AFDC also includes Predetermination Grant (PG-ADC) recipients.

The number of public assistance recipients rose to over one million by October 1992, an increase of 3.2% from the end of Fiscal 1992 and a 6.5% increase compared to the same date last Fiscal Year (see chart). This is the highest number of recipients since January 1973. In addition to economic conditions, the Human Resources Administration (HRA) attributes some of the increase to more individuals with AIDS-related illness who are eligible for public support.

By the end of the first four months of Fiscal 1993, the number of families in temporary shelters was about 5,460, an increase of 4.4% since the end of the last Fiscal Year and a 14% increase compared to the same date last year. According to documentation in the Mayor's Management Report, the city has been combating the homeless situation in many ways. Through the Emergency Assistance Rehousing Program, the city has continued its efforts to relocate families from the shelter system to permanent housing. During the first four months of Fiscal 1993, HRA successfully relocated over 1,500 families to permanent housing, an increase of 22% compared to the same date last Fiscal Year. The city is also planning to increase its voucher program for homeless families who agree to participate in the New York City Housing Authority's Family Self-Sufficiency Program.

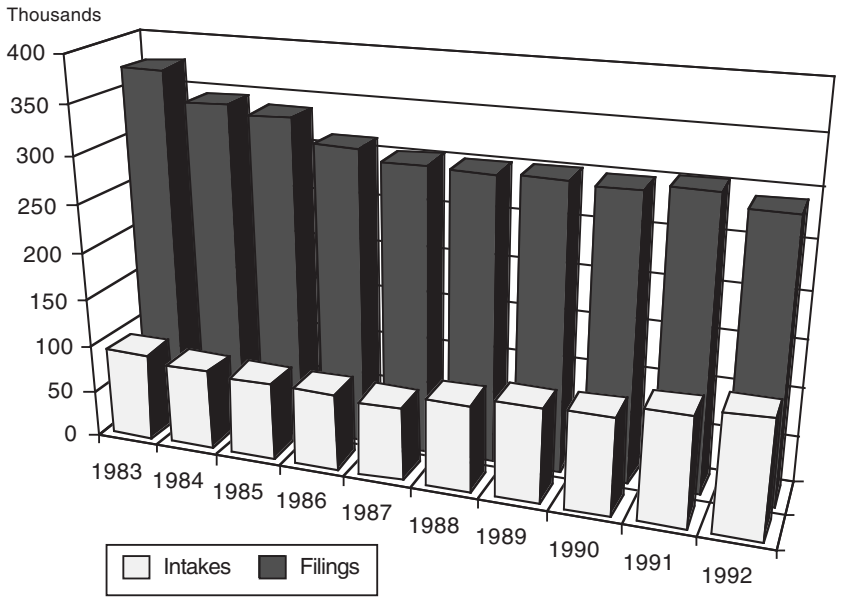
Given the slow improvement of the city's economy, the number of public assistance recipients as well as the number of families and individuals seeking temporary shelter is expected to grow well into Fiscal 1994. How long the city can maintain and expand the permanent housing relocation program for homeless families and single individuals depends to a great extent on state and federal funding. Both of these sources are quite uncertain at this juncture.

Housing Court Actions and Evictions

Long term trends in housing court actions and evictions reflect a variety of

economic and institutional forces. Court proceedings are costly and time consuming. In a loosening housing market where the benefit of a vacancy is declining, the incentive for owners to work out resolutions with late paying tenants is heightened. At the same time, new housing opportunities for those who can afford them may reduce the number of tenants forced to hang on until an eviction is secured. Whatever the explanation, the effect of this recession on non-payment and eviction proceedings has not paralleled the sharp rise witnessed during the last recession.

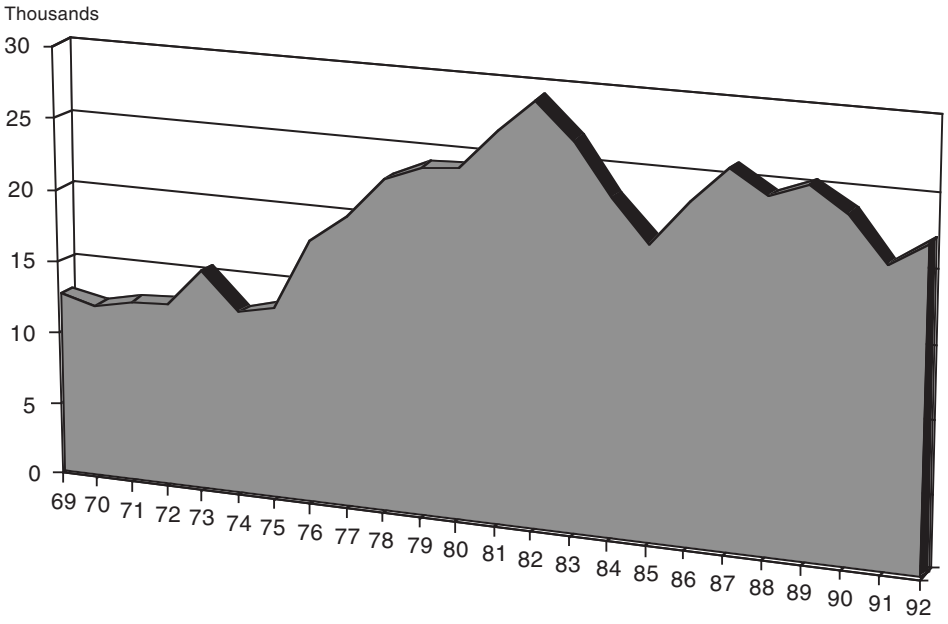
Non-Payment Petition Filings and Case Intakes in NYC Housing Courts, 1983-1992



Source: New York City Civil Court.

Note: These figures do not reflect case restorations.

Possessions and Evictions Performed by City Marshalls, 1969-92



Source: NYC Department of Investigation, Bureau of City Marshalls.

Non-payment petitions have remained flat for several years, falling somewhat to 289,000 in 1992 from 302,000 in 1991. The number of case intakes, reflecting non-payment actions noticed for trial (less restorations), has been rising for the past five years, from a low of 77,000 in 1987 to 122,000 in 1992. It appears that fewer tenants are able to resolve non-payment actions prior to court appearances. The number of evictions rose slightly to 22,000 in 1992, from 20,000 in 1991. ❐

Housing Supply

Housing Supply

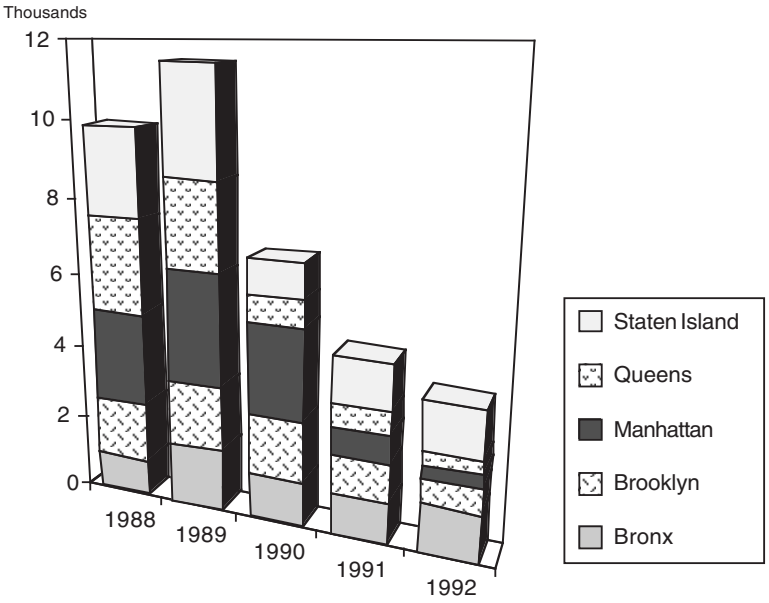
New Construction, Tax Abatements and In Rem Housing

Housing Permits

The number of housing permits issued for new construction fell by 17 percent in 1992, declining to 3880 from 4700 in 1991 (see chart below). This is the third consecutive year of decline since 1989.

The share of permits issued in Manhattan and Queens continued to shrink in 1992. Permits issued in Manhattan and Queens constituted less than 20 percent of the total in 1992, compared to 30 percent in 1991. The proportion of housing permits in Brooklyn also fell considerably from the previous year's level.

Permits Issued for New Housing, by Borough, 1988-92



Source: Bureau of the Census, Construction Statistics Division, Building Permit Branch.

New construction continued to expand in the Bronx and Staten Island. Permits issued in these two boroughs accounted for two-thirds of the total in 1992. Two years ago these two boroughs constituted only one-third of all housing permits. The steady growth in new construction in the Bronx may be a reflection of the City's ten-year housing plan. Most of the permits issued in Staten Island in 1992 were probably for new construction of single family houses.

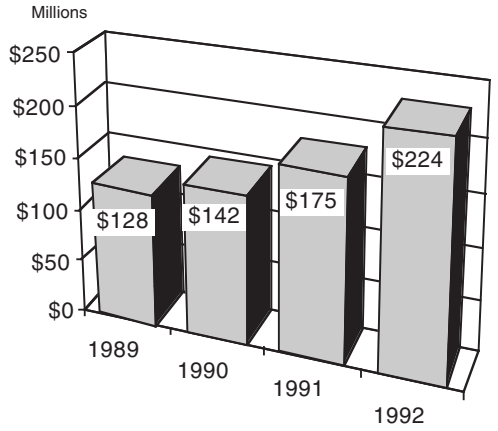
J-51

Figures on the J-51 tax abatement and exemption program are a measure of the level of rehabilitation activities in existing buildings. Tax abatements are issued for major capital improvements, moderate rehabilitation requiring the replacement of at least one building system, and gut rehabilitations. In 1992, there were significant increases in both the number of buildings receiving J-51 tax abatement benefits and the dollar amount of certified reasonable costs.

The number of units receiving J-51 tax abatement benefits increased 25 percent from 115,000 to 143,600 units in 1992. The dollar amount of certified reasonable cost for these J-51 units increased from $175 million to $224 million in 1992. It should be noted that certified reasonable costs approved by HPD's Office of Development are approximations of the actual rehabilitation costs. In most cases, the tax abatement received is based on 90 percent of the total certified cost.

Even though 70 percent of the units receiving J-51 tax abatement benefits in 1992 were located in Manhattan and Queens, the dollar amount in tax abatement benefits from

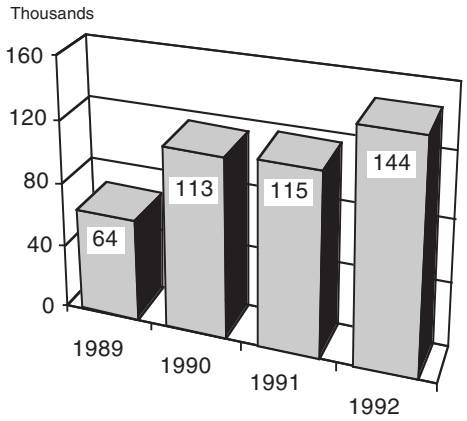
Total Certified Reasonable Costs for J-51 Tax Abatement, 1989-92



Source: NYC Department of Housing Preservation and Development, Office of Development.

Note: Figures are rounded to the nearest million.

Number of Units Receiving J-51 Tax Abatements and Exemptions, 1989-92



Source: NYC Department of Housing Preservation and Development, Office of Development.

Note: Figures are rounded to the nearest thousand units.

these two boroughs constituted only 40 percent of the total. The average tax abatement benefit is about $1000 per unit in Manhattan and Queens.

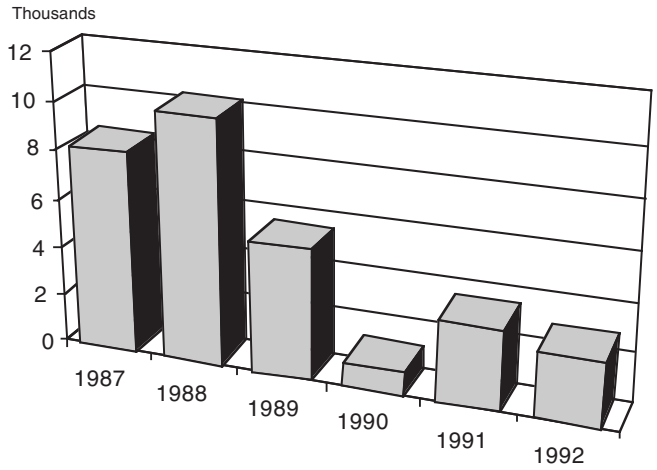
Assuming there is a direct relationship between the amount of tax abatement benefits received and the level of rehabilitation activity, units in the Bronx saw greater improvements than units in Manhattan or Queens. The average tax abatement benefit received per unit in the Bronx is about $4,000, three times higher than in Manhattan or Queens. Building improvements in Brooklyn ranked in between the other boroughs at $1800 per unit.

421-a

One indicator of new multi-family units entering the housing market is the number of preliminary 421-a certificates issued by HPD's Office of Development. The number of units receiving 421-a certificates in 1992 fell 20 percent from the previous year, from 3,320 to 2,650 units, the second lowest number in recent years.

Most of the decline in 1992 was due to a decrease in multi-family building certificates in the Bronx, Queens, and Staten Island. The number of multi-family buildings in these three boroughs in 1992 was only 18 percent of the total, compared to 34 percent of the total in 1991. On the other hand, the number of multi-family buildings in Manhattan and Brooklyn again constituted a substantial share of the total number of multi-family buildings in 1992 (82 percent of the total).

Units in Buildings Receiving Preliminary Certificates for 421-a Tax Abatement, 1987-92



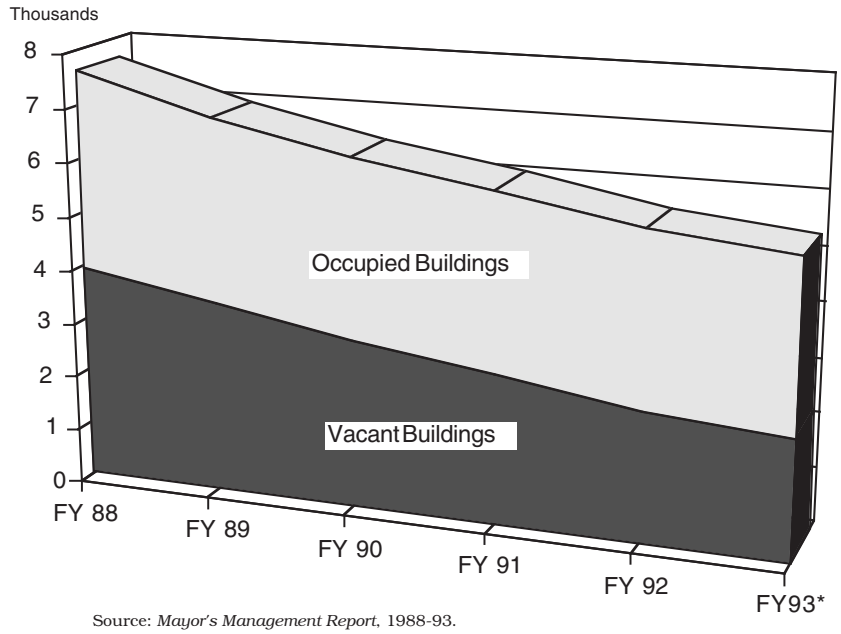
Source: NYC Department of Housing Preservation and Development, Office of Development.

In Rem Housing

The number of buildings in the City's *in rem* stock has continued to decline in fiscal 1993, falling from 5570 to 5340 since fiscal 1992 (see top chart). Vacant buildings decreased from 2,340 to 2,190 during this period, accounting for most of the decline in city ownership. According to the Mayor's Management Report (Sept. 1992), the City has reduced its *in rem* stock largely through sales or rehabilitation of vacant buildings. The number of occupied buildings in the *in rem* stock remained relatively stable.

The total number of *in rem* units decreased by 5 percent in Fiscal 1993 (see bottom chart). Again, most of the decrease in units was due to the reduction in vacant buildings. The number of occupied units remained the same. It seems that much of the effort in managing the *in rem* stock was placed on reducing the proportion of vacant buildings.

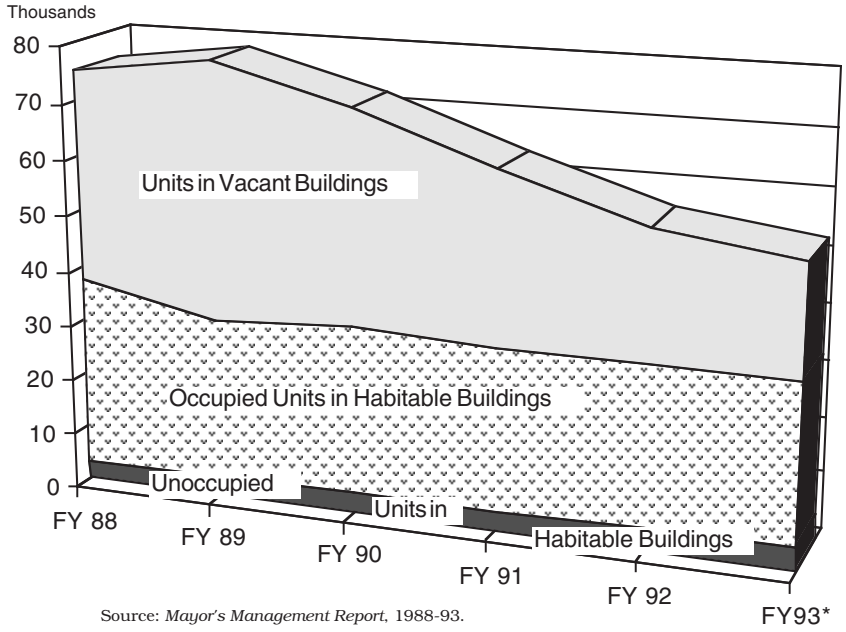
In Rem Central Property Management, Buildings, Fiscal Years 1988-93



Source: *Mayor's Management Report*, 1988-93.

*First four months.

In Rem Central Property Management, Units, Fiscal Years 1988-93



Source: *Mayor's Management Report*, 1988-93.

*First four months.

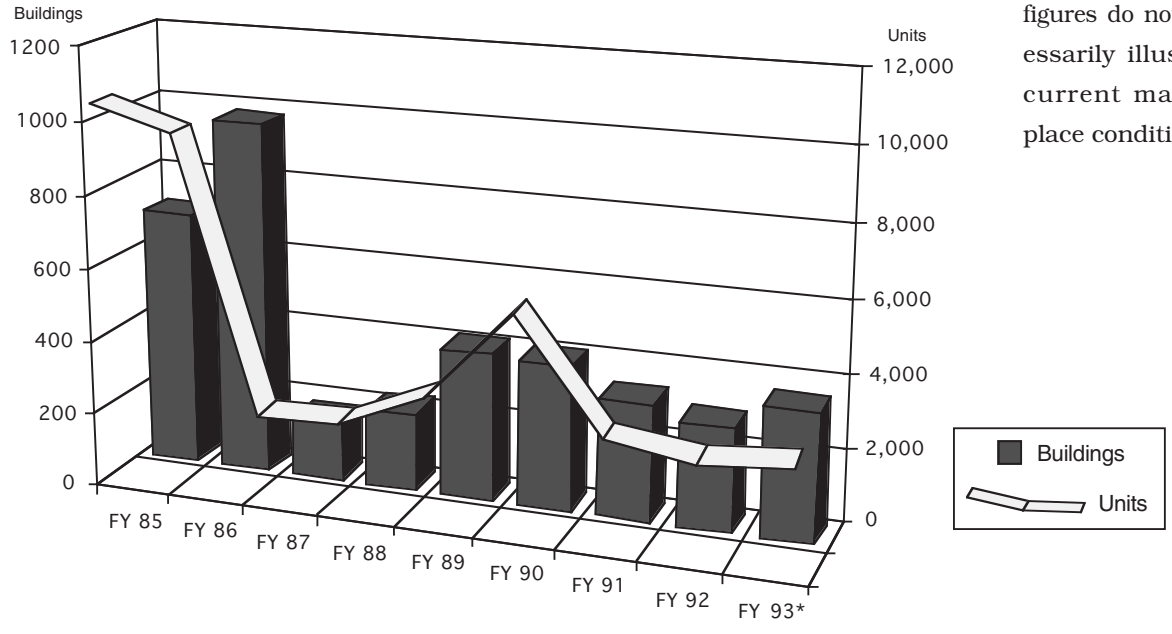
Tax Foreclosure

As we indicated in last year's report, the City chartered an *In Rem* Foreclosure Release Board in 1991 to approve redemption applications, a task formerly performed by the Board of Estimate. After a multiple dwelling falls in tax arrears for at least one year, the City is entitled to initiate foreclosure proceedings. While the City may be legally entitled to a judgment of foreclosure three months after commencement of the proceedings, such judgments are typically sought about one year after proceedings are initiated. The judgment entitles the City to obtain title to the property. The owner may redeem the property as of right, by paying what is owed to the City within four months of the City's obtaining title. However, if the property owner wishes to redeem the property during the following 20 months, the owner has to apply for discretionary redemption with the new *In Rem* Foreclosure Release Board. The vesting statistics shown in the graph below are the actual number of buildings and units vested by the City.

Contrary to the Office of Property Management's vesting plan for fiscal 1993, the number of occupied buildings vested increased nearly 25 percent during the first three quarters of fiscal 1993 from the total number vested in fiscal 1992. The number of occupied units vested in the first three quarters of fiscal 1993 also increased somewhat from the previous fiscal year.

Recent vestings have largely targeted relatively small buildings. Between fiscal 1988 and 1990, the average number of units per building was 12, compared to 10 units from fiscal 1991 to 1993. Since there is a considerable lag of at least 16 months between failure to pay taxes and vesting, the moderate increase in vestings in fiscal 1993 is probably a reflection of the downturn in the real estate market from a few years ago. The vesting figures do not necessarily illustrate current marketplace conditions.

HPD Vestings of Occupied Multiple Dwellings, Fiscal Years 1985-93



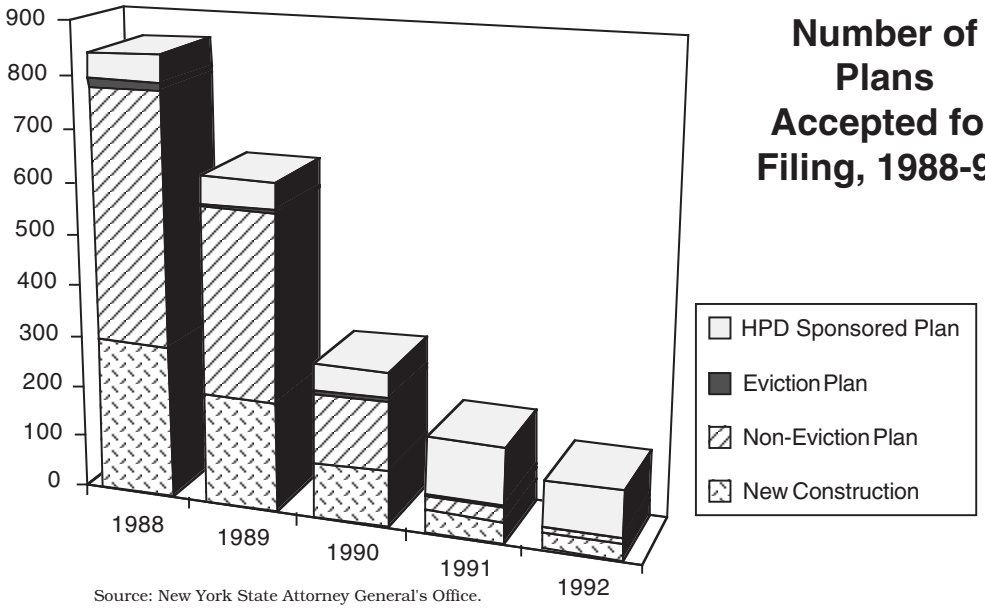
Source: Department of Housing Preservation and Development, Office of Property Management.

*As of March 31, 1993

Residential Co-op and Condominium Activity

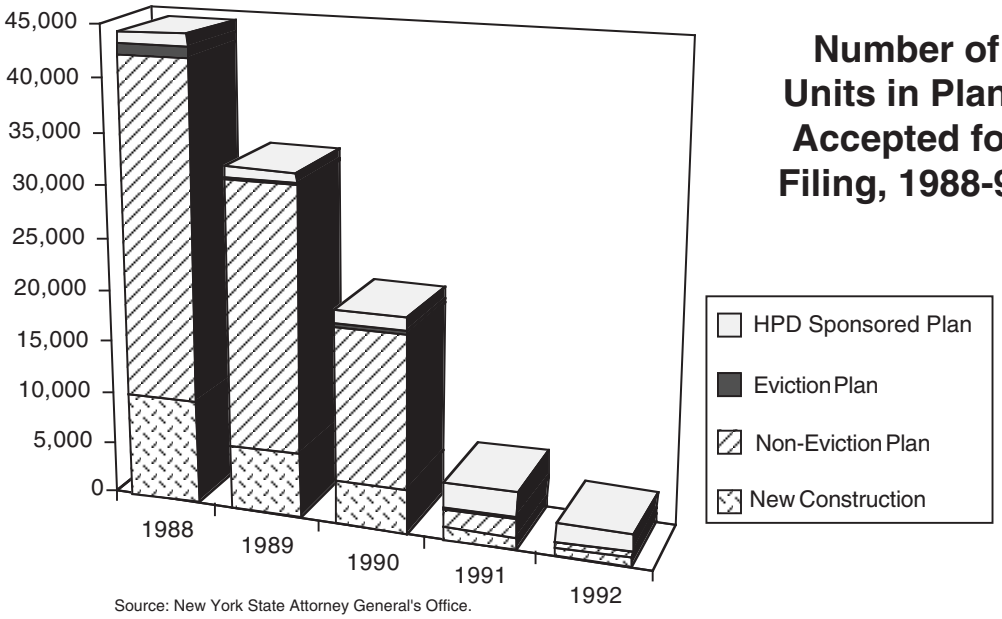
The overall level of co-op and condominium construction and conversion activities decreased 30 percent from 1991. HPD sponsored plans once again constituted a substantial portion of the co-op and condominium construction and conversion activities in 1992. Eighty-seven of the 130 plans accepted for filing in 1992 were sponsored by HPD, or fully two-thirds of all plans.

New co-op and condominium construction accounted for 25 percent of the total residential co-op and condo construction and conversion activities in 1992. A majority of these were in Brooklyn. Only 8 percent of all plans were private co-op and condominium conversions under a non-eviction plan. Almost all of these were in Manhattan. There were no private conversions with eviction plans in 1992. ❑



Number of Plans Accepted for Filing, 1988-92

Source: New York State Attorney General's Office.



Number of Units in Plans Accepted for Filing, 1988-92

Source: New York State Attorney General's Office.

Rent Stabilized Hotels

Price Index of Operating Costs for Rent Stabilized Hotels

The hotel price index methodology was first developed by the consulting firm USR&E based on its findings in the *Report on the Analysis of Expenditure Data for the 1985 Price Index for Hotels.* It includes separate indices for each of the three categories of hotels (due to their disssimilar operating cost profiles) and an index for all hotels.

The overall increase in the hotel PIOC was 4.7% this year, exactly the same increase as for apartments. The changes for the various building types were: Rooming Houses 3.9%, Hotels 4.0%, and SRO's 5.4%. Costs for SROs rose faster than the other two hotel categories due to sizable increases in BOTH taxes (4.6%) and utilities (15%).

The tax relative was computed using a list of hotel buildings compiled by HPD for the 1991 HVS, as was the case in the past two years. The overall increase in taxes was 3%. Taxes for Rooming Houses and SROs were up five to six percent while billable taxes in the Hotel category were essentially unchanged.

Last year changes were made in the hotel labor component. After a considerable amount of effort, the 1992 survey staff was able to obtain only three verified wage quotes for maids, desk clerks, and maintenance workers. Since three price quotes were not sufficient to compute reliable price relatives, staff was forced to eliminate specs 213-215, reallocating their weight to the remaining labor components.

The overall increase in the labor component was 4% this year, somewhat less than for apartments. Based upon information contained in labor agreements, union labor costs rose about 4.3% while non-union salaries rose slightly less.

Fuel costs rose by 5.2%, exactly the same as the apartment increase, even though hotels tend to use #2 fuel oil rather than #6. The increase in utilities costs (13.1%) was very similar to the change in costs for apartments (12.7%). With the sole exception of telephone bills, other utility expenses rose substantially - water and sewer costs were up 8.2% and electricity and natural gas costs rose nearly 20%.

Contractor Services, Administrative Costs and Insurance rose at about the same rate as in the apartment sector. Parts & Supplies and Replacement Costs had little impact on the overall increase of the Hotel Index. ❒

Change in Components of the Price Index of Operating Costs for Rent Stabilized Hotels, April, 1992 to April, 1993

Taxes	3.0%
Labor Costs	4.0%
Fuel Costs	5.2%
Utilities Costs	13.1%
Contractor Services	2.1%
Administrative Costs	4.4%
Insurance Costs	-.5%
Parts & Supplies	unchanged
Replacement Costs	0.6%
Overall	**4.7%**

1991 Housing and Vacancy Survey: Hotels

In 1991 the city commissioned a special survey of single room occupancy (SRO) units in conjunction with the regular Housing and Vacancy Survey.[1] Unlike the sample for the regular HVS, in which slightly more than 100 SRO households were interviewed, the special SRO survey included about 530 households. This sample was chosen from a list of some 77,236 units identified by HPD as SRO housing.[2]

It is important to note that units in hotels with a rate of more than $55 per night were excluded from the HVS sample. As a result, the majority of high rent hotel units, as well as units in high rent buildings not registered with DHCR, were excluded from the SRO survey. It is necessary to keep this in mind when considering the HVS findings.

The Housing Stock

According to the 1991 HVS, the SRO housing stock consisted of approximately 39,000 units.[3] The breakdown of units by structure classification was: Rooming House (47%), Section 248 SRO (28%), Class B Hotel (20%), Class A Apartment Hotel (2%), and other units (3%).

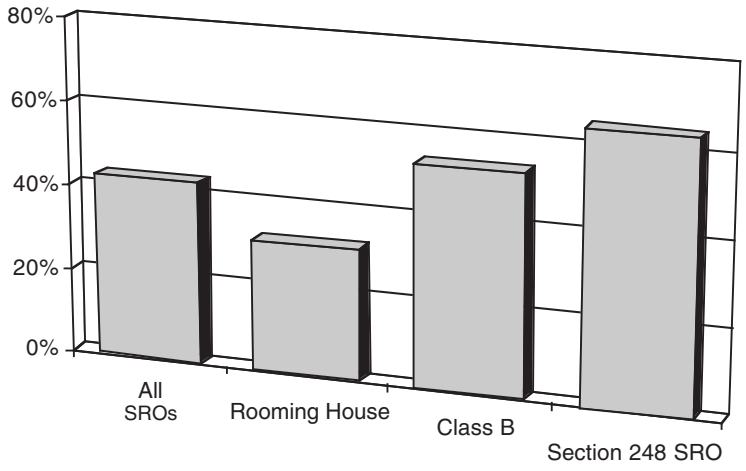
Well over 90% of the units are located in Brooklyn and Manhattan, with the lion's share (over 75%) being in Manhattan.

Income and Rent

Income levels of SRO tenants are, on average, very low. Their mean 1990 income was $11,615 and their median income was $7,800. Comparable figures for rent stabilized apartment dwellers in 1990 were $28,742 and $21,000 respectively.

The average tenant in a rooming house had a median income of $9,600 while tenants in Class B buildings had a much lower income of $6,156. The median income for Section 248 SRO tenants was the lowest ($6,000). The HVS also found that over 30% of SRO households received

1991 Median Contract Rent to Income Ratio



Source: 1991 New York City SRO Housing and Vacancy Survey.

[1] The term "SRO" is used as a generic term to refer to all three "hotel" categories as defined by the RGB.

[2] About 80% of all occupied SRO units in the HVS were classified as "stabilized." The figures cited here include all SRO units.

[3] This figure does not include some 5,600 units identified as "vacant, not for sale or rent." These units were effectively out of the housing stock at the time of the survey. The figure also includes about 1,000 owner occupied units.

public assistance compared to 18% for rent stabilized apartment tenants.

The 1991 average rent for an SRO unit was $318 and the median was $280. While rooming house households had the highest incomes their median rent was the lowest ($250). Median charges for Section 248 SROs were highest ($320), followed by Class B units ($270). Hence Section 248 SRO and Class B tenants used a higher proportion of their income for rent payments (see chart on previous page).

Vacancies

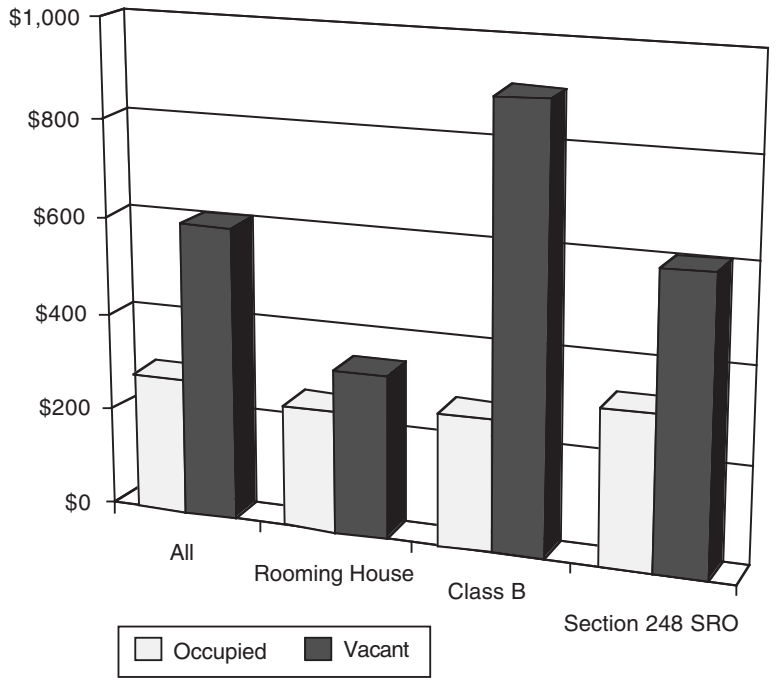
Approximately 5,600 SRO units were vacant and available for rent in the first quarter of 1991, resulting in a vacancy rate of about 14%. The rate was highest for Class B hotels (25%), followed by rooming houses (16%) and Section 248 SROs (8%). Though it may not be possible to estimate what proportion of these vacant units were available for rent to permanent tenants, the data shows that many of these units are not affordable to low income individuals seeking long-term housing arrangements, and are probably being held for transient use.

The median asking rent for vacant SRO units in 1991 was $600, more than 100% higher than the median for occupied units ($280). Given that the median contract rent to income ratio for tenants in occupancy is over 40%, it is obvious that few vacancies are affordable to low income tenants.

The discrepancy between the median asking rent for vacant units and median rent paid for occupied units is widest for Section 248 SRO and Class B hotels (see chart). This confirms staff's findings from prior studies that market pressures are most important in the Class B hotel sector. In particular, the data shows that rooming houses remain the most affordable SRO type housing and that market pressures are relatively low.

A brief look at the financial characteristics of households who moved in 1990 or 1991 also shows that SRO units have become less affordable to low income households. Their median income was 11% lower than that of non-moving tenants while the median rent for those

Median Rent for Occupied Units and Median Asking Rent for Vacant Units by SRO Type



Source: 1991 New York City SRO Housing and Vacancy Survey.

new tenants was 27% higher.

The HVS survey also found that about 5,600 units were unavailable for sale or rent. Over three-fourths of these units were in rooming houses. The most common reason units were unavailable was renovation. Approximately 80% of the unavailable units are located in Manhattan, or about the same share of SROs.

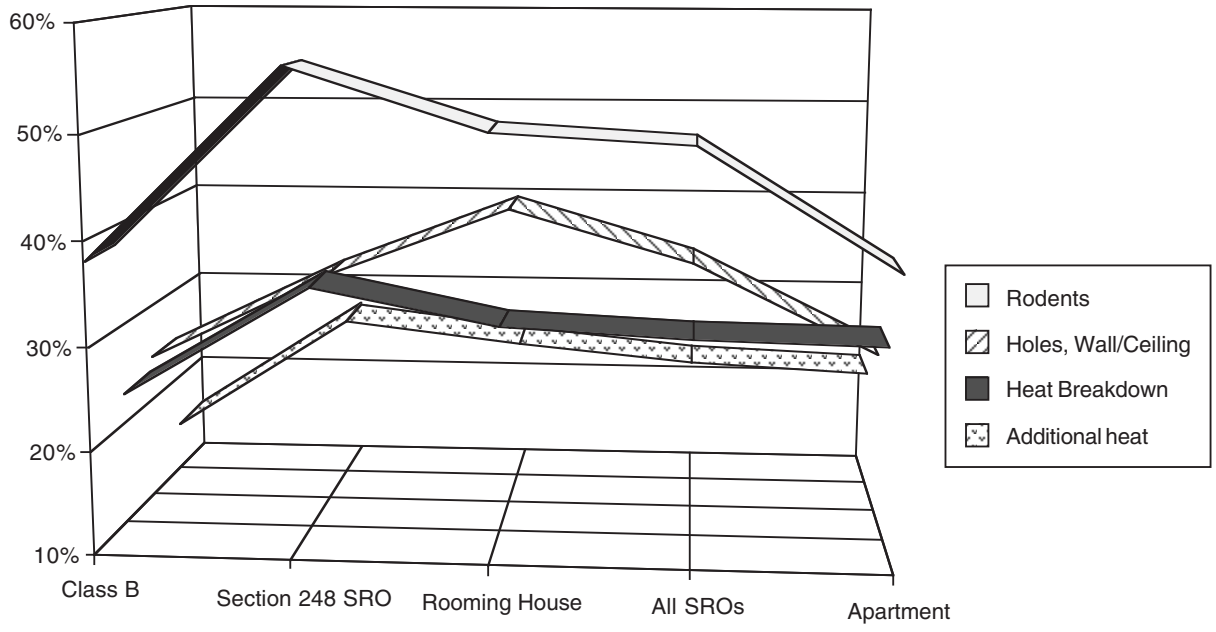
Housing Quality

Housing quality has been an important consideration in setting the hotel rent guidelines. Each year the RGB hears a great deal of testimony concerning the level (or lack thereof) of decent living conditions in SRO units. Though the HVS maintenance deficiencies questions are not very strong measures, they do give some indication of housing quality.

On the whole, conditions in SROs are somewhat worse than in apartments. SRO tenants are more likely than apartment dwellers to report one or more maintenance deficiencies and to have the more serious maintenance problems - rodents or holes in the walls.

Residents of Class B hotels report the fewest maintenance problems. Overall housing quality appears to be about equal to the apartment sector. Class B hotel operators have an obvious incentive to maintain their properties since many are apparently marketing "transient" units at high rent levels. ❒

Percentage of Apartment Units, SRO, Class B, and Rooming House Units with Maintenance Deficiencies, 1991



Source: 1991 New York City SRO Housing and Vacancy Survey.

Appendices

Appendix A: Guidelines Adopted by the Board

A.1 Apartments & Lofts

On June 22, 1993, the Rent Guidelines Board (RGB) set the following maximum rent increases for leases commencing or being renewed on or after October 1, 1993 and on or before September 30, 1994 for rent stabilized apartments:

One-Year Lease	Two-Year Lease
3%	5%

For tenants entering new leases the increases are the same as renewal leases, except 1) where the rent charged and paid on September 30, 1993 is less than $500, an additional 5% over the rent charged on September 30, 1993 may be added; and 2) where the rent charged and paid on September 30, 1993 is $500 or more, but less than $1000, an additional 3% over the rent charged on September 30, 1993 may be added. No vacancy increase is permitted if the rent is $1000 or more. Under Order 25, owners will be permit-ted to collect the vacancy allowance if vacancies occur during consecutive guideline periods; that is, even if a vacancy allowance was collected for the same unit under the previous order. No vacancy allowance can be taken under Order 25, however, if the apartment first enters rent stabi-lization (within the guidelines period from October 1, 1993 to September 30, 1994).

Any increase for a renewal lease as well as any for the vacancy allowance may be collected no more than once during the guideline period.

The Board did not include a supplementary rent adjustment in this year's rent guidelines.

For Loft units that have met the legalization requirements under Article 7-C of the Multiple Dwelling Law, the Board established the same guidelines as above for renewal leases. However, no vacancy allowance was included for lofts.

Leases for units subject to rent control on September 30, 1993 which subsequently become vacant and then enter the stabilization system are not subject to the above adjustments. The rents for these newly stabilized units are subject to review by the New York State Division of Housing and Community Renewal (DHCR). In order to aid DHCR in this review the RGB has set a special guideline of 40% above the Maximum Collectible Rent paid by the prior tenant.

A.2 Hotel Units

On June 22, 1993, the RGB set a maximum allowable increase of 2% over the lawful rent actually charged and paid on September 30, 1993 for residential lodging houses, rooming houses, and Class B hotels. The allowable level of rent adjustment over the lawful rent actually charged and paid on September 30, 1993 for Class A hotels and single room occupancy buildings shall be 3%.

The allowable increases will apply to leases commencing or being renewed on or after October 1, 1993 and on or before September 30, 1994. The guidelines do not limit rental levels for commercial space, non-rent stabilized residential units, or transient units in hotel stabilized buildings.

Single room occupancy buildings, Class B hotels, rooming houses, and lodging houses will not be entitled to the increase and will receive a zero percent adjustment if either or both of the following conditions exist:

1) The building contains 20 or more dwelling units and 10% or more of the units have been withheld from the rental market for a period exceeding thirty days unless the owner can show a reasonable basis for the withholding; or
2) 20% or more of the dwelling units in the building are not registered with the State Division of Housing and Community Renewal pursuant to part 2528 of the Rent Stabilization Code. ❐

Appendix B: 1993 Price Indices of Operating Costs

B.1 PIOC Sample, Price Quotes per Spec, 1992 vs. 1993

Spec	Description	1992	1993
211	Apartment Value	46	115
212	Non-Union Super	45	61*
216	Non-Union Janitor/Porter	22	46*
	LABOR COST	113	222
301	Fuel Oil #2	40	39
302	Fuel Oil #4	13	13
303	Fuel Oil #6	8	9
	FUEL COSTS	61	61
501	Repainting	137	125
502	Plumbing, Faucet	31	32
503	Plumbing, Stoppage	33	30
504	Elevator #1	13	11
505	Elevator #2	13	12
506	Elevator #3	12	12
507	Burner Repair	15	19
508	Boiler Repair, Tube	15	13
509	Boiler Repair, Weld	9	9
510	Refrigerator Repair	5	5
511	Range Repair	10	10
512	Roof Repair	26	26
513	Air Conditioner Repair	6	5
514	Floor Maint. #1	11	10
515	Floor Maint. #2	11	10
516	Floor Maint. #3	11	10
518	Linen/Laundry Service	7	6
	CONTRACTOR SERVICES	365	345
601	Management Fees	52	42
602	Accountant Fees	27	29
603	Attorney Fees	28	29
604	Newspaper Ads	18	18
605	Agency Fees	5	5
606	Lease Forms	8	5
607	Bill Envelopes	11	11
608	Ledger Paper	8	6
	ADMINISTRATIVE COSTS	157	145
701	INSURANCE COSTS	218	443
801	Light bulbs	6	7
802	Light Switch	6	7
803	Wet Mop	6	5
804	Floor Wax	6	5
805	Paint	10	11
806	Pushbroom	6	6
807	Detergent	5	5
808	Bucket	10	12
809	Washers	10	13
810	Linens	11	12
811	Pine Disinfectant	6	5
812	Window/Glass Cleaner	7	7
813	Switch Plate	9	6
814	Duplex Receptacle	9	5
815	Toilet Seat	12	13
816	Deck Faucet	11	13
	PARTS & SUPPLIES	130	132
901	Refrigerator #1	9	5
902	Refrigerator #2	10	10
903	Air Conditioner #1	6	6
904	Air Conditioner #2	7	7
905	Floor Runner	6	9
906	Dishwasher	6	5
907	Range #1	7	5
908	Range #2	9	5
909	Carpet	10	11
910	Dresser	10	5
911	Mattress & Box Spring	9	8
	REPLACEMENT COSTS	89	76
	ALL ITEMS	**1133**	**1424**

*Note: Spec 204 (Non-Union Labor) is the sum of Specs 212 and 216

B.2 Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 1993

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.2631	1.0311	3.11%	0.1277
201	Payroll, Bronx, All	0.1268	1.0357	3.57%	0.0000
202	Payroll, Other, Union, Supts.	0.1235	1.0425	4.25%	0.0000
203	Payroll, Other, Union, Other	0.3046	1.0422	4.22%	0.0000
204	Payroll, Other, Non-Union, All	0.2665	1.0371	3.71%	0.8663
205	Social Security Insurance	0.0497	1.0396	3.96%	0.0000
206	Unemployment Insurance	0.0065	1.3226	32.26%	0.0000
207	Private Health & Welfare	0.1224	1.1614	16.14%	0.0000
	LABOR COSTS	0.1596	1.0563	5.63%	0.2309
301	Fuel Oil #2	0.2696	1.0491	4.91%	0.5927
302	Fuel Oil #4	0.2244	1.0395	3.95%	1.5058
303	Fuel Oil #6	0.5061	1.0587	5.87%	2.3336
	FUEL	0.1034	1.0518	5.18%	1.2387
401	Electricity #1, 2,500 KWH	0.0164	1.0500	5.00%	0.0000
402	Electricity #2, 15,000 KWH	0.1807	1.1744	17.44%	0.0000
403	Electricity #3, 82,000 KWH	0.0000	1.2347	23.47%	0.0000
404	Gas #1, 12,000 therms	0.0057	1.0435	4.35%	0.0000
405	Gas #2, 65,000 therms	0.0572	1.1783	17.83%	0.0000
406	Gas #3, 214,000 therms	0.1433	1.1804	18.04%	0.0000
407	Steam #1, 1.2m lbs	0.0148	1.1471	14.71%	0.0000
408	Steam #2, 2.6m lbs	0.0055	1.1529	15.29%	0.0000
409	Telephone	0.0145	1.0344	3.44%	0.0000
410	Water & Sewer	0.5617	1.0985	9.85%	0.1829
	UTILITIES	0.1365	1.1275	12.75%	0.1028
501	Repainting	0.4200	1.0185	1.85%	1.3885
502	Plumbing, Faucet	0.1321	1.0292	2.92%	0.9874
503	Plumbing, Stoppage	0.1256	1.0178	1.78%	1.2029
504	Elevator #1, 6 fl., 1 e.	0.0492	1.0579	5.79%	1.2518
505	Elevator #2, 13 fl., 2 e.	0.0352	1.0445	4.45%	1.1088
506	Elevator #3, 19 fl., 3 e.	0.0212	1.0393	3.93%	1.0629
507	Burner Repair	0.0389	1.0294	2.94%	1.5284
508	Boiler Repair, Tube	0.0442	1.0447	4.47%	2.1790
509	Boiler Repair, Weld	0.0361	1.0354	3.54%	2.3202
510	Refrigerator Repair	0.0141	1.0150	1.50%	1.5930
511	Range Repair	0.0144	1.0222	2.22%	2.2200
512	Roof Repair	0.0530	1.0127	1.27%	4.0887
513	Air Conditioner Repair	0.0101	1.0000	0.00%	0.0000
514	Floor Maint. #1, Studio	0.0003	1.0959	9.59%	4.0351
515	Floor Maint. #2, 1 Br.	0.0006	1.0319	3.19%	1.4132
516	Floor Maint. #3, 2 Br.	0.0051	1.0701	7.01%	2.2537
	CONTRACTOR SERVICES	0.1537	1.0251	2.51%	0.6739
601	Management Fees	0.6690	1.0436	4.36%	1.5474
602	Accountant Fees	0.1453	1.0371	3.71%	1.5150
603	Attorney Fees	0.1439	1.0208	2.08%	1.0760
604	Newspaper Ads	0.0039	1.1035	10.35%	6.8291
605	Agency Fees	0.0047	1.0470	4.70%	0.0000
606	Lease Forms	0.0112	1.0116	1.16%	1.2266
607	Bill Envelopes	0.0108	1.0042	0.42%	0.6229
608	Ledger Paper	0.0111	1.0043	0.43%	1.1957
	ADMINISTRATIVE COSTS	0.0807	1.0380	3.80%	1.0702
701	INSURANCE COSTS	0.0673	0.9953	-0.47%	0.7240
801	Light Bulbs	0.0426	1.0020	0.20%	0.2413
802	Light Switch	0.0482	1.0000	0.00%	0.0000
803	Wet Mop	0.0408	1.0572	5.72%	3.8474
804	Floor Wax	0.0396	1.0241	2.41%	2.3949
805	Paint	0.2153	1.0061	0.61%	1.6564
806	Pushbroom	0.0409	1.0000	0.00%	0.0000
807	Detergent	0.0348	0.9798	-2.02%	2.0905
808	Bucket	0.0412	1.0629	6.29%	2.0127
809	Washers	0.1044	1.0080	0.80%	1.1697
811	Pine Disinfectant	0.0493	1.0089	0.89%	0.8727
812	Window/Glass Cleaner	0.0524	1.0161	1.61%	2.8731
813	Switch Plate	0.0403	1.0229	2.29%	2.4092
814	Duplex Receptacle	0.0373	1.0000	0.00%	0.0000
815	Toilet Seat	0.1054	1.0001	0.01%	0.9694
816	Deck Faucet	0.1073	1.0059	0.59%	0.5909
	PARTS AND SUPPLIES	0.0251	1.0103	1.03%	0.4863
901	Refrigerator #1	0.0922	1.0000	0.00%	0.0000
902	Refrigerator #2	0.4784	1.0376	3.76%	4.1304
903	Air Conditioner #1	0.0170	1.0086	0.86%	0.8972
904	Air Conditioner #2	0.0215	1.0119	1.19%	0.4860
905	Floor Runner	0.0809	1.1558	15.58%	7.1319
906	Dishwasher	0.0497	1.0033	0.33%	0.3412
907	Range #1	0.0453	1.0000	0.00%	0.0000
908	Range #2	0.2151	1.0482	4.82%	2.0512
	REPLACEMENT COSTS	0.0105	1.0415	4.15%	2.1052
	ALL ITEMS	**1.0000**	**1.0472**	**4.72%**	**0.2007**

B.3 Price Relatives by Building Type, All Apartments, 1993

Spec #	Item Description	Pre-1947	Post-1947	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES	1.0311	1.0311	1.0311	1.0311	1.0311
201	Payroll,Bronx,All	0.1808	0.0751	0.0021	0.1592	0.0000
202	Payroll,Other,Union,Supts.	0.1312	0.1259	0.1573	0.1167	0.0992
203	Payroll,Other,Union,Other	0.1911	0.4609	0.3702	0.3003	0.4020
204	Payroll,Other,Non-Union,All	0.3736	0.1661	0.3390	0.2771	0.3998
205	Social Security Insurance	0.0474	0.0567	0.0556	0.0507	0.0484
206	Unemployment Insurance	0.0083	0.0089	0.0091	0.0088	0.0114
207	Private Health & Welfare	0.1210	0.1660	0.1214	0.1436	0.0910
	LABOR COSTS	1.0533	1.0597	1.0548	1.0563	1.0519
301	Fuel Oil #2	0.3404	0.1038	0.0071	0.2819	0.4220
302	Fuel Oil #4	0.2771	0.0970	0.1710	0.2295	0.1717
303	Fuel Oil #6	0.4330	0.8551	0.8774	0.5405	0.4580
	FUEL	1.0505	1.0560	1.0555	1.0519	1.0517
401	Electricity #1, 2,500 KWH	0.0255	0.0012	0.0292	0.0134	0.0000
402	Electricity #2, 15,000 KWH	0.1713	0.2924	0.0964	0.2632	0.0000
403	Electricity #3, 82,000 KWH	0.0000	0.0000	0.0000	0.0000	0.6475
404	Gas #1, 12,000 therms	0.0084	0.0011	0.0051	0.0066	0.0002
405	Gas #2, 65,000 therms	0.0836	0.0355	0.1652	0.0372	0.0182
406	Gas #3, 214,000 therms	0.1554	0.1960	0.4911	0.0416	0.0590
407	Steam #1, 1.2m lbs	0.0001	0.0500	0.0013	0.0001	0.0000
408	Steam #2, 2.6m lbs	0.0001	0.0187	0.0004	0.0001	0.0000
409	Telephone	0.0166	0.0119	0.0097	0.0177	0.0193
410	Water & Sewer	0.6623	0.5286	0.3495	0.7390	0.4299
	UTILITIES	1.1234	1.1355	1.1478	1.1188	1.1740
501	Repainting	0.4093	0.4774	0.5577	0.3953	0.3722
502	Plumbing, Faucet	0.1575	0.0780	0.1301	0.1335	0.1485
503	Plumbing, Stoppage	0.1475	0.0743	0.1243	0.1274	0.1417
504	Elevator #1, 6 fl., 1 e.	0.0651	0.0170	0.0210	0.0584	0.0008
505	Elevator #2, 13 fl., 2 e.	0.0186	0.0858	0.0052	0.0464	0.1010
506	Elevator #3, 19 fl., 3 e.	0.0075	0.0612	0.0450	0.0180	0.0376
507	Burner Repair	0.0407	0.0386	0.0201	0.0470	0.0356
508	Boiler Repair, Tube	0.0468	0.0444	0.0231	0.0540	0.0410
509	Boiler Repair, Weld	0.0379	0.0359	0.0187	0.0437	0.0331
510	Refrigerator Repair	0.0139	0.0151	0.0135	0.0144	0.0077
511	Range Repair	0.0144	0.0157	0.0140	0.0150	0.0080
512	Roof Repair	0.0582	0.0415	0.0374	0.0591	0.0431
513	Air Conditioner Repair	0.0028	0.0300	0.0042	0.0070	0.0354
514	Floor Maint. #1, Studio	0.0002	0.0005	0.0004	0.0004	0.0006
515	Floor Maint. #2, 1 Br.	0.0005	0.0009	0.0008	0.0006	0.0095
516	Floor Maint. #3, 2 Br.	0.0043	0.0086	0.0074	0.0056	0.0092
	CONTRACTOR SERVICES	1.0251	1.0250	1.0228	1.0259	1.0249
601	Management Fees	0.6193	0.7978	0.6465	0.7040	0.4669
602	Accountant Fees	0.1767	0.1180	0.1064	0.1609	0.3605
603	Attorney Fees	0.1826	0.1020	0.2456	0.1302	0.1477
604	Newspaper Ads	0.0052	0.0031	0.0071	0.0039	0.0042
605	Agency Fees	0.0060	0.0035	0.0082	0.0045	0.0049
606	Lease Forms	0.0161	0.0054	0.0079	0.0120	0.0177
607	Bill Envelopes	0.0154	0.0051	0.0075	0.0115	0.0169
608	Ledger Paper	0.0159	0.0053	0.0078	0.0118	0.0175
	ADMINISTRATIVE COSTS	1.0370	1.0402	1.0370	1.0386	1.0364
701	INSURANCE COSTS	0.9953	0.9953	0.9953	0.9953	0.9953
801	Light Bulbs	0.0417	0.0447	0.0436	0.0424	0.0819
802	Light Switch	0.0472	0.0504	0.0493	0.0479	0.0927
803	Wet Mop	0.0408	0.0487	0.0346	0.0475	0.0557
804	Floor Wax	0.0383	0.0458	0.0325	0.0446	0.0524
805	Paint	0.2188	0.2118	0.2453	0.2085	0.1118
806	Pushbroom	0.0407	0.0413	0.0293	0.0402	0.0472
807	Detergent	0.0322	0.0385	0.0274	0.0374	0.0440
808	Bucket	0.0413	0.0493	0.0350	0.0479	0.0563
809	Washers	0.1104	0.0938	0.1136	0.1010	0.0564
811	Pine Disinfectant	0.0488	0.0521	0.0509	0.0495	0.0957
812	Window/Glass Cleaner	0.0522	0.0558	0.0545	0.0529	0.1024
813	Switch Plate	0.0388	0.0464	0.0330	0.0451	0.0530
814	Duplex Receptacle	0.0353	0.0421	0.0299	0.0410	0.0481
815	Toilet Seat	0.1105	0.0939	0.1138	0.1013	0.0565
816	Deck Faucet	0.1131	0.0962	0.1165	0.1036	0.0578
	PARTS AND SUPPLIES	1.0100	1.0109	1.0094	1.0107	1.0120
901	Refrigerator #1	0.0890	0.0998	0.0742	0.1004	0.0822
902	Refrigerator #2	0.4896	0.5121	0.4079	0.5151	0.4220
903	Air Conditioner #1	0.0090	0.0361	0.0229	0.0152	0.0109
904	Air Conditioner #2	0.0115	0.0456	0.0289	0.0193	0.0138
905	Floor Runner	0.0884	0.1052	0.0490	0.1059	0.2548
906	Dishwasher	0.0429	0.0659	0.1554	0.0241	0.0148
907	Range #1	0.0516	0.0307	0.0489	0.0462	0.0458
908	Range #2	0.2601	0.1450	0.2466	0.2173	0.2155
	REPLACEMENT COSTS	1.0420	1.0405	1.0338	1.0434	1.0599
	ALL ITEMS	**1.0455**	**1.0488**	**1.0566**	**1.0442**	**1.0569**

B.4 Distribution of Matched 1992 and 1993 Tax Sample by Borough and Building Size

	1 - 9	10 - 19	20 -29	30 - 39	40 - 49	50 - 99	100+	**Total**
Manhattan	5,379	4,412	1,700	706	450	618	341	**13,606**
	(14.29)	(11.72)	(4.52)	(1.88)	(1.20)	(1.64)	(.91)	**(36.15)**
Bronx	852	800	775	540	552	873	79	**4,471**
	(2.26)	(2.13)	(2.06)	(1.43)	(1.47)	(2.32)	(.21)	**(11.88)**
Brooklyn	8,254	1,807	807	656	390	719	127	**12,760**
	(21.93)	(4.80)	(2.14)	(1.74)	(1.04)	(1.91)	(.34)	**(33.90)**
Queens	3,815	979	469	324	245	546	232	**6,610**
	(10.13)	(2.60)	(1.25)	(.86)	(.65)	(1.45)	(.62)	**(17.56)**
Staten Island	94	48	21	8	5	11	8	**195**
	(.25)	(.13)	(.06)	(.02)	(.01)	(.03)	(.02)	**(.52)**
Total	18,394	8,046	3,772	2,234	1,642	2,767	787	**37,642**
	(48.87)	(21.38)	(10.02)	(5.93)	(4.36)	(7.35)	(2.09)	**(100.0)**

Excluding In-Rem

Manhattan	5,347	4,343	1,673	697	449	617	341	**13,467**
	(14.31)	(11.62)	(4.48)	(1.87)	(1.20)	(1.65)	(.91)	**(36.04)**
Bronx	824	787	764	536	551	871	79	**4,412**
	(2.21)	(2.11)	(2.04)	(1.43)	(1.47)	(2.33)	(.21)	**(11.81)**
Brooklyn	8,191	1,800	802	655	390	719	127	**12,684**
	(21.92)	(4.82)	(2.15)	(1.75)	(1.04)	(1.92)	(.34)	**(33.95)**
Queens	3,812	979	469	324	245	546	232	**6,607**
	(10.20)	(2.62)	(1.26)	(.87)	(.66)	(1.46)	(.62)	**(17.68)**
Staten Island	94	48	21	8	5	11	8	**195**
	(.25)	(.13)	(.06)	(.02)	(.01)	(.03)	(.02)	**(.52)**
Total	**18,268**	**7,957**	**3,729**	**2,220**	**1,640**	**2,764**	**787**	**37,365**
	(48.89)	**(21.30)**	**(9.98)**	**(5.94)**	**(4.39)**	**(7.40)**	**(2.11)**	**(100.0)**

B.5 Percentage Change in Real Estate Tax Sample by Borough and Source of Change

	% Change Due to Assessments	% Change Due to Exemptions	% Change Due to Abatements	% Change Due to Tax Rate	% Change Due to Tax Rate and Assessment	Total % Change
Manhattan (Below 96th St)	0.38%	1.62%	0.22%	0.27%	0.00%	2.50%
Manhattan (Above 96th St)	5.75%	0.46%	-0.42%	0.27%	0.02%	6.08%
All Manhattan	0.91%	1.51%	0.16%	0.27%	0.01%	2.85%
Bronx	6.61%	-1.15%	-0.93%	0.27%	0.01%	4.82%
Brooklyn	4.39%	-0.32%	-0.62%	0.27%	0.01%	3.74%
Queens	2.71%	0.28%	-0.32%	0.27%	0.01%	2.96%
Staten Island	-3.01%	0.25%	-0.01%	0.27%	-0.01%	-2.51%
Total	**2.09%**	**0.85%**	**-0.11%**	**0.27%**	**0.01%**	**3.11%**

Note: Totals may not add due to rounding.

B.6 Tax Change by Borough and Community Board

Borough	Community Board	Number of Buildings	Tax Relative
Manhattan	**All**	**13,486**	**2.9**
	1	22	72.7
	2	1,224	1.7
	3	1,501	8.6
	4	1,068	2.9
	5	355	4.7
	6	1,015	0.1
	7	2,385	4.6
	8	2,506	1.7
	9	770	7.3
	10	526	-0.6
	11	537	8.6
	12	1,454	7.2
	Unknown	123	4.1
Bronx	**All**	**4,412**	**4.8**
	1	220	15.1
	2	153	8.9
	3	147	6.3
	4	513	10.2
	5	566	8.9
	6	386	18.5
	7	923	6.4
	8	353	0.6
	9	332	5.6
	10	127	-0.1
	11	295	2.3
	12	390	2.2
	Unknown	7	3.3
Brooklyn	**All**	**12,695**	**3.7**
	1	1,615	8.7
	2	682	1.2
	3	630	7.9
	4	1,426	9.2
	5	299	-0.8
	6	1,064	3.9
	7	901	5.9
	8	859	5.1
	9	521	7.1
	10	871	2.4
	11	797	5.0
	12	696	4.8
	13	180	2.3
	14	863	2.5
	15	382	3.7
	16	191	8.0
	17	626	2.6
	18	72	4.9
	Unknown	20	-0.6
Queens	**All**	**6,608**	**3.0**
	1	1,977	9.0
	2	893	3.0
	3	407	3.4
	4	369	-0.3
	5	1,285	5.8
	6	344	1.4
	7	409	1.9
	8	165	3.8
	9	214	3.5
	10	83	2.7
	11	115	0.5
	12	163	9.5
	13	57	3.0
	14	82	3.0
	Unknown	45	2.5
Staten Island	**All**	**195**	**-2.5**
	1	126	-0.0
	2	47	-3.6
	3	20	-14.2
	Unknown	2	-31.4

B.7 Expenditure Weights and Price Relatives, Lofts

Spec #	Item Description	Price Weights	Relative
101	TAXES	0.2502	1.0311
201	Payroll, Bronx, All	0.0000	1.0357
202	Payroll, Other, Union, Supts.	0.3156	1.0425
203	Payroll, Other, Union, Other	0.0000	1.0422
204	Payroll, Other, Non-Union, All	0.5187	1.0371
205	Social Security Insurance	0.0502	1.0396
206	Unemployment Insurance	0.0073	1.3226
207	Private Health & Welfare	0.1082	1.1614
	LABOR COSTS	0.1039	1.0545
301	Fuel Oil #2	0.3365	1.0491
302	Fuel Oil #4	0.5583	1.0395
303	Fuel Oil #6	0.1052	1.0587
	FUEL	0.0676	1.0448
401	Electricity #1, 2,500 KWH	0.0165	1.0500
402	Electricity #2, 15,000 KWH	0.1808	1.1744
403	Electricity #3, 82,000 KWH	0.0000	1.2347
404	Gas #1, 12,000 therms	0.0057	1.0435
405	Gas #2, 65,000 therms	0.0572	1.1783
406	Gas #3, 214,000 therms	0.1433	1.1804
407	Steam #1, 1.2m lbs	0.0148	1.1471
408	Steam #2, 2.6m lbs	0.0055	1.1529
409	Telephone	0.0145	1.0344
410	Water & Sewer	0.5616	1.0985
	UTILITIES	0.0750	1.1275
501	Repainting	0.4199	1.0185
502	Plumbing, Faucet	0.1321	1.0292
503	Plumbing, Stoppage	0.1256	1.0178
504	Elevator #1, 6 fl., 1 e.	0.0492	1.0579
505	Elevator #2, 13 fl., 2 e.	0.0352	1.0445
506	Elevator #3, 19 fl., 3 e.	0.0213	1.0393
507	Burner Repair	0.0390	1.0294
508	Boiler Repair, Tube	0.0441	1.0447
509	Boiler Repair, Weld	0.0361	1.0354
510	Refrigerator Repair	0.0141	1.0150
511	Range Repair	0.0144	1.0222
512	Roof Repair	0.0530	1.0127
513	Air Conditioner Repair	0.0102	1.0000
514	Floor Maint. #1, Studio	0.0003	1.0959
515	Floor Maint. #2, 1 Br.	0.0006	1.0319
516	Floor Maint. #3, 2 Br.	0.0050	1.0701
	CONTRACTOR SERVICES	0.0829	1.0251
	ADMINISTRATIVE COSTS, LEGAL	0.1126	1.0208
601	Management Fees	0.7894	1.0436
602	Accountant Fees	0.1591	1.0371
604	Newspaper Ads	0.0048	1.1035
605	Agency Fees	0.0059	1.0470
606	Lease Forms	0.0125	1.0116
607	Bill Envelopes	0.0141	1.0042
608	Ledger Paper	0.0142	1.0043
	ADMINISTRATIVE COSTS - OTHER	0.0968	1.0414
701	INSURANCE COSTS	0.1640	0.9953
801	Light Bulbs	0.0426	1.0020
802	Light Switch	0.0482	1.0000
803	Wet Mop	0.0408	1.0572
804	Floor Wax	0.0397	1.0241
805	Paint	0.2153	1.0061
806	Pushbroom	0.0409	1.0000
807	Detergent	0.0349	0.9798
808	Bucket	0.0411	1.0629
809	Washers	0.1044	1.0080
811	Pine Disinfectant	0.0493	1.0089
812	Window/Glass Cleaner	0.0525	1.0161
813	Switch Plate	0.0402	1.0229
814	Duplex Receptacle	0.0373	1.0000
815	Toilet Seat	0.1054	1.0001
816	Deck Faucet	0.1073	1.0059
	PARTS AND SUPPLIES	0.0263	1.0103
901	Refrigerator #1	0.0923	1.0000
902	Refrigerator #2	0.4783	1.0376
903	Air Conditioner #1	0.0170	1.0086
904	Air Conditioner #2	0.0214	1.0119
905	Floor Runner	0.0808	1.1558
906	Dishwasher	0.0497	1.0033
907	Range #1	0.0453	1.0000
908	Range #2	0.2151	1.0482
	REPLACEMENT COSTS	0.0208	1.0415
	ALL ITEMS	**1.0000**	**1.0348**

B.8 Changes in the Price Index of Operating Costs,

	1983		1984		1985		1986		1987	
	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative
Taxes	0.198	-0.7%	0.191	1.0%	0.183	5.5%	0.183	6.8%	0.184	8.7%
Labor	0.154	7.7%	0.161	9.2%	0.166	7.1%	0.169	6.4%	0.169	5.7%
Fuel	0.240	-10.8%	0.209	8.8%	0.214	-0.8%	0.201	-8.4%	0.174	-22.3%
Utilities	0.126	15.1%	0.141	2.5%	0.136	3.1%	0.133	-0.6%	0.124	-1.2%
Contractor Services	0.127	10.0%	0.136	10.2%	0.141	10.4%	0.148	11.0%	0.155	4.5%
Administrative Costs	0.075	9.1%	0.079	6.8%	0.080	10.5%	0.083	9.4%	0.086	5.9%
Insurance	0.035	4.7%	0.035	4.2%	0.035	14.8%	0.038	89.0%	0.067	33.7%
Parts & Supplies	0.031	3.1%	0.031	3.6%	0.031	4.7%	0.030	2.3%	0.030	3.3%
Replacement Costs	0.015	2.8%	0.015	3.2%	0.015	1.4%	0.014	-0.4%	0.014	0.2%
All Items		**2.6%**		**6.1%**		**5.4%**		**6.4%**		**2.1%**
Pre '47										
Taxes	0.142	-0.7%	0.140	1.0%	0.132	5.5%	0.132	6.8%	0.132	8.7%
Labor	0.131	7.8%	0.140	8.8%	0.142	7.2%	0.144	6.7%	0.144	5.8%
Fuel	0.289	-10.4%	0.250	8.5%	0.257	-0.8%	0.242	-7.7%	0.209	-22.1%
Utilities	0.124	17.1%	0.140	2.4%	0.134	4.4%	0.133	0.1%	0.124	-0.5%
Contractor Services	0.152	9.8%	0.160	10.1%	0.170	10.5%	0.178	10.8%	0.184	4.6%
Administrative Costs	0.067	8.7%	0.070	7.1%	0.071	10.2%	0.075	9.7%	0.077	5.6%
Insurance	0.042	4.7%	0.040	4.2%	0.043	14.8%	0.046	89.0%	0.082	33.7%
Parts & Supplies	0.035	3.1%	0.040	3.5%	0.034	4.8%	0.034	2.3%	0.033	3.3%
Replacement Costs	0.018	3.0%	0.020	3.0%	0.017	1.4%	0.017	-0.3%	0.016	0.1%
All Items		**2.5%**		**6.4%**		**5.5%**		**6.9%**		**1.4%**
Post '46										
Taxes	0.279	-0.7%	0.270	1.0%	0.258	5.5%	0.259	6.8%	0.262	8.7%
Labor	0.187	7.5%	0.190	9.5%	0.201	7.0%	0.204	6.1%	0.205	5.7%
Fuel	0.169	-11.7%	0.150	9.8%	0.150	-0.9%	0.142	-10.2%	0.120	-22.9%
Utilities	0.128	12.4%	0.140	2.7%	0.139	1.4%	0.134	-1.6%	0.124	-2.2%
Contractor Services	0.090	10.5%	0.100	10.5%	0.100	10.2%	0.105	11.2%	0.111	4.4%
Administrative Costs	0.086	9.6%	0.090	6.3%	0.092	10.8%	0.096	8.9%	0.099	6.2%
Insurance	0.023	4.7%	0.020	4.2%	0.023	14.8%	0.025	89.0%	0.045	33.7%
Parts & Supplies	0.025	3.1%	0.030	3.6%	0.025	4.6%	0.025	2.2%	0.024	3.2%
Replacement Costs	0.012	2.3%	0.010	3.6%	0.012	1.6%	0.011	-0.6%	0.011	0.3%
All Items		**2.8%**		**5.8%**		**5.4%**		**5.7%**		**3.1%**

Expenditure Weights and Price Relatives, 1983-1993

1988		1989		1990		1991		1992		1993	
Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative
0.196	8.1%	0.211	15.8%	0.229	12.0%	0.232	12.8%	0.246	11.0%	0.263	3.1%
0.175	5.3%	0.169	5.1%	0.167	5.7%	0.159	5.2%	0.158	5.2%	0.160	5.6%
0.132	12.6%	0.126	-5.2%	0.112	20.9%	0.122	4.6%	0.121	-10.9%	0.103	5.2%
0.120	1.3%	0.122	12.4%	0.128	20.8%	0.140	1.2%	0.133	6.6%	0.137	12.7%
0.158	9.3%	0.164	6.1%	0.163	6.5%	0.157	5.5%	0.156	2.4%	0.154	2.5%
0.089	4.1%	0.087	6.7%	0.087	7.5%	0.084	3.0%	0.082	2.8%	0.081	3.8%
0.087	1.6%	0.080	-0.6%	0.074	3.6%	0.069	4.4%	0.068	2.3%	0.067	-0.5%
0.029	2.4%	0.028	3.6%	0.027	6.1%	0.026	3.6%	0.026	2.5%	0.025	1.0%
0.013	1.7%	0.012	2.4%	0.012	2.7%	0.011	1.3%	0.011	3.8%	0.011	4.2%
	6.4%		**6.7%**		**10.9%**		**6.0%**		**4.0%**		**4.7%**
0.139	8.1%	0.141	15.8%	0.155	12.0%	0.156	12.8%	0.167	11.0%	0.180	3.1%
0.146	5.2%	0.144	5.1%	0.143	5.5%	0.136	5.2%	0.134	5.1%	0.139	5.3%
0.161	12.8%	0.170	-4.6%	0.154	20.0%	0.167	4.8%	0.166	-10.4%	0.144	5.1%
0.122	2.3%	0.117	12.8%	0.125	22.2%	0.137	1.5%	0.137	7.6%	0.138	12.3%
0.189	9.3%	0.194	6.2%	0.195	6.5%	0.188	5.4%	0.187	2.1%	0.186	2.5%
0.083	4.6%	0.082	6.7%	0.082	7.0%	0.079	3.2%	0.078	2.7%	0.078	3.7%
0.108	1.6%	0.102	-0.6%	0.097	3.6%	0.090	4.4%	0.089	2.3%	0.089	-0.5%
0.033	3.0%	0.032	3.6%	0.032	6.2%	0.030	3.5%	0.030	2.5%	0.030	1.0%
0.020	1.2%	0.019	2.3%	0.018	2.7%	0.017	1.3%	0.016	3.6%	0.016	4.2%
	6.6%		**5.5%**		**10.9%**		**5.5%**		**2.8%**		**4.6%**
0.278	8.1%	0.281	15.8%	0.303	12.0%	0.306	12.8%	0.324	11.0%	0.343	3.1%
0.210	5.9%	0.210	5.0%	0.205	6.0%	0.196	5.1%	0.194	5.4%	0.195	6.0%
0.090	12.3%	0.095	-7.3%	0.082	23.4%	0.091	3.8%	0.089	-12.5%	0.074	5.6%
0.118	-0.3%	0.111	11.7%	0.115	18.2%	0.123	0.6%	0.116	4.7%	0.116	13.6%
0.112	8.8%	0.115	6.0%	0.113	6.6%	0.109	5.8%	0.108	3.1%	0.106	2.5%
0.102	3.5%	0.100	6.8%	0.099	8.2%	0.097	2.7%	0.093	3.0%	0.092	4.0%
0.058	1.6%	0.056	-0.6%	0.052	3.6%	0.048	4.4%	0.047	2.3%	0.046	-0.5%
0.024	2.5%	0.023	3.7%	0.022	6.0%	0.021	3.6%	0.021	2.5%	0.020	1.1%
0.010	2.0%	0.010	2.6%	0.010	2.8%	0.009	1.3%	0.008	4.2%	0.008	4.1%
	6.1%		**7.5%**		**10.8%**		**6.5%**		**4.8%**		**4.9%**

Appendix C: Income & Expense Studies

C.1 Cross Sectional Income and Expense Study: Estimated Average Operating & Maintenance Costs, Average Rent, and Average Gross Income by Borough, Building Size and Age

	Post '46			Pre '47			All Stabilized		
	Expense	Rent	Income	Expense	Rent	Income	Expense	Rent	Income
Bronx	$321	$440	$469	$301	$398	$419	$304	$405	$428
11 - 19	NA	NA	NA	$324	$363	$405	$325	$368	$411
20 - 99	$317	$445	$462	$286	$380	$394	$289	$386	$401
100+	NA	NA	NA	$277	$399	$412	$287	$406	$424
Brooklyn	$365	$475	$499	$302	$414	$434	$314	$427	$447
11 - 19	NA	NA	NA	$299	$367	$388	$309	$377	$404
20 - 99	$352	$461	$477	$280	$391	$401	$288	$399	$409
100+	$383	$510	$529	$275	$402	$412	$346	$473	$488
Manhattan	$725	$1,042	$1,207	$417	$507	$594	$482	$621	$724
11 - 19	NA	NA	NA	$439	$466	$629	$446	$467	$641
20 - 99	$551	$733	$854	$406	$488	$561	$412	$499	$575
100+	$764	$1,111	$1,285	$510	$695	$803	$641	$909	$1,051
Queens	$364	$497	$533	$301	$435	$455	$337	$470	$499
11 - 19	NA	NA	NA	$281	$388	$406	$284	$393	$410
20 - 99	$335	$470	$493	$291	$426	$441	$306	$440	$458
100+	$386	$525	$559	$322	$467	$480	$373	$514	$543
Staten Island	$357	$498	$512	NA	NA	NA	$356	$485	$498
NYC	$470	$653	$722	$350	$451	$500	$382	$505	$559
11 - 19	$559	$532	$857	$372	$420	$516	$385	$427	$540
20 - 99	$363	$495	$527	$332	$429	$466	$338	$443	$478
100+	$560	$796	$895	$439	$606	$682	$513	$722	$812

Source: NYC Department of Finance, Income and Expense Filings.

Note: NA means that the sample size for that cell was too small to compute reliable averages. The citywide and borough wide averages are weighted, except for Staten Island and the "All Stabilized" averages. The averages by building size are not weighted.

C.2 Longitudinal Study: Percentage Change in Estimated Average Operating & Maintenance Costs, Average Rent, and Average Gross Income by Borough, Building Size and Age, 1990 to 1991

	Post '46			Pre '47			All Stabilized		
	Expense	Rent	Income	Expense	Rent	Income	Expense	Rent	Income
Bronx	4%	5%	5%	3%	5%	5%	3%	5%	5%
11 - 19	NA	NA	NA	5%	5%	5%	6%	5%	5%
20 - 99	4%	7%	7%	3%	5%	5%	3%	5%	5%
100+	NA	NA	NA	2%	3%	2%	2%	3%	3%
Brooklyn	5%	6%	6%	4%	6%	5%	4%	6%	5%
11 - 19	NA	NA	NA	5%	5%	4%	5%	5%	5%
20 - 99	5%	7%	7%	4%	7%	6%	4%	7%	6%
100+	NA	NA	NA	NA	NA	NA	0%	3%	3%
Manhattan	3%	0%	0%	3%	3%	3%	3%	2%	2%
11 - 19	NA	NA	NA	6%	4%	3%	6%	4%	3%
20 - 99	4%	2%	2%	3%	3%	3%	3%	3%	3%
100+	3%	0%	0%	2%	2%	1%	2%	0%	0%
Queens	4%	4%	4%	3%	4%	4%	3%	4%	4%
11 - 19	NA	NA	NA	4%	4%	4%	4%	3%	4%
20 - 99	4%	4%	4%	3%	4%	4%	3%	4%	4%
100+	3%	3%	3%	NA	NA	NA	3%	4%	4%
Staten Island	9%	3%	3%	NA	NA	NA	9%	3%	3%
NYC	4%	2%	2%	3%	4%	4%	3%	3%	3%
11 - 19	4%	10%	9%	5%	4%	3%	5%	5%	4%
20 - 99	5%	5%	5%	3%	5%	4%	4%	5%	4%
100+	3%	1%	1%	1%	2%	1%	2%	1%	1%

Source: NYC Department of Finance, Income and Expense Filings.

Note: NA means that the sample size for that cell was too small to compute reliable averages. The citywide and borough wide averages are weighted, except for Staten Island and the Longitudinal: Percent Change in O&M Costs, Rent, Income by Boro, Size, and Age

C.3 Calculation of the Operating & Maintenance Cost Ratio for Rent Stabilized Buildings, 1972-93
("Table 14")

Period	% O&M* Increase	O&M Index	Period	% Rent** Increase	Rent Index	O&M to Rent Ratio
4/1/70-3/31/71		55.00	7/1/71-6/30/72		100.00	.55
4/1/71-3/31/72	5.7	58.14	7/1/72-6/30/73	5.40	105.40	.55
4/1/72-3/31/73	7.9	62.73	7/1/73-6/30/74	5.40	111.09	.56
4/1/73-3/31/74	15.5	72.45	7/1/74-6/30/75	5.64	117.36	.62
4/1/74-3/31/75	6.5	77.16	7/1/75-6/30/76	5.62	123.96	.62
4/1/75-3/31/76	8.8	83.95	7/1/76-6/30/77	5.33	130.57	.64
4/1/76-3/31/77	6.9	89.74	7/1/77-6/30/78	5.49	137.74	.65
4/1/77-3/31/78	0.6	90.28	7/1/78-6/30/79	4.23	143.57	.63
4/1/78-3/31/79	10.4	99.67	7/1/79-6/30/80	7.73	154.67	.64
4/1/79-3/31/80	17.0	116.61	7/1/80-9/30/81	10.28	170.57	.68
4/1/80-3/31/81	14.6	133.64	10/1/81-9/30/82	10.11	187.81	.71
4/1/81-3/31/82	2.8	137.38	10/1/82-9/30/83	3.52	194.42	.71
4/1/82-3/31/83	2.6	140.95	10/1/83-9/30/84	4.93	204.00	.69
4/1/83-3/31/84	6.3	149.83	10/1/84-9/30/85	5.82	215.87	.69
4/1/84-3/31/85	5.4	157.92	10/1/85-9/30/86	6.55	230.01	.69
4/1/85-3/31/86	6.4	168.03	10/1/86-9/30/87	6.18	244.21	.69
4/1/86-3/31/87	2.1	171.56	10/1/87-9/30/88	5.87	258.54	.66
4/1/87-3/31/88	6.4	182.54	10/1/88-9/30/89	6.39	275.06	.66
4/1/88-3/31/89	6.7	194.77	10/1/89-9/30/90	6.16	292.00	.67
4/1/89-3/31/90	10.9	216.00	10/1/90-9/30/91	4.15	304.12	.71
4/1/90/-3/31/91	6.0	228.96	10/1/91-9/30/92	3.93	316.08	.72
4/1/91-3/31/92	4.0	238.12	10/1/92-9/30/93	3.11	325.90	.73
4/1/92-3/31/93	4.7	249.31	10/1/93-9/30/94	2.93***	335.45	.74

* Estimate of percentage increases are based on the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City for the relevant year and adjustments made by the Rent Guidelines Board; detailed explanations are available in the individual Explanatory Statements of the Board.

** For an explanation of the derivation of individual percentage rent increases see the Explanatory Statements of the Board's previous Orders.

*** Note: The 2.93% increase in rent roll estimated for leases signed during the period 10/1/93 - 9/30/94 under Order 25 reflects the following: 24.9% of all units experiencing one-year lease signing and 37.6% of all units experiencing two-year lease signing. These figures are derived from the 1991 Housing and Vacancy Survey, Table 10058 which gives reported lease terms. "Less than one year" was assumed to be a one-year lease and "More than one year," and "More than two years" were assumed to be a two-year lease. The most recent turnover rate of 9.7% which is based on Table 10012 of the 1991 Housing and Vacancy Survey data is weighted to reflect Vacancy allowances given to apartments renting below $500 (31%) and between $500 and $1000 (53%). Although the Board's guidelines for one- and two-year leases may affect lease term choices, based on the Housing and Vacancy Survey, approximately 37.6% of all tenants are unaffected by the Board's Orders in any given year.

Appendix D: Mortgage Financing

D.1 Interest Rates for New Financing and Refinancing, 1993

Institution	Rate	Points	Term (years)	Type	Conditions
A-03	8.5%	1.25	15	Adjustable	70% LTV Ratio + Personal guarantees
A-06	9.0%	1	5	Adjustable	20-25 years
B-05	8.3%	1	5	Fixed	N/A
B-27	9.0%	1	10	Adjustable	tied to prime min 9% and max 16%
B-29	10.5%	1	20	Balloon	N/A
B-61	No longer offer New Loans After Merger.				5 year Balloon
B-62	9.5%	1.50	10	Both	5 years on adj + 5 years on fixed
B-66	10.0%	1.50	5	Fixed	satisfactory appraisal
B-70	8.5%	1	5	Fixed	N/A
B-71	9.0%	1	5	Fixed	25 years amort. env/eng. audits etc.
C-04	8.5%	1	30	Both	rehab + fin most on non-luxury housing
C-06	Prime + 3%	1.25	5	Adjustable	full recourse to principals'
C-09	9.0%	2	10	Fixed	N/A
C-21	9.0%	2	10	Fixed	N/A
SL-02	10.0%	2	25	Both	5 years adj + fixed on the rest
SL-07	9.5%	1.5	5	Both	N/A
SL-15	9.0%	1.5		Fixed	normal industry standard, etc.
SL-25	New financing not available				N/A
SL-58	9.8%	1.5	5	Fixed	N/A
Average	**9.2%**	**1.35**	**10.63**		

Source: 1993 RGB Mortgage Survey

Note: The difference between new interest rate and refinancing interest rate is negligible.

D.2 Loan Characteristics, 1993

Institution	Loan to Value Ratio	Operating Income	Vacancy Loss	Monthly O&M Cost per Unit
A-03	70%	45%	3%	Did not Specify
A-06	60%	50%	5%	Did not Specify
B-05	65%	Did not Specify	N/A	N/A
B-27	70%	53%	3%	Did not Specify
B-29	60%	40%	1%	Did not Specify
B-61	N/A	Did not Specify	N/A	N/A
B-62	75%	40%	5%	$275
B-66	55%	40%	6%	Did not Specify
B-70	75%	40%	1%	$550
B-71	65%	40%	5%	$400
C-04	85%	55%	6%	Did not Specify
C-06	65%	45%	5%	Did not Specify
C-09	70%	40%	5%	Did not Specify
C-21	70%	40%	5%	Did not Specify
SL-02	65%	50%	5%	Did not Specify
SL-07	65%	15%	4%	Did not Specify
SL-15	70%	did not specify	N/A	N/A
SL-25	60%	38%	6%	Did not Specify
SL-58	68%	50%	5%	$300
Average	**67%**	**43%**	**4%**	**N/A***

*Note: Since most financial institutions did not provide information, an average O&M Cost Per Unit was not computed.

Source: 1993 RGB Mortgage Survey

D.3 Interest Rates for New Financing and Refinancing for Lending Institutions Responding in 1992 and 1993

	Interest Rates		**Points**		**Term**		**Type**	
Institution	1993	1992	1993	1992	1993	1992	1993	1992
B-05	8.3%	9.0%	1.0	1.0	5	5	Fixed	Fixed
B-27	9.0%	9.3%	1.0	1.0	10	10	Adj	Adj
B-29	10.5%	10.5%	1.0	2.0	20	13	Ballon	Both
B-62	9.5%	9.8%	1.5	1.5	10	10	Both	Adj
B-66	10.0%	12.0%	1.5	1.5	5	10	Fixed	Adj
B-70	8.5%	9.0%	1.0	1.0	5	5	Fixed	Fixed
C-04	8.5%	9.5%	1.0	1.0	30	30	Both	Both
SL-02	10.0%	10.7%	2.0	2.0	25	10	Both	Both
SL-07	9.5%	10.0%	1.5	1.8	5	15	Both	Both
SL-58	9.8%	10.0%	1.5	1.5	5	5	Fixed	Fixed
Average	**9.4%**	**10.0%**	**1.3**	**1.4**	**12**	**11**		

Source: 1993 RGB Mortgage Survey

Note: The difference between new interest rate and refinancing interest rate is negligible.

Appendix E: Tax Arrears

E.1 Tax Arrearages, 1988-92
Buildings with Three or More Quarters Arrears

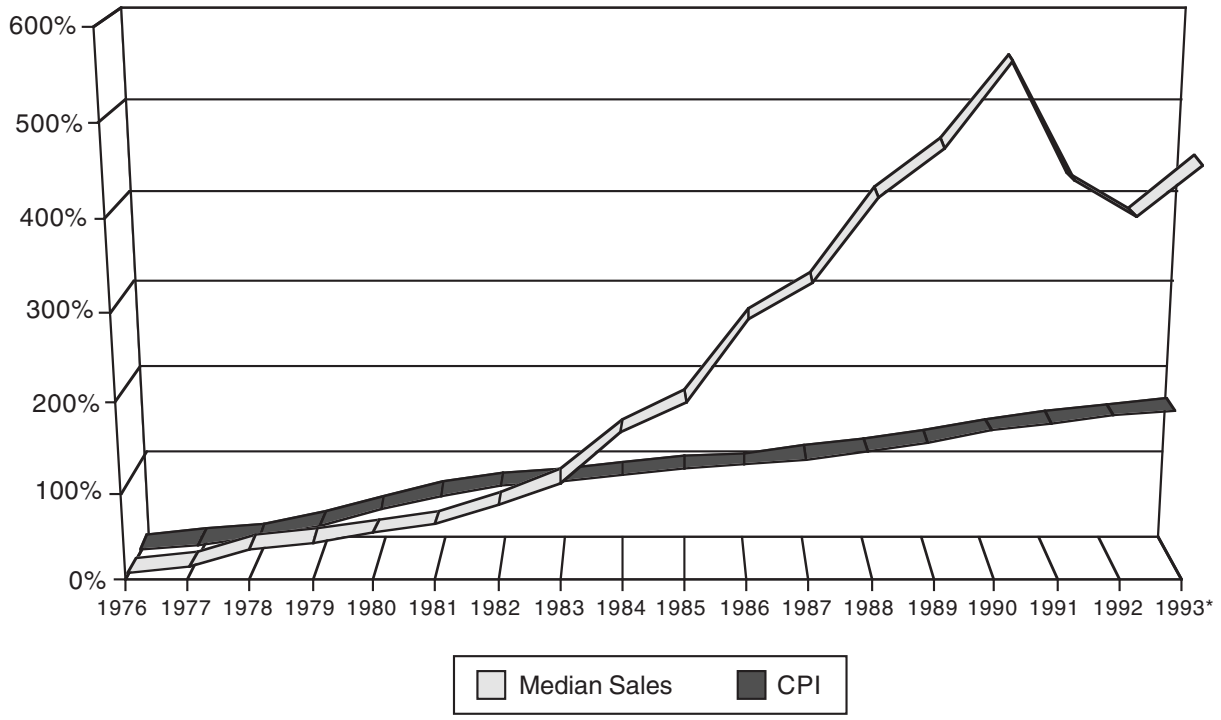
	1988	1989	1990	1991	1992
Number of Buildings	4,100	4,279	4,410	4,681	4,555
Number of Units	60,225	63,389	68,227	74,256	74,369
Median Amount	$2,236	$2,470	$3,014	$4,513	$5,403
Arrears Per Unit	$618	$596	$722	$1,002	$1,223
Arrears Per Building	$9,074	$8,830	$11,170	$15,895	$19,972

Source: New York City Department of City Planning.

Note: Table includes only rent stabilized buildings which have registered with the State Division of Housing and Community Renewal.

Appendix F:
Sales Price Data

F.1 Comparison of the CPI (U.S. Average) with Change in Median Sales Price (per sq. ft.) of Pre-1975 Rental Buildings*



Source: NYC Department of Finance, Property Division and U.S. Bureau of Labor Statistics.

Note: The base for the change in the CPI and Median sales price is 1975.

*Excludes Co-op and Condominium buildings and buildings with 6 or fewer apartments.

Appendix G: Tenant Income and Housing Affordability

G.1 Composition of the Housing Stock in New York City, Housing & Vacancy Survey - 1981, 1987, 1991

	1981	1987	1991
Total Housing Units	2,792,339	2,840,258	2,980,762
Total Owner Units	754,745	836,511	858,108
Owner-Occupied	746,112	817,476	829,135
Vacant for Sale	8,633	19,035	28,973
Total Rental Units	1,976,044	1,931,696	2,028,303
Renter-Occupied	1,933,887	1,884,210	1,951,576
Vacant for Rent	42,157	47,486	76,727
Total Vacant Not for Sale or Rent	61,550	72,051	94,351
Dilapidated	15,504	1,830	8,512
Rented - Not Yet Occupied	10,823	3,794	6,979
Sold - Not Yet Occupied	1,427	6,070	4,527
Undergoing Renovation	NA	20,517	10,242
Awaiting Renovation	NA	NA	11,172
Used/Converted Nonresidential Use	NA	899	1,308
Legal Dispute	NA	4,955	4,616
Await Conversion	NA	6,301	3,017
Held for Occasional Use	6,375	9,284	19,696
Owner Unable to Rent/Sell	NA	NA	3,909
Held Pending Sale of Building	NA	NA	3,641
Held for Planned Demolition	NA	NA	155
Held for Other Reasons	27,421	18,401	14,970
Not Reported	NA	NA	1,607
Total Occupied Units	100.0%	100.0%	100.0%
Renter-Occupied	72.2%	69.7%	70.2%
Owner-Occupied	27.8%	30.3%	29.8%

Source: 1981, 1987 and 1991 Housing & Vacancy Surveys.

Note: The reason, "Owner Unable to Rent/Sell" refers to personal problems; not to any market conditions.

G.2 Annual Average Unemployment Rates by Borough, 1988-92

	1988	1989	1990	1991	1992
Bronx	5.5%	7.0%	8.2%	10.1%	12.5%
Brooklyn	5.5%	6.7%	7.9%	9.5%	12.0%
Manhattan	4.3%	5.0%	5.8%	7.3%	9.0%
Queens	4.0%	5.0%	6.0%	8.0%	10.5%
Staten Island	4.0%	4.8%	6.4%	8.3%	10.4%
NYC	**4.7%**	**5.8%**	**6.8%**	**8.6%**	**10.8%**

Source: NYS Department of Labor.

Note: NYC's average unemployment rate for the first three months of 1993 was 11.4%.

G.3 Composition of the Rent Regulated Housing Stock in New York City, Housing & Vacancy Survey - 1981, 1987, 1991

	1981	1987	1991
Total Units	1,241,565	1,116,103	1,134,995
Total Occupied	1,214,088	1,090,734	1,095,486
Controlled	285,733	155,361	124,411
Stabilized	928,355	935,373	971,075
Pre 1947	615,497	662,742	706,794
Post 1947	312,858	272,631	264,281
Total Vacant for rent	27,477	25,369	39,509
Stabilized	27,477	25,369	39,509
Pre 1947	19,693	18,202	33,420
Post 1947	7,784	7,167	6,089

Source: 1981, 1987 & 1991 Housing & Vacancy Surveys.

G.4 Yearly Average Payroll Employment by Industry for NYC, (Thousands), 1988-92

	1988	1989	1990	1991	1992
Construction	120.1	120.8	114.9	99.8	86.2
Manufacturing	370.1	359.5	337.5	307.8	293.1
Transportation	219.5	218.1	229.1	218.4	205.3
Trade	634.3	630.2	608.3	565.3	547.9
Finance	542.4	530.6	519.6	494.4	477.2
Services	1,123.1	1,147.2	1,149.0	1,096.9	1,091.1
Mining	0.5	0.3	0.3	0.3	0.4
Total Private	3,010.0	3,006.7	2,958.7	2,782.9	2,701.2
Government	595.7	601.5	607.6	592.6	584
Total Employment	**3,605.7**	**3,608.2**	**3,566.3**	**3,375.5**	**3,285.2**

Source: U.S. Bureau of Labor Statistics.

Note: Totals may not add due to rounding. The Bureau of Labor Statistics revises the statistics periodically. The employment figures reported here may not be the same as those reported in prior years.

G.5 Consumer Price Index for All Urban Consumers, New York-Northern New Jersey, 1988-92

	1988	1989	1990	1991	1992
March	121.5	128.9	136.6	143.4	149.1
June	123.1	130.5	137.1	144.6	149.5
September	126.0	132.2	140.8	145.8	151.4
December	126.0	133.3	141.6	146.6	151.9
Quarterly Average	124.2	131.2	139.0	145.1	150.5
Yearly Average	123.7	130.6	138.5	144.8	150.0

12-month percentage change in the CPI

	1988	1989	1990	1991	1992
March	4.9%	6.1%	6.0%	5.0%	4.0%
June	4.5%	6.0%	5.1%	5.5%	3.4%
September	5.2%	4.9%	6.5%	3.6%	3.8%
December	4.5%	5.8%	6.2%	3.5%	3.6%
Quarterly Average	4.8%	5.7%	5.9%	4.4%	3.7%
Yearly Average	4.8%	5.6%	6.0%	4.5%	3.6%

Source: U.S. Bureau of Labor Statistics.

G.6 Public Assistance and Poverty Level Status of Stabilized Households

	1987	1991	Change 1987-1991
Receiving PA			
Below Poverty Level	11.3%	14.8%	31%
NOT Below Poverty	2.8%	5.3%	91%
	14.0%	**20.1%**	**43%**
NOT Receiving PA			
Below Poverty Level	10.5%	9.9%	-5%
NOT Below Poverty	75.5%	70.0%	-7%
	86.0%	**79.9%**	**-7%**

Source: 1987 and 1991 Housing and Vacancy Surveys.

Note: The 1991 HVS found that 18.4% of the respondents received public assistance. The numbers presented here are slightly different since they only include households who responded to BOTH the income and public assistance questions in the HVS questionnaire.

Appendix H: Housing Supply

H.1 Permits Issued for New Housing in New York City, 1988-92

	1988	1989	1990	1991	1992
Bronx	967	1,643	1,182	1,093	1,257
Brooklyn	1,629	1,775	1,634	1,024	646
Manhattan	2,460	2,986	2,398	756	373
Queens	2,506	2,339	704	602	351
Staten Island	2,335	2,803	940	1,224	1,255
Total	**9,897**	**11,546**	**6,858**	**4,699**	**3,882**

Source: Bureau of the Census, Construction Statistics Division, Building Permit Branch.

H.2 Units in Buildings Receiving Preliminary Certificates for 421-a Tax Abatements, 1989-92

	1989	1990	1991	1992
Bronx	756	48	454	233
Brooklyn	1,327	36	821	767
Manhattan	1,224	652	1,384	1,404
Queens	1,813	228	557	241
Staten Island	222	16	107	5
All	**5,342**	**980**	**3,323**	**2,650**

Source: NYC Department of Housing Preservation and Development, Office of Development.

H.3 J-51 Tax Abatements, Final Certificates Issued, 1989-92

	1989		1990		1991		1992	
	Buildings	Units	Buildings	Units	Buildings	Units	Buildings	Units
Bronx	499	13,928	524	24,202	421	31,409	431	21,963
Brooklyn	761	19,992	698	30,058	540	23,581	595	21,171
Manhattan	433	10,275	610	28,893	537	29,284	968	66,082
Queens	1,197	18,979	466	29,748	365	30,369	715	33,996
Staten Island	81	1,219	1	108	3	388	16	381
Total	**2,971**	**64,393**	**2,299**	**113,009**	**1,866**	**115,031**	**2,725**	**143,593**

Source: NYC Department of Housing Preservation and Development, Tax Incentive Programs.

H.4 HPD Vestings of Occupied Multiple Dwellings, FY'86-FY'93

	Buildings	Units
FY 85	704	10,399
FY 86	972	9743
FY 87	165	2445
FY 88	214	2565
FY 89	407	3590
FY 90	399	6056
FY 91	321	3178
FY 92	287	2881
FY93	352	3134
Total	**3,821**	**43,991**

Source: NYC Department of Housing Preservation and Development, Office of Property Management.

Note: FY '93 figures are as of March 31, 1993.

H.5 Number of New York City Residential Co-op and Condominium Plans Accepted for Filing By the Attorney General's Office, 1986-92

	1986	1987	1988	1989	1990	1991	1992	Total
	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)
New Construction	284 (11,684)	260 (8,460)	296 (9,899)	211 (6,153)	107 (4,203)	42 (1,111)	32 (793)	1232 (42,303)
Non-Eviction Plan	428 (39,874)	505 (35,574)	484 (32,283)	362 (25,459)	134 (14,640)	27 (1,757)	11 (566)	1951 (150,153)
Eviction Plan	15 (687)	11 (1,064)	16 (1,006)	6 (137)	7 (364)	5 (173)	0 (0)	60 (3,431)
HPD Sponsored Plan	6 (195)	51 (1,175)	51 (1,159)	52 (945)	50 (1,175)	109 (2,459)	87 (1,674)	406 (8,782)
Total	**733 (52,440)**	**827 (46,273)**	**847 (44,347)**	**631 (32,694)**	**298 (20,382)**	**183 (5,500)**	**130 (3,033)**	**3,649 (204,669)**

Source: New York State Attorney General's Office.

Note: Eviction plans sponsored by HPD are in the "HPD Sponsored Plan" category.

H.6 HPD Sponsored Co-op Plans in 1992

	Plans	Units
New Or Rehab	28	560
Non-Eviction	1	15
Eviction	58	1099
Total	**87**	**1674**

Source: NYS Attorney General Office.

Appendix I: Rent Stabilized Hotels

I.1 Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 1993

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.2324	1.0304	3.04%	0.2987
205	Social Security Insurance	0.0608	1.0154	1.54%	0.0000
206	Unemployment Insurance	0.0142	1.3226	32.26%	0.0000
208	Hotel Private Health/Welfare	0.0360	1.0499	4.99%	0.0000
209	Hotel Union Labor	0.3404	1.0426	4.26%	0.0000
210	SRO Union Labor	0.0136	1.0422	4.22%	0.0000
211	Apartment Value	0.1181	1.0245	2.45%	0.5216
212	Non-Union Superintendent	0.2947	1.0275	2.75%	0.8770
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	0.1222	1.0563	5.63%	1.8395
	LABOR COSTS	0.1732	1.0403	4.03%	0.3480
301	Fuel Oil #2	0.7062	1.0491	4.91%	0.5927
302	Fuel Oil #4	0.0152	1.0395	3.95%	1.5058
303	Fuel Oil #6	0.2786	1.0587	5.87%	2.3336
	FUEL	0.1069	1.0516	5.16%	0.7735
401	Electricity #1, 2,500 KWH	0.0907	1.0500	5.00%	0.0000
402	Electricity #2, 15,000 KWH	0.0844	1.1744	17.44%	0.0000
403	Electricity #3, 82,000 KWH	0.2524	1.2347	23.47%	0.0000
404	Gas #1, 12,000 therms	0.0488	1.0435	4.35%	0.0000
405	Gas #2, 65,000 therms	0.0345	1.1783	17.83%	0.0000
406	Gas #3, 214,000 therms	0.1402	1.1804	18.04%	0.0000
407	Steam #1, 1.2m lbs	0.0002	1.1471	14.71%	0.0000
409	Telephone	0.2081	1.0344	3.44%	0.0000
410	Water & Sewer	0.1407	1.0816	8.16%	1.2306
	UTILITIES	0.1657	1.1307	13.07%	0.1731
501	Repainting	0.2096	1.0185	1.85%	1.3885
502	Plumbing, Faucet	0.0749	1.0292	2.92%	0.9874
503	Plumbing, Stoppage	0.0753	1.0178	1.78%	1.2029
504	Elevator #1, 6 fl., 1 e.	0.0302	1.0579	5.79%	1.2518
505	Elevator #2, 13 fl., 2 e.	0.0297	1.0445	4.45%	1.1088
506	Elevator #3, 19 fl., 3 e.	0.0293	1.0393	3.93%	1.0629
507	Burner Repair	0.0255	1.0294	2.94%	1.5284
508	Boiler Repair, Tube	0.0261	1.0447	4.47%	2.1790
509	Boiler Repair, Weld	0.0252	1.0354	3.54%	1.5930
511	Range Repair	0.1520	1.0222	2.22%	2.2200
512	Roof Repair	0.0214	1.0127	1.27%	4.0887
513	Air Conditioner Repair	0.0468	1.0000	0.00%	0.0000
514	Floor Maint. #1, Studio	0.0008	1.0959	9.59%	4.0351
515	Floor Maint. #2, 1 Br.	0.0020	1.0319	3.19%	1.4132
516	Floor Maint. #3, 2 Br.	0.0173	1.0701	7.01%	2.2537
518	Linen/Laundry Service	0.2338	1.0084	0.84%	0.8862
	CONTRACTOR SERVICES	0.1026	1.0214	2.14%	0.5254
601	Management Fees	0.6095	1.0436	4.36%	1.5474
602	Accountant Fees	0.0852	1.0340	3.40%	1.5150
603	Attorney Fees	0.1516	1.0208	2.08%	1.0760
604	Newspaper Ads	0.0922	1.1035	10.35%	6.8291
605	Agency Fees	0.0211	1.0470	4.70%	0.0000
606	Lease Forms	0.0128	1.0116	1.16%	1.2266
607	Bill Envelopes	0.0147	1.0042	0.42%	0.6229
608	Ledger Paper	0.0128	1.0043	0.43%	1.1957
	ADMINISTRATIVE COSTS	0.0880	1.0435	4.35%	1.1531
701	INSURANCE COSTS	0.0371	0.9953	-0.47%	0.7240
801	Light Bulbs	0.0174	1.0020	0.20%	0.2413
802	Light Switch	0.0180	1.0000	0.00%	0.0000
803	Wet Mop	0.0477	1.0572	5.72%	3.8474
804	Floor Wax	0.0489	1.0241	2.41%	2.3949
805	Paint	0.1172	1.0061	0.61%	1.6564
806	Pushbroom	0.0460	1.0000	0.00%	0.0000
807	Detergent	0.0462	0.9798	-2.02%	2.0905
808	Bucket	0.0497	1.0629	6.29%	2.0127
809	Washers	0.0517	1.0080	0.80%	1.1697
810	Linens	0.3211	0.9677	-3.23%	2.2874
811	Pine Disinfectant	0.0191	1.0089	0.89%	0.8727
812	Window/Glass Cleaner	0.0201	1.0161	1.61%	2.8731
813	Switch Plate	0.0472	1.0229	2.29%	2.4092
814	Duplex Receptacle	0.0445	1.0000	0.00%	0.0000
815	Toilet Seat	0.0521	1.0001	0.01%	0.9694
816	Deck Faucet	0.0531	1.0059	0.59%	0.5909
	PARTS AND SUPPLIES	0.0668	0.9988	-0.12%	0.8171
901	Refrigerator #1	0.0194	1.0000	0.00%	0.0000
902	Refrigerator #2	0.0999	1.0376	3.76%	4.1304
903	Air Conditioner #1	0.0595	1.0086	0.86%	0.8972
904	Air Conditioner #2	0.0713	1.0119	1.19%	0.4860
907	Range #1	0.0084	1.0000	0.00%	0.0000
908	Range #2	0.0408	1.0482	4.82%	2.0512
909	Carpet	0.3227	1.0036	0.36%	0.3902
910	Dresser	0.1841	1.0177	1.77%	1.1176
911	Mattress & Box Spring	0.1940	0.9706	-2.94%	4.3135
	REPLACEMENT COSTS	0.0272	1.0058	0.58%	0.9692
	ALL ITEMS	**1.0000**	**1.0471**	**4.71%**	**0.1836**

I.2 Price Relative by Hotel Type, 1993

Spec #	Item Description	Hotel	RH	SRO
101	TAXES, FEES, & PERMITS	1.0078	1.0563	1.0458
205	Social Security Insurance	0.0780	0.0586	0.0368
206	Unemployment Insurance	0.0171	0.0142	0.0269
208	Hotel Private Health/Welfare	0.0557	0.0000	0.0054
209	Hotel Union Labor	0.5375	0.0000	0.0000
210	SRO Union Labor	0.0000	0.0000	0.0702
211	Apartment Value	0.0336	0.4266	0.1815
212	Non-Union Superintendent	0.1016	0.4166	0.5463
213	Non-Union Maid	0.0000	0.0000	0.0000
214	Non-Union Desk Clerk	0.0000	0.0000	0.0000
215	Non-Union Maintenance Worker	0.0000	0.0000	0.0000
216	Non-Union Janitor/Porter	0.2219	0.1159	0.1713
	LABOR COSTS	1.0453	1.0319	1.0383
301	Fuel Oil #2	0.7886	1.0491	0.3294
302	Fuel Oil #4	0.0000	0.0000	0.0827
303	Fuel Oil #6	0.2629	0.0000	0.6421
	FUEL	1.0515	1.0491	1.0542
401	Electricity #1, 2,500 KWH	0.0042	0.4995	0.0833
402	Electricity #2, 15,000 KWH	0.0996	0.0000	0.1737
403	Electricity #3, 82,000 KWH	0.4003	0.0000	0.2532
404	Gas #1, 12,000 therms	0.0038	0.3022	0.0124
405	Gas #2, 65,000 therms	0.0331	0.0000	0.0970
406	Gas #3, 214,000 therms	0.1721	0.0000	0.2699
407	Steam #1, 1.2m lbs	0.0000	0.0018	0.0000
409	Telephone	0.2928	0.0317	0.0963
410	Water & Sewer	0.1367	0.2189	0.1642
	UTILITIES	1.1426	1.0542	1.1499
501	Repainting	0.2187	0.2491	0.1698
502	Plumbing, Faucet	0.0308	0.1786	0.1508
503	Plumbing, Stoppage	0.0307	0.1777	0.1500
504	Elevator #1, 6 fl., 1 e.	0.0445	0.0000	0.0151
505	Elevator #2, 13 fl., 2 e.	0.0432	0.0000	0.0147
506	Elevator #3, 19 fl., 3 e.	0.0424	0.0000	0.0144
507	Burner Repair	0.0087	0.0276	0.0823
508	Boiler Repair, Tube	0.0091	0.0286	0.0852
509	Boiler Repair, Weld	0.0086	0.0274	0.0815
511	Range Repair	0.1821	0.0603	0.1398
512	Roof Repair	0.0330	0.0017	0.0000
513	Air Conditioner Repair	0.0393	0.0788	0.0472
514	Floor Maint. #1, Studio	0.0003	0.0021	0.0021
515	Floor Maint. #2, 1 Br.	0.0007	0.0043	0.0043
516	Floor Maint. #3, 2 Br.	0.0067	0.0407	0.0402
518	Linen/Laundry Service	0.3207	0.1444	0.0295
	CONTRACTOR SERVICES	1.0197	1.0212	1.0270
601	Management Fees	0.6875	0.4867	0.5778
602	Accountant Fees	0.0581	0.1867	0.1131
603	Attorney Fees	0.1208	0.2161	0.2211
604	Newspaper Ads	0.1254	0.0497	0.0626
605	Agency Fees	0.0191	0.0347	0.0229
606	Lease Forms	0.0112	0.0203	0.0134
607	Bill Envelopes	0.0128	0.0232	0.0153
608	Ledger Paper	0.0111	0.0202	0.0133
	ADMINISTRATIVE COSTS	1.0460	1.0375	1.0396
701	INSURANCE COSTS	0.9953	0.9953	0.9953
801	Light Bulbs	0.0058	0.0417	0.0345
802	Light Switch	0.0060	0.0429	0.0356
803	Wet Mop	0.0656	0.0238	0.0245
804	Floor Wax	0.0651	0.0236	0.0242
805	Paint	0.0533	0.3125	0.1671
806	Pushbroom	0.0599	0.0217	0.0223
807	Detergent	0.0588	0.0213	0.0219
808	Bucket	0.0687	0.0249	0.0256
809	Washers	0.0146	0.0867	0.1404
810	Linens	0.4343	0.0916	0.1003
811	Pine Disinfectant	0.0064	0.0460	0.0381
812	Window/Glass Cleaner	0.0068	0.0487	0.0403
813	Switch Plate	0.0628	0.0228	0.0234
814	Duplex Receptacle	0.0579	0.0210	0.0216
815	Toilet Seat	0.0146	0.0867	0.1404
816	Deck Faucet	0.0149	0.0889	0.1439
	PARTS AND SUPPLIES	0.9956	1.0047	1.0042
901	Refrigerator #1	0.0083	0.0431	0.0389
902	Refrigerator #2	0.0447	0.2299	0.2079
903	Air Conditioner #1	0.0887	0.0110	0.0000
904	Air Conditioner #2	0.1067	0.0132	0.0000
907	Range #1	0.0013	0.0166	0.0260
908	Range #2	0.0067	0.0850	0.1332
909	Carpet	0.3074	0.3627	0.3499
910	Dresser	0.2186	0.1250	0.1284
911	Mattress & Box Spring	0.2197	0.1256	0.1290
	REPLACEMENT COSTS	1.0022	1.0122	1.0132
	ALL ITEMS	**1.0400**	**1.0388**	**1.0538**

I.3 Percentage Change in Real Estate Tax Sample by Source of Change and Hotel Type

	Percentage Change Due to Assessments	Percentage Change Due to Exemptions	Percentage Change Due to Abatements	Percentage Change Due to Tax Rate	Percentage Change Due to Tax Rate and Assessment	Total Percent Change
Hotels	0.29%	-0.04%	0.00%	0.53%	0.00%	0.78%
Rooming Houses	5.10%	-0.01%	-0.01%	0.53%	0.03%	5.63%
SROs	4.61%	-0.66%	0.09%	0.53%	0.02%	4.58%
Total	**2.70%**	**-0.24%**	**0.03%**	**0.53%**	**0.01%**	**3.03%**

Note: Totals may not add due to rounding.

I.4 Composition of the SRO Housing Stock in New York City, Housing & Vacancy Survey - 1991

	SRO	Rooming House	Class B	Class A	Other	Total
Total Housing Units	11,327	21,750	8,832	811	1,868	44,588
Total Owner Units	0	911	0	0	312	1,223
Owner-Occupied	0	665	0	0	312	977
Vacant for Sale	0	246	0	0	0	246
Total Rental Units	11,044	16,670	7,850	717	1,486	37,767
Renter-Occupied	10,133	14,235	5,877	543	1,403	32,191
Vacant for Rent	911	2,435	1,973	174	83	5,576
Total Vacant Not for Sale or Rent	283	4,169	982	94	70	5,598
Dilapidated	0	231	136	0	0	367
Rented - Not Yet Occupied	0	0	0	0	0	0
Sold - Not Yet Occupied	0	0	0	0	0	0
Undergoing Renovation	283	1,205	171	0	0	1,659
Awaiting Renovation	0	652	256	94	0	1,002
Used/Converted Nonresidential Use	0	0	0	0	0	0
Legal Dispute	0	210	0	0	0	210
Await Conversion	0	0	0	0	0	0
Held for Occasional Use	0	420	0	0	0	420
Owner Unable to Rent/Sale	0	141	0	0	0	141
Help Pending Sale of Building	0	695	0	0	0	695
Held for Planned Demolition	0	0	0	0	0	0
Held for Other Reasons	0	615	419	0	70	1,104
Not Reported	0	0	0	0	0	0
Total Occupied Units						
Renter-Occupied	**100.0%**	**95.5%**	**100.0%**	**100.0%**	**81.8%**	**97.1%**
Owner-Occupied	**0.0%**	**4.5%**	**0.0%**	**0.0%**	**18.2%**	**2.9%**

Source: 1991 Housing & Vacancy Survey.

Note: The reason, "Owner Unable to Rent/Sell" refers to personal problems, not to any market conditions.

I.5 Rent Regulated SRO Housing Stock in New York City, Housing & Vacancy Survey - 1991

	SRO	Rooming House	Class B	Class A	Other	Total
Total Units	**9,768**	**14,450**	**7,094**	**717**	**555**	**32,584**
Total Occupied	**8,857**	**12,676**	**5,121**	**543**	**472**	**27,669**
Controlled	179	1,165	83	87	0	1,514
Stabilized	8,678	11,511	5,038	456	472	26,155
Pre 1947	8,678	11,076	4,698	456	472	25,380
Post 1947	0	435	340	0	0	775
Total Vacant for rent	**911**	**1,774**	**1,973**	**174**	**83**	**4,915**
Stabilized	911	1,774	1,973	174	83	4,915
Pre 1947	911	1,774	1,973	174	83	4,915
Post 1947	0	0	0	0	0	0

Source: 1991 Housing & Vacancy Survey.

I.6 Income and Rent of SRO Households, Housing & Vacancy Survey - 1991

	Income		**Rent**	
	Median	Mean	Median	Mean
SRO	$6,000	$10,427	$320	$356
Rooming House	$9,600	$13,044	$250	$274
Class B	$6,156	$9,270	$270	$314
All Households	**$7,800**	**$11,615**	**$280**	**$318**

Source: 1991 Housing & Vacancy Survey.