THE CITY OF NEW YORK
RENT GUIDELINES BOARD

--x

VIRTUAL ZOOM

PUBLIC MEETING

OF

THE DIRECTORS

--x

April 23, 2020

9:30 a.m.

B e f o r e :

DAVID REISS,

THE CHAIR

A P P E A R A N C E S:

Board of Directors:

<u>VIA ZOOM:</u>

David Reiss

Cecilia Joza

Alex Schwartz

Christian Gonzalez-Rivera

Christina DeRose

Patti Stone

Scott Walsh

Shelia Garcia

Leah Goodridge

S T A F F:

Andrew McLaughlin

Executive Director

Brian Hoberman

Research Director

Danielle Burger

Deputy Research Director

Charmaine Superville

Office Manager

P R O C E E D I N G S

CHAIRMAN REISS: Good morning.

I'm David Reiss, Chair of the New York City Rent Guidelines Board and I'd like to welcome you to this virtual meeting of the board.

I would like to start by thanking the staff, led by Andrew. They've worked and nights and weekends to get up and running from their homes. They quickly adapted to new technology so that we can meet virtually. And they continue to do the balanced research that they are known for, even if the data that they rely upon had sometimes been delayed.

New York City is lucky to have so many dedicated public servants like Andrew, Brian, Danielle and Charmaine.

I thank them for their traditional work of analyzing historical data about conditions in New York City, as well as for their efforts this year to identify new sources of data that can give us insight into our current situation. This work will help the board make the best decision it can in these circumstances.

While New Yorkers are suffering

through one of the worst crises of our history, some might wonder why we are meeting to discuss rent adjustments for the following year.

First, that is what the law requires.

Second, New Yorkers deserve the certainty that comes from us following our regular processes so that rents are as predictable as possible.

Others in government will have a much bigger role navigating the problems we fact. But we have our small part to play in the operation of the City and will continue to play it.

At the same time, it would be remiss of us not to acknowledge the great losses we are facing and the economic crisis that has accompanied them.

And personally, I feel like I would be remiss if I did not thank those who are putting their lives on the line during the crisis to care for those in need and to ensure that we are all continuing to have access to food and the other necessities of life.

Thank you all.

Now on to the business of the board.

This is the first meeting in a series of public meetings and hearings to determine renewal lease adjustments for rent stabilized housing units in New York City with leases commencing, or being renewed, on or after October 1st, 2020 and on or before September 30th, 2021.

I would like to take this opportunity to welcome two new additions to the board.

Public members, Christina DeRose; and,

Christian Gonzalez-Rivera.

I look forward to working with them.

I will now take roll call. Please respond if present.

Christina DeRose.

MS. DE ROSE: Present.

CHAIRMAN REISS: Sheila Garcia.

(No response.)

CHAIRMAN REISS: Sheila?

MS. GARCIA: Present.

CHAIRMAN REISS: Christian Gonzalez-Rivera.

MR. GONZALEZ-RIVERA: Present.

CHAIRMAN REISS: Leah Goodridge.

MS. GOODRIDGE: Present.

CHAIRMAN REISS: Cecilia Joza.

MS. JOZA: Present.

CHAIRMAN REISS: Alex Schwartz.

MR. SCHWARTZ: Present.

CHAIRMAN REISS: Patti Stone.

MS. STONE: Present.

CHAIRMAN REISS: Scott Walsh.

MR. WALSH: Present.

CHAIRMAN REISS: David Reiss, present.

With the arrival of new members, I would be remiss if I did not recognize the contributions of the two members who have left our board:

German Tejada; and,

May Yu.

I would like to recognize their hard work and dedication to the RGB.

So on behalf of the current

members, I would like to thank them and wish them well.

Our next virtual meeting will be April 30th, starting at 9:30 a.m. Information on how to attend this meeting will be posted on our website, nyc.gov/rgb in our meetings section by Friday and at the same time, will be sent to those who are on our e-mail list. If you are interested in receiving e-mail updates about upcoming RGB meetings and hearings, please go to our home page and click on rgb e-mail updates under quick links.

The preliminary vote for rent stabilized renewal leases and adjustments is currently scheduled for May 7th. This will be a virtual meeting. Information to attend this meeting will be made available in the near future.

Today, staff will present the 2020 Income and Expense Study and the 2020 Price Index of Operating Costs. Both of these reports have been posted on our website and are available to the public. Just click research on our home page to download these reports.

Please note that the annual filing of the Conflicts of Interest Board Financial

Disclosure Report filing period has been pushed back. We will provide the members with more information as it is released.

The first item on our agenda is board discussion. It's been some time since we've come together as a -- as a board and I open the floor to discussion.

MR. MC LAUGHLIN: David, can I just jump in for one second.

CHAIRMAN REISS: Yes.

MR. MC LAUGHLIN: Since we're in this situation where we're doing everything virtually, I wouldn't mind just going to our website and showing people how to get on our e-mail list.

CHAIRMAN REISS: Sure.

MR. MC LAUGHLIN: So everyone is aware of what we're doing.

So I'm going to share my screen and my web browser here.

So this is our -- if you go to our home page, which is right here. Here's our quick links and here is rgb e-mail updates. So simply click on the updates. You'll come to this e-mail update page. Just click on this subscribe link to the Rent Guidelines Board e-mail updates. And you fill in the information and it will go to nyc.gov. Fill in this information and we are listed down below, the New York City Rent Guidelines Board announcements. So you'll click on that.

And that's it. Very simple.

CHAIRMAN REISS: Thanks.

So opening it to board discussion.

MS. GOODRIDGE: So, David, is it all right if Sheila and I speak?

CHAIRMAN REISS: Yes.

MS. GOODRIDGE: All right.

Well, again, welcome to all the board members. We are -- unfortunately under very weird circumstances and we have a chance to meet, all of us after a long time and then some of you for the first time.

We thought it would be remiss of us not to discuss the fact that we are meeting under these circumstances. We have heard -- we represent millions of tenants and we have heard from a number of them that they are surprised, confused and frustrated that we, as a board, are moving forward with the deliberations for two main reasons.

One, that a lot of people are not able to virtually join us. As we can see, I think we only have 11 attendees and normally when we physically meet at City Hall, it's much more than that. It's at least 30 - from my personal experience.

And the second reason is that, you know, people are not able to process all that's going on and then able to be part of the process at the same time, just mentally process all that's going on. And it -- the word that I have heard over and over and over again is it seems tone deaf and insensitive for us to move forward as a board.

Sheila, do you have anything you want to add?

MS. GARCIA: I mean, I think, that we've done such great jobs over the last few years to engage like members of the community. And I think that, you know, specifically under -- like David's leadership, we've seen, you know, the engagement and the thoughtfulness of board members and our behavior shifting in a way that, you know, I've been on the board since 2015 that I hadn't seen. And I think that -- that -- I'm really happy about that.

I just want to remind us that like, you know, traditionally like we had mentioned, we are engaging, you know, hundreds of folks at every hearing. You know, we have a press conference at the first hearing. Normally we would be down in front of 170 Centre Street with hundreds of tenants perhaps sort of talking and engaging with us in this process that like, you know, is really important in their lives.

And I think we're not only missing out on that opportunity but, also, are confined by folks who have access to technology in a way that we -- that they can acknowledge that is, you know, a hardship for a lot of New Yorkers and Americans across the country.

And we are just now hearing from parents that we work with that, you know, they have just now found a flow of like home educating and to get the technology that their kids need and now we're throwing another layer of complexity, not only have they been worried about getting evicted, not being able to pay rent, losing hours of work or losing their jobs. Now we're adding another layer of complexity of like what happens to your rents, not only for this year but for the next couple of years potentially.

And I think that we're making a decision that people don't take lightly. And I don't think we do. But I do want to echo what Leah just said that like folks are maxed out and that we're, as a board, as a State, as a City really adding a layer of worry, of complexity into people's lives that I don't feel like it's necessary.

And as you all have known, both Leah and I have been really vocal, both for the City administration but for the State to really take action to address, you know, what millions of people across the street and, you know, country are dealing with when it comes to rents.

And, you know, if the federal government is going to act, then New York State can take leadership in an unprecedented way and lead the country on what does it mean to pull renters through this crisis.

And I would encourage all of us to do whatever is in our power to make sure that we are doing exactly what our mandate says, stimulate -- like, you know, in other places there aren't board's deciding how much rents go up but that we also know that the markets behave differently. And I don't want us to ignore that that isn't true in New York and that, you know, in an unprecedented crisis in the past, this board has acted wrongly.

This board has increased rents during the great recession, time and time after when they knew millions of New Yorkers were hurting and I don't want us to make the same mistakes. I don't want us to make the same mistake as well.

And so, Leah and I wanted to really create space to have a conversation about what -- what could we be doing, what should we be doing as a board to make sure that not only are we accessible but that we're recognizing the situation we're in.

CHAIRMAN REISS: Anyone can obviously speak. No need to raise hands or anything.

MR. HOBERMAN: I'm sorry, Dave.

CHAIRMAN REISS: People should feel free to jump in. No need to raise hands or anything.

MR. HOBERMAN: David I -- we have two board members who are on the phone and I muted them because there was some background noise.

CHAIRMAN REISS: Okay.

MR. HOBERMAN: So I'm going to unmute them now just in case. I'm not sure if they want to say anything. And just to tell them if they're not speaking, put their phones on mute.

CHAIRMAN REISS: Okay.

MR. HOBERMAN: Okay.

Patti and Cecilia.

CHAIRMAN REISS: And, Brian, I'm sorry. How many people are watching on Youtube right now?

MR. HOBERMAN: Sixty-seven. And we about ten -- about 12 attendees on Zoom.

CHAIRMAN REISS: Okay.

Thanks.

MS. DE ROSE: Can we discuss a little though if the board does not meet, what happens. Because I think there's been some discussion about that and I just want to -- since we're all here together, to talk about that. But what that means? Like if we do not meet, do other things just sort of automatically kick in and what that means, if that is the case?

CHAIRMAN REISS: So let me respond to that. I'm going to respond at a pretty high level of generality.

MS. DE ROSE: Okay.

CHAIRMAN REISS: It's my understanding from the lawyers of the City that we -- we are required to meet. That it is the one fundamental responsibility that this board has and that it is my understanding that that is a legal obligation that we have.

I think that there could be unintended consequences of us not meeting but I don't want to necessarily play out a bunch of hypotheticals right now. But I -- it is my understanding that we have a legal duty to do so.

MS. DE ROSE: So is it a legal duty to meet or to actually vote?

CHAIRMAN REISS: Well, I think

that our process -- we are required under the Rent Stabilization Law and, I believe, under our bylaws to hold a certain number of meetings and a certain number of votes, you know, the preliminary vote and the final vote.

MR. MC LAUGHLIN: Right. And -- and that actually has to do with CAPA as well, which is a City requirement of the public hearing is through CAPA. And -- and the preliminary vote, actually is through CAPA as well.

CHAIRMAN REISS: CAPA stands for the City Administrative Procedures Act that governs all City administrative agencies.

MR. MC LAUGHLIN: Correct.

MS. GOODRIDGE: I think, you know, Sheila and I were interested in hearing what all of you think about us meeting during this time. A lot of the tenants are incredibly anxious and, like I said, if I were to put, you know, words to the emotions that I have experienced while speaking with tenants, I would say that a lot of them are incredibly anxious, incredibly frustrated.

And some feel -- a lot whom I've spoken with feel that as a board, like we just don't get it. That's the term. We don't get it. We don't understand what's going on. How could we move forward with business as usual in a time when it -- it'll go down in history definitely not as a blip but something that very deeply left its dent in New York's economy, health system and all other areas of life.

It's not just a health crisis but it's also an economic crisis. It's impacted so many other different areas of our lives and it's to the point of where people are not -- people are concentrating on making it through the next day or the next week mentally and, also, just logistically getting the supplies that they need and seeing if they're going to be able to hold onto their jobs and, of course, hold onto their apartments.

And I don't think that people from whom I've spoken with, I don't think that a lot of tenants see it as, you know, we are -- we are doing them a favor or we are, you know, acting responsibly as a board by meeting during this very crazy time to ensure that everyone gets heard. I think, you know, a lot of people see it as the opposite and I'm wondering you all -- what your thoughts are?

MR. SCHWARTZ: Leah, could you talk about what you'd propose instead?

MS. GOODRIDGE: I'd like to -- I can definitely talk about that. But I wonder first, you know, our proposal has been as we discussed that we not meet as a board and there be an executive decision, you know, there be an executive decision about what we would do. Because at the end of the day, where we meet as a board, it does have to involve feedback from the community and we know that a lot of people are going to be disenfranchised from not being a part of this process.

And this is -- this is the most critical year where we need feedback from the community, especially because, again, the Corona virus pandemic is affecting people in, not just economically but all different areas of their lives and that is going to have an impact on their rent.

So I'd like to hear what other people have -- what you all have to say or what your thoughts are about it.

MR. GONZALEZ-RIVERA: I think

the number one thing that I'm sort of thinking about throughout this is, what could be the harm in us meeting. I mean, it's like are you sort of afraid, I mean, that we might make a decision that is not -- that would harm people by meeting?

Because, I mean, it seems to me that if we don't meet, then the decision making power over the rents for next year would be out of our hands. And I -- I would like to think, I mean, I'd like to hear what other people think but I would like to think that as a board, we can be conscious of what tenants and landlords, as well, I mean, it's like around the -- the City are experiencing right now. Look at information and consider information that might sort of lead us to a good decision from this. And do something good. I mean, if it sets a good example right here in New York City.

So I'm hopeful that that's something that could happen. Of course, I am also new to the board, I mean, but it's like I wonder, you know, could this be a forum for good in terms of, you know, I mean it's like sort of improving the lives of -- of New Yorkers.

MR. SCHWARTZ: I agree with that and I would also add on that if the board chooses not to participate, it's not to say that the Governor or Mayor or someone else wouldn't make the same decision about rents. And there's no guarantee that they'd be any more public participation in that decision than there would be with the board.

So I'm not sure what the alternative in other words, would be. So it's hard for me to think about what the board should do if we don't know who would set the rent increase or rent change or no change without the board's input.

MS. GOODRIDGE: Well, there was a -- a few weeks ago there was a press release with the Mayor and City Hall stating that they would work with the State for a rent freeze.

So we -- it's not -- it's not as ambiguous as I think it's being made out.

MS. DE ROSE: I guess my question is, like is it -- I understand, you know, I saw DiBlasio's press release and for that but is it -- like who -- how does it get decided?

I mean, sort of like Christian, I'm new to the board and I just don't know. But is it just -- it sounds like if they had to work with the State then is it like Cuomo's decision only or -- and then does he get -- I assume because he's an elected official he would get input from the community but is he also going to be getting that level of input that say we typically get.

And then, I guess, maybe that we typically get or that -- the few -- the reduced input we're getting now, is that still going to be more than input Governor Cuomo will be getting.

I just want to make sure that if -- I guess my concern is, if we don't meet or if we don't take action, somebody else does and are they getting any input from the community and all of that as well. And more so, will they listen to it.

MR. GONZALEZ-RIVERA: Yeah, that's also a concern that I share. I mean, it's like what more -- what more public process is there given where we are now. I mean, it's like given the situation that we're in than this one, than the RGB process.

Because let me start by saying, I mean it's like I totally hear you, Leah and Sheila, about the fact that we need to be able to hear from all the people who are affected. I mean, we need to be able to hear those stories. We need to be able to see what's going on and that should influence our decision.

So it's not just, I mean -- I mean these -- these reports are great. I mean, they're well put together. We know that, you know, there are some time delays that are in the data that really say that -- that really show that we don't really know what's going on right now.

So one of the most important ways of finding out what's going on right now, yes, is to hear from the public. At the same time, I wonder what other forums exist that have direct decision making responsibility like we do that would allow members of the public to at least hear what the deliberations are.

So -- so that's why I wonder. I mean, if this is as public as it can get around this decision making, then that means that we have even more responsibility to do the right thing. I mean, whatever the right thing ends up being.

MS. GARCIA: I mean, I think the

only thing I would say to that is, I think that we are -- we are making -- we're having a conversation about all the work that this board has done over the last few years to engage community members. And even then, collecting e-mails, having staff greet folks at the -- at a desk, that has only yielded a few hundred e-mails.

So we are only getting the people who have traditionally engaged with us in the past versus like all of the community members who have historically, you know, like just in the organization where I work, we passed thousands of flyers out about the Bronx hearing, getting New York folks who are traditionally not our members to come in, educating the community about -- all that work isn't happening.

And so as much as we can, you know, I think that like we are all great and capable of making decisions. I think we all have really well -- good intentions. That doesn't negate the fact that there are still going to be so many people that like right now don't even know that they're rent stabilized. And -- and we as a board, as a City, as a State, have not traditionally done enough to engage all of those folks about our decisions and in this crisis, I think we'll do -- we'll engage less than we have traditionally.

And so all that data that we hear is -- is only data in a way that like has never been before. And I know that, you know, some of us may be -- feel like we have too many public hearings or too many testimonies and have feelings about all of that. I, as a person, not representing tenants but as a person who lives in the City, really appreciate that dialogue and think that is important.

And I think that given that we are having these through internet, through Zoom and people are basically watching us on Youtube and listening to us without being able to, you know, protest and exercise their ability to like show that they're disagreeing, in agreement, all of that process is sort of like -- just listen to these experts.

We're making these decisions on their lives and I think we shifted that to only be the people who are in an e-mail, they're the people who have capability or ability to join us right now.

Right now, like many of you all have kids right now learning from home, many of our members do. I mean, I have that one computer that the kid is using. So how are they engaging with us?

And so I do feel like it's -- it's a concern around that and, also, that folks don't have the mental -- like Leah was mentioning, like bandwidth to be engaging with us during this time.

So we're not asking for us to, as a board, to be saying that we're not going to do our duty, which is why Leah and I are here, to have a conversation and think about what could we be doing to be more accessible, to be more engaging of folks and, also, like what can all the folks that help impact our -- our process while deciding that we should continue to move, what could we be doing as a City, as a State to really make sure that folks can engage with us in a way that like is unprecedented and be creative in that process.

And I think the intention is for us to have a conversation. Leah and my concerns are they not concerns that other people share? And if they are concerns other folks share, what could we be doing -- as a board doing more to engage folks.

And I -- and I want to remind folks that like every year we talk about like this data proves this and by the end of June we're in a different place. And so I don't want to -- I want to remind us like that this process for me every year has looked really different and we might be thinking like, oh, we're all in the same head space and then come June, we don't know how we're all collectively voting until we set out to vote.

And I -- and I think that that process is not only nervewracking for us but for millions of people who are just sort of waiting to see what their fate is and -- and I think that's what feels insensitive and unfair in this process.

MS. DE ROSE: I mean, I do want to hear --

MS. JOZA: Hello.

MS. DE ROSE: -- the world 41 days ago is very different than the world today. I mean, my little countdown clock says I've been home for 41 days -- or 40 days.

So I think there's real -- a real need to hear directly from the public and I do think that is a concern because the data is great but it doesn't reflect at all what happened, you know, last month.

So I do really -- I hear that concern about wanting to be accessible and hear from the public and I also do hear the concern about not -- that this hard for people to engage in, this type of computer, you know -- I've got someone in other room -- I've got two children in the other room trying to share our other computer. So I get that.

I just -- my concern is just if we don't hear -- if -- if we don't meet or try to, you know, will someone else be able to hear them, the public and how that would happen. Because I do really think it is important to hear from the public right now. And I do agree that technology and all sorts of other barriers of what's going on and what people are going through will make it very hard.

And so if we could talk about like how -- how they can be heard. Because I really do think it is important to hear from the public given how things are just changing so quickly.

CHAIRMAN REISS: I see that Cecilia has her hand raised on the -- on the Zoom app.

Cecilia, do you want to jump in?

MS. JOZA: Oh, yes. Yes, I do.

I hear what Leah and Sheila are saying. We want to be able to hear from the public. We want to, you know, our decision making is based not only on data but it's also based on listening to the testimonies, right, from the tenants and the testimony from the landlords.

And I also hear, David, that we have a legal obligation to have to meet and make a decision; right? Yeah.

So my thing is that, yes, it is important to listen to the public. So is there a possibility of extending these public meetings a little bit longer so that we can have the opportunity to hear testimonies from the public?

CHAIRMAN REISS: So I'm going to respond a little to Cecilia.

I certainly think that we, as a

board, could brainstorm about the best number of times to meet, the best way to meet virtually given the current -- the current crisis. And that's certainly a conversation we could have.

I -- I would say that -- I'm not sure if right now is the best time to have that conversation right at this meeting. I'd asked Andrew and the staff to kind of take a look at how other public bodies are soliciting and sharing public testimony. And I believe by next week, he'd be in a position of kind of saying, you know, here's how a variety of other New York City and New York State public bodies have tried to -- in the current environment do the best they can to elicit public testimony.

MR. GONZALEZ-RIVERA: Yeah, I'm wondering -- I mean given that -- you're right. I mean it's like Sheila and Leah, the -- some of the most important data that we have, you know, to really make a decision this time around given this environment is are the testimonies that we were able to get from the public.

So I wonder, I mean, it's like if we sort of really rally around the RGB process and really make an effort to get as many testimonies from the public as possible, again, being conscious that that is going to be the most important and timely data that we get about what's really going.

I mean, what flexibility do we have? And here I'm asking, I mean for people who have been on the board longer, what flexibility do we have to get those testimonies? I mean, it's like actively publicize this process more than it's ever been publicized and -- and ask for those testimonies. And have a way, I mean, even if the technology doesn't allow people to read the testimony themselves, it's something that could be collected some other way so that we have those voices there. So that we have that crucial data there.

I just think this could be an opportunity to really -- really publicize -- I mean it's a good need for public input into this process.

MR. WALSH: I'd like to add just one comment.

I mean, you know, with -- with the various economic subsidies that have been going out, there's been a lot of talk of digital currency in this country and how they air drop money to people.

An interesting fact is 95 percent of Americans have a SmartPhone. So I personally think we should be talking about what is the attendance level like at these things and then we could decide to ramp them up if necessary.

I -- I think we probably will have more attendance and more testimonies. I mean, the argument that people have family lives and couldn't attend our public meetings because of their times, et cetera has been a time old argument that people have different work schedules. People being home doesn't mean they don't have a home schedule with their families.

So I do think the fact that Zoom is completely accessible on a SmartPhone and incredibly easy to use. We do have an opportunity to really hear from a lot of people. And I -- I am very much supporting of continuity in government. You know, I think for those who think this will go on for many, many months, I -- I just don't see a solution. This could be going on next year. So I think we have to be creative to figure out how to hear from the public.

MS. GARCIA: I mean, to not respond to that point but just to talk about like other options and situations. Like we haven't even talked about at these hearings that, you know, are as well attended as we could make them. And I traditionally felt like that since I've been on the board.

We -- organizations provide interpretation, which is an essential service at the hearings. Where we, as a board, don't provide interpretation for. So even if they do have a SmartPhone, they could sit and listen to us speak in English, a language that they don't understand, read or write. And I think that's a layer of complexity that we need to think about, like how as a board in this process, digitally are we addressing that.

I know that the Zoom -- that Zoom has many capabilities to address that issue as well. But that does mean we have to go out and find interpreters. Like are we, you know, are our meetings going to be dubbed. Like there is a lot of things that we could have done even before this meeting to make sure that it was accessible.

And I think we need to continue to think about and, yes, we've engaged more people than we traditionally have. Yeah, when I first started on the board in 2014, that year I think it was like 51 people testified in all of the hearings that were out there. And now we have those numbers doubled in many hearings that we're holding.

That isn't representative of the millions of folks who live in those units who still can't attend. And you hear that many times when people try to read testimonies from folks who had to leave early, from folks who couldn't be there and I think that we -- I want to recognize that like, I don't think our intention is to be like ignore this process. Let's sort of wait and see what happens. It's really for us to be thinking about, you know, in normal circumstances, we don't tend to go far enough. In this specific instance, we need to go further than we've ever gone and be a lot more creative.

And we're having this hearing right now in one language with only the folks who know our organization, who were able to call them, right, who asked staff who had to engage them to call them to be part of this process.

MR. WALSH: This meeting will always be in one language. This meeting will always be in one language. So I think we need to talk apples to apples. This is never translated.

MS. GARCIA: Yeah, but organizations like mine actually bring interpreters into those meetings to hear and interpret at those meetings.

I don't know if you had noticed that, that we actually bring in folks, including our staff, to explain what's happening. And, you know, that isn't happening. You know, there's so many --

MR. WALSH: I don't know if that's factually true because there isn't noise from the audience when we've had this exact meeting. There isn't talking in the public section of this meeting. It is a quiet public. So I don't know how interpretation could be going on in this meeting.

In all the years I've done this,

I've done this as long as you have. And we have -- and when we've been in Landmarks Preservation, had a group of people, and typically we've had very few seats filled, we haven't had a group of people who are having side conversations because they're doing interpretation during the whole meeting.

So -- and we haven't had sign language interpretation. So I don't know if you're referencing the deaf community but we haven't had -- those I don't believe are true. I don't believe that's a true statement.

MS. GOODRIDGE: Well, I -- this is Leah. I think we are talking about two things.

One is, at the end of the day, you know, we are saying that we have actually done it. If you want to say it's a lie, that's -- that's your opinion. But we are saying that we have actually literally been a part of it, not that it's hearsay.

And the second is that, I think you're -- what I hear -- I think I hear from Scott, especially bringing in the deaf community, is, okay, so let's move away from whether it's happened or not, it needs to happen and how can we make it happen. Because it is important.

CHAIRMAN REISS: Could I jump in here and maybe make a suggestion.

So we have a meeting scheduled for a week from today. Do people want to share ideas with Andrew and then Andrew can assess technological issues, cost issues and report back to the board, at least -- I don't want to promise that he'll have final answers but a preliminary report back on these types of issues.

MS. GOODRIDGE: That would be great, especially if we're all in agreement that the board should do it.

MR. GONZALEZ-RIVERA: I -- I don't know if this is something we're calling to a vote but I strongly agree that we need to expand public participation in this in however way that makes sense. I mean, whether that means organizations being empowered to collect testimonies or having some kind of technological capability that allows, you know, simultaneous interpretation in various languages, including ASL, in whatever way, I mean, we decide that we should do that, I strongly agree that we should.

I don't know if this is something that we're calling to a vote or not.

CHAIRMAN REISS: Hearing -- hearing no other comments on it, I think I'm just going to -- unless Andrew tells me that there's, you know, some kind of practical problem with this, I'm just going to ask Andrew to -- to take into account suggestions that people have either said today during the meeting or if you e-mail him in the next day, you know, let's say by the end of tomorrow so he has some time to devote staff resources to look at some of these issues. And he can kind of advise us as to what some of the -- the possibilities are given budgetary constraints.

Andrew, does that make sense?

MR. MC LAUGHLIN: Yeah, sure. I mean, send along suggestions that you may have. Sure. And we'll see how feasible it is to do those things and expand as best that we can to the different folks out there.

MS. STONE: This is Patti.

Can you hear me?

CHAIRMAN REISS: Yes, Patti.

MS. STONE: Hi. Sorry.

The one thing I would like to say is --

CHAIRMAN REISS: Patti, we're getting some feedback --

MS. STONE: -- in our meetings generally in the beginning, I think it was Sheila that said usually 30 people, 30 tenant members or tenant representatives, you know, would appear.

And -- there are 70 -- approximately 70 something people that are listening to this. So since they're not allowed to speak at those meetings, it seems to me that where the tenants are more represented right now listening to us at this point than usually do appear. And I understand that we have to, you know, figure out how more people can actually be heard. I get that.

But I think at this point we should move on and start talking about what we need to do since legally we're obligated to do something here. I think we should -- we've heard everybody's opinion and, yes, everybody understands that more people need to be involved or be or need to have the access to be heard. But I think now we should do what we're supposed to be doing.

MS. GOODRIDGE: And part of what we're supposed to doing is ensuring that people can be a part of this process and, you know, I didn't know what Zoom was a month ago. I never heard of Zoom, you know. There's some people who when I say the words Twitter, Instagram, Facebook, Skype, they have no idea what I'm talking about and there are a lot of people who live in rent stabilized apartments and would like to be part of this process.

So part of board business is discussing how to ensure that moving forward in a very uncertain and rare time, and unprecedented time, that we have to move virtually that people are represented and they're able to be a part of the process.

MS. STONE: I'm not -- I'm not disagreeing with you but I think right now the tenant population is very well represented by you and Sheila because you're here speaking on their behalf. I'm just saying, we heard what you said and more things need to be looked into but I think we've now discussed that and we should be moving on.

MR. GONZALEZ-RIVERA: Is there something that everyone thinks that we should be discussing -- that we should discuss at this meeting now or do you think that it's a sufficient remedy to just give our recommendations to Andrew and have -- have him figure out what the solutions could be.

Is there anything sort of left unsaid -- for this meeting in particular?

MR. MC LAUGHLIN: I'm all for sending -- sending things on to me and I can take a look at what's going on. I mean, getting more people on our list, the 6,000 plus e-mails would be -- would help. I mean, we're now up to over 6,000 people are signed up. So we get more of that and that would be great. And then make different ways to involve them and engage them in our public hearing. Sure. Absolutely.

So send those along and I think we could -- maybe if we don't move on from here, do that.

CHAIRMAN REISS: Could I just say, I think someone has two devices open on audio so

there's some feedback if you have two devices open.
Any other comments from the board?
MR. HOBERMAN: I have the technical -- I'm not on the board but Patti, there's a lot of interference in the background. So if you can please keep your phone on mute when you're not speaking, otherwise I've been muting you. Okay, Patti.
MS. STONE: Okay.
MR. HOBERMAN: Otherwise, I'll have to put you on mute.
MS. GARCIA: Hit star 6 to mute and unmute yourself.
CHAIRMAN REISS: I'm just testing now. Do we have feedback?
(No response.)
CHAIRMAN REISS: No, I think we're good.
MR. HOBERMAN: But every time we see Patti's name appear on the screen, that means there's noise coming. So I'm going to have to mute here -- mute you, Patti.
CHAIRMAN REISS: No Zoom shaming on our first meeting.

(Laughter.)

MR. HOBERMAN: All right.

MS. GOODRIDGE: Patti, see, we're trying to even make sure you can be a part of the meeting. Look at that. Now you can --

MS. STONE: I'm challenged.

MR. HOBERMAN: All right.

MS. GARCIA: Patti, maybe the easier solution is to have the audio you hear from us only come from one device. So either lower the volume on your phone or lower the volume on your computer so that you can only hear one device at a time and then that feedback will hopefully will be resolved.

MS. STONE: Okay. Is this better?

CHAIRMAN REISS: Yes.

MS. STONE: Okay. Great. Next time I'll just call from my IPhone instead of using the computer so it won't be a problem.

CHAIRMAN REISS: Thanks, Patti.

MS. GOODRIDGE: It's actually the same. I tried to call Zoom meetings with an IPhone and sometimes it's worse.

MS. STONE: I've been good on Zoom

with the IPhone. I don't know. This is a new computer so obviously I'm not pushing something that I should be pushing but okay. No problem.

CHAIRMAN REISS: Patti, we can set up some time to meet and go over Zoom -- like your connection separately and we'll figure it out.

MS. STONE: Okay.

Thank you.

CHAIRMAN REISS: Okay. Any other comments from board members?

(No response.)

CHAIRMAN REISS: Okay.

One thing that Andrew and I didn't discuss was whether we should schedule a break, which we usually do with -- with our live meetings. Should -- does it make sense, Andrew, one report and then a break? Or do a break now or if people don't want a break, I'm okay with that too. I just want to --

MR. MC LAUGHLIN: Well, just to give you a heads up, we're going to try and do our presentations a little quicker this year.

CHAIRMAN REISS: Okay.

MR. MC LAUGHLIN: We're limiting

them. So ideally it would be nice to -- to get through it. If people need to get up, just turn off your video, or whatever if you need to get away for a couple of minutes or we could take a break.

Let's -- let's certainly try and do the I&E and then, hopefully, it will be a condensed -- a little bit more condensed. So --

CHAIRMAN REISS: Okay.

MR. MC LAUGHLIN: -- that would be my recommendation to try. But if after the first report if people really need to take a break --

MR. SCHWARTZ: I have a hard stop at 12:00 noon. I have to leave. So I'm okay with a break but I have to leave by noon.

MR. MC LAUGHLIN: Okay.

CHAIRMAN REISS: All right.

So let's go ahead, Andrew. That's a good idea.

MR. HOBERMAN: Okay. This is Brian. I guess I'm doing the first report; is that correct?

MR. MC LAUGHLIN: Correct.

MR. HOBERMAN: Okay.

I will start off --

MR. MC LAUGHLIN: What happens now, Brian's going to share his screen and do his PowerPoint presentation on the Income and Expense Study. So all you will be able to see at this point is -- is just the presentation, which was all sent to the board members and will be up on our website after the meeting, the presentation. The reports are on our website but the presentations will be put up as well.

But if you're on a device you can't see, you can open up your presentation that was sent around yesterday and you can follow along that way as well.

MR. HOBERMAN: And everyone can see the first slide in full.

CHAIRMAN REISS: No, not yet.

MR. MC LAUGHLIN: You didn't share your screen, Brian, I don't think.

MR. HOBERMAN: Oh. Okay, yes. Let me do that.

All right.

It's not starting. Let me try something again here.

There we go.

Now this is the full screen?

CHAIRMAN REISS: Yes.

MR. HOBERMAN: Okay.

Thanks for your patience.

Good morning, everyone.

Welcome.

The study focuses on data from 2018 and prior years. Due to the as yet, unknown full impact of COVID-19 virus, it does not reflect the current economic conditions of the New York City rental market and should not be interpreted as such.

The future editions of the study will illustrate some of the hardships that our fellow New Yorkers may be experiencing now and in the future.

First, I'll briefly review the methodology used in this study.

Local Law 63, which was enacted in 1986, requires building owners to file RPIE forms with the Department of Finance annually with some exceptions. These include condos and other kinds of buildings, residential buildings smaller than 11 units or buildings with an assessed value of under $40,000.

The Department of Finance matched 2019 RPIE flings with New York State Homes and Community Renewal Building files that contain at least one rent stabilized unit in order to get the sample used in this report and the data was screened for errors and those records were removed.

The two data sets created were the main RPIE analysis of 15,012 buildings containing 675,924 units. This data is used to compute average revenues and costs for a moment in time view. And we do a longitudinal analysis of the 13,658 buildings containing 625,787 units. This encompasses two years worth of RPIE filings.

In 2018, rent stabilized property owners collected monthly rent averaging $1,397 per unit. The median rent citywide in 2018 was $1,260.

Like in prior years, units in pre-war buildings rented on less per average, $1,322, than those in post-war buildings, $1,563.

At the borough level, the average monthly rent in stabilized buildings was:

$1,913 in Manhattan. And within

Manhattan it was $2,308 in Core Manhattan and $1,408 in Upper Manhattan;

The average rent in Queens was $1,329;

$1,261 in Brooklyn;

$1,115 in Staten Island; and,

$1,044 in the Bronx.

The average monthly rent per unit in the City, excluding Core Manhattan was $1,242.

Many stabilized buildings supplement their rent by selling services to tenants, including laundry and parking fees for example, as well as earning commercial income from things such as cell phone towers and retail.

In 2018, the rent stabilized building owners averaged $1,568 per unit per month. The citywide median was $1,359.

The pre-war buildings earned $1,489 per unit and post-war properties earned an average of $1,748 in income.

Gross income was highest in Manhattan at $2,274, with average gross income of $2,773 in Core Manhattan and $1,636 in Upper Manhattan.

And lowest in the Bronx at $1,159;
In between were Queens at $1,415;
Brooklyn at $1,348; and,
Staten Island at $1,196.

Monthly income per unit in the City, excluding Core Manhattan was $1,340.

This graph, and the graphs are all -- that I'm showing are also in your report.

It showed the average monthly income and rent were highest in Core Manhattan, which is the top bar graphs. And it was the lowest in the Bronx.

Core and Upper Manhattan are both showing at the top. And the City, without Core Manhattan is shown at the bottom.

Average income is in blue.

And average rent is in maroon.

The sale of services and commercial income account for 11 percent of the total income earned by rent stabilized building owners in 2018 citywide. That was down two-tenths of a point from the previous year.

By borough, income earned from services and commercial rents was:

15.9 percent in Manhattan;

It was at 16.8 percent in Core Manhattan; and,

13.9 percent in Upper Manhattan;

It was 9.9. percent in the Bronx;

6.8 percent on Staten Island;

6.84 percent in Brooklyn; and,

6.1 percent in Queens;

In the City's, excluding Core Manhattan, the proportion was 7.3 percent.

The average monthly operating costs for units in stabilized units was $1,034 in 2018.

The median monthly cost was $923.

The costs were lower units in pre-war structures and average of $98 and higher among post-war buildings, $1,116.

By borough, the average costs were highest in Manhattan at $1,473.

Followed by Queens, $934.

Brooklyn $881;

The Bronx, $797; and,

Lowest in Staten Island at $796.

Within Manhattan costs per units

located in Core Manhattan average $1,745 a month, while costs in Upper Manhattan were $1,125.

Excluding Core Manhattan, the average monthly operating costs for rent stabilized building owners in New York was $900.

This graph breaks down expenses by component and further splits them into pre and post-war categories. The largest share of expenses went towards taxes, followed by maintenance and administrative costs.

Post war buildings indicated in this graph in maroon, spent more on taxes, administration, labor, maintenance.

Pre-war buildings shown on the graph in blue, spent more on insurance and both tax on buildings spent about the same on utilities.

The average expense per unit per month for all stabilized buildings is shown in gold.

And in 2018, 5.4 percent of the buildings were found to have operating and maintenance costs greater than gross income, which are considered distressed. That represents an increase of four-tenths of a point from the prior year. Most distressed buildings are pre-war at 92 percent.

By borough, more than half of the buildings are in:

Manhattan, 56 percent;

While the remaining buildings are in:

The Bronx, 19 percent;

Brooklyn, 16 percent;

Queens, 9 percent; and,

Staten Island fewer than one percent.

This graph shows distressed properties since 1990, a proportion of properties, when 13.9 percent were considered distressed. The proportion has declined each year until 1999 when it reached 6.1 percent. From 1999 until 2004, the proportion generally increased but then declined ten times over the last 12 years, reaching in 2016 its lowest level in the 29 year history of the study.

This year is 5.4 percent. That figure equals the third lowest in the survey's history and it's the same percentage as in 2015.

There's no direct way to measure profit in the rent stabilized buildings in this study. We would need to know a great deal of individual building information such as, debt service or interest rates, et cetera and that is just not available.

And we have instead two surrogate measures for profit. Net Operating Income and cost to rent and income rations. But we'll get net operating income first.

The amount of income remaining after expenses are paid that is used for financing buildings, making improvements and for creating new tax profits is referred to as NOI. It's a good indicator of the building's financial help.

In 2018, rent stabilized apartments averaged $535 of net income per month. While units in post-war buildings on average earned more, $632 and units in pre-war buildings earned less, $492.

The average NOI per unit in residential only buildings was $476, 10.9 percent less than the average for all rent stabilized buildings.

In 2018, the average NOI was significantly different by borough. The average NOI is greater among stabilized properties in Manhattan at $801. And for those in the other boroughs:

$481 in Queens;

$467 in Brooklyn;

$400 in Staten Island; and,

$362 per unit, per month in the Bronx.

It was a notable difference when you look at NOI within Manhattan. Core Manhattan properties earned an average or $1,023, twice as much as properties in Upper Manhattan, which earned $511.

And the monthly NOI average citywide if you exclude Core Manhattan is $440.

The second surrogate for measure, measure for profit is the cost to rent and cost income ratios, which reveals how well the stabilized stock is doing.

Cost income ratios can be used as a tool to evaluate a building's financial health. Assuming that buildings are better off by spending a lower percentage of revenue on expenses.

In this graph, the audit adjusts costs income ratio is shown in maroon at the bottom line of the graph.

In 2018, operating costs were 60.5 percent of gross income; 1.2 percentage points higher than the prior year.

And the cost to rent ratio, which is the blue line, followed similar trajectory, also rising 1.2 percent this year to 68 percent.

This slide -- this slide breaks out rent income costs. The NOI figures between Core Manhattan, which is on the left in blue and the City with the Core Manhattan excluded, which is on the right in maroon.

The graph shows that average rent to income cost and NOI are a great deal higher in Core Manhattan compared to the rest of the City.

And when looking at the cost to income ratios, the difference between the two demonstrates that Core Manhattan owners spend on expenses, when compared to owners from the rest of the City, about 3.9 cents less of every dollar earned.

This graph is useful because it shows the change in rent -- income rent expenses and NOI citywide over 28 years and takes inflation into account as well. During this period, income, which is in light blue and the top line was up at an adjusted 40.8 percent rent; the second line from the top in gold -- yellow/gold, it was up 40.3 percent.

Costs, which is the third line from the top and in maroon, were up 37 percent and NOI, represented by the bottom line in dark blue, was up over this period a total of 48.7 percent.

I'll note that this an inflation adjusted point to point comparison where the changes are shown over the entire period that we've had this comprehensive data available, 1990 to 2018.

These graphs represent the same time period as the previous graph but break it down by borough. These graphs show that while the average -- well, the actual inflation adjusted figures are far higher in Manhattan, the percentage increase in NOI was not highest in that borough.

Brooklyn, which is at the top

right, saw the largest NOI increase over this period with NOI more than doubling, rising 104 percent since 1990;

To Queens at the bottom left had the second highest NOI growth, rising 67 percent;

The Bronx at the bottom right experienced NOI growth of 70 percent; and,

Manhattan, which is at the top left, saw NOI grown 42 percent since 1990.

We'll now move on to the second part of the Income and Expense Study, which is a longitudinal analysis. The longitudinal sample encompasses properties that filed RPIE forms reflecting conditions in both 2017 and 2018. By conducting the longitudinal analysis, we can more accurately track changes from year to year as specific buildings are being analyzed.

Average rent collections in stabilized buildings grew 3.7 percent in 2018.

Rent collections in pre-war buildings grew at a higher rate of 4 percent than post-war building, which rose by 3.2 percent.

Rent collections increased the most among mid-sized 20 to 29-unit buildings, up to

3.8 percent, while smaller, 11 to 19-unit buildings and large 100 plus-unit buildings, each grew 3.6 percent.

Average rent grew in every borough.

Staten Island saw the largest increase up 6 percent;

Followed by the Bronx up 4.4 percent;

Brooklyn up 3.8 percent;

Manhattan up 3.5 percent; and,

Queens up 3.1 percent.

Upper Manhattan rents grew faster at 3.9 percent compared to 3.3 percent in Core Manhattan.

And rent collections in the City, if you exclude Core Manhattan, rose 3.9 percent. And the growth in median rent citywide was 4.1 percent.

Now we'll examine rent collections throughout the City by Community District. Every Community District this past survey year rose from 2017 to 2018. And the Community Districts in white, there was too few buildings to analyze.

At the local level, the greatest rent growth was found in two Brooklyn neighborhoods; Bushwick and Brooklyn Heights, Court Street. They rent grew each by 7.4 percent.

This highest rent growth was also in Brooklyn's Bed Stuy at 7.2 percent;

Followed by East Tremont/Belmont in the Bronx, up 6.2 percent; and

The North Shore of Staten Island up 5.6 percent.

By contrast, the neighborhood with the smallest increase in rent stabilized was the Upper West Side, up 2 percent.

A list of all the Community Districts and how much rent changed in each of them can be found in the report, which in appendix 13 and that report is available to the public for download right now on our website.

The average total income collected in rent stabilized buildings, comprising apartment rents, commercial rents and sales and services rose 3.6 percent from 2017 to 2018.

Revenues grew faster in pre-war buildings, up 3.8 percent, compared to 3.1 percent among post-war buildings.

The borough seeing the highest growth in income was Staten Island, up 5.8 percent;

Followed by the Bronx, up 4.1 percent;

Brooklyn, up 4 percent;

Queens up 3.3 percent; and,

Manhattan, up 3.1 percent.

Within Manhattan, Upper Manhattan rose 3.7 percent, while Core Manhattan was up 2.49 percent;

And total income in the City, excluding Core Manhattan grew 3.8 percent;

Median growth in the City was up 3.9 percent.

And now we'll move on to expenses. The average expenses in stabilized buildings increased 5.8 percent citywide.

Pre-war buildings rose at a greater rate, up 6.2 percent, while post-war building costs rose 5.1 percent;

Costs grew the most in Manhattan, up 6.1 percent;

Followed by the Bronx and Staten

Island, both up 5.8 percent;

Brooklyn up 5.6 percent; and,

Queens up 5.5 percent.

Within Manhattan, Upper Manhattan costs rose by 7.2 percent and Core Manhattan costs grew by 5.6 percent.

Operating costs in the City, excluding Core Manhattan rose 5.9 percent and the citywide expenses rose 6.4 percent.

It could be useful to compare the cost changes calculated from RPIE data, which is used in this study with the price and cost data from the RGB's Price Index of Operating Costs. And these figures were adjusted for the graph to match the time periods between the two.

The adjusted PIOC is in maroon and the RPIE data is in blue. The graph shows that income and expense corrective data grew at different rates than the PIOC in some years.

In the most recent year, the adjusted PIOC grew by 5.3 percent in the same period as 5.8 percent increase in income and expense costs; one-half a percentage point difference.

Citywide, NOI, Net Operating Income, in rent stabilized buildings, declined for the first time since the 2002-2003 period, falling six-tenths of a percent between 2017 and 2018. The decline followed 13 consecutive years of NOI increases.

Citywide NOI in pre-war buildings fell seven-tenths of a percent, while newer, post-war buildings saw NOI fall by three-tenths of a percent.

This change in NOI varied throughout the City. NOI increased in three boroughs but declined in two. The largest increase was on:

Staten Island, where it rose 5.8 percent;

Followed by Brooklyn up 1 percent; and,

The Bronx up six-tenths of a percent;

Meanwhile NOI declined a half-a-percent in Queens and 1.9 percent in Manhattan.

Within Manhattan NOI declined more

in Upper Manhattan, falling 3.3 percent and it fell 1.4 percent in Core Manhattan.

And NOI in the City, if you exclude Core Manhattan was down two-tenths of a percent.

Looking at the Community District level, NOI rose in half the City's neighborhoods. The greatest growth in NOI was in Brooklyn's Bushwick, up 24.4 percent and Bed Stuy up 15.1 percent.

The North Shore of Staten Island saw the next largest increase in NOI, up 8.1 percent.

Meanwhile, the remaining half of the City's neighborhoods experienced a decline in NOI. The largest decrease was on:

The Upper West Side of Manhattan, falling 10.4 percent;

Followed by East New York, Starrett City, Brooklyn, down 9.4 percent; and,

Central Harlem in Manhattan, down 6.3 percent.

And like with the other map, all of the Community Districts and how much NOI changed can be found in the report in appendix 13.

This table lists the average annual change in rent, income expenses and NOI from 1990 to the present. And to summarize the findings of this year's Income and Expense Study, which is at the bottom line of the chart.

Citywide, average rent grew by 3.7 percent. Revenues increased by 3.6 percent and expenses rose by 5.8 percent because expenses increased at a greater rate than income.

The NOI citywide decreased by six-tenths of a percent. That was the first citywide NOI decline since the 2002-2003 RPIE period. This is also the third time NOI has declined in the 27 years it has been calculated by this study.

And just a reminder that, like I mentioned at the beginning, this data is only through 2018, which is the most recent data we have available. Of course, it's well before our current pandemic and we cannot use this data to interpret it -- we cannot interpret it with what's going on today and any possible -- any future ramifications of the pandemic and what will happen in the future.

Thank you anyway.

I'm finished with my presentation. I will now take any questions that board members have.

MR. WALSH: Brian, I have a question.

Thank you for your presentation.

It was -- it was early in the presentation you -- you presented the distressed building slide -- that's what I put in my notes.

Is it possible to get that slide expanded to include the 1970s fiscal crisis in the City? You obviously had rent stabilization during the fiscal crisis but I don't know if that data set could be expanded of that period.

MR. HOBERMAN: The data -- all the data that we used is from the RPIE filings, of which we have -- we go back as far as comprehensive data was available. So, I mean, we can request it from the Department of Finance. I don't know if it would be available.

MR. MC LAUGHLIN: The RPIE filings start in 1990, Scott.

MR. WALSH: Okay.

MR. MC LAUGHLIN: So we don't have that data and neither would Finance, comparable anyway.

MR. WALSH: Did the board, during the '70s fiscal crisis have a way to present, you know, buildings in distress? Like is there a proxy for that?

MR. MC LAUGHLIN: Yeah, I don't -- we'd have to research that. I'm not sure. They didn't have an Income and Expense Study. We didn't have -- yeah, I don't know. Because they didn't necessarily have incomes for what owners had during that period.

Unless, you know, obviously RPIEs weren't done. I'd have to go back and take a look, Scott.

MR. WALSH: Okay.

MR. MC LAUGHLIN: The answer to that is, I'm not sure. I'm not sure.

MR. WALSH: Okay.

MR. SCHWARTZ: That was the period of rampant tax -- property tax foreclosure, the build up of the inventory.

MR. WALSH: Right. Well, that

would be an okay way to look at it too.

MR. SCHWARTZ: But property tax payments might be a proxy.

MR. WALSH: Yeah.

MR. SCHWARTZ: I have one question. I might have asked last year but, as I understand it, this data -- every building has one or more rent stabilized unit is counted; correct?

MR. HOBERMAN: Correct.

MR. SCHWARTZ: So if a unit just has one rent stabilized unit and the rest are market rate versus 100 percent rent stabilized, there's no waiting. Is it possible to show the data for buildings by the percentage, rent stabilized units?

MR. HOBERMAN: I don't know if that's available --

MR. SCHWARTZ: Yeah.

MR. HOBERMAN: -- from this data. I don't think we get that from Finance.

MR. SCHWARTZ: Okay.

MS. STONE: You should be able to get that from DHCR. Oh, actually, Finance can figure that out because for rent stabilized units you have to pay a certain amount per apartment when you register them. So there should be a way for them to figure out how many apartments the payment was made for versus how many apartments are in the building.

MR. MC LAUGHLIN: Yeah, I would answer that in two different ways.

One, Finance has given that to us in the past so we can go back and ask them for that. But Core Manhattan is where the large majority of deregulation has taken place. So if you look to the outer boroughs and if you look to, say the Bronx, where the most stabilization is still remaining, that would be more of an indication on buildings with, you know, that are predominantly or mostly, or a large majority of the units are stabilized.

So that's one of the reasons why we pull Core Manhattan out from -- from all the other things that are going on.

Now there's been deregulation in other pockets within Brooklyn and Queens and things like that. But the large majority of it was done in Core Manhattan. So you can really get a picture of it if you look at the outer borough numbers.

MR. SCHWARTZ: Thanks.

MR. MC LAUGHLIN: Any one of those statistics -- rent, growth in rent, growth in -- in expense or growth in NOI, you could take a look at the outer boroughs and that would give you a better picture of the buildings that are -- where there's more stabilized units.

MR. WALSH: A couple of years ago though, didn't we have data sets where we did like if 80 percent of the building is rent stabilized --

MR. MC LAUGHLIN: Yeah, there was a memo that we did send around.

MR. WALSH: Yeah.

MR. MC LAUGHLIN: That particular year we did the memo -- we'll send it around. There was very little difference between that.

MR. HOBERMAN: Scott is frozen up.

We're having technical difficulties but I think -- yes, I'm not sure. Oh, it's my internet connection. Oh, I'm sorry. It's unstable.

MR. MC LAUGHLIN: No, yeah, we do

have that memo. We'll circulate it but we -- we did find that there really wasn't much difference between buildings with 80 percent or more stabilized versus the other percentages, the increase in, you know, those increases in rent and expense and NOI were very similar from -- from buildings to buildings. But we'll send the memo back around.

MR. GONZALEZ-RIVERA: So another sort of breakdown that I'd be curious about are how the components of NOI differ from Community District to Community District.

So to what extent, I mean, it's like in some Community Districts, is the increase in NOI due to increases in rent versus, you know, sort of perhaps, you know, more stable operating costs? I mean, to what extent or, you know, basically, I mean, what those dynamics are from Community District to Community District.

Is that something that would be possible, that kind of breakdown?

MR. HOBERMAN: We do have -- we do break it down just by borough in the appendix in terms of changes like the expenses and income and rent. We don't break it down by -- by Community District. We could do that.

MR. GONZALEZ-RIVERA: Because I would imagine they will just be very different. I mean, even within Brooklyn let's say.

MR. HOBERMAN: Right.

MR. GONZALEZ-RIVERA: I mean, I would imagine that Bushwick would look ver different than --

MR. HOBERMAN: Yeah, yeah.

I mean, you can look at the change in -- compare the change in rent in the appendix with the Community District, compare the change in rent and the change in income and you can sort of infer what the costs might be through that. But it's not directly recorded but we could -- we could report the costs was well by Community District.

MR. GONZALEZ-RIVERA: Okay.

MR. HOBERMAN: We can certainly add that.

MR. GOODRIDGE: I have a question about some of the data that we just heard. I'm wondering if, you know, I guess I'm having some difficulty into how we are going to be able to use that data and for what we're going to be able to use the data to determine given all that's going on.

I know that it was previously stated that there would be a separate memo about the Corona Virus pandemic but my question is, is that memo going to address like what the NOI, projected NOI would be, the projected income and affordability, income and expenses would be in light of the pandemic or is it going to address something else?

Oh, can you hear me?

CHAIRMAN REISS: Yes.

MS. GOODRIDGE: Sorry. Yes, I'm getting delayed text message.

But, you know, I'm curious to know, you know, how we will incorporate what's going on now with our current studies and if not, you know, if we do -- if not, I'm also curious as a separate question, even if -- where we have a separate memo, how are we going to use these studies to make a determination? Because if they don't hold any weight because of all that's going on, you know, I'm not really sure. Or is it -- is it going to be that the studies are going to prevail but that we're going to have this side memo? So I'm just curious about that.

MR. WALSH: Well, the studies are always rear view mirror, irregardless of the crisis. This is just a -- as you know, these RPIE statements --

MS. GOODRIDGE: Yeah.

MR. WALSH: -- more than 18 months ago. So we always have to use them in a very tertiary way --

MS. GOODRIDGE: Right.

MR. WALSH: -- even if we were in good times, which clearly we all agree, we're not.

MS. GOODRIDGE: Yeah.

MR. WALSH: It's context but -- I had a question about the memo too but I think it's context for just where the market was. Obviously, it will be 2023 before we're seeing the impacts of this.

CHAIRMAN REISS: And, yeah, Leah, just from my perspective -- I would just say that -- can you hear me?

MS. GOODRIDGE: Yes.

MR. MC LAUGHLIN: Yes.

CHAIRMAN REISS: I would just say that, you know, the -- the Rent Stabilization Law really gives the nine of us the responsibility to evaluate all this and make a decision using our best judgment.

I think the memo that I'm asking the staff to put together will just look at all of the data that's late released data from, you know, end of the first quarter that will, you know, encompass some of March and then if there's any data that comes out about unemployment figures and other important data for the end of April, even for the end of May as we are meeting, we will share that with the board. And the board will need to have a conversation and use their judgment to see how to weight everything.

MS. GOODRIDGE: I asked that just for the -- for the newer board members. Let me explain some context to why I asked the question.

Whenever we're making a determination, we tend to very heavily rely on, or at least a lot of the board members in speaking with them, tend to very heavily rely on what the

NOI was, what the projected costs were for -- for landlords.

And so I guess that's why I -- given that we have that data, we will have a separate memo about the pandemic but I think, as David pointed out, a lot of the information that we're learning about the pandemic is like ongoing.

So we see the impact because we're here and we're experiencing it but in terms of statistics and reports, that as well might be delayed and I'm a little bit worried about us not able -- if we're relying on data, us not being able to, you know, fully -- fully engage, fully use data that's reflective of what's going on and rely instead on the existing data, which is like what -- what we're hearing.

MR. GONZALEZ-RIVERA: Yeah, I -- along those lines, I mean like in terms of sort of data that we might use that might be more current, I mean, it's like I wonder whether we can incorporate into our knowledge and perhaps this memo, some kind of measures of sort of financial resiliency.

So among tenants, I mean, it's

like in terms of, I mean, it's like how many months of rent could they pay. And, also, among landlords, I mean, it's like given the situation where you may have a lot of tenants that are just unable to pay rent. What financial situation what that put landlords in?

So are there some more current measures that, you know, perhaps could look at what -- how -- the extent to which that's happening now or to look at, you know, sort of those measures of financial resiliency from the past and project, I mean, if income is cut off, how many months of savings do tenants have? If income is significantly reduced for landlords, how, you know, long can they stay solvent?

Those kinds of measures that we might be able to project to the current time and give us an idea about what's going on. Do you think that's something that might be possible?

CHAIRMAN REISS: I certainly know and I think that some of the board members know this as well, that some academic institutions have been generating some reports like this.

And Andrew and I have been sharing

them. Alex sent one from the New School. The Furman Center has one that touches exactly -- I think Christian probably knows this study at the -- at the Furman Center at NYU. And certainly, I think we should all feel comfortable sharing those reports with each other.

And I'll defer to Andrew but it's unclear that -- so Andrew and his staff tend to rely on government data, you know, data that's been vetted by the census by -- by, you know, New York State and some of the academic reports may be, you know, model things differently. But I certainly think that those are things that we could share with each other.

I'm not sure what the staff would do with those other than circulate and share them.

Andrew, am I right on that or what do you think?

MR. MC LAUGHLIN: Yeah, generally speaking, we want to report data -- that's hard data to the board members. We don't always deal with in, you know, data that will project what's going on because there's -- especially now with all the different changes on a daily basis, a good example is the amount of people who are going to be in rent arrears in -- in April 1st didn't seem to from indications be quite the extent of what it was predicted to be. But May may be completely different.

So it's -- so, you know, we'll have unemployment figures. I mean, there's absolutely people who have filings for unemployment, things like that that are hard numbers that will absolutely get to the board but we are well -- more than welcome to share different reports and data that may be out there to take a look and -- and it's hard to say which one will be right and which one will be wrong. But as we get real data of really what real time data of what's happening, we'll certainly get it together and give it to the board.

But at this -- but that doesn't preclude you from sending the reports and we'd be open to hear about those kind of things as well.

So -- but --

MR. GONZALEZ-RIVERA: I'm sorry. That was part of my question as well. I mean, it's like information in the report that are referenced within the memo, are those the extent of the reports and data that we would be taking into consideration when making our decisions or could the reports that we're sending around also be part of that deliberation?

So I was just wondering what the official --

MR. MC LAUGHLIN: Yeah, no. There is no official -- well, let's take a step back. There's certain things that the board are required by law to look at. One is expense by owners. So that's -- that's what this report that was presented does. It also takes a look at income and the next report looks at expense.

We are legally obligated to do that. In fact, we're legally obligated to do that for the year -- the preceding year to when we're doing guideline increases.

Now with that said, the board always has the opportunity to take any other research that it wants into account. So if there's anything that's relevant to the time then obviously it can be used and the board's not a formula. You get a vote. So you're taking in all this information and you can take what, you know, is legally required by law to present to the members f the board plus any relevant data that you see is important to the process and you can use that.

So the answer is you can use both. We're not, you know, we're not required to -- you know, we're required by law to present this data but we have no law that allows us to take any data that the board deems important in making their decision.

So we're not limited to that. We are required to look at.

MR. WALSH: I would just add to that too that, you know, I think in principle, and David, you're trying to -- you disagree, I think if one of these reports was a person who was local, or I guess they don't even need to be local, right, we could have them on -- could be someone who testifies but this is not like a Supreme Court hearing where, you know, only things that we have and certain copies can be considered in deliberation.

All the board members have expertise in housing and expertise with their various constituents. So all of that gets mixed up into a sausage that becomes one final -- final recommendations and thoughts.

CHAIRMAN REISS: Yeah. And you're absolutely right. And I would say, I can think of three opportunities for third parties to come and testify, the -- the tenants' community has a couple of hour period coming up, I guess, in early -- in early May --

MR. MC LAUGHLIN May the 5th.

CHAIRMAN REISS: And the owner community -- I'm sorry, when?

MR. MC LAUGHLIN: May 5th we have.

CHAIRMAN REISS: May 5th. And then the owner community has a similar two or two-and-a-half hour period and each of those can invite some of these experts there and then I think Andrew and I were thinking that we might need to schedule an additional one for staff report and then we could, also, potentially squeeze -- shoehorn some other speakers there as well.

MR. SCHWARTZ: One additional item, which -- contextual information that might be helpful is the number of rental buildings that are subject to the CARES Act, which holds tenants in those buildings do not have to pay rent for a short period of time and landlords don't have to pay mortgage interest. I think nationally about 27 percent of all rentals but it will be interesting to know what that number is in New York City.

CHAIRMAN REISS: Alex, can you share some of that -- the background on that with Andrew so the staff can take a look at that?

MR. SCHWARTZ: Sure.

CHAIRMAN REISS: Any other comments?

(No response.)

CHAIRMAN REISS: Okay.

Hearing no further comments on the Income and Expense Study, why don't we turn to the Price Index of Operating Costs Study.

MR. MC LAUGHLIN: Okay. Yeah. Does anyone need a few minutes or are we --

MR. WALSH: Just take like a one minute stretch break.

CHAIRMAN REISS: All right.

Let's do that.

Maybe Andrew you can start setting up and we'll take a minute or two while you're setting up.

MR. MC LAUGHLIN: Yeah, sure. And just -- just to let everyone know, we're still streaming live. We need to do that. We can't stop the stream. So people who are watching, we'll be back. They'll be a pause.

I don't know, Brian, if you want to put something up stating that that we'll be returning momentarily.

There you go. Perfect.

Thank you, Brian.

Working on the fly.

So why don't we say five minutes at the most.

MR. HOBERMAN: Just to let everyone know, if you haven't muted your -- your audio, we will still be able to hear you. The public will still be able to hear you.

MS. GOODRIDGE: Sheila, can you hear me?

(No response.)

MS. GOODRIDGE: Oh, I guess not.

MR. MC LAUGHLIN: I can hear you, Leah.

MR. HOBERMAN: She probably already left.

MS. GOODRIDGE: All right.

Thank you.

(Brief recess.)

MR. HOBERMAN: David, when you're ready. I mean -- I took that I was waiting for you.

CHAIRMAN REISS: Oh, you know -- so I just saw that a bunch of people had their video off so I was just kind of waiting for them to show back on.

Leah, are you there?

(No response.)

CHAIRMAN REISS: Christian is there; right.

(No response.)

MR. HOBERMAN: Well, most of them have their mics muted.

MS. GOODRIDGE: I'm here.

CHAIRMAN REISS: Okay. I'm sorry.

Let's go ahead. We should start.

MR. MC LAUGHLIN: All right.

I'm going to share my screen now.

Okay. I'll be presenting the 2020 Price Index of Operating Costs today.

So the Price Index gathers prices for a market basket of goods and services used in the operation and maintenance of rent stabilized buildings in New York City and uses these prices to estimate cost price changes from one year to the next.

Changes in the overall PIOC result from changes in the prices of individual goods and services, each weighted by its relevance and importance as percentage of total operating and maintenance expenditures.

This is the same approach used by the Consumer Price Index and other similar indices. But the PIOC specifically analyzes the goods and services typically purchased by owners of buildings containing rent stabilized units.

Separate indices are calculated

for rent stabilized apartments, hotels and lofts.

It's important, again, to note that this 2020 Price Index of Operating Costs was published -- is published in April 2020. It focuses on data from April 2019 to March 2020. And so due to the as yet unknown full impact of the COVID-19 virus, it does not reflect the impact of the health crisis on expense data for owners of rent stabilized apartments in New York City and should not be interpreted as such.

So here's an overview of the changes in the apartment -- rent stabilized apartments' PIOC, which I'll go into detail of each component shortly.

But most notably fuel is the only component that declined and it declined 12.3 percent.

And taxes, which make up nearly a third of all expenses, rose 5.9 percent.

And more moderate increases were seen in the remaining -- well, no, I shouldn't say moderate but in the remaining five components, ranged from a 1.6 percent in utilities all the way up to a 16.5 percent increase in insurance costs.

Over the same 12-month period, the average increase in the CPI was 1.8 percent.

So the PIOC was comprised of weights and price relatives. So we identify prices for various items that are representative of the operating costs for apartment buildings in New York City. And the importance of each of these items in calculating the PIOC is its weight. And like I just stated that, like a third of the -- for example, a third of the costs for owners are real estate taxes, nearly a third.

So that's -- so those prices are weighted more than any other -- of any other component in the Price Index.

And the change in price or costs is referred as the price relative. So all these percentages that I'm talking about, those are the price relatives.

So I'm going to go into the different -- the seven different components that we have.

First, we will start with that increase in taxes, which is 5.9 percent. This slide show is a breakdown in the change of assessments and exemptions by borough:

Assessed valuations of properties in rent stabilized units rose a total of 9 -- 7.8 percent citywide in fiscal year;

Assessments rose in all five boroughs with the Bronx seeing the highest quotas -- growth at 11 percent;

Followed by Brooklyn at 10.9 percent; and,

Queens and Manhattan at 7.1 percent.

But buildings in Manhattan account for much of the change in assessed value citywide. And this was true in fiscal year 2020 again, with 60 percent of the total assessed value attributed to this borough.

The large majority of the buildings that contain rent stabilized units are in tax Class 2. And there was a decrease in the Class 2 tax rate of 1.1 percent from fiscal year 2019 to fiscal year 2020, falling in each of the five boroughs.

At the same time, exemptions lowered the overall tax burden by .8 percent.

As a result, the rise in assessments was offset by the rise in the total value of exemptions and the decrease in tax rate, which had the effect of lowering the total rise in taxes, resulting in an overall increase of 5.9 percent.

And as you can see on this graph, you can segregate the taxes into several components. The black line on the chart represents the change in taxes from one year to the next. This year the change was 5.9 percent.

The change can be broken down into the impact in assessments, which is the orange bar.

And the impact of exemption and abatement and changes in the tax rate grouped together in the red bar.

The change in taxes was primarily due to a rise in assessments of 7.8 percent.

Exemptions lowered the overall rise in taxes, as did the lower end of the tax rate.

It is interesting to note that since 2001, the increase in real estate taxes have more often than not been driven by the rise in assessments. And since 2011, almost entirely by assessments.

The Price Index measure of labor costs includes union and non-union salaries and benefits, in addition to social security and unemployment insurance. The cost of unionized labor makes up more than two-thirds of the labor costs component. The entire labor cost component comprises roughly 11 percent of the overall Price Index.

Labor costs rose 3.2 percent. The rise is labor costs was primarily due to increase in non-union wages, as well as a rise in costs of health care, a decrease in unemployment insurance of 7.9 percent had minimal impact since it accounts for less than one-half of one percent of the components' weight.

Weight is comprised nearly three-quarters of the labor costs component. Non-union pay increased 4.2 percent, while .5 percentage points lower than in 2019 Price Index. And unionized wages rising 2.2 percent, which is about the same increase as last year.

Health and welfare benefits, which

comprises almost 23 percent of this component, increased by 3.8 percent.

The fuel component comprises 7.9 percent of this year's Price Index. The change in cost measured in this component considers both the change in weather and the change in prices for heating multifamily buildings by fuel oil, natural gas and steam. This year the fuel component decreased 12.3 percent.

The cost for heating buildings by gas makes almost half of its component and gas costs decreased by 15.3 percent.

Fuel costs, which account for 44 percent of this component also fell, decreasing 8.6 percent.

Steam costs fell 15 percent but these costs only account for roughly 7 percent of the fuel component.

The utilities component consists of non-heating natural gas and electricity costs, as well as water and sewer charges and makes up about 10 percent of this year's Price Index. This year utilities increased by 1.6 percent.

The cost of non-heating -- the

cost of non-heating electricity costs increased .4 percent, while non-heating gas costs, which account for less than 2 percent of the utilities component, fell 9.7 percent.

So the growth in this component is contributed mostly to an increase in the water and sewer rate of 2.3 percent.

The maintenance component increased by 4.8 percent and it includes painting and other services performed by contractors, hardware and cleaning items and appliances that need periodic replacement. This component accounts for about 18 percent of this year's Price Index.

Of the 29 expense items contained in this component, just four items account for 51 percent of the weight. This year:

Painters' rates rose 1.8 percent;

Plumbers' rates items rose 4.8 percent; and,

Electricians' services rose 3.4 percent.

Other price increases of note were boiler repairs, up 7.4 percent.

Floor maintenance rose by .8

percent.

Roof repair rose 5.4 percent; and,

Extermination services rose 6.5 percent.

Fees paid to management companies, accountants and attorneys make up about 80 -- 87 percent of the administrative cost component, which rose 3.5 percent.

A portion of this growth in the administrative cost component be contributed to a rise in management company fees of 1.7 percent. And that comprises over half of this component.

Accounting fees increased in this year's PIOC by 3.3 percent; and,

Attorney fees by 8.5 percent.

They account for about 35 percent of the administrative cost component.

And communications increased .5 percent and they account for about just less than 5 percent of this administrative cost component.

For the ninth consecutive year there was an increase in the insurance cost component, rising 16.5 percent compared to last year's increase of 6 percent.

Insurance costs account for about 5.3 percent of the Price Index.

Policies that cost more than $6,000 saw an average increase in cost of 18.9 percent upon renewal and buildings with policies of $6,000 or less saw an increase of 3.7 percent.

So in addition to doing a Price Index for all apartments -- for buildings with apartments, we can actually break those buildings down into four separate categories.

Pre '47 buildings;

Post '46 buildings;

Gas-heated buildings; and,

Oil-heated buildings.

This year, total costs in pre '47 index, rose by 3.8 percent, while costs in post '46 index, rose by a lesser amount of 3.6 percent.

Indices were also calculated for different types of heating systems. The gas heat index, 3.9 percent, rose more than the oil-heated index, which rose 3.7 percent.

In addition to the apartment indices, the 2020 PIOC also included indices for hotels, lofts. The core PIOC and projected -- a projected all rent stabilized apartment index for 2021, the Price Index for all rent stabilized hotels increased by 2.9 percent from April 2019 to March 2020.

This year there were increases in all of the PIOC hotel components, except fuel.

The fuel component witnessed the only decrease, falling 11.2 percent;

The fuel component accounts for just over 16 percent of the entire hotel index;

The insurance component rose by the greatest proportion, increasing 16.5 percent;

The remaining five components witnessed more moderate cost increases with:

Taxes rising 6.9 percent;

Maintenance 3.6 percent;

Labor costs 3.5 percent,

Administrative costs, 2.1 percent; and,

Utilities 0.7 percent.

We can also do indices for different types of hotels. Rooming house, SROs and traditional hotels, these all contain rent stabilized units.

This year the traditional hotel index was 5 percent;

Rooming house index was 2.5 percent; and,

SRO index was 1.3 percent.

We also said renewal lease adjustments for lofts. So we also do a price indices for rent stabilized loft buildings.

This year there was a 6.2 percent increase in the loft index.

Increases in costs were seen in all eight components that make up this index, with the exception of fuel again. Fuel is the only component to decrease, falling 8 percent.

All other components increased, including insurance costs, 16.5 percent;

Administrative costs: Legal, 8.5 percent;

Taxes, 5.9;

Maintenance, 4.8;

Labor costs, 3.6;

Utilities 2.2; and,

Administrative costs others 1.9 percent.

And for years the board has also done something called the Core Price Index and the idea of the Core, which rose -- excuse me, rose 5.1 percent is to eliminate heating costs due to the volatility of -- of whether you're using fuel oil or gas, natural gas and see what other costs did if you remove those.

So the 2020 Core PIOC was 1.4 percentage points than this year's apartment index of 3.7 percent. The Core PIOC rose at a slower pace than the overall PIOC because fuel costs, which were not used to calculate the Core PIOC, decreased by 12.3 percent.

By law, the board has to make a projection what costs will do in the next 12-month period from April 2020 to March 2021.

This year, the PIOC -- I'm sorry, next year, the PIOC is expected to grow by 2.4 percent. Costs are predicted to rise in each component, except fuel, with the largest growth 8.5 percent, projected to be in insurance.

With taxes, the component that carries the most weight in the index, at 3.9 percent.

Other projected increases include:
Maintenance at 4 percent;
Labor costs 3.4;
Administrative costs 2.9; and,
Utilities are 0.4.

Fuel is the only component predicted to decrease by 11.7 percent.

So each year the board is obligated to formulate guidelines and the law only gives very general criteria. The board considers mortgage financing, income and expense data, tenant income and the housing affordability, the Price Index and other factors setting the guidelines.

One tool the board has used since its inception, is called the Commensurate Rent Adjustment. What the Commensurate Rent Adjustment determines is how much would rents have to change to keep the NOI constant for owners of buildings that contain rent stabilized units.

In other words, if the Net Operating Income was say, $40 and the income was $100, how much would rents have to change to keep the NOI at $40 in absolute fixed dollars?

The first commensurate method is

called the Net Revenue formula, or approach. What this formula takes into consideration a term of leases actually signed by tenants. It does not adjust owners' NOI by inflation.

The Net Revenue formula is presented in two ways.

First adjustment for the mix of lease terms; and,

Second adding an assumption of 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 3.7 percent increase in the Price Index, is 2.75 percent for a one-year lease and 5.5 percent 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 2.5 percent for a one-year lease and 4.25 percent for a two-year lease.

For the commensurate formula that included a vacancy assumption, 3.97 percent median increase in vacancy leases, calculated from the HCR

2019 Department registration file was used.

The second commensurate method considers the mixed lease of terms while adjusting NOI upward to reflect general inflation, keeping both the operating maintenance and costs and NOI constant, this commonly called the CPI Adjusted NOI formula, a guideline that would preserve NOI in the face of 1.8 percent increase in the Consumer Price Index and the 3.7 percent increase in the Price Index is 3.5 percent for a one-year lease and two-year lease at 6.75 percent. If you include vacancy as a factor, a one-year lease with 3 percent and a two-year lease would be 6 percent.

And then since the inception of the board, those other formulas came and were developed by staff in the '90s. But since the inception of the board there was also what we have labeled a traditional formula. So we calculate that as well each year.

The traditional commensurate yields a 2.5 percent for a one-year lease and 3.3 percent for a two-year lease. This reflects an increase in the operating costs of 3.7 percent for the Price Index. But it also includes, and it's the only formula that does it, is the 2.4 percent projected cost increase.

So those are the two things. It's the only formula that uses the projection.

And it's very important to note that each of these formulae may be best thought as a starting point for deliberations. The data presented in other Rent Guidelines Board annual research reports, such as 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.

And once again, we want to make it clear that these changes in expenses were prior to the current situation that we are in. We won't know the impact of these until the next Price Index is done and produced. But we won't measure them in the same way that we measure these until -- we won't know until next April the impact of that on expense -- expenses for owners.

So that is the Price Index of Operating Costs.

And I certainly would be open to

taking any questions that you may have at this time.

MS. GOODRIDGE: I had a -- I actually don't -- I have a comment. So if someone has a question, go ahead.

MR. WALSH: Andrew, can you just -- can you just go over in the pages with the commensurate where you have the various formulas that have vacancy factors and there's obviously different values. With the way the law has changed and there is no vacancy bonus, how -- how does one think about the differences between those calculations?

MR. MC LAUGHLIN: Right. So this is -- last year because of what was in place for owners, our median increase that we found within the HCR file was 10 percent upon vacancy. That's now down to just under 4 percent. And that's somewhat the impact of the law. It's also somewhat impacted by vacancies not getting any adjustment.

So we found that a lot of the -- the units didn't see any increase upon vacancy but there were some that primarily had preferential rents going, you know, those are the ones that we saw increases in.

So it's simply taking what the increases is that whole group of units. I think we looked at roughly 68,000 units from the HCR file, turned over that we did -- that we analyzed and we simply took what the median increase was over that time.

So the real impact -- some of it was prior to law, some of it after, depending on when they registered the unit.

So this may change going forward.

Yes.

MR. WALSH: There's always going to be a little bit of a delta because of historic preferential rents. But that's the only moment in time the preferential can be used is -- is a vacancy in the new -- in the new law.

MR. MC LAUGHLIN: From my understanding -- yes, going beyond -- right. You can't go up toward the legal rent unless it's a vacancy lease with -- as of June 14th or 15th, I guess -- 14th.

MR. GONZALEZ-RIVERA: I have a quick question. What is the periocidy of the underlying data? I mean, is this monthly?

MR. MC LAUGHLIN: It depends on the different component that we use. Like for example, the real estate taxes are the fiscal year bills from July 1 to June 2020 of this -- June 30th of this year but they have to pay those taxes before then. You're supposed to pay those real estate taxes.

So that, for example, is a full year's worth of -- so there's two payments that owners do.

Fuel oil we do on a monthly basis. We take a look at all the fuel oil prices.

Some are point to point, like for example in maintenance contract services, we take the same amount that they charged at the, you know, say we're collecting data in February, so we look at February 2019 to February 2020.

So that there's different sources that we use. We -- utility costs we use month to month. So where we can use month to month, we do. But there's some areas that we just take a point to point.

Labor costs is another one. A lot

of that is based on union contracts so that's a one time increase in say, wages for those employees. But we also collect data from non-union employees as well.

MR. GONZALEZ-RIVER0A: Is there a -- is there a sort of reasonable, comparable -- like sort of comparable update that could be done at the end of -- well, now, at the end of April, beginning of May that will allow us to see, I mean, like how this index has changed this month?

MR. MC LAUGHLIN: We may get -- not -- not that we can create an entire index. I guess we could see some -- some we may be able to take a look at. For example, you know, the utility costs, we could probably take a look at. That's something. Fuel oil costs, for example, we could take a look at what's happened.

But to create an entire Price Index again and see where our projection is going to be, whether we're right or wrong, I'm not sure that -- I mean, I do know we can't create the entire Price Index again.

Maintenance is the biggest issue, which is almost 20 percent of the index. We do a lot of survey work to do that and we can't -- we're not going to be in -- in the situation to do that. But we certainly could look at some of the other components and see where they're headed based on what's going on.

MR. GONZALEZ-RIVERA: Got it.

MS. DE ROSE: I had a question with the electricity. Is that the -- with the electric costs, is that the costs that's paid by the owner or is that like inclusive of just overall electricity costs?

MR. MC LAUGHLIN: No, it's what's paid by the owner. So usually when it's a utility, it's rarely used for heating. Or if it is used for heating, it's paid by the tenant, not the owner.

So when it's used in common areas, what electricity they basically use for common area. Yeah, so it doesn't factor in what the tenant is paying. That's separate.

MS. DE ROSE: Gotcha.

My other question was just about hotel, the rent stabilized units in a hotel, is that -- again, I'm just not familiar with that.

MR. MC LAUGHLIN: Yeah. So --

yeah, so there's three different -- the board has to set renewal lease adjustments -- actually, adjustments for hotels. They're not one -- there are no two-year leases in hotels.

So we have to set an adjustment for hotels. And there's three separate categories. Actually, there's five different categories -- excuse me, of hotels that we have to make an adjustment on. But there's basically three types of hotels.

There's your traditional hotels, either Class A or Class B, which may contain rent stabilized units. There are few of those left. You know -- so we do set for that.

But the majority of the units are in SROs, single room occupancy or rooming houses. And those are two different classes than the traditional hotels.

So we set renewal lease adjustments, or adjustments for those different types of -- so we do indices for those. Plus there's lodging houses, which is another category of housing that falls under hotels, which are a little different. There's very, very few of those units left but we also have to set adjustments for those. But we don't do a separate indices for the lodging houses.

MS. DE ROSE: Just -- so SROs and do they have one-year leases or --

MR. MC LAUGHLIN: They're not even leases. They're -- yeah, they generally don't get leases.

MS. DE ROSE: That's why I was wondering why.

MR. MC LAUGHLIN: Right. But there is an adjustment and that's allowed for stabilized tenants.

MS. DE ROSE: Okay.

MR. MC LAUGHLIN: And it's only on a one-year -- a year-by-year basis. We don't do a two-year adjustment for that.

MS. DE ROSE: Right. Okay.

MR. MC LAUGHLIN: Sure. It's a good question.

MS. GOODRIDGE: Oh, hi.

I had a comment. We asked for feedback and, you know, our tenant basis so if they have any issues or questions or comments to bring up to -- to e-mail us. And one of the things as we were -- I'm sorry that it's a little bit late but one of the things that someone wanted to bring up was the fact that Sheila and I were talking about the NOI, the Net Operating Income and the first decrease. But they wanted to bring up that that has been the first decrease after about 15 straight years of NOI.

And I know that there has been some different opinions but NOI is net after expenses have been taken out. So a lot of it is profit. So they wanted to bring up that point.

And that there's been a lot of profits made specifically during the time of unprecedented affordability crisis. And I agree with that sentiment.

So I think, you know, we just wanted to point that out. I know that we're going to individually, and as a group, talk about the reports later but I figured it would be a good time to bring up and to frame -- to frame the context of the report. It's on page 3 of the increment expense study that Brian discussed.

And, again, I'm sorry that it's

not right after the report but since we're in the same board meeting and I'm getting the comments a little bit later, I wanted to raise it.

That was all, unless anyone has any comments or questions.

MR. WALSH: I'll just reiterate, you know, as -- as all the board hopefully know, NOI does not equal profits. So I think we have to be very careful of mixing messages and terms. NOI is before debt service so -- and there are capital outlays the buildings clearly have to outlay on an ongoing basis with sometimes their lenders even require them to do on a monthly basis.

So there are a number of other expenses that are real expenses and are not fictional. So NOI does not equal profit.

MS. GOODRIDGE: I didn't say that it equaled profits but we know that NOI does include some profits. And it is after expenses are taken out. So it does include some profits.

So the point that the tenant, who's from Queens, has brought up is the -- the year of 2018 that period does show a slight dip.

We also need to consider the fact

that there's been 15 straight years of upwards NOI and of just profits. But if we want to use the term just NOI in general, there's been 15 straight years of that and especially during the time of a recession, during the time of just -- and apart, not just an unprecedented homelessness crisis in the City.

So that's the point that I was bringing up. Whether we want to say it's profits or just Net Operating Income, the point is it's still income after expenses are taken out.

MS. GARCIA: Andrew, I wanted to ask you about a comment you made where you stated that we want to -- that the board would -- I don't know, there was like if I misheard but about NOI and when you were talking about the PIOC and the PIOC's just -- I feel like it's like the term that -- at first I was like, oh, things are going up. And then I realized that it's actually what things cost, not the actual expenses that landlords will incur. And so if they own many buildings, the costs of certain things might be smaller than if they're a smaller landlord.

And that was like a good learning

for me because at first I thought it was just like what they were spending on things. But you mentioned that we want to preserve NOI. Can you tell me a little bit about what you mean by that and, also, is that our mandate to be preserving NOI?

MR. MC LAUGHLIN: The commensurate rent formulas, that's what they're designed to do. So if you feel as a board member that you should be preserving NOI from year to year, then those are guidelines that you can use to set renewal lease adjustments.

That's because this is always a vote, it's not a formula. Formulas aren't used -- this is -- we do use these formulas in this report. If that's the way board members view their role, they can turn to these type of formulas but this board is a vote, unlike say, what the Rent Control increases used to be, where everything was just put into a formula, there was no board and those were the adjustments that were made.

Now that's different and, you know, something that this board now influences but -- so it's -- it's -- you're not required by law to -- to pick one of these formulas and go with it. That's, you know, but that's what they are designed to do, to preserve NOI.

MS. GARCIA: And just so that I'm clear, it's not our mandate to be seeking to be preserving NOI but -- as a mandate that we have but using all the sources available to us and making a determination, not to be preserving NOI solely.

MR. MC LAUGHLIN: Again, yeah, I mean, each one of you have to vote. You can determine how you want to -- or look or view those formulas or how do you view NOI or whether preserving it or -- whatever, you know, -- however you want to do it. Yes.

MS. GOODRIDGE: One of -- can you hear me?

MS. DE ROSE: Yes.

MS. GOODRIDGE: Okay. One of the tenants wanted to point out to the point of explanation that theory formula is calculated to determine how much the rent adjustment needs to be in order to maintain NOI that our mandate as a board were not under an obligation to maintain the Net Operating Income from year to year.

What we're here to (Zoom inaudible) fair market and as part of that obviously we have to balance -- balance interest between tenants and the property owners. But we're not -- we're also not -- we don't want to go to the other extreme and we don't have to maintain NOI every year. That is not what we're -- sorry. I need to mute my e-mails.

MS. GONZALEZ-RIVERA: Is there -- oh, sorry. Go ahead, Christina.

MS. DE ROSE: Oh, no, I just saw David's mouth moving but he was on mute. So then I just trying to say he's on mute.

MR. MC LAUGHLIN: David, you're unmuted.

CHAIRMAN REISS: I'm sorry. I just said, any additional comments?

MS. DE ROSE: I just wanted to clarify, so the increment expense one, that data that's from 2018, whereas the -- the PIOC or the Operating Costs, that is data from 2019.

MR. MC LAUGHLIN: Well, it's actually the -- right, you're correct about the Income and Expense. And that's owner filed, required by law data. They have to file those statements.

The Price Index takes the rise in -- well, the change in costs because it has been negative in the past. So change in cost from April to March. So this report is reflective of April 2019 to March 2020.

So it's very current through that time period. Obviously, this year, you know, things are different in terms of going forward. But it's not different in that we've looked at -- we always look at the prior 12 months. So that's no different. That's what we always do.

You know, we do have a projection in that report and, you know, that's with -- that projection was made not knowing what was going on with the crisis and so.

MR. GONZALEZ-RIVERA: Quick question. Is it -- is it possible to get an idea about how these costs and, also, how NOI differs based on building and, also, geography? So based on size of building, based on the share of stabilized properties in that building, based on Community District, I mean, is it possible to have that kind of aggregation?

MR. MC LAUGHLIN: Yeah, I mean, we can do that in the income mix. We can only do NOI in the I&E because we don't have any -- the PIOC only looks at fixed expense. So NOI is done through the I&E and, you know, if you look at the appendices in the back, we do a lot of those different things. We do it by building size, pre or post, those kind of things.

I mean, we can give you data and we do have in the appendices the percent changes on a longitudinal basis of -- of rent and change in NOI. But, I mean, we could also -- we could actually give you the hard dollar numbers if you want. We can give you those averages.

Percentages don't always tell you, you know, you may see a rise of 15 percent in NOI. That may only equal a smaller dollar amount than in another part, like in a part of -- a different part of the City where the rise in NOI was 5 percent, the actual fixed dollar amount may be higher because you're starting at a much higher place in certain parts of the City in terms of -- in terms of rent.

So -- so we can give you those dollar figures if you want.

MR. GONZALEZ-RIVERA: I was more referring about, you know, sort of the breakdowns that are in the PIOC report. I mean, like is there a reason to -- to imagine that -- that these costs are different for different -- I mean, fuel oils costs --

MR. MC LAUGHLIN: Right.

MR. GONZALEZ-RIVERA: -- are likely to be much more the same for different buildings. But I wonder whether that's the case? I mean --

MR. MC LAUGHLIN: Yeah, I think -- I think the Price Index is pretty representative of everywhere in the City. Because the real estate taxes are just a third -- it's all the real estate, you know, that's every building that has stabilized units.

The other -- other components like utilities, those are the same utilities that charge no matter where you are. Those -- those expenses are going to be the same.

And then we do, when we do gather

data, I mean, like insurance costs are from buildings all around the City in every borough and every part of the City. So it is representative of -- of all the, you know, the City as a whole. But you can't take, you know, I can't do the PIOC, Price Index for the Bronx or Brooklyn or that -- it can't be broken up that way. But I think it's truly representative of the whole City, the Price Index.

MR. WALSH: Christian, where you're going to see big deltas, you know, if you could look at it on building type specific. Because obviously an older building is going to have more things that break, right. And an older building is going to require more repairs for maintenance and may not be as energy efficient and may use a fuel source that's more expensive or less expensive. So, you know, buildings are like people, they're all very unique.

So our tool is definitely a blunt instrument because there's so many buildings in the -- in the profile and so many different people involved.

One thing I wanted to ask Andrew

was, and I hope board members are aware of all the sustainability initiatives that are going on throughout the City and the letter grades that will come out on October 1st. You know, from my work with Sustainability Office, the Mayor's Sustainability Office, it does seem that we still are probably on target for those letter grades to go up on October 1st. So the letter grades go up on buildings over 25,000 square feet in size. So there will be obviously our -- our 11 and under group, which we don't have a lot of data on anyway, will be excluded.

But buildings of 25,000 square feet and higher is a large portion of the City. So it somewhat overlays with Christian's comment. I don't think this is what you're thinking about but the energy efficiency of buildings and the carbon neutrality of buildings, all of this is going to shake out in these letter grades. And I don't exactly know how we're going to be able to use that data. But these letter grades and moving to carbon neutral and the targets that building owners have to meet, are going to generate a number of expenses for the 2030 requirements and there's the 2040 and

2050 requirement, depending on how -- how much of an energy hog you are.

So I just want to -- this is an initiative that benchmarking has been going on for quite a number of years and this is how the benchmarking is playing out. But I do think we are going to have to figure out as a board, it may not be for this session but for -- for next year, how -- how we're going to factor those in to make sure those costs get captured, because they're definitely pretty significant.

MS. DE ROSE: I thought the rent stabilized buildings that have rent stabilization in them were exempt from local law 97, the Climate Change Law, is that --

MR. WALSH: Well, affordable units are. But I don't know if rent stabilized units are. We should fact check that.

MS. DE ROSE: Okay. Yeah, because a lot of those changes, because we have to do those changes at my university and a lot of the changes are very expensive. But I was under the impression that, you know -- we can check that.

MR. WALSH: Local law 97, was

that?

MS. DE ROSE: With the Climate -- I don't know what it's called.

MR. WALSH: It's like 97 and 81 and they overlap in different ways. They're kind of -- they're coming at the problem from a few different -- a few different sources. But I think affordable get -- get a pass or some type of temporary pass. I don't know if they're going to try to figure out an alternate program for affordable because obviously you can't -- in order to meet the carbon neutral requirements, you can't have whole groups of buildings that don't make improvements.

MR. MC LAUGHLIN: Yes. And to Scott's first point, a Price Index measures -- generally it's price. But ours' contains some costs and some price for like real estate taxes, those are the actual costs because that's the bill that has to be paid. So that's a cost amount.

But in maintenance, you know, we're taking a change in price for a contractor to do a particular job, we're not saying they're doing it once or twice or three times. It depends on the owner. So someone may pay more for a plumber than other buildings would pay for a plumber. But that's the Price Index. That's the idea of a Price Index. It doesn't measure costs, it measures prices or it's a combination of both. Just because we -- we can be more accurate with a cost amount in some parts of it. But it's important to note the I&E is all costs. It's actually reported costs by owners.

So in their maintenance component, if that plumber came seven times, that's going to be in there because that was the amount that they paid.

So -- so there is a distinction between price and cost. And I think that's partially what Scott was pointing out.

Again, our Price Index is a mixture of both price and cost.

MR. SCHWARTZ: I have to sign off. So I guess we'll meet back again next week.

All right.

CHAIRMAN REISS: Yes, Alex.

Thank you so much.

MR. SCHWARTZ: Thank you so much.

Take care everyone.

Bye bye.

MS. STONE: Bye, Alex.

MR. HOBERMAN: This is Brian. I -- can you hear me.

CHAIRMAN REISS: Yes.

MR. HOBERMAN: I was looking up that local law 97, Emissions Law. It does mention on the website that rent regulated units -- buildings with rent regulated units are not subject to emissions limits. So for what that's worth.

MS. STONE: What happens if the buildings have commercial tenants as well?

MR. HOBERMAN: It just says buildings with rent regulated units, HCFC cooperatives and buildings that participate in project based federal housing programs are not subject to emissions limits. Instead, these buildings are required to implement a -- a prescriptive package of energy savings, measures and it's listed in Section 28-321.2.2 of the law.

MR. WALSH: I think we just have to figure out how -- how the law is handling -- if they submit what you said, an outline of things they need to do, what happens if they don't do them.

CHAIRMAN REISS: Any other comments from board members?

MR. HOBERMAN: Cecilia has raised her hand.

CHAIRMAN REISS: Cecilia has to get off. She texted me.

MR. HOBERMAN: Okay.

CHAIRMAN REISS: Okay.

Well, I have to say I was --

MS. GARCIA: Sorry. Sorry. I thought you meant comments about the reports. I didn't know if it was like general comments?

CHAIRMAN REISS: Oh, you certainly can make general comments.

MS. GARCIA: All right.

I just wanted to remind everyone that like while we're going through this process I want to -- I want to assume that everyone has this intention but I also want to remind folks that, you know, many of us do a lot of work to support, to engage folks in these hearings, that doesn't mean we don't necessarily talk about there are things that, you know, some of us just doing because we want to do like, you know, organizations providing interpretation equipment at different hearings to organizations looking and actively hiring folks for -- to translate the meetings that we go to, including explaining the process that we go through.

There are many nonprofits throughout the City that do that. And I want to -- to our earlier -- this morning's conversation, sort of highlight that -- that work is not work that we often recognize so I want to thank all of the organizers and folks that did a lot of work to get people on that Youtube video, which I know Leah and I have been getting text messages and e-mails, constant blowing up while we're on this call right now, sort of telling us the difficulties and supporting folks through that process.

But I want to recognize that and, also recognize that, like just because we might not be observing something, doesn't mean it's not true and then, also, recognize that like a lot of folks who are on the board, who left the board, have supported a low that were to happen and I --I want to -- I want to make sure that we, as tenant reps, and I think we have collectively done this, I think well, is share people's stories and struggles from a place of complete fearlessness. Because Leah and I are not going to be the ones being evicted by our decisions, we're not the ones being directly impacted and recognize those voices in a way that's real.

And I want to also acknowledge and sort of think and sit for a second with the fact that we are a diverse City and that like a lot of folks allow -- do a lot of work to make sure that diversity is growing and that it's represented well and, also supported in places like on the RGB but, also, in attendance at these hearings.

And I think that, as we move forward, I think despite of what we intend -- like process and think that is going on that there are a lot of folks right now, including members like trying to figure out how to even find things on Youtube and us walking through them. And that -- that process happens in hearings in person and I want to thank all the organizers that make that happen, you know, that while we're at the hearings sometime in person I'm sitting there listening reading the text messages and responding to what's going on so that folks can understand and that happens in the room.

And I -- I want to acknowledge that because I think that we just assume that people show -- 30 people show up at these hearings and 150 people show up at our press conference because they care but we have to do a lot of work to make and organize that to happen.

And so this is like acknowledgement of that work that happens during the hearings, before the hearings, post the hearings. And, also, acknowledgement that like, you know, David and other board members have met individually with many of those members who show up at hearings and the members that testify in our -- in our process. I'm hoping that we can figure out how to do that with justice as we move forward in this process.

While also acknowledging that we all have very, varied experiences about what we think should happen and I will continue to tirelessly make sure that the sentiment and the position of tenants is completely represented, even if it inconveniences us sometimes.

CHAIRMAN REISS: Any -- any other comments from board members?

(No response.)

CHAIRMAN REISS: So just -- we're hitting 12:00 and just as I'm sitting here from my window, I'm hearing sirens go of, which is a reminder of what's happening outside of our virtual meeting. And -- and it's clear to me that everybody on the board is -- is very focused on what's going on outside of each of our homes and the impact it's having on others.

At the same time, it's so oddly normal that we were able to transition directly to this virtual meeting and this was the first time we've done it and we've been able to have an important conversation and look at really important work that the staff has done.

I am confident from my conversations with each of you that we will put a lot of thought and try and take into account not only the data but the stories that we hear over the course of this season of the Rent Guidelines Board and I look forward to talking with you all next week.

I'll end the meeting now.

MR. GONZALEZ-RIVERA: Well, I just wanted to talk.

You know, thank you, David and Andrew for like sort of -- I know you've called me and, I mean, you've called other board members as well just to get, you know, make sure that we understand what's going on, to make sure that we sort of we understand what's at stake.

And so thank you very much for doing that. I mean, it's doing that sort of like gluing us work. I mean it's like that goes on. I mean it's like beyond what's going on right now in the public meeting.

Thank you also to Leah and Sheila for, you know, sort of really strongly advocating for tenants, as well. A

And for Scott and Patti, I mean, I'm looking forward also to hearing, you know, what your points of view are.

As someone who's new to the board, I'm happy to see this level of discussion happening even though it's my first meeting.

So thank you very much for that.

CHAIRMAN REISS: Any other last comments?

(No response.)

CHAIRMAN REISS: Okay.

We'll reconvene in a week.

MR. MC LAUGHLIN: David, we need a motion.

CHAIRMAN REISS: I'm sorry.

Andrew always reminds me and I always forget.

Do I have a motion to adjourn?

mr. GONZALEZ-RIVERA: I so move.

CHAIRMAN REISS: Christian.

And do I have a second?

MS. STONE: I second.

CHAIRMAN REISS: I heard Patti.

Okay. Very good.

We are adjourned.

(Whereupon, the proceedings were concluded.)

STATE OF NEW YORK)
SS.
COUNTY OF NEW YORK)

I, MARC RUSSO, a Shorthand (Stenotype) Reporter and Notary Public within and for the State of New York, do hereby certify that the foregoing pages 1 through 131, taken at the time and place aforesaid, is a true and correct transcription of the Zoom Meeting.

IN WITNESS WHEREOF, I have hereunto set my name this 20th day of May, 2020.

Marc Russo

MARC RUSSO

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