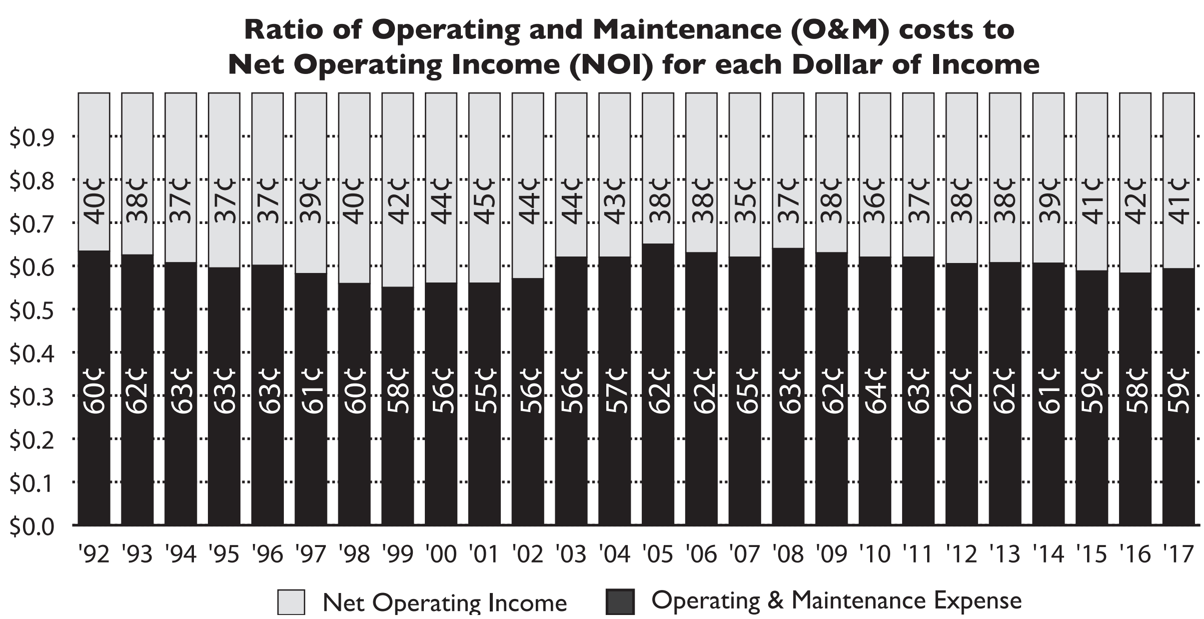
costs. According to the 2017 HVS, 72% of the stabilized units in NYC are located in pre-war buildings.

These are complex issues and many caveats are in order. Board members are advised to consult the complete text of the memo (see Appendix K). When applying the methodology outlined in the memo, the cost of operating a rental building relative to rental income has fallen over four decades of rent stabilization for buildings built prior to 1947. This means that the average net operating incomes for this set of buildings have grown relative to operating costs.

As previously stated, the RGB has had access to owner-reported income and expense data from the Department of Finance RPIE filings for over 25 years. From this data, the RGB staff calculates a cost-to-income ratio. Chart III that follows is derived directly from annual income and expense filings and represents both post-war and pre-war buildings. It shows, for every dollar of stabilized owner income, the average amount spent on expenses in a building and the amount left over for net operating income. In 2017, the cost-to-income ratio for the entire stock of rent stabilized housing was .593, meaning that owners were spending 59.3 cents of every dollar earned on expenses.

Chart III.



Source: RGB Income and Expense Studies, 1993-2019.

The price index, along with the O&M to rent/income ratios and the projections, are used to generate two figures known as the commensurate rent adjustment. This adjustment was discussed on pages 70 to 72. A memorandum describing the various commensurate formulae is included herein at Appendix J.