

EXPLANATORY STATEMENT - APARTMENT ORDER #48

**Explanatory Statement and Findings of the Rent Guidelines Board
In Relation to 2016-17 Lease Increase Allowances for Apartments and Lofts
under the Jurisdiction of the Rent Stabilization Law¹**

Summary of Order No. 48

The Rent Guidelines Board (RGB) by Order No. 48 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2016 and on or before September 30, 2017 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2016 and on or before September 30, 2017: 0%

For a two-year renewal lease commencing on or after October 1, 2016 and on or before September 30, 2017: 2%

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, 2016 and on or before September 30, 2017 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, 2016 and on or before September 30, 2017. No vacancy allowance is included for lofts.

<u>1 Year</u>	<u>2 Years</u>
0%	2%*

**In the initial publication of the Explanatory Statement for Apartment and Loft Order 48 on June 30, 2016, the two-year lease renewal for lofts was incorrectly rendered as 0%. The two-year loft renewal has been corrected in this edition to the 2% that the Board promulgated on June 27.*

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

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.

Any increase for a renewal lease may be collected no more than once during the guideline period governed by Order No. 48.

Special Guideline

Leases for units subject to rent control on September 30, 2016 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 33% 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, 2016 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. 48

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. 48 was issued by the Board following **six** 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 **89** 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 21, 2016** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on April 7, April 14, April 21, and May 26, 2016. On **May 3, 2016**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 9, June 13, June 16, June 20, and June 21, 2016** 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 9 from **6:30 p.m. to 8:55 p.m.**, June 13 from **5:15 p.m. to 9:20 p.m.**, June 16 from **5:20 p.m. to 9:30 p.m.**, June 20 from **2:15 p.m. to 8:00 p.m.**, and June 21 from **5:15 p.m. to 8:45 p.m.** The hearings ended when all those who were in attendance who wished 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 235** apartment tenants and tenant representatives, **37** apartment owners and owner representatives, and **15** public officials. In addition, **7** speakers read into the record written testimony from various public officials. On **June 27, 2016** the guidelines set forth in Order No. 48 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:

<u>Meeting Date / Name</u>	<u>Affiliation</u>
April 7, 2016:	<u>Staff presentations</u> <i>2016 Income and Expense Study</i> <i>2016 Income and Affordability Study</i>
April 14, 2016:	<u>Staff presentations</u> <i>2016 Price Index of Operating Costs</i> <i>2016 Mortgage Survey Report</i>
April 21, 2016:	<u>Apartment Owners group testimony:</u>
1. Patrick Siconolfi	Community Housing Improvement Program (CHIP)
2. Jimmy Silber	Small Property Owners of New York (SPONY)
3. Chris Athineos	Small Property Owners of New York (SPONY)
4. Alan Epstein	Epstein Engineering
5. Mark Balsam	Redocs
6. Josh Sarett	ALC Environmental
7. Mike Slattery	Real Estate Board of New York (REBNY)

- 8. Mary Ann Rothman New York Council of Cooperatives and Condominiums
- 9. Jack Freund Rent Stabilization Association (RSA)

- Apartment Tenants group testimony:
- 1. Barika Williams Association for Neighborhood and Housing Development (ANHD)
 - 2. Tom Waters Community Service Society (CSS)
 - 3. Jenny Laurie Housing Court Answers
 - 4. Tim Collins Collins, Dobkins and Miller LLP

- Hotel Tenants group testimony:
- 1. Brian J. Sullivan SRO Law Project at MFY Legal Services, Inc.
 - 2. Dan Evans Goddard Riverside Law Project
 - 3. Larry Wood Goddard Riverside Law Project

May 26, 2016: Staff presentations
2016 Housing Supply Report
Changes to the Rent Stabilized Housing Stock
in New York City in 2015

- NYC Department of Housing Preservation and Development (HPD)
- 1. Leila Borzog Chief of Staff
 - 2. Elyzabeth Gaumer Assistant Commissioner, Research and Evaluation

- NYC Furman Center
- 1. Stephanie Rosoff Data Manager & Research Analyst

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups²

Comments from tenants and tenant groups included:

“Rent-regulated tenants are concentrated in the lower 80 percent of the income distribution, and regulated apartments are still the largest source of housing for New York's more than one million low-income households with incomes below twice the federal poverty threshold...Tenants remain in a dire situation, while this year's Price Index of Operating Costs forecasts a decrease in operating costs, indicating that landlords are likely to see an increase in net operating income this year even without rent increases on lease renewals. This makes it easy to justify a rent freeze or rollback, even considering the good that the most recent guidelines have already done.”

“When we look at the landlords’ numbers, they are enjoying record profits at the obscene level of almost 40% of every rent dollar. Open the *2016 Income & Expense Study* to the first page and there’s a box at the top labeled “What’s New.” The answer: Net Operating Income is up for the tenth straight year. That’s only “new” because last year it had only gone up for the ninth straight year. Yet they plead poverty and demand even greater profits.”

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

“Yet another client who lives right here in Jamaica, who is originally from Bangladesh. He has seen his rent increase due to the preferential rent he was given and that lasted only the first year. When he received his next renewal lease his rent jumped an additional \$400. This gentleman is the only breadwinner with two children under 10 years of age, and he does not know where to turn or where to go. His new rent is absolutely unaffordable...According to a report by the Pratt Center for Community Development, immigrants have the highest rent burden in NYC, often paying more than a third of their income towards rent.”

“Rent regulated tenants not only need but deserve a rent roll back. Over the past several decades we have seen the loss of several hundred thousand units of rent regulated housing, quite often due to legally questionable actions by building owners. Such actions ranged from phony construction projects, harassment from management workers, overcharges, the refusal to register apartments and vacancy deregulation. The few stabilized units that remain are increasingly out of reach for most working people. In 2009 my wife and I were forced to leave our UWS rental after the building began operating as an illegal hotel. We found a stabilized apartment in Washington Heights with a preferential rent higher than what we were being charged. When the RGB voted for a 0% increase last year, our rent still went up \$60.”

“Rent regulation law favors landlords: MCI’s in perpetuity, IAI improvements, vacancy bonuses, preferential rents that can jump to the legal rent at the next renewal rather than staying preferential throughout a tenant’s occupancy as used to be, high-rent decontrol...Last year, some balance was finally restored with a rent freeze. Landlord’s operating costs have gone down this past year. Another opportunity to strike a balance is before you. Rent-burdened tenants need relief. A rent rollback is called for.”

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups³

Comments from owners and owner groups included:

“I want to emphasize that small buildings are not captured in your expense study. Logically, small buildings cost more to maintain. We don't have large scale buying power...I hope this Board considers the effect and the message it sends to small owners with low or no increases. It tells us we don't appreciate what you do. It tells us we don't care about the old pipes you change or the flying tiles from your roofs. Too bad. Just deal with it. I am here to tell you small owners are fed up and you risk losing the very dedicated, caring people possible the only ones who actually care about the housing stock and the tenants- our customers who live in those buildings.”

“It is a mystery why this Administration thinks that it can get affordable housing for free simply by enacting zero guidelines for stabilized apartments. We ask the RGB not to be gulled into complicity in a politically motivated scheme to get something for nothing-a scheme that tramples the right of property owners to conduct their business in a reasonable manner and which threatens the very constituency it seeks to assist. In light of the considerations above, we ask the RGB to enact rent guidelines this year that are in line with the long term average increase in operating costs of 4.5% and the core PIOC of 4.2%: 4% for a one-year lease and 7% for a two-year lease.”

³ Sources: Submissions by owner groups and testimony by owners

“We are a small company that owns one 48-unit multifamily property. We are no longer able to provide the required services without any rent increase. All costs related to managing our building in New York City have risen. How will we meet these rising costs without an annual rent increase? Our only option is to decrease services or go out of business after 25 years.”

“The Price Index does not reflect actual changes in my operating expenses. While the cost of gas heat was about the same this winter as last, the boiler maintenance contract increased 6%; utilities, 5%; water and sewer fees, 2%; the super’s fee, 12%. I spent more than \$10,000 to replace the building’s extension’s roof and gutter and for repointing walls with leaks...I beg you to understand that historically low rent increases have way under-compensated owners like me with few apartments and a large share of regulated units. I ask that you consider a 4% increase for a 1-year lease and 7% for a 2-year lease.”

“As this board’s deliberations reveal, there is an overriding concern for the lack of affordable housing options for low- to moderate-income households (as defined by the mayor’s housing plan). CHIP shares this concern. However, we believe that rent stabilization was not intended to be an affordable housing program whereby the board discounts rent increases necessary to cover objectively determined cost increases because of concerns about tenant affordability and the rent burden.”

Selected Excerpts from Oral and Written Testimony from Public Officials⁴

Comments from public officials included:

“As the Majority Leader of the City Council, I am calling for a rent roll-back for tenants. NYC is facing an affordability crisis. We have a responsibility to ensure that families can afford to live in the city. For many years prior to 2014, tenants faced high yearly increases. At the same time, landlords in Queens received an average of \$430 per month after expenses for every rent stabilized apartment they own. It’s time to pass those savings back to renters. Tenants are getting squeezed. Almost half of all 221,000 evictions in 2015 came from rent stabilized apartments. We have a moral imperative to step up. We can’t leave hundreds of thousands of families on the edge of homelessness. If the RGB rolls back rents, we can keep families safe in their homes.”

“This is the year for a rent rollback, because landlord costs have gone down, even by the PIOC’s slanted measurement, which came out at negative 1.2%, while net operating income rose by 4.9%, the 10th straight annual increase. It is time to consider the needs of our tenants, and now is when landlords can afford to correct for years of high rent increases and subsequent burden on tenants.”

“I am here today to call for a rent freeze...The difficulties my constituents face paying rent takes on added significance when we consider that they cannot simply relocate to other NYC neighborhoods. Affordability is an issue across this city. The reality is that it does not have to be this way. The rent burden does not have to be so large a portion of incomes in order for landlords to realize reasonable profits.”

“There is no question that thousands of tenants continue to struggle to make ends meet. What is questionable is if landlords are suffering. The facts show that this year has been the best

⁴ Sources: Submissions by public officials.

time in the last decade to be a landlord in NYC...In fact, every statistic, from rising net operating income to the number of preferential leases, points to a record-breaking year of performance for landlords. With landlords enjoying the benefits of a robust real estate market along with declining operational costs, I believe it is time for a rent rollback to ease the burden on tenants.”

“The RGB has historically looked to its PIOC, which gauges changes in the operating and maintenance costs of stabilized buildings for landlords, to determine an appropriate rent increase. The RGB found that the Index for all rent stabilized apartments decreased by 1.2% — meaning that the cost to operate rent stabilized buildings went down — while landlords' incomes went up. According to the Board's *Income & Expense Study*, rental income increased by 4.8% and landlords' net operating incomes increased by 3.5%. This figure marks the tenth consecutive year that landlords' net operating income has increased, and makes it decisively clear that landlords continue to enjoy significant margins of profitability and that they can afford — and will still profit — in the context of a rent rollback, just as they did during last year's rent freeze.”

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. *2016 Income and Expense Study*, April 2016, (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. *2016 Mortgage Survey Report*, April 2016, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);
3. *2016 Income and Affordability Study*, April 2016, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2016 Price Index of Operating Costs*, April 2016, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);
5. *2016 Housing Supply Report*, May 2016, (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 2015*, May 2016, (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, nycrgb.org, and are also available at the RGB offices, One Centre St., Suite 2210, New York, NY 10007 upon request.

2016 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City

The 2016 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 1.2% decrease in costs for the period between March 2015 and March 2016.

This year, the PIOC for all rent stabilized apartment buildings decreased by 1.2%. Increases occurred in all PIOC components except Fuel and Utilities, which declined by 41.2% and 0.3%, respectively. The largest increase in any component was seen in Insurance Costs (8.2%), followed by Taxes (7.5%). More moderate increases occurred in Labor Costs (3.2%), Maintenance (2.8%), and Administrative Costs (2.7%). The growth in the Consumer Price Index (CPI) during this same time period was higher than the PIOC, rising 0.3%.⁵ See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2015-16.

The “core” PIOC, which excludes changes in fuel oil, natural gas, and electricity costs used for heating buildings, is useful for analyzing long- term inflationary trends. The core PIOC rose by 4.2% this year and was higher than the overall PIOC due to the exclusion of the costs in the Fuel component, which declined 41.2%.

Table 1

2015-16 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City ⁶			
Item	Expenditure Weights	2015-16 Percentage Δ	2015-16 Weighted Percentage Δ
Taxes	26.65%	7.49%	2.00%
Labor Costs	16.21%	3.18%	0.52%
Fuel Oil	11.98%	-41.15%	-4.93%
Utilities	10.87%	-0.30%	-0.03%
Maintenance	16.67%	2.78%	0.46%
Administrative Costs	12.72%	2.66%	0.34%
Insurance Costs	4.89%	8.22%	0.40%
All Items	100%	-	-1.25%

Source: 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.
 Note: The Δ symbol means change.

On April 21, 2016 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the Price Index of Operating Costs (PIOC) and the Income & Expense Fuel Component. The entire memo follows:

⁵ The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2014 to February 2015 (260.1) compared to the average for the year from March 2015 to February 2016 (260.9) rose by 0.3%. This is the latest available CPI data and is roughly analogous to the ‘PIOC year’, which for the majority of components compare the most recent point-to-point figures from April to March, monthly cost-weighted figures from April to March, or the two most recent fiscal year bills.

⁶ Totals may not add due to weighting and rounding.

The Fuel component comprises 12% of the Price Index of Operating Costs (PIOC), but is historically one of the most volatile components in the survey, experiencing both large increases and decreases from year to year. Historically, various heating items in the PIOC were contained in two separate components of the PIOC, Fuel Oil and Utilities. The Fuel Oil component contained only the cost of #2, #4, and #6 fuel oil, while the Utilities component included steam and natural gas costs (used for heating) as well as other gas, electricity, water/sewer, and telephone costs (used for reasons other than heating). In 2015, a decision was made by staff to switch weighting in the PIOC to weights found in the annual Income & Expense Studies (I&E), which rely on owner-reported expenses from Real Property Income and Expense (RPIE) statements. To correspond with the weights of the I&E, the PIOC now calculates a Fuel Component that includes not just the cost of fuel oil, but also gas and steam costs that are used for heating. This change allows us to more easily compare the cost changes found in the I&E with those found in the PIOC.

One challenge of comparing I&E and PIOC expenses is that generally speaking, the PIOC captures price changes, and the I&E captures cost changes (which take into account financial decisions by owners to reduce consumption or to switch to more economical alternatives, when possible). The PIOC and I&E also rely on different time periods, with the I&E based on a calendar year, and the PIOC based on an April-March year.

The one component of the PIOC that has traditionally been based on an estimate of consumption is Fuel. By gathering Heating Degree Days staff is able to estimate the effect of weather on consumption. Therefore, changes in the Fuel component are based not just on price changes, but also on weather relative to the prior year.

While the PIOC does attempt to compensate for consumption patterns by relying on weather data, there is no way to estimate how owners act in the real world. If owners do not use more heat when it's colder, or less heat when it's warmer, the PIOC will not capture this. In addition, while certain fuel items (like natural gas and steam) are purchased and used in the same month, fuel oil may be purchased months ahead of use, or owners may be locked into contracts that set the price either higher or lower than prevailing market rates. Fuel and utility bills may also be paid in a different calendar year than when they are consumed. And because different fuel items are priced differently, if the weight is not correctly distributed within the PIOC component, this can lead to errors in the overall price change.

To compare the cost of fuel between the I&E and the PIOC, staff calculated price and weather changes on a calendar year, as opposed to the traditional PIOC "year." Note that both the figures from the PIOC and the I&E compare the same items – fuel oil, natural gas, and steam used for heating (as per the PIOC methodology from 2015 forward), and PIOC prices are from the same time period as the I&E. However, the weights used within the component comprise three-quarters of one PIOC "year" and one-quarter of another, which is the only method available to align the weights due to the different time periods of the PIOC and the I&E.

As the table shows, in some years the PIOC overestimated cost changes as compared to the I&E, and in some years underestimated them. The estimated cost changes in both 2000 and 2011 were more than 20 percentage points higher in the PIOC than in the I&E. But in some years the PIOC was lower than reported I&E cost changes, such as 2001 when the PIOC was almost 14 percentage points lower than the I&E, and 2010, when it was eight percentage points lower. Over the 15-year period studied here (2000-2014), the cumulative change in the Fuel component of the PIOC was 292.7% and was 228.6% in the I&E. In the years in the which the PIOC showed increases in the cost of fuel (a total of nine years, ranging from cost increases of 0.8% through 70.5%), the PIOC showed a annualized average increase of 25.6% a year, and the I&E showed a an increase of 19.0% a year, a difference of 6.6 percentage points. In the years when the PIOC showed a decrease in fuel costs (a total of six years, ranging from cost decreases of -16.4% to -3.7%), the PIOC showed an annualized average decrease of 10.8% a year, and the I&E showed a decrease of 6.1% a year, a difference of 4.7 percentage points. Therefore, generally speaking, when comparing the PIOC to owner-reported data in the I&E, the PIOC both overestimates cost increases, as well as cost decreases. When looking at data from the years 2012-2014 (when a survey conducted by the Rent Guidelines Board showed a shift away from oil and towards natural gas), the cumulative increase in the PIOC was 3.1% and the cumulative increase in the I&E was 1.8%.

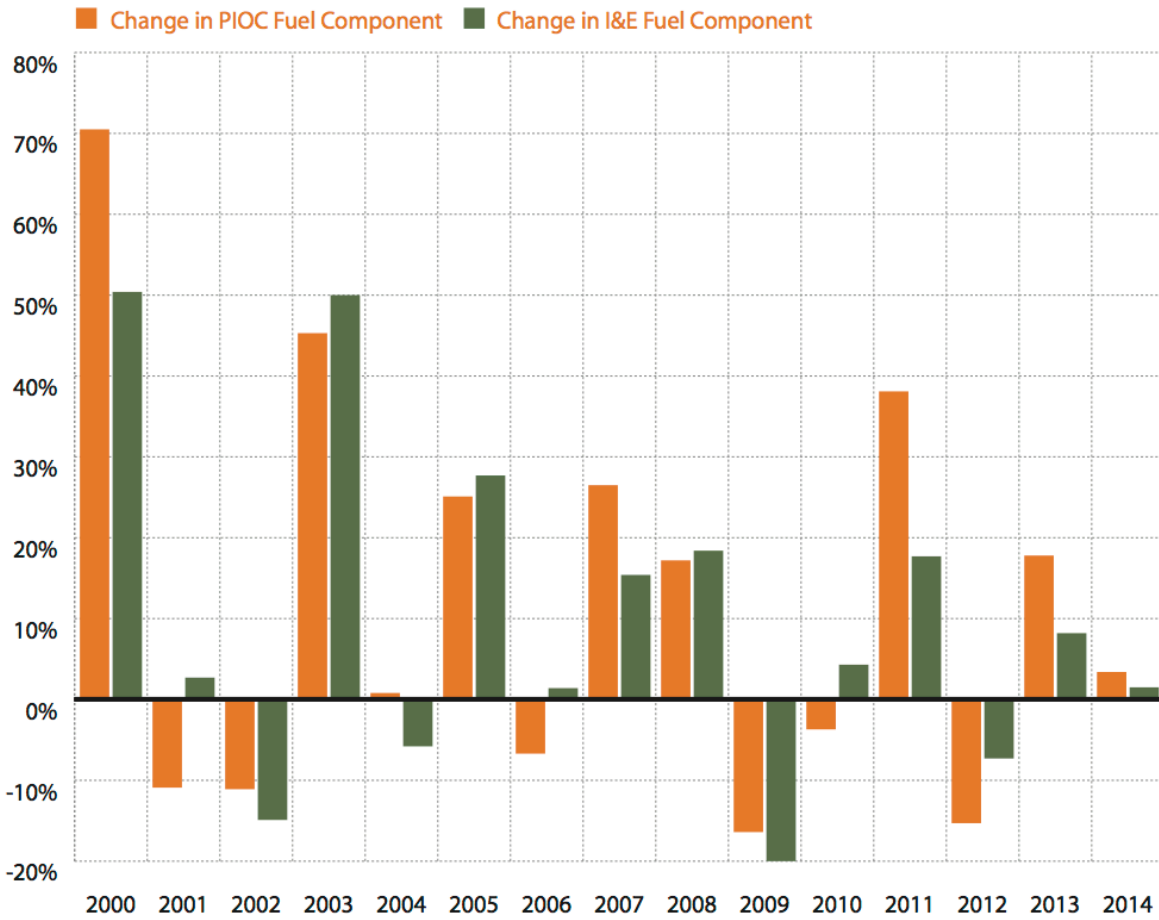
A table of the annual change in the Fuel component from each of the indices follows below, and a graph of this data is on the following page.

Table 1: Annual Change in Fuel Component

Year	PIOC Fuel Component	I&E Fuel Component	Difference
2000	70.5%	50.4%	20.1%
2001	-10.9%	2.7%	-13.6%
2002	-11.1%	-14.9%	3.8%
2003	45.3%	50.0%	-4.7%
2004	0.8%	-5.8%	6.6%
2005	25.1%	27.7%	-2.6%
2006	-6.7%	1.4%	-8.1%
2007	26.5%	15.4%	11.1%
2008	17.2%	18.4%	-1.2%
2009	-16.4%	-20.0%	3.6%
2010	-3.7%	4.3%	-8.0%
2011	38.1%	17.7%	20.4%
2012	-15.3%	-7.3%	-8.0%
2013	17.8%	8.2%	9.7%
2014	3.4%	1.5%	1.8%
Cumulative Change 2000-2014	292.7%	228.6%	64.1%

Source: 1999-2015 Price Index of Operating Costs and 2002-2016 Income & Expense Studies

Graph 1: Annual Change in Fuel Component



Source: 1999-2015 Price Index of Operating Costs and 2002-2016 Income & Expense Studies

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes over 15,500 properties containing about 698,800 units. This is the 24th 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 2015 Real Property Income and Expense (RPIE) statements for the year 2014:

Table 2

2016 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	\$907	\$1,047	\$946

Source: 2016 Income and Expense Study, from 2015 Real Property Income and Expense filings

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 \$869, rather than \$946. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2014 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	\$869	\$1,265	0.687	\$1,434	0.606

Source: 2016 Income and Expense Study, from 2015 Real Property Income and Expense filings for 2014, NYC Department of Finance.

Forecasts of Operating and Maintenance Price Increases for 2016-17

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 2016-17 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

Table 3

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2015-16 and Projected 2016-17		
	Price Index 2015-16	Projected Price Index 2016-17
Taxes	7.5%	6.1%
Labor Costs	3.2%	2.5%
Fuel Oil	-41.2%	16.2%
Utilities	-0.3%	2.1%
Maintenance	2.8%	2.3%
Administrative Costs	2.7%	4.9%
Insurance Costs	8.2%	5.0%
Total (Weighted)	-1.2%	5.5%

Source: 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City, which includes the 2017 PIOC Projection.

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 0.748. The unadjusted **O&M to Income** ratio would be 0.659.

Overall, the PIOC is expected to grow by 5.5% from 2016 to 2017. Costs are predicted to rise in each component, with the largest growth, of 16.2%, projected to be in Fuel Costs. Taxes, which is the component that carries the most weight in the Index, is projected to increase 6.1%. Other projected increases include Insurance (5.0%), Labor Costs (2.5%), Maintenance (2.3%), Administrative Costs (4.9%) and Utilities (2.1%). The table on the previous page shows predicted changes in PIOC components for 2017. The core PIOC is projected to rise 4.0%, 1.5 percentage points lower than the overall projected Apartment PIOC.

On June 8, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2017 PIOC Projection. The memo is as follows:

Section 26-510 of the Rent Stabilization Law requires the Board to consider prevailing and projected operating and maintenance costs for buildings containing rent stabilized apartments. Projections for components of the Price Index of Operating Costs (PIOC) are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to change in the year following the current Price Index. One of these projected components is real estate taxes. Since the PIOC is released in the spring, usually in April, staff uses data from the NYC Department of Finance’s tentative assessment roll to calculate this projection. At the April 14, 2016 presentation of the 2016 PIOC, members of the Board requested that the Tax component of the 2017 PIOC projection be recalculated using the 2016/17 final assessment roll. The final assessment roll was released on May 26.

The increase in Taxes in the projected 2017 PIOC was originally 6.1%. Using the final assessment roll, the change is now calculated as 7.7%. With the revision of the tax component, the overall PIOC is now projected to rise 5.9%, 0.4 percentage points higher than the initial calculated projection of 5.5%. In addition, the projected Core PIOC for 2017 also increased from what was originally reported, rising from 4.0% to 4.5%. Please note that all other projected changes in cost for the remaining six components are the same as reported in the original report. See table below for the projected change in 2017 PIOC and each individual component.

2017 PIOC Projection Using the 2016/17 Final Real Estate Tax Assessment Roll	
Taxes	7.7%
Labor Costs	2.5%
Fuel	16.2%
Utilities	2.1%
Maintenance	2.3%
Administrative Costs	4.9%
Insurance Costs	5.0%
All Projected Costs	5.9%

The PIOC report includes commensurate rent adjustments to help determine annual rent guidelines for rent stabilized apartments. This “commensurate” combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to change for net operating income (NOI) in stabilized buildings to remain constant. The PIOC includes several variations of this rent commensurate, but only the “traditional” commensurate formula used the PIOC projection to calculate one- and two-year lease renewal adjustments. Using the initial PIOC projection of 5.5%, this calculation resulted in a one-year renewal of -0.8% and a two-year renewal adjustment of 1%. Using the updated 5.9% PIOC projection, the two-year adjustment increased to 1.1%. The one-year lease renewal for the “traditional” commensurate is not impacted because the PIOC projection is not used to calculate the one-year adjustment. It remains at -0.8%.

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 indicating how much rents would have to change for net operating income (NOI) in 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 formula provides a set of one- and two-year renewal rent increases or guidelines that will compensate owners for the change in prices measured by the PIOC and keep net operating income “whole.”

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the types of leases actually signed by tenants, it does not adjust owners’ NOI for inflation. The “Net Revenue” formula is presented in two ways: First, adjusting for the mix of lease terms; and Second, adding an assumption for stabilized apartment turnover and the impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 1.2% decrease in the PIOC is -1.9% for a one-year lease and 0% for a two-year lease. Using this formula, and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover, result in guidelines of -4.0% for one-year leases and -2.0% 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 0.3% increase in the Consumer Price Index and the 1.2% decrease in the PIOC is -1.7% for a one-year lease and 0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are -3.75% for one-year leases and -2.0% for two-year leases.⁸

⁸ The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 66.0% of the 2016 PIOC decrease of -1.2%, or -0.8%. The 66.0% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.0% times the latest 12-month increase in the CPI ending February 2015 (0.3%), or 0.1%; (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 10.0% median increase in vacancy leases found in the rent

The “traditional” commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board. The “traditional” commensurate yields -0.8% for a one-year lease and 1.0% for a two-year lease. This reflects the decrease in operating costs of 1.2% found in the 2016 PIOC and the projection of a 5.5% increase next year.⁹

As a means of compensating for cost changes, this “traditional” commensurate rent adjustment has two major flaws. First, although the formula is supposed to keep owners’ current dollar income constant, the formula does not consider the mix of one- and two- year lease renewals. Since only about three-fifths of leases are renewed in any given year, with a preponderance of leases having a two-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.¹⁰

All of these methods have their limitations. The “traditional” commensurate formula is artificial and does not consider the impact of lease terms or inflation on owners’ income. The “Net Revenue” formula does not attempt to adjust NOI based on changes in interest rates or deflation of owner profits. The “CPI-Adjusted NOI” formula inflates the debt service portion of NOI, even though interest rates have been generally falling, rather than rising, over recent years. Including a consideration of the amount of income owners receive on vacancy assumes that turnover rates are constant across the City.

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 (-1.2%). 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 (5.5%). If the change in projected costs, which may not be an accurate estimate of owner’s costs, is added to the “Net Revenue” and “CPI-Adjusted NOI” formulas, the resulting guidelines will likely over- or under-compensate for the change in costs.

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

stabilized apartments that reported a vacancy lease in the 2015 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

⁹ The “traditional” commensurate adjustment for two-year lease renewals has been revised since the initial release of this report on April 14, 2016. In the initial report, the 2017 PIOC projection of 4.5%, which was used in calculating the “traditional” commensurate, was calculated incorrectly. The corrected projection is 5.5% and it is used to calculate the “traditional” commensurate in this report. This has resulted in raising the “traditional” commensurate two-year lease renewal from 0.7% to 1.0%. The one-year lease renewal for the “traditional” commensurate was not impacted by this revision because the PIOC projection is not used to calculate the one-year adjustment. It remains at -0.8%. The collectability of legally authorized adjustments is assumed.

¹⁰ 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.

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 *2016 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

2016 Mortgage Survey ¹¹									
Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 2008-2016									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Avg. Rates	5.9%	6.5%	6.3%	5.8%	4.6%	4.4%	4.9%	4.3%	4.0%
Avg. Points	0.47	0.62	0.79	0.61	0.63	0.59	0.54	0.70	0.42
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Avg. Rates	5.8%	6.5%	6.3%	5.7%	4.7%	4.4%	4.9%	-	-
Avg. Points	0.44	0.62	0.83	0.61	0.63	0.40	0.50	-	-

Source: 2008–2016 Annual *Mortgage Survey Reports*, RGB.

Note: As of the 2015 *Mortgage Survey Report*, respondents are no longer surveyed on refinancing rates and points.

On April 20, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2016 Mortgage Survey Report*. The memo follows:

¹¹ 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.

At the April 14, 2016 meeting of the RGB, board members asked for additional data from the *2016 Mortgage Survey Report*.

Per the request, the following is a calculation of:

1. the average sales price per unit of rent stabilized buildings; and
2. the median sales price, based on the average price per unit per building.

Each is analyzed both citywide and by borough, for 2014 and 2015, showing the change between the two years:

Average Sales Price - Per Total Units			
	Calendar Year		Change from 2014 to 2015
	2014	2015	
Citywide	\$305,100	\$351,161	15%
Manhattan	\$442,488	\$485,663	10%
Brooklyn	\$217,822	\$271,313	25%
Bronx	\$118,186	\$148,954	26%
Queens	\$226,207	\$250,039	11%
Median Sales Price - Average Units Per Building			
	Calendar Year		Change from 2014 to 2015
	2014	2015	
Citywide	\$175,000	\$222,333	27%
Manhattan	\$357,143	\$433,333	21%
Brooklyn	\$179,474	\$220,000	23%
Bronx	\$109,688	\$126,781	16%
Queens	\$172,734	\$216,667	25%

Source: NYC Dept. of Finance

Note: Staten Island buildings are excluded due to the small number of buildings sold.

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 ¹² Accepted for Filing, 2007-2015									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Construction	573	454	335	235	185	121	151	210	342
Conversion Non-Eviction	66	50	29	20	20	25	18	20	37
Conversion Eviction	16	18	13	4	9	3	0	0	1
Rehabilitation	8	4	1	0	2	11	21	37	59
Total	663	526	378	259	216	160	190	267	439
Subtotal:									
HPD Sponsored Plans	16	18	13	4	9	3	0	0	2

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

On June 3, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2016 Housing Supply Report*. The memo follows:

¹² 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.

At the May 26, 2016 *Income & Affordability Study (I&A)* presentation, one question was asked for which an immediate answer could not be provided. This answer follows.

Question 1: Can you provide the number of tax lien sales historically?

Data below is based on reports of tax lien sales from the NYC Department of Finance for calendar years 2013-2015. Data is for multifamily buildings (3-family or higher, based on the provided building class), as well as for a smaller subset of buildings that could be identified as rent stabilized based on information provided by the NYS Division of Housing and Community Renewal. Data is also provided for the number of liens that solely involve a water and sewer debt.

Table 1: Total Number of Liens for Multi-Family Housing (3-Family or Greater)

Year	2013		2014		2015	
	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only
Bronx	271	142	318	102	211	82
Brooklyn	792	325	838	235	632	156
Manhattan	250	58	191	15	152	18
Queens	280	115	275	108	234	89
Staten Island	110	14	130	13	157	10
Citywide	1,703	654	1,752	473	1,386	355

Table 2: Total Number of Liens for Rent Stabilized Housing

Year	2013		2014		2015	
	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only
Bronx	29	9	19	3	6	2
Brooklyn	65	24	58	9	40	13
Manhattan	32	12	17	4	18	3
Queens	13	5	13	3	9	1
Staten Island	2	2	3	0	2	1
Citywide	141	52	110	19	75	20

Table 3: Total Number of Units* in Rent Stabilized Housing with Liens

Year	2013		2014		2015	
	Number of Units*	# of Units* with Water Debt Liens Only	Number of Units*	# of Units* with Water Debt Liens Only	Number of Units*	# of Units* with Water Debt Liens Only
Bronx	573	166	406	49	44	12
Brooklyn	665	178	637	74	441	139
Manhattan	712	278	346	50	375	75
Queens	272	90	142	64	64	16
Staten Island	46	46	54	0	32	24
Citywide	2,268	758	1,585	237	956	266

*Units provided are the total number of units in the building, regardless of rent stabilization status.

While not specifically asked for, a related statistic is the number of properties with a property tax delinquency. The NYC Department of Finance issues an annual report that provides the number of Class Two properties (walkup, elevator, and residential mixed use) that have outstanding property tax bills as of June 30th of each year. Data for Fiscal Years 1999 through 2014 follow in the table on the next page, as well as in graph form on the following page. Note that there is no way to isolate rent stabilized housing from this data.

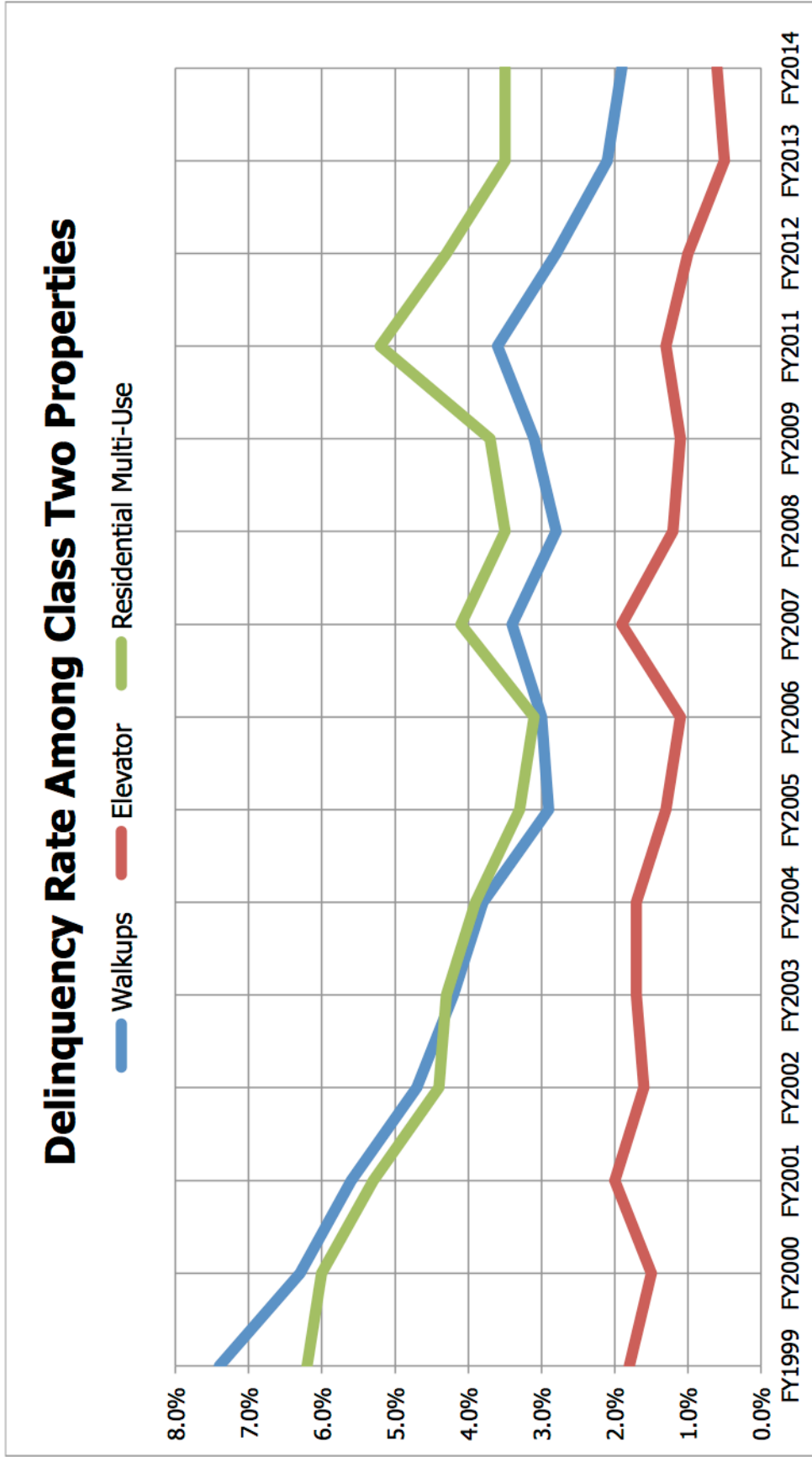
Table 4: Class Two Property Tax Delinquencies (FY 1999-FY 2014)

Fiscal Year	Class Two Properties (Total)			Class Two Properties								
	Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate	Walkups			Elevator			Residential Multi-Use		
				Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate	Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate	Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate
FY1999	23,704	77.8	7.4%	11,441	43.2	7.4%	433	15.5	1.8%	2,416	5.6	6.2%
FY2000	26,130	79.9	6.3%	11,528	38.9	6.3%	342	18.8	1.5%	2,609	5.7	6.0%
FY2001	23,590	79.3	5.6%	9,719	35.7	5.6%	411	20.5	2.0%	2,144	5.3	5.3%
FY2002	19,978	76.6	4.7%	7,841	32.1	4.7%	549	18.0	1.6%	1,704	4.5	4.4%
FY2003	29,019	85.0	4.2%	9,562	30.3	4.2%	540	19.5	1.7%	2,215	4.6	4.3%
FY2004	23,199	88.4	3.8%	8,472	33.6	3.8%	386	25.6	1.7%	2,054	5.2	3.9%
FY2005	13,505	75.3	2.9%	5,230	26.9	2.9%	330	20.6	1.3%	1,185	4.6	3.3%
FY2006	13,951	75.6	3.0%	5,433	30.0	3.0%	476	18.1	1.1%	1,281	4.5	3.1%
FY2007	15,266	103.3	3.4%	5,815	36.4	3.4%	615	32.9	1.9%	1,370	6.3	4.1%
FY2008	14,439	84.9	2.8%	4,748	31.2	2.8%	882	21.1	1.2%	1,138	5.4	3.5%
FY2009	18,250	101.0	3.1%	5,254	40.1	3.1%	1,676	19.9	1.1%	1,311	7.0	3.7%
FY2010	17,544	119.4	3.4%	5,173	46.2	3.4%	674	27.8	1.4%	1,355	8.0	4.3%
FY2011	20,437	139.0	3.6%	5,534	51.3	3.6%	1,458	26.6	1.3%	1,535	10.4	5.2%
FY2012	19,082	120.8	2.8%	4,802	42.2	2.8%	783	21.7	1.0%	1,414	8.8	4.3%
FY2013	15,657	96.7	2.1%	3,922	32.3	2.1%	294	12.3	0.5%	1,171	7.4	3.5%
FY2014	15,570	95.2	1.9%	3,909	29.7	1.9%	431	14.3	0.6%	1,181	7.7	3.5%

*nominal

Source: FY200-FY2015 Annual Property Tax Report, NYC Dept. of Finance

Graph 1: Class Two Property Tax Delinquency Rate (FY 1999-FY 2014)



Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2009.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2009-2016 (For "All Urban Consumers")								
	2009	2010	2011	2012	2013	2014	2015	2016
1st Quarter Avg. ¹³	0.8%	2.1%	2.3%	2.6%	1.9%	1.3%	-0.1%	0.7%
Yearly Avg.	0.4%	1.7%	2.8%	2.0%	1.7%	1.3%	0.1%	--

Source: U.S. Bureau of Labor Statistics.

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.

¹³ 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.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2017			
Year ¹⁴	Average Monthly O & M Per d.u. ¹⁵	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 ¹⁶	\$951 (\$873)	\$1,487	.64 (.59)
2016 ¹⁷	\$939 (\$863)	\$1,518	.62 (.57)
2017 ¹⁸	\$995 (\$914)	\$1,543	.64 (.59)

Source: RGB Income and Expense Studies, 1989-2016, Price Index of Operating Costs 2015 - 2016, RGB Rent Index for 2015 - 2017.

¹⁴ 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.

¹⁵ 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.

¹⁶ Estimated expense figure includes 2014 expense updated by the PIOC for the period from 3/1/14 through 2/28/15 (0.5%). Income includes the income for 2014 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/14 through 2/28/15 (3.69% - i.e., the 10/1/13 to 9/30/14 rent projection (4.62%) times (.583), plus the 10/1/14 to 9/30/15 rent projection (2.39%) times (.417)).

¹⁷ Estimated expense figure includes 2015 expense estimate updated by the PIOC for the period from 3/1/15 through 2/28/16 (-1.2%). Income includes the income estimate for 2015 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/15 through 2/28/16 (2.06% - i.e., the 10/1/14 to 9/30/15 rent projection (2.39%) times (.583), plus the 10/1/15 to 9/30/16 rent projection (1.60%) times (.417)).

¹⁸ Estimated expense figure includes 2016 expense estimate updated by the revised staff 2017 PIOC projection (released on June 8, 2016) for the period from 3/1/16 through 2/28/17 (5.9%). Income includes the income estimate for 2016 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/16 through 2/28/17 (1.68% - i.e., the 10/1/15 to 9/30/16 rent projection (1.60%) times (.583), plus the 10/1/16 to 9/30/17 rent projection (1.78%) times (.417)).

On April 20, 2016 the staff of the Rent Guidelines Board released two memos to Board members with additional information concerning the *2016 Income & Expense Study*. The first memo follows:

At the April 7, 2016 meeting of the RGB, board members asked for additional data from the *2016 Income and Expense Study*.

The following is a compilation of the change in average rent and net operating income (NOI), by Community District, for each two-year period analyzed in the longitudinal data, between 2005 and 2014, the earliest and latest years for which this data is available:

Longitudinal Income Expense Study, Change in Rent by Community District, 2005–2014

		Average Rent % Change								
CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manhattan										
101	Financial District	-	-	-	-	-	-	-	-	-
102	Greenwich Village	6.3%	8.8%	7.7%	-0.2%	0.0%	9.3%	6.3%	5.5%	6.3%
103	Lower East Side/Chinatown	8.0%	8.3%	6.1%	-0.5%	-0.6%	7.6%	6.6%	5.5%	6.8%
104	Chelsea/Clinton	7.1%	11.5%	3.6%	-0.4%	-4.8%	13.5%	7.7%	5.2%	5.9%
105	Midtown	5.7%	7.9%	9.1%	0.1%	1.5%	6.0%	5.3%	6.4%	2.4%
106	Stuyvesant Town/Turtle Bay	6.5%	7.9%	6.7%	-2.2%	-2.4%	7.6%	9.5%	2.2%	5.6%
107	Upper West Side	6.7%	6.8%	7.0%	1.3%	0.7%	7.8%	6.3%	5.3%	4.8%
108	Upper East Side	6.5%	6.9%	5.0%	-2.4%	-1.2%	8.6%	5.9%	4.9%	3.7%
109	Morningside Hts./Hamilton Hts.	6.1%	7.2%	6.6%	-0.8%	0.9%	10.8%	5.2%	5.0%	7.2%
110	Central Harlem	7.2%	7.4%	0.1%	0.3%	2.8%	4.6%	9.5%	4.7%	5.6%
111	East Harlem	6.7%	7.0%	6.4%	-2.5%	1.1%	5.9%	6.2%	5.1%	7.4%
112	Washington Hts./Inwood	5.6%	5.4%	5.4%	1.2%	0.3%	8.6%	4.9%	4.5%	4.0%
Bronx										
201	Mott Haven/Port Morris	3.7%	5.5%	11.2%	3.3%	2.6%	4.0%	2.6%	9.3%	5.7%
202	Hunts Point/Longwood	5.6%	4.4%	4.8%	5.3%	3.2%	4.0%	3.8%	5.9%	5.7%
203	Morrisania/Melrose/Claremont	4.6%	5.0%	7.9%	5.9%	3.9%	1.7%	5.9%	5.0%	3.8%
204	Highbridge/S. Concourse	4.2%	3.3%	6.3%	6.4%	0.5%	2.3%	3.9%	4.7%	4.8%
205	University Heights/Fordham	3.3%	4.5%	4.8%	5.0%	2.0%	2.9%	3.5%	4.2%	6.1%
206	E. Tremont/Belmont	3.5%	5.0%	6.8%	3.5%	4.1%	4.3%	2.0%	4.7%	5.2%
207	Kingsbridge Hts./Mosholu/Norwood	2.6%	6.1%	5.0%	4.3%	1.9%	3.4%	4.3%	4.2%	4.4%
208	Riverdale/Kingsbridge	5.2%	6.0%	5.7%	2.8%	1.8%	4.1%	3.9%	2.0%	4.1%
209	Soundview/Parkchester	1.6%	6.3%	6.0%	4.9%	-0.4%	2.5%	3.6%	5.2%	5.5%
210	Throgs Neck/Co-op City	4.2%	6.1%	5.8%	2.0%	2.0%	4.5%	4.8%	4.1%	4.0%
211	Pelham Parkway	3.3%	7.3%	4.4%	2.9%	2.6%	0.7%	3.6%	3.9%	3.6%
212	Williamsbridge/Baychester	6.3%	5.5%	4.2%	1.8%	-3.7%	3.5%	4.8%	2.8%	5.6%
Brooklyn										
301	Williamsburg/Greenpoint	5.7%	9.3%	8.8%	4.0%	1.6%	9.1%	5.4%	6.2%	6.2%
302	Brooklyn Hts./Fort Greene	4.5%	6.9%	7.2%	2.1%	2.0%	6.1%	5.9%	5.1%	5.6%
303	Bedford Stuyvesant	0.9%	6.0%	9.4%	2.7%	3.6%	4.6%	3.3%	3.2%	5.5%
304	Bushwick	-	-	-	3.0%	-0.9%	-	-	-	-
305	East New York/Starett City	-	6.3%	8.0%	3.1%	2.9%	2.8%	6.2%	1.7%	4.9%
306	Park Slope/Carroll Gardens	9.1%	5.0%	7.2%	1.9%	0.3%	6.2%	6.2%	4.4%	5.5%
307	Sunset Park	26.5%	5.6%	-3.8%	2.7%	2.7%	3.9%	3.5%	4.0%	5.6%
308	North Crown Hts./Prospect Hts.	5.7%	6.3%	6.0%	5.4%	2.0%	6.3%	6.4%	5.6%	7.1%
309	South Crown Hts.	5.7%	8.2%	3.9%	3.9%	3.1%	6.2%	4.8%	6.2%	4.5%
310	Bay Ridge	5.3%	6.0%	5.6%	2.4%	1.8%	3.1%	4.9%	3.1%	4.3%
311	Bensonhurst	4.6%	4.8%	4.0%	2.5%	4.1%	4.8%	3.8%	3.2%	4.5%
312	Borough Park	6.2%	5.8%	3.7%	3.0%	2.3%	4.8%	3.5%	4.1%	4.6%
313	Coney Island	3.8%	2.6%	5.6%	1.3%	4.3%	5.8%	4.1%	4.0%	2.7%
314	Flatbush	6.9%	7.1%	3.5%	3.0%	3.2%	4.4%	3.9%	5.0%	5.5%
315	Sheepshead Bay/Gravesend	4.5%	5.4%	3.3%	4.5%	3.3%	4.4%	5.6%	3.6%	2.9%
316	Brownsville/Ocean Hill	3.1%	3.1%	1.3%	8.1%	2.5%	-0.7%	12.1%	4.1%	6.9%
317	East Flatbush	4.2%	6.8%	6.4%	3.2%	4.4%	5.0%	3.3%	5.3%	4.3%
318	Flatlands/Canarsie	-	-	-	1.4%	-1.1%	2.1%	2.5%	6.2%	-

Longitudinal Income Expense Study, Change in Rent by Community District, 2005-2014

CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Queens										
401	Astoria	6.8%	8.3%	6.0%	1.5%	2.8%	4.9%	4.8%	5.8%	5.0%
402	Sunnyside/Woodside	6.8%	7.6%	6.5%	3.4%	1.3%	6.2%	5.0%	4.8%	4.3%
403	Jackson Hts.	4.3%	7.2%	6.4%	3.1%	2.0%	6.3%	5.5%	3.5%	5.7%
404	Elmhurst/Corona	4.7%	6.1%	4.6%	2.9%	2.1%	3.2%	4.5%	3.4%	3.2%
405	Middle Village/Ridgewood		5.2%	3.3%	2.2%	-3.9%	5.8%	4.1%	3.7%	6.5%
406	Forest Hills/Rego Park	4.5%	5.5%	3.6%	3.4%	0.7%	4.3%	3.0%	4.3%	4.0%
407	Flushing/Whitestone	5.3%	4.9%	4.6%	3.1%	1.1%	4.7%	2.6%	3.8%	3.2%
408	Hillcrest/Fresh Meadows	5.4%	2.9%	4.4%	3.2%	2.1%	5.1%	2.5%	3.3%	4.5%
409	Kew Gardens/Woodhaven	5.2%	4.2%	5.8%	2.5%	1.2%	2.4%	3.3%	3.1%	4.4%
410	Howard Beach/S. Ozone Park	-	-	-	-	-	-	-	-	-
411	Bayside/Little Neck	-	-0.2%	-	2.6%	-	6.9%	-	-	4.1%
412	Jamaica	1.2%	8.4%	6.1%	5.5%	4.3%	2.4%	3.8%	2.2%	7.4%
413	Bellerose/Rosedale	-	-	-	-	-	-	-	-	-
414	Rockaways	-	-	-	4.6%	-	3.9%	0.5%	1.8%	8.5%
Staten Island										
501	North Shore	4.3%	0.9%	2.5%	1.7%	3.2%	0.5%	3.9%	1.7%	3.8%
502	Mid-Island	-	-	-	-	-	-	-	-	-
503	South Shore	-	-	-	-	-	-	-	-	-

Source: NYC Dept. of Finance, RPIE Filings, Longitudinal Data.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

Longitudinal Income Expense Study, Change in NOI by Community District, 2005–2014

		Average NOI % Change								
CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manhattan										
101	Financial District	-	-	-	-	-	-	-	-	-
102	Greenwich Village	8.7%	13.0%	6.1%	-3.7%	-6.3%	16.7%	6.6%	6.7%	4.1%
103	Lower East Side/Chinatown	13.6%	8.3%	3.4%	-2.9%	1.1%	10.0%	6.4%	5.6%	7.2%
104	Chelsea/Clinton	8.6%	15.5%	3.0%	-1.7%	-7.2%	19.1%	7.7%	5.0%	5.2%
105	Midtown	9.4%	9.1%	11.1%	-10.1%	4.2%	7.7%	6.7%	1.9%	5.0%
106	Stuyvesant Town/Turtle Bay	7.9%	10.9%	6.1%	-6.2%	-3.5%	8.2%	9.1%	0.9%	6.1%
107	Upper West Side	9.7%	10.3%	7.3%	0.6%	-2.6%	9.7%	6.8%	4.4%	6.3%
108	Upper East Side	10.3%	10.8%	2.8%	-10.1%	-6.5%	15.6%	5.4%	5.2%	2.9%
109	Morningside Hts./Hamilton Hts.	-1.9%	7.5%	23.0%	15.5%	7.3%	21.2%	5.4%	-3.2%	9.2%
110	Central Harlem	11.8%	14.4%	11.9%	31.1%	10.9%	15.7%	9.9%	4.6%	-1.5%
111	East Harlem	2.1%	9.3%	16.5%	-8.8%	-0.9%	0.6%	4.8%	0.2%	13.6%
112	Washington Hts./Inwood	7.5%	6.5%	-5.0%	25.2%	1.9%	9.0%	5.6%	-0.3%	4.4%
Bronx										
201	Mott Haven/Port Morris	-6.3%	5.4%	33.1%	26.4%	48.6%	14.0%	4.1%	15.3%	2.0%
202	Hunts Point/Longwood	39.3%	-14.4%	1.2%	88.8%	3.7%	-0.6%	7.8%	11.7%	21.3%
203	Morrisania/Melrose/Claremont	55.1%	-10.2%	23.1%	63.8%	42.6%	1.7%	5.6%	9.1%	2.4%
204	Highbridge/S. Concourse	6.3%	1.2%	4.2%	60.6%	9.6%	-5.0%	4.0%	3.8%	5.2%
205	University Heights/Fordham	4.0%	-0.7%	-1.5%	47.8%	8.9%	-7.2%	3.1%	4.6%	4.0%
206	E. Tremont/Belmont	30.0%	-3.4%	14.6%	54.5%	22.0%	-5.7%	3.1%	19.9%	9.5%
207	Kingsbridge Hts./Mosholu/Norwood	12.3%	8.3%	0.6%	25.1%	8.4%	-8.0%	4.1%	2.4%	2.0%
208	Riverdale/Kingsbridge	1.4%	4.9%	9.3%	12.8%	8.8%	-3.6%	4.9%	0.3%	-0.6%
209	Soundview/Parkchester	-3.2%	11.0%	8.9%	24.2%	5.9%	-8.1%	3.5%	7.2%	6.3%
210	Throgs Neck/Co-op City	11.9%	25.4%	-3.9%	8.8%	-3.8%	4.7%	5.1%	-2.2%	6.7%
211	Pelham Parkway	-4.4%	21.0%	3.9%	17.6%	4.3%	-7.0%	3.4%	-4.0%	0.8%
212	Williamsbridge/Baychester	20.9%	-4.2%	9.0%	15.2%	-4.5%	-8.4%	4.7%	-1.5%	4.4%
Brooklyn										
301	Williamsburg/Greenpoint	15.0%	13.5%	-2.6%	9.5%	19.2%	15.6%	5.7%	10.5%	5.6%
302	Brooklyn Hts./Fort Greene	3.3%	7.7%	3.4%	1.6%	6.7%	9.2%	6.1%	4.5%	4.2%
303	Bedford Stuyvesant	-17.6%	50.0%	41.1%	37.1%	53.2%	8.5%	2.4%	1.6%	3.7%
304	Bushwick	-	-	-	32.6%	59.9%	-13.3%	-	-	-
305	East New York/Starett City	-	-4.4%	3.8%	47.1%	82.6%	-2.3%	4.2%	3.1%	7.5%
306	Park Slope/Carroll Gardens	12.0%	6.6%	3.8%	1.6%	2.3%	11.3%	5.9%	0.6%	7.8%
307	Sunset Park	6.5%	7.9%	-3.3%	29.4%	15.8%	2.1%	4.4%	1.8%	11.8%
308	North Crown Hts./Prospect Hts.	7.3%	9.7%	-3.0%	31.9%	11.7%	13.3%	7.0%	5.9%	8.9%
309	South Crown Hts.	14.1%	17.2%	-2.6%	22.2%	13.9%	13.3%	4.5%	7.6%	2.6%
310	Bay Ridge	7.3%	5.0%	5.7%	8.1%	8.5%	2.2%	4.4%	-0.3%	3.3%
311	Bensonhurst	2.0%	8.5%	3.3%	9.3%	20.5%	8.0%	3.8%	4.6%	-0.3%
312	Borough Park	13.2%	4.9%	-2.0%	28.6%	11.2%	5.0%	3.6%	5.6%	3.4%
313	Coney Island	10.2%	7.6%	5.2%	9.7%	5.1%	6.6%	2.7%	6.0%	8.7%
314	Flatbush	10.1%	8.6%	12.7%	14.7%	7.0%	8.3%	4.1%	2.9%	2.3%
315	Sheepshead Bay/Gravesend	8.2%	6.7%	7.2%	20.9%	12.1%	6.0%	5.5%	0.0%	3.7%
316	Brownsville/Ocean Hill	11.2%	-6.9%	1.9%	58.8%	15.8%	-3.9%	11.3%	-3.1%	8.9%
317	East Flatbush	13.1%	14.5%	19.0%	24.6%	8.3%	14.1%	3.2%	9.8%	2.5%
318	Flatlands/Canarsie	-	-	-	1.6%	0.7%	-4.7%	2.0%	6.4%	-

Longitudinal Income Expense Study, Change in NOI by Community District, 2005–2014

CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Queens										
401	Astoria	12.7%	10.8%	3.8%	5.4%	11.4%	3.0%	4.9%	7.3%	4.8%
402	Sunnyside/Woodside	7.1%	15.4%	5.3%	8.9%	10.6%	10.2%	5.3%	5.0%	4.6%
403	Jackson Hts.	-8.6%	17.1%	15.4%	4.4%	15.2%	9.3%	5.1%	0.5%	8.9%
404	Elmhurst/Corona	4.5%	14.2%	3.1%	18.5%	1.8%	4.6%	3.8%	-3.1%	0.5%
405	Middle Village/Ridgewood		5.1%	3.2%	-5.7%	9.8%	8.7%	3.6%	1.7%	6.3%
406	Forest Hills/Rego Park	2.1%	12.9%	-1.4%	9.0%	-2.2%	2.9%	3.7%	8.8%	0.6%
407	Flushing/Whitestone	3.2%	7.7%	3.6%	8.4%	-1.7%	5.5%	2.8%	-0.3%	4.0%
408	Hillcrest/Fresh Meadows	27.5%	0.0%	5.0%	0.3%	4.4%	6.4%	3.2%	1.4%	-1.7%
409	Kew Gardens/Woodhaven	13.0%	-2.3%	-0.4%	6.3%	14.1%	-1.7%	3.6%	-0.8%	0.3%
410	Howard Beach/S. Ozone Park	-	-	-	-	-	20.9%	-	-	-
411	Bayside/Little Neck	-	1.0%	-	10.8%	-	7.3%	-	-	-2.8%
412	Jamaica	-11.1%	30.7%	5.6%	28.9%	5.4%	0.0%	3.5%	-9.9%	17.2%
413	Bellerose/Rosedale	-	-	-	-	-	12.0%	-	-	-
414	Rockaways	-	-	-	25.4%		10.1%	0.3%	1.4%	13.4%
Staten Island										
501	North Shore	3.5%	-5.1%	-7.4%	10.3%	30.8%	-9.5%	4.3%	-4.6%	4.5%
502	Mid-Island	-	-	-	-	-	-	-	-	-
503	South Shore	-	-	-	-	-	-	-	-	-

Source: NYC Dept. of Finance, RPIE Filings.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

On April 20, 2016 the staff of the Rent Guidelines Board released two memos to Board members with additional information concerning the 2016 Income & Expense Study. The second memo follows:

At the April 7, 2016 meeting of the RGB, board members asked for additional data from the *2016 Income and Expense Study*.

The following are cost-to-income ratios, by community district, for 2013 and 2014, as well as the change between the two years. It is derived from Longitudinal Data filed by owners in both 2013 and 2014. The ratios represent the share of income an average rent stabilized building owner spends on expenses each year. The difference represents the change from 2013 to 2014. A decline in the ratio means an owner is spending less of their income on expenses, compared to the prior year. Conversely, an increase in the ratio means a higher proportion is spent.

For instance, if one looks at Community District 206, E. Tremont/Belmont, in the Bronx (highlighted in green on the following table), an average owner spent 0.735 (73.5%) of every dollar earned in income in 2014 on expenses. This represented a 0.013 (1.3 percentage) point decline from 2013, when 0.748 (74.8%) of each dollar earned went towards expenses.

Cost-to-Income Ratios, 2013 & 2014				
CD	NEIGHBORHOOD	2013	2014	Difference
Manhattan				
101	Financial District	-	-	-
102	Greenwich Village	0.560	0.565	0.005
103	Lower East Side/Chinatown	0.632	0.628	-0.003
104	Chelsea/Clinton	0.592	0.593	0.001
105	Midtown	0.614	0.612	-0.002
106	Stuyvesant Town/Turtle Bay	0.601	0.599	-0.002
107	Upper West Side	0.628	0.626	-0.003
108	Upper East Side	0.596	0.602	0.005
109	Morningside Hts./Hamilton Hts.	0.736	0.730	-0.006
110	Central Harlem	0.683	0.709	0.026
111	East Harlem	0.711	0.698	-0.013
112	Washington Hts./Inwood	0.730	0.732	0.002
Bronx				
201	Mott Haven/Port Morris	0.734	0.743	0.009
202	Hunts Point/Longwood	0.756	0.729	-0.028
203	Morrisania/Melrose/Claremont	0.770	0.771	0.002
204	Highbridge/S. Concourse	0.740	0.737	-0.003
205	University Heights/Fordham	0.766	0.768	0.002
206	E. Tremont/Belmont	0.748	0.735	-0.013
207	Kingsbridge Hts./Mosholu/Norwood	0.746	0.751	0.005
208	Riverdale/Kingsbridge	0.694	0.709	0.015
209	Soundview/Parkchester	0.760	0.759	-0.001
210	Throgs Neck/Co-op City	0.727	0.721	-0.007
211	Pelham Parkway	0.734	0.742	0.008
212	Williamsbridge/Baychester	0.739	0.741	0.002
Brooklyn				
301	Williamsburg/Greenpoint	0.623	0.624	0.001
302	Brooklyn Hts./Fort Greene	0.608	0.612	0.004
303	Bedford Stuyvesant	0.709	0.714	0.005
304	Bushwick	-	-	-
305	East New York/Starett City	0.698	0.688	-0.010
306	Park Slope/Carroll Gardens	0.595	0.585	-0.010
307	Sunset Park	0.694	0.677	-0.017
308	North Crown Hts./Prospect Hts.	0.661	0.656	-0.006
309	South Crown Hts.	0.645	0.652	0.006
310	Bay Ridge	0.661	0.663	0.002
311	Bensonhurst	0.645	0.659	0.014
312	Borough Park	0.652	0.656	0.005
313	Coney Island	0.633	0.616	-0.017

CD	NEIGHBORHOOD	2013	2014	Difference
314	Flatbush	0.663	0.673	0.010
315	Sheepshead Bay/Gravesend	0.661	0.658	-0.002
316	Brownsville/Ocean Hill	0.674	0.665	-0.010
317	East Flatbush	0.675	0.681	0.006
318	Flatlands/Canarsie	-	-	-
Queens				
401	Astoria	0.654	0.654	0.000
402	Sunnyside/Woodside	0.619	0.618	0.000
403	Jackson Hts.	0.667	0.657	-0.010
404	Elmhurst/Corona	0.649	0.660	0.010
405	Middle Village/Ridgewood	0.662	0.662	0.000
406	Forest Hills/Rego Park	0.653	0.664	0.011
407	Flushing/Whitestone	0.682	0.681	-0.001
408	Hillcrest/Fresh Meadows	0.684	0.700	0.016
409	Kew Gardens/Woodhaven	0.668	0.681	0.013
410	Howard Beach/S. Ozone Park	-	-	-
411	Bayside/Little Neck	0.629	0.655	0.026
412	Jamaica	0.716	0.691	-0.026
413	Bellerose/Rosedale	-	-	-
414	Rockaways	0.751	0.740	-0.012
Staten Island				
501	North Shore	0.680	0.680	-0.001
502	Mid-Island	-	-	-
503	South Shore	-	-	-

Source: NYC Dept. of Finance, RPIE Filings, Longitudinal Data.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

Changes in Housing Affordability

Looking at New York City's economy during 2015, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the sixth consecutive year, increasing 2.9% in 2015. The unemployment rate also fell, declining by 1.5 percentage points, to 5.7%. Gross City Product (GCP) also increased for the sixth consecutive year, rising in real terms by 3.4% in 2015. In addition, inflation-adjusted wages rose by 1.6% during the most recent 12-month period (the fourth quarter of 2014 through the third quarter of 2015), and inflation slowed to just 0.1%. The number of non-payment filings in Housing Court fell by 2.4%, "calendared" cases fell 12.5%, and evictions fell by 18.1%. In addition, Supplemental Nutrition Assistance Program (SNAP) caseloads fell for second consecutive year, by 3.2%

Negative indicators include the seventh consecutive year of increase in homeless levels, which rose to an average of more than 57,000 persons a night, an increase of 5.6% over 2014 levels. Public assistance caseloads also rose, by 5.7% over 2014 levels.

The most recent numbers, from the fourth quarter of 2015 (as compared to the fourth quarter of 2014), show that homeless levels were up 2.1%, cash assistance levels were up 5.7%, and the number of filings in housing court were up 7.1%.¹⁹

However, most fourth quarter indicators were positive, with employment levels up 2.2%, the unemployment rate down 1.3 percentage points, the number of calendared cases in Housing Court down 17.1%, and SNAP recipients down 2.8%. Fourth quarter GCP also rose, by 2.1% in real terms, and inflation was lower than that of the last quarter of 2014, rising by 0.6%, as compared to 0.8% in the fourth quarter of 2014.

On April 20, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2016 Income & Affordability Study*. The memo follows:

At the April 7, 2016 *Income & Affordability Study* (I&A) presentation, four questions were asked for which an immediate answer could not be provided. Answers to all outstanding questions follow.

Question 1: Do you know the number of non-payment filings for rent stabilized tenants? Is it possible to provide the number of evictions for cases that are not calendared? Can the proportion of evictions to filings (versus evictions to calendared cases) be provided?

A representative from the Civil Court of the City of New York (Housing Court) confirms that while a petitioner is required to state whether the premises is "rent regulated" or not, this information is not captured in their database and therefore cannot be provided.

They are also not able to provide the number of evictions for cases that are not calendared. Eviction data is obtained from the NYC Dept. of Investigation and non-payment filings data is from Housing Court. However, Housing Court is able to provide data on the number of filings that resulted in a "failure to answer." In 2015, 203,119 non-payment filings were made against New York City tenants. A total of 37,607 of these non-payment filings resulted in a "failure to answer," a proportion of 18.5%. Note that not all of the "failure of answer" judgments lead to an eviction. A total of 111,409 of the non-payment filings were calendared, a proportion of 54.8%.

As reported in the *2016 Income and Affordability Study*, the proportion of evictions (21,988) to non-payment calendared cases in 2015 was 19.7%. The proportion of evictions to non-payment filings was 10.8%. Note that we are not provided with a reason for the eviction.

¹⁹ 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.

Question 2: Can the Department of Homeless Services provide the number of people in shelter who previously vacated a rent stabilized apartment?

A representative from the Dept. of Homeless Services confirms that they do not request this information from clients entering shelter.

Question 3: Can the household income of rent stabilized tenants be correlated to employment figures?

The only source of rent stabilized income data is the triennial *NYC Housing and Vacancy Survey*. The most recent income figures from that survey are from 2013. Employment figures reported in annual *Income and Affordability Studies* constitute those employed in New York City, regardless of where the person lives. These two data sets are presented below from 2001-2013. Also reported is the number of New York City residents employed during those years, regardless of where their job is located.

Year	Rent Stabilized Household Income (HVS)	Jobs in NYC	# of NYC Employed Residents
2001	\$32,000	3,687,900	3,459,200
2002		3,579,600	3,405,600
2003		3,529,300	3,376,000
2004	\$32,000	3,547,500	3,478,200
2005		3,600,600	3,581,700
2006		3,664,700	3,626,600
2007	\$36,000	3,742,000	3,664,300
2008		3,791,900	3,705,500
2009		3,691,200	3,591,500
2010	\$38,172	3,709,300	3,573,600
2011		3,796,200	3,602,700
2012		3,881,600	3,655,900
2013	\$40,600	3,974,900	3,728,100

Question 4: Can employment figures be broken out by whether the employee is working full-time or part-time?

That information is not provided as part of Current Employment Statistics survey, which is the source of employment data in the *I&A Study*. However, as part of this survey employers are asked for the average number of hours their employees are working per week. Between 2014 and 2015 there was no change in the average number of hours worked per week for NYC employees (34.3 hours). Between 2007 (the first year data is available for) and 2015, average weekly hours have ranged from a high of 35.5 in 2008 to a low of 34.3 in both 2014 and 2015. Note that the average hourly wage in these years fell only once, in 2009, and rose by the second greatest proportion in 2015, rising 3.1%.

On June 3, 2016 the staff of the Rent Guidelines Board released a memo about rent stabilized HVS sub-borough figures. The memo follows:

Following a presentation by Stephanie Rosoff, of the NYU Furman Center, at the May 26, 2016 meeting of the Board, additional data was requested regarding a historical count of rent stabilized units at the sub-borough (roughly Community District) level. Following is data from triennial Housing and Vacancy Surveys (HVS) from 1993-2014 that provides an estimate of the number of rent stabilized units per sub-borough.

Analyzing data at the sub-borough level is always challenging because of the small number of units that are actually surveyed in any given year. In addition, as each decennial Census is released, the sample used to survey for the HVS is updated, making comparisons between certain years problematic. Furthermore, we cannot identify through the HVS why a unit has either left or entered rent stabilization, and the addition or subtraction of just a single development can have a disproportionate effect on the estimate of the number of units in the sub-borough as a whole.

The spreadsheets following provide both the total number of rent stabilized units in the given years, as well as the proportion of units within each sub-borough that are rent stabilized. Those neighborhoods that were identified as "gentrifying" by the Furman Center are highlighted in yellow.

All data should be interpreted with caution given the small sample sizes involved. Sub-boroughs with especially small sample sizes were omitted from the data, but are included in borough-wide figures.

Number of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Bronx		1993	1996	1999	2002	2005	2008	2011	2014
1	Mott Haven/Hunts Point	13,318	12,849	12,249	17,604	16,740	17,623	18,608	19,251
2	Morrisania/East Tremont	14,932	15,247	17,278	20,774	22,178	21,511	21,487	22,778
3	Highbridge/ S. Concourse	23,350	25,877	25,527	31,696	30,895	31,977	36,640	35,175
4	University Heights/ Fordham	20,488	19,365	21,774	33,675	33,763	35,530	30,658	31,562
5	Kingsbridge Heights/Mosholu	31,351	35,278	34,272	34,991	36,567	34,314	37,584	41,589
6	Riverdale/Kingsbridge	26,329	28,780	25,866	23,966	25,153	19,807	19,303	18,028
7	Soundview/Parkchester	18,138	17,533	19,808	15,561	20,487	22,087	21,188	22,816
8	Throgs Neck/Co-op City	3,825	3,465	4,024	3,279	--	4,279	6,848	6,253
9	Pelham Parkway	16,192	15,751	15,712	13,968	15,888	14,605	17,320	17,220
10	Williamsbridge/Baychester	9,415	10,005	10,417	9,325	12,492	13,403	12,950	13,860
	Total Bronx	177,338	184,150	186,928	204,839	217,048	215,137	222,586	228,534

Brooklyn		1993	1996	1999	2002	2005	2008	2011	2014
1	Williamsburg/Greenpoint	18,818	19,829	22,377	19,815	22,678	20,318	22,562	22,433
2	Brooklyn Heights/Fort Greene	9,240	9,994	10,867	12,235	12,555	11,979	10,678	10,083
3	Bedford Stuyvesant	6,164	5,580	6,419	7,297	7,962	7,580	13,286	19,158
4	Bushwick	15,468	15,606	16,469	13,262	11,949	11,496	12,175	12,651
5	East New York/Starrett City	3,761	3,523	3,527	6,867	5,978	7,085	7,215	5,923
6	Park Slope/Carroll Gardens	14,055	16,968	19,813	9,932	7,999	10,983	10,458	9,339
7	Sunset Park	13,625	14,457	15,376	10,697	11,929	11,262	14,712	14,987
8	North Crown Heights/Prospect Heights	17,562	16,927	18,335	19,377	20,536	18,650	19,685	21,627
9	South Crown Heights	21,568	23,904	23,943	26,113	26,568	27,234	29,483	30,547
10	Bay Ridge	14,910	17,148	12,466	14,790	15,106	13,314	17,160	17,736
11	Bensonhurst	18,767	20,038	19,635	18,124	19,297	19,448	21,223	20,265
12	Borough Park	8,765	9,699	8,644	15,039	15,865	16,138	13,609	16,101
13	Coney Island	13,033	13,906	12,934	13,347	10,191	12,340	14,471	12,212
14	Flatbush	32,474	35,312	35,306	32,855	33,815	35,999	31,292	30,807
15	Sheepshead Bay/Gravesend	18,152	17,368	17,722	18,163	20,400	17,881	16,753	15,304
16	Brownsville/Ocean Hill	8,310	8,352	7,622	7,995	9,635	9,437	12,762	14,836
17	East Flatbush	15,469	13,503	13,897	16,658	14,537	15,968	16,771	17,119
18	Flatlands/Canarsie	4,600	5,352	4,943	--*	3,109	--*	4,272	4,428
	Total Brooklyn	254,743	267,466	270,294	265,208	270,110	269,905	288,569	295,557

* Number too low to report accurately

Number of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Manhattan		1993	1996	1999	2002	2005	2008	2011	2014
1	Greenwich Village/Financial District	25,404	28,275	28,760	23,476	20,261	22,797	15,996	18,884
2	Lower East Side/Chinatown	29,732	29,131	24,026	31,966	26,790	22,244	28,461	28,696
3	Chelsea/Clinton/Midtown	33,815	34,815	33,061	29,285	32,745	28,368	25,368	27,878
4	Stuyvesant Town/Turtle-Bay	49,568	49,243	43,962	36,892	35,122	28,067	22,853	25,908
5	Upper West Side	51,553	57,639	52,538	43,178	45,722	37,116	25,601	31,931
6	Upper East Side	61,875	65,288	59,500	46,015	43,141	38,032	33,371	36,348
7	Morningside Heights/Hamilton Heights	18,419	20,386	22,338	28,510	25,123	26,408	20,000	21,761
8	Central Harlem	18,256	17,550	20,893	22,693	27,526	22,922	22,811	23,492
9	East Harlem	12,006	11,561	11,324	10,911	13,524	14,075	13,181	15,421
10	Washington Heights/Inwood	54,682	54,467	58,194	55,649	54,795	51,988	52,505	53,587
	Total Manhattan	355,310	368,355	354,595	328,574	324,749	292,017	260,148	283,907

Queens		1993	1996	1999	2002	2005	2008	2011	2014
1	Astoria	22,645	23,084	25,092	31,046	31,636	31,827	31,547	31,811
2	Sunnyside/Woodside	16,222	17,121	17,799	20,765	23,405	23,888	20,820	20,937
3	Jackson Heights	12,935	15,386	15,325	14,010	12,917	17,145	17,926	18,745
4	Elmhurst/Corona	18,474	18,046	19,263	18,953	18,481	19,986	19,808	19,137
5	Middle Village/Ridgewood	9,954	13,051	12,409	9,337	9,169	11,509	12,892	14,286
6	Rego Park/Forest Hills	28,570	28,695	28,562	19,090	23,188	20,006	16,908	17,936
7	Flushing/Whitestone	25,141	23,777	28,269	18,761	22,672	23,196	20,090	23,427
8	Hillcrest/Fresh Meadows	13,944	14,787	17,551	18,970	18,795	15,709	13,897	13,582
9	Kew Gardens/Woodhaven	9,912	9,192	9,346	9,166	8,749	7,574	8,923	7,658
10	South Ozone Park/Howard Beach	---	---	---	---	---	---	---	---
11	Bayside/Little Neck	3,977	3,790	4,805	---	---	---	---	---
12	Jamaica	10,336	9,891	8,593	8,339	10,246	11,258	10,226	9,751
13	Bellerose/Rosedale	4,157	2,465	3,061	---	4,250	3,546	---	---
14	Rockaways	5,579	5,113	7,608	4,947	8,113	7,192	3,973	7,110
	Total Queens	182,180	184,398	198,244	181,068	195,351	196,304	182,213	189,343

Staten Island		1993	1996	1999	2002	2005	2008	2011	2014
1	North Shore	6,200	5,643	7,186	5,795	5,483	5,320	5,165	7,371
2	Mid-Island	---	---	---	---	---	---	---	---
3	South Shore	---	---	---	---	---	---	---	---
	Total Staten Island	9,455	5,643	10,526	8,705	8,397	8,372	7,354	10,756

* Number too low to report accurately

Proportion of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Bronx		1993	1996	1999	2002	2005	2008	2011	2014
1	Mott Haven/Hunts Point	36.2%	36.6%	36.4%	44.7%	40.5%	39.7%	42.0%	44.1%
2	Morrisania/East Tremont	40.3%	43.0%	46.6%	50.9%	50.1%	50.8%	46.8%	47.6%
3	Highbridge/ S. Concourse	71.2%	76.0%	78.6%	80.1%	79.0%	77.3%	82.1%	84.1%
4	University Heights/ Fordham	60.9%	62.1%	63.0%	82.0%	81.1%	81.5%	75.9%	79.3%
5	Kingsbridge Heights/Mosholu	83.6%	88.6%	88.0%	87.6%	88.8%	84.9%	91.2%	91.5%
6	Riverdale/Kingsbridge	86.2%	81.2%	77.4%	71.4%	77.6%	61.4%	68.3%	69.9%
7	Soundview/Parkchester	39.1%	37.8%	42.3%	31.4%	43.0%	44.5%	46.1%	45.8%
8	Throgs Neck/Co-op City	29.0%	22.9%	27.1%	21.5%	--*	26.3%	34.7%	34.7%
9	Pelham Parkway	54.4%	54.1%	54.2%	52.2%	53.1%	50.2%	49.9%	55.4%
10	Williamsbridge/Baychester	34.1%	38.0%	39.0%	28.3%	37.2%	39.4%	42.9%	37.6%
	Total Bronx	54.5%	56.2%	57.1%	57.1%	59.0%	57.6%	59.3%	60.1%

Brooklyn		1993	1996	1999	2002	2005	2008	2011	2014
1	Williamsburg/Greenpoint	51.6%	52.5%	54.7%	46.6%	52.6%	45.1%	49.9%	46.9%
2	Brooklyn Heights/Fort Greene	28.2%	31.3%	35.5%	38.3%	39.2%	33.5%	29.6%	30.6%
3	Bedford Stuyvesant	18.4%	17.9%	21.4%	20.1%	23.0%	20.5%	32.5%	46.4%
4	Bushwick	51.0%	49.4%	54.9%	41.2%	37.2%	35.5%	31.2%	33.5%
5	East New York/Starratt City	11.4%	11.4%	10.8%	19.1%	16.4%	19.8%	18.4%	15.6%
6	Park Slope/Carroll Gardens	43.6%	49.1%	55.9%	32.3%	25.7%	32.6%	31.0%	31.2%
7	Sunset Park	47.5%	48.4%	48.8%	34.0%	38.0%	32.2%	44.4%	47.6%
8	North Crown Heights/Prospect Heights	49.6%	50.5%	53.9%	51.9%	52.6%	47.6%	49.7%	51.7%
9	South Crown Heights	67.3%	70.6%	69.6%	76.6%	80.1%	73.4%	78.3%	77.6%
10	Bay Ridge	47.4%	52.2%	45.3%	48.9%	47.2%	39.3%	50.8%	54.6%
11	Bensonhurst	43.2%	46.2%	47.8%	39.8%	43.6%	45.2%	44.8%	42.0%
12	Borough Park	30.9%	35.1%	31.9%	43.6%	49.1%	46.5%	42.6%	46.4%
13	Coney Island	42.6%	41.5%	42.2%	42.8%	33.3%	36.7%	41.7%	38.7%
14	Flatbush	79.0%	83.1%	82.9%	74.6%	77.6%	82.5%	74.7%	73.9%
15	Sheepshead Bay/Gravesend	48.4%	50.7%	53.3%	53.0%	55.5%	49.4%	51.1%	50.1%
16	Brownsville/Ocean Hill	26.9%	30.2%	26.7%	23.9%	30.8%	28.1%	32.8%	41.6%
17	East Flatbush	50.9%	46.7%	48.2%	49.4%	45.1%	46.9%	52.7%	50.9%
18	Flatlands/Canarsie	16.0%	20.5%	17.4%	--*	12.2%	--*	12.1%	13.5%
	Total Brooklyn	42.7%	45.2%	46.0%	42.3%	43.5%	41.6%	42.9%	44.7%

* Number too low to report accurately

Proportion of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Manhattan		1993	1996	1999	2002	2005	2008	2011	2014
1	Greenwich Village/Financial District	54.4%	63.6%	61.3%	50.2%	43.4%	44.0%	28.4%	32.4%
2	Lower East Side/Chinatown	51.6%	52.2%	52.6%	54.5%	44.7%	35.4%	45.5%	47.4%
3	Chelsea/Clinton/Midtown	61.5%	66.9%	63.8%	58.3%	58.0%	47.7%	39.6%	43.8%
4	Stuyvesant Town/Turtle-Bay	74.9%	77.0%	71.6%	61.8%	58.3%	46.4%	37.5%	44.0%
5	Upper West Side	60.9%	67.2%	62.9%	55.9%	61.4%	52.0%	37.4%	45.2%
6	Upper East Side	71.5%	75.9%	66.3%	57.8%	54.7%	47.6%	43.8%	48.7%
7	Morningside Heights/Hamilton Heights	47.8%	52.9%	57.2%	63.8%	59.0%	58.9%	55.4%	60.0%
8	Central Harlem	46.5%	50.9%	56.9%	61.4%	67.6%	51.9%	54.5%	54.4%
9	East Harlem	31.8%	33.3%	30.4%	29.5%	34.3%	33.9%	32.1%	35.8%
10	Washington Heights/Inwood	76.7%	83.3%	83.7%	83.5%	85.4%	83.4%	82.6%	85.1%
	Total Manhattan	60.9%	65.6%	63.1%	58.9%	57.6%	50.5%	45.6%	49.6%

Queens		1993	1996	1999	2002	2005	2008	2011	2014
1	Astoria	40.0%	40.6%	43.4%	51.9%	50.8%	49.8%	50.6%	50.4%
2	Sunnyside/Woodside	53.2%	58.5%	61.6%	60.1%	64.8%	62.2%	55.4%	56.1%
3	Jackson Heights	42.2%	47.2%	46.1%	41.1%	37.8%	50.6%	47.8%	51.0%
4	Elmhurst/Corona	61.8%	60.2%	56.5%	59.5%	52.9%	55.9%	54.4%	51.1%
5	Middle Village/Ridgewood	32.5%	38.2%	35.1%	26.0%	26.8%	33.2%	36.3%	39.7%
6	Rego Park/Forest Hills	75.1%	73.2%	74.8%	64.1%	79.3%	71.6%	67.5%	73.1%
7	Flushing/Whitestone	53.7%	51.0%	58.4%	41.2%	51.3%	50.2%	42.1%	48.2%
8	Hillcrest/Fresh Meadows	47.6%	47.5%	49.1%	65.7%	68.3%	56.9%	48.6%	45.4%
9	Kew Gardens/Woodhaven	42.4%	39.3%	40.5%	34.4%	34.2%	29.1%	35.8%	32.5%
10	South Ozone Park/Howard Beach	--*	--*	--*	--*	--*	--*	--*	--*
11	Bayside/Little Neck	32.1%	32.2%	34.0%	--*	--*	--*	--*	--*
12	Jamaica	27.9%	36.1%	35.2%	28.3%	35.6%	33.5%	34.1%	30.1%
13	Bellerose/Rosedale	21.0%	15.8%	19.5%	--*	23.4%	25.8%	--*	--*
14	Rockaways	24.6%	22.7%	33.0%	22.5%	39.3%	33.1%	17.8%	27.4%
	Total Queens	43.4%	44.7%	46.8%	42.8%	46.3%	45.7%	42.2%	43.3%

Staten Island		1993	1996	1999	2002	2005	2008	2011	2014
1	North Shore	24.0%	21.2%	26.4%	24.2%	23.3%	21.8%	21.2%	24.9%
2	Mid-Island	--*	--*	--*	--*	--*	--*	--*	--*
3	South Shore	--*	--*	--*	--*	--*	--*	--*	--*
	Total Staten Island	18.6%	10.7%	19.8%	15.4%	15.9%	16.0%	13.8%	18.6%

* Number too low to report accurately

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 48.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2015-16, and Commensurate Rent Adjustment		
Index Type	2015-16 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .659
All Dwelling Units	-1.2%	-0.79%
Pre 1947	-2.2%	-1.45%
Post 1946	0.2%	0.13%
Oil Used for Heating	-2.8%	-1.85%
Gas Used for Heating	0.5%	0.33%

Note: The O&M to Income ratio is from the *2016 Income and Expense Study*.

Source: RGB's 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

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."

In 1986, Abt Associates Inc. conducted an expenditure study of loft owners to construct weights for the Loft Board's index of operating costs and to determine year-to-year price changes. In subsequent years, data from the PIOC for stabilized apartments was used to compute changes in costs and to update the loft expenditure weights. This is the procedure used this year.

The decrease in the Loft Index this year was 0.3%, 0.7 percentage points lower than the 0.4% increase in 2015. Increases in costs were seen in seven of the eight components that make up this index. Insurance Costs witnessed the highest rise, increasing 8.2%, followed by increases in Taxes of 7.5%. More moderate increases were seen in Utilities (1.6%) and Maintenance (2.7%). Labor Costs increased by 3.7%, Administrative Costs-Legal by 2.4%, and Administrative Costs-Other by 3.3%. These increases were offset by a decline in the Fuel component of 46.3%.

This year's guidelines for lofts are: 0% for a one-year lease and 2% for a two-year lease.

Table 9

Changes in the Price Index of Operating Costs for Lofts from 2015-2016	
	Loft O & M Price Index Change
All Buildings	-0.3%

Source: 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

**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 33% above the Maximum Base Rent.

The Board concluded that for units formerly subject to rent control, 33% 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 #48 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2016 and on or before September 30, 2017 shall be 10%.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #48 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #48	7	_	2

Dated: June 28, 2016

Filed with the City Clerk: June 30, 2016

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

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