EXPLANATORY STATEMENT - APARTMENT ORDER #49

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2017-18 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law[1]

Summary of Order No. 49

The Rent Guidelines Board (RGB) by Order No. 49 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2017 and on or before September 30, 2018 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2017 and on or before September 30, 2018: 1.25%

For a two-year renewal lease commencing on or after October 1, 2017 and on or before September 30, 2018: 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, 2017 and on or before September 30, 2018 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, 2017 and on or before September 30, 2018. No vacancy allowance is included for lofts.

1 Year	2 Years
1.25%	2%

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

Any increase for a renewal lease may be collected no more than once during the guideline period governed by Order No. 49.

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

Special Guideline

Leases for units subject to rent control on September 30, 2017 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, 2017 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. 49

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. 49 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 **155** written submissions were received at the Board's offices from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 22, 2017** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 30, April 13, April 20, and May 25, 2017. On **April 25, 2017**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 5, June 8, June 12, June 14, and June 19, 2017** 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 5 from **5:40 p.m. to 10:00 p.m,** June 8 from **5:20 p.m. to 8:00 p.m.,** June 12 from **5:15 p.m. to 10:30 p.m.,** June 14 from **2:15 p.m. to 8:00 p.m.,** and June 19 from **5:20 p.m. to 9:40 p.m.** The hearings ended when all those who were in attendance who registered to testify did so and there were no additional speakers. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately 270** apartment tenants and tenant representatives**,** **16** apartment owners and owner representatives**,** and **6** public officials. In addition, **7** speakers read into the record written testimony from various public officials. On **June 27, 2017** the guidelines set forth in Order No. 49 were adopted.

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

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

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

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

Meeting Date / Name	Affiliation
March 30, 2017:	Staff presentations
	2017 Income and Expense Study
	2017 Mortgage Survey Report
	NYC Dept. of Finance
1. Timothy Sheares	Deputy Commissioner, Property Division
April 13, 2017:	Staff presentations
	2017 Income and Affordability Study
	2017 Price Index of Operating Costs
	NYC Dept. of Housing Preservation and Development
1. Leila Bozorg	Chief of Staff
April 20, 2017:	
	Apartment Tenants group testimony:
1. Barika Williams	Association for Neighborhood and Housing Development (ANHD)
2. Tom Waters	Community Service Society (CSS)
3. Allejandra Nasser	Stabilizing NYC

4. Tim Collins	Collins, Dobkins and Miller LLP
	<u>Apartment Owners group testimony:</u>
1. Jack Freund	Rent Stabilization Association (RSA)
2. Michael Slattery	Real Estate Board of New York (REBNY)
3. Chris Athineos	Small Property Owners of New York (SPONY)
4. Joseph Condon	Community Housing Improvement Program (CHIP)
5. Mary Ann Rothman	New York Council of Cooperatives and Condominiums
	<u>Hotel Tenants group testimony:</u>
1. Brian J. Sullivan	MFY Legal Services, Inc.
2. Dan Evans	Goddard Riverside Law Project
3. Larry Wood	Goddard Riverside Law Project and Family Council
May 25, 2017:	<u>Staff presentations</u> *2017 Housing Supply Report* *Changes to the Rent Stabilized Housing Stock in New York City in 2016*
	<u>NYS Division of Housing and Community Renewal (DHCR)</u>
1. Woody Pascal	Deputy Commissioner for Rent Administration
	<u>Community Preservation Corporation (CPC)</u>
1. Rafael E. Cestero	President & Chief Executive Officer

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

Comments from tenants and tenant groups included:

"We recommend that the rent guidelines for the coming year be zero for one-year leases and two percent for two-year leases, in order to continue repairing the damage to affordability done during the recession…Given the likelihood that tenants' finances have not fully recovered since the recession, we believe it is prudent to continue to bend toward tenants for another year. Growth in landlords' net operating income has been robust, even growing by 10.8 percent in the year following the one percent guideline in 2014. This strongly suggests that landlords can absorb another year of course correction."

"I urge the Rent Guidelines Board to limit the rent increases to the lowest possible increase (1% for a 1-year lease, 2% for a 2-year lease). Ideally, the rent freeze should continue. This is integral to keeping stabilized housing affordable for the New Yorkers who live in these units. Landlords may complain that they make less money when renewal increases are kept low, but they have other ways to increase the rent…I'm not arguing that building costs rise, but it seems that vacancy allowances allow landlords to make up any profit that is 'lost' by tenants who stay in stabilized apartments. Meanwhile, for those of us who stay in our units, the rent freeze has been invaluable. Please protect vulnerable New Yorkers and keep the increases as low as possible!"

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

"Through manipulating the rent stabilization laws, owners believe they can achieve significant rent increases which may or may not immediately lead to displacement. One of these increases is tied to building-wide improvements (i.e. replacing the boiler or the roof); these are called Major Capital Improvement (MCI) increases. A tenant's rent can increase as much as 6% a year for an MCI. Landlords can use the system of MCI's to increase the rent far more than they can under the existing increases set by the RGB."

"The Board's own data indicates that owners are doing well. The *Income and Expense Study* shows that owner net operating incomes are 57.7% higher than they were in 1990. On average, landlords of rent-stabilized buildings retained a monthly average of $540 per rent stabilized unit as pre-tax profit or for use in financing the building and improvements, equivalent to an estimated annual mean of $296,000 per building. By contrast the average amount of rent paid by stabilized tenants has increased to 36.4% of household incomes – the highest rent burdens every recorded. Over 1/3rd of all rent stabilized households pay more than 50% of their income toward rent. In comparison, according to the Department of Finance, owners' net operating income increased 10.8% just in one year, 2015. Simply put, tenants need relief. This year, the Board should not adjust rents beyond 1% for two-year renewal leases."

"Looking at the larger picture, we now know that since 1990 the RGB authorized rent increases substantially greater than necessary to keep owners whole – by at least 19%. We also know that owners have experienced very large gains in actual inflation adjusted net operating income – by over 57%. We know further that throughout the City many 'legal' regulated rents are now above market rents. The best evidence of this is the rise in 'preferential rents' (i.e., rents charged below legal maximums) and is strongly indicated by the growing gap between the legal maximum rents and actual collected rents. (See 2017 I&E Study at p. 5 – showing this gap rising from 5.6% in 2001 to 23.6% in 2015)."

"Rents have increased dramatically over the years, while wages have remained stagnant. To borrow a quote from the Furman Center's most recent report on poverty, 'In NYC in recent years, rents have risen much faster than incomes. The pressures of rising housing costs may be greatest on those with the fewest resources – people living in poverty. NYC has a larger number of people living in poverty today than it has since at least 1970.' …I am here to urge this board to approve a rent roll-back. This is the only meaningful action that would allow the most vulnerable populations in neighborhoods across the city to remain in their homes."

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

Comments from owners and owner groups included:

"The RGB's position over the past three years is unsustainable. The RGB has fundamentally failed to meet its primary legal mandate: to maintain the economic health of the housing industry by authorizing rent increases necessary to meet ever increasing operating costs. As a result, the RGB has not only inflicted financial injury on owners of rent regulated properties but has also harmed the interests of the tenants it claims it is seeking to protect and has punctured a significant economic lifeline of the City's economy. This year, with a PIOC of 6.2%, a predicted increase of another 4.4% in next year's building operating costs, and underlying rate of increase of over 4% in the core PIOC, it is time to reverse course and provide a realistic rate

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

of rent increase. We are proposing modest increases of 4% for a one-year lease and 8% for a two-year lease."

"The RGB's calculation and reliance on NOI in an attempt to keep rent-stabilized rents static has the effect of confiscating building revenue that is generated from free market and commercial tenancies. This occurs because owners are forced to increase the rents of free market tenants or commercial tenants to cover not only their share of increased operational expenses, but the share of increased operational expenses that the rent- stabilized apartments should be paying (but are not). By attempting to hold NOI constant, or even reduce it, the RGB is in effect confiscating revenue from unregulated units to subsidize the operational costs of the rent stabilized units. There is no statutory basis for this."

"This year, property owners have been bombarded with questions about major capital improvements and whether or not they 'take advantage' of them. First and foremost, every MCI rent increase application is reviewed and approved by the State housing agency. Second, these improvements benefit tenants who live in aging buildings that are in dire need of repairs. Finally, no 'advantage' is gained from MCI rent increases because that income is dedicated to repaying the investment the owner has made to preserve affordable housing."

"Giving tenants a 0% increase makes headlines and certainly gives tenants a reprieve – but at what cost? Is it worth it if an owner has to choose between abating lead paint or paying his gas bill or replacing the roof or fixing the façade? We at SPONY have been losing long time members as they sell their buildings. One long time owner sold his building because he said if he can't maintain the building the way he wanted, he didn't want to become a 'slumlord'… Our long term members are heavily invested in their buildings which are low leveraged, if at all, and well maintained. There is a significant repercussion if we lose these owners."

"We would like to make it clear that the Price Index of Operating Costs has failed to keep pace with the growth in the market basket of goods and services that property owners must provide and therefore the PIOC under-estimates the real increase in costs incurred by property owners on year-over-year basis."

"But if you really want to help tenants and if you have learned anything in this process, you must understand that tenants will be the first to suffer as inadequate rent increase choke off the ability of owners to maintain and repair their buildings and tenants begin to suffer from deteriorating housing conditions. Tenants will suffer further if inadequate rent increases continue and owners eventually throw in the towel, selling their long-held properties to speculators looking for a flip and a quick profit. On behalf of the tenants you believe you are protecting, we ask for an end to unreasonable rent guidelines increases."

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

Comments from public officials included:

"I believe that the one-year renewal rent freezes in the 2015 and 2016 Orders, while welcomed, were simply not sufficient to rectify the imbalance and spiraling rents that resulted in the over-compensation of owners over the last two decades. Those increases consistently tipped the balance of the income-expense ratio in favor of building owners. Two years without increases

[4] Sources: Submissions by public officials.

for one-year renewals could not begin to make up for that imbalance or have any real impact on out of control rent levels. What the data issued by the Board this year reveals is that the owners' overcompensation was so great that, even with an increase in expenses and zero one year increases, profits continue."

"While renters have continued to struggle, according to Rent Guidelines Board data, owners' income has continued to grow. The most recent data, from 2014-2015, shows that Net Operating Income for stabilized building owners increased by 10.8% over the previous year, reflecting the eleventh consecutive yearly increase in a row. This disparity is a striking example of the problem of inequality in our country, and I urge the board to prevent exacerbating it. On behalf of the thousands of rent regulated tenants that I represent, I thank you for your consideration of these views."

"Please keep in mind when considering a rent rollback – even without a rent increase – landlords are allowed to raise rents under numerous circumstances such as when a Major Capital Improvements and Individual Apartment Improvements are undertaken or through a vacancy bonus when apartments turnover. According to the MCI Tenant Coalition, after an MCI, tenants can face rent increases of approximately 10-25%. Tenants who may be on fixed incomes are the most vulnerable. Additionally, the Community Service Society found that the vacancy bonus was responsible for almost half of the total increase in rent in 2014."

"The safety and security that rent stabilized housing provides for thousands of New Yorkers has been under persistent threat, and rent stabilized tenants are in desperate need of continued relief. Although the city continually adds some rent stabilized units, we have lost many more. Since 1994, the first year for which data is available, we have experienced a net loss of over 150,000 rent stabilized units. The result is at least 23 years of a contracting affordable housing market, with the remaining rent stabilized and affordable units becoming less affordable all the while."

"The main purpose of the rent regulation is to protect tenants during an emergency housing shortage from the hardship of rent increases that are well beyond their means…For too long, however, the city failed to grasp who our tenants are and what incomes they have. The result is that more families find it difficult to pay their rent. Once forced out of their apartments, low and middle income New Yorkers have fewer and fewer affordable housing options."

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. *2017 Income and Expense Study*, March 2017, (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. *2017 Mortgage Survey Report*, March 2017, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

3. *2017 Income and Affordability Study*, April 2017, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);

4. *2017 Price Index of Operating Costs*, April 2017, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);

5. *2017 Housing Supply Report*, May 2017, (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 2016*, May 2017, (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.

2017 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City

The 2017 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 6.2% increase in costs for the period between March 2016 and March 2017.

This year, the PIOC for all rent stabilized apartment buildings increased by 6.2%. Increases occurred in all PIOC components except Utilities, which declined by 0.8%. The largest increase in any component was seen in Fuel (24.6%), followed by Insurance Costs (8.0%) and Taxes (7.8%). More moderate increases occurred in Labor Costs (4.1%), Administrative Costs (3.5%), and Maintenance (2.5%). The growth in the Consumer Price Index (CPI) during this same time period was lower than the PIOC, rising 1.4%.[5] See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2016-17.

The "core" PIOC, which excludes changes in fuel oil, natural gas, and steam costs used for heating buildings, is useful for analyzing long-term inflationary trends. The Core PIOC rose by 4.5% this year and was lower than the overall PIOC due to the exclusion of costs in the Fuel component, which rose 24.6%.

[5] The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2015 to February 2016 (260.9) compared to the average for the year from March 2016 to February 2017 (264.5) rose by 1.4%. 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 PIOC year bills.

Table 1

2016-17 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City[6]			
Component	Expenditure Weights	2016-17 Percentage Δ	2016-17 Weighted Percentage Δ
Taxes	28.31%	7.77%	2.20%
Labor Costs	16.51%	4.06%	0.67%
Fuel Oil	8.61%	24.63%	2.12%
Utilities	10.75%	-0.85%	-0.09%
Maintenance	17.55%	2.52%	0.44%
Administrative Costs	13.16%	3.47%	0.46%
Insurance Costs	5.12%	8.00%	0.41%
All Items	100%	-	6.21%

Source: *2017 Price Index of Operating Costs*
Note: The Δ symbol means change.

On April 19, 2017 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the *Price Index of Operating Costs (PIOC*). The entire memo follows:

Memorandum

To: All Board Members
From: Andrew McLaughlin
Date: April 19, 2017
Re: 2017 Price Index of Operating Costs (PIOC) Follow-up

At the April 13, *2017 Price Index of Operating Costs* (PIOC) presentation, four questions were asked for which immediate answers could not be provided. Answers to three of these questions are contained in this memo and an answer to the remaining question will be released in the upcoming weeks, as the data becomes available.

Question 1: Can you provide the Heating Degree Days used in the* 2017 PIOC *to calculate the effect of weather on the Fuel component?

Along with measuring price, the PIOC also factors in the effect of weather on the demand for fuel, especially during the heating season when the large majority of fuel is burned.

To measure the impact of weather on price, RGB staff takes the number of Heating Degree Days over the most recent 12-month period from April-March and compares them to the prior April-March period. A Heating Degree Day (HDD) is defined as, for one day, the number of degrees that the average temperature for that day falls below 65 degrees Fahrenheit as measured in Central Park. These HDDs are then used to calculate cost-weight relatives for natural gas, fuel oil and steam.

The 12-month period from April 2015 to March 2016 measured 3,634 HDDs. The 12-month period from April 2016 to March 2017 measured 4,299 HDDs. By comparing these two measures, the most current April to March period was 18% colder than the prior 12-month period. For a breakdown of the HDDs for each month see the following table. Since the weather in the most current PIOC "year" (April to March) was significantly colder than the last PIOC year, the increase in fuel cost was greater than it would have been if prices alone were considered.

[6] Totals may not add due to weighting and rounding.

Heating Degree Days (HDD), PIOC Years 2015-2016 and 2016-2017

Month	2015-2016	2016-2017
April	319	355
May	37	161
June	33	7
July	0	0
August	0	0
September	1	17
October	223	217
November	364	453
December	434	819
January	940	829
February	785	648
March	498	793
Total	**3,634**	**4,299**

Source: U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service Forecast Office as measured in Central Park, NYC.

Question 2: Can you provide the number of buildings that contain rent stabilized units that have union employees?

We are currently trying to gather this data and hopefully it will be made available in the weeks to come.

Question 3: Can you provide a list of bills enacted by the NYC Council that directly impacts the owners of multi-family buildings in NYC? Please provide a summary of each bill listed.

Below is a list of the Local Laws enacted by the NYC Council in 2016 that impact owners of multi-family buildings in the City.

Law Number	Title	Summary
2016/056	A Local Law to amend the administrative code of the city of New York, in relation to permit filing fees for new buildings and alterations	This bill alters permit filing fees for new buildings and alterations.
2016/060	A Local Law to amend the administrative code of the city of New York, in relation to exemption from taxation of alterations and improvements to multiple dwellings	This local law extends the J-51 program through June 30, 2019.
2016/133	A Local Law to amend the administrative code of the city of New York, in relation to expanding the list of buildings required to be benchmarked for energy and water efficiency	Currently, buildings 50,000 gross square feet or larger are required to benchmark annually. This bill expands the City's benchmarking requirement to buildings 25,000 gross square feet or larger and require the Department of Buildings to establish a system to assist such buildings in meeting their benchmarking requirements.
2016/153	A Local Law to amend the administrative code of the city of New York, in relation to requiring owners to provide notice to their tenants regarding procedures that should be followed when a gas leak is suspected	This bill requires owners to instruct their tenants to call 911 and their gas service providers, prior to informing such owners, when a gas leak is suspected.
2016/157	A Local Law to amend the New York city housing maintenance code and the New York city building code, in relation to requiring the installation of natural gas detecting devices, and to repeal sections 27-2045, 27-2046, 27-2046.1 and 27-2046.2 of the administrative code of the city of New York, relating to smoke detecting devices and carbon monoxide detecting devices	This bill requires the Department of Buildings to develop or adopt a standard for natural gas detectors after an industry standard has been developed. The legislation also requires the installation of natural gas detectors that comply with such standards in all multiple dwellings.

Question 4: Can you provide the tax levy shares and tax rates for Class 2 buildings over the past 25 fiscal years (FY)?

The table below outlines the tax levy shares and tax rates for Class 2 buildings for the last 25 fiscal years. The tax levy share has gone from 29.00% in FY1993 to 37.26% in FY2017. Over the same period, the tax rate has increased from 9.910 to 12.89.

Tax Levy Share and Tax Rate for Class 2 Properties from FY1993 to FY2017

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

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

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes 15,315 properties containing 698,546 units. This is the 25th 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 2016 Real Property Income and Expense (RPIE) statements for the year 2015:

Table 2

2017 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	$916	$1,077	$960

Source: *2017 Income and Expense Study*, from 2016 Real Property Income and Expense filings for 2015, NYC Department of Finance.

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

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be $882, rather than $960. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2015 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	$882	$1,323	0.667	$1,500	0.588

Source: *2017 Income and Expense Study*, from 2016 Real Property Income and Expense filings for 2015, NYC Department of Finance.

Forecasts of Operating and Maintenance Price Increases for 2017-18

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 2017-18 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

[7] Overall O&M expenses were adjusted according to the findings of an income and expenses audit conducted by the Department of Finance in 1992. The unadjusted **O&M to Rent** ratio would be 0.726. The unadjusted **O&M to Income** ratio would be 0.640.

Table 3

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2016-17 and Projected 2017-18		
	Price Index 2016-17	Projected Price Index 2017-18
Taxes	7.8%	5.7%
Labor Costs	4.1%	3.5%
Fuel Oil	24.6%	5.8%
Utilities	-0.8%	3.5%
Maintenance	2.5%	2.7%
Administrative Costs	3.5%	3.3%
Insurance Costs	8.0%	7.8%
Total (Weighted)	**6.2%**	**4.4%**

Source: *2017 Price Index of Operating Costs*

Overall the PIOC is expected to grow by 4.4% from 2017 to 2018. Costs are predicted to rise in each component, with the largest growth, of 7.8%, projected to be in Insurance Costs. Taxes, which is the component that carries the most weight in the Index, is projected to increase 5.7%. Other projected increases include Fuel (5.8%), Labor Costs (3.5%), Maintenance (2.7%), Administrative Costs (3.3%) and Utilities (3.5%). The table on the previous page shows projected changes in PIOC components for 2018. The core PIOC is projected to rise 4.3%, 0.1 percentage points less than the overall projected Apartment PIOC.

Commensurate Rent Adjustment

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

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

The first commensurate method is called the "Net Revenue" approach. While this formula takes into consideration the term of leases actually signed by tenants, it does not adjust owners' NOI for inflation. The "Net Revenue" formula is presented in two ways: First, adjusting for the mix of lease terms; and Second, adding an assumption for rent 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 6.2% increase in the PIOC is 5.0% for a one- year lease and 8.0% 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 3.0% for one-year leases and 6.0% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (O&M) costs and NOI constant. This is commonly called the "CPI-Adjusted NOI" formula. A guideline that would preserve NOI in the face of the 1.4% increase in the Consumer Price Index and the 6.2% increase in the PIOC is 6.0% for a one-year lease and 8.5% 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 6.75% for two-year leases.[8]

The third commensurate method, the "traditional" commensurate adjustment, is the formula that has been in use since the inception of the Rent Guidelines Board and is the only method that relies on the PIOC projection. The "traditional" commensurate yields 4.0% for a one-year lease and 5.5% for a two-year lease. This reflects the increase in operating costs of 6.2% found in the 2017 PIOC and the projection of a 4.4% increase next year.

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

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

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

Finally, it is important to note that only the "traditional" commensurate formula uses the PIOC projection and that this projection is not used in conjunction with, or as part of, the "Net Revenue" and "CPI-Adjusted NOI" formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The "Net Revenue" and the "CPI-Adjusted NOI" formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (6.2%). 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 (4.4%).

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*

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[8] The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 64.0% of the 2017 PIOC increase of 6.2%, or 4.0%. The 64.0% 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 36.0% times the latest 12-month increase in the CPI ending February 2017 (1.4%), or 0.5%; (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 10.71% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2016 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

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

and the *Income and Expense Study*) and public testimony received by the Board can be used to modify the various commensurates depending on other considerations.

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 *2017 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

2017 Mortgage Survey[10] Average Interest Rates and Points for New Financing of Permanent Mortgage Loans 2009-2017									
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Avg. Rates	6.5%	6.3%	5.8%	4.6%	4.4%	4.9%	4.3%	4.0%	4.3%
Avg. Points	0.62	0.79	0.61	0.63	0.59	0.54	0.70	0.42	0.44

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

On April 12, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2017 Mortgage Survey Report*. The memo follows:

Memorandum

To: All Board Members
From: Brian Hoberman
Date: April 12, 2017
Re: 2017 *Mortgage Survey Report* Follow-up Memo

At the March 30, 2017 meeting of the RGB, board members asked for additional data from the *2017 Mortgage Survey Report*.

1) The proportion of surveyed lenders reporting they have loans in their rent stabilized portfolios that are currently in foreclosure, and of those that do, the approximate proportion of their portfolios:

	Proportion of Lenders w/ Foreclosures	Proportion in Foreclosure (Of Lenders w/ Foreclosures)
2017	15.0%	0.1%
2016	0.0%	0.0%
2015	0.0%	0.0%
2014	23.0%	1.0%
2013	16.7%	0.5%
2012	16.7%	1.3%
2011	30.0%	0.8%
2010	33.3%	1.0%
2009	33.3%	0.5%
2008	13.3%	0.3%
2007	16.7%	2.2%
2006	10.0%	0.8%
2005	16.0%	0.6%
2004	11.5%	3.0%
2003	8.0%	3.0%
2002	8.7%	1.0%
2001	4.0%	2.0%
2000	19.0%	0.8%
1999	19.2%	2.8%

Source: Annual RGB *Mortgage Survey Reports*

2) A compilation of median building sales prices, by building size and borough, from 2003 through 2016:

All Buildings					
	Citywide	**Manhattan**	**Brooklyn**	**Bronx**	**Queens**
2003	$725,000	$1,987,500	$480,000	$1,250,000	$602,500
2004	$926,000	$2,650,000	$550,000	$1,800,000	$725,000
2005	$1,473,466	$3,263,415	$689,899	$1,847,500	$734,738
2006	$2,056,000	$3,975,000	$1,000,000	$2,399,033	$1,040,000
2007	$2,255,000	$4,508,653	$882,500	$2,400,000	$1,070,000
2008	$1,951,000	$3,850,000	$977,500	$2,435,000	$1,626,304
2009	$1,350,000	$3,658,356	$880,000	$1,904,253	$852,500
2010	$1,579,000	$3,175,000	$830,000	$2,740,000	$850,000
2011	$1,800,000	$3,500,000	$967,500	$2,170,000	$995,250
2012	$2,380,000	$4,325,650	$1,060,000	$2,410,177	$1,125,000
2013	$2,562,500	$5,712,066	$1,179,740	$2,893,750	$1,649,351
2014	$3,200,000	$6,859,361	$1,595,000	$3,458,486	$1,310,000
2015	$3,800,000	$7,170,000	$2,500,000	$3,253,000	$1,642,500
2016	$4,500,000	$8,000,000	$2,600,000	*$3,562,500*	$2,150,000

Buildings 6-10 Units					
	Citywide	**Manhattan**	**Brooklyn**	**Bronx**	**Queens**
2003	$450,000	$1,672,500	$388,020	$400,000	$478,000
2004	$540,000	$1,617,500	$480,000	$475,000	$582,500
2005	$640,000	$2,240,000	$550,000	$660,000	$635,000
2006	$750,000	$2,662,041	$675,000	$685,000	$695,000
2007	$800,000	$3,500,000	$700,000	$700,000	$834,000
2008	$828,500	$3,390,552	$765,000	$750,000	$800,000
2009	$755,000	$2,900,000	$650,000	$650,000	$700,000
2010	$740,000	$2,500,000	$650,000	$670,791	$700,000
2011	$825,000	$2,900,000	$720,000	$591,250	$803,000
2012	$836,500	$2,900,000	$750,000	$626,500	$760,000
2013	$1,000,000	$4,375,000	$900,000	$765,000	$875,000
2014	$1,200,000	$3,775,000	$1,200,000	$845,000	$1,075,000
2015	$1,600,000	$5,675,261	$1,542,500	$920,000	$1,387,500
2016	$1,748,205	$5,050,000	$1,800,000	$1,050,000	$1,350,000

Buildings 11-19 Units					
	Citywide	Manhattan	Brooklyn	Bronx	Queens
2003	$1,063,000	$1,775,000	$843,693	$720,000	$1,150,000
2004	$1,500,000	$2,650,000	$900,000	$925,000	$1,385,000
2005	$1,725,000	$2,740,665	$1,316,052	$1,040,000	$1,537,500
2006	$1,914,000	$3,250,000	$1,257,095	$1,425,000	$1,540,000
2007	$2,090,000	$3,942,500	$1,606,250	$1,005,000	$2,030,000
2008	$1,875,000	$3,250,000	$1,350,000	$1,080,000	$1,875,000
2009	$1,674,114	$3,200,000	$1,460,000	$1,025,000	$1,400,000
2010	$1,500,000	$2,550,000	$1,150,000	$1,110,000	$2,050,000
2011	$1,622,000	$2,458,732	$1,325,000	$1,149,604	$1,825,000
2012	$2,850,000	$4,125,000	$1,737,500	$1,180,000	$1,475,000
2013	$2,874,290	$4,711,711	$1,925,000	$1,487,500	$1,950,000
2014	$3,500,000	$7,000,000	$2,400,000	$1,440,000	$2,767,500
2015	$3,511,235	$6,500,000	$2,840,700	$1,830,000	$2,735,000
2016	$3,831,250	$6,270,000	$3,500,000	$2,152,274	$4,300,000

Buildings 20-99 Units					
	Citywide	Manhattan	Brooklyn	Bronx	Queens
2003	$2,175,000	$2,357,000	$1,945,000	$2,050,000	$2,320,000
2004	$3,000,000	$3,500,000	$2,175,000	$2,558,791	$3,300,000
2005	$3,500,000	$4,050,000	$3,550,000	$2,775,000	$3,362,500
2006	$4,000,000	$5,087,500	$3,999,580	$3,075,300	$6,128,313
2007	$4,200,000	$5,733,793	$4,215,000	$3,456,424	$5,010,000
2008	$3,825,094	$4,511,925	$3,500,000	$3,444,000	$5,062,500
2009	$2,800,000	$4,550,000	$2,537,500	$2,473,750	$1,825,000
2010	$3,560,000	$4,000,000	$2,875,000	$3,340,441	$5,650,000
2011	$3,687,500	$4,500,000	$3,215,240	$3,400,000	$3,687,500
2012	$4,000,000	$4,584,061	$4,202,500	$3,067,105	$4,501,102
2013	$5,000,000	$7,192,076	$4,500,000	$3,700,000	$5,606,515
2014	$5,900,000	$7,800,000	$5,787,500	$4,800,000	$9,400,000
2015	$7,075,000	$9,075,000	$9,000,000	$4,907,500	$8,400,000
2016	$8,250,000	$9,850,000	$8,400,000	$5,497,559	$11,813,642

Buildings 100+ Units	
	Citywide
2003	$6,700,000
2004	$11,235,000
2005	$23,000,000
2006	$22,000,000
2007	$16,100,000
2008	$13,004,847
2009	$9,075,000
2010	$11,198,791
2011	$14,919,431
2012	$20,346,000
2013	$22,000,000
2014	$22,500,000
2015	$32,650,562
2016	$41,862,500

Source: NYC Dept. of Finance

Note: Too few rent stabilized buildings of all sizes in Staten Island, and containing 100+ units in individual boroughs, were sold each year to accurately report sales prices. Citywide prices exclude Staten Island.

Condition of the Rent Stabilized Housing Stock

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

Table 5

Number of Cooperative / Condominium Plans[11] Accepted for Filing, 2008-2016									
	2008	2009	2010	2011	2012*	2013*	2014*	2015*	2016
New Construction	454	335	235	185	111	151	211	219	210
Conversion Non-Eviction	50	29	20	20	24	16	20	28	27
Conversion Eviction	18	13	4	9	3	0	0	1	0
Rehabilitation	4	1	0	2	8	21	37	43	45
Total	526	378	259	216	146	188	268	291	282
Subtotal:									
HPD Sponsored Plans	18	13	4	9	3	1	0	1	0

Source: New York State Attorney General's Office, Real Estate Financing.
*Note: Figures corrected and differ from those found in previous Explanatory Statements.

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

On June 1, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2017 Housing Supply Report*. The memo follows:

Memorandum

To: All Board Members
From: Danielle Burger
Date: June 1, 2017
Re: 2017 Housing Supply Report Follow-up

At the May 25, 2017 *Housing and Supply Report* presentation, two questions were asked for which an immediate answer could not be provided. Answers to these questions follow.

Question 1: Can newly accepted co-op and condo conversion plans be provided by zip code?

Information about co-op and condo plans comes from the NYS Attorney General's Office, who need to accept each co-op and condo plan. These plans include new construction, conversions, and rehabilitation projects. Those projects with non-eviction conversions (virtually all conversion plans) allow those renters who choose not to buy their apartments to remain in place as renters for as long as they choose. With information provided about individual plans accepted by the Attorney General in 2016, conversion plans were individually checked to see if the buildings contained rent stabilized units. All but three of the 27 buildings which converted in 2016 contained rent stabilized apartments. We were not provided information on how many of these units are currently rent stabilized (i.e. a count of those households who chose to purchase their units versus those who chose to remain renters). A summary of the plans and units counts in rent stabilized buildings, by zip code, is provided below.

Rent Stabilized Buildings Converting to Co-op/Condo Status in 2016

Borough/Zip Code	Community District	Plans	Units*
Manhattan			
10012	CD 2: Greenwich Village / Soho	1	28
10013	CD 1/2: Financial District/Greenwich Village / Soho	2	30
10014	CD 2: Greenwich Village / Soho	1	12
10024	CD 7: Upper West Side	1	47
10029	CD 11: East Harlem	1	12
10031	CD 9: Morningside Heights/Hamilton Heights	1	92
10032	CD 9: Morningside Heights/Hamilton Heights	1	9
10033	CD 12: Washington Heights/Inwood	1	75
10036	CD 4: Hell's Kitchen/Chelsea	1	151
Total		**10**	**456**

Borough/Zip Code	Community District	Plans	Units*
Brooklyn			
11201	CD 2: Fort Greene/Brooklyn Heights	1	91
11215	CD 7: Sunset Park	2	22
11223	CD 12: Borough Park	1	81
11225	CD 9: South Crown Heights/Lefferts Gardens	1	55
11235	CD 13/15: Coney Island/Sheepshead Bay	5	55
11249	CD 1: Greenpoint/Williamsburg	1	403
Total		**11**	**707**
Queens			
11361	CD 11: Bayside/Little Neck	1	16
11372	CD 3: Jackson Heights	1	190
11375	CD 6: Rego Park/Forest Hills	1	75
Total		**3**	**281**
Citywide Total		***24***	***1,444***

Source: NYS Attorney General's Office
* Count of all units in the building, regardless of regulation status.

Question 2: Can newly certified 421-A rental buildings be provided by zip code?

Information about 421-a certifications comes from the NYC Department of Housing Preservation and Development. A summary of the newly certified 421-a rental buildings and units counts, by zip code, is provided below.

Newly Certified 421-A Rental Buildings in 2016

Borough/Zip Code	Community District	Buildings	Units
Manhattan			
10003	CD 3: Lower East Side/Chinatown	1	85
10012	CD 2: Greenwich Village / Soho	1	39
10016	CD 6: Stuyvesant Town/Turtle Bay	1	91
10027	CD 10: Central Harlem	1	11
10029	CD 11: East Harlem	2	59
Total		**6**	**285**
Bronx			
10451	CD 1: Mott Haven/Melrose	1	6
10453	CD 5: Fordham/University Heights	1	31
10455	CD 1: Mott Haven/Melrose	1	126
10460	CD 6: Belmont/East Tremont	1	8
10461	CD 10: Throgs Neck/Co-op City	1	14
10467	CD 11: Morris Park/Bronxdale	3	12
10473	CD 9: Parkchester/Soundview	1	4
Total		**9**	**201**

Borough/Zip Code	Community District	Buildings	Units
Queens			
11101	CD 1/2: Astoria/Long Island City/Woodside/Sunnyside	3	253
11102	CD 1: Astoria/Long Island City	2	39
11103	CD 1: Astoria/Long Island City	5	50
11104	CD 2: Woodside/Sunnyside	1	16
11106	CD 1: Astoria/Long Island City	1	10
11368	CD 3/4: Jackson Heights/Elmhurst/Corona	3	21
11370	CD 1: Astoria/Long Island City	1	3
11377	CD 1/4: Astoria/Long Island City/Elmhurst/Corona	2	38
11379	CD 5: Ridgewood/Maspeth	1	5
11385	CD 5: Ridgewood/Maspeth	1	17
11417	CD 10: South Ozone Park/Howard Beach	1	5
11435	CD 8: Hillcrest/Fresh Meadows	1	10
11691	CD 14: Rockaway/Broad Channel	2	6
11694	CD 14: Rockaway/Broad Channel	1	32
Total		**25**	**505**
Brooklyn			
11201	CD 2: Fort Greene/Brooklyn Heights	1	321
11203	CD 9: South Crown Heights/Lefferts Gardens	2	6
11205	CD 2/3: Fort Greene/Brooklyn Heights/Bed Stuy	4	133
11206	CD 4: Bushwick	1	7
11211	CD 1: Greenpoint/Williamsburg	7	603
11212	CD 16: Brownsville	1	3
11213	CD 8: Crown Heights/Prospect Heights	2	20
11216	CD 3: Bedford Stuyvesant	1	7
11218	CD 7/14: Sunset Park/Flatbush/Midwood	2	22
11220	CD 10: Bay Ridge/Dyker Heights	2	6
11221	CD 3/4: Bedford Stuyvesant/Bushwick	7	198
11222	CD 1: Greenpoint/Williamsburg	3	144
11223	CD 11: Bensonhurst	1	12
11225	CD 9: South Crown Heights/Lefferts Gardens	4	14
11231	CD 6: Park Slope/Carroll Gardens	1	3
11232	CD 7: Sunset Park	1	8
11233	CD 16: Brownsville	3	51
11235	CD 13: Coney Island	1	24
11237	CD 4: Bushwick	3	22
11238	CD 2/8: Ft. Greene/Brooklyn, Crown, & Prospect Heights	2	19
11249	CD 1: Greenpoint/Williamsburg	1	509
Total		**50**	**2,132**
Citywide Total		**90**	**3,123**

Source: NYC Department of Housing Preservation and Development

Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2010.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2010-2017 (For "All Urban Consumers")								
	2010	2011	2012	2013	2014	2015	2016	2017
1st Quarter Avg.[12]	2.1%	2.3%	2.6%	1.9%	1.3%	-0.1%	0.7%	2.3%
Yearly Avg.	1.7%	2.8%	2.0%	1.7%	1.3%	0.1%	1.1%	--

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.

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

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2018			
Year[13]	Average Monthly O & M Per d.u.[14]	Average Monthly Income Per d.u.	Average O & M to Income Ratio
1989	$370 ($340)	$567	.65 (.60)
1990	$382 ($351)	$564	.68 (.62)
1991	$382 ($351)	$559	.68 (.63)
1992	$395 ($363)	$576	.69 (.63)
1993	$409 ($376)	$601	.68 (.63)
1994	$415 ($381)	$628	.66 (.61)
1995	$425 ($391)	$657	.65 (.59)
1996	$444 ($408)	$679	.65 (.60)
1997	$458 ($421)	$724	.63 (.58)
1998	$459 ($422)	$755	.61 (.56)
1999	$464 ($426)	$778	.60 (.55)
2000	$503 ($462)	$822	.61 (.56)
2001	$531 ($488)	$868	.61 (.56)
2002	$570 ($524)	$912	.63 (.57)
2003	$618 ($567)	$912	.68 (.62)
2004	$654 ($601)	$969	.67 (.62)
2005	$679 ($624)	$961	.71 (.65)
2006	$695 ($638)	$1,009	.69 (.63)
2007	$738 ($678)	$1,088	.68 (.62)
2008	$790 ($726)	$1,129	.70 (.64)
2009	$781 ($717)	$1,142	.68 (.63)
2010	$790 ($726)	$1,171	.67 (.62)
2011	$812 ($746)	$1,208	.68 (.63)
2012	$841 ($772)	$1,277	.66 (.60)
2013	$884 ($812)	$1,337	.66 (.61)
2014	$946 ($869)	$1,434	.66 (.61)
2015	$960 ($882)	$1,487	.64 (.59)
2016[15]	$948 ($871)	$1,531	.62 (.57)
2017[16]	$1,007 ($925)	$1,555	.65 (.59)
2018[17]	$1,052 ($966)	$1,586	.66 (.61)

Source: RGB Income and Expense Studies, 1989-2017, Price Index of Operating Costs, 2016 - 2017, RGB Rent Index for 2014 - 2017.

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

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

[15] Estimated expense figure includes 2016 expense updated by the PIOC for the period from 3/1/15 through 2/28/16 (-1.2%). Income includes the income for 2016 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/15 through 2/28/16 (**2.04**% - 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 (1.55**%**) times (.417)) [The rent projection of 1.55% was previously reported as 1.60%, based on an outdated estimate of rent stabilized units.]

[16] Estimated expense figure includes 2017 expense estimate updated by the PIOC for the period from 3/1/16 through 2/28/17 (6.2%). Income includes the income estimate for 2017 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/16 through 2/28/17 (**1.62%** - i.e., the 10/1/15 to 9/30/16 rent projection (1.55%) times (.583), plus the 10/1/16 to 9/30/17 rent projection (1.72%) times (.417)). [The rent projections of 1.55% and 1.72% were previously reported as 1.60% and 1.78% respectively based on an outdated estimate of rent stabilized units.]

[17] Estimated expense figure includes 2018 expense estimate updated by the staff 2018 PIOC projection for the period from 3/1/17 through 2/28/18 (4.4%). Income includes the income estimate for 2017 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/17 through 2/28/18 (1.98% - i.e., the 10/1/16 to 9/30/17 rent projection (1.72%) times (.583), plus the 10/1/17 to 9/30/18 rent projection (2.35%) times (.417)) [The rent projection of 1.72% was previously reported as 1.78%, based on an outdated estimate of rent stabilized units.]

On April 12, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2017 Income & Expense Study*. The memo follows:

Memorandum

To: All Board Members
From: Brian Hoberman
Date: April 12, 2017
Re: 2017 *Income and Expense Study* Follow-up Memo

At the March 30, 2017 meeting of the RGB, board members asked for additional data from the *2017 Income and Expense Study*:

1) From 2010 to 2015, after adjusting for inflation, Average Monthly Rent rose 21.1%; Income rose 22.2%; Costs rose 15.4% and NOI rose 36.4%.

2) The following are the total number of units located in buildings that are registered as rent stabilized, broken down by categories of building size and age. Note that the number of units listed represents all units in buildings that contain at least one rent stabilized unit. According to the 2015 DHCR Apartment Registration file, a total of 868,109 units were registered as rent stabilized in 2015, meaning approximately 75% of units in these buildings (with a total of 1,164,854 units Citywide) are registered as rent stabilized.

Number of units in RS Bldgs				Proportion of units in RS Bldgs			
	All	**Pre-47**	**Post-46**		**All**	**Pre-47**	**Post-46**
1-5 units	8,002	4,962	3,040	**1-5 units**	0.7%	0.6%	0.8%
6-10 units	104,995	98,119	6,876	**6-10 units**	9.0%	12.5%	1.8%
11-19 units	84,038	79,508	4,530	**11-19 units**	7.2%	10.1%	1.2%
20-99 units	609,528	497,782	111,746	**20-99 units**	52.3%	63.5%	29.4%
100+ units	358,291	103,979	254,312	**100+ units**	30.8%	13.3%	66.8%
Total	1,164,854	784,350	380,504	**Total**	100%	100%	100%

Source: NYC Department of Finance
Note: An additional 69 buildings did not specify the number of units.

On June 21, 2017 the staff of the Rent Guidelines Board released a second memo to Board members with additional information concerning the *2017 Income & Expense Study*. The memo follows:

Memorandum

To: All Board Members
From: Brian Hoberman
Date: June 21, 2017
Re: 2017 *Income and Expense Study* Follow-up Memo #2

In an email dated June 15, 2017, a board member asked for additional data relating to the April 12, 2017 memo concerning a breakdown of stabilized units by building size and age. While the original memo provided the number of units, the following table provides the number of rent stabilized buildings in each category instead.

Note that the number of buildings listed represents buildings that contain a minimum of one rent stabilized unit, and that building groupings are based on the number of residential units in each building, as reported by the NYC Department of Finance.

Number of RS Buildings				Proportion of RS Bldgs			
	All	**Pre-47**	**Post-46**		**All**	**Pre-47**	**Post-46**
1-5 units	2,246	1,312	934	**1-5 units**	5.8%	3.9%	17.5%
6-10 units	14,643	13,739	904	**6-10 units**	37.7%	41.0%	16.9%
11-19 units	5,612	5,301	311	**11-19 units**	14.4%	15.8%	5.8%
20-99 units	14,497	12,528	1.969	**20-99 units**	37.7%	37.4%	36.9%
100+ units	1,806	591	1,215	**100+ units**	4.6%	1.8%	22.8%
Unknown	70	66	4	**Unknown**	0.2%	0.2%	0.1%
Total	38,874	33,537	5,337	**Total**	100%	100%	100%

Source: NYC Department of Finance

Changes in Housing Affordability

Looking at NYC's economy during 2016, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the seventh consecutive year, increasing 2.0% in 2016. The unemployment rate also fell, declining by 0.5 percentage points, to 5.2%. Gross City Product (GCP) also increased for the seventh consecutive year, rising in real terms by 2.9% in 2016. The number of non- payment filings in Housing Court fell by 0.4%, and the number of cases heard in Housing Court fell 5.4%. Supplemental Nutrition Assistance Program (SNAP) caseloads also fell, for the third consecutive year, by 0.7%.

Negative indicators include the eighth consecutive year of increase in homeless levels, which rose to an average of almost 59,000 persons a night, an increase of 2.8% over 2015 levels. Cash assistance caseloads also rose, by 2.4% over 2015 levels. Inflation is also on the rise, with a 1.1% increase during 2016, compared to just 0.1% during 2015. Evictions also rose during 2016, increasing by 0.5%.

In addition, inflation-adjusted wages remained flat during the most recent 12-month period for which data is available (the fourth quarter of 2015 through the third quarter of 2016), rising just 0.1%.

The most recent numbers, from the fourth quarter of 2016 (as compared to the fourth quarter of 2015), show that homeless levels were up 4.6%; cash assistance levels were up 0.7%; SNAP recipients were up 0.4%; and the number of cases heard in Housing Court were up 7.9%.[18] However, many fourth quarter indicators were positive, with employment levels up 1.2%, the unemployment rate down 0.5 percentage points, the number of non-payment filings in Housing Court down 2.2%, and fourth quarter GCP rising, by 1.8% in real terms.

On April 19, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2017 Income & Affordability Study*. The memo follows:

Memorandum

To: All Board Members
From: Danielle Burger
Date: April 19, 2017
Re: 2017 Income & Affordability Study Follow-up

At the April 13, 2017 *Income & Affordability Study* (I&A) presentation, seven questions were asked for which an immediate answer could not be provided. Answers to three of these outstanding questions follow and answers to the remaining questions will be released in the upcoming weeks, as data becomes available.

Question 1: Can poverty rates be provided by neighborhood, correlated to the number of rent stabilized units in each neighborhood?

The following table provides the proportion of rent stabilized units in each sub-boro from the *2014 NYC Housing and Vacancy Survey*. The corresponding poverty rates, from the two most recent American Community Surveys, are provided for comparison.

Borough/Sub-borough	Poverty Rate (2014)	Poverty Rate (2015)	% of Rent Stabilized Units (2014)
Bronx			
Mott Haven/Hunts Point	45.0%	40.4%	39.4%
Morrisania/East Tremont	44.2%	42.1%	43.1%
Highbridge/ S. Concourse	37.3%	36.1%	76.4%
University Heights/ Fordham	45.4%	38.3%	75.6%
Kingsbridge Heights/Mosholu	31.5%	33.3%	85.7%
Riverdale/Kingsbridge	22.5%	17.5%	44.5%
Soundview/Parkchester	29.8%	30.4%	35.1%
Throgs Neck/Co-op City	11.0%	11.8%	13.7%
Pelham Parkway	20.2%	23.7%	39.8%
Williamsbridge/Baychester	18.9%	19.7%	27.7%
Boroughwide	*31.6%*	*30.4%*	*47.4%*

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

Borough/Sub-borough	Poverty Rate (2014)	Poverty Rate (2015)	% of Rent Stabilized Units (2014)
Brooklyn			
Williamsburg/Greenpoint	23.1%	22.8%	37.7%
Brooklyn Heights/Fort Greene	19.4%	16.1%	18.5%
Bedford Stuyvesant	30.3%	33.7%	38.0%
Bushwick	27.1%	29.1%	30.2%
East New York/Starrett City	28.7%	28.4%	11.9%
Park Slope/Carroll Gardens	9.1%	8.5%	19.7%
Sunset Park	27.6%	31.6%	34.6%
North Crown Heights/Prospect Heights	24.6%	23.8%	43.8%
South Crown Heights	21.9%	20.2%	69.8%
Bay Ridge	21.8%	13.9%	34.4%
Bensonhurst	19.6%	20.1%	28.1%
Borough Park	32.7%	30.1%	33.9%
Coney Island	32.6%	21.0%	23.4%
Flatbush	20.8%	22.1%	56.4%
Sheepshead Bay/Gravesend	17.9%	16.4%	26.0%
Brownsville/Ocean Hill	38.6%	35.0%	35.4%
East Flatbush	19.2%	17.0%	38.1%
Flatlands/Canarsie	12.9%	12.4%	6.4%
Boroughwide	*23.4%*	*22.3%*	*31.7%*
Manhattan			
Greenwich Village/Financial District	8.0%	7.4%	22.4%
Lower East Side/Chinatown	21.8%	29.4%	40.4%
Chelsea/Clinton/Midtown	13.0%	13.2%	32.4%
Stuyvesant Town/Turtle-Bay	10.2%	10.0%	30.9%
Upper West Side	8.4%	11.7%	30.3%
Upper East Side	8.1%	4.5%	31.3%
Morningside Heights/Hamilton Heights	25.9%	25.6%	48.9%
Central Harlem	29.2%	24.1%	45.0%
East Harlem	36.3%	37.5%	33.1%
Washington Heights/Inwood	24.3%	21.7%	75.1%
Boroughwide	*17.6%*	*17.6%*	*37.3%*

Borough/Sub-borough	Poverty Rate (2014)	Poverty Rate (2015)	% of Rent Stabilized Units (2014)
Queens			
Astoria	17.1%	16.7%	41.1%
Sunnyside/Woodside	15.8%	11.6%	39.9%
Jackson Heights	17.1%	16.8%	35.8%
Elmhurst/Corona	20.6%	20.8%	39.6%
Middle Village/Ridgewood	13.4%	12.3%	23.8%
Rego Park/Forest Hills	11.2%	14.1%	36.2%
Flushing/Whitestone	18.8%	15.4%	25.3%
Hillcrest/Fresh Meadows	14.4%	11.3%	24.1%
Kew Gardens/Woodhaven	14.5%	15.2%	17.6%
South Ozone Park/Howard Beach	15.8%	11.8%	0.5%
Bayside/Little Neck	8.0%	8.7%	6.9%
Jamaica	15.1%	13.2%	13.8%
Bellerose/Rosedale	8.7%	6.6%	3.1%
Rockaways	19.7%	19.9%	17.4%
Boroughwide	*15.2%*	*13.8%*	*24.1%*
Staten Island			
North Shore	22.5%	21.8%	11.9%
Mid-Island	9.1%	14.0%	2.7%
South Shore	10.3%	7.3%	3.9%
Boroughwide	*14.5%*	*14.4%*	*6.6%*
Citywide	**20.9%**	**20.0%**	**32.3%**

Source: 2014 NYC Housing and Vacancy Survey and 2014 and 2015 American Community Survey

Question 2: Can the number of evictions ordered be provided, in comparison to the number of evictions actually carried out?

Evictions are executed under the jurisdiction of the NYC Department of Investigation, specifically through marshals supervised by that agency. Reported annually by the RGB are the number of evictions actually carried out by the marshals. To execute an eviction, first a judgement is issued by Housing Court, after which time marshals can file with Housing Court to obtain a warrant for eviction. As such, Housing Court is able to provide the number of warrants that are issued to marshals. However, more than one warrant may be issued for a single Housing Court case (such as when a tenant is given additional time by the judge to pay back rent). Housing Court is not able to provide an estimate of how many cases may involve multiple warrants. In 2016, 113,654 warrants were issued by Housing Court, and 22,089 evictions were actually executed by marshals, a proportion of 19.4%. In 2015, this proportion was 19.7%, and in 2014 it was 23.1%.

On May 19, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2017 Income & Affordability Study*. The memo follows:

Memorandum

To: All Board Members
From: Danielle Burger
Date: May 19, 2017
Re: 2017 Income & Affordability Study Follow-up

At the April 13, 2017 *Income & Affordability Study* (I&A) presentation, questions were asked for which an immediate answer could not be provided. Three questions were answered in a memo dated April 19, 2017. Answers to the remaining of these outstanding questions follow.

Question 1: Can evictions be provided by zip code?

Eviction data comes from the NYC Department of Investigation (DOI), specifically through marshals supervised by that agency. DOI releases summary data, by borough. They are unable to directly run this data by zip code, but referred the RGB to a relatively new online portal of eviction data. Marshals began uploading this data to the website in late 2015. Note that the total number of evictions provided by the website is somewhat lower than what is released directly from DOI (22,089 evictions reported by DOI directly and 20,751 evictions reported via the DOI website at the time of the publication of this memo). Records are 9.7% lower in Brooklyn, 3.0% lower in the Bronx, 6.4% lower in Manhattan, 4.1% lower in Queens, 6.4% lower in Staten Island, and 6.1% lower for the City as a whole. Note that while records are incomplete, a pattern by zip code can still be seen.

In addition, when viewing individual listings of evictions, staff became aware that the summary data released by DOI is data of the number of warrants executed by marshals, including multiple warrants for the same unit, at the same address, executed on the same day. Multiple warrants are issued when warrants are obtained in the names of multiple people living at the same address. The only way to get a better estimate of the number of households actually evicted is to manually look through the individual records for duplicates, an inexact science. The RGB estimates that Citywide there are approximately 14% more warrants issued for eviction than there are households evicted (20,751 warrants versus 18,161 households, per the somewhat incomplete DOI website). By borough, the disparity ranges from a difference of 7% in Manhattan to 25% in Queens. The table below provides the number of residential evictions by zip code in 2016, including both the unedited data provided by the DOI website (referred to as "unedited number of evictions" in the table) and the manually edited data by the RGB (referred to as "edited number of evictions" in the table) to remove duplicates. A more in-depth definition of "edited" versus "unedited" can be found at the end of the table. As noted above, the records are somewhat incomplete as compared to the summary data that comes directly from DOI, but are complete enough to show a pattern by zip code.

Borough/Zip Code	Edited Number of Evictions	Unedited Number of Evictions
Bronx		
10451	257	277
10452	325	348
10453	488	535
10454	147	161
10455	186	196
10456	440	488
10457	462	514
10458	575	620
10459	206	229
10460	420	459
10461	117	127
10462	325	355
10463	181	200
10464	7	9
10465	55	60
10466	283	312
10467	591	643
10468	418	452
10469	159	184
10470	83	91
10471	32	32
10472	256	277
10473	171	183
10474	91	101
10475	71	73
Total	**6,346**	**6,926**
Brooklyn		
11201	47	49
11203	254	304
11204	55	60
11205	48	54
11206	144	182
11207	358	426
11208	363	468
11209	100	117
11210	191	239
11211	50	58
11212	433	531
11213	279	321
11214	92	106
11215	27	29
11216	168	192
11217	40	44
11218	76	86

Borough/Zip Code	Edited Number of Evictions	Unedited Number of Evictions
Brooklyn (continued)		
11219	61	68
11220	84	96
11221	262	303
11222	33	37
11223	88	96
11224	113	130
11225	223	262
11226	449	525
11228	25	29
11229	83	92
11230	125	153
11231	26	31
11232	28	36
11233	331	402
11234	122	149
11235	104	118
11236	197	231
11237	78	90
11238	71	82
11239	49	54
11249	26	30
11255	1	1
Total	**5,304**	**6,281**
Manhattan		
10001	44	46
10002	74	80
10003	53	55
10004	3	3
10005	17	16
10006	8	8
10007	2	2
10009	100	101
10010	30	30
10011	42	47
10012	29	30
10013	26	28
10014	23	23
10016	47	49
10017	12	14
10018	26	28
10019	78	82
10020	0	0
10021	31	33
10022	30	31
10023	42	42

Borough/Zip Code	Edited Number of Evictions	Unedited Number of Evictions
Manhattan (continued)		
10024	35	35
10025	94	97
10026	82	84
10027	140	154
10028	41	43
10029	173	186
10030	118	124
10031	159	174
10032	140	152
10033	138	153
10034	104	116
10035	89	95
10036	68	75
10037	89	96
10038	18	20
10039	112	120
10040	123	135
10044	11	12
10065	29	30
10069	4	4
10075	9	9
10101	1	1
10128	41	44
10162	1	1
10280	11	11
10282	3	3
Total	**2,550**	**2,722**
Queens		
11004	3	3
11101	50	66
11102	45	52
11103	39	50
11104	28	32
11105	36	49
11106	60	69
11109	10	10
11354	65	68
11355	86	105
11356	26	33
11357	13	18
11358	16	20
11360	16	18
11361	17	20
11362	7	8
11363	4	4

Borough/Zip Code	Edited Number of Evictions	Unedited Number of Evictions
Queens (continued)		
11364	10	15
11365	51	61
11366	9	9
11367	61	71
11368	198	238
11369	29	36
11370	29	38
11372	96	114
11373	88	113
11374	61	67
11375	61	70
11377	95	118
11378	30	36
11379	23	31
11385	140	185
11411	30	38
11412	71	89
11413	86	112
11414	21	31
11415	49	53
11416	46	52
11417	41	57
11418	65	82
11419	66	91
11420	62	91
11421	57	73
11422	56	79
11423	70	79
11426	12	16
11427	24	30
11428	17	19
11429	50	64
11430	2	2
11432	116	154
11433	103	134
11434	154	200
11435	135	168
11436	39	53
11691	258	311
11692	74	93
11693	39	48
11694	55	66
Total	**3,300**	**4,112**

Borough/Zip Code	Edited Number of Evictions	Unedited Number of Evictions
Staten Island		
10301	123	133
10302	45	50
10303	70	77
10304	132	137
10305	49	53
10306	50	52
10307	14	16
10308	15	15
10309	18	18
10310	60	66
10312	29	32
10314	56	61
Total	**661**	**710**
Citywide	**18,161**	**20,751**

Source: NYC Department of Investigation, NYC Marshals Office, Citywide Performance Reporting website

Definitions:
"Edited Number of Evictions:" Eviction data that was manually edited by staff of the NYC Rent Guidelines Board to remove multiple warrants issued for the same units, on the same day, in the names of different tenants, in order to estimate the number of households evicted, rather than the number of warrants for eviction issued. Note that the edited data is only an approximation of the number of households evicted.

"Unedited Number of Evictions:" Eviction data derived directly from the Citywide Performance Reporting section of the DOI website, including multiple warrants issued for single households, on the same day, but in different names.

Question 2: Can evictions in NYCHA housing be provided?

The New York City Housing Authority provided the number of evictions for 2010-2016. They also specified which evictions were for non-payment of rent and which were for other (unspecified) reasons. The table below details the evictions, by year.

Year	Evictions (Non-Payment of Rent)	Evictions (Other)	Evictions (Total)
2010	531	393	**924**
2011	610	322	**932**
2012	538	376	**914**
2013	633	430	**1,063**
2014	458	338	**796**
2015	281	336	**617**
2016	317	331	**648**

Source: NYC Housing Authority

Question 3: Does the NYC Department of Homeless Services track the type of housing that those seeking shelter left before shelter intake, specifically for rent stabilized housing?

The agency does not specifically ask those seeking shelter for this type of information. The agency does ask those seeking shelter for their most recent address. As detailed in the *2015 Income and Affordability (I&A) Study*, in 2014 the NYC Independent Budget Office used this information (from 2002-2012) to geocode the address and determine whether the most recent address was in a building containing rent stabilized units (they cannot determine if the unit was rent stabilized). For in-depth results of that report, see the *2015 I&A Study* or read the report, here: http://www.ibo.nyc.ny.us/iboreports/2014dhs.pdf.

On June 1, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional data from the NYS Division of Housing and Community Renewal (DHCR). The memo follows:

Memorandum

To: All Board Members
From: Andrew McLaughlin
Date: June 1, 2017
Re: Additional DHCR Data

At the request of the Board, the NYS Division of Housing and Community Renewal (DHCR) was asked to run detailed data on the prevalence of preferential rents and the amount of allowed Major Capital Improvements (MCIs) by zip code for calendar year 2016. To further put this data in context, RGB staff used an earlier version of the 2016 DHCR registration file to assess the number of occupied rent stabilized units in each borough. As noted at the bottom of the table, there were approximately 1,474 fewer records in the file used by the RGB than in the most recent file available to DHCR. Note that the analysis of units with preferential rents and allowed MCI costs are not correlated. MCI costs are for all apartments, regardless of rent levels.

2016 DHCR Data (Units with Preferential Rents and Allowed MCI costs)

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents		Borough/ Zip Code	2016 MCI Allowed Cost
Manhattan					***Manhattan***	
10001	2,921	4,955	59.0%		10001	$1,268,867
10002	2,086	6,626	31.5%		10002	$676,850
10003	1,413	6,654	21.2%		10003	$3,211,888
10005	224	645	34.7%		10005	--
10006	4	59	6.8%		10006	--
10007	81	802	10.1%		10007	$7,055
10009	5,450	13,594	40.1%		10009	$1,643,942
10010	2,328	5,603	41.5%		10010	$1,771,435
10011	1,840	7,034	26.2%		10011	$12,888,116
10012	292	2,612	11.2%		10012	$226,198
10013	1,270	3,361	37.8%		10013	$837,468
10014	739	4,406	16.8%		10014	$4,852,026
10016	1,313	6,246	21.0%		10016	$13,319,966

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents	Borough/ Zip Code	2016 MCI Allowed Cost
10017	367	1,466	25.0%	10017	$154,075
10018	1,848	3,293	56.1%	10018	$29,716
10019	3,976	8,921	44.6%	10019	$6,427,870
10021	546	3,450	15.8%	10021	$2,526,986
10022	322	2,570	12.5%	10022	$2,700,086
10023	2,652	8,447	31.4%	10023	$2,597,902
10024	955	6,960	13.7%	10024	$6,989,018
10025	2,776	13,143	21.1%	10025	$8,286,248
10026	1,595	5,447	29.3%	10026	$642,470
10027	1,799	7,908	22.7%	10027	$666,989
10028	1,021	5,052	20.2%	10028	$3,255,484
10029	3,382	7,585	44.6%	10029	$1,010,654
10030	1,454	4,960	29.3%	10030	$815,911
10031	2,503	9,940	25.2%	10031	$3,116,797
10032	2,800	12,595	22.2%	10032	$6,547,221
10033	2,823	12,578	22.4%	10033	$8,961,033
10034	3,033	10,425	29.1%	10034	$4,895,832
10035	1,406	4,261	33.0%	10035	$360,833
10036	5,068	9,787	51.8%	10036	$1,102,714
10037	1,572	4,768	33.0%	10037	$439,519
10038	2,166	2,655	81.6%	10038	--
10039	988	3,398	29.1%	10039	--
10040	3,266	10,850	30.1%	10040	$5,949,606
10065	321	3,141	10.2%	10065	$1,502,814
10069	968	1,163	83.2%	10069	--
10075	297	3,193	9.3%	10075	$897,987
10128	1,180	5,201	22.7%	10128	$2,441,972
10280	349	410	85.1%	10280	--
10282	1,590	1,880	84.6%	10282	--
Total	**72,984**	**238,044**	**30.7%**	**Total**	**$113,023,547**

Staten Island				***Staten Island***	
10301	1,420	2,599	54.6%	10301	$667,296
10302	161	435	37.0%	10302	--
10304	88	620	14.2%	10304	--
10305	184	392	46.9%	10305	--
10306	858	1,332	64.4%	10306	--
10307	15	25	60.0%	10307	--

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents	Borough/ Zip Code	2016 MCI Allowed Cost
10310	224	414	54.1%	10310	--
10314	139	476	29.2%	10314	$107,650
Total	**3,089**	**6,293**	**49.1%**	**Total**	**$774,946**
Bronx				***Bronx***	
10451	1,746	6,885	25.4%	10451	$915,593
10452	4,562	17,925	25.5%	10452	$5,735,717
10453	4,232	15,832	26.7%	10453	$3,026,062
10454	1,839	4,250	43.3%	10454	$240,860
10455	1,726	5,667	30.5%	10455	$252,787
10456	3,986	13,932	28.6%	10456	$2,324,476
10457	3,624	12,869	28.2%	10457	$2,592,167
10458	5,423	18,371	29.5%	10458	$5,770,569
10459	1,921	7,473	25.7%	10459	--
10460	2,164	8,120	26.7%	10460	$2,657,956
10461	1,943	5,884	33.0%	10461	$2,331,317
10462	2,488	9,104	27.3%	10462	$2,936,791
10463	2,917	10,418	28.0%	10463	$1,720,948
10464	12	125	9.6%	10464	--
10465	95	303	31.4%	10465	--
10466	1,228	4,541	27.0%	10466	$3,286,850
10467	5,276	19,815	26.6%	10467	$4,893,578
10468	4,718	18,335	25.7%	10468	$6,852,506
10469	1,199	2,149	55.8%	10469	$12,223,171
10470	690	1,717	40.2%	10470	$193,790
10471	652	2,079	31.4%	10471	$144,052
10472	1,922	6,601	29.1%	10472	$1,961,895
10473	376	2,763	13.6%	10473	$3,058,544
10474	504	2,075	24.3%	10474	--
10475	180	350	51.4%	10475	$1,289,575
Total	**55,423**	**197,583**	**28.1%**	**Total**	**$64,409,206**
Queens				***Queens***	
11004	2	261	0.8%	11004	--
11101	1,655	5,728	28.9%	11101	$123,384
11102	2,376	5,093	46.7%	11102	$356,639
11103	2,362	5,970	39.6%	11103	$249,995
11104	2,054	5,963	34.4%	11104	$1,436,712

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents	Borough/ Zip Code	2016 MCI Allowed Cost
11105	1,736	3,826	45.4%	11105	$52,272
11106	2,935	7,071	41.5%	11106	$1,758,597
11354	2,113	4,682	45.1%	11354	--
11355	3,909	9,024	43.3%	11355	$5,009,182
11356	38	126	30.2%	11356	$17,533
11357	54	256	21.1%	11357	--
11358	537	1,324	40.6%	11358	--
11360	246	398	61.8%	11360	$1,052,372
11361	485	1,069	45.4%	11361	$444,963
11362	108	144	75.0%	11362	--
11363	19	103	18.4%	11363	--
11364	452	1,059	42.7%	11364	$1,429,689
11365	1,742	3,268	53.3%	11365	--
11366	147	232	63.4%	11366	--
11367	1,121	2,728	41.1%	11367	$3,232,967
11368	3,102	7,724	40.2%	11368	$8,533,216
11369	165	528	31.3%	11369	$365,478
11370	95	306	31.0%	11370	$23,813
11372	2,853	9,177	31.1%	11372	$2,940,471
11373	3,287	9,807	33.5%	11373	$3,919,203
11374	2,114	6,357	33.3%	11374	$8,091,123
11375	2,056	6,144	33.5%	11375	$3,061,437
11377	3,398	8,721	39.0%	11377	$1,792,262
11378	176	274	64.2%	11378	--
11379	421	903	46.6%	11379	--
11385	2,201	7,056	31.2%	11385	$927,020
11411	13	58	22.4%	11411	--
11412	54	119	45.4%	11412	--
11413	54	98	55.1%	11413	--
11414	12	146	8.2%	11414	--
11415	1,280	2,699	47.4%	11415	$866,910
11416	58	160	36.3%	11416	--
11417	75	262	28.6%	11417	--
11418	743	1,689	44.0%	11418	$19,174
11419	151	382	39.5%	11419	$157,302
11420	50	112	44.6%	11420	--
11421	515	1,011	50.9%	11421	$406,404
11422	11	14	78.6%	11422	--

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents	Borough/ Zip Code	2016 MCI Allowed Cost
11423	490	1,560	31.4%	11423	$402,855
11426	100	244	41.0%	11426	--
11427	842	1,646	51.2%	11427	$14,630
11428	95	364	26.1%	11428	$1,155,372
11429	10	198	5.1%	11429	--
11432	3,309	6,297	52.5%	11432	$2,718,942
11433	267	504	53.0%	11433	--
11434	231	475	48.6%	11434	--
11435	2,643	5,491	48.1%	11435	$1,736,913
11436	1	4	25.0%	11436	--
11691	2,425	5,048	48.0%	11691	$1,558,472
11692	54	80	67.5%	11692	--
11693	140	202	69.3%	11693	--
11694	693	1,129	61.4%	11694	--
Total	**58,275**	**145,314**	**40.1%**	**Total**	**$53,855,301**
Brooklyn				***Brooklyn***	
11201	3,667	7,193	51.0%	11201	$1,070,384
11203	1,298	6,038	21.5%	11203	$550,021
11204	1,335	5,351	24.9%	11204	$486,286
11205	1,030	2,869	35.9%	11205	$150,228
11206	1,618	4,429	36.5%	11206	$94,250
11207	1,405	3,835	36.6%	11207	$113,659
11208	970	3,034	32.0%	11208	$120,199
11209	3,496	9,393	37.2%	11209	$1,865,627
11210	1,139	7,045	16.2%	11210	$376,246
11211	1,984	7,371	26.9%	11211	$231,367
11212	1,670	6,589	25.3%	11212	$190,505
11213	1,718	9,156	18.8%	11213	$1,932,295
11214	3,181	7,942	40.1%	11214	$1,309,195
11215	1,545	4,566	33.8%	11215	$1,369,230
11216	1,747	5,819	30.0%	11216	$529,249
11217	1,355	3,023	44.8%	11217	$1,055,346
11218	1,842	7,819	23.6%	11218	$1,620,633
11219	1,302	6,231	20.9%	11219	$558,521
11220	1,770	5,762	30.7%	11220	$149,362
11221	1,689	5,703	29.6%	11221	$170,414
11222	1,055	4,704	22.4%	11222	$309,701

Borough/ Zip Code	Units with Preferential Rents*	Number of Occupied Rent Stabilized Units**	% of Occupied Units with Preferential Rents	Borough/ Zip Code	2016 MCI Allowed Cost
11223	1,999	5,869	34.1%	11223	$298,866
11224	488	1,115	43.8%	11224	--
11225	2,551	12,703	20.1%	11225	$2,960,629
11226	4,889	21,950	22.3%	11226	$5,879,799
11228	404	839	48.2%	11228	$27,253
11229	1,875	7,237	25.9%	11229	$1,236,813
11230	3,017	11,901	25.4%	11230	$1,797,690
11231	394	1,263	31.2%	11231	$60,669
11232	643	2,192	29.3%	11232	$78,828
11233	1,104	5,084	21.7%	11233	$324,715
11234	403	1,168	34.5%	11234	$64,315
11235	2,843	9,700	29.3%	11235	$3,443,413
11236	198	801	24.7%	11236	--
11237	1,482	5,161	28.7%	11237	$220,313
11238	1,850	6,295	29.4%	11238	$184,339
11249	647	1,826	35.4%	11249	$16,650
Total	**61,603**	**218,976**	**28.1%**	**Total**	**$30,847,009**
Citywide Total	***251,374***	***806,210***	***31.2%***	***Citywide Total***	***$262,910,009***

Source: NYS Division of Housing and Community Renewal

* Units with preferential rents by zip code data was received by DHCR on May 24, 2017 from their most recent registration file.

** The number of occupied rent stabilized units by zip code was run by the RGB from a DHCR registration file sent to the RGB in March of 2017. There are approximately 1,474 fewer units in the file used to run this figure than the file used to run the number of units with a preferential rent. This figure includes only those units registered as being occupied at the time of registration. It excludes 33,850 vacant units and exempt units.

On May 24, 2017 the staff of the Rent Guidelines Board released a memo to Board members with additional information about the April 2017 submission to the Board prepared by Tim Collins. The memo follows:

Memorandum

To: All Board Members
From: Andrew McLaughlin
Date: 5/24/17
Re: April 2017 Submission to the Board Prepared by Tim Collins

At the Rent Guideline Board's (RGB) Invited Group Testimony on April 20th, former RGB Executive Director Tim Collins presented testimony regarding calculations made by him showing the amount that rents should have increased over time to keep owners whole (what the RGB is terming "necessary" increases), and the amount that rents actually increased under RGB guidelines (what the RGB is terming "authorized" increases). His calculations rely on summary data reported to the RGB from the NYC Department of Finance's annual Real Property Income and Expense (RPIE) filings. His data starts in 1991 (the first year that detailed RPIE data is available for) and extends to 2017.

RGB staff replicated his methodology in order to ensure accuracy. Staff, to the extent possible, used figures that were not rounded, to ensure maximum accuracy (which had only a minor effect). We also corrected some numbers that were incorrect, such as the cost-to-income ratio in 2014, inflation figures from 2014-2016 (earlier data is annual and data from 2014 forward is point-to-point), and the rent index in 2016. We opted not to include 2017 data, as Mr. Collins did, as no data is available and any estimates would be speculative. As Mr. Collins did, we estimated cost increases and the cost-to-income ratio for 2016, but most likely used different assumptions (as we had no information regarding his methodology in making these assumptions). For 2016 estimates of cost increases and the cost-to-income ratio, the RGB opted to use a weighted Price Index to estimate costs, and a 3-year average to estimate RPIE-reported cost-to-income ratios. As longitudinal data was not available in 2004, estimates were also made for that year (with both the RGB and Mr. Collins using the same estimated figure). Also note that the "authorized" rent increases are based entirely on the RGB Rent Index, which is in itself only an estimate, relying on assumptions about the proportion of tenants who take one-year leases versus two-year leases, and the prevalence of vacancies (which are not authorized by the RGB and are estimated from registration data supplied by the NYS Division of Housing and Community Renewal).

Note that had Mr. Collins' spreadsheet ended with the year 2016, the difference between his calculated "necessary" increases and "authorized" increases would have been 45.7 percentage points. Per RGB calculations, this difference is estimated to be 36.4 percentage points (using the assumptions outlined above). This is because our estimate of operating costs changes for the year 2016 is 4.4% (a weighted average of the two PIOCs that cover that year), versus -1.2% in Mr. Collins' spreadsheet (the PIOC decrease that covers only one quarter of calendar year 2016). We also found the rent index to be lower than that reported by Mr. Collins, at 1.6% (not an estimate) versus his figure of 2.1%.

Year-by-year figures as calculated by the RGB follow in the table on the next page. For comparison, Mr. Collins' table that was contained with his submission from April 20th is also included. While some of the column labels are different, the RGB table and Mr. Collin's table follow the same order. Per Mr. Collins' calculations, through 2016 rent increases authorized by the RGB rose a cumulative 189%, but only needed to increase 143% to keep owners whole. Per RGB calculations, using the same methodology, rents rose 187%, and needed to rise 151%. Also note that Mr. Collins opts to use an audited cost-to-income ratio (approximately 8% lower than figures reported annually by the Department of Finance). Had unaudited figures been used, per RGB calculations using Mr. Collins' methodology, rent would have risen 187%, and rents would have needed to rise 157%.

Table from Mr. Collins' April 20th Submission

TABLE OF CALCULATIONS: ANNUALIZED COMMENSURATE ADJUSTMENTS 1991-2017

A	B	C	D	E	F	G	H	I	J	K
YEAR	COST	O&M RAT	COST*O&M	CPI /APRIL *	NOI	NOI*CPI	Col. D plus G	RENT INDX	100	100
1991	0.034	0.63	0.02142	4.55%	0.37	0.016830325	0.038250325	0.041	103.83	104.1
1992	0.042	0.63	0.02646	3.59%	0.37	0.013287293	0.039747293	0.037	107.95	107.9517
1993	0.021	0.63	0.01323	3.00%	0.37	0.0111	0.02433	0.031	110.58	111.298203
1994	0.025	0.61	0.01525	2.39%	0.39	0.009339806	0.024589806	0.029	113.30	114.525851
1995	0.025	0.59	0.01475	2.53%	0.41	0.010366625	0.025116625	0.031	116.14	118.076152
1996	0.054	0.6	0.0324	2.90%	0.4	0.011590629	0.043990629	0.045	121.25	123.389579
1997	0.019	0.58	0.01102	2.34%	0.42	0.00981426	0.02083426	0.052	123.78	129.805837
1998	0.015	0.56	0.0084	1.64%	0.44	0.007213115	0.015613115	0.037	125.71	134.608653
1999	0.035	0.55	0.01925	1.96%	0.45	0.008813364	0.028063364	0.038	129.24	139.723782
2000	0.084	0.56	0.04704	3.11%	0.46	0.014293785	0.061333785	0.042	137.17	145.59218
2001	0.048	0.56	0.02688	2.52%	0.44	0.011090411	0.037970411	0.05	142.37	152.87179
2002	0.069	0.57	0.03933	2.57%	0.43	0.011031534	0.050361534	0.045	149.54	159.75102
2003	0.125	0.62	0.0775	3.07%	0.38	0.011683168	0.089183168	0.041	162.88	166.300812
2004	0.073	0.62	0.04526	3.54%	0.38	0.013447927	0.058707927	0.055	172.44	175.447357
2005	0.06	0.65	0.039	3.86%	0.35	0.013500977	0.052500977	0.046	181.50	183.517935
2006	0.041	0.63	0.02583	3.76%	0.37	0.013916314	0.039746314	0.043	188.71	191.409206
2007	0.052	0.62	0.03224	2.83%	0.38	0.010743996	0.042983996	0.042	196.82	199.448393
2008	0.064	0.64	0.04096	3.90%	0.36	0.014026262	0.054986262	0.047	207.64	208.822467
2009	0.001	0.63	0.00063	0.44%	0.37	0.001636724	0.002266724	0.075	208.12	224.484152
2010	0.009	0.62	0.00558	1.71%	0.38	0.006480819	0.012060819	0.052	210.63	236.157328
2011	0.041	0.63	0.02583	2.85%	0.37	0.01052868	0.03635868	0.037	218.28	244.895149
2012	0.032	0.6	0.0192	1.97%	0.4	0.007863781	0.027063781	0.044	224.19	255.670536
2013	0.05	0.61	0.0305	1.68%	0.39	0.006554349	0.037054349	0.041	232.50	266.153028
2014	0.057	0.62	0.03534	2.00%	0.38	0.0076	0.04294	0.041	242.48	277.065302
2015	0.011	0.588	0.006468	0.00%	0.412	0	0.006468	0.022	244.05	283.160739
2016	-0.012	0.57	-0.00684	1.00%	0.43	0.0043	-0.00254	0.021	243.43	289.107114
2017	0.062	0.59	0.03658	2.30%	0.41	0.00943	0.04601	0.016	254.63	293.732828

RGB Adjustments to "Table of Calculations: Annualized Commensurate Adjustments 1991-2017," by Tim Collins (as released to RGB on April 20, 2017)

Year	% Increase in Cost	Audited Cost-to- income Ratio	COST*O&M Ratio	CPI Increase	NOI Ratio	NOI*CPI	(Cost*O&M Ratio) + (NOI*CPI)	RGB Rent Index	"Necessary" Rent Increases, Cumulative (starts at 100)	"RGB Authorized" Rent Increases, Cumulative (starts at 100)
1991	3.4%	0.63	0.02138	4.55%	0.37	0.01689	0.03827	4.10%	103.83	104.10
1992	4.2%	0.63	0.02650	3.59%	0.37	0.01325	0.03975	3.73%	107.95	107.97
1993	2.1%	0.62	0.01312	3.00%	0.38	0.01126	0.02438	3.07%	110.59	111.28
1994	2.5%	0.61	0.01517	2.39%	0.39	0.00941	0.02459	2.88%	113.30	114.49
1995	2.5%	0.59	0.01487	2.53%	0.41	0.01025	0.02512	3.07%	116.15	118.00
1996	5.4%	0.60	0.03251	2.90%	0.40	0.01155	0.04407	4.51%	121.27	123.32
1997	1.9%	0.58	0.01113	2.34%	0.42	0.00978	0.02091	5.21%	123.80	129.74
1998	1.5%	0.56	0.00863	1.64%	0.44	0.00723	0.01586	3.68%	125.77	134.51
1999	3.5%	0.55	0.01905	1.96%	0.45	0.00885	0.02790	3.76%	129.28	139.57
2000	8.4%	0.56	0.04750	3.11%	0.44	0.01360	0.06111	4.19%	137.18	145.42
2001	4.8%	0.56	0.02688	2.52%	0.44	0.01103	0.03791	4.97%	142.38	152.65
2002	6.9%	0.57	0.03959	2.57%	0.43	0.01094	0.05053	4.48%	149.57	159.49
2003	12.5%	0.62	0.07766	3.07%	0.38	0.01162	0.08929	4.13%	162.93	166.08
2004	7.3%*	0.62	0.04527	3.54%	0.38	0.01344	0.05872	5.47%	172.49	175.18
2005	6.0%	0.65	0.03928	3.86%	0.35	0.01353	0.05280	4.61%	181.60	183.26
2006	4.1%	0.63	0.02588	3.76%	0.37	0.01380	0.03969	4.26%	188.81	191.06
2007	5.2%	0.62	0.03215	2.83%	0.38	0.01065	0.04280	4.18%	196.89	199.05
2008	6.4%	0.64	0.04129	3.90%	0.36	0.01392	0.05521	4.68%	207.76	208.36
2009	0.1%	0.63	0.00051	0.44%	0.37	0.00165	0.00216	7.46%	208.21	223.89
2010	0.9%	0.62	0.00557	1.71%	0.38	0.00649	0.01206	5.21%	210.72	235.56
2011	4.1%	0.62	0.02502	2.85%	0.38	0.01088	0.03590	3.68%	218.28	244.24
2012	3.2%	0.60	0.01935	1.97%	0.40	0.00777	0.02712	4.39%	224.20	254.95
2013	5.0%	0.61	0.03025	1.68%	0.39	0.00661	0.03685	4.12%	232.46	265.45
2014	5.6%	0.61	0.03379	1.32%	0.39	0.00521	0.03900	4.06%	241.53	276.24
2015	1.1%	0.59	0.00618	0.13%	0.41	0.00052	0.00670	2.19%	243.15	282.29
2016	4.4%*	0.60*	0.02627	1.08%	0.40*	0.00431	0.03058	1.64%	250.58	286.93

*Estimates

Source: Annual RGB Income and Expense Studies, U.S. Bureau of Labor Statistics, and annual RGB Explanatory Statements.

On June 22, 2017 the staff of the Rent Guidelines Board released a memo to Board members related to the Rent Stabilization Association's June 2017 RGB #49 submission. The memo follows:

Memorandum

To: All Board Members

From: Andrew McLaughlin

Date: 6/22/17

Re: Rent Stabilization Association's June 2017 RGB #49 Submission – Addendum A

On April 20, 2017, Tim Collins submitted an analysis to the Board asserting that increases in rent guidelines from 1991 to the present have exceeded what is needed to keep rent stabilized owners' profits stable over time. In response to requests by Board members, RGB staff prepared a memo, dated May 24, 2017, that assessed the accuracy of Mr. Collins' calculations and made minor changes and corrections. In response to Mr. Collins' analysis, and the May 24 Memo, the RSA submitted in June 2017 "RGB #49 Submission – Addendum A", including a table of "adjustments" to Mr. Collins' analysis and text explaining their methodology. (For reference, the RSA table is annexed to this memo.) In response to a request from RGB Board Member Scott Walsh, the RGB staff has reviewed the RSA submission to compare its methodology to the Collins analysis and to assess the accuracy of the RSA calculations,[1] as was done with Mr. Collins' earlier submission.

Mr. Collins' analysis (as adjusted slightly by the RGB in the May 24 memo) found that the rent increases needed to keep owners' profits stable rose a cumulative 151% since 1991, while authorized RGB increases rose 187%. The basic premise of Mr. Collins' analysis is that owners are "made whole" if rent guideline increases cover increased expenses and maintain NOI (adjusted for inflation using the Consumer Price Index (CPI)). He therefore makes two adjustments to income. First, on that portion of income that is used to pay expenses (known as the cost-to-income ratio),[2] he adjusts using cost increases as reported on annual RPIE statements filed by owners with the NYC Department of Finance (and as reported in annual RGB Income and Expense Studies). Second, on that portion of income that is left over after expenses are paid (NOI), he adjusts for the effect of inflation as reported in the CPI for the NYC metropolitan area.

The RSA analysis challenges Mr. Collins' basic premise. The RSA contends that in order to make owners "whole," the change in RPIE-reported costs must be applied to total income, which includes adjusting the NOI portion of the dollar by the change in RPIE-reported expenses, as opposed to the

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[1] The RGB has only minor issues with the figures used by the RSA in their analysis, including the individual non-audited cost-to-income ratios, which in some cases differ with those calculated by the RGB. However, changes to these ratios would have no effect on the RSA overall calculations (see Footnote #3).

[2] Cost-to-income ratios are used in the methodology of each of the RGB commensurate adjustments, as reported in annual Price Index of Operating Costs Survey reports, which rely in part on cost-to-income ratios to calculate guidelines that keep owners "whole." Mr. Collins uses audited cost-to-income ratios, approximately 8% lower than unaudited cost-to-income ratios reported by the NYC Department of Finance.

CPI.[3] According to the RSA, "inflation adjusting net operating income by the CPI does not provide any real increase in owner's profit. It leaves owners 'whole' only in the sense that if owners' profits were ten cents on the dollar in 1990, they are still 10 cents on the dollar today." The RSA therefore concludes that a cumulative 200% guideline increase was necessary to keep owners "whole," as opposed to the 187% increase authorized by the RGB.

In short, the material difference between the Collins analysis and the RSA analysis is that Mr. Collins applies cost increases to approximately 61% of total income,[4] and adjusts NOI for inflation, while the RSA applies cost increases to 100% of total income.

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[3] We base our understanding of the RSA methodology on the calculations reflected in its table of adjustments to Mr. Collins' analysis. We note that the text of the RSA submission misstates its methodology ("we made the inflation adjustment to net operating income using the PIOC rather than the CPI"). In fact, the table of adjustments uses the change in RPIE-reported expenses, not the PIOC. In addition, while calculations are shown adjusting NOI by the change in RPIE-reported expenses, these calculations have no effect on their overall conclusion, which relies on adjustments to total income, not the NOI. We also note that the heading of the eighth column in the RSA table is incorrect. It is not "(Cost*O&M Ratio) + (NOI*CPI) (which is the heading for this column in the RG May 24 memo), but rather "(Cost*O&M Ratio) + NOI*% Increase in Cost)". Finally, we note that the RSA uses unaudited cost-to-income ratios (which differ slightly from those calculated by the RGB), while Mr. Collins uses audited ratios. However, the RSA analysis does not depend on either audited or unaudited data because the RSA methodology adjusts total income by cost increases. Accordingly, any cost-to-income ratio could be substituted into their equation and provide the same result.

[4] The average cost to income ratio from 1991-2016 is 61% as reported in annual RGB Income and Expense Studies.

RSA Adjustments to "Table of Calculations: Annualized Commensurate Adjustments 1991-2017,"
by Tim Collins (as released to RGB on April 20, 2017)

Year	% Increase in Cost	Non-Audited Cost-to-income Ratio	COST*O&M Ratio	CPI Increase	NOI Ratio	NOI*Cost Increase	(Cost*O&M Ratio) + (NOI*CPI)	RGB Rent Index	"Necessary" Rent Increases, Cumulative (starts at 100)	"RGB Authorized" Rent Increases, Cumulative (starts at 100)
									100	100
1991	3.4%	0.68	0.02309	4.55%	0.32	0.01091	0.03400	4.10%	103.40	104.10
1992	4.2%	0.68	0.02862	3.59%	0.32	0.01338	0.04200	3.73%	107.74	107.97
1993	2.1%	0.67	0.01417	3.00%	0.33	0.00683	0.02100	3.07%	110.01	111.28
1994	2.5%	0.66	0.01639	2.39%	0.34	0.00861	0.02500	2.88%	112.76	114.49
1995	2.5%	0.64	0.01606	2.53%	0.36	0.00894	0.02500	3.07%	115.57	118.00
1996	5.4%	0.65	0.03512	2.90%	0.35	0.01896	0.05407	4.51%	121.82	123.32
1997	1.9%	0.63	0.01202	2.34%	0.37	0.00712	0.01914	5.21%	124.16	129.74
1998	1.5%	0.60	0.00932	1.64%	0.40	0.00612	0.01544	3.68%	126.07	134.51
1999	3.5%	0.59	0.02057	1.96%	0.41	0.01419	0.03476	3.76%	130.46	139.57
2000	8.4%	0.61	0.05131	3.11%	0.39	0.03318	0.08448	4.19%	141.48	145.42
2001	4.8%	0.61	0.02903	2.52%	0.39	0.01876	0.04778	4.97%	148.24	152.65
2002	6.9%	0.62	0.04276	2.57%	0.38	0.02625	0.06900	4.48%	158.47	159.49
2003	12.5%	0.67	0.08387	3.07%	0.33	0.04100	0.12488	4.13%	178.26	166.08
2004*	7.3%	0.67	0.04890	3.54%	0.33	0.02410	0.07300	5.47%	191.27	175.18
2005	6.0%	0.70	0.04242	3.86%	0.30	0.01807	0.06049	4.61%	202.84	183.26
2006	4.1%	0.68	0.02796	3.76%	0.32	0.01294	0.04089	4.26%	211.13	191.06
2007	5.2%	0.67	0.03473	2.83%	0.33	0.01685	0.05157	4.18%	222.02	199.05
2008	6.4%	0.69	0.04460	3.90%	0.31	0.01964	0.06424	4.68%	236.28	208.36
2009	0.1%	0.68	0.00055	0.44%	0.32	0.00026	0.00081	7.46%	236.47	223.89
2010	0.9%	0.67	0.00602	1.71%	0.33	0.00298	0.00900	5.21%	238.60	235.56
2011	4.1%	0.67	0.02702	2.85%	0.33	0.01349	0.04051	3.68%	248.27	244.24
2012	3.2%	0.65	0.02089	1.97%	0.35	0.01110	0.03199	4.39%	256.21	254.95
2013	5.0%	0.66	0.03267	1.68%	0.34	0.01717	0.04983	4.12%	268.98	265.45
2014	5.6%	0.65	0.03649	1.32%	0.35	0.01929	0.05578	4.06%	283.98	276.24
2015	1.1%	0.63	0.00668	0.13%	0.37	0.00384	0.01052	2.19%	286.97	282.29
2016**	4.4%	0.65	0.02837	1.08%	0.35	0.01540	0.04377	1.64%	299.53	286.93

*Estimate for percentage increase in costs

** Estimates in the percentage increase in cost, audtied cost-to-income ratio and NOI ratio

Source: Annual RGB Inomce and Expense Studies, U.S. Bureau of Labor Statistics, and annual RGB Explanatory Statements.

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 49.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2016-2017, and Commensurate Rent Adjustment		
Index Type	2016-17 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .640
All Dwelling Units	6.2%	3.97%
Pre 1947	6.7%	4.29%
Post 1946	5.7%	3.65%
Oil Used for Heating	6.5%	4.16%
Gas Used for Heating	6.0%	3.84%

Note: The O&M to Income ratio is from the *2017 Income and Expense Study*.
Source: *2017 Price Index of Operating Costs*

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

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

The increase in the Loft Index this year was 6.9%, 7.2 percentage points higher than the 0.3% decrease in 2016. Increases in costs were seen in seven of the eight components that make up this index. Fuel Costs witnessed the highest rise, increasing 25.9%, followed by increases in Insurance Costs of 8.0% and in Taxes of 7.8%. More moderate increases were seen in Maintenance (2.1%), Labor Costs (4.7%), and Administrative Costs-Legal (4.0%) as well as Administrative Costs-Other (3.9%). These increases were marginally offset by a decline in Utilities of 0.3%.

This year's guidelines for lofts are: 1.25% 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 2016-2017	
	Loft O & M Price Index Change
All Buildings	6.9%

Source: *2017 Price Index of Operating Costs*

Special Guidelines for Vacancy Decontrolled Units Entering the Stabilized Stock

Pursuant to Section 26-513(b) of the New York City Administrative Code, as amended, the Rent Guidelines Board establishes a special guideline in order to aid the State Division of Housing and Community Renewal in determining fair market rents for housing accommodations that enter the stabilization system. This year, the Board set the guidelines at 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 #49 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2017 and on or before September 30, 2018 shall be 10%.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #49 were as follows:

	Yes	No	Abstentions
Guidelines for Apartment Order #49	7	2	--

Dated: June 28, 2017
Filed with the City Clerk: June 30, 2017

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

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