EXPLANATORY STATEMENT - APARTMENT ORDER #50

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2018-19 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law[1]

Summary of Order No. 50

The Rent Guidelines Board (RGB) by Order No. 50 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2018 and on or before September 30, 2019 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2018 and on or before September 30, 2019: 1.5%

For a two-year renewal lease commencing on or after October 1, 2018 and on or before September 30, 2019: 2.5%

Vacancy Allowance

The vacancy allowance is now determined by a formula set forth in the State Rent Regulation Reform Act of 1997 and the Rent Act of 2015, not by the Orders of the Rent Guidelines Board.

Sublet Allowance

The increase landlords are allowed to charge when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2018 and on or before September 30, 2019 shall be 10%.

Adjustments for Lofts

For Loft units to which these guidelines are applicable in accordance with Article 7-C of the Multiple Dwelling Law, the Board established the following maximum rent increases for increase periods commencing on or after October 1, 2018 and on or before September 30, 2019. No vacancy allowance is included for lofts.

1 Year	2 Years
1.5%	2.5%

The guidelines do not apply to hotel, rooming house, and single room occupancy units that are covered by separate Hotel Orders.

Any increase for a renewal lease may be collected no more than once during the guideline period governed by Order No. 50.

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[1] This Explanatory Statement explains the actions taken by the Board members on individual points and reflects the general views of those voting in the majority. It is not meant to summarize all the viewpoints expressed.

Special Guideline

Leases for units subject to rent control on September 30, 2018 that subsequently become vacant and then enter the stabilization system are not subject to the above adjustments. Such newly stabilized rents 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 Rent Guidelines Board has set a special guideline of 39% above the maximum base rent.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2018 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

Background of Order No. 50

The Rent Guidelines Board is mandated by the Rent Stabilization Law of 1969 (Section 26-510(b) of the NYC Administrative Code) to establish annual guidelines for rent adjustments for housing accommodations subject to that law and to the Emergency Tenant Protection Act of 1974. In order to establish guidelines, the Board must consider, among other things:

1. the economic condition of the residential real estate industry in the affected area including such factors as the prevailing and projected (i) real estate taxes and sewer and water rates, (ii) gross operating and maintenance costs (including insurance rates, governmental fees, cost of fuel and labor costs), (iii) costs and availability of financing (including effective rates of interest), (iv) overall supply of housing accommodations and overall vacancy rates;

2. relevant data from the current and projected cost of living indices for the affected area;

3. such other data as may be made available to it.

The Board gathered information on the above topics by means of public meetings and hearings, written submissions by the public, and written reports and memoranda prepared by the Board's staff. The Board calculates rent increase allowances on the basis of cost increases experienced in the past year, its forecasts of cost increases over the next year, its determination of the relevant operating and maintenance cost-to-rent ratio, and other relevant information concerning the state of the residential real estate industry.

Material Considered by the Board

Order No. 50 was issued by the Board following **seven** public meetings, **five** public hearings, its review of written submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. Approximately **70** written submissions were received at the Board's offices from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 22, 2018** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 8, April 5, April 12, April 19 and May 24, 2018. On **April 26, 2018**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 7, June 11, June 13, June 19, and June 21, 2018** pursuant to Section 1043 of the New York City Charter and Section 26-510(h) of the New York City Administrative Code. Testimony on the proposed rent adjustments for rent-stabilized apartments and lofts was heard on June 7 from **5:40 p.m. to 9:20 p.m.,** June 11 from **5:20 p.m. to 10:00 p.m.,** June 13 from **5:05 p.m. to 8:15 p.m.,** June 19 from **4:10 p.m. to 8:00 p.m.,** and June 21 from **5:25 p.m. to 8:30 p.m.** The hearings ended when all those who were in attendance who registered to testify did so and there were no additional speakers. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately 256** apartment tenants and tenant representatives**, 12** apartment owners and owner representatives**,** and **5** public officials. In addition, **6** speakers read into the record written testimony from various public officials. On **June 26, 2018** the guidelines set forth in Order No. 50 were adopted.

A written transcription and/or audio recording and/or video recording was made of all proceedings.

Presentations by RGB Staff and Housing Experts Invited by Members of the Board

Each year the staff of the New York City Rent Guidelines Board is asked to prepare numerous reports containing various facts and figures relating to conditions within the residential real estate industry. The Board's analysis is supplemented by testimony from industry and tenant representatives, housing experts, and by various articles and reports gathered from professional publications.

Listed below are the other experts invited and the dates of the public meetings at which their testimony was presented:

Meeting Date / Name	Affiliation
March 8, 2018:	Staff presentations *2018 Income and Expense Study*
	NYC Department of Finance
1. Timothy Sheares	Deputy Commissioner, Property Division
April 5, 2018:	Staff presentations *2018 Income and Affordability Study*
	NYC Department of Housing Preservation and Development
1. Elyzabeth Gaumer	Assistant Commissioner, Research and Evaluation
April 12, 2018:	Staff presentations *2018 Price Index of Operating Costs* *2018 Mortgage Survey Report*
	NYS Homes and Community Renewal (HCR)
1. Woody Pascal	Deputy Commissioner for Rent Administration

April 19, 2018:

	Apartment Owners group testimony:
1. Vito Signorile	Rent Stabilization Association (RSA)
2. Michael Slattery	Real Estate Board of New York (REBNY)
3. Chris Athineos	Small Property Owners of New York (SPONY)
4. Joseph Condon	Community Housing Improvement Program (CHIP)
	Apartment Tenants group testimony:
1. Barika Williams	Association for Neighborhood and Housing Development (ANHD)
2. Oksana Mironova	Community Service Society (CSS)
3. Stephanie Rosoff	NYU Furman Center
4. Tim Collins	Collins, Dobkins and Miller LLP
	Hotel Tenants group testimony:
1. Brian J. Sullivan	Mobilization for Justice, Inc.
2. Lana L. Pelletier McCrea	Goddard Riverside Law Project
3. Larry Wood	Goddard Riverside Law Project
	Hotel Owner group testimony:
1. Solomon Borg	SRO Owner

May 24, 2018:	Staff presentations
	2018 Housing Supply Report
	Changes to the Rent Stabilized Housing Stock in New York City in 2017

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups[2]

Comments from tenants and tenant groups included:

"Given the rising rent burden on families in rent-stabilized apartments, the risk these families face if their rents are increased and the importance to our city to have affordable housing, combined with the fact that landlords have enjoyed a decade of growing profits, I call for this Board to not only reject the landlords absurd request to increase rents 4% for new one-year leases and 7% for two years, but to roll back rents so that we don't lose more units of affordable housing and families are not forced out of their homes…We are made strong by our diversity. Preserving and creating affordable housing is critical to promoting this diversify by ensuring seniors can stay here, young people can start here, and the middle class can prosper. Hard working New Yorkers who built their neighborhoods, lived there for years must be able to continue to live here. Rent regulations are the biggest provider of affordable housing for these New Yorkers and must be protected."

"RGB's decisions have a real impact on the well-being of low-income tenants. Over the past few years, the board has taken this into account. Ultimately, this board must find a way to institutionalize the practice of setting guidelines that reflect changes in both landlords' costs and tenants' incomes…With stagnating wages, a diminishing low-rent housing stock that

[2] Sources: Submissions by tenant groups and testimony by tenants.

leaves tenants with minimal choices if they are priced out of their rent regulated apartments, and evidence that RGB decisions have a measurable impact on the well-being of low-income New Yorkers, we recommend a rent freeze for this coming year."

"The RGB's own 2018 I&E study, based on data from 2015-16, the most recent available, indicates that the net operating profits, which went up 4.4 percent, has increased for over 10 years in a row. This is truly the "golden age" of NY residential real property ownership. During the 3-year period 2015-2018 landlords spent an estimated 58.3% of revenue on operations and maintenance. The data used in these calculations was based upon landlord's self-reported figures and is itself suspect because it is not audited and a corrected figure is likely to be inflated in order to hide income or minimize profits and fails to account for public trough tax incentives such as J-51 or 421-a or 421-g where the landlord essentially receives a tax break in exchange for doing maintenance or MCIs where the landlord gets a rent increase for maintenance which increases the value of the property."

"The RGB's proposal to increase rents for one-year leases by 0.75-2.75% and to increase rents for two-year leases by 1.75-3.75% should be rejected and all regulated rents should be frozen until necessary reforms in the rent-stabilization system are made. Any rent increases should be contingent on all of the following reforms: (1) elimination of vacancy deregulation/decontrol; (2) elimination of vacancy allowances; and (3) elimination of permanent rent increases based on MCI or IAI in favor of temporary increases, spread over 10 years. Without such necessary reforms to balance the detrimental impact of rent increases on tenants, the crisis in affordable housing will only worsen."

"As a rent stabilized tenant for over forty years, I have experienced the attempts by landlords to increase profits by raising rents in various ways while tenants struggle to pay the rent. Since 1980, "fuel pass-alongs," "poor taxes," MCIs (Major Capital Improvements), IAIs (Individual Apartment Improvements) and other fees are added to rents. MCIs, IAIs, and fuel pass-alongs are never rescinded despite the cost of the appliance paid, or the price of fuel decreased. We had "poor taxes" of $40 and $85 in different years. These are the reasons that tenants are rent-burdened."

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups[3]

Comments from owners and owner groups included:

"Rent-stabilized property owners can no longer afford to be deprived of the necessary source of income that they need to properly maintain and operate their buildings. After four years of unjustifiable rent guidelines that have totaled only 2.25%, this Board must reverse course and properly compensate owners for their continued increases in operating costs…Despite Preliminary Ranges set between 0.75% and 2.75% for one-year leases and 1.75% and 3.75% for two-year leases, RSA continues to believe that an increase of 4% for a one-year lease and a 7% increase for a two-year lease is justifiable for two reasons: these numbers fall well within the commensurate adjustments promulgated by RGB staff and it is time to make up for inadequate guidelines since 2014 that have burdened rent-stabilized property owners."

"The state housing agency has adopted rent increases for rent-controlled apartments of 9.6% for 2016-17 and 7.4% for 2018-19. These increases represent the increases in actual income

[3] Sources: Submissions by owner groups and testimony by owners

required to operate a housing unit under current costs. It is incredible that the state housing agency has determined that the above increases are needed to produce the necessary revenue to operate a unit of housing, while the RGB has adopted 0%-2% renewal increases for the same time periods. The long-term interests of tenants and the housing stock are better served through moderate increases that cover increases in costs to provide quality housing. This policy has been implemented over the past three decades and the proof of its positive effect can be seen in the current housing stock, which is at its highest level of quality since the Housing and Vacancy Survey began."

"Coming into this year's deliberations, the Rent Guidelines Board has set the lowest guidelines in history over a four-year period, with a meagre 2.25% increase for one-year guidelines that have included the first ever rent freezes. After last year's unjustifiable 1.25% rent increase in the face of a 6.2% increase in operating costs, this Board continues to punish owners who run buildings successfully rather than following this Board's mandate and properly compensating owners for their increased operating costs. This year is no different, as costs have once again increased by 4.5% and preliminary ranges have been set far below the Board's own commensurate ranges."

"Let's look at the cost figures over the last 22 years. The Board has authorized rent increases that cumulatively total 82% but the price index of operating costs over that same 22 year period has cumulatively been 181%, so the guidelines have given a good deal less than half of what you have determined the actual cost increases are. And it's even worse if you look at the last five years, I mean the last five years would certainly be something we can all remember. The last five years the compounded rent increases granted by the board were 2¼%, and the PIOC during the last 5 years was nearly 12%, so these numbers are way out of joint."

"It is obvious that this Board is not sympathetic to property owners. However, if you really want to help these tenants you are trying to protect, you must understand that tenants will ultimately suffer as inadequate rent increases cut off owner ability to maintain and repair their buildings. If this continues, deteriorating housing conditions will ensue. For owners who have developed relationships with their tenants and enjoy owning their buildings, it will ultimately become a lose-lose situation for everybody. It is due time for this Board to reverse course for the under-compensation of the last four years and we ask for an end to unreasonable rent guideline increases."

Selected Excerpts from Oral and Written Testimony from Public Officials[4]

Comments from public officials included:

"A lot has been written about how the data justifies a rent increase, because the Price Index of Operating Costs increased by 4.5% over last year. This single data point only justifies a rent increase if one ignores the rest of the data made available by the RGB's excellent research staff. Those numbers tell us, for instance, that for the 12th straight year Net Operating Income grew by 4.4% this year. If costs are going up by 4.5% and you're still making a net profit of 4.4%, then you do not need to be saved by government. The people whose hard-earned paychecks are supplying that 4.4% profit increase are the ones in need of saving…Since 1994, New York City has lost a net 147,512 rent-stabilized apartments--a staggering number. In 2017, we lost 6,657 rent stabilized units."

[4] Sources: Submissions by public officials.

“Even if the rent increases ultimately approved are at the low end of the proposed ranges, I have serious concerns about what this decision would mean for the more than 2 million low-, moderate, and middle-income rent stabilized tenants in NYC who already are facing unprecedented rent burdens. Over past two decades, the RGB has approved rent increases that dramatically outpaced both building owners' expenses and tenants' incomes…I strongly encourage the RGB to enact 0% increases for both one and two-year leases. Such a decision would be entirely consistent with the legislative mandate and jurisdiction of the RGB, which was established in 1969 to set rent guidelines which counteract the effects of an acute housing shortage. This shortage still exists--according to the 2017 HVS the citywide vacancy rate for all rental apartments was 3.63%.”

“We now know that the rent freezes and low increases did not in fact stop the rise in stabilized rents and the loss of affordable housing. The 2017 HVS reports that the median rent for post-war stabilized units increased 4.5% since 2014. Continued rent increases most heavily impact working and poor households in New York City. 2016 data compiled by the NYU Furman Center show that, in Manhattan, nearly one-quarter of all rental households are severely rent burdened- meaning these households pay more than 50% of their annual income toward rent…The cumulative compensation that this Board has granted to landlords over the past two decades far outpaces the calculated net operating expenses for buildings. Additionally, each MCI payment beyond the landlord's recuperation of capital expenses constitutes another kind of over-compensation. I firmly believe that tenants are still owed many more years of rent freeze in order to be made whole. However, in light of the range of increases that this Board has proposed, I urge you to vote for the lowest rent increase for both one-year and two-year lease renewals.”

“In my home neighborhood of Stuyvesant Town and Peter Cooper Village, we know firsthand about the importance of rent stabilization. Our community would not be possible without the regulation and protection of rents. Any rent increase recommended by the Rent Guidelines Board would be compounded by the perpetual payments added onto rent for Major Capital Improvements (MCIs). Charges for MCIs can last long beyond the date when their accumulation would have essentially paid for the improvements themselves. Until the laws governing this are altered, the additional cost must be weighed into any decision made by this board…In the last decade, our city's homeless population has nearly doubled. According to the Coalition for the Homeless, the number of individuals within the shelter system or living on the street almost doubled from 33,285 in June 2008 to 62,974 in March 2018. The homelessness epidemic is a crisis that will only be exacerbated by a rent increase.”

“The range of 2018 proposed increases…continues the long-standing policy of excessively favoring landlords. The RGB got well-earned praise for its historic vote to freeze one-year lease renewal increases for 2015 and 2016, but the 2018 preliminary vote is a return to previous wrong policy. The Community Service Society's 2017 data analysis shows the 2014, 2015 and 2016 low lease increases have not corrected the problem of excessive hikes occurring in the Bloomberg era. According to CSS, rents are higher now than they would be if the board had issued guidelines in previous years reflecting actual landlord cost changes. The RGB should vote a rent freeze to redress years of unjustified rent hikes. Tenants were hit with burdensome increases between 2007 and 2013 as high as 7.75 and 8.5 percent for a two-year renewal, while unemployment rates soared during an economic downturn period. From 2005 to 2012, the median rent in New York City rose 11%; while household incomes rose at a low 2%.”

FINDINGS OF THE RENT GUIDELINES BOARD

Rent Guidelines Board Research

The Rent Guidelines Board based its determination on its consideration of the oral and written testimony noted above, as well as upon its consideration of statistical information prepared by the RGB staff set forth in these findings and the following reports:

1. *2018 Income and Expense Study*, March 2018, (Based on income and expense data provided by the Finance Department, the *Income and Expense Study* measures rents, operating costs and net operating income in rent stabilized buildings);

2. *2018 Mortgage Survey Report*, April 2018, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

3. *2018 Income and Affordability Study*, April 2018, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);

4. *2018 Price Index of Operating Costs*, April 2018, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);

5. *2018 Housing Supply Report*, May 2018, (Includes new housing construction measured by certificates of occupancy in new buildings and units authorized by new building permits, tax abatement and exemption programs, and cooperative and condominium conversion and construction activities in New York City); and,

6. *Changes to the Rent Stabilized Housing Stock in NYC in 2017*, May 2018, (A report quantifying all the events that lead to additions to and subtractions from the rent stabilized housing stock).

The six reports listed above may be found in their entirety on the RGB's website, nyc.gov/rgb, and are also available at the RGB offices, One Centre St., Suite 2210, New York, NY 10007 upon request.

2018 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City

The 2018 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 4.5% increase in costs for the period between March 2017 and March 2018.

This year, the PIOC for all rent stabilized apartment buildings increased by 4.5%. Increases occurred in all PIOC components. The largest proportional increase was seen in Fuel (16.4%), followed by Taxes (6.3%). More moderate increases occurred in Maintenance (3.4%), Insurance Costs (3.3%), Labor Costs (3.2%), Administrative Costs (1.6%), and Utilities (0.5%). The growth in the Consumer Price Index (CPI), which measures inflation in a wide range of consumer goods and services, during this same time period was lower than the PIOC, rising

1.8%.[5] See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2017-18.

The "Core" PIOC, which excludes changes in fuel oil, natural gas, and steam costs used for heating buildings, is useful for analyzing long-term inflationary trends. The Core PIOC rose by 3.7% this year and was lower than the overall PIOC due to the exclusion of costs in the Fuel component, which rose 16.4%.

Table 1

2017-18 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City[6]			
Component	Expenditure Weights	2017-18 Percentage Δ	2017-18 Weighted Percentage Δ
Taxes	29.88%	6.32%	1.89%
Labor Costs	16.72%	3.19%	0.53%
Fuel Oil	6.44%	16.44%	1.06%
Utilities	10.34%	0.48%	0.05%
Maintenance	17.93%	3.44%	0.62%
Administrative Costs	13.56%	1.58%	0.21%
Insurance Costs	5.13%	3.32%	0.17%
All Items	100%	-	4.53%

Source: *2018 Price Index of Operating Costs*
Note: The Δ symbol means change.

On April 12, 2018 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the *Price Index of Operating Costs (PIOC)*. The entire memo follows:

Memorandum

To: All Board Members
From: Andrew McLaughlin
Date: April 17, 2018
Re: 2018 Price Index of Operating Costs (PIOC) Follow-up

At the April 12, *2018 Price Index of Operating Costs* (PIOC) presentation, requested that the staff update the table below to include the tax levy share and the tax rate for Class 2 buildings for FY 2018. The tax levy share has gone from 29.00% in FY1993 to 37.42% in FY2018. Over the same period, the tax rate has increased from 9.910 to 12.719.

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5 The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2017 to February 2018 (269.2) compared to the average for the year from March 2016 to February 2017 (264.5) rose by 1.8%. This is the latest available CPI data and is roughly analogous to the 'PIOC year'.
6 Totals may not add due to weighting and rounding.

Tax Levy Share and Tax Rate for Class 2 Properties from FY1993 to FY2018

	Percent of Class 2 Levy Share	Percentage Points Change of Class 2 Share From Prior FY	Class 2 Tax Rate	Percent Change in Class 2 Tax Rate from Prior FY
FY1993	29.00%	-	9.910	-
FY1994	30.78%	1.8%	10.369	4.63%
FY1995	31.57%	0.8%	10.552	1.76%
FY1996	32.61%	1.0%	10.807	2.42%
FY1997	33.64%	1.0%	11.056	2.30%
FY1998	33.90%	0.3%	11.046	-0.09%
FY1999	32.20%	-1.7%	10.739	-2.78%
FY2000	34.10%	1.9%	10.851	1.04%
FY2001	34.50%	0.4%	10.847	-0.04%
FY2002	34.90%	0.4%	10.792	-0.51%
FY2003*	34.90%	0.0%	11.541	6.94%
FY2004	35.60%	0.7%	12.620	9.35%
FY2005	34.90%	-0.7%	12.216	-3.20%
FY2006	35.40%	0.5%	12.396	1.47%
FY2007	36.50%	1.1%	12.737	2.75%
FY2008	36.72%	0.2%	11.928	-6.35%
FY2009	37.21%	0.5%	12.596	5.60%
FY2010	37.47%	0.3%	13.241	5.12%
FY2011	37.42%	-0.05%	13.353	0.85%
FY2012	37.81%	0.4%	13.433	0.60%
FY2013	36.97%	-0.8%	13.181	-1.88%
FY2014	36.75%	-0.2%	13.145	-0.27%
FY2015	36.18%	-0.6%	12.855	-2.21%
FY2016	36.55%	0.4%	12.883	0.22%
FY2017	37.26%	0.7%	12.892	0.07%
FY2018	37.42%	0.2%	12.719	-1.34%

* There was a rate adjustment mid-way through fiscal year 2003 on January 1, 2003. The first half of FY2003 the rate was 10.607 and the second half rate was 12.517.

Source: NYC Department of Finance

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes 15,389 properties containing 705,122 units. This is the 26th year that staff has been able to obtain longitudinal data in addition to cross-sectional data. The RGB staff found the following average monthly (per unit) operating and maintenance (O&M) costs in 2017 Real Property Income and Expense (RPIE) statements for the year 2016:

Table 2

2016 Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	$938	$1,108	$985

Source: *2018 Income and Expense Study*, from 2017 Real Property Income and Expense filings for 2016, NYC Department of Finance.

In 1992, the Board benefited from the results of audits conducted on a stratified sample of 46 rent stabilized buildings by the Department of Finance. Audited income and expense (I&E) figures were compared to statements filed by owners. On average the audits showed an 8% over reporting of expenses. The categories, which accounted for nearly all of the expense over reporting, were maintenance, administration, and "miscellaneous." The largest over-reporting was in miscellaneous expenses.

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be $904, rather than $985. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2016 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs[7]	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	$904	$1,371	0.660	$1,552	0.583

Source: *2018 Income and Expense Study*, from 2017 Real Property Income and Expense filings for 2016, NYC Department of Finance.

Forecasts of Operating and Maintenance Price Increases for 2018-19

In order to decide upon the allowable rent increases for two-year leases, the RGB considers price changes for operating costs likely to occur over the next year. In making its forecasts the Board relies on expert assessments of likely price trends for the individual components, the history of changes in prices for the individual components and general economic trends. The Board's projections for 2018-19 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

[7] Overall O&M expenses were adjusted according to the findings of an income and expenses audit conducted by the Department of Finance in 1992. The unadjusted **O&M to Rent** ratio would be 0.718. The unadjusted **O&M to Income** ratio would be 0.634.

Table 3

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2017-18 and Projected 2018-19		
	Price Index 2017-18	Projected Price Index 2018-19
Taxes	6.3%	5.7%
Labor Costs	3.2%	3.2%
Fuel Oil	16.4%	1.1%
Utilities	0.5%	1.7%
Maintenance	3.4%	1.8%
Administrative Costs	1.6%	2.0%
Insurance Costs	3.3%	5.3%
Total (Weighted)	**4.5%**	**3.4%**

Source: *2018 Price Index of Operating Costs*

Overall, the PIOC is expected to grow by 3.4% from 2018 to 2019. Costs are predicted to rise in each component, with the largest growth (5.7%) projected to be in Taxes, the component that carries the most weight in the Index. Other projected increases include Insurance Costs (5.3%), Labor Costs (3.2%), Administrative Costs (2.0%), Maintenance (1.8%), Utilities (1.7%), and Fuel (1.1%). Table 3 shows projected changes in PIOC components for 2019. The core PIOC is projected to rise 3.5%, 0.1 percentage points more than the overall projected Apartment PIOC.

Commensurate Rent Adjustment

Throughout its history, the Rent Guidelines Board has used a formula, known as the commensurate rent adjustment, to help determine annual rent guidelines for rent stabilized apartments. In essence, the “commensurate” combines various data concerning operating costs, revenues, and inflation into a single measure to determine how much rents would have to change for net operating income (NOI) in rent stabilized buildings to remain constant. The different types of “commensurate” adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

In its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain owners’ current dollar NOI at a constant level. In other words, the commensurate provides a set of one- and two-year renewal rent adjustments, or guidelines, that will compensate owners for the change in prices measured by the PIOC and keep net operating income constant.

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the term of leases actually signed by tenants, it does not adjust owners’ NOI for inflation. The “Net Revenue” formula is presented in two ways: First, by adjusting for the mix of lease terms; and second, by adding an assumption for rent stabilized apartment turnover and the subsequent impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 4.5% increase in the PIOC is 3.5% for a one-year lease and 6.25% for a two-year lease. Using this formula, and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover, results in guidelines of 1.75% for one-year leases and 3.0% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (O&M) costs and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 1.8% increase in the Consumer Price Index (see Endnote 3) and the 4.5% increase in the PIOC is 4.5% for a one-year lease and 7.25% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 2.5% for one-year leases and 4.5% for two-year leases.[8]

The third commensurate method, the “traditional” commensurate adjustment, is the formula that has been in use since the inception of the Rent Guidelines Board and is the only method that relies on the PIOC projection. The “traditional” commensurate yields 2.9% for a one-year lease and 4.0% for a two-year lease. This reflects the increase in operating costs of 4.5% found in the 2018 PIOC and the projection of a 3.4% increase next year.

All of these commensurate methods have limitations. The “Net Revenue” formula does not attempt to adjust NOI based on changes in interest rates or the effect of inflation. The “CPI-Adjusted NOI” formula inflates the debt service portion of NOI, even though interest rates have been historically low over recent years. For both of these commensurate methods, including a consideration of the amount of income owners receive on vacancy assumes that turnover rates are constant across the City.

As a means of compensating for cost changes, the “traditional” commensurate rent adjustment has two major flaws. First, although the formula is designed to keep owners’ current dollar income constant, the formula does not consider the mix of one- and two- year lease renewals. Since only about two-thirds of leases are renewed in any given year, with a majority of leases being renewed having a one-year duration, the formula does not necessarily accurately estimate the amount of income needed to compensate owners for O&M cost changes.

A second flaw of the “traditional” commensurate formula is that it does not consider the erosion of owners’ income by inflation. By maintaining current dollar NOI at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the “traditional” commensurate formula.[9]

Finally, it is important to note that only the “traditional” commensurate formula uses the PIOC projection and that this projection is not used in conjunction with, or as part of, the “Net Revenue” and “CPI-Adjusted NOI” formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The “Net Revenue” and the “CPI-Adjusted NOI” formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (4.5%). The traditional method differs from the other formulas in that it uses both the PIOC’s actual change in costs as well as the projected change in costs (3.4%).

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[8] The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 63.4% of the 2018 PIOC increase of 4.5%, or 2.9%. The 63.4% figure is the most recent ratio of average operating costs to average income in rent stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 36.6% times the latest 12-month increase in the CPI ending February 2018 (1.8%), or 0.66%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2014 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 11.43% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2017 apartment registration file from the New York State Homes and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

[9] Whether profits will actually decline depends on the level of inflation, the composition of NOI (i.e., how much is debt service and how much is profit), and changes in tax law and interest rates.

Each of these formulae may be best thought of as a starting point for deliberations. The data presented in other Rent Guidelines Board annual research reports (e.g., the *Income and Affordability Study* and the *Income and Expense Study*) along with public testimony can be used in conjunction with these various commensurates to determine appropriate rent adjustments.

Consideration of Other Factors

Before determining the guideline, the Board considered other factors affecting the rent stabilized housing stock and the economics of rental housing.

Effective Rates of Interest

The Board took into account current mortgage interest rates and the availability of financing and refinancing. It reviewed the staff's *2018 Mortgage Survey Report* of lending institutions. Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

Table 4

2018 Mortgage Survey[10]
Average Interest Rates and Points for
New Financing of Permanent Mortgage Loans 2010-2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Avg. Rates	6.3%	5.8%	4.6%	4.4%	4.9%	4.3%	4.0%	4.3%	4.8%
Avg. Points	0.79	0.61	0.63	0.59	0.54	0.70	0.42	0.44	0.44

On April 17, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2018 Mortgage Survey Report*. The memo follows:

[10] Institutions were asked to provide information on their "typical" loan to rent stabilized buildings. Data for each variable in any particular year and from year to year may be based upon responses from a different number of institutions.

Memorandum

To: All Board Members

From: Andrew McLaughlin and Brian Hoberman

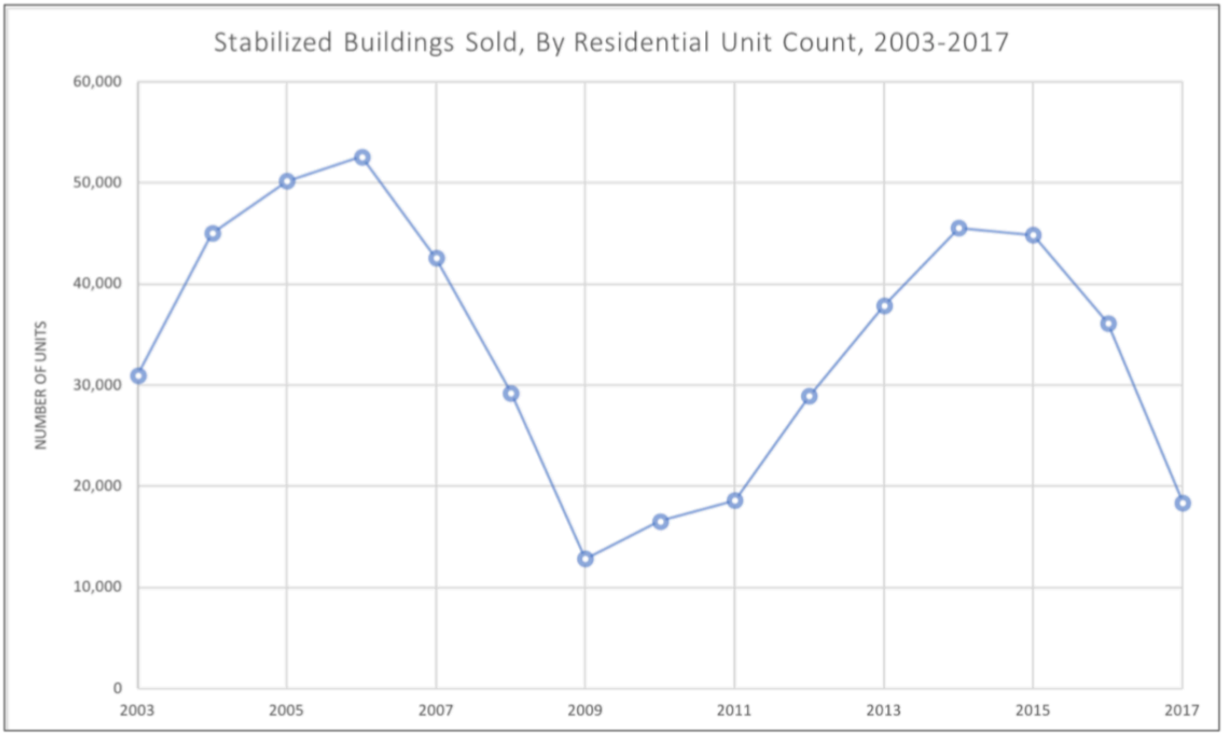
Date: April 17, 2018

Re: *2018 Mortgage Survey Report* Follow-up Memo

The Rent Guidelines Board asked staff for additional information related to rent stabilized building sales, which are collected annually in the *Mortgage Survey Report*. In particular, a request was made for Citywide stabilized building sales data to be depicted in a graph similar to the one in the report, but instead by the number of units in buildings sold annually. The first graph below depicts building sales from 2003 to 2017 by unit count, and the second graph depicts the number of buildings sold during the same period.

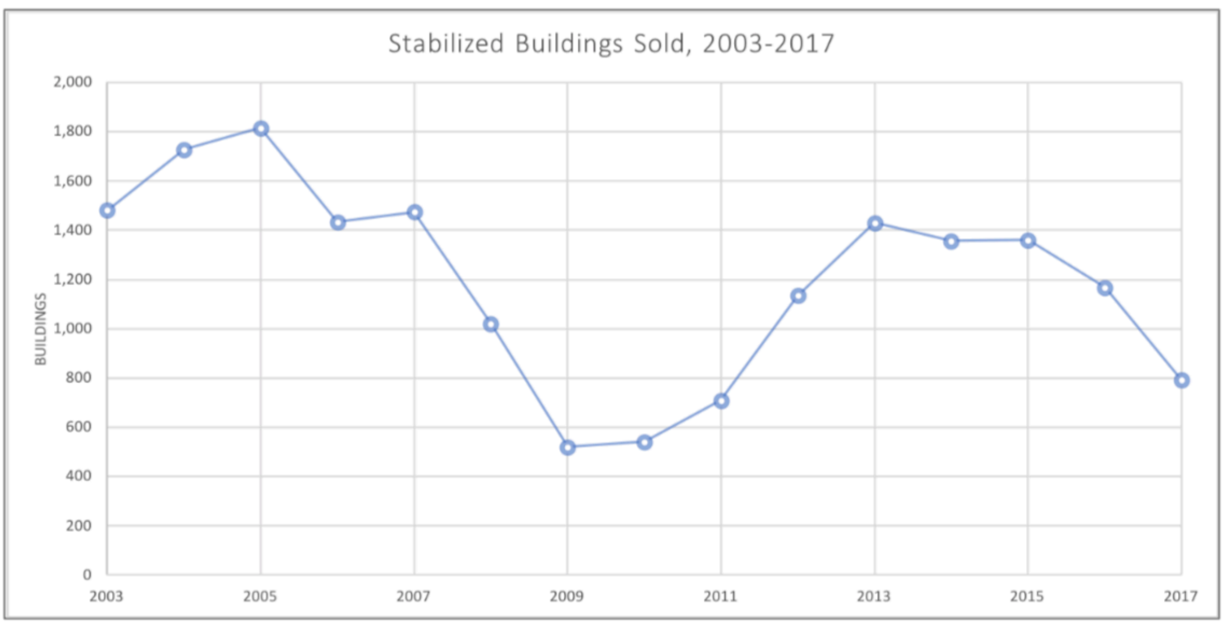
As the graphs illustrate, the number of units located in buildings sold closely tracks the number of buildings sold in most years. However, in two years, 2006 and 2014, the number of buildings sold declined from the prior year while the number of units in buildings sold increased. In both of those years, Stuy Town/Peter Cooper Village was sold, which together contain 11,247 residential units.

Rent Stabilized Building Sales Citywide, by Unit, 2003-2017



Source: NYC Department of Finance
Note: Figures exclude Staten Island

Rent Stabilized Building Sales Citywide, by Building, 2003-2017



Source: NYC Department of Finance
Note: Figures exclude Staten Island

Condition of the Rent Stabilized Housing Stock

The Board reviewed the number of units that are moving out of the rental market due to cooperative and condominium conversion.

Table 5

Number of Cooperative / Condominium Plans[11] Accepted for Filing, 2009-2017									
	2009	2010	2011	2012	2013	2014	2015	2016	2017
New Construction	335	235	185	111	151	211	219	210	228
Conversion Non-Eviction	29	20	20	24	16	20	28	27	18
Conversion Eviction	13	4	9	3	0	0	1	0	0
Rehabilitation	1	0	2	8	21	37	43	45	33
Total	378	259	216	146	188	268	291	282	279
Subtotal:									
HPD Sponsored Plans	13	4	9	3	1	0	1	0	0

Source: New York State Attorney General's Office, Real Estate Financing.

On June 13, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2018 Housing Supply Report*. The memo follows:

[11] The figures given above for eviction and non-eviction plans include those that are abandoned because an insufficient percentage of units were sold within the 15-month deadline. In addition, some of the eviction plans accepted for filing may have subsequently been amended or resubmitted as non-eviction plans and therefore may be reflected in both categories. HPD sponsored plans are a subset of the total plans. Some numbers revised from prior years.

Memorandum

To: All Board Members
From: Danielle Burger
Date: June 13, 2018
Re: 2018 Housing Supply Report Follow-up

At the May 24, 2018 *Housing Supply Report* presentation, five questions were asked for which an immediate answer could not be provided. Answers follow.

Question 1: Can you track population growth against housing permits and projected housing growth?

While both population growth and the growth in housing permits can be tracked over time, correlating the two statistics is more challenging. Among the issues:

- We cannot be certain that every permit results in a completed housing unit
- We do not know when the units that receive permits actually come onto the market
- We do not know the size of the units being constructed
- And we do not know how many housing units are required to house increasing population (i.e. if population increases by 1,000 persons, less than 1,000 housing units are required to house this population)

One way to measure whether housing growth is keeping up with population is to look at average household sizes over time. Although, an increasing household size does not necessarily indicate a lack of supply of housing – it can also indicate that housing costs are rising (requiring doubling up). It can also indicate that housing units are getting larger (on average), i.e. a one-bedroom apartment with four persons is considered overcrowded, but a two-bedroom apartment is not. To estimate the possible effect of housing units getting larger or smaller (on average), we can also look at overcrowding rates (defined as more than one person per room). The two sources of this information, the annual American Community Survey (ACS), with data from 2005-2016, and the triennial Housing and Vacancy Survey (HVS), with data from 1999-2014 (full 2017 HVS data is not yet available), follows:

American Community Survey, 2005-2016

Year	Average Household Size (all types of housing units)	% Overcrowded (all types of housing units)
2005	2.63	7.7%
2006	2.66	8.0%
2007	2.67	8.0%
2008	2.68	8.3%
2009	2.66	7.9%
2010	2.64	9.1%
2011	2.67	8.9%
2012	2.64	8.8%
2013	2.67	8.9%
2014	2.64	8.9%
2015	2.68	9.5%
2016	2.68	9.3%

Source: American Community Survey, U.S. Census Bureau

NYC Housing and Vacancy Survey, 1999-2014

Year	Average Household Size (all types of housing units)	% Overcrowded (all types of housing units)
1999	2.5	8.7%
2002	2.4	8.6%
2005	2.4	7.9%
2008	2.4	8.0%
2011	2.5	9.3%
2014	2.4	9.9%

Source: NYC Housing and Vacancy Survey, U.S. Census Bureau

Note that the ACS for the United States as a whole shows a similar increase in household size between 2005 and 2006, rising steadily from 2.60 in 2005 to 2.65 in 2016. Per the ACS, overcrowding rates in the U.S. as a whole ranged from a low of 2.9% to a high of 3.4% during the same period.

The ACS data for New York City shows an increase of 188,458 housing units from 2005 to 2016, an increase of 5.8%, and an increase in population during the same time period of 581,560 persons, a 7.3% increase. The HVS data shows an increase of 361,297 housing units from 1999 through 2014, an increase of 11.9%, and an increase in population during the same time period of 1,046,666 persons, an increase of 14.4%.

In December of 2013, the NYC Department of City Planning (DCP) published estimates of population growth for New York City through 2040. At that time, they estimated that the population of NYC in 2020 would be 8.55 million; in 2030 would be 8.82 million; and in 2040 would be 9.03 million. However, per the Census Bureau, the population for New York City in 2017 was estimated to be 8.62 million, above the estimates for 2020 anticipated by DCP. Projections of building construction in New York City from the New York Building Congress only extend to 2019, with an estimated 24,000 units of housing planned in 2018 and 22,000 units in 2019.

Question 2: Can you provide historical vacancy rates?

The New York City Housing and Vacancy Survey is produced triennially to determine, in part, the vacancy rate in New York City. Vacancy rates from the survey for the period of 1999-2017 are presented in the chart below.

HVS Year	Vacancy Rate
1999	3.19%
2002	2.94%
2005	3.09%
2008	2.88%
2011	3.12%
2014	3.45%
2017	3.63%

Source: NYC Housing and Vacancy Survey, U.S. Census Bureau

Question 3: Can you provide historical overcrowding rates for both all rental apartments as well as just rent stabilized apartments?

The New York City Housing and Vacancy Survey is produced triennially and provides the frequency of overcrowding (defined as more than one person per room) for rental apartments in New York City. Overcrowding rates from the survey for the period of 1999-2017 are presented in the chart below.

HVS Year	All Apts. Overcrowding Rate	RS Apts. Overcrowding Rate
1999	11.0%	13.2%
2002	11.1%	13.2%
2005	10.2%	12.3%
2008	10.1%	11.5%
2011	11.5%	13.9%
2014	12.2%	14.9%
2017	11.5%	13.1%

Source: NYC Housing and Vacancy Survey, U.S. Census Bureau

Question 4: Are affordable housing units being replaced at the same rate that previously built units expire from their respective programs?

We do not, at this time, have access to information about which units are set to expire from affordable housing programs. In some cases, as the units are set to expire, the City will step in to offer incentives for keeping the units affordable (such as with Mitchell-Lama units). A website produced by the City (https://www1.nyc.gov/site/housing/action/by-the-numbers.page) does offer up-to-date information on new affordable units being constructed or preserved under the de Blasio Administration's "Housing New York" plan.

Question 5: How do rent adjustments set by the Rent Guidelines Board (RGB) affect the rents of units in affordable housing programs, such as project-based Section 8?

Staff cannot provide a definitive response on if, or how, rent adjustments set by the RGB could affect rents outside of rent stabilization. There are numerous affordable housing programs operating within New York City, with different methods for determining both the initial rent of the unit and the rent being paid by the tenant. As a reference, the following outlines some of the ways rents are set for affordable housing projects.

For some programs, such as project-based Section 8, the initial rent of the unit is determined by a study of "market comparables," with a maximum rent level no more than 10% higher than the Fair Market Rent (FMR) for the metro area. The FMR is determined by the U.S. Department of Housing and Urban Development (HUD), using rent information from the annual American Community Survey (for the metro area of New York City, including Putnam, Rockland, and Westchester Counties). A study of "market comparables" includes a local survey of rents of units with a similar profile to that for which the rent is being newly established (HUD guidelines require a study of at least three comparable apartments, and recommend at least five). However, as the goal of affordable housing programs (including Section 8) is to keep apartments affordable to those renting them, the amount of rent being paid by the tenant is approximately 30% of their income, regardless of the rent of the unit.

For the voucher-based Section 8 program, tenants can rent apartments anywhere they choose, paying approximately 30% of their income towards rent, provided that the rent of the unit does not exceed the FMR (however, the tenant can pay the difference if they so choose). However, as the FMR is not the rent being paid by tenants, but rather the maximum amount an owner will be subsidized, any increase in the FMR does not affect the amount of rent being paid by the tenant. In addition to having no effect on the tenant's proportion of rent, an increase in the FMR allows a wider range of apartments to be eligible for the full subsidy, increasing the universe of apartments available to Section 8 voucher holders.

For many programs (such as 421-a), the initial rent is determined by the Area Median Income (AMI), which is based on income data from the American Community Survey for the metropolitan area. The AMI is calculated using a similar methodology as that to determine FMRs, and is not based on the prevailing rent of any other housing unit. Units can be targeted to different income groups (such as extremely low-income households, defined as those households making between 0% and 30% of AMI, or middle-income households, defined as those households making between 121% and 165% of AMI). For each income group, rents will be set that are "affordable" to that group, approximately 30% of their income.

Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2011.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2011-2018 (For "All Urban Consumers")								
	2011	2012	2013	2014	2015	2016	2017	2018
1st Quarter Avg.[12]	2.0%	2.7%	2.1%	1.4%	-0.2%	0.7%	2.5%	1.6%
Yearly Avg.	2.8%	2.0%	1.7%	1.3%	0.1%	1.1%	2.0%	--

Source: U.S. Bureau of Labor Statistics.

[12] 1st Quarter Average refers to the change of the CPI average of the first three months of one year to the average of the first three months of the following year. Some numbers revised from prior years.

Calculating of the Current Operating and Maintenance Expense to Rent Ratio

Each year the Board estimates the current average proportion of the rent roll which owners spend on operating and maintenance costs. This figure is used to ensure that the rent increases granted by the Board compensate owners for the increases in operating and maintenance expenses. This is commonly referred to as the O&M to rent ratio.

With current longitudinal income and expense data, staff has constructed an index, using 1989 as a base year. Except for the last three years, this index measures changes in building income and operating expenses as reported in annual income and expense statements. The second and third to last years 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. This index is labeled as Table 7.

However, this 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. Second, while this table looks at the overall relationship between costs and income, it does not measure the specific impact of rent regulation on that relationship.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2019			
Year[13]	Average Monthly O & M Per d.u.[14]	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	$395 ($363)	$576	.69 (.63)
1993	$409 ($376)	$601	.68 (.63)
1994	$415 ($381)	$628	.66 (.61)
1995	$425 ($391)	$657	.65 (.59)
1996	$444 ($408)	$679	.65 (.60)
1997	$458 ($421)	$724	.63 (.58)
1998	$459 ($422)	$755	.61 (.56)
1999	$464 ($426)	$778	.60 (.55)
2000	$503 ($462)	$822	.61 (.56)
2001	$531 ($488)	$868	.61 (.56)
2002	$570 ($524)	$912	.63 (.57)
2003	$618 ($567)	$912	.68 (.62)
2004	$654 ($601)	$969	.67 (.62)
2005	$679 ($624)	$961	.71 (.65)
2006	$695 ($638)	$1,009	.69 (.63)
2007	$738 ($678)	$1,088	.68 (.62)
2008	$790 ($726)	$1,129	.70 (.64)
2009	$781 ($717)	$1,142	.68 (.63)
2010	$790 ($726)	$1,171	.67 (.62)
2011	$812 ($746)	$1,208	.68 (.63)
2012	$841 ($772)	$1,277	.66 (.60)
2013	$884 ($812)	$1,337	.66 (.61)
2014	$946 ($869)	$1,434	.66 (.61)
2015	$960 ($882)	$1,487	.64 (.59)
2016	$985 ($905)	$1,552	.63 (.58)
2017[15]	$1,046 ($961)	$1,577	.66 (.61)
2018[16]	$1,093 ($1,004)	$1,608	.68 (.62)
2019[17]	$1,130 ($1,038)	$1,648	.69 (.63)

Source: RGB Income and Expense Studies, 1989-2018, Price Index of Operating Costs, 2017 - 2018, RGB Rent Index for 2014 - 2018.

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[13] The O&M and income data from 2008 to 2011 has been revised from that reported in previous explanatory statements to reflect actual, rather than estimated, expense and income data.

[14] 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.

[15] Estimated expense figure includes 2017 expense updated by the PIOC for the period from 3/1/16 through 2/28/17 (6.2%). Income includes the income for 2017 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/16 through 2/28/17 (**1.62%** - i.e., the 10/1/15 to 9/30/16 rent projection (1.55%) times (.583), plus the 10/1/16 to 9/30/17 rent projection (1.72**%**) times (.417))

[16] Estimated expense figure includes 2018 expense estimate updated by the PIOC for the period from 3/1/17 through 2/28/18 (4.5%). Income includes the income estimate for 2018 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/17 through 2/28/18 (**1.98%** - i.e., the 10/1/16 to 9/30/17 rent projection (1.72%) times (.583), plus the 10/1/17 to 9/30/18 rent projection (2.35%) times (.417)).

[17] Estimated expense figure includes 2019 expense estimate updated by the 2019 PIOC projection for the period from 3/1/18 through 2/28/19 (3.4%). Income includes the income estimate for 2019 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/18 through 2/28/19 (**2.48%** - i.e., the 10/1/17 to 9/30/18 rent projection (2.35%) times (.583), plus the 10/1/18 to 9/30/19 rent projection (2.66%) times (.417))

On April 9, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2018 Income & Expense Study*. The memo follows:

Memorandum

To: All Board Members

From: Andrew McLaughlin and Brian Hoberman

Date: April 9, 2018

Re: *2018 Income and Expense Study* Follow-up Memo

The Rent Guidelines Board asked the RGB staff to research whether the income and expense profile of stabilized buildings varies depending on the proportion of stabilized units. The RGB staff requested and analyzed additional data from the NYC Department of Finance for the same RPIE period as that reported in the *2018 Income & Expense (I&E) Study*, categorizing stabilized buildings by those with 20% or more stabilized units, 50% or more stabilized units, 80% or more stabilized units, and all stabilized buildings, and by geography.[1]

Our analysis reveals that with the exception of Core Manhattan, stabilized buildings throughout the City have similar expense and income profiles regardless of the proportion of stabilized units. We found that that the unaudited cost-to-income ratio in Core Manhattan rises 1.6 percentage points when going from all stabilized buildings to 80%+ stabilized, but increases just 0.3 percentage points in the City excluding Core Manhattan. Similarly, we found that net operating income (NOI) growth in Core Manhattan decreases 2.7 percentage points when going from all stabilized buildings to 80%+ stabilized, but increases 0.3 percentage points in the City excluding Core Manhattan. This data and additional income and expense statistics are presented in the tables that follow.

[1] Note that the data used in this analysis are unweighted and building counts vary slightly from that used in the *2018 I&E Study*.

Average Rent, Income and Costs

The following table breaks down average rent, income and costs by Citywide, Core Manhattan and City excluding Core Manhattan. The table shows that average rent, income, and costs declined in all parts of the City when going from all buildings containing stabilized units to 80%+ stabilized.

Table 1

	All Buildings Containing Stabilized Units	20%+ Stabilized	50%+ Stabilized	80%+ Stabilized
Average Rent				
Citywide	**$1,378**	**$1,305**	**$1,174**	**$1,139**
Core Manhattan	$2,001	$1,884	$1,621	$1,617
City w/o Core Manhattan	$1,157	$1,150	$1,118	$1,099
Average Income				
Citywide	**$1,593**	**$1,497**	**$1,323**	**$1,269**
Core Manhattan	$2,495	$2,368	$2,061	$2,017
City w/o Core Manhattan	$1,273	$1,264	$1,231	$1,208
Average Costs				
Citywide	**$1,006**	**$956**	**$862**	**$830**
Core Manhattan	$1,483	$1,424	$1,267	$1,232
City w/o Core Manhattan	$836	$831	$812	$797

Source: NYC Department of Finance, RPIE Filings. Notes: Data is not weighted, and therefore may differ from that reported in the *2018 Income & Expense Study*. Data is *not* adjusted for the results of the 1992 NYC Department of Finance audit on I&E reported operating costs.

The following table breaks down average rent, income, costs and NOI in 2016 per apartment per month by location and proportion of stabilized units. As discussed above, excluding Core Manhattan there is variation in NOI based upon the proportion of stabilized units. For instance, the City excluding Core Manhattan ranges from $437 for all stabilized buildings to $411 for 80%+ stabilized, a $26 difference. However, NOI in Core Manhattan ranges from $1,011 for all stabilized buildings to $785 for 80%+ stabilized, a $226 difference. In the other parts of the City, NOI varies $54 in Upper Manhattan; $19 in Brooklyn; $14 in Queens; $8 in Staten Island; with no difference in the Bronx.

Table 2

2016 RPIE Averages	Rent	Income	Costs	NOI
Citywide	$1,378	$1,593	$1,006	$587
20%+ Stabilized	$1,305	$1,497	$956	$541
50%+ Stabilized	$1,174	$1,323	$862	$461
80%+ Stabilized	$1,139	$1,269	$830	$439
Manhattan	$1,765	$2,160	$1,322	$838
20%+ Stabilized	$1,653	$2,023	$1,256	$766
50%+ Stabilized	$1,405	$1,717	$1,101	$616
80%+ Stabilized	$1,357	$1,638	$1,053	$586
Bronx	$967	$1,082	$743	$340
20%+ Stabilized	$968	$1,081	$742	$339
50%+ Stabilized	$966	$1,080	$741	$339
80%+ Stabilized	$967	$1,080	$741	$340
Brooklyn	$1,157	$1,230	$791	$440
20%+ Stabilized	$1,148	$1,221	$784	$436
50%+ Stabilized	$1,129	$1,201	$774	$427
80%+ Stabilized	$1,117	$1,189	$768	$421
Queens	$1,248	$1,320	$840	$481
20%+ Stabilized	$1,246	$1,317	$836	$481
50%+ Stabilized	$1,235	$1,304	$829	$475
80%+ Stabilized	$1,220	$1,288	$821	$467
Staten Island	$1,038	$1,127	$727	$400
20%+ Stabilized	$1,033	$1,127	$716	$411
50%+ Stabilized	$1,024	$1,120	$712	$408
80%+ Stabilized	$1,019	$1,115	$707	$408
Core Manhattan	$2,001	$2,495	$1,483	$1,011
20%+ Stabilized	$1,884	$2,368	$1,424	$943
50%+ Stabilized	$1,621	$2,061	$1,267	$794
80%+ Stabilized	$1,617	$2,017	$1,232	$785
Upper Manhattan	$1,356	$1,580	$1,043	$537
20%+ Stabilized	$1,346	$1,565	$1,033	$531
50%+ Stabilized	$1,257	$1,481	$987	$494
80%+ Stabilized	$1,223	$1,443	$960	$483
City w/o Core Manhattan	$1,157	$1,273	$836	$437
20%+ Stabilized	$1,150	$1,264	$831	$434
50%+ Stabilized	$1,118	$1,231	$812	$420
80%+ Stabilized	$1,099	$1,208	$797	$411

Source: NYC Department of Finance, RPIE Filings. Notes: Data is not weighted, and therefore may differ from that reported in the *2018 Income & Expense Study*. Data is *not* adjusted for the results of the 1992 NYC Department of Finance audit on I&E reported operating costs.

Cost-to-Income Ratios

The following table breaks down the audited and unaudited cost-to-income ratios by Citywide, Core Manhattan and City excluding Core Manhattan. It shows that the ratios grew when going from all buildings containing stabilized units to 80%+ stabilized throughout the City. However, when going from 50%+ stabilized to 80%+ stabilized, it grew further when looking at the City excluding Core Manhattan but declined in Core Manhattan.

Table 3

	All Buildings Containing Stabilized Units	20%+ Stabilized	50%+ Stabilized	80%+ Stabilized
***Audited* Cost-to-Income Ratios**				
Citywide	**58.0%**	**58.6%**	**59.8%**	**60.1%**
Core Manhattan	54.6%	55.3%	56.5%	56.1%
City w/o Core Manhattan	60.3%	60.3%	60.6%	60.6%
***Unaudited* Cost-to-Income Ratios**				
Citywide	**63.1%**	**63.8%**	**65.2%**	**65.4%**
Core Manhattan	59.5%	60.2%	61.5%	61.1%
City w/o Core Manhattan	65.7%	65.7%	65.9%	66.0%

Source: NYC Department of Finance, RPIE Filings. Notes: Data is not weighted, and therefore may differ from that reported in the *2018 Income & Expense Study*.

Average Growth in Rent, Income, Costs and NOI

The following table breaks down the longitudinal change in rent, income, costs and NOI growth, from 2015 to 2016 by Citywide, Core Manhattan and City excluding Core Manhattan. The table shows that the growth in both rent and income was less throughout the City excluding Core Manhattan when going from 20%+ stabilized to 80%+ stabilized. However, both rent and income growth in Core Manhattan saw the greatest growth among 50%+ stabilized buildings. For cost growth, the pattern was the same, except costs grew less among Core Manhattan 50%+ stabilized buildings. And for NOI growth, it was strongest throughout the City among 50%+ stabilized buildings, and least among 80%+ buildings in Core Manhattan.

Table 4

	All Buildings Containing Stabilized Units	20%+ Stabilized	50%+ Stabilized	80%+ Stabilized
Rent Growth				
Citywide	3.3%	3.3%	3.3%	3.1%
Core Manhattan	3.2%	3.1%	3.2%	2.0%
City w/o Core Manhattan	3.3%	3.4%	3.3%	3.2%
Income Growth				
Citywide	3.3%	3.4%	3.4%	3.0%
Core Manhattan	3.4%	3.4%	3.5%	2.1%
City w/o Core Manhattan	3.3%	3.4%	3.3%	3.2%
Cost Growth				
Citywide	2.3%	2.2%	1.6%	1.5%
Core Manhattan	3.6%	3.9%	3.2%	3.4%
City w/o Core Manhattan	1.5%	1.5%	1.3%	1.3%
NOI Growth				
Citywide	5.1%	5.5%	6.8%	6.1%
Core Manhattan	3.0%	2.8%	4.0%	0.3%
City w/o Core Manhattan	6.8%	7.1%	7.5%	7.1%

Source: NYC Department of Finance, RPIE Filings. Notes: Data is not weighted, and therefore may differ from that reported in the *2018 Income & Expense Study.* Data is *not* adjusted for the results of the 1992 NYC Department of Finance audit on I&E reported operating costs.

The following table breaks down average rent, income, costs and NOI changes from 2015 to 2016 per apartment per month, by location and proportion of a building containing stabilized units. Looking at NOI, variation between stabilized unit proportions differs significantly in Manhattan, where NOI increases range in Core Manhattan from a 3.0% increase for all stabilized buildings to 4.0% increase for 50%+ stabilized buildings, a 1.0 percentage point difference, and in Upper Manhattan, where there is a 3.4 percentage point difference between all stabilized buildings and 50%+ stabilized buildings. Meanwhile in the other boroughs, the difference in NOI growth is minimal, varying from 0.7 percentage points in Staten Island, 0.3

percentage points in Queens, 0.2 percentage points in Brooklyn, and just 0.1 percentage points in the Bronx.

Table 5

2015-2016 Longitudinal Change	Rent	Income	Costs	NOI
Citywide	3.3%	3.3%	2.3%	5.1%
20%+ Stabilized	3.3%	3.4%	2.2%	5.5%
50%+ Stabilized	3.3%	3.4%	1.6%	6.8%
80%+ Stabilized	3.1%	3.0%	1.5%	6.1%
Manhattan	3.2%	3.4%	2.7%	4.5%
20%+ Stabilized	3.2%	3.5%	2.6%	5.0%
50%+ Stabilized	3.4%	3.6%	1.3%	8.1%
80%+ Stabilized	2.7%	2.9%	1.0%	6.5%
Bronx	1.8%	1.8%	-0.4%	6.8%
20%+ Stabilized	1.8%	1.8%	-0.3%	6.8%
50%+ Stabilized	1.9%	1.9%	-0.3%	6.9%
80%+ Stabilized	1.9%	1.9%	-0.3%	7.1%
Brooklyn	4.1%	3.9%	3.4%	4.9%
20%+ Stabilized	4.1%	4.0%	3.3%	5.2%
50%+ Stabilized	4.1%	3.9%	3.3%	5.1%
80%+ Stabilized	3.9%	3.8%	3.3%	4.6%
Queens	4.1%	4.1%	2.7%	6.7%
20%+ Stabilized	4.1%	4.1%	2.6%	6.8%
50%+ Stabilized	4.0%	4.0%	2.3%	7.0%
80%+ Stabilized	3.9%	3.9%	2.3%	7.0%
Staten Island	2.6%	2.3%	3.7%	-0.2%
20%+ Stabilized	2.7%	2.3%	3.5%	0.0%
50%+ Stabilized	2.7%	2.3%	4.1%	-0.9%
80%+ Stabilized	2.4%	2.0%	5.0%	-3.0%
Core Manhattan	3.2%	3.4%	3.6%	3.0%
20%+ Stabilized	3.1%	3.4%	3.9%	2.8%
50%+ Stabilized	3.2%	3.5%	3.2%	4.0%
80%+ Stabilized	2.0%	2.1%	3.4%	0.3%
Upper Manhattan	3.3%	3.5%	0.5%	9.8%
20%+ Stabilized	3.4%	3.6%	0.4%	10.6%
50%+ Stabilized	3.5%	3.8%	-0.3%	13.2%
80%+ Stabilized	3.1%	3.5%	-0.5%	12.5%
City w/o Core Manhattan	3.3%	3.3%	1.5%	6.8%
20%+ Stabilized	3.4%	3.4%	1.5%	7.1%
50%+ Stabilized	3.3%	3.3%	1.3%	7.5%
80%+ Stabilized	3.2%	3.2%	1.3%	7.1%

Source: NYC Department of Finance, RPIE Filings. Notes: Data is not weighted, and therefore may differ from that reported in the 2018 Income & Expense Study. Data is not adjusted for the results of the 1992 NYC Department of Finance audit on I&E reported operating costs.

Location of Buildings by Stabilized Proportion

The following table illustrates the proportion of buildings that are stabilized in each category, broken down by location. It shows that outside Core Manhattan, the vast majority of stabilized buildings contain mostly stabilized units, while in Core Manhattan, stabilized buildings contain a large proportion of non-stabilized units. For instance, 84% of stabilized buildings in Upper Manhattan are 50%+ stabilized, 89% on Staten Island, 91% in Queens, 95% in Brooklyn, and 98% in the Bronx, but in Core Manhattan, only 38% of stabilized buildings contain 50%+ stabilized units. Similarly, 63% of stabilized buildings in Upper Manhattan are 80%+ stabilized, 79% in Queens, 85% on Staten Island, 90% in Brooklyn, and 94% in the Bronx, but in Core Manhattan, only 27% of stabilized buildings contain 80%+ stabilized units.

Table 6

	All Buildings Containing Stabilized Units	20%+ Stabilized	50%+ Stabilized	80%+ Stabilized
Percentage of Buildings, by Stabilized Proportion				
Citywide	100%	91%	80%	70%
Manhattan	100%	80%	54%	40%
Bronx	100%	99%	98%	94%
Brooklyn	100%	99%	95%	90%
Queens	100%	96%	91%	79%
Staten Island	100%	93%	89%	85%
Core Manhattan	100%	71%	38%	27%
Upper Manhattan	100%	97%	84%	63%
City w/o Core Manhattan	100%	98%	93%	84%

Source: NYC Department of Finance, RPIE Filings.

Distressed Properties

Buildings that have operating and maintenance costs that exceed gross income are considered distressed. The following table breaks down the proportion of distressed properties Citywide, in Core Manhattan and in the City excluding Core Manhattan. As the percentage of stabilized units in buildings located in Core Manhattan increases, so does the proportion of distressed buildings. For example, 6.1% of the buildings (173 buildings) that are at least 20% stabilized are distressed, while buildings that are at least 80% stabilized (80 buildings) have a higher rate of distress at 10.7%. Meanwhile, in the rest of the City there is virtually no difference.

Table 7

	All Buildings Containing Stabilized Units	20%+ Stabilized	50%+ Stabilized	80%+ Stabilized
Distressed Proportion (Proportion of Buildings)				
Citywide	4.9%	5.0%	5.1%	5.1%
Core Manhattan	5.1%	6.1%	8.7%	10.7%
City w/o Core Manhattan	4.8%	4.8%	4.7%	4.6%
Distressed Proportion (Actual Building Counts)				
Citywide	749	703	603	516
Core Manhattan	206	173	110	80
City w/o Core Manhattan	543	530	493	436

Source: NYC Department of Finance, RPIE Filings.

Changes in Housing Affordability

Looking at NYC's economy during 2017, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the eighth consecutive year, increasing 1.9% in 2017. The unemployment rate also fell, declining by 0.7 percentage points, to 4.5%, the lowest level recorded in at least the last 42 years. Gross City Product (GCP) also increased for the eighth consecutive year, rising in inflation-adjusted terms by 2.4% in 2017. The number of non-payment filings in Housing Court fell by 0.4%, and the evictions fell by 4.6%. There was also a decrease in cash assistance caseloads of 1.1%, while SNAP caseloads fell 1.5% and Medicaid enrollees fell 10.6%.

Negative indicators include the ninth consecutive year of increase in homeless levels, which rose to an average of 59,467 persons a night, an increase of 1.2% over 2016 levels. Inflation is growing at a faster pace, with a 2.0% increase during 2017, compared to 1.1% during 2016. The number of calendared cases in Housing Court also rose, increasing 9.0%, while personal bankruptcy filings rose 12.4%.

In addition, inflation-adjusted wages remained flat during the most recent 12-month period for which data is available (the fourth quarter of 2016 through the third quarter of 2017), rising just 0.03% over the corresponding time period of the prior year, although rising 2.0% in current dollars.

The most recent numbers, from the fourth quarter of 2017 (as compared to the fourth quarter of 2016), show many positive indicators, including cash assistance levels down 2.6%; SNAP recipients down 3.5%; employment levels up 1.7%, the unemployment rate down 0.7 percentage points; homeless rates down 0.01%; and GCP rising, by 1.2% in real terms. At the same time, the number of cases heard in Housing Court were up 0.3% and the number of non-payment filings in Housing Court were up 0.4%.[18]

On April 11, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2018 Income & Affordability Study*. The memo follows:

[18] This data is obtained from the Civil Court of the City of New York, which cannot provide exact "quarterly" data. The Court has 13 terms in a year, each a little less than a month long. This data is for terms 10-13, which is from approximately the middle of September through the end of the year. It is compared to the same period of the prior year.

Memorandum

To: All Board Members
From: Danielle Burger
Date: April 11, 2018
Re: 2018 Income & Affordability Study Follow-up

At the April 5, 2018 *Income & Affordability Study* (I&A) presentation, four questions were asked for which an immediate answer could not be provided. Answers follow.

Question 1: Can you provide Gross City Product (GCP) per capita?

GCP data comes from the NYC Comptroller's office, which does not directly calculate GCP per capita. However, they provided population estimates from the U.S. Bureau of Economic Analysis (BEA), which are used by the BEA to estimate personal income per capita (and are the population estimates the Comptroller's office recommended using). Using these population estimates from the BEA, and GCP estimates from the Comptroller's office, GCP per capita data (in inflation-adjusted 2009 dollars) is provided below.

Year	GCP Per Capita ($2009)	% change from previous year
1990	$52,675	--
1991	$51,178	-2.8%
1992	$51,103	-0.1%
1993	$51,822	1.4%
1994	$52,023	0.4%
1995	$53,288	2.4%
1996	$55,673	4.5%
1997	$58,621	5.3%
1998	$61,388	4.7%
1999	$63,737	3.8%
2000	$65,945	3.5%
2001	$69,333	5.1%
2002	$68,778	-0.8%
2003	$67,387	-2.0%

Year	GCP Per Capita ($2009)	% change from previous year
2004	$68,479	1.6%
2005	$71,373	4.2%
2006	$74,577	4.5%
2007	$76,880	3.1%
2008	$75,252	-2.1%
2009	$73,172	-2.8%
2010	$75,352	3.0%
2011	$76,001	0.9%
2012	$77,599	2.1%
2013	$79,591	2.6%
2014	$81,699	2.6%
2015	$84,426	3.3%
2016	$86,326	2.3%
2017	$87,530	1.4%

Note that the GCP per capita estimates reported above are based in part on estimates of GCP by the Comptroller's office in March of 2018. The Comptroller's office regularly updates their estimates of GCP, dating back to 1990.

Question 2: Can you provide household income from the NYC Housing and Vacancy Survey (HVS) by quintiles?

Preliminary, summary, data was released from the *2017 HVS* in February of 2018. The raw data has not yet been released to the public, so this statistic cannot yet be calculated by RGB staff. The question was forwarded to the NYC Department of Housing Preservation and Development (HPD) and will be provided to the Board if/when it is received from HPD or when the raw data from the *HVS* is released to the public.

Question 3: Can you provide the number of vacant units in each rent range presented in the I&A report and presentation?

Per the 2017 HVS, the data follows in the table below:

Rent Range	Number of Vacant Units	Vacancy Rate
Less than $800	3,532	1.15%
$800-$999	4,527	2.09%
$1,000-$1,249	8,421	2.21%
$1250-$1,499	8,731	2.93%
$1,500 to $1,999	17,185	4.11%
$2,000-$2,499	9,681	5.20%
$2,500 or more	27,113	8.74%
All Rental Units	79,190	3.63%

Question 4: The "Enhanced Real Property Tax Credit for Homeowners and Renters," offers a maximum tax credit of $500 to NYC residents with household incomes of less than $200,000 a year. How do you get the maximum $500 credit?

The amount of the credit is based on a number of factors – for each household, the amount of annual rent paid by that household, and the proportion of that rent to the household's annual income. There is also an adjustment of the credit based on the amount of annual household income, with households making less than $100,000 getting the biggest credit proportionally, and households making between $100,000 and $149,999 getting a smaller proportional credit, and those households making between $150,000 and $199,999 getting the least, proportionally. Households making $200,000 or more are not eligible for the credit.

While there is no single way to achieve the maximum credit of $500, generally speaking the household would need to be making under $100,000 a year (which are the households that receive the highest credit, proportionally) and have both an income near $100,000 and a rent-to-income ratio near 100%. For instance, to achieve the maximum credit of $500, a household making $99,999 a year would need to spend 95.94% of their household income on rent. For those with lower incomes, the amount of the credit decreases, proportionally. A household making $20,000 a year and spending the same proportion on income on rent would receive a $100 credit. This is because the higher income household is spending five times the amount of money on rent that the lower income household is. Because households that make $100,000 or more receive less of a credit proportionally, there is no mathematical way for these households to obtain the full credit.

On June 11, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *Changes to the Rent Stabilized Housing Stock in NYC in 2017* study. The memo follows:

Memorandum

To: All Board Members

From: Brian Hoberman

Date: June 11, 2018

Re: *Changes to the Rent Stabilized Housing Stock in NYC in 2017* Follow-up Memo

The Rent Guidelines Board asked staff for additional information related to the rent charged for apartments initially registered as rent stabilized. The following table shows the rent ranges for newly registered rent stabilized apartments from April 1, 2017 to March 30, 2018, the same period discussed in the most recent version of the *Changes* report:

Initial Registered Rent	# of Units	% of Units
$3500 or more	3,689	35.7%
$3000 - $3500	922	8.9%
$2500 - $2999	1,196	11.6%
$2000 - $2499	862	8.4%
$1500 - $1999	1,597	15.5%
$1000 - $1499	1,164	11.3%
$1000 or less	889	8.6%
	10,319	100.0%

Source: NYC Homes and Community Renewal (HCR)

On May 23, 2018 the staff of the Rent Guidelines Board released a memo to Board members with additional data from NYS Homes and Community Renewal (HCR). The memo follows:

Memorandum

To: All Board Members
From: Brian Hoberman
Date: May 23, 2018
Re: HCR Data History

The Rent Guidelines Board (RGB) asked staff to compile historical data provided to the RGB by NYS Homes and Community Renewal (HCR). We have included the number of registered stabilized units both originally reported and subsequently updated; overcharge complaint caseloads as of approximately April or May of each year; preferential rents and the percentage of apartments with preferential rents (based on the originally reported number of stabilized units); registered Individual Apartment Improvements (IAIs); and Major Capital Improvements (MCIs) applied for and granted (in dollars), as well as the average MCI rent increase per room.

As the data shows, here are some general takeaways:

- The number of registered stabilized units (using the updated count) over the period since 2004 ranged from as few as 819,221 in 2009 to as many as 905,067 in 2014. The updated count reflects owners' late registrations.
- There is a clear upward trend in the proportion of stabilized units that charge preferential rents (using originally reported counts), rising from 16.3% in 2006 to 29.8% in 2017.
- The overcharge complaint caseload, with the unusual exception of 2017, has been in the thousands since 2008, compared to counts in the hundreds between 2003 to 2007.
- The average MCI increase per room has generally increased since 2013, when we first asked for this information, rising from $8.71 to $13.15 in 2017.
- The number of IAIs has ranged between 12,797 and 19,475 each year since 2010, with no discernable trend.

	# of Registered Stabilized Units (Original Count)	# of Registered Stabilized Units (Updated Count)	Overcharge Complaints Caseloads	# of Preferential Rents Registered (Original Count)	Preferential Rents as % of Registrations Filed (Original Count)	# of registered IAIs	MCI Total Amount Applied For	MCI Total Amount Granted	MCI Avg. Increase per/room
2017	856,267	-	997	255,481	29.8%	14,470	$219,571,452	$185,880,245	$13.15
2016	842,144	890,439	2,185	252,763	30.0%	13,182	$308,460,789	$273,961,197	$13.38
2015	839,164	896,758	2,578	248,873	29.7%	12,797	$146,543,088	$126,680,780	$11.59
2014	839,797	905,067	2,589	238,573	28.4%	13,591	$140,738,859	$112,304,323	$10.77
2013	832,105	900,808	3,078	232,126	27.9%	13,182	$282,170,096	$185,382,687	$8.71
2012	823,919	901,381	3,035	221,376	26.9%	-	$168,015,593	$120,455,727	-
2011	814,500	896,747	2,521	203,408	25.0%	19,475	$238,748,776	$153,284,754	-
2010	803,753	891,403	2,074	189,368	23.6%	18,167	$197,771,725	$139,112,623	-
2009	808,643	819,221	1,815	164,442	20.3%	-	$166,238,377	$118,727,068	-
2008	821,876	853,066	1,038	154,900	18.8%	-	-	-	-
2007	836,004	860,876	867	150,184	18.0%	-	-	-	-
2006	838,592	870,072	607	136,665	16.3%	-	-	-	-
2005	849,582	875,709	848	-	-	-	-	-	-
2004	-	879,940	767	-	-	-	-	-	-

Source: NYS Homes and Community Renewal (HCR).

Notes: Overcharge complaint caseloads are as of April or May of each year. Additional years of overcharge complaint caseloads, not shown above: 1997: 8,878; 2000: 3,265; 2001: 1,216; 2002: 894; 2003: 824; and 2018: 2,211.
In addition, other data not shown above was not requested by the RGB in those years, or in the case of 2018, is not yet available.

Buildings with Different Fuel and Utility Arrangements

The Board was also informed of the circumstances of buildings with different fuel and utility arrangements including buildings that are master-metered for electricity and that are heated with gas versus oil (see Table 8). Under some of the Board's Orders in the past, separate adjustments have been established for buildings in certain of these categories where there were indications of drastically different changes in costs in comparison to the generally prevailing fuel and utility arrangements. This year the Board did not make a distinction between guidelines for buildings with different fuel and utility arrangements under Order 50.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2017-2018, and Commensurate Rent Adjustment		
Index Type	2017-18 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .640
All Dwelling Units	4.5%	2.85%
Pre 1947	4.9%	3.11%
Post 1946	4.0%	2.54%
Oil Used for Heating	5.1%	3.23%
Gas Used for Heating	4.4%	2.79%

Note: The O&M to Income ratio is from the *2018 Income and Expense Study*.
Source: *2018 Price Index of Operating Costs*

Adjustments for Units in the Category of Buildings Covered by Article 7-C of The Multiple Dwelling Law (Lofts)

Section 286 sub-division 7 of the Multiple Dwelling Law states that the Rent Guidelines Board "shall annually establish guidelines for rent adjustments for the category of buildings covered by this article." In addition, the law specifically requires that the Board, "consider the necessity of a separate category for such buildings, and a separately determined guideline for rent adjustments for those units in which heat is not required to be provided by the owner, and may establish such separate category and guideline."

The increase in the Loft Index this year was 5.2%, 1.7 percentage points lower than the 6.9% increase in 2017. Increases in costs were seen in all eight components that make up this index. Fuel Costs witnessed the highest rise, increasing 19.6%, followed by increases in Taxes of 6.3%. More moderate increases were seen in Administrative Costs-Legal (4.5%), Labor Costs (3.8%), Maintenance (3.6%), Insurance Costs (3.3%) Administrative Costs-Other (1.0%) and Utilities (0.2%).

This year's guidelines for lofts are: 1.5% for a one-year lease and 2.5% for a two-year lease.

Table 9

Changes in the Price Index of Operating Costs for Lofts from 2017-2018	
	Loft O & M Price Index Change
All Buildings	5.2%

Source: *2018 Price Index of Operating Costs*

Special Guidelines for Vacancy Decontrolled Units Entering the Stabilized Stock

Pursuant to Section 26-513(b) of the New York City Administrative Code, as amended, the Rent Guidelines Board establishes a special guideline in order to aid the State Division of Housing and Community Renewal in determining fair market rents for housing accommodations that enter the stabilization system. This year, the Board set the guidelines at 39% above the Maximum Base Rent.

The Board concluded that for units formerly subject to rent control, 39% above the maximum base rent was a desirable minimum increase.

INCREASE FOR UNITS RECEIVING PARTIAL TAX EXEMPTION PURSUANT TO SECTION 421 AND 423 OF THE REAL PROPERTY TAX LAW

The guideline percentages for 421-A and 423 buildings were set at the same levels as for leases in other categories of stabilized apartments.

This Order does not prohibit the inclusion of the lease provision for an annual or other periodic rent increase over the initial rent at an average rate of not more than 2.2 per cent per annum where the dwelling unit is receiving partial tax exemption pursuant to Section 421-A of the Real Property Tax Law. The cumulative but not compound charge of up to 2.2 per cent per annum as provided by Section 421-A or the rate provided by Section 423 is in addition to the amount permitted by this Order.

Vacancy Allowance

The vacancy allowance is now determined by a formula set forth in the State Rent Regulation Reform Act of 1997 and the Rent Act of 2015, not by the Orders of the Rent Guidelines Board.

Sublet Allowance

The increase landlords are allowed to charge under Order #50 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2018 and on or before September 30, 2019 shall be 10%.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #50 were as follows:

	Yes	No	Abstentions
Guidelines for Apartment Order #50	5	4	--

Dated: June 27, 2018
Filed with the City Clerk: June 28, 2018

Hon. Kathleen A. Roberts (Ret.)
Chair
NYC Rent Guidelines Board

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