

# **Appendix N1**

## **Explanatory Statement Apartment & Loft Order #51**

## **EXPLANATORY STATEMENT - APARTMENT ORDER #51**

### **Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2019-20 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law<sup>1</sup>**

#### **Summary of Order No. 51**

The Rent Guidelines Board (RGB) by Order No. 51 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2019 and on or before September 30, 2020 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2019 and on or before September 30, 2020: 1.5%

For a two-year renewal lease commencing on or after October 1, 2019 and on or before September 30, 2020: 2.5%

#### **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, 2019 and on or before September 30, 2020. No vacancy allowance is included for lofts.

<u>1 Year</u>	<u>2 Years</u>
1.5%	2.5%

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

Any increase for a renewal lease may be collected no more than once during the guideline period governed by Order No. 51.

#### **Special Guideline**

Leases for units subject to rent control on September 30, 2019 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 Homes and Community Renewal (HCR). In order to aid DHCR in this review the Rent Guidelines Board has set a special guideline of 39% above the maximum base rent.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2019 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

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<sup>1</sup> 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.

## Background of Order No. 51

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. 51 was issued by the Board following **six** public meetings, **four** 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 **193** written submissions were received at the Board's offices from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 21, 2019** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on April 4, April 18, April 25 and May 16, 2019. On **May 7, 2019**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 11, June 13, June 18, and June 20, 2019** 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 11 from **5:30 p.m. to 10:00 p.m.**, June 13 from **5:10 p.m. to 8:00 p.m.**, June 18 from **5:30 p.m. to 9:20 p.m.**, and June 20 from **5:15 p.m. to 9:55 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 219** apartment tenants and tenant representatives, **22** apartment owners and owner representatives, and **3** public officials. In addition, **7** speakers read into the record

written testimony from various public officials. On **June 25, 2019** the guidelines set forth in Order No. 51 were adopted.

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

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

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

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

<u>Meeting Date / Name</u>	<u>Affiliation</u>
<b>April 4, 2019:</b>	<u>Staff presentations</u> <i>2019 Income and Expense Study</i> <i>2019 Income and Affordability Study</i>
1. Lucy Joffe 2. Elyzabeth Gaumer	<u>NYC Department of Housing Preservation and Development</u> Assistant Commissioner, Housing Policy Assistant Commissioner, Research and Evaluation
<b>April 18, 2019:</b>	<u>Staff presentations</u> <i>2019 Price Index of Operating Costs</i> <i>2019 Mortgage Survey Report</i>
1. Woody Pascal	<u>NYS Homes and Community Renewal (HCR)</u> Deputy Commissioner for Rent Administration
<b>April 25, 2019:</b>	
1. Stephanie Sosa 2. Oksana Mironova 3. Tim Collins	<u>Apartment Tenants group testimony:</u> Association for Neighborhood and Housing Development (ANHD) Community Service Society (CSS) Collins, Dobkins and Miller LLP
1. Vito Signorile 2. Paimaan Lodhi 3. Joseph Condon 4. Mary Ann Rothman	<u>Apartment Owners group testimony:</u> Rent Stabilization Association (RSA) Real Estate Board of New York (REBNY) Community Housing Improvement Program (CHIP) New York Council of Cooperatives and Condominiums (CNYC)
1. Brian J. Sullivan	<u>Hotel Tenants group testimony:</u> MFY Legal Services, Inc.

2. Stephanie Storke
3. Larry Wood

Goddard Riverside Law Project  
Goddard Riverside Law Project

**May 16, 2019:**

Staff presentations  
*2019 Housing Supply Report*  
*Changes to the Rent Stabilized Housing Stock*  
*in New York City in 2018*

1. Rafael E. Cestero

Community Preservation Corporation (CPC)  
President & Chief Executive Officer

### **Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups<sup>2</sup>**

Comments from tenants and tenant groups included:

“Based on current data it is clear that had the Board authorized cumulative rent increases of 166.15% over the twenty-seven year period since 1990, owners would have been kept ‘whole’ for both operating cost increases and the effect of inflation on net incomes, and rent stabilized tenants would have been protected against excessive and unwarranted rent increases. In fact, the Board authorized rent increases of 199.55% over this period. While rent guidelines have been lower over the past four years, they have failed to ameliorate excesses accumulated from prior years, contributing to a continuation of crushing rent burdens, displacement and homelessness.”

“Rents have far outpaced incomes in stabilized apartments. Even though median rents climbed by 30 percent above inflation, the typical stabilized household was earning the same inflation-adjusted amount in 2016 as in 2001...With skyrocketing rents, a diminishing low-rent housing stock that leaves tenants with minimal choices if they are priced out of their rent regulated apartments, and evidence that landlords are generating 41 cents in income on each dollar, we recommend that the RGB issues low rent guidelines for another year.”

“I’ve lived in the same rent stabilized apartment over 45 years, in a ten-unit brownstone on the upper westside. I am the only rent regulated tenant — the rest pay market rate; and we’re 30% vacant for more than a year. My main concern — I pay over 50% of my meager income for rent...The issue is, DRIE/SCRIE only freezes our rents. It’s not a rollback like other rent increase exemptions to 30% or 1/3 of our income. We need legislation to make this happen for us. DRIE/SCRIE is paid for by the Department of Finance which requires recipients to sign two-year leases. We have never had a 0% increase. If my rent goes up, will the city find funds for it along with the rollback so many need? Enough is enough! Too many of us are hanging by a thread. With the cost of living ever growing I’ve come close to homelessness.”

“The Rent Stabilization Law, which creates the RGB, was enacted specifically to protect tenants from ‘unjust, unreasonable and oppressive rents.’ Its ‘Findings and Declaration of Emergency’ do not speak of any need to protect landlords, who even then were ‘demanding exorbitant and oppressive rent increases’, but rather of the need ‘to forestall profiteering, speculation and other disruptive practices tending to produce threats to the public health,

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<sup>2</sup> Sources: Submissions by tenant groups and testimony by tenants.

safety and general welfare.’...But your mandate and mission under the Stabilization law, as defined in the Findings, remains to protect tenants from ‘oppressive rents’, not guarantee ever-increasing LL profits, as the board has historically done, pushing rents and profits to their current exorbitant levels. Year after year, the RGB has made the affordability crisis worse by imposing additional increases based first on the mistaken view that their job was to protect LL profits, and then by applying a misguided PIOC methodology that relies on speculative price increases and ignores the hard data of runaway profits setting new records every year.”

“So what’s the case for a low RGB increase or a freeze or even a rollback? How about 13 straight years of positive net operating income for landlords—even with two rent freezes. There are still MCIs in my rent that will never go away—\$180 worth—MCIs rubber-stamped by DHCR and compounding with every lease renewal. They represent infinite profit for my latest landlord—an organization cited in a United Nations report for predatory practices around the world.”

### **Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups<sup>3</sup>**

Comments from owners and owner groups included:

“For over 50 years, this Board has had a duty to grant rent stabilized apartment owners reasonable rent guidelines to offset the ongoing increases in building operating costs and mandates. Since 2014, this Board, all appointed by the current Administration, has failed to adequately compensate property owners for the astronomical increases in property taxes, water and sewer rates, maintenance costs, and much more. Despite enacting the largest rent increase since 2013 last year, this Board has now enacted the lowest guidelines over a five-year period in the history of the City Rent Guidelines Board.”

“The rate of RGB allowed rent increases has not kept up with the rate of annual expense growth. Over a 20-year period and across multiple mayoral administrations, RGB increases averaged 2.7%, while expenses for property owners increased more than twice that rate, at 5.5%. This incongruence is a result of a highly politicized process that relies on a flawed methodology that artificially inflates Net Operating Income (NOI) and arbitrarily reduces expenses.”

“I want to highlight the financial tension that arises for an owner when trying to provide a certain standard of quality of life to residents while at the same time not being able to receive adequate income to cover those expenses needed to maintain that standard. All the responsibility is placed on the owner (by DOB, HPD, Politicians, Everyone), to maintain the buildings and units to a certain standard and manage the buildings with a certain level of care. I fully understand that and why, but then the system needs to protect owners as well, not just tenants, and enable owners to fulfill those responsibilities without undue hardship and provide them with the increases that allow for sustainable operations.”

“Over the past 5 years, the economics of providing good housing when half of it is regulated has become unsustainable. While stabilized rents have been allowed to rise less than 4%, most of my big operating costs have increased at double-digit rates. I spend by far the most on property taxes...But it's not just taxes. In 2017, my 3-year insurance policy rose 17%. In 2018, gas costs rose 6%, my super's fee, 12%; boiler maintenance, 6%. In terms of big costs,

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<sup>3</sup> Sources: Submissions by owner groups and testimony by owners

after taxes last year I spent the most, \$31,000, to replace old gas lines to meet current code. As a result, repairs and building improvement costs jumped 23%. Yes, this was I hope a onetime event, but new safety regulations add to maintenance costs every year. To sum up, I've put 40 years into housing my fellow New Yorkers and maintaining my building. It's very hard to do that when rent increases fall far behind operating costs. I'm therefore asking you to vote for fair guidelines this year: a 4% increase for a 1-year lease and 8% for two years."

"After five years of unsustainable rent guidelines, this Board must reverse course and properly compensate owners for their continued increases in operating costs. Many will argue that rent freezes were justified based on the PIOC in 2015 and 2016, but that has been far from the case since. Particularly because of the uncertainties of the State rent laws, rent-stabilized property owners can no longer afford to be deprived of the necessary source of income that they need to properly maintain their buildings. Last year's 4.5% increase in the PIOC and this year's 5.5% increase reflect long-term increases in building operating costs that far surpass increases in the consumer price index. This trend will most certainly continue next year and subsequent years."

### **Selected Excerpts from Oral and Written Testimony from Public Officials<sup>4</sup>**

Comments from public officials included:

"I urge you to consider implementing a rent freeze instead of abiding by the Board's preliminary recommendations...Additionally, I believe that building owners are asking for rent increases that are for the express purpose of circumventing regulation by the Rent Guidelines Board via preferential rents. According to the [2019 Income and Expense] Study, there was a 27.9 percent gap between what building owners were legally permitted to collect and revenue they were actually collecting. This is the largest gap since data was collected. Building owners are requesting rent increases that they know the market will not support with the intention of waiting for the market to gentrify, forcing tenants out at a time when rent stabilization is needed most."

"I am writing to advocate that the Rent Guidelines Board issue a rent freeze for one and two year lease renewals...According to the Rent Guidelines Board's yearly summary, landlords' profits on rent-stabilized tenants increased for the 13<sup>th</sup> consecutive year, with property owners on average making a net income of \$540 per unit."

"As they did last year, tenant advocates are asking for a 0.5% rollback or a freeze for one year renewal leases.<sup>13</sup> A rent freeze—or rollback—would be beneficial to both building owners and tenants. Owners will continue to get a good return on their property, as the RGB reports have demonstrated, and tenants can live without fear that they will be unable to afford to stay in their homes. I therefore request that this Board continue to serve its goal of protecting a fair housing market. The RGB's own report demonstrates that, despite landlords' claims to the contrary, their profits are increasing, and have increased through two rent freezes.<sup>14</sup> I understand that the RGB has already preliminarily declined to approve a rent freeze or rollback for one year renewal leases, I urge the Board to reconsider."

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<sup>4</sup> Sources: Submissions by public officials.

“The homelessness crisis and the shortage of affordable housing are inextricably linked. Our city’s rent stabilized housing stock is a bulwark against homelessness that we must preserve at all costs. Raising rents would put over a million tenants at risk of not being able to afford the staples of life but a rent freeze, on the other hand, would create a measure of protection tenants badly need without causing adverse effects for the vast majority of landlords. Thank you for considering the interests of our rent stabilized constituents and working to protect New York City from a worsening homelessness crisis.”

“So, in light of the Board's ongoing responsibility to ensure neither building owners nor tenants are unduly burdened, I urge you to do your part to continue the course correction of past increases that have heavily favored building owners. I call on the Board to enact the lowest proposed increases of 0.5% increase for one-year leases and 1.5% increase for two-year lease renewals, at the most.”

## **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. *2019 Income and Expense Study*, April 2019, (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. *2019 Mortgage Survey Report*, April 2019, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);
3. *2019 Income and Affordability Study*, April 2019, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2019 Price Index of Operating Costs*, April 2019, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);
5. *2019 Housing Supply Report*, May 2019, (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 2018*, May 2019, (A report quantifying all the events that lead to additions to and subtractions from the rent stabilized housing stock).



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

## 2019 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City

The 2019 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 5.5% increase in costs for the period between March 2018 and March 2019.

This year, the PIOC for all rent stabilized apartment buildings increased by 5.5%. Increases occurred in all PIOC components. The largest proportional increase was seen in Fuel (13.8%), followed by Taxes (7.1%), Labor Costs (6.0%) and Insurance Costs (6.0%). More moderate increases occurred in the Maintenance (3.8%) and Administrative Costs (3.5%) components, while the growth in Utilities (0.4%) was nearly flat. The growth in the Consumer Price Index (CPI), which measures inflation in a wide range of consumer goods and services, during this same time period was lower than the PIOC, rising 1.9%.<sup>5</sup> See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2018-19.

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 4.9% this year and was lower than the overall PIOC due to the exclusion of costs in the Fuel component, which rose 13.8%.

**Table 1**

2018-19 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City <sup>6</sup>			
Component	Expenditure Weights	2018-19 Percentage $\Delta$	2018-19 Weighted Percentage $\Delta$
Taxes	29.57%	7.09%	2.10%
Labor Costs	15.71%	6.01%	0.94%
Fuel Oil	6.87%	13.82%	0.95%
Utilities	9.90%	0.37%	0.04%
Maintenance	17.72%	3.85%	0.68%
Administrative Costs	15.18%	3.49%	0.53%
Insurance Costs	5.04%	5.96%	0.30%
All Items	100%	-	5.54%

Source: 2019 Price Index of Operating Costs

Note: The  $\Delta$  symbol means change.

**On April 22, 2019 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:**

<sup>5</sup> The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2018 to February 2019 (274.3) compared to the average for the year from March 2017 to February 2018 (269.2) rose by 1.9%. This is the latest available CPI data and is roughly analogous to the 'PIOC year'.

<sup>6</sup> Totals may not add due to weighting and rounding.

At the April 18, 2019 *Price Index of Operating Costs* presentation, one question was asked for which an immediate answer could not be provided. That answer follows.

*Question 1: Can you break out the number of units in rent stabilized buildings based on the size of the building?*

The following table provides the number of rent stabilized buildings based on the size of the building. The total number of units in each category is also included. 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. Similarly, the number of units includes both those that are rent stabilized as well as those that have been deregulated, based on data for total residential units from the NYC Department of Finance. It is interesting to note that about 58% of the buildings contain less than 20 units but only contain about 17% of the total number of units Citywide.

Building Size	Number of RS Buildings	Proportion of RS Buildings	Units within RS Buildings	Proportion of RS Units
1-5 Units	2,473	6.4%	8,564	0.7%
6-10 Units	14,594	37.5%	104,921	9.0%
11-19 Units	5,595	14.4%	83,835	7.2%
20-99 Units	14,392	37.0%	606,715	52.1%
100+ Units	1,819	4.7%	360,850	31.0%
Unknown	52	0.1%	--	--
Total	38,925	100.0%	1,164,885	100.0%

Source: NYC Department of Finance, FY 2019

## Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes 15,395 properties containing 694,485 units. This is the 27<sup>th</sup> 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 2018 Real Property Income and Expense (RPIE) statements for the year 2017:

**Table 2**

2017 Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	\$944	\$1,175	\$984

Source: 2019 *Income and Expense Study*, from 2018 Real Property Income and Expense filings for 2017, NYC Department of Finance.

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

reporting, were maintenance, administration, and "miscellaneous." The largest over-reporting was in miscellaneous expenses.

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be \$904, rather than \$984. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

**Table 2(a)**

2017 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs <sup>7</sup>	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	\$904	\$1,353	0.668	\$1,524	0.593

Source: *2019 Income and Expense Study*, from 2018 Real Property Income and Expense filings for 2017, NYC Department of Finance.

### Forecasts of Operating and Maintenance Price Increases for 2019-20

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 2019-20 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

**Table 3**

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2018-19 and Projected 2019-20		
	Price Index 2018-19	Projected Price Index 2019-20
Taxes	7.1%	5.6%
Labor Costs	6.0%	3.5%
Fuel Oil	13.8%	-6.9%
Utilities	0.4%	1.4%
Maintenance	3.8%	3.3%
Administrative Costs	3.5%	2.8%
Insurance Costs	6.0%	5.7%
<b>Total (Weighted)</b>	<b>5.5%</b>	<b>3.2%</b>

Source: *2019 Price Index of Operating Costs*

Overall, the PIOC is expected to grow by 3.2% from 2019 to 2020. Costs are predicted to rise in each component except Fuel, with the largest growth (5.7%) projected to be in Insurance, with Taxes, the component that carries the most weight in the Index, close behind at 5.6%.

<sup>7</sup> 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 0.727. The unadjusted **O&M to Income** ratio would be 0.646.

Other projected increases include Labor Costs (3.5%), Maintenance (3.3%), Administrative Costs (2.8%), and Utilities (1.4%). Fuel is the only component predicted to decrease, by 6.9%. Table 3 shows projected changes in PIOC components for 2020. The core PIOC is projected to rise 3.9%, 0.7 percentage points more than the overall projected Apartment PIOC.

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## **Commensurate Rent Adjustment**

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

In its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain owners’ current dollar NOI at a constant level. In other words, the commensurate provides a set of one- and two-year renewal rent adjustments, or guidelines, that will compensate owners for the change in prices measured by the PIOC and keep net operating income constant. The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the term of leases actually signed by tenants, it does not adjust owners’ NOI for inflation. The “Net Revenue” formula is presented in two ways: first, by adjusting for the mix of lease terms; and second, by adding an assumption for rent stabilized apartment turnover and the subsequent impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 5.5% increase in the PIOC is 4.0% 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, results in guidelines of 3.0% for one-year leases and 5.25% 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 1.9% increase in the Consumer Price Index (see Endnote 2) and the 5.5% increase in the PIOC is 4.75% for a one-year lease and 9.25% 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.<sup>8</sup>

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 3.6% for a one-year lease and 4.7% for a two-year lease. This reflects the increase in operating costs of 5.5% found in the 2019 PIOC and the projection of a 3.2% 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

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<sup>8</sup> The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 64.6% of the 2019 PIOC increase of 5.5%, or 3.6%. The 64.6% figure is the most recent ratio of average operating costs to average income in rent stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 35.4% times the latest 12-month increase in the CPI ending February 2019 (1.9%), or 0.67%; (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 2017 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 10.5% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2018 apartment registration file from the New York State Homes and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

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 slight 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.<sup>9</sup>

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 (5.5%). The traditional method differs from the other formulas in that it uses both the PIOC’s actual change in costs as well as the projected change in costs (3.2%).

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

## **Consideration of Other Factors**

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

## **Effective Rates of Interest**

The Board took into account current mortgage interest rates and the availability of financing and refinancing. It reviewed the staff's *2019 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.

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<sup>9</sup> 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.

**Table 4**

2019 Mortgage Survey <sup>10</sup> Average Interest Rates and Points for New Financing of Permanent Mortgage Loans 2011-2019									
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Avg. Rates	5.8%	4.6%	4.4%	4.9%	4.3%	4.0%	4.3%	4.8%	4.7%
Avg. Points	0.61	0.63	0.59	0.54	0.70	0.42	0.44	0.44	0.38

On April 22, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2019 Mortgage Survey Report*. The memo follows:

At the April 18, 2019 meeting of the RGB, board members asked for additional information from the *2019 Mortgage Survey Report*:

1. A copy of the *2019 Survey of Mortgage Financing for Multifamily Properties* is attached.
2. Below are the total number of residential units located in rent stabilized buildings Citywide sold each year, along with the total number of buildings sold as well as the average number of units in each building sold each year. On the following page are graphs of building sales by unit count and by building count.

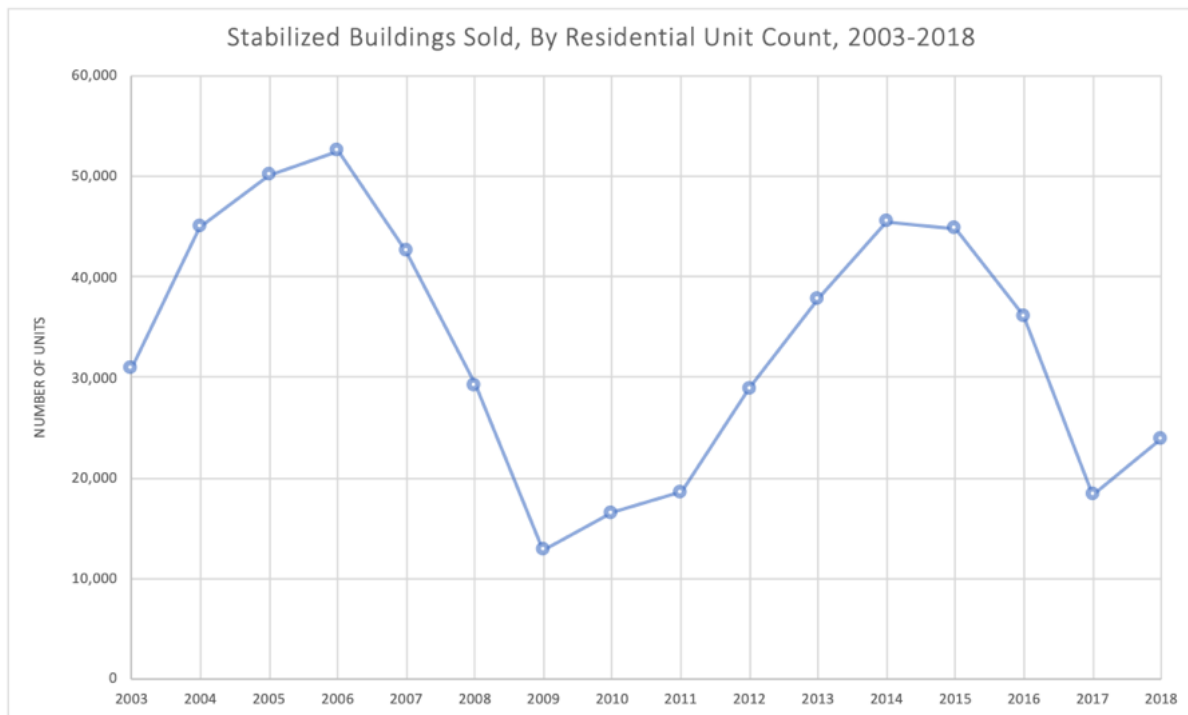
Year	# of Residential Units in RS Buildings Sold	# of RS Buildings Sold	Average # of Residential Units per Building Sold
2018	23,932	885	27.0
2017	18,370	793	23.2
2016	36,150	1,167	31.0
2015	44,847	1,361	33.0
2014	45,534	1,356	33.6
2013	37,855	1,431	26.5
2012	28,912	1,135	25.5
2011	18,628	709	26.3
2010	16,565	541	30.6
2009	12,827	521	24.6
2008	29,232	1,021	28.6
2007	42,567	1,474	28.9
2006	52,557	1,433	36.7
2005	50,168	1,816	27.6
2004	45,025	1,728	26.1
2003	30,969	1,481	20.9

Note: Figures exclude Staten Island.

Source: NYC Department of Finance.

<sup>10</sup> 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.

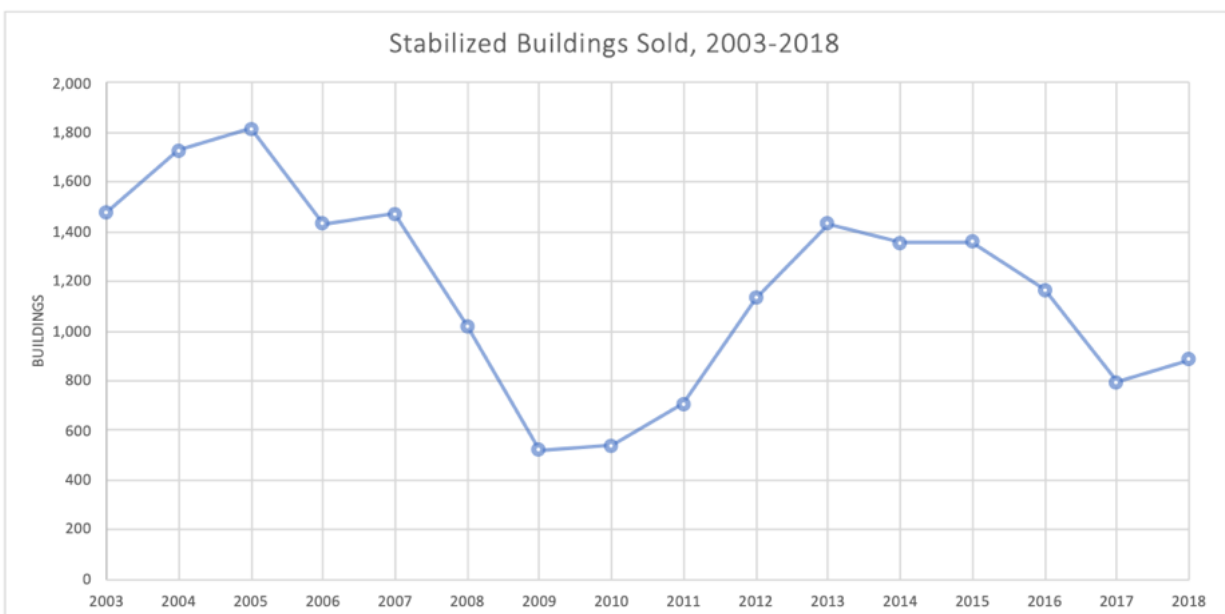
## Rent Stabilized Building Sales Citywide, by Unit, 2003-2018



Note: Figures exclude Staten Island.

Source: NYC Department of Finance.

## Rent Stabilized Building Sales Citywide, by Building, 2003-2018



Note: Figures exclude Staten Island.

Source: NYC Department of Finance.

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## 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 <sup>11</sup> Accepted for Filing, 2010-2018									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
New Construction	235	185	111	151	211	219	210	228	235
Conversion Non-Eviction	20	20	24	16	20	28	27	18	11
Conversion Eviction	4	9	3	0	0	1	0	0	0
Rehabilitation	0	2	8	21	37	43	45	33	43
Total	259	216	146	188	268	291	282	279	289
Subtotal:									
HPD Sponsored Plans	4	9	3	1	0	1	0	0	1

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

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**On May 21, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2019 Housing Supply Report*. The memo follows:**

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



At the May 16, 2019 *Housing Supply Report* presentation, three questions were asked for which an immediate answer could not be provided. Answers follow.

*Question 1: Can you provide population projections from the NYC Department of City Planning?*

The NYC Department of City Planning last released population projections in 2013. A table of their projections follow, and the full report on population projections can be found on their website at: <https://on.nyc.gov/30ot8W1>.

**New York City Population by Borough, 2010-2040**

<b>Borough/Year</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>
<b>New York City</b>	<b>8,242,624</b>	<b>8,550,971</b>	<b>8,821,027</b>	<b>9,025,145</b>
Bronx	1,385,108	1,446,788	1,518,998	1,579,245
Brooklyn	2,552,911	2,648,452	2,754,009	2,840,525
Manhattan	1,585,873	1,638,281	1,676,720	1,691,617
Queens	2,250,002	2,330,295	2,373,551	2,412,649
Staten Island	468,730	487,155	497,749	501,109

Source: NYC Department of City Planning

Population estimates for 2018 were released by the U.S. Census Bureau in April of 2019. Per Census Bureau estimates, NYC lost almost 40,000 residents between July 1, 2017 and July 1, 2018, a decline of 0.5%, to a total of 8,398,748 persons. There was also an estimated decline of almost 38,000 persons between 2016 and 2017, a 0.4% decline. Some of this decline may be attributed to a change to the methodology used by the Census Bureau to estimate migration to and from foreign countries and Puerto Rico. You can read more about this methodological change here: <https://on.nyc.gov/2mjmsDO>.

*Question 2: Can you provide a historical overview of housing units per capita?*

There are three sources of estimates of housing units and population in New York City – decennial censuses, the annual *American Community Survey (ACS)*, beginning in 2005), and the triennial *NYC Housing and Vacancy Survey (HVS)*, beginning in 1965, with data presented here from 1978 forward). All three are conducted by the U.S. Census Bureau. The following tables detail housing units per capita from each of the three surveys. For context, the *HVS* and *ACS* tables also include average household size.

<b>Decennial Census, 1950-2010</b>	
<i>Year</i>	<i>Housing Units/Population*</i>
1950	0.31
1960	0.35
1970	0.37
1980	0.42
1990	0.41
2000	0.40
2010	0.41

Source: U.S. Census Bureau  
 \*Based on all housing units (occupied and vacant), including those that are vacant and not available for rent or sale.

<b>American Community Survey, 2005-2017</b>		
<i>Year</i>	<i>Housing Units/Population*</i>	<i>Average Household Size**</i>
2005	0.41	2.63
2006	0.40	2.66
2007	0.40	2.67
2008	0.40	2.68
2009	0.40	2.66
2010	0.41	2.64
2011	0.41	2.67
2012	0.41	2.64
2013	0.40	2.67
2014	0.40	2.64
2015	0.40	2.68
2016	0.41	2.68
2017	0.41	2.67

Source: U.S. Census Bureau  
 \*Based on all housing units (occupied and vacant), including those that are vacant and not available for rent or sale.  
 \*\*Based on occupied housing units only.

<b>NYC Housing and Vacancy Survey, 1978-2017</b>		
<i>Year</i>	<i>Housing Units/Population*</i>	<i>Average Household Size**</i>
1978	0.40	N/A
1981	0.41	N/A
1984	0.40	N/A
1987	0.40	2.3
1991	0.42	2.5
1993	0.42	2.6
1996	0.41	2.6
1999	0.42	2.4
2002	0.40	2.4
2005	0.41	2.3
2008	0.41	2.3
2011	0.42	2.4
2014	0.41	2.4
2017	0.40	2.3

Source: U.S. Census Bureau  
 \*Based on all housing units (occupied and vacant), including those that are vacant and not available for rent or sale.  
 \*\*Based on occupied housing units only.

*Question 3: Can you compare overcrowding rates in New York City to other major cities?*

The overcrowding rates presented in the *Housing Supply Report* are derived from the *2017 NYC Housing and Vacancy Survey*, which is solely conducted in New York City and therefore cannot be used to compare overcrowding rates to other cities. That survey found that in 2017, 11.5% of all rental housing was considered overcrowded (an average of more than 1 person per room) and 4.5% was severely overcrowded (an average of more than 1.5 persons per room). In order to compare New York City with other major cities, another source of data is necessary. The table on the following page is derived from the *2017 American Community Survey*. The table shows overcrowding rates in cities with 500,000 or more persons (as well as the U.S. as a whole), and for context also includes the rental vacancy rate and the average household size in each city. It is sorted in descending order of overcrowding.

**Overcrowding Rates, Rental Vacancy Rates, and Average Rental Household Size, Cities Over 500,000**

<b>City</b>	<b>% overcrowded (more than 1.0 persons per room)</b>	<b>% severely overcrowded (more than 1.5 persons per room)</b>	<b>Rental vacancy rate</b>	<b>Average household size of renter- occupied units</b>
Los Angeles	17.3%	9.2%	3.8%	2.68
San Jose	16.8%	6.5%	5.1%	3.10
Fresno	13.8%	6.7%	3.7%	2.95
<b>New York City</b>	<b>11.1%</b>	<b>4.6%</b>	<b>3.5%</b>	<b>2.56</b>
San Diego	11.0%	4.3%	3.9%	2.65
Miami	10.0%	5.8%	8.3%	2.50
Houston	9.4%	3.1%	10.4%	2.57
Phoenix	8.6%	3.0%	5.5%	2.76
San Francisco	8.0%	5.8%	3.5%	2.18
Sacramento	7.9%	1.7%	2.4%	2.50
El Paso	7.2%	1.6%	11.5%	2.71
Austin	7.0%	2.8%	7.5%	2.29
San Antonio	6.8%	2.3%	9.1%	2.66
Fort Worth	6.5%	1.6%	10.2%	2.60
<i>United States</i>	<i>6.2%</i>	<i>2.2%</i>	<i>6.2%</i>	<i>2.51</i>
Las Vegas	6.2%	2.3%	5.1%	2.63
Washington, D.C.	6.1%	2.7%	5.7%	2.19
Tucson	6.0%	2.7%	6.2%	2.29
Portland	5.7%	3.2%	3.1%	2.12
Denver	5.4%	2.0%	5.2%	2.20
Seattle	5.1%	3.6%	3.9%	1.87
Oklahoma City	4.8%	1.4%	9.4%	2.44
Chicago	4.7%	1.7%	7.0%	2.35
Jacksonville	4.7%	1.3%	6.4%	2.49
Nashville	4.2%	1.2%	7.1%	2.23
Philadelphia	4.0%	1.7%	6.3%	2.28
Louisville	3.8%	1.2%	6.7%	2.22
Albuquerque	3.7%	1.5%	7.9%	2.27
Detroit	3.6%	1.6%	5.3%	2.36
Columbus	3.6%	0.9%	5.8%	2.33
Memphis	3.5%	0.5%	9.4%	2.55
Milwaukee	3.4%	1.2%	7.2%	2.45
Boston	3.2%	1.4%	2.8%	2.32
Charlotte	3.1%	1.3%	6.1%	2.41
Baltimore	2.8%	1.3%	7.4%	2.31
Indianapolis	2.6%	1.0%	8.2%	2.36

Source: 2017 American Community Survey

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## Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2012.

**Table 6**

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2012-2019 (For "All Urban Consumers")								
	2012	2013	2014	2015	2016	2017	2018	2019
1st Quarter Avg. <sup>12</sup>	2.7%	2.1%	1.4%	-0.2%	0.7%	2.5%	1.6%	1.5%
Yearly Avg.	2.0%	1.7%	1.3%	0.1%	1.1%	2.0%	1.9%	--

Source: U.S. Bureau of Labor Statistics.

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## 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.

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<sup>12</sup> 1<sup>st</sup> 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 2020			
Year <sup>13</sup>	Average Monthly O & M Per d.u. <sup>14</sup>	Average Monthly Income Per d.u.	Average O & M to Income Ratio
1989	\$370 (\$340)	\$567	.65 (.60)
1990	\$382 (\$351)	\$564	.68 (.62)
1991	\$382 (\$351)	\$559	.68 (.63)
1992	\$395 (\$363)	\$576	.69 (.63)
1993	\$409 (\$376)	\$601	.68 (.63)
1994	\$415 (\$381)	\$628	.66 (.61)
1995	\$425 (\$391)	\$657	.65 (.59)
1996	\$444 (\$408)	\$679	.65 (.60)
1997	\$458 (\$421)	\$724	.63 (.58)
1998	\$459 (\$422)	\$755	.61 (.56)
1999	\$464 (\$426)	\$778	.60 (.55)
2000	\$503 (\$462)	\$822	.61 (.56)
2001	\$531 (\$488)	\$868	.61 (.56)
2002	\$570 (\$524)	\$912	.63 (.57)
2003	\$618 (\$567)	\$912	.68 (.62)
2004	\$654 (\$601)	\$969	.67 (.62)
2005	\$679 (\$624)	\$961	.71 (.65)
2006	\$695 (\$638)	\$1,009	.69 (.63)
2007	\$738 (\$678)	\$1,088	.68 (.62)
2008	\$790 (\$726)	\$1,129	.70 (.64)
2009	\$781 (\$717)	\$1,142	.68 (.63)
2010	\$790 (\$726)	\$1,171	.67 (.62)
2011	\$812 (\$746)	\$1,208	.68 (.63)
2012	\$841 (\$772)	\$1,277	.66 (.60)
2013	\$884 (\$812)	\$1,337	.66 (.61)
2014	\$946 (\$869)	\$1,434	.66 (.61)
2015	\$960 (\$882)	\$1,487	.64 (.59)
2016	\$985 (\$905)	\$1,552	.63 (.58)
2017	\$984 (\$904)	\$1,524	.65 (.59)
2018 <sup>15</sup>	\$1,028 (\$944)	\$1,554	.66 (.61)
2019 <sup>16</sup>	\$1,085 (\$996)	\$1,593	.68 (.63)
2020 <sup>17</sup>	\$1,120 (\$1,028)	\$1,630	.69 (.63)

Source: RGB Income and Expense Studies, 1989-2019, Price Index of Operating Costs, 2018 - 2019, RGB Rent Index for 2015 - 2019.

<sup>13</sup> 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.

<sup>14</sup> 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.

<sup>15</sup> Estimated expense figure includes 2018 expense updated by the PIOC for the period from 3/1/17 through 2/28/18 (4.5%). Income includes the income for 2018 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/17 through 2/28/18 (1.98% --- i.e., the 10/1/16 to 9/30/17 rent projection (1.72%) times (.583), plus the 10/1/17 to 9/30/18 rent projection (2.35%) times (.417)).

<sup>16</sup> Estimated expense figure includes 2019 expense estimate updated by the PIOC for the period from 3/1/18 through 2/28/19 (5.5%). Income includes the income estimate for 2019 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/18 through 2/28/19 (2.48% --- i.e., the 10/1/17 to 9/30/18 rent projection (2.35%) times (.583), plus the 10/1/18 to 9/30/19 rent projection (2.66%) times (.417)).

<sup>17</sup> Estimated expense figure includes 2020 expense estimate updated by the 2020 PIOC projection for the period from 3/1/19 through 2/29/20 (3.2%). Income includes the income estimate for 2020 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/19 through 2/29/20 (2.33% - i.e., the 10/1/18 to 9/30/19 rent projection (2.66%) times (.583), plus the 10/1/19 to 9/30/20 rent projection (1.87%) times (.417)).

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**On May 6, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2019 Income & Expense Study*. The memo follows:**

At the request of the NYC Rent Guidelines Board Chair, David Reiss, staff has calculated the change in inflation-adjusted ("real") net operating income (NOI) for the years 2006 through 2017. Also provided, in nominal terms, are average rent growth, average income growth, average cost growth, and average NOI growth. Those four columns, dating back to 1991, can also be found on page 17 of the *2019 Income and Expense Study*. As the table below illustrates, inflation-adjusted NOI for owners of rent stabilized properties increased for eleven straight years from 2006-2016. However, "real" NOI decreased 1.5% in 2017. This "real" decline in NOI can be attributed to the growth in operating costs of 4.5% outpacing the 3.0% growth in both rent and income from 2016 to 2017, as well as inflation rising by 2.0%, the highest growth since 2012.

**Increase in Average Monthly Rents, Income, Operating Costs and Net Operating Income (NOI) per Dwelling Unit, 2006-2017**

	<b>Avg. Rent Growth</b>	<b>Avg. Income Growth</b>	<b>Avg. Cost Growth</b>	<b>Nominal Avg. NOI Growth</b>	<b>Real Avg. NOI Growth*</b>
<b>2005-06</b>	5.6%	5.5%	4.1%	8.8%	4.8%
<b>2006-07</b>	6.5%	6.5%	5.2%	9.3%	6.3%
<b>2007-08</b>	5.8%	6.2%	6.4%	5.8%	1.8%
<b>2008-09</b>	1.4%	1.8%	0.1%	5.8%	5.3%
<b>2009-10</b>	0.7%	1.2%	0.9%	1.8%	0.1%
<b>2010-11</b>	4.4%	4.5%	4.1%	5.6%	2.6%
<b>2011-12</b>	5.0%	5.3%	3.2%	9.6%	7.5%
<b>2012-13</b>	4.5%	4.5%	5.0%	3.4%	1.7%
<b>2013-14</b>	4.8%	4.9%	5.6%	3.5%	2.2%
<b>2014-15</b>	4.4%	4.4%	1.1%	10.8%	10.7%
<b>2015-16</b>	3.1%	3.1%	2.4%	4.4%	3.3%
<b>2016-17</b>	3.0%	3.0%	4.5%	0.4%	-1.5%

\* NOI growth as adjusted by the effect of inflation as calculated by RGB staff using CPI data from the US Bureau of Labor statistics.

Source: NYC Department of Finance, 2004-2018 RPIE Data.

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## **Changes in Housing Affordability**

NYC's economy in 2018 showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the ninth consecutive year, increasing 1.9% in 2018. The unemployment rate also fell, declining by 0.5 percentage points, to 4.1%, the lowest level recorded in at least the last 43 years. Gross City Product (GCP) also increased for the ninth consecutive year, rising in inflation-adjusted terms by 3.0% in 2018.

Also, during 2018, the number of non-payment filings in Housing Court fell by 4.7%, calendared cases by 10.5%, and tenant evictions by 13.9%. There was also a decrease in cash assistance caseloads of 2.8%, while SNAP caseloads fell 3.6% and Medicaid enrollees

fell 7.8%. Inflation also rose at a slightly slower pace, with the Consumer Price Index rising 1.9% in 2018, 0.1 percentage points slower than 2017. In addition, following two years of stagnation, inflation-adjusted wages rose during the most recent 12-month period for which data is available (the fourth quarter of 2017 through the third quarter of 2018), rising 3.5% over the corresponding time period of the prior year.

Negative indicators include personal bankruptcy filings, which rose 8.2% in New York City in 2018. In addition, homeless levels rose for the tenth consecutive year, although at a slowing rate, by 0.9%.

The most recent numbers, from the fourth quarter of 2018 (as compared to the fourth quarter of 2017), show many positive indicators, including cash assistance levels down 1.5%; SNAP recipients down 3.5%; GCP rising, by 3.0% in real terms; employment levels up 1.7%; the unemployment rate down 0.3 percentage points; and in Housing Court, the number of cases heard (calendared) down 3.2% and the number of non-payment filings down 2.7%.<sup>18</sup> However, homeless rates were up 1.0% during the fourth quarter of 2018.

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**On April 22, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2019 Income & Affordability Study*. The memo follows:**

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<sup>18</sup> 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.

At the April 4, 2019 *Income & Affordability Study* (I&A) presentation, seven questions were asked for which an immediate answer could not be provided. Answers follow.

*Question 1: How many persons are receiving Senior Citizen Rent Increase Exemption (SCRIE) and Disabled Person Rent Increase Exemption (DRIE) benefits?*

In Fiscal Year 2019, approximately 60,632 persons will receive SCRIE benefits (at a cost of \$142.4 million to the City of New York) and approximately 11,423 persons will receive DRIE benefits (at a cost of \$24.8 million). The two programs account for approximately 7.5% of all occupied rent stabilized apartments.

*Question 2: Can you provide the out-of-pocket gross rent-to-income ratio by deciles for rent stabilized tenants?*

The *NYC Housing and Vacancy Survey* does not provide out-of-pocket rent-to-income ratios, but using the study's methodology an out-of-pocket rent-to-income ratio can be estimated by adding the cost of utilities to out-of-pocket rent and dividing by household income. Out-of-pocket rent is the rent that renters report as being paid by themselves to owners, not including any government subsidies. Results from the *2017 Housing and Vacancy Survey* follow:

<b>Decile</b>	<b>Estimated Out-of-Pocket Gross Rent-to-Income Ratio</b>
10%	12.7%
20%	17.4%
30%	22.0%
40%	26.8%
50%	31.5%
60%	37.5%
70%	45.9%
80%	60.4%
90%	93.0%



*Question 3: Can you provide the number of rent stabilized tenants paying 50% or more of their income in gross rent, including those who do and do not receive Section 8?*

Per the 2017 HVS, the percentage of rent stabilized tenants paying 50% or more of their income towards gross rent (including those who receive Section 8) is approximately 35.2%. As noted in annual *Income and Affordability Studies*, tenants who receive Section 8 generally pay no more than 30% of their income towards rent. However, the HVS reports that 89% of rent stabilized tenants who receive Section 8 are recorded by the HVS as having a gross rent-to-income ratio in excess of 30%, including 50% with rent-to-income ratios in excess of 100%.

Analyzing only those rent stabilized tenants who do not receive Section 8, the percentage of rent stabilized tenants paying 50% or more of their income towards gross rent is approximately 30.4%.

Approximately 26.2% of rent stabilized tenants pay an out-of-pocket gross rent-to-income ratio of 50% or higher.

*Question 4: Can you compare the median gross rent-to-income ratio in New York City to other major cities?*

The annual *American Community Survey* provides data on gross rent-to-income ratios for cities nationwide. As noted in the 2019 *Income and Affordability Study*, New York City had the 26<sup>th</sup> highest gross rent-to-income ratio among 84 large cities (those with populations of 250,000 or more) in 2017. Of these cities, Miami had the highest ratio, at 38.5%, and San Francisco had the lowest ratio, at 23.9%. Other major cities include Los Angeles (34.5%), Philadelphia (32.0%), Boston (30.3%), Chicago (29.5%), and Washington, DC (29.2%).

*Question 5: Can you provide median household income, contract rent, and gross rent, by borough, for rent stabilized households?*

Data from the 2017 *Housing and Vacancy Survey* follows:

<b>Borough</b>	<b>Median Household Income</b>	<b>Median Contract Rent</b>	<b>Median Gross Rent</b>
Bronx	\$32,126	\$1,130	\$1,250
Brooklyn	\$44,200	\$1,268	\$1,370
Manhattan	\$57,000	\$1,450	\$1,536
Queens	\$50,064	\$1,400	\$1,480
Staten Island	\$44,000	\$1,200	\$1,290
<i>Citywide</i>	<i>\$44,560</i>	<i>\$1,269</i>	<i>\$1,375</i>

*Question 6: Do the issues with the reporting of rent-to-income ratios for Section 8 recipients in the Housing and Vacancy Survey also apply to the American Community Survey?*

As noted in annual *Income and Affordability Studies*, tenants who receive Section 8 generally pay no more than 30% of their income towards rent. However, the HVS reports that 89% of rent stabilized tenants who receive Section 8 are recorded by the HVS as having a gross rent-to-income ratio in excess of 30%, including 50% with rent-to-income ratios in excess of 100%. This discrepancy may lead to an overstatement of the rent-to-income ratio, especially among rent stabilized tenants. Per the 2019 *Income and Affordability Study*, an analysis of 2017 HVS data found that the gross rent-to-income ratio for rent stabilized tenants not receiving Section 8 was 33.5%, a difference of 2.5 percentage points from the overall rent stabilized rate of 36.0%.

The *American Community Survey (ACS)* does not ask respondents about their receipt of Section 8 benefits, nor do they ask respondents for their out-of-pocket rent. Respondents are simply asked, "What is the monthly rent for this house, apartment, or mobile home?" Respondents receive the survey in the mail and can fill out the survey on paper or online. The *Housing and Vacancy (HVS)* survey is conducted in person with respondents. Regarding rent payments, interviewers ask the respondent, "What is the MONTHLY rent?" They are then asked, "Of the rent you reported, how much is paid out of pocket by this household? (Out of pocket means the money your household pays for rent over and above any shelter allowance or other government housing subsidy.)"

Because the *ACS* survey does not allow us to stratify data either for those who are rent stabilized or those who receive Section 8, we cannot estimate the gross rent-to-income ratio for those who do not receive Section 8. However, an examination of the microdata for both the *ACS* and the *HVS* reveals that a similar number of respondents report gross rent-to-income ratios of 100% or greater. Amongst all tenants, approximately 12%<sup>1</sup> of those in the *ACS* survey report a gross rent-to-income ratio of 100% or greater, as do 14% of the *HVS* respondents. While there is no way to attribute the rent-to-income ratios of 100% or greater to the receipt of Section 8 (or other rent subsidy programs), it is likely that the issues of overestimation of the rent-to-income ratios (due to rent subsidy programs) present in the *HVS* are also present in the *ACS*.

While the rent-to-income ratios presented in the *ACS* survey could potentially be overestimated, it is still useful to track it on an annual basis to see how affordability is improving or declining relative to other years. The gross rent-to-income ratio, as reported by the *ACS*, is presented below for the years 2005-2017 (the earliest and latest years available for study):

<b>ACS Survey Year</b>	<b>Bronx</b>	<b>Brooklyn</b>	<b>Manhattan</b>	<b>Queens</b>	<b>SI</b>	<b>NYC</b>
2017	36.8%	32.7%	27.3%	32.2%	33.4%	31.7%
2016	34.9%	32.3%	28.1%	33.2%	33.8%	31.9%
2015	35.6%	32.1%	28.9%	33.0%	32.6%	32.0%
2014	36.3%	33.8%	28.4%	34.4%	34.7%	32.7%
2013	34.9%	32.7%	28.7%	33.6%	33.0%	32.2%
2012	36.0%	32.7%	28.6%	33.8%	32.4%	32.2%
2011	35.8%	33.6%	28.5%	34.0%	29.7%	32.5%
2010	34.2%	32.8%	28.2%	33.6%	33.5%	31.9%
2009	33.0%	32.0%	27.4%	30.9%	34.4%	30.6%
2008	32.7%	31.8%	27.1%	30.3%	32.0%	30.1%
2007	31.9%	31.6%	26.4%	31.1%	32.1%	29.9%
2006	32.8%	31.8%	27.5%	31.2%	31.1%	30.5%
2005	33.6%	31.4%	28.0%	32.3%	35.3%	31.0%

<sup>1</sup> The *ACS* does not release microdata for the full survey sample. For New York City in 2017, the microdata sample is 31,589 households, versus the full sample size of 43,521 households. Therefore, only 72.6% of the survey sample can be analyzed through microdata and the most accurate data will be derived from tables published on the *ACS* website, based on the full sample size. This particular data point cannot be obtained from the *ACS* tables, so microdata was used. The actual estimate of the number of households with gross rent-to-income ratios of 100% or greater may differ slightly from the number presented here.

*Question 7: What are the eligibility requirements for cash assistance programs?*

New York State funds two cash assistance programs – the Family Assistance Program (FA) and Safety Net Assistance Program (SNA).

Both the income eligibility requirements and amount of benefits for FA and SNA are determined by factors such as the applicant's household size and the presence of children in the household. New applicants must have an adjusted income below the "standard of need" for their household size, and if determined eligible on that basis, the grant is the difference between the household's income and the standard of need. For instance, in New York City, a new applicant with a family of three (with at least one child) would have to have income below \$789 to be eligible (although some deductions to income, like work-related expenses, may apply). This household, were they earning no income, would be eligible for a total of \$789 in benefits each month (equal to the "standard of need"). Any income would reduce the grant available to the household. However, once deemed eligible for assistance, recipients with earned income have some of that income disregarded when calculating the grant, so that there is not a dollar-for-dollar reduction in the grant for every dollar earned.

More program details (from the website of the NYS Office of Temporary and Disability Assistance) follow:

**"Family Assistance (FA)**

Family Assistance (FA) provides cash assistance to eligible needy families that include a minor child living with a parent (including families where both parents are in the household) or a caretaker relative. FA operates under federal Temporary Assistance for Needy Families (TANF) guidelines.

Under FA, eligible adults are limited to receiving benefits for a total of 60 months in their lifetime, including months of TANF-funded assistance granted in other states. Once this limit is reached, that adult and all members of his or her FA household are ineligible to receive any more FA benefits. The months need not be consecutive, but rather each individual month in which TANF-funded benefits are received is included in the lifetime count.

Parents and other adult relatives receiving FA who are determined to be able to work must comply with federal work requirements to receive FA benefits.

As a further condition of FA eligibility each person who applies for or is receiving FA is required to cooperate with state and local departments of social services in efforts to locate any absent parent and obtain support payments and other payments or property. Non-cooperation without good cause could result in lower FA benefits.

**Safety Net Assistance (SNA)**

Safety Net Assistance (SNA) provides cash assistance to eligible needy individuals and families who are not eligible for FA). SNA is for:

- Single adults
- Childless couples
- Children living apart from any adult relative
- Families of persons found to be abusing drugs or alcohol
- Families of persons refusing drug/alcohol screening, assessment or treatment
- Aliens who are eligible for temporary assistance, but who are not eligible for federal reimbursement

Recipients of SNA who are determined to be able to work must also comply with work requirements to receive SNA benefits.

Generally, you can receive cash SNA for a maximum of two years in a lifetime. After that, if you are eligible for SNA, it is provided in non-cash form, such as a payment made directly to your landlord or voucher sent directly to your utility company. In addition, non-cash SNA is provided for:

- Families of persons found to be abusing drugs or alcohol
- Families of persons refusing drug/alcohol screening, assessment or treatment
- Families with an adult who has exceeded the 60 month lifetime time limit

### **Emergency Assistance**

An emergency is an urgent need or situation that has to be taken care of right away. Some examples of an emergency are:

- You are homeless
- You have little or no food
- Your landlord has told you that you must move or has given you eviction papers
- You do not have fuel for heating in the cold weather period
- Your utilities are shut-off or are about to be shut-off, or you have a 72-hour disconnect notice
- You or someone in your family has been physically harmed, or threatened with violence by a partner, ex-partner or other household member

If you and/or your family are experiencing an emergency situation, you may be eligible for emergency assistance. Some examples of emergency assistance include, but are not limited to:

- Payment of shelter arrears
- Payment of utility arrears
- Payment of fuel and/or cost of fuel delivery
- Payment of Domestic Violence Shelter costs
- Payment of Temporary Housing (Hotel/Motel) costs

Payments may be authorized once you are determined to be eligible for one of the following emergency programs:

**Emergency Assistance to Adults (EAA)** - provides assistance for individuals and couples who have been determined eligible or are receiving SSI (Supplemental Security Income) or State Supplementation Program (SSP) payments.

**Emergency Assistance to Needy Families (EAF)** - provides assistance to meet the emergency needs of pregnant women and families with at least one child under age 18, or under age 19 and regularly attending full time secondary school.

**Emergency Safety Net Assistance (ESNA)** - provides emergency assistance to single adults and childless couples.

Note: Aliens who do not have documents that permit them to reside legally in the US are eligible only for certain kinds of emergency benefits.

You DO NOT have to be eligible for ongoing Temporary Assistance to receive Emergency Assistance."

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On May 14, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional data from NYS Homes and Community Renewal (HCR). The memo follows:

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

As the data shows, here are some general takeaways:

- The number of registered stabilized units (using the updated count) over the period since 2004 ranged from as few as 819,221 in 2009 to as many as 911,218 in 2016. The updated count reflects owners' late registrations.
- There is a clear upward trend in the proportion of stabilized units that charge preferential rents (using originally reported counts), rising from 16.3% in 2006 to 30.6% in 2018.
- The overcharge complaint caseload has ranged roughly between one and three thousand per year since 2008, compared to about 600-900 between 2003 to 2007.
- The average MCI increase per room has primarily increased since 2013, when we first asked for this information, rising from \$8.71 to \$13.81 in 2018.
- The number of IAIs has ranged between 12,797 and 19,475 each year since 2010, with no discernable trend.

	# of Registered Stabilized Units (Original Count)	# of Registered Stabilized Units (Updated Count)	Overcharge Complaints Caseloads	# of Preferential Rents Registered (Original Count)	Preferential Rents as % of Registrations Filed (Original Count)	# of registered IAIs	MCI Total Amount Applied For	MCI Total Amount Granted	MCI Avg. Increase per/room
2018	885,205	-	2,211	270,719	30.6%	14,356	\$254,211,939	\$217,261,769	\$13.81
2017	856,267	905,970	997	255,481	29.8%	14,470	\$219,571,452	\$185,880,245	\$13.15
2016	842,144	911,218	2,185	252,763	30.0%	13,182	\$308,460,789	\$273,961,197	\$13.38
2015	839,164	896,758	2,578	248,873	29.7%	12,797	\$146,543,088	\$126,680,780	\$11.59
2014	839,797	905,067	2,589	238,573	28.4%	13,591	\$140,738,859	\$112,304,323	\$10.77
2013	832,105	900,808	3,078	232,126	27.9%	13,182	\$282,170,096	\$185,382,687	\$8.71
2012	823,919	901,381	3,035	221,376	26.9%	-	\$168,015,593	\$120,455,727	-
2011	814,500	896,747	2,521	203,408	25.0%	19,475	\$238,748,776	\$153,284,754	-
2010	803,753	891,403	2,074	189,368	23.6%	18,167	\$197,771,725	\$139,112,623	-
2009	808,643	819,221	1,815	164,442	20.3%	-	\$166,238,377	\$118,727,068	-
2008	821,876	853,066	1,038	154,900	18.8%	-	-	-	-
2007	836,004	860,876	867	150,184	18.0%	-	-	-	-
2006	838,592	870,072	607	136,665	16.3%	-	-	-	-
2005	849,582	875,709	848	-	-	-	-	-	-
2004	-	879,940	767	-	-	-	-	-	-

Source: NYS Homes and Community Renewal (HCR).

Notes: Overcharge complaint caseloads are as of April or May of each year. Additional years of overcharge complaint caseloads, not shown above: 1997: 8,878; 2000: 3,265; 2001: 1,216; 2002: 894; 2003: 824; and 2019: 2,364.

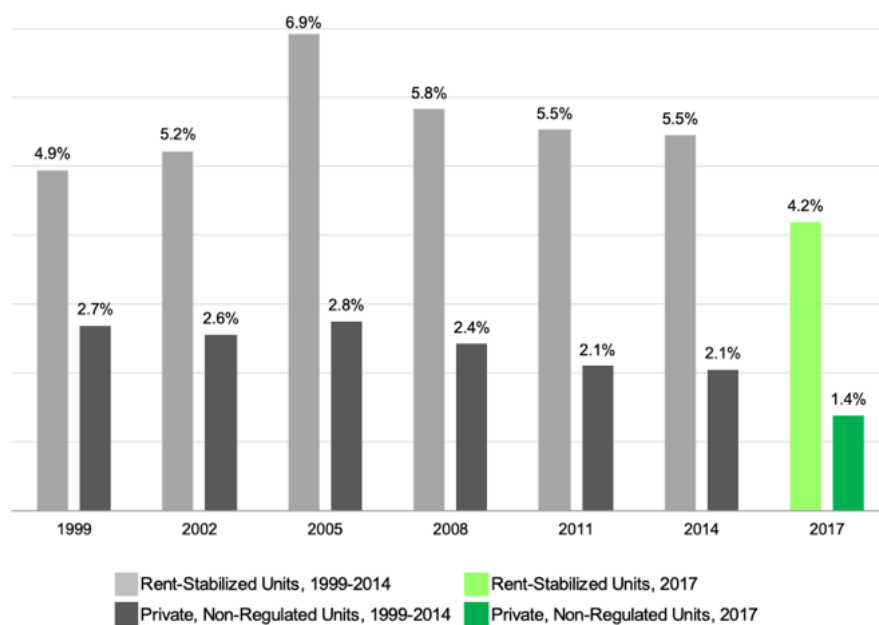
In addition, other data not shown above was not requested by the RGB in those years.

On April 24, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional data from the NYC Department of Housing Preservation and Development (HPD). The memo follows:

The NYC Department of Housing Preservation and Development (HPD) testified before the Board at the April 4, 2019 meeting. Board members requested additional information, which is presented here:

**HPD provided the following data from triennial *NYC Housing and Vacancy Surveys*:**

Percentage of Units with 5 or more Maintenance Deficiencies



Source: U.S. Census Bureau. See 1999 - 2017 NYC Housing and Vacancy Survey Series IA: Renter Occupied Housing Units by Rent Regulation Status, Table 53  
Maintenance deficiencies, based on occupant self-report, include: 1) additional heating required in winter; 2) heating breakdown; 3) cracks or holes in interior walls, ceilings, or floors; 4) presence of rodents; 5) presence of broken plaster or peeling paint; 6) toilet breakdown; 7) water leakage into unit.

1

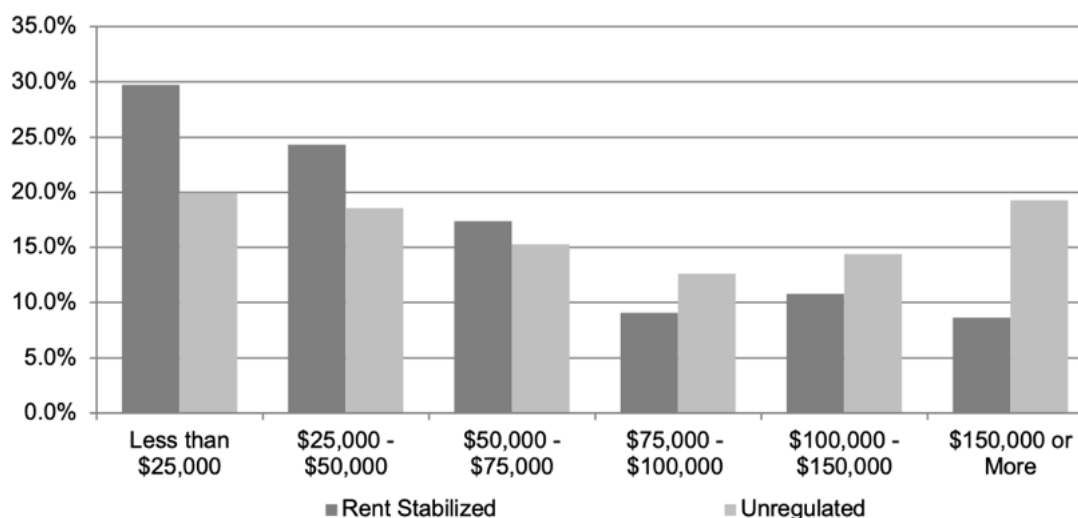
### Income Distribution of Rent Stabilized and Unregulated Tenants

Household Income	Rent Stabilized			Unregulated		
	%	LB	UB	%	LB	UB
Less than \$25,000	29.7%	[ 28.0%	, 31.5% ]	19.9%	[ 18.6%	, 21.2%
\$25,000 - \$50,000	24.3%	[ 23.0%	, 25.6% ]	18.5%	[ 17.4%	, 19.7%
\$50,000 - \$75,000	17.4%	[ 16.3%	, 18.6% ]	15.3%	[ 14.1%	, 16.4%
\$75,000 - \$100,000	9.1%	[ 8.1%	, 10.1% ]	12.6%	[ 11.6%	, 13.7%
\$100,000 - \$150,000	10.8%	[ 9.8%	, 11.8% ]	14.4%	[ 13.2%	, 15.5%
\$150,000 or More	8.6%	[ 7.8%	, 9.5% ]	19.3%	[ 18.0%	, 20.5%

Data source: HPD Research, US Census NYC HVS 2017 microdata

LB and UB (lower bound and upper bound) are based on 95% confidence intervals

### Income Distribution of Stabilized and Unregulated Tenants



### Income Deciles of Rent Stabilized and Unregulated Tenants

Decile	Rent Stabilized		Unregulated	
	Income	HUDIL %*	Income	HUDIL %*
1	Less than \$9,288	0% - 11%	Less than \$13,000	0% - 16%
2	\$9,288 - \$16,300	11% - 20%	\$13,000 - \$25,000	16% - 31%
3	\$16,300 - \$25,000	20% - 31%	\$25,000 - \$38,000	31% - 47%
4	\$25,000 - \$34,222	31% - 42%	\$38,000 - \$50,000	47% - 61%
5	\$34,222 - \$44,560	42% - 55%	\$50,000 - \$67,000	61% - 82%
6	\$44,560 - \$55,400	55% - 68%	\$67,000 - \$84,000	82% - 103%
7	\$55,400 - \$70,000	68% - 86%	\$84,000 - \$108,000	103% - 132%
8	\$70,000 - \$97,000	86% - 119%	\$108,000 - \$145,000	132% - 178%
9	\$97,000 - \$138,000	119% - 169%	\$145,000 - \$210,000	178% - 257%
10	\$138,000 or Above	Above 169%	\$210,000 or Above	Above 257%

Data source: HPD Research, US Census NYC HVS 2017 microdata

\* HUD Income Limit percentages are based on level that the income in each decile would be for a family of three (based on FY16 HUD Income Limits)

### Age Distribution Persons in Rent Stabilized and Unregulated Units

Age	Rent Stabilized				Unregulated			
	n	%	LB	UB	n	%	LB	UB
Under 18	546,659	22.6%	[ 21.5%	, 23.7% ]	593,959	24.1%	[ 22.8%	, 25.4% ]
18 - 30	526,585	21.8%	[ 20.7%	, 22.8% ]	638,300	25.9%	[ 24.7%	, 27.1% ]
31 - 45	529,219	21.9%	[ 20.9%	, 22.8% ]	644,262	26.1%	[ 25.0%	, 27.2% ]
46 - 61	440,158	18.2%	[ 17.2%	, 19.2% ]	369,169	15.0%	[ 14.2%	, 15.8% ]
62 and Above	378,390	15.6%	[ 14.7%	, 16.5% ]	219,730	8.9%	[ 8.2%	, 9.6% ]
Total								
Tenants in Occupied Units	2,421,011				2,465,419			

Data source: HPD Research, US Census NYC HVS 2017 microdata

LB and UB (lower bound and upper bound) are based on 95% confidence intervals

### Median and Mean Gross Rent of all NYC Rental Units

Year	Median Gross Rent			Mean Gross Rent		
	Estimate	LB	UB	Estimate	LB	UB
2011	\$1,309	[ \$1,292 ,	\$1,326 ]	\$1,508	[ \$1,488 ,	\$1,527 ]
2014	\$1,366	[ \$1,347 ,	\$1,384 ]	\$1,604	[ \$1,579 ,	\$1,629 ]
2017	\$1,450	[ \$1,435 ,	\$1,465 ]	\$1,694	[ \$1,672 ,	\$1,715 ]

Data source: HPD Research, US Census NYC HVS 2017 microdata

LB and UB (lower bound and upper bound) are based on 95% confidence intervals

Rents are adjusted to real April 2017 dollars

### Answers to questions that do not relate to the NYC Housing and Vacancy Survey follow:

*How many of the 421-a units approved in 2018 were approved solely due to compliance issues?*

760 Final Certificates of Occupancy (FCEs) that were approved in 2018 were related to DOF 421-a suspensions. We cannot speak to the exact number of units that those FCE comprise though. HCR may be able to provide more complete unit level information. [Note from RGB Staff: There were 1,037 FCEs approved in 2018, therefore 73% of the FCEs were related to compliance].

*How many units are in our special loan programs? What are the eligibility requirements?*

Opendoor: There are no eligibility requirements in terms of building size, this program includes cooperative and condominium buildings. To date, only one Opendoor project has closed, it was 57 units.

Homefix: Will target 1-4 family homes, but this program has not started yet, that is, no units have been financed under this program to date.



NHS/SCHAP: These two programs are the precursor to Homefix. NHS targets owners of 1-4 family homes, while SCHAP does not have a unit size eligibility requirement, it is targeted to individual homeowners for improvements. To date, 374 units have closed under NHS and SCHAP.

*What percentage of new construction and preservation units are rent stabilized?*

Please see the tables below for breakdowns of HPD's rental unit counts by income limits for the New Housing Marketplace Plan and the Housing New York Plan. All units besides those in the "Other start units" category are rent stabilized.

New Housing Marketplace Unit Starts by Construction Type, AMI % (7/1/2003 - 12/31/2013)						
Rentals only						
Construction Type	Extremely Low Income (0-30%) Unit Starts	Low Income (0-80%) Unit Starts	Moderate Income (81-120%) Unit Starts	Middle Income (121-180%) Unit Starts	Other Unit Starts	Grand Total Unit Starts
New Construction	2,647	33,236	950	4,090	1,889	42,812
Preservation	1,567	63,825	6,803	1,426	636	74,257
<b>Grand Total</b>	<b>4,214</b>	<b>97,061</b>	<b>7,753</b>	<b>5,516</b>	<b>2,525</b>	<b>117,069</b>
1. For projects prior to 7/1/2008, "Low Income" units may include some 0-50% AMI units due to data limitations.						
2. "Other" includes superintendent, unrestricted, market rate, and units where the income is unknown.						

Housing New York Unit Starts by Reporting Construction Type, AMI % (1/1/2014 - 12/31/2018)							
Rentals only							
Construction Type	Extremely Low Income (0-30%) Unit Starts	Very Low Income (31-50%) Unit Starts	Low Income (51-80%) Unit Starts	Moderate Income (81-120%) Unit Starts	Middle Income (121-165%) Unit Starts	Other Unit Starts (Super Units)	Grand Total Unit Starts
New Construction	7,557	4,706	19,636	2,273	3,481	202	37,855
Preservation	9,885	14,452	27,666	3,135	5,782	360	61,280
<b>Grand Total</b>	<b>17,442</b>	<b>19,158</b>	<b>47,302</b>	<b>5,408</b>	<b>9,263</b>	<b>562</b>	<b>99,135</b>

*What is the number of buildings that have gone through HPD maintenance over time?*

Housing New York Preservation Projects - Building Count (1/1/2014 - 12/31/2018)	
Project Closing Calendar Year	Building Count
2014	299
2015	433
2016	355
2017	367
2018	269
<b>Grand Total</b>	<b>1,723</b>

On May 6, 2019 the staff of the Rent Guidelines Board released a memo to Board members with additional data from the *2017 NYC Housing and Vacancy Survey*. The memo follows:

At the request of a Board member, the following table shows median rent stabilized household incomes and number of households, by sub-borough (roughly equivalent to a Community District), per the *2017 NYC Housing and Vacancy Survey*.

**Rent Stabilized Median Household Income and Number of Households, by Borough and Sub-borough**

Borough/Sub-borough <sup>1</sup>	Median Household Income (Rent Stabilized Only)	# of Households (Rent Stabilized Only)
<b><i>Bronx</i></b>		
Mott Haven/Hunts Point	\$22,860	21,910
Morrisania/East Tremont	\$28,000	22,301
Highbridge/ S. Concourse	\$32,000	37,623
University Heights/ Fordham	\$31,720	32,349
Kingsbridge Heights/Mosholu	\$38,000	39,766
Riverdale/Kingsbridge	\$40,000	22,808
Soundview/Parkchester	\$40,000	20,623
Throgs Neck/Co-op City	\$40,000	--*
Pelham Parkway	\$43,800	14,552
Williamsbridge/Baychester	\$24,928	13,227
<b><i>Boroughwide</i></b>	<b><i>\$32,126</i></b>	<b><i>229,429</i></b>

\*Data not available (see Footnote 1)

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<sup>1</sup>All data at the sub-borough level should be interpreted with caution, as the survey sample is small. Where data is missing, it is due to large margins of error that impact the reliability of the data. Borough figures include all households within the borough, including those sub-boroughs that are not reported separately.

<b>Borough/Sub-borough</b>	<b>Median Household Income (Rent Stabilized Only)</b>	<b># of Households (Rent Stabilized Only)</b>
<b><i>Brooklyn</i></b>		
Williamsburg/Greenpoint	\$86,000	22,531
Brooklyn Heights/Fort Greene	\$75,000	8,176
Bedford Stuyvesant	\$49,000	15,536
Bushwick	\$45,000	10,706
East New York/Starrett City	--*	--*
Park Slope/Carroll Gardens	--*	6,883
Sunset Park	\$41,600	11,715
North Crown Heights/Prospect Heights	\$50,000	18,703
South Crown Heights	\$47,400	28,876
Bay Ridge	\$45,172	18,132
Bensonhurst	\$47,000	22,228
Borough Park	--*	14,758
Coney Island	\$26,490	15,040
Flatbush	\$45,000	31,609
Sheepshead Bay/Gravesend	\$30,160	16,449
Brownsville/Ocean Hill	\$38,000	14,863
East Flatbush	\$33,400	16,980
Flatlands/Canarsie	\$50,000	--*
<i>Boroughwide</i>	<i>\$44,200</i>	<i>281,556</i>
<b><i>Manhattan</i></b>		
Greenwich Village/Financial District	\$100,000	18,831
Lower East Side/Chinatown	\$60,000	23,750
Chelsea/Clinton/Midtown	--*	25,537
Stuyvesant Town/Turtle-Bay	--*	23,364
Upper West Side	\$68,900	24,052
Upper East Side	\$70,000	23,301
Morningside Heights/Hamilton Heights	\$38,000	20,053
Central Harlem	\$55,010	22,418
East Harlem	--*	14,220
Washington Heights/Inwood	\$42,100	49,250
<i>Boroughwide</i>	<i>\$57,000</i>	<i>244,776</i>

\*Data not available (see Footnote 1)

<b>Borough/Sub-borough</b>	<b>Median Household Income (Rent Stabilized Only)</b>	<b># of Households (Rent Stabilized Only)</b>
<b><i>Queens</i></b>		
Astoria	\$60,900	27,571
Sunnyside/Woodside	\$43,000	18,649
Jackson Heights	\$45,800	17,788
Elmhurst/Corona	\$60,000	20,209
Middle Village/Ridgewood	\$42,000	14,992
Rego Park/Forest Hills	\$55,300	17,255
Flushing/Whitestone	\$47,840	19,581
Hillcrest/Fresh Meadows	\$52,000	10,592
Kew Gardens/Woodhaven	\$55,000	8,550
South Ozone Park/Howard Beach	--*	--*
Bayside/Little Neck	\$52,000	--*
Jamaica	\$48,000	9,577
Bellerose/Rosedale	\$68,200	--*
Rockaways	--*	10,969
<b><i>Boroughwide</i></b>	<b><i>\$50,064</i></b>	<b><i>180,453</i></b>
<b><i>Staten Island</i></b>		
North Shore	--*	--*
Mid-Island	--*	--*
South Shore	--*	--*
<b><i>Boroughwide</i></b>	<b><i>--*</i></b>	<b><i>10,300</i></b>
<b>Citywide**</b>	<b>\$44,560</b>	<b>946,514</b>

\*Data not available (see Footnote 1)

\*\*Citywide figures include all households within the City, including those sub-boroughs that are not reported separately.

Source: 2017 NYC Housing and Vacancy Survey

## 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 51.

**Table 8**

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2018-2019, and Commensurate Rent Adjustment		
Index Type	2018-19 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .646
All Dwelling Units	5.5%	3.55%
Pre 1947	5.7%	3.68%
Post 1946	5.1%	3.29%
Oil Used for Heating	5.8%	3.75%
Gas Used for Heating	5.5%	3.55%

Note: The O&M to Income ratio is from the 2019 *Income and Expense Study*.

Source: 2019 *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 6.2%, 1.0 percentage points higher than the 5.2% increase in 2018. Increases in costs were seen in all eight components that make up this index. Fuel Costs witnessed the highest rise, increasing 13.7%. More moderate increases were seen in Taxes (7.1%), Labor Costs (6.4%), Insurance Costs (6.0%), Administrative Costs-Legal (4.3%), Administrative Costs-Other (3.2%), Maintenance (4.1%), and Utilities (1.6%).

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

**Table 9**

Changes in the Price Index of Operating Costs for Lofts from 2018-2019	
	Loft O & M Price Index Change
All Buildings	6.2%

Source: 2019 *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 NYC Homes and Community Renewal in determining fair market rents for housing accommodations that enter

the stabilization system. This year, the Board set the guidelines at 39% above the Maximum Base Rent.

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

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

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

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

### **Votes**

The votes of the Board on the adopted motion pertaining to the provisions of Order #51 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #51	5	4	-

Dated: June 25, 2019

Filed with the City Clerk: June 28, 2019

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David Reiss  
Chair  
NYC Rent Guidelines Board

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