CITY OF NEW YORK
RENT GUIDELINES BOARD

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VIRTUAL ZOOM

PUBLIC MEETING

OF

THE DIRECTORS

---x

April 29, 2021

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:

David Reiss, The Chair

Cecilia Joza

Alex Schwartz

Christian Gonzalez-Rivera

Christina DeRose

Leah Goodridge

Sheila Garcia

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: All right. So Brian, you're going to start it up?

MR. HOBERMAN: Yes. When the -- when the image comes off, you can go.

CHAIRMAN REISS: Got it.

MR. HOBERMAN: I'm starting streaming now.

CHAIRMAN REISS: Great. 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.

This is the third meeting in a series of public meetings and hearings to determine renewal lease adjustments for rent-stabilized housing units in New York City, with lease -- leases commencing or being renewed on or after October 1, 2021, and on or before September 30, 2022.

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

Christina DeRose.

MS. DEROSE: Present.

CHAIRMAN REISS: Sheila Garcia.

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: Scott Walsh.

(No response.)

CHAIRMAN REISS: Not present.

David Reiss, present. Currently, there is an owner-member vacancy on the board. City Hall is aware of the vacancy and we hope to have a new owner member in place for our next meeting.

The preliminary vote for rent-stabilized renewal lease adjustments will be held Wednesday, May 5th. This virtual meeting will start at 7:00 p.m. You can obtain information on how to attend this meeting via our website, nyc.gov/rgb in our meeting section or by calling the RGB at (212) 669-7480. If you're interested in receiving e-mail updates about upcoming RGB meetings and hearings, please go to our homepage and click on e-mail updates under quick links.

Proposed language for the apartment and hotel orders in anticipation of the vote on May 5th was e-mailed to the board members prior to this meeting. Please note, board members, that the annual filing of the conflicts of interest board financial disclosure report 2021 filing period will be from May 10th through June 4th, packets will be mailed to you this week.

We will begin today's testimony with our tenant panel, which is scheduled to go until noon, and then we'll take a break from noon to one, and then the afternoon we'll hear testimony from the owner's panel from 1:05 to 3:30.

With that, I'd like to turn it over to Sam Stein, who is representing the Community Service Society of New York.

Sam.

MR. MCLAUGHLIN: David. David, can I just jump in.

CHAIRMAN REISS: Oh, I'm sorry,

Andrew. Go ahead.

MR. MCLAUGHLIN: Yeah. I'm sorry, Sam. Give -- just give me one moment. I -- again, I always like to show people how to get our e-mail blast about upcoming meetings and information that we share with the public.

So I'm just going to go to our website again under quick links, you see the e-mail updates, click on that. It will take you to this page, you sign up for our newsletter, and here you can get information. You can put e-mail your first last name, but that's optional and ZIP code, and again, if you're a robot, you cannot sign up for our e-mail list. And then I can just quickly -- if -- just share what the agenda is for today for folks. It's been changed, we posted or will be posting the change.

We got some additional names late last evening or late afternoon, I should say. So here's our schedule for this morning session. We have Samuel Stein and Kate Ham to start off followed by Tim Collins and Eliot Hetterly, Brian Sullivan, Larry Wood. The three names on the bottom are the new names that have been added to the agenda and then we have five people speaking this afternoon. So that was what I wanted to share.

CHAIRMAN REISS: Okay. So -- so Sam are you or Kate going to speak first or --

MR. STEIN: Yeah. I'm going to -- I'll refer to my colleague, Kate Ham is going to read our testimony and I'll just say that the full version should have been sent to everybody and we'll be posting on our website this morning.

MR. MCLAUGHLIN: And -- and that was the other thing I forgot to say. Thank you. Everything that I received this morning has been sent to the board members, all the different testimonies this morning session and it was from CSS, AHND.

MR. WOOD: ANHD.

MR. MCLAUGHLIN: Oh, thank you. Thank you, Larry. Hey, Larry.

MR. WOOD: Morning.

MR. MCLAUGHLIN: And Tim Collins and Larry's testimony. So they should be there if you want follow along.

MR. STEIN: We also sent you

Brian's from MFJ.

MR. MCLAUGHLIN: Yeah. Yeah. Well, I should say -- yeah, and then any -- everything Larry sent me included the other testimony of the gentleman not speaking today. He's -- that's included as well. So all the SRO stuff.

CHAIRMAN REISS: Sam, let me just say that your volume to me seems a little low. I don't know if it's on your end but --

MR. STEIN: I'll see what I can do.

CHAIRMAN REISS: All right. Kate -- Kate can we -- do you want -- do you want to start us off, Kate?

MR. STEIN: Kate's video seems to have disappeared so perhaps I will read it instead. Can everyone hear me?

MR. WOOD: Oh, she's back. Oh no, that's somebody else so never mind.

MR. STEIN: They -- they're are back.

MR. SCHWARTZ: It's a little bit low.

MR. STEIN: Okay. Kate, can you hear me?

MS. HAM: Yes. Sorry. It's my -- is my audio working or am I cutting out?

MR. STEIN: Yes.

CHAIRMAN REISS: Yeah. You're audio is working.

MS. HAM: Okay. Good. Thank you. Okay. Thank you for the opportunity to speak with the board about the crisis facing tenants today. A crisis with long-reaching roots which were exacerbated tremendously during this unprecedented year of pandemic, recession, and calls for greater racial and economic equity across our society.

Our names are Kate Ham and Samuel Stein, and we are housing policy researchers at the Community Service Society of New York.

CSS is an independent non-profit that addresses some of the most urgent problems facing low-income New Yorkers, including the effects of the city's current housing crisis. Since 2002, CSS has administered our annual unheard third survey to document the hardships of low-income New Yorkers, including rent-regulated tenants.

The guidelines this board enacts are some of the most important factors that determine the stability and well-being of low-income New Yorkers. About 365 thousand low-income households live in rent-stabilized housing. This is notably the most of any other housing type and roughly double the number who live in public and subsidized housing. 76 percent identify as Black, Hispanic, Asian, or other and nearly half are immigrant households.

On top of our cities housing crisis, New York is also facing historic levels of unemployment. At points during 2020, unemployment reached nearly 20 percent. Over the course of 2020, employment declined 11 percent equivalent of 516,600 jobs, which would be as if almost the entire city of Atlanta lost its jobs in one year.

We know that 2020 brought an astonishing scale of hardships to rent-stabilized tenants. CSS's annual Unheard Third survey was fielded in July 2020 and was thus able to capture some of these dynamics in ways that, unlike the surveys in 2021 income and affordability study, can distinguish between rent-stabilized and unregulated tenants. So here are eight -- some of our key findings.

One, in 2020, 42 percent of rent-regulated tenants reported having their incomes reduced and 30 percent had lost their jobs altogether.

Two, 72 percent of rent-stabilized tenants who permanently lost their jobs during the pandemic reported receiving no rent relief from their landlord, either in the form of a rent reduction or rent delay.

Three, 40 percent of rent-regulated tenants reported falling behind on their rent, including a majority or 52 percent of low-income rent-regulated tenants.

Four, 38 percent of rent-regulated tenants reported having less than $1000 in savings to fall back on.

Five, 44 percent of rent-regulated tenants say they're classified as essential workers.

Six, 76 percent of rent-regulated

tenants reported being on pre-pandemic public assistance programs, and that's compared to 56 percent of unregulated tenants.

Seven, the percentage of tenants who were able to receive COVID-related federal aid, such as stimulus checks and enhanced unemployment was ten percentage points lower for rent-regulated tenants than for unregulated tenants.

It is worth noting that one-third of the city's immigrant population lives in rent-regulated housing. So a significant portion were unable to access federal relief programs due to their immigration status.

Eight, 36 percent of rent-regulated tenants reported having problems with their landlord in the past year. Notably, this is much higher than unregulated tenants and that itself is a departure per previous years. That is, in 2017, there was just a two-percent -- percentage point difference between regulated and unregulated tenants in terms of problems with their landlords, but in 2020, that gap widened to 13 percentage points.

Federal, State, and City actions

may staunch some of the bleeding but this crisis will not be resolved quickly and certainly not within the coming year. As the latest income and affordability study notes, both the New York City Comptroller and the office -- the city's Office of Management and Budget estimate that employment, especially for the hardest-hit industries, will not return to pre-pandemic employment levels for at least another year. Of course, this has not been an easy year to operate rent-stabilized apartments either, as landlord representatives will no doubt attest momentarily. But the scale of the hardships facing tenants and landlords, as well as the context of what proceeded it, are in no way equivalent.

According to pre-pandemic data detailed in the latest income and expense study, rent collections across the city rose 3.3 percent, more than double the RGB guidelines for that year. And net operating incomes increased 2.9 percent citywide, rising as high as 45 percent in Bushwick. In fact, overall NOI increased 14 out of the last 15 years. Well, the price index of operating costs study shows some increased costs for landlords in this disastrous year.

The 3.9 percent increase in property taxes, a highly weighted factor in the index, deserves some scrutiny, as it was also reported that these tax rates are expected to fall significantly in the coming year. So despite landlords claims about the devastating impact of rent freezes and the 2019 rent laws, it is very clear from the pre-pandemic data that rent-stabilized housing continued to be profitable.

Most importantly, while some landlords have seen rent shortfalls because tenants have lost work and then been unable to pay their rent, the state and federal governments have budgeted enough funds to cover the entire total estimated gap of rent arrears and unprecedented amount of rent relief, which is ultimately geared towards making landlords whole.

As outlined in the State's New Rent Relief Program, landlords who receive such funds must freeze the rents for the coming year. Any 2021 RGB increase then would not only -- would not apply to these landlords and instead apply to those landlords who either refuse the substantial aid or those whose tenants paid the full rent the past year. In other words, the RGB should not create any financial incentives for landlords to opt-out of the rent relief program, nor should it reward only those landlords who fared best during the pandemic.

This has been a year like no other. Now more than ever, access to housing means access to life itself. Meanwhile, employment has diminished, disappeared, or become dangerous for most rent-stabilized tenants. For tenants to recover and for the city itself to recover, we cannot conscious an increase in rents before either the pandemic or employment have meaningfully improved.

Given these findings, we encourage the Rent Guidelines Board to reject calls for a rent increase of any kind and instead to either freeze rents or go further. If there's any time to consider a rent rollback, it is now during the worst economic downturn since the Great Depression. The life of the city depends on it.

Thank you on behalf of me and Sam.

CHAIRMAN REISS: Kate, when I'm

looking at your bullet points in your testimony, they don't seem to take into account any of the government programs that have been put into place in terms of unemployment and stimulus and one-time payments.

Have you looked at the impact of government policies on the population that you studied?

MS. HAM: Well, we did say that -- we talked about COVID-related federal aid which was -- that included the stimulus checks and the enhanced unemployment.

CHAIRMAN REISS: Okay. But then, I mean, have you kind of evaluated how that aid kind of, you know -- so in the staff -- in their -- in their income and affordability report, they try to look at, you know, loss of income, but then they try to net it out against benefits. Did you do any -- anything like that? Did you try to kind of net out how the loss of employment relates to or is impacted by the -- the availability of benefits?

MS. HAM: It's definitely true that a high percentage of people who had -- had lost their -- lost their jobs received more aid as is with the eligibility. I don't think we were able to make any more direct points. I can say that as expected, the benefits are better this year than last year. So we've seen an improvement there.

MR. STEIN: Right. And it's also worth noting that we found that rent-regulated tenants received those benefits 10 percent less than unregulated tenants.

CHAIRMAN REISS: And do you have a hypothesis as to why that's the case?

MR. STEIN: Immigration status. More than anything else.

MS. GARCIA: And you mentioned that one-third of all rent-stabilized tenants are immigrants, correct?

CHAIRMAN REISS: I believe it's half of all rent-stabilized households are immigrant households and one-third of immigrants live in rent-stabilized housing. Yes. Substantial, substantial population.

MR. WOOD: I -- I might add, independent of the federal aid and the state aide, both for landlords and the aide for tenants in terms of income or individuals, if you could put that all aside, we still had significant amount of tenants pre-pandemic with really high rent burdens and struggling to pay the rent. So just putting COVID aside for a moment, which we really can't, you know, tenants are still struggling in this city. So I just want to point that out.

CHAIRMAN REISS: Alex?

MR. SCHWARTZ: Thank you. Hi, Kate and Sam. A couple questions. One is when you're talking about property taxes are being scrutinized, can you elaborate a little more what you're referring to?

And my other question is, what is the source of information to say that the rental assistance in the federal and state packages, if that's the right term, is sufficient to cover the back rent owed to the landlords?

And finally, if you could say a little more about the regulation, saying that if landlords, property owners accept rental assistance, they are not allowed to raise the rent. Is that state, federal law? What are the parameters of that?

MR. STEIN: Sure. I'm sorry. I just now blank on the first -- first question was property --

MR. SCHWARTZ: About the property tax.

MR. STEIN: Yes. Right. So that was in reference to the PIOC presentation where we heard about property taxes rising this year but an expectation that they would be lowered next year if assessments fall as expected. So just thinking about what we expect for next year when we take into account what happened this past year.

In terms of the sufficiency of the funds, we kind of have two sources which are related on that. The firm Stout has been looking at rental arrears and they were contracted by the Federation of State Municipal Governments to track that and so we have that at the state level.

And the amount that was allocated, 2.4 billion, is more than the -- slightly more than the high-end estimate of what was owed in part because it can be continued for a couple of months after the present. Kate actually did an extensive study of trying to get just the New York City portion of what was owed out of the State's share and found Stout's methodology to be fairly sound and came up with a number that was almost exactly proportional of the amount of tenants in New York City to New York State to the amount of rent owed in New York City versus the amount of rent owed in New York State.

And finally, in terms of the mandated rent freeze, that's written into the State's rent relief program so it's federal money that comes into the State to be used as the State determined in the past budget. We created a very substantial 2.4 billion rent relief program as a condition of accepting those funds, the rents are frozen for a year. So any RGB rent increase for this coming year we'll go to landlords who refused that funding or who weren't eligible for that funding because their landlords paid all their rents for this past year.

Thank you.

CHAIRMAN REISS: Christina?

MS. DEROSE: Yeah. I have a question, and this is, I think, for -- anyone can answer this because this is more a question about what the state rent relief program is.

Do the landlords have to apply for it or is it the tenant has to say like, oh, I couldn't make my rent, let me apply for this so that I can then pay my rent to the landlord? Like, how does it work?

MR. STEIN: It's very deliberately written for either scenario. So a tenant can apply, a landlord can apply.

MS. DEROSE: Okay.

MR. STEIN: And, you know, one doesn't cancel out the other or double the other or anything like that.

MS. DEROSE: Okay. So a landlord could, on their own, apply say, like, this tenant was unable to pay the past six months rent, Let me apply to this program and I can at least make that money -- that rent roll back and not sort of --

MR. STEIN: Yeah. And --

MS. DEROSE: -- be in the hole for that?

MR. STEIN: That's right. And we, in the tenant movement, are very much encouraging landlords to be the applicant on behalf of their entire portfolio. That makes it much simpler and much quicker to release the funds.

MS. DEROSE: That's why I'm asking, like how exactly it works. That's helpful. Thank you.

MR. WOOD: They're actually still working out a lot of the details on how their rent relief program would be administered. And the State's actually late in figuring it out. The eviction moratorium was supposed to expire May 1st, but it looks like they going to extend it to the end of August at this point because there's nothing to apply to yet. The money is there but they're still working out the specific details of the application process. Extending the moratorium obviously makes sense if people can't get the rent relief and the eviction cases start, that would be a disaster.

MS. DEROSE: Thank you very much.

CHAIRMAN REISS: Either for Sam or for Kate. One of your key findings says that 76 percent of rent-regulated attendance report being on pre-pandemic public assistance programs. That just seems really high to me, just kind of when I think about our income and affordability study. And then I also see in your footnote that you include Medicare and there, which I don't believe is generally considered a public assistance program. I mean, it's public insurance.

Do you have a sense of, if the 76 percent number is correct, what -- how many percentage points are made up of Medicare recipients?

MR. HAM: I'd have to go back and check. But I think it was at least 10 percent. Do you have a better idea, Sam?

MR. STEIN: I was going to -- I think it's probably more than that.

CHAIRMAN REISS: I mean because Medicare's really a proxy for age, not for income.

MR. STEIN: True. It's a universal public benefit.

CHAIRMAN REISS: So I mean, to me, it would be -- if you could update that figure to reflect how many of those are public assistance programs that are tied to age, I think it would give us a better picture of -- I think the point that you're trying to make.

MR. STEIN: Right. I think that's a fair critique. I think by including it, we're showing that the population is both poorer and more senior than the unregulated population by 25 percentage points in terms of who qualifies for either age or income-related public programs.

MR. HAM: I have this stat already it's -- if we exclude Medicare but keep all of the rest, then it's 54 percent.

CHAIRMAN REISS: And what is it for unregulated tenants?

MR. HAM: 48.

CHAIRMAN REISS: So it's much closer. Okay. And then where would public housing tenants be in this? Would they be -- would they be in unregulated or would they be in --

MR. STEIN: A separate group.

CHAIRMAN REISS: A separate -- a third group.

MR. STEIN: Yeah. We can tell you those figures too, but we analyzed public housing, subsidized housing, rent-regulated, and unregulated.

CHAIRMAN REISS: Great. Thank

you.

MS. GARCIA: And I would like to just highlight that a lot of the project-based Section 8 housing and at looks at what the market is in the surrounding areas so if there's surrounded by rent-stabilized housing landlords in those buildings will -- their rents will be elevated depending on when they're renewing contracts, specifically their project-based Section 8.

So our decision doesn't only impact the rent-stabilized housing, it actually dictates and also impacts what happens in the surrounding areas of those buildings and the housing stock in that area. Which I think it's a really -- for me, a really important thing to always remember because when you see densely populated rent-stabilized areas, rents tend to be a lot lower because the market wouldn't bear rents that are higher because a stock looks different. And so we're not only making a decision on what happens when rent-stabilized housing, but it impacts other subsidized housing in the area and other private-only own housing that isn't rent-stabilized given that the market might not bear certain rents.

CHAIRMAN REISS: You know, I'm just thinking -- still kind of thinking this through for myself. But also then those -- anyone who's eligible for Medicare who is low-income would also be eligible for SCRIE, right so that they would be able to avoid those rental increases. Am I correct, Sam and Kate?

MR. STEIN: Yes. Right. So I'm just thinking through your proposition. Basically saying if you're old enough and your income is low enough, then you qualify for SCRIE in any case. Yeah. I mean, I think there are sort of benefit Cliff folks who are just over the criteria, but yes.

CHAIRMAN REISS: Okay. Thanks.

Any other questions for Kate and Sam?

(No response.)

CHAIRMAN REISS: Okay. So let me -- sorry, I just need to pull up the agenda. I don't have it. It's hiding on my screen somewhere. There we go. All right. We have Tim Collins of

Dobkins and Miller. Tim, welcome back.

MR. COLLINS: Good morning. And it's good to be back. Thank you, Mr. Chairman.

MS. GARCIA: Just a scheduling issue. I just want to make sure that Eliot is going to -- if they're going to be able to go before 10:00. So can we switch order and have -- Eliot, are you okay?

MR. HETTERLY: Okay. Yeah. That's fine for Tim to go ahead and I can go after Tim. That's fine.

MR. COLLINS: I will try to be brief. I think all the board members -- thank you, Eliot. All the board members have my submission, which to a large extent is an update of what I've done over the last six years.

As you know, I've presented a chart of annualized commensurate increases. I think the presentation that you just heard was very helpful. It's really important to understand the entire landscape of issues and hardships that are faced by tenants.

And the Board has to ask itself if it, you know, historically, has added to those hardships. And the answer based upon the data is clearly yes. And I would not -- you know, it's not an accusation or pointing his finger at this Board. For the last six years, I think this Board has actually acted fairly reasonably within the scope of its obligations.

Although I think there has been some concern for optics over substance in some respects, insofar as owners continue to reap based upon this data, rents that are in excess of what would have been the case had owners been kept whole for changes in operating costs and had net operating income been preserved against the effects of inflation.

I think in the big picture if you consider the fact that a very conservative estimate of operating costs, the rent ratios from the outset of rent stabilization is around 62, $0.62 of every rent dollar going to operating costs. And now, according to the Board's last report, it appears to be just over 60. And this is notwithstanding the fact that the housing stock appears to have aged substantially. And under normal circumstances as housing ages, those operating costs to rent ratios should creep up somewhat over time. I think the literature establishes that very clearly. So I would not be surprised or troubled by an O&M to rent ratio in the area of, you know, 65, 65, 67 percent.

Now -- so I do think that it's important for the Board to understand that its past decisions and the cumulative effect of what were clearly excessive guidelines, particularly in the period from 2008 to 2014, continued to operate onto the, you know, what I would consider windfalls that owners have received under the system. Now --

CHAIRMAN REISS: Can I -- do you mind if I interrupt with a question about one of the points you made?

MR. COLLINS: Sure.

CHAIRMAN REISS: So you said you don't think that if the net operating income creeps up to the mid-60s, you know, using that, that's appropriate. What if there are segments of the housing stock where it's going to the high 60s? Should we -- given that we have a very blunt instrument to act on, how do we take that into account? So if we say, for instance, buildings that are 80 percent plus rent-regulated in the outer boroughs, if they were at 68 percent, how do we address something like that?

MR. COLLINS: Yeah, I'm not troubled by that at all, 68 percent. The Sternley (phonetic) Report, as I recall looking at the older rent-controlled stock in the mid to late 60s, was reporting O&M to rent ratios in the 80s. And I think that --

CHAIRMAN REISS: But then we had a lot of vacan -- we had a lot of abandonment at that time.

MR. COLLINS: We did have abandonment, But the dynamics of abandonment were not really driven by rent regulation. They may have been in a few isolated cases, but they were largely driven by the city's tax policies, which was not to foreclose over a period of years, which allowed landlords to milk the buildings by not paying taxes, not maintaining them, collecting whatever rents they could to the point where the city would foreclose. So a lot of those buildings that were supposedly abandoned ended up in the city's hands through foreclosure, after landlords had reaped pretty substantial incomes.

CHAIRMAN REISS: But Tim, I mean, landlords are only going to think about abandoning when they're not making what they considered a reasonable profit. So I mean, we don't want to have a situation where landlords, you know, effectively are going to start under-investing in their buildings. And so what's the right ratio?

MR. COLLINS: Well, look, David. That is correct, but landlords abandon their properties in a significant number in cities without rent regulation, as in cities with rent regulations. So the dynamic had to do with other things, mainly pockets of poverty which created a sort of an organic, almost like a cancer where, you know, one block would go and then all of a sudden people started moving out, became less desirable. And it was driven by those other factors.

But, you know, in terms of what is the appropriate ratio. I think the appropriate ratio, at least under the rent stabilization system that we have is to try and maintain an average rent ratio that reflects both the need to preserve net operating income and the gradual increases in net operating O&M throughout ratio based upon age.

So as I said, a citywide average and 65 percent wouldn't bother me that much. In some neighborhoods could be, you know, 70 percent and that wouldn't bother me that much. I'm sure that they're places in Manhattan where the O&M throughout ratio is 50 percent. And that is probably normal given the dynamics of this city's market.

But let me step outside of this discussion a little bit because you are in a unique moment here. And that moment, we really haven't seen anything comparable since the great depression. And during the great depression, there were no rent regulations. Rent regulations had been phased out by 1929, the rent laws of the 1920s. And in fact, because of the various economic collapses, we had over 800,000 people unemployed in New York City at the time. The problem was not housing scarcity that was creating stress in the market, it was just an overall economic decline. And families tended to double up, even though there was a housing shortage because people doubled up and then multiple families living in single apartments, it didn't show up in the numbers.

The difference between the Great Depression and today is that the depression occurred at a time when the federal government and state governments really didn't have a handle on the business cycle. They didn't have the sophisticated forms of intervention that they have now. I think we all know that the Great Recession of 2008/2009 would have been a calamity beyond the scope that we experienced it if the federal government hadn't had the tools and the sensibilities learned from the experience of the Great Depression.

Under the current pandemic, there's been a tremendous amount of government intervention and I think it's been very beneficial in keeping the ship afloat. And I do think eventually the benefits will accrue to tenants and they have already to a little bit -- to a small degree, but will in even greater amounts accrue and ultimately end up in the pockets of landlords who will need to keep their buildings going.

So the point is that this is a

much shorter kind of public disaster than the Great Depression was. There is light at the end of the tunnel. And so how does the Board, which is going to be, you know, hearing testimony about how hard it is to run buildings with tenants not paying rent, and so on, and their bills are still going up. And of course, you've already heard testimony from the, you know, calamitous effects of the pandemic on tenants themselves. It is short-lived. Both sides are hurting.

The goals of the Board to keep housing affordable and also producing a reasonable return are somewhat conflicting in this environment. And I think the best thing the board can do is kind of stay the course and allow other governmental entities, the state and the federal government in particular, to come and stabilize things.

Now I should mention what we see and describe it so people really understand this table that's attached. This table is in some ways highly abstract. And that is it looks as closely as possible to what rent increases the Board authorized, and that includes the authorization of vacancy allowances up until 1997, and then there was a statutory vacancy allowance until 2019. That's all incorporated in there, as well as the annual guidelines.

And so it does not look at preferential rents. It does not look at MCI increases. It does not look at the two or 300,000 units that were de-regulated and producing greater income. It really just looks at what this Board has done over time. And it compares it to a number which is what this Board should have done or needed to do in order to keep owners whole. That is to increase the O&M ratio, you know, now we were about 60 percent, by the changes in operating costs, which by the way have been about twice the rate of the rate of inflation, and increase the net operating component by the rate of inflation to keep owners whole in terms of their income.

There is a lot of misinformation out there. Owners will constantly harp on the fact that the Board has not kept up with operating cost changes. If you simply add up operating costs changes over the years and compare them to rent increases, operating cost changes, according to the price index and other sources of the, you know, income data that we get from the Department of Finance, the operating costs have risen much faster than rents have in general.

But the problem is, and what the owners don't tell you is that those operating costs are rising again at twice the rate of the consumer price index. So if you were to track operating costs alone with your rent increases, what you would end up doing is doubling over time, at least since 1990, the amount of net operating income that owners realize. That's why you have to break it down, increase the operating costs portion by operating cost increases and increase the NOI by the inflation rate.

When you do that and when you look at, again, just what this Board has done and not what statutory changes have imposed or achieved, you find that in order to keep owners whole, the Board would have had to have increased rents by 181.46 percent, approximately 180 percent since 1990. And in fact, the Board increased rents by 300 -- nearly 312 percent -- excuse me, nearly 212 percent.

If you look at the chart, the last two columns, the bottom, it says 281.46 and 311.53. That includes the base of 100. So you subtract the base of 100, you get a 181 percent for what was needed to keep them whole and almost 312 percent for what the board actually authorized.

The point is, is that the Board has more than compensated owners within its mandate and in accordance with the information that it has to increase rents to achieve the kind of returns that they would need to have a reasonable return overall. And most of that increase again occurred in that period from 2009 through 2014. The other thing that I just wanted to --

CHAIRMAN REISS: Can I just ask you a question on this topic?

MR. COLLINS: Yeah.

CHAIRMAN REISS: So I want to understand the difference in the necessary rent increases, you know, "necessary" versus the impact of the RGB rent index. You say it's excluding the impact of things like IAIs, and MCIs, and preferential rents, and vacancy increases. But in the pre-2019 law allowed landlords to take those.

So excluding those, like, why is the right comparison excluding all those things? I'm not sure if I followed the logic of that.

MR. COLLINS: It doesn't exclude the vacancy allowances, but it covers the vacancy allowances as part of the component of, you know, regularized rent increases along with the one and two-year lease increases that the Board allows. The reason why I focus on that is because, you know, both tenants and owners will come before the Board and testify that, you know, they're getting killed by major capital improvement increases. The stock is becoming unaffordable by deregulations, which is true, And that, you know, that so many units have become deregulated, owners making whopping profits that are way beyond what would keep them whole. Which is also true.

The fact is and this is, you know, through real data and, you know, real-time information, well, I shouldn't say real-time. There's a bit of a lag with regards to the income and expense data. That information, according to the Board staff, has allowed net operating incomes to grow 52.1 percent in inflation-adjusted terms since 1990. That 52.1 percent is actually greater than the analysis that I provided here. Why is that? Because that does incorporate all of the other increases, all of the other statutory increases.

I've consistently taken the position, and sometimes to the chagrin of tenants, that the Board should really focus on its mandate and the state legislature, which either wants to go through the process of loosening regulations and allowing more rent increases or tightening regulations as it did in 2019 with the HSTPA, those things should not be matters for the Board to adjust for.

The Board has a mandate about changing operating costs and a few other things to look at each year to year. So you're going to hear from owners this afternoon, I'm sure, about how they were killed by the HSTPA. MCIs are down, no more vacancy allowances, no more, you know, high income or high rent vacancy deregulation. And what I'm saying to the Board is, I have, for the last six years, said that those statutory changes are matters of legislative judgment and they are not fully relevant to what the board does.

Now, having said that. I'm the kind of person who really does not like to latch onto highly analytical or myopic ways of approaching things. Of course, the Board should look at the regulatory environment. Of course, the Board should be conscious of the fact that there are all these things going on. It makes a, you know, smarter, more insightful Board. It gives the staff more to look at for a deeper analysis. And you should be pragmatic. There are things that change, like the current pandemic, that may affect your orientation towards these things.

But what I'm trying to do is distill this down to, you know, what has the Board done within its really narrow mandate and how does that compare with what the Board should have done had it just tried to keep owners whole? And that analysis leads to a conclusion that the Board has overcompensated owners over time. So the Board need not feel like it has been a break, or a hampering, or somehow deleterious institution with respect to how owners have done.

CHAIRMAN REISS: Tim, let me just

interrupt for a second because Alex has his hand up.

MR. COLLINS: Yeah. Sure.

MR. SCHWARTZ: Thank you. Tim, question: The baseline for this 1990, '91. My question is: To what degree would the findings be different if it was a different more recent year? I have no idea how long a property owner on average owns a property, but I'm just curious if that would make a difference. If someone acquired the property, let's say in 2000, 2005, some other year, would that make a difference?

MR. COLLINS: It's an excellent question because time frame is very critical from the perspective of the investor and also it should be critical from the perspective of policymakers.

First of all, if you're buying a building in 2005 or 2010, a rent-regulated building, you know what you're getting, you know the regulatory environment that you're stepping into. And you have to hedge your bets against what, you know, the type of tenancies it has, the collection rates the building has, as well as what regulatory authorities may do over time. And during that period, if you bought in 2005, rents actually skyrocketed relative to operating costs for the next ten years or so. Really starting in 2009.

But I think it goes to another issue. And the Chairman actually raised this last year, as I recall that, you know, why pick 1990 because owners claim that that was kind of a down period for the housing market. Well, 1990 is the first year for which we have accurate data. If you want to take the broader view -- and this is why I mentioned, you know, the 1969 O&M to rent ratio, you would actually go back to the period when rent regulations started.

Now remember, rent stabilization, 1969, the units had been rented in a very high market. The ones, the post-47 units where a lot of rent control units that eventually came in, but the initial stabilized housing stock, the post-47 stock had O&M to rent ratios of $0.55 and the average, as I recall, for rent-controlled units was around 67.

Over time, if you adjust for the relative proportions of both of those housing stocks, you get an average of $0.62 of every rent dollar going to operating cost. So if you want to make the point-to-point comparison over the entire period of rent stabilization, you actually get net operating incomes increasing at a time where, as I said, the stock was aging. And so net operating income should've been gradually declining. Not to nothing, but it should've -- you know, as buildings get older, they become a little relatively more expensive to maintain.

But this actually points in another direction, which is another, I think, vital point of information. And now the Board has been sued along with the State and City for regulatory taking and violations of due process in the federal district courts and Southern and Eastern District of New York. And those suits are now percolating up. There's one in the Second Circuit where the overall regulatory scheme under rent stabilization is under attack as really invading owners property rights and depriving them of a just or fair return on their property.

The conspicuous omission in this litigation and frankly, it's infuriating because the owners know what their buildings have done over time is the level of appreciation in each of these buildings. Now, I've looked at an individual building. In fact, it was one that was involved in federal litigation about ten years ago where the owner was complaining about a regulatory taking. In fact, the value of that building from the late 1940s until the time that the suit was brought had increased, I think it was more than twice the rate of consumer price index, much faster than the stock market and I believe faster than appreciation of multi-family buildings or housing in general throughout the country.

The consequence of the total regulatory environment, and by that I mean the effects on the supply of government regulation generally to achieve other governmental objectives, quality of life, things like zoning, landmarks, environmental regulations, safe buildings for the building code and that sort of thing, as well as the preservation of an attractive city. Central Park, all the publicly supported institutions that make it a magnet for people from throughout the world, at least before the pandemic. All of those things have been a tremendous asset to owners in terms of increasing the demand for their existing structures and raising pressures on rents over time.

So State intervention by, you know, bringing in rent protection evens the playing field to some extent. I don't think enough, but it does even the playing field. The notion that landlords are subsidizing tenants is outrageous and obnoxious. Because if you look at what's happened in the market over the last half-century or so it's clear that the entire regulatory environment has had the effect of making landlords quite rich. With some exceptions and various [zoom inaudible].

CHAIRMAN REISS: Can I ask questions about that here? You're talking about it like it's just a regulatory environment, but isn't there just also increased demand for housing? So it's the market as well as regulations that are impacting --

MR. COLLINS: Absolutely. And I don't mean to mislead people. I mean, look, it a small land area in a heavily populated urban area with a large suburban belt around it with limitations in terms of how much housing could be built. You know, if Westchester and Long Island were open fields, then the pressure would be taken off, we'd have all kinds of housing going on up there. And if it were not places that were heavily zoned like, you know, Scarsdale and many of the communities on Long Island, we would have a lot more housing going up and a lot more affordable housing.

The things that make housing attractive, and comfortable, and livable for upper-middle-class and some middle-class people, and very wealthy people are the very same things that make housing expensive for poor people. Unduly expensive for poor people. And --

CHAIRMAN REISS: Tim --

MR. COLLINS: Yeah.

CHAIRMAN REISS: -- can we go back to the chart because I just want to make sure I'm understanding the chart properly. So when you're comparing the necessary rent increases to the RGB rent index increases, the cumulative, am I correct in understanding that because buildings are not 100 percent rent-regulated, there's some market-rate units in those -- and actually over time until 2019, the number of market rates units has actually increased over time so that is driving the increase in net operating income as well as other factors such as the RGB rent increases.

MR. COLLINS: Right.

CHAIRMAN REISS: So it's not like we're looking at the impact of the RGB on rent-regulated units, we're looking at the impact of the RGB increases in the context of partially rent-regulated buildings; is that correct?

MR. COLLINS: That is what you're looking at when you look at the income and expense data produced by the staff which shows that 52.1 percent growth in NOI since 1990 in inflation-adjusted dollars. In this chart, you are only looking at the increases authorized by the Board. That's why it is a little bit mathematically abstract. This takes the Board's rent index, which begins as you can see from the chart, the second and last column, you know, beginning at a base of 119.90.

If you just look at the combination of annual guidelines and vacancy allowances including what the Board authorized and what the statute authorizes, you see that -- I'm sorry. It's the last -- it's the last column. The rent index is the last column. So if you look at those increases, just what the Board has authorized, as well as the statutory vacancy allowance, you see that there has been an increase of 211 percent from 100 to 311.53.

If you look at what I have constructed, which is a combination of, you know, factoring in the O&M to rent ratio with the actual cost increases and what the Board needed to keep owners whole then what was needed was increases of 181.46 percent.

CHAIRMAN REISS: But the column that's NOI times CPI and the NOI ratio, how does that figure into your necessary rent increases? Because NOI is going to take into account not just the increases that the Board authorizes, but just the increases from the other changes in the regulatory environment and the increasing demand.

MR. COLLINS: It's actually -- the NOI, that is -- when we talk about, you know, NOI, we're using the NOI ratio. But the increases that we're talking about are just again, what is authorized, cumulative impact of what's authorized by the Board. On the costs end, we're looking at actual cost data. And what it, you know, costs owners plus what it would take, a very simple mathematical, you know, calculation of what you have to do to NOI to keep at whole for inflation. So for example, you have the audited costs to income ratio on the third column there. The O&M costs times the O&M ratio. And what would be needed to, you know, to increase rents to cover operating costs. We have the CPI increase times the net operating income. And when you combined the two, you get the necessary rent increase that, you know, under the second-to-the-last column.

CHAIRMAN REISS: So Tim, I'm just trying to understand the impact of the broader regulatory environment. If 90 percent of the housing stock was regulated -- if 90 percent of buildings with rent-regulated units had -- 90 percent of those units were rent-regulated in 1990, I'm just making this up --

MR. COLLINS: Right.

CHAIRMAN REISS: -- and only 85 percent was regulated in 2000, that would impact the analysis, right? Or am I misunderstanding?

MR. COLLINS: It does not impact what is this chart. Again, this chart for the purposes of what is authorized in rent increases and what is needed to keep owners whole is, you know, abstracts based upon the calculated impact. You know, the prevalence of one and two-year leases, the number of vacancies each year, that is packed into the Board's rent index, which is included in the explanatory statement every year.

It has nothing to do with how much rents actually go up because that's impacted by preferential rents, MCIs, other types of statutory increases, and deregulation. So that last column, the 211 percent increase is all about what the Rent Guidelines Board has done. It's authorized 211 percent increase in rents. The second-to-the-last column is based upon, you know, actual audit, you know, costs increases. And you can see the second column is the actual increase in cost. So what I'm saying is is that the -- what was needed to keep owners whole? Again, in terms of covering all their costs and keeping that operating income even for inflation, would've been a 181 percent in increases, and the Board authorized to 211 percent.

Now, having said that, this Board, at least for the last six years, has not been -- has not contributed to this problem. And I think, you know, Andrew pointed out a couple of years ago, and it's actually startling. If you look at the last two columns and you compare the numbers, like for example, '91, you have a 103.83 the next year and the allowance of the Board was cumulatively 4.1 percent increase in rents, so you have almost identical numbers. Then the following year, almost identical. The next year, one percent off, the next year, one percent off.

This is the board doing its job in a remarkably accurate way. And then it starts to stray somewhat to the by 2000, you know, the Board seems to be overcompensating owners with a 45.42 percent increases over a 37 percent increase in operating costs. But that kind of works itself out. So by 2008, and this is what Andrew pointed out and I hadn't focused on before, we are still in an area where the board is doing frankly, a hell of a good job.

Operating costs are going up and rent authorizations are keeping right up with them. You know, the difference is minuscule. But then we see this jump in 2009 where the impact -- and this would have been from 2007/2008 guidelines which are starting to impact, although the rent index itself is from, you know, that -- the explanatory statement of the previous year.

So we see that rent -- authorized rent increase, which bring the cumulative to 123.89, so it's 223.89. But you have to take out the 100 base. And the actual increases needed to keep owners whole is now 108. So we begin to see the departure. And the departure grows substantially through 2014. When you start -- and then in 2015, you start to see it come back closer to reality. So we're getting closer to where owners should be but we are still way off the mark. You know, there's about a 30 percent difference here in terms of what the Board has authorized, 30 percent in the relative terms based upon the growth.

In other words, if you subtracted 281.46 from 311, you actually convert it to percentages, it's about 30 percent more. Now, that doesn't mean that the Rent Guidelines Board should reduce rents by 30 percent. That's not at all what it means. What it means is that cumulatively over a 30 year period, if you just add up the guidelines, they've overshot the mark by some 30 percent, which in relative terms is now probably around, you know, 7 or 8, maybe 10 percent.

So quite frankly, if the board rollback rents 5 percent, you probably end up right about where you should be. But I don't expect the Board to do this, there were a lot of other factors that come into play. But my numbers are conservative because the gap that I'm pointing out here is not quite as significant or radical as the growth in NOI that is identified by the staff which is, you know, over 50 percent since 1990 in inflation-adjusted terms.

So the bottom line is, the Board should be quite comfortable that owners have a really solid base of rents from which to operate, legally authorized rents from which to operate. And that, you know, given the fact that tenants are hurting and that the hardship that is inflicted, the rent burdens the tenants are experiencing are at least, in significant part, a product of this board overshooting the mark during those critical years of the last recession, that I think that, you know, owner claims of hardships should be discounted.

Now, I've always supported a reform of the HCRs hardship mechanism. I think it's kind of stiff and perhaps inadequate and administratively cumbersome process and owners should be able to, you know, more easily prove that, you know, they're not making a reasonable return and perhaps get increases more quickly from DHR in those instances. But I would submit to you that I suspect that Probably fewer than two or three percent of owners would even be close to being eligible, to showing that they're, you know, not getting a sufficient return to cover their operating costs and to make some non-operating income.

CHAIRMAN REISS: Thank you, Tim.

MR. COLLINS: Thank you.

CHAIRMAN REISS: Additional questions for Tim?

MR. WOOD: I just wanted to go back. Just point out on the abandonment issues that you raised earlier in the '70s and '80s. You also have to remember the redlining that occurred where people could not get construction loans to take out mortgages. It was the racist banking practices of that time has as much to do with the abandonment as much as anything else.

CHAIRMAN REISS: Thanks, Larry. So here's a question for the board. We have, like, another hour-and-a-half left for this -- for the morning session. Do you want to take a break now or should we hear from one more speaker? Any preferences should we -- should we hear from Eliot first and then -- and then take a break or --

MS. GARCIA: Can we ask Eliot if they are available to come back if we were to take a break just to make sure that we're respecting Philip's time?

CHAIRMAN REISS: Eliot, how are you doing on your schedule?

MR. HETTERLY: Thanks for checking. I'm good either way.

CHAIRMAN REISS: Okay. I don't

see -- I don't see people rushing for the exit. So why don't we hear from Eliot and then we'll take a break after Eliot -- Eliot testifies. Okay. All right. Eliot, the floors yours. Eliot is joining -- Eliot Hetterly from ANHD. Welcome.

MR. HETTERLY: Okay. Thank you so much. Good morning, everyone. Thank you, Chairperson Reiss, and board members for the opportunity to testify.

My name is Eliot Hetterly and I'm the senior manager for Housing Development at the Association for Neighborhood and Housing Development or ANHD. Our mission is to build community power to win affordable housing in thriving equitable neighborhoods for all New Yorkers.

We're a member organization, so we have about -- over 80 neighborhood-based affordable housing and community development groups as our members. And we work at the intersection of organizing, policy, advocacy, and capacity building to support our members and build equity in justice and their neighborhoods and citywide.

We have an extensive network as

members of non-profit affordable housing developers who have built over 130,000 units of affordable housing in New York City. And every year are members create and preserve hundreds of rent-stabilized units across the five boroughs. Even before the pandemic, we know that New York City was in a housing emergency. Decades of rent law loopholes that favored landlords, profit-driven speculation leading to the displacement of tenants and annual rent increases have all played a role in our city's affordable -- affordability crisis.

The most recent data available shows that at around half of New York City tenants are rent-burdened and the overall vacancy rate is just 3.6 percent. According to the Rent Guidelines Board 2021 Income and Expense Study, landlords saw a 52 percent increase in net operating income from 1992 to 2019 after adjusting for inflation, meaning that their revenues outpaced expenses while rent-stabilized tenants have become increasingly rent-burdened. New Yorkers were struggling to pay rent before the global pandemic hit and the economic crisis brought by COVID 19 has only exacerbated this fact. Now more than ever, rent stabilization protections and maintaining the most affordable rents possible are paramount.

There have been suggestions that the pandemic has lowered rents in the market overall due to a decrease in demand, thereby making housing more affordable. But this obscures the reality of a continued tale of two New York cities. For the wealthy, there is a surplus of luxury housing units in inexpensive neighborhoods, rents are decreasing, and high-earning tenants are spending a smaller share of their income on rent.

For the average New York City resident, however, and particularly for those who are low and extremely low-income, there are a shrinking number of low-cost units, and their rent burdens have stayed the same or even increased compounded by historically high unemployment rates brought on by the pandemic.

A Street Easy Report found that rents in the neighborhoods hit least hard by COVID-19 actually declined by 1.9 percent, while rents in the hardest hidden neighborhoods increased by 0.3 percent. Those burden by the worst health impacts of the pandemic are doubly burdened by rents they cannot afford. And this is particularly true for black and brown New Yorkers, who are disproportionately affected.

Vacancy rates further illustrate this trend of ample available housing at the top of the market, while the supply of low costs apartments continues to shrink. The vacancy rate for units over $2,000 a month increased from 4.2 percent in 2011 to 7.4 percent in 2017 while the vacancy rate for units below $1,500 a month decreased from 5.42 percent to 3.2 percent. And the vacancy rate for rent-stabilized housing specifically decreased from 2.55 percent to just 2.06 percent during that period. So any increase in the overall vacancy rate has largely been driven by an increase in unregulated high-end units in the rental market while the availability of units affordable to low and moderate-income families has gotten tighter.

This trend was occurring before the pandemic and is even more pertinent now as more New Yorkers, who are struggling financially, have to compete for fewer low-cost units. Raising rents in the already extremely limited rent-stabilized units will exacerbate this affordability crisis.

CHAIRMAN REISS: Eliot, can I just ask a question on this front? So you're pointing us to 2017 data --

MR. HETTERLY: Of course. Yeah.

CHAIRMAN REISS: -- but I was curious as to whether you have any data, you know, reflecting the time period of the pandemic? So you made some claims about what's happening during the pandemic. What's the basis for those claims?

MR. HETTERLY: Sure. So you're right. I did reference the 2017 Housing Vacancy Survey, which is the most recent survey that we have available. So unfortunately we don't have -- and I apologize, there's construction going on outside. I don't know if you can hear that.

CHAIRMAN REISS: It's very light.

MR. HETTERLY: So you know, but, you know, there is some very limited data and I referenced a report that Street Easy had done about rents. So, you know, that's rents in the market overall showing that basically the neighborhoods who had -- were hit hardest, in terms of rates of COVID, declined while -- I'm sorry, the neighborhoods who were hit least hard, those rents declined while neighborhoods who were hit harder by the pandemic, those rents increased. So -- and then, of course, we have some anecdotal evidence, but unfortunately, there's not a ton of data related to vacancy rates since the pandemic hit.

CHAIRMAN REISS: Thank you.

MR. HETTERLY: Sure.

ELIOT HETTERLY: So we, at ANHD, do recognize that rent-stabilized apartment buildings have expenses they must meet in order to operate safely and efficiently. Our members, who are non-profit housing providers, have a history of maintaining their buildings, keeping operating expenses low so as to minimize tenant rent increases while still maintaining safe quality buildings.

And furthermore, they do so while operating 100 percent affordable buildings. So without the added revenue generated from the share of market-rate units that's found in many for-profit-owned rent-regulated buildings. And this is true for our smaller non-profit organizations that operate, you know, a dozen buildings, as well as for our larger members that have portfolios of over 1500 units.

So our members use a number of different low-interest loan and tax exemption programs that are offered by the New York City Housing and Preservation and Development or HPD, and these programs allow them to make needed repairs, maintenance, and building upkeep while ensuring sound building finances without burdening tenants with high rents.

And these programs are accessible to all rent-regulated building owners, both for-profit and non-profit. There are resources for smaller buildings as well as larger, and so these programs include the Multi-family Housing Rehabilitation Program, the Participation Loan Program, Greenhousing Preservation Program, and the J-51 Program, details of what you can find in our written testimony. But the point is that these low interests loans and tax exception programs are available to make moderate rehab repairs.

So lastly, I'll say that, you know, the data suggests that historically, rent increases have largely served to increase profits rather than improve building conditions, as the 2021 RGB study shows. As I mentioned, that operating income increased by 52 percent from 1992 to 2019 after adjusting for inflation, so revenue outpaced expenses. And this increase is particularly dramatic when broken up by borough.

So in Brooklyn, the inflation-adjusted NOI increased 118 percent since 1990. And more recently, just in the past 15 years, there's only been one year in which NOIs didn't increase year over year. So this demonstrates that landlord profits have risen over a period of decades while rent-stabilized tenants have remained rent-burdened or the rent burden has even increased. Especially now amidst the global health crisis and housing emergency, tenants are faced with the choice of having to cut costs between -- cut costs for food, healthcare, and childcare or pay rent. And while building owners have arguably suffered as well during this crisis, their level of hardship is not equivalent to what low-income tenants have experienced.

CHAIRMAN REISS: Eliot, can I just ask you a question? You said that -- your testimony says that rent burden has increased. Is that drawn from the RGB staff reports? In the last year, they've actually -- in the last year that we have data though, they showed that they decreased. No? Am I getting that wrong?

MR. HETTERLY: So you're asking about the rent burden of unstabilized tenants?

CHAIRMAN REISS: Yeah.

ELIOT HETTERLY: So we were drawing that data again from the -- from the Housing Vacancies survey.

CHAIRMAN REISS: So it's 2017 data?

MR. HETTERLY: Right. So a bit outdated, but I think, you know, we're trying to make the point, like, longitudinally what, you know, the trends that have occurred over many years --

CHAIRMAN REISS: Okay. Thank you.

ELIOT HETTERLY: -- more so than just recently.

CHAIRMAN REISS: Got it.

ELIOT HETTERLY: Also, as Sam and

others have pointed out, Sam and Kate have pointed out, building owner's loss of rental income will be compensated largely through the federal and state rent relief programs, while tenants will continue to be rent-burdened even if their past debts are cleared.

So in conclusion, the COVID-19 pandemic has revealed an exacerbated deep inequalities in our society. Tenants in neighborhoods that have been hit hardest during the pandemic, by the pandemic, have also suffered the most from high rent burdens, low availability of units, and high rates of eviction. Those same neighborhoods are also largely black and Latinx, revealing the ways in which systemic racism intersects with disparity and housing affordability. And this year, in particular, it is critical to prevent rent increases for tenants and protect the city's limited stock of affordable housing. And we urge you to consider these issues as you contemplate this year's RGB decisions.

Thank you again so much for the opportunity to testify.

CHAIRMAN REISS: Thanks, Eliot.

Questions for Eliot? Alex.

MR. SCHWARTZ: Yeah. Hi. Thank you.

Curious as to your member organizations. What has been -- what's been their experience with regard to rent collections during COVID?

MR. HETTERLY: That's a great question. You know, again, just anecdotally, we've surveyed our members and it's been varied. A lot of our members have buildings that receive rental subsidies, so in those buildings, of course, the impact was not as significant, but they did see, at least for the tenant portion of rent payment, a decrease. We've heard that rent collection had started to improve more recently, but there has, of course, you know, in the past year overall been losses.

CHAIRMAN REISS: Eliot, to the extent that ANHD is willing to share its survey findings, it would be useful to see because, you know, in our last meeting, we heard from some lenders and their portfolios, and it'd be interesting to compare the experience of ANHD's members with what we heard from the lenders if you're willing to share it.

MR. HETTERLY: I can definitely look into that.

CHAIRMAN REISS: Thank you. Other questions for Eliot? Sam, you wanna add something?

MR. STEIN: Yeah. I just wanna make a quick note of a paragraph that's included in our full testimony, so you can check this out if you want but we cut for time, which just analyzes that slight drop in rent burden overall compared to the increase in rent burden for low-income tenants, so just to show that dual motion.

CHAIRMAN REISS: Sam, just to be clear, that the median rent burden dropped, but for low-income households, it increased?

MR. STEIN: That's right.

CHAIRMAN REISS: And that was from the 2019 data?

MR. STEIN: Yeah. And that's ACS, so that doesn't distinguish between rent-stabilized vs everybody else. But that's the data that I believe was included in the income and affordability studies.

CHAIRMAN REISS: So that's 2017 data or 2019 data?

MR. STEIN: '19.

CHAIRMAN REISS: Okay. Got it. Okay. Thank you.

Other questions for Eliot?

(No response.)

CHAIRMAN REISS: All right. I think we're doing good on time. It's 10:43, why don't we try to all get back here at 10:50, and then we'll hear, I think, from Larry. Are you next, Larry?

MR. WOOD: No. I think the plan was we were going to have three or so tenant speakers.

CHAIRMAN REISS: Okay.

MR. WOOD: I don't see them well on yet, so we might not have them all.

MS. GARCIA: Can we make sure that -- Andrew, there's some folks in the waiting room. Larry, just so that while we take a break, we can coordinate to get everyone on?

MR. WOOD: Right. Yeah. Jordan

was calling the tenants to make sure that they were on and then it would be me and Brian and an SRO tenant.

CHAIRMAN REISS: And I see that Amadi Ozier has raised her hand, but I don't see her on my screen. Does that --

MR. HOBERMAN: Right now we have in attendees, we have Amadi, Jordan, Juan.

CHAIRMAN REISS: Is Amadi speaking?

MS. GARCIA: Amadi is speaking and Juan is speaking. They're both in that room.

CHAIRMAN REISS: Oh, okay.

MR. HOBERMAN: We can promote them to panelists when you want to, anytime.

MR. WOOD: Yeah. After the break. Thank you.

MR. HOBERMAN: Okay.

CHAIRMAN REISS: Okay. All right. Great. So see everyone at 10:50.

(Short recess taken.)

CHAIRMAN REISS: Okay. It's 10:50, so if people could turn back on their cameras we'll have a good sense that we're here.

And Sheila or Larry, can I ask you to tell us kind of the order of who we're going to hear from; is that okay?

MR. WOOD: I wish I knew.

CHAIRMAN REISS: Okay. Well, it's fine.

MS. GARCIA: We're just letting people in. Can we give it --

CHAIRMAN REISS: Yeah, Let's see. We'll give it a minute.

MS. GARCIA: -- is on here?

MR. WOOD: If the tenants could turn on their cameras, we'd love to see you.

CHAIRMAN REISS: That's definitely true.

MR. WOOD: [Zoom inaudible] tenant, so she'll go with Brian and I.

MS. GARCIA: Okay. Andrew, I just wanted to flag that I believe Juan is a monolingual Spanish speaker, and so we're going to need Abby to come and to do the interpretation.

MR. MCLAUGHLIN: Which one is Abby from the attendees? Is it tenants and neighbors or ?

MS. GARCIA: I'm not sure.

MR. MCLAUGHLIN: It looks like her hand is raised. Is that -- should we allow -- yeah. Is that -- do you think -- what if -- I guess.

MS. GARCIA: I mean, she's one of my staff people so we can just let her in.

MR. MCLAUGHLIN: Okay. All right. Frank, can you let her in? The one with her hand raised.

MR. WOOD: I see Amadi's up on the screen and so is LeVera. My friend.

MS. GARCIA: Yeraldi, are you going to do interpretation for Juan?

MS. ABBY: Yes. This is Abby, I'm signed in as Yeraldi.

MS. GARCIA: Thank you. Okay. I think that we can start with, Amadi, and then just go to Juan. I think those are the two folks on the tenant -- rent-stabilized tenant that will testify today.

MR. REISS: That sounds great. I mean, Abby, if you want to just change your name, it's not super important but if you want to change your name just so that it's reflected, you know, you can change it just for the session if you want to, but not a big deal.

But, Amadi, welcome, and we'd love to hear from you.

MS. OZIER: Hi, everybody. Thank you so much for having me, I really appreciate it. So yeah, I'm a rent-stabilized tenant. I did just move actually, which is kind of what I'm going to talk about because, like, my last rent-stabilized apartment which I lived in for all of the pandemic was -- you know, the entire time I was working with the tenant association over a host of building-wide and apartment related issues.

So, like, a couple of the other things to know, I guess, would be, like, I lost, like, you know, two-thirds of my income during COVID and it hasn't come back, you know, so I make, you know, like $19,000 a year, right. So I'm, like, extremely rent burdened tenant right now.

And in my last, I mean, my previous apartment which I had to leave just because I felt unsafe. Like, you know, my kitchen ceiling collapsed and they didn't fix it for 31 days. My bathroom ceiling collapsed, they didn't fix it for two weeks. I had mice, I had rodents. A lot of these leaks it's like, you know, like, you know, damage to the ceiling and stuff was, like, you know, they would fix a leak and then the leak would return two months later and cause -- continue to cause damage, continue to put black mold in my kitchen, and my bathroom, and my living room and things like that. We had human sewage in our courtyard for two months that was never cleaned. Like, it was just, you know, the rain took it away eventually, basically.

And I was also like, you know, I'm an instructor -- an English instructor. I like writing so I was being pretty, like, communicative with our landlord at the time telling him about all of these issues, you know. My radiator being broken. We would -- like we didn't have -- our water would turn off for no reason. We would have hot water -- or we would lose our hot water for no reason. We would lose our heat for no reason during the winter, during the pandemic, no water, no -- no ability to wash your hands. Things like that.

And, you know, I tried to be communicative with my landlord and he just never responded, like, during the pandemic. So I'm an extremely rent burdened tenant in this place and feeling completely unsafe. Like, I've moved to a place now where I actually sleep now through the night and I didn't -- wasn't able to sleep for a long time, you know. The front door to my last building didn't lock so people just came into the building who didn't live there. Another thing that I told our landlord about. Another thing that I begged him to, like, please can we please have a lock on our front door? Another thing that we couldn't -- we didn't get.

So that's I guess my main thing to share with you guys today is that, like, at the same time then I'm expected to pay, you know, the majority of the money that I make in a year for rent, my landlord wasn't providing any of the services that I was paying for -- that I was supposed to be paying for to make the space habitable. Like, the space -- by the end, it wasn't habitable. Like, the walls were crumbling, the floor was crumbling, you know. I cleaned it the best I could but, like -- like, you know, what I mean, like, but he'd destroyed his own apartment. He destroyed his own building.

But because I was also involved in the tenant association, I did also want to share that, like, I helped other people. I didn't apply for the written relief program myself but I helped other people apply for the rent relief program. The building that I used to live in had 32 units. The building I'm living in now has 36 units and none of the tenants I spoke to in any of -- either of those buildings got anything from that rent relief program. And I also work with the [zoom inaudible] tenant union and that has something like 2,000 members and we haven't -- none of our members, that we know of, received any sort of support from that rent relief program.

So the problems that I see, at least for myself, is that I don't have any money and my landlord's not using the money that he's supposed to use to make my home a safe home to live in, he's not using it for that. And the -- sort of the infrastructure that we're supposed to build to help support people who don't have money and don't have the support even of their landlords, that didn't -- that system didn't really work for a lot of people. Yeah. So that's kind of what I wanted to share.

Thank you.

MR. REISS: Thank you. And then, LeVera. Is that who we are hearing from next? Welcome.

MS. GARCIA: We're going to hear from, Juan.

MR. REISS: I'm sorry. We're going to hear from Juan.

MS. GARCIA: LeVera will go after Larry with the SRO tenants.

MR. REISS: I'm sorry. I'm sorry.

MS. GARCIA: Thank You.

Juan.

MR. CHULDE: My name is Juan Chulde. I'm a tenant at 1011 Carol Place in Bronx, New York and I've been there for over ten years. And the story I'm going to share is my reality. When I moved in here over ten years ago, my rent was $900 and now it's 1,640. We live in a one-bedroom apartment. There's three kids and four adults living with us. I have to have two jobs to be able to pay this rent. I work 16 hours a day and this is the reality I'm living in to be able to pay my rent in this apartment.

We have some old construction problems in the building. We have an old elevator that does -- is out of service a lot of days and so the landlord is going to replace it, but he is going to be passing the cost of this replacement onto the tenants. So we are going to be trying to fight against this rent increase with the support of CASA because we're not able to pay this. And so, you know, with all of the things happening with the pandemic, you know, we are saying that we cannot pay any rent increases this year. We need at least a five percent decrease so that we can, you know, live our lives safely and with dignity.

INTERPRETER: And he said that that's his testimony and he said it would be great if he were able to hear the other testimonies in his preferred language as well.

MS. GARCIA: I think -- Gracias, Juan. I think we're going to go to Larry and then hear from LeVera.

MR. WOOD: Thank you. That should be me and then Brian who'll come on shortly. Here he is. It'll be me, Brian, and then LeVera. Thank you.

And I guess I want to just start by thanking, Juan, and Amadi in representing tens of thousands of tenants in situation's just like them. We don't -- in past years, we didn't always include tenants who are experts by their lived experience. And when you hear the data and the numbers of people with high rent burdens, those are abstract numbers and we thought it was really important that when you think about people with high rent burden, you see Juan's face, you see Amadi's face, as well as all those other tenants who will be testifying in the public hearing's because it has real impacts on real folks.

And I want to thank the Board because I really do believe, you know, you have largely struggled and done the right thing for tenants over the past number of years. I know your guidelines. I bring history to this. I've been before the Board for a good 35 years now so I know we've had the lowest increases in the history of the Board over the last number of years. Despite that, you know, Tim Tara's testimony brought it all out, landlords are doing quite well and tenants are still struggling mightily in his city so whatever relief we can give them would be really appropriate.

You know, that five percent rollback is probably a pipe dream but it is really -- would make a big difference for a lot of tenants and that's what tenant movement is demanding. And I know you do your best to try to do the right thing. So I had to -- I have a lot of material to cover. I want to do a share screen feature but I want to, I guess, make the case for a continued rent-free SRO tenants that you've been able to do for nine years now and I think all the data supports a continued net freeze. So let me call up a shared screen. Let's see.

MS. GARCIA: We can see your e-mail.

MR. WOOD: Yeah. I know. Okay. So I just want to minimize this. Okay. In the packet that I gave you, you'll see under historical timeline of SROs, that's on SRO letterhead and then I pulled from the supportive housing network website, the history of supported housing. I do want to go to this particular document. Okay. Just learned about this recently, but I thought it was a really nice capture of what are SROs and a little bit of their history. What is a home, what does it holds? Houses. It holds a family. That's called a unit. But it always wasn't that way.

The late 19th and early 20th century, which had much more flexible communal housing, it was not uncommon for lots of people to have boarders or, like, you know, in their homes. So just the numbers of people, all sorts, single people, foreigners, migrants, factory workers. Everybody had to live somewhere and a lot of those places were boarding houses, rooming houses, lodging houses. Sometimes they're also known as flophouses. And this is national. You can see some of the prices here, this is a place in Chicago, if I recall. People didn't have kitchen or bathroom. It was also communal. Many places actually serve food. Some of the bigger hotels, it was part of their cache.

This is another one out in Chicago. San Francisco is known as Hotel City at one point because of the vast numbers of people who lived in hotels only ate in restaurants. A guide on 1892 also explaining this. In Boston, another social societ -- Albert Wolfe, made a point of all the different types of workers and folks who lived in this type of housing. There were seven different variety of types of residential hotels. Expensive ones that provided dining and switchboard service and a variety of other services. And then there was certainly the low-income ones, the boarding houses. And where you slept, of course, defined what you could pay.

In New York City, we had places -- there's the Barbizon. It was a women's residence and it mainly housed ambitious, wealthy white women. Another facility in San Francisco largely served poor Filipino families and then Chicago Beach Hotel happened to be known for -- as a Jewish residence, over 80 percent of the tenants were the Jewish.

So just makes a point that all sorts of people lived in this housing. It was --

it wasn't until the 1930s that the term SRO actually bubbled up. And again, through World War II and with -- after World War II with lots of people coming back and needing homes, SROs served a lot of those folks.

But then in the '70s with the institutionalization of folks with psychiatric issues, many of them were moved into SROs and by 1950, it was estimated about 200,000 SRO units in the city. But they're also seen increasingly as undesirable in certain neighborhoods in the city, including New York, ban new SRO construction. It actually offered tax abatements to encourage the demolition and conversion of these SROs.

Of course, homelessness grew during this period. Between 1971, there was 165,000 units of SRO housing, and then in 1986 the Blackburn (phonetic) reports, there was 65,000. So over that 15-year period from 1981 -- 1971 to 1986, we lost two-thirds of the SRO stock. And it was similar across the country in terms of the SRO stock and how they diminished across the country. And homeless grew, illegal SROs have flourished, the illegal basement apartments. There are estimate's now there are more illegal SROs in the city than legal ones left.

And you can see people have returned to cooperative living in some senses, the Airbnb models, micro apartments. This is Capitol Hall. This is actually run by Goddard Riverside. It was one of the first SROs acquired by a non-profit and maintained. It's up at 87th Street. So I'm just running through the rest of these quick. Let me switch to a different document.

Okay. So the important thing to know about rent stabilization and how it applies at SROs, it is different. Tenants, when you first move in, if you get an initial lease, you are rent-stabilized. And then certainly that's the case in the non-profit ones. There's no transient tenants in the ones operated by non-profits in the supportive housing network. But you only become a permanent tenant if you resided there over six months, or you do what's known as a lease request, which is not really a request and you don't get a lease, it's mandatory.

The landlord recognizes you as a permanent tenant, and you're a statutory tenant.

You don't have to do renewal leases like apartments. Owners never give out this notice. I've never known one to give out. This is produced by DHCR and it's supposed to be given out to all guests, people checking in to SRO subject to rent stabilization. But it's largely not done. It's a rare situation that somebody can do, at least request, to trigger their rights as a stabilized tenant.

Just going down to the explanatory statement from a past Rent Guidelines Board order. Just to go to the definitions. Because there are actually five categories of SROs, and you could apparently give a guideline increase depending on the type of building. I always found that bizarre that there's a much smaller percentage of SRO buildings you could subdivide but that's not the case with apartments. You know, certainly, the economics around a 200-unit building is very different than an 8-unit building.

But be that as it may, we have apartment hotels, the Class A multiple dwellings, Class B hotels, the rooming houses are those buildings of less than 30 units. SRO single occupancy was a Class A building that was converted to an SRO at some point in its history. A Class B hotel is just built as a Class B hotel, meaning shared facilities, bathroom, kitchen. And then there's lodging houses which are basic cubicles which often with chicken wire sealing two separate cubicles from one another. So those are the types of SROs that are out there.

Just wanted -- let me just turn that so you can see it appropriately. This is the chart for, you know, the guideline increases over the years. And we -- you've done right by SRO tenants over the years and haven't affected the profitability of these SROs at all. I just want to point out you can't see it in the fine print here. But starting in 1984, we had provisos, the conditions by which the landlord needed to meet in order to qualify for rent increase.

The first proviso was back in 1984 around the issue of warehousing because owners were trying to empty those SROs out to convert them to coops, or condos, or tear the building down. And we argued that if owners really needed the rental income, they should rent up their building first instead of crying poverty about not getting an adequate rent increase, and the Board appreciated that and we -- there's been other provisos over the years, but they haven't been needed because of the straight guideline at zero. Put that back here.

Let me just open this one again. Okay. So I went through the rights, the explanatory statements, and then the chart and noting the provisos. The thing I want to quickly show you is, from Manhattan Community Board 7, a study that encompasses 59th to West 110th Street. The study's a little dated, but it's still a good snapshot of SROs and what's happened to them over time. And certainly, tourism and tourist rentals were down over this past year, but the special needs placements, that's the homeless men and women.

There was a lot of placements if you've been reading the news, particularly here on the Upper West Side. Where the Lucerne, the Belleclaire, a number of other SROs that were doing tourist rentals instead are getting top dollars from the city, because of the need to do social distancing of the men and women in those congregate shelters. And the Lucerne was just one that got a lot of high-profile attention here on the Upper West Side. And Goddard Riverside, by the way, intervened to help provide services to those men so they could stay here in our community.

So let me show you that study, and then I'm going to go on to the other things then wrap it up. So this is the biggest study with some text and a lot more charts, and actually a complete database of every single SRO unit in Community Board 7, where a lot of SRO units actually have been concentrated. So just going to get through these.

So in 2010 when this study was done, they found 13,000 SRO units, and those are hotels, student housing, where students were housed in the SROs. Servant's quarters because we never really thought about them, but there are B-units and tops of some of the luxury hotel -- luxury buildings that were living quarters for servants. And here is a breakdown of those units. So you see A is the non-profit buildings, and the ones with -- includes city placements of servants so it's just about 300 units but they were -- they counted them.

Student use. Another category. 3,287, this is the actual number of SRO tenants, the rent-stabilized portion. So you see it's just a fraction of the overall units. The biggest percent which has grown, and I'm sure the stabilized units have dropped, is the -- [zoom inaudible, the illegal use -- the legal and illegal use of the hotels and the market, you know, the placement of the special needs populations. And that both includes division of AIDS services, or HASA as it's now known, as well as homeless men and women, or families where their equipped depending on the need. So this, you know, just shows you the number of units lost over that time and where they happened to be located.

This is, again, a breakdown of the so-called market-rate units and their variance percentages. And again, it's just such a small portion of destabilized tenants are left. The illegal hotels, the laws changed slightly, but many SROs were not allowed to do less than 30-day rentals. And many of them were doing daily tourist rentals, and that was displacing a lot of people, and also making for difficult conditions if you were remaining rent-stabilized tenants, you know, with the constant coming and going of transient guests.

At the time this is where the homeless families, or homeless individuals, or folks surviving with AIDS would be placed. A lot of them live a little further north. Obviously, most recently the Lucerne is at 79th Street, the Belleclaire is over here as well at 78th Street. The Bellemont is another one up at 87th. So many buildings -- I mean this has shifted around, but there's still a lot of buildings that have placements in them.

And then this is the number of SROs that have been preserved by non-profits acquiring them. We have two, the Capitol Hall and the Senate, and we're actually going to be closing on another building up at 107th Street in the coming weeks, and we'll be preserving one more SRO accordingly.

Let me see if I have those adjustments. Okay. So the last thing I guess I wanted to share -- I'll go back to my -- oops not the right one. Thank you for your patience. In the packet that includes my testimony, you can read it but there is many other examples of not -- you know, non-stabilized rentals both by college, tourist rentals, and the special needs populations. I'm just going to show you these real quick. This one happens to be next door to me, American Musical and Dramatic Academy. And they utilize a number of their SROs including two on my block. It happens to be my birthday today so I'm getting a lot of text messages. Sorry about this noise in the background.

CHAIRMAN REISS: Happy birthday.

MR. WOOD: Yeah. Turning good old 63.

CHAIRMAN REISS: Turned it already.

MR. WOOD: Turned it already, my wife reminds me. The Stratford Arms --

MRS. GOODRIDGE: Sorry, Larry. Happy birthday.

MR. WOOD: Thank you.

MRS. GOODRIDGE: I'll stop.

MR. WOOD: Yeah, I actually have vacation this week, But, again, I wouldn't miss this for anything. It's so important for the SRO tenants I've worked with for decades. So I'm glad I'm here to -- I'm glad to be here with you guys today. Stratford Arms, The Amsterdam, this is right next door to me, utilized largely by AMDA. Think we got about five rent-stabilized neighbors. I'm in 211. This is right next door. They also advertise other hotels where the students can stay. The Pod, the Lucerne, which is not doing tourist rentals now with the homeless men there.

The Beacon, Milburn, the NYLO, which was the Ben Franklin when I first knew it at 77th and Broadway. Townhouse 44 actually had to have been used by NYU for, you know, college students as a dorm at one point, but they're also doing tourist rentals.

Okay. Let me see if I can go back. Good. The other one I -- this really struck me, the Vigilant hotel. We actually knew it as Bedbug Central. It was a horrendous rooming house down on 28th Street. Here's a picture of it, old sign on the side. This is a review about the building and how difficult it was to live in. But it was an important resource for low-income, you know, men who's served there or lived there.

And amazingly, It's now been cleared out of all the SRO tenants. A company bought it a few years ago and offered -- it wasn't much. I think up to $4,000 to $5,000 for people to move out. I kept telling folks a down payment on homelessness unless you have a place to move to. But despite everything, they cleared it out. It's now known as the Chelsea Pods.

And this is a lodging house. I just was flabbergasted. You see that long staircase to get up? They replaced the chicken wire with a little cute lathing on top. But these rooms are basically like maybe four feet across and 8 feet long. So these are the cubicles that are now being rented out to tourists as opposed to the rooming house tenant -- the lodging house tenants of days past.

Let's see. I'm going to cover this as much -- you've got some information from the RGB and the -- I'm sorry, from DHCR and the Rent Guidelines Board. Andrew and staff have done their best to try to use that data. And you'll see from the data and the charts that are part of my testimony, the registered units with DHCR have dropped from 22,000 to under 10,000 units as of the most recent filing.

So the vast majority of large SROs has a minority of permanent tenants, 35 percent on that reported average. They're higher in rooming houses but still, I think it's close to a third were either warehoused or non-stabilized rentals. And I want to point out in those studies the mean and medium rents are really high, and despite nine years of rent freezes, they've gone up year after year anyway. So I think that's people who don't know, or the market rate, the newer tenants that move in and that's created those big jumps in the reported rent. So I'm going to stop sharing this screen.

MS. GARCIA: All right. We'll go to Brian next, correct?

MR. SULLIVAN: You all done there, Larry?

MR. WOOD: Yeah. Just trying to figure out how to stop sharing.

CHAIRMAN REISS: Larry, and I don't know Brian, if this would be a better question for you, but one question I was going to have is, what has been the impact of pandemic on employment programs and the stimulus checks on the SRO population, if you can speak to that?

MR. WOOD: You know, honestly, we haven't collected any data to that effect, but the remaining tenants in SROs tend to be seniors. They've become naturally recurring retired communities because so few tenants -- newer tenants have been able to move in over the past 10 to 20 years. So if they were on retirement income, -- I know that they've always had very high rent burdens. I don't think that's changed. And maybe Brian can speak a little bit to it.

MR. SULLIVAN: On that exact question, I think that really speaks to the continuity over the past couple of years and we also don't have any, sort of, hard data on it but our experience, similar to Larry's, that it tends to be people on fixed income who live in SROs. Their incomes, they increase. If you're on SSI, your income increases incrementally, but those increments are very, very small. And so the exact same conditions that required -- and I think appropriate to Board gave a zero percent increase in your past, those exact same conditions exist now. And so if you're on a fixed income, it's very small, increasing rent can have absolutely a devastating impact.

I'm sorry. I'm Brian Sullivan from Mobilization for Justice. Thank you again to the Board for inviting us. Just launching in from there, I guess, you know, I haven't been doing this anywhere near as long as Larry, but I've been doing it with Larry for a while, yet he still manages to surprise from time to time. And this year he definitely did. That, sort of, slideshow with that long web page he did at the beginning, I haven't seen that before, and that was fantastic.

And I think part of the reason it's so good is it gets at the key aspect of SROs in the way in which, I think, they're really misunderstood as a form of housing. And that is that they are -- you know, historically they were not only a source of cheap housing but a source of community. A way that people can live close to any number of resources downtown, and -- or in just, sort of, a central district, live with people --

people who you know and you've lived with for years. Larry just referred to them as naturally occurring retirement communities.

And there's really something to that. Tends to be a lot of older people who've lived in the same place for a long time. And SROs have this bad reputation. And there's bad things you can say about them. They don't tend to be maintained at the level that they should. But anytime a person in SRO buildings housing is threatened or anytime in the building is threatened, they fight like hell to keep it.

People value this housing at an incredibly high level. It keeps you close to services where you've probably been going to for a very, very long time. Keeps you in a central district. Oftentimes, I mean, you mentioned on the west side of Manhattan where a lot of SROs are located. But this is also true in parts of Brooklyn. Tend to be smaller buildings there, but they'll be centrally located in a community where someone has probably lived for a very, very long time, where they could not afford to stay in that community if they had to go even to the rent-stabilized market, which obviously tends to be more affordable but not affordable in the way SROs are affordable.

You know, their numbers, sadly, are dwindling, or at least the rent-regulated, sort of, market SROs as opposed to the black market for a single -- similar types of housing. But even though the numbers are dwindling, they make up a disproportionate and, sort of, massive share of the units that are affordable to people who have very low, very limited incomes, which tend to be, you know, our clients are mostly, as Larry said and as I mentioned earlier, mostly seniors living on fixed incomes, but also people who work very low wage jobs and who can't afford to get into other parts of the housing market.

And so I think again, that slideshow Larry opened with just showed the sort of vibrancy that could be SRO housing, and to a certain extent still is SRO housing, and show that this is a sort of housing that although dwindling, is so worth maintaining and preserving. And zero percent increases that the Board has given have allowed that to happen. It slows the sort of hemorrhaging of these units into the luxury market. So as I mentioned before, there's no change -- no material change from years past.

What -- the thing -- the conditions that prompted the Board admirably to give zero percent increases over the past few years have continued. I think most importantly, two key things there, are the very low income and fixed income of the SRO tenants, and the reality that SRO owners do not need an RGB rent increase. They just don't need it.

Larry mentioned some of the other strategies they use to make money on their buildings. Whether that's renting it out to tourists or, as Larry pointed out, that maybe in the past year that hasn't been as possible, but then renting it out to the city to house otherwise homeless people. That's a lucrative way to use the building. We don't see it as much, but you still see these three-quarter houses where there -- there's sort of mix of residential and some not entirely savory medical or therapeutic services, and that can be a lucrative way to make money, renting it to students. I won't repeat what Larry said.

But there's a number of ways that SRO owners continue to make money, whereas SRO tenants, they have no prospects for increasing their income. And so you just end on sort of an illustration of that point. And I've used this example in the past, but it's no less relevant than it was in years past.

I have a senior tenant who lives in Brooklyn. His rent is currently $650 a month. He's been able to, you know, 615 and change. He's been able to maintain that level over the past several years. His Social Security income is around $880 a month. So that -- for every other expense this man has in his life is, you know, roughly $200. That's he has to buy all his food, if the family needs assistance with something, he has to do everything, buy clothes, with that $200. That, sort of, razor-thin, that, sort of, very uncomfortable margin, I think, illustrates why an increase just doesn't make sense in this form of housing.

A small increase would A, make his life much worse. He's already barely managing to scrape by. I think, B, more likely would drive him into homelessness. Because those other expenses are going to keep coming in. He's not going to be able to pay the rent. You know, [zoom inaudible] Legal Services are fabulous and we can help him, but at the end of the day, if he can't pay the rent, he will ultimately be evicted. And that -- I'm struggling to say the Board just the sort of catastrophe that homelessness represents on a personal level, on a social level.

And so we urge the Board to once again, do a zero percent increase for SROs. It's -- tenants cannot afford the increase and owners will not meaningfully benefit from one.

CHAIRMAN REISS: Thanks, Brian.

Questions for Brian?

MR. WOOD: I just want to highlight, you know, when I was talking about permanent versus transient. That we always called it the transient loophole, but it was a feature of hotel stabilization. So that was the mechanism that allows the legal -- the non stabilized use. You know, colleges net leasing the SROs.

Tourists, where it was legally

done or even if you did 30-day rentals on a short-term basis, and of course, the placement by the city for emergency use. It's not an illegal use of the building and it's much more lucrative. So -- certainly, don't blame SRO landlords for going that route.

But Brian's right. You know, the increase that you would give is almost meaningless to them. And in the past, the Board has said, if we don't do any increases, what's the incentive to keep the stabilized units at all? You know, that there's no increase. You can double the rent and they're still going to be making more money through these alternative uses, and a big increase would just wipe out the remaining SRO tenants.

So your work is so important to this remaining stock and those remaining tenants. And I -- if there's any questions, we'll take them, but I really want to pass the torch to LeVera, who's been one of our tenant leaders for many years.

MS. SUTTON: All right. Can you hear me?

CHAIRMAN REISS: Yes. LeVera,

welcome.

MS. SUTTON: Oh. Good. Hi. Good morning, everyone. Thank you so much for this opportunity. First of all, I'd like to thank the SRO Goddard Riverside Law Project. If it weren't for them, I would be homeless. I've been in my building now for 22 years. It started out at the 11 units SRO and through five different owners, including receivership, it's now back to market rent building. I'm the last in my studio apartment.

The building has been converted back into a whole flat, upstairs, downstairs, and across from me, the studio now rents for -- well, it initially started out $3,500 a month, and everybody else pays between $3000 and $4000. The Garden Apartment now rents for 4,700 per month. I'm it. And I got to be here, you know. I can't -- I had to go and get -- I was working -- because I'm getting older and I used to be able to get jobs just like that. No. Not anymore.

And I did get a part-time job and it was great, but then my mother became -- she needed help, so I had to move her from California in with me in this studio. So -- and she has stairs. The SR -- if it weren't for an SRO, I would be homeless.

I can't -- now, I get paid to take -- finally, I get paid to take care of her. But again, that's only four hours a day. I cannot maximize that. So if it wasn't for this SRO, my gosh. And I've been homeless. I've been homeless in California. And I'm telling you the homeless rate in California when I went back to get her, you have to step -- it was bad in San Francisco, it is worse in Berkeley and Oakland. You have to literally step -- it's like LA's homeless population. You have to step over people. There are tent cities.

And I keep thinking about the landlords that keep increasing rent. I don't think they're thinking ahead that the very people that they're putting out due to just wanting that extra dollar, they will be sleeping on that person's front porch. And that's exactly what happened to a landlord downtown. And he keeps calling the police, the police clear them away, but then they come right back. So we got to be more humane, I believe. And I want to thank the RGB. People tell me, people don't listen. I keep telling people, the RGB will listen.

One year, there was a man, he was very -- he owned a lot of property in New York, downtown, and very well off, and he was, unfortunately, like a scrooge, you know. But then there was the chairman of the board. So at the end, Mr. Scrooge asked the chairman, you know, Why didn't you vote for an increase? And the chairman said, Didn't you hear the people? They can't afford it. You know, and we can't, and especially now during a pandemic.

Sometimes it can't always be about a dollar. We got to think about our humanity, our children, the streets, and the city. Where do you think homeless people are going to go? My friend went down 34th Street with all the buildings closed due to the pandemic. She said people were sleeping on the street and she went early in the morning. One got aggressive with her, and fortunately, the cops were there to, you know, protect her. But we're going through bad times, the world is. And we got to consider that, I believe, before we consider a dollar.

My landlord was going to sell this building, but due to getting $4000 for each floor and each room, and it's increased, he drove up in a huge SUV and he says, Oh. I love this, I love this LeVera. Do you know of any more buildings? I said, no. But he did manage to buy two more. So he's living the life, you know. I'm not mad at him. I -- maybe one day I'll be a landlord, so I too consider both sides, but it's not possible now. These times don't -- you can't, you know -- well, a non-increase in rent would be greatly appreciated.

And not only that, but we use Access A Ride a lot for my mom's medical appointments, and I bring up rent all the time to expose people to Goddard. Every last driver; White, Black, Asian, Spanish speaking, none of them know that there's legal help for them. And every last one of them has been put out of their building because they believed the landlord. Every last driver.

Every last driver. And we've been using Access A Ride now for a year-and-a-half.

Every last driver does not know about -- well, one guy said he was up here for 60 years, up the street, and the landlord said you got to go. And he and his wife had to find a place to move and they moved to Brooklyn. He said, I wish someone had told us about Goddard before. And if you don't believe me, get Access A Ride and speak to the driver. Okay. I think I've said enough. Thank you.

CHAIRMAN REISS: Thank you.

MS. GARCIA: Yeah. And David, I don't know if we want to just open up for questions. We still have the panelists on here and about 20 minutes.

CHAIRMAN REISS: Yeah. No. Certainly. I guess I'm going to ask the board members if they have any questions for any of our speakers who are still on the line?

MS. JOZA: This is a question for Larry. Larry, what's the smallest SRO that you have seen that are legal?

MR. WOOD: There are some small rooming houses that could be four or five, six units. Those are pretty rare. The amount of the

SRO stock that are rooming houses, the Blackburn study in 1986 found about 40 percent of the SRO stock were in buildings less than 30 units. But they run a gambit. Usually, they're, you know, four-story walk-ups for the most part. Some of them are five-story buildings. They may have the -- a complete apartment wasn't uncommon for a landlord to, you know, use the ground floor as their apartment and then rent out the units upstairs. So that could be six units, eight units, just depending on the building.

MS. JOZA: Thank you.

MR. SULLIVAN: And Cecilia --

MS. JOZA: Yes.

MR. SULLIVAN: I don't know if this was part of your question, but I feel like there's also some helpful context. In terms of the rooms themselves. That's what I thought you were asking about initially. And I think it is worth mentioning. The rooms are frequently quite small. They're, sort of, cla -- Larry showed the photo of the walk-up. You know, when you go into some of the Bowery, loft-style SROs where it's a big loft space subdivided and they have chicken wire ceilings on each unit. You know, some of those, if you put your arms wide, you can just about touch both sides of the room. Just some of them are -- the space itself is quite small as well.

MS. JOZA: Uh-huh. And they're not private, right? There's no privacy, you can hear everybody conversation, everything that's going on?

MR. SULLIVAN: That's right. Yeah. It's -- I mean it's communal living and in those Bowery ones, the communal nature is very pronounced. Yes. It's -- you know, it might even be a piece of plywood sometimes separating your room from your neighbors and then they'll be a communal kitchen and bathroom and that sort of thing.

MR. WOOD: And just -- most of the -- the lodging house is obviously the extreme in terms of the smallest units. But usually, it's, you know, required 80 square foot for a single so many units are in a 80 to100 square foot just for single folks. If you have 130 square units of square feet or more, then you can have a roommate, which is still extraordinarily small but that's what the law allows. And then you can have bigger units and have studios that could be 200, 250 square feet.

I thought it was amazing when they were talking about the micro-units, the new units during the Bloomberg administration. If I recall, I think they 350 square feet. That would be palatial for most SRO tenants, they'd love to have 350 square foot, but it's more common the 80 to 100 square foot is what's -- really what's prevalent size. And on a square foot basis, they're making a lot more rental income and it's much cheaper to maintain these units. You have a common bathroom, a common kitchen for six other units. You know, that makes it cheaper to serve that building. So it's cheaper to run your collectible rental income on a square-foot basis especially if you are turning to the non-stabilized rentals on top of the remaining stabilized tenants in your building.

MS. JOZA: Okay. Thank you. Happy Birthday.

MR. WOOD: Thank you. And thank you for your long service on this board.

MS. JOZA: My pleasure.

MS. GARCIA: I saw Alex's hand.

MR. SCHWARTZ: All right. Thank you. Happy Birthday, Larry. Welcome to the 63 club. Couple of questions.

My understanding is that once -- that basically every year the number of SRO units to windows, that when people move out it's not re-occupied as a rent-stabilized unit; is that correct? It's basically just a dwindling supply that landlords are not replenishing the -- replacing the units with another rent-stabilized tenant? Is that --

MR. WOOD: Absolutely. It's a defect of vacancy decontrol --

MR. SCHWARTZ: Basically, grandfathering in the remaining rent-stabilized tenants. So -- the other question is: To what degree if any, does Airbnb play in this in terms of the SRO buildings? You know, for other -- how -- for other rental buildings that has been a factor in New York as well as many other cities. But I'm curious if that's also been a factor in terms of -- especially the smaller SRO buildings?

MR. WOOD: Absolutely. In fact,

it was Goddard Riverside and Housing Conservation Coordinators. 12 to 15 years ago, we created the illegal hotel campaign, which then was joined by the Hotel Trades Council and many others when Airbnb and these other online platforms emerged, it really spread to apartments. It wasn't just in SROs. SROs, some of those buildings weren't -- didn't have the right fire protections and the right zoning in order to do the daily rentals. So that's what we mean by illegal tourist rentals.

Somewhere there was some that had, you know, short-term rentals as well as the long-term rentals but by in large most of the tourists were not done legally. And that's, you know, the laws have strengthened because -- and crackdown somewhat on some of the illegal Airbnb-type rentals and the fines have increased, but it's still a huge factor out there. And some of this war of rooming houses, those 20 unit places, they do advertise themselves as inns and other types of things. In the submission I gave you, there are two great examples of brownstones who are very, very lucrative income. So that's in the submissions I gave you guys.

MR. SCHWARTZ: Thank you.

MR. SULLIVAN: Alex, on the initial question you'd asked. We have an example from this past year that I think, it was illustrative of that approach from SRO owners, the sort of warehousing approach. It's this -- it's a long story, I'll tell it as briefly as possible, hopefully coherently.

The -- it's a building in Chelsea that had been on SRO for a very long time, they adopted this strategy as people moved out, they didn't replace the tenants and they simultaneously adopted the strategy of neglect, just letting the building deteriorate. The owner came in with this explicit strategy in mind, in fact on polite terms, told our tenants this is what he planned to do. If the building deteriorates far enough, the city's going to do my work for me, meaning you're going to get vacated. And sadly, that's what ultimately happened. The conditions got so bad that a vacate order was placed.

What the landlord said when we took this to trial was, it's economically infeasible to run this hotel profitably as a SRO hotel. That we -- there's no way that we could fill these rooms, you know, repair the place, and operate a profitable business venture. And the court rejected that argument, saying, you have not tried to fill these rooms, you've deliberately let the place fall apart, all in an attempt to ultimately demolish this cluster of affordable housing in a very high rent neighborhood.

And I think that's very indicative of the overall approach to SROs. Both the decision to warehouse them, but also the false claim that they cannot be run profitably. Maybe you don't make quite as much profit as you'd like, but these can be run as profitable hotels if you'd just fill them up and actually run it as a residential, you know, rent-stabilized bit housing, but they refused to do that. And so I think that illustrates sort of some of the dynamics here and why the 0 percent increase really does make sense.

MR. WOOD: The building Brian is talking about is down on 24th Street and I think they were about eight men were left in the building when it got to vacate order and we -- our office got alerted by the Speaker's office, Corey Johnson, and we ran down there to talk to those remaining tenants. Ironically, in the past, we wanted to bring an HP action. The tenants were scared that the conditions were so bad that they might get a vacate order. So of course, the conditions, particularly the water damage, was just horrendous in the building.

I really have to credit MFJ and Brian and the team over there because they were able to bring an HP action and despite the vacate order -- the tenant have been displaced. They were living elsewhere have in Harlem, in YMCAs. They've been displaced right now. But the owner is supposed to renovate that building, get it fixed and return those tenants. It's been quite the struggle and I, you know, I really feel for those men and what they went through and their -- unfortunately, their belief that city could not help them and Legal Services couldn't help them just was so depressing to me that it got to that state, but I really hope we can save those particular buildings.

And their lucrative, I know that site on 24th Street, those three row houses. I think it was about 50 units all combined. They could probably build something much higher and make a hell of a lot more money than they can now. But they basically broke the law and made life miserable for so many people for so long. I got no sympathy for the fact that they got to invest and rebuild, you know, recreate that SRO, which is a mess right now.

CHAIRMAN REISS: Board members, any more questions for our guests?

MR. GONZALEZ-RIVERA: I have a question as well. So first of all, Happy Birthday, Larry, again. So I noticed in your data that as of the 2002 HPS, about a quarter of SRO tenants are older than 50 or aged 55 and above and that's a slight uptick from the previous HPS. What does that look like now? How has the number of older tenants changed? And can you tell me a little bit of background about older tenants of SROs?

MR. WOOD: It certainly has increased. The stock, the remaining stock was so small that HPD stopped doing the housing and vacancy survey on that portion of the housing so that's why we don't have up-to-date data from that, you know, that past snapshot. But certainly, you know, the tenants have aged since that last study and very few new tenants have moved in, so the average age has gone up. Brian, do you have any more data that --

MR. SULLIVAN: I don't have any more data. I mean, I think it would be interesting for HPD -- I realize it might be challenged because the numbers are so small to update that. My guess is those exact same tenants who were 55 in 2002 are the same tenants who are in their now, And so it's -- you know, again, without hard data but definitely from our experience, it's -- the vast majority are older people.

MR. GONZALEZ-RIVERA: So you're saying that, I mean, it's like a ten year of these people is actually very long. I mean, it's like chances are that the same people that were counted in 2002 are still there?

MR. WOOD: The only reason they would've left is if they'd passed away or if they were forced out. I mean, just to sort of really underscore the extent to which SRO housing is the housing of last resort in New York City right now.

If someone leaves an SRO, in the vast majority of circumstances, it's because they are forced out. And you could be forced out during eviction proceedings, through the deteriorating conditions in the building. But even people who say, you know, this isn't my favorite place to live, they're not -- they're not trying to go anywhere else. Like, there's nowhere else to go in the city. So I guess that was a somewhat long-winded circuitous way of saying yes, I think it is the same people that were in there.

MR. GONZALEZ-RIVERA: I see. Thank you.

CHAIRMAN REISS: Any more comments or questions from board members?

MS. GARCIA: I just wanna and I don't know if Sam could speak to this and in what capacity, just -- what is your -- and bas -- you've done a lot of research, not just in New York, I feel like you have a bird's-eye view of, like, what's happening in New York. What have you seen in the last years to, like, signal you what state the rental housing markets specifically and rent-stabilized housing -- I think similarly to the questions that were asked around, like, who lives there, who those folks are?

Because I feel like, Larry asked earlier a point one evening, introducing [zoom inaudible] section is that we are looking at data and I feel like it's often easy to say an increase, one percent here or there, you know, won't be impacted but I think having a really -- a great understanding and seeing the faces of Amadi, LaVera, Juan and putting faces to actual data of, like, what we believe will not have that much impact, who are the folks we're impacting and what kind of impact will we see them have if this Board acts on speculation of how landlords are doing?

MR. STEIN: Thank you.

So we presented, you know, a snapshot of this year's finding. One statistic that we didn't include was that one-third -- I'm sorry, half of low-income residents told us they couldn't afford a $25 rent increase. That -- if you, you know, if you do the math, it's like a 175 000 households. And as I said, a great number have less than $1,000 in savings. So folks are not, you know, sitting on a pile of money that can be transferred to rent under these circumstances.

Like we also talked about, unemployment is absolutely historic right now. Like, we're talking about the Great Depression happening in a year. Those jobs are not going to return fast enough that people will be back where they were, and as we talked about also, where they were in a lot of cases was pretty severely rent burden.

If we look at -- you were asking about kind of the longer [zoom inaudible] of housing trends in New York City. And I think Tim did a great job demonstrating this. There were years of pretty high profit rates, both in the rent-stabilized housing stock and in general housing market.

A report that the Community Service Society put out in the fall of this year, tried to demonstrate some of that, showing the amount of increase in building sales volume and prices over the last couple of decades and the rising amount of debt levels that landlords were taking out, basically refinancing their mortgages, taking out greater levels of debt under the prospect that they could raise rents and sell for more. And that became the business model, pulling the equity out of the building, refinancing for greater levels of debt, and then buying up greater and greater stock and until you saw a consolidation of the housing market with fewer and fewer so-called mom and pop landlords operating.

So that's kind of the longer-term picture of where we were before the pandemic. Of course, this year has been tough for landlords but as I said, we have an unprecedented rent repayment system set up just to make them whole again, which will also include a rent freeze. So we don't want to give any incentive to those landlords not to take that program. In the meantime, there is no comparable plan for making tenants, you know, putting them in a better position than they were in before.

MR. SCHWARTZ: Can you share that study with the board?

MR. STEIN: Yeah. I'll be happy to. Should I e-mail it to Andrew, is that the best way? Okay.

MR. MCLAUGHLIN: That would work.

Sure.

MS. GARCIA: Eliot, did you want to join in on anything?

MR. HETTERLY: I don't think I have any final comments. I will follow up about, you know, I think David had requested that data about, you know, our non-profit housing developers in terms of rent collection. So I will follow up with that. And aside from that, you know, just emphasizing that our members are -- do a really fantastic job providing quality affordable housing, maintaining their buildings in good condition without passing on any undue burden to tenants in the form of rent increases.

So we do know that it is possible and we would love to see, you know, our for-profit housing providers provide that same level of quality housing while keeping rents as low as possible. So we urge the Board to consider that in their decision and thank you so much for your time.

CHAIRMAN REISS: All right. We're just a minute or two from the hour. I say that we take advantage of that extra minute and see everyone back at 1:00 p.m. where we will meet with owner representatives. So thank you all and have a good lunch.

MR. MCLAUGHLIN: David, before we go --

CHAIRMAN REISS: Yes, Andrew.

MR. MCLAUGHLIN: Yeah. Just beware that -- or be aware of, not beware, be aware of the fact that it's a different meeting invite. So when you come back, It's the p.m. session for the day. So make sure you click on that one.

MS. DEROSE: That's what I was going to ask.

MR. SCHWARTZ: Yeah, yeah. So make sure otherwise, you know --

CHAIRMAN REISS: That's in the e-mail that we received from Brian, right?

MR. MCLAUGHLIN: Yeah. Yeah. Yeah. There was two invites -- in fact, I just got the reminder. That's great. I'm going to check that. So it should be in your e-mail in the next few minutes just -- so click on that one to join for the, you know, one starting at 1:00.

MS. GARCIA: When will that room be open?

MR. MCLAUGHLIN: I'm sorry.

MS. GARCIA: When will that room be open?

MR. MCLAUGHLIN: Probably about ten to about 12:50. Does that make sense, Brian?

MR. HOBERMAN: Yes. It will be opened by then, 12:50.

MS. GARCIA: I just like joining in to make sure everything is working.

MR. MCLAUGHLIN: Right. Well, we could even do it -- how about 12:45 then? We'll open up at 12:45 for the board members.

MS. GARCIA: 50 is fine for me. I don't want -- anyone else's break.

CHAIRMAN REISS: All right. Let me just say thank you to our speakers, both the tenants as well as those representing organizations. We really appreciate you taking the time and helping us be well informed as we make our decisions. Thank you so much.

MR. STEIN: Thank you all.

MS. GARCIA: Thank you.

MR. SULLIVAN: Thank you.

MR. STEIN: Happy Birthday,

Larry.

MR. HOBERMAN: Happy Birthday, Larry.

MS. GARCIA: Andrew, can I give you a call?

(Morning session concluded)

A F T E R N O O N   S E S S I O N

CHAIRMAN REISS: Welcome everybody. This is our afternoon session of the Rent Guidelines Board meeting of April 29, 2021. We have invited owner group testimony. We'll be hearing from a series of speakers. I will introduce them one at a time.

We will start with Vito Signorile from the Rent Stabilization Association.

Vito, welcome.

MR. SIGNORILE: Thank you, David. First and foremost, off the record, I would just like to say, aside from, you know one vacancy on this Board, we have the same board members as last year and it -- it -- it's good and refreshing to see everybody doing well, in spite everything that we've gone through over the last 13 months.

So it's very nice to see all of you and on behalf of RSA, we hope that everybody and your loved ones continue to do well at this time.

CHAIRMAN REISS: Thank you.

MR. SIGNORILE: So thank you for -- for having us. My name is Vito Signorile. I'm the Vice President of Communications of the RSA and I testify today on behalf of our 25,000 members who own or manage the vast majority of the cities rent-stabilized apartments. The swift impact of the COVID-19 pandemic last spring was unfathomable, just as our city was in the midst of one of the greatest economic booms in history.

By the time last year's deliberations came to a conclusion, the vast majority of us were optimistic that the impact of the pandemic would not last long through the summer. Many federal and local restrictions began to be loosened, places of business began to reopen and cases, hospitalizations, and debt numbers began to plummet as we approached the fall. The worst seemed to be behind us, but a second wave of the pandemic over the last six months slowed down the highly anticipated economic recovery of New York City.

From the onset of the pandemic, the building owners were once again left out to dry by state and city elected officials. RSA repeatedly endorsed a robust rent subsidy program to keep tenants whole for the duration of the government-imposed lockdown measures.

Although a subsidy program for low-income tenants is something we have endorsed for decades, the time had never been more appropriate for such a program. As usual, the voices of the rental housing industry were shut out and instead our local elected leader supported extreme measures such as the canceling of all rent payments and a third rent freeze in the last five years, despite data denouncing that effort.

Before this Board even had a chance to begin deliberations last year, Mayor de Blasio unlawfully suggested that this Board ignore all data and automatically enact a rent freeze without holding any meetings. Although RSA and our industry colleagues fought against this attempt, the end result was inevitable after two brief months of deliberations.

In a hypothetical world where a global pandemic didn't exist, this Board's data justified even a moderate rent guidelines increase last year. Nevertheless, our industry took another rent freeze on the chin because we understood the poor economic climate.

Fast-forward one year later. There's no denying that our path to an economic recovery is within reach. The impact of the second wave of the pandemic is dissipating. Millions of New Yorkers continue to be vaccinated and business lockdown measures are being loosened or lifted on a weekly basis. The light at the end of the tunnel is well within sight.

Despite endless partisan bickering at the federal level over the last year, three economic stimulus packages were enacted, providing extended general financial assistance for struggling Americans impacted by the pandemic. On the local level, multiple measures were taken to ensure that tenants would not lose their homes over the last 14 months, including an eviction moratorium that is on the verge of being extended another four months through the end of August.

Furthermore, although our state legislators have dragged their feet for months while other states acted swiftly, a federally funded $2.4 billion rent relief program will soon be open for qualified tenants regardless of their immigration status, who were severely impacted by the pandemic. Regardless of whether or not tenants have remained employed, temporarily lost their jobs, began new jobs, or remain employed even after a year, the vast majority have been financially assisted at great lengths through the federal government.

Extended unemployment assistance has been provided throughout the pandemic. From the onset, the first federal stimulus package provided an additional 600 per week in assistance, and as a result, unemployed individuals began earning as much as $4,800 per month or as little as $3,400 per month through the end of July 2020. Beginning in August 2020 through August 2021, presidential executive orders and additional stimulus packages provided unemployed individuals with an additional $300 per week in unemployment assistance.

Furthermore, New York State recently approved the excluded workers fund which will provide undocumented immigrants who lost their jobs during the pandemic and were not eligible for unemployment assistance with a one-time payment of up to $15,600. This is truly significant because last year, as RSA made arguments about generous federal financial assistance provided throughout the pandemic, many members of this Board were concerned about undocumented individuals who are not eligible for such assistance. This program will now allow those tenants to receive the assistance they were not qualified for on top of rental arrears through the new rent relief program.

Additionally, three economic payments have -- economic impact payments have been distributed to qualified households and individuals based on current or former income levels. So over the last year, a qualified family of four received as much as $11,400 in stimulus payments regardless of their employment status.

As you can see, elected officials on all levels went above and beyond to aid vulnerable tenants in their time of need. However, as usual, building owners were left to pick up the pieces. Operating costs rose once again, a third rent freeze in five years was approved. And all that the City Council was able to provide was a temporarily lowered interest rate for late property tax payments. Once rental arrears are reimbursed through the state rent relief program, that will only make owners whole for any rent that was due to them over the last year.

Our questions to all of you is: What is to be done about this year's increasing operating costs on top of last year's operating costs that were swept under the rug in the interest of enacting another rent freeze? What is to be done about last year's first decrease in operating income and nearly 20 years? A direct impact of consecutive rent freezes at historically low guidelines.

This year, some of you may make the case that net operating income has rebounded. However, a 2.9 increase in NOI does not paint a complete picture of 2018 and 2019. Not only do these years reflect the impact of the first increase in two years that was enacted in 2017, but also does not reflect the second half of 2019 when the rent laws were drastically changed under the HSCPA.

Severe restrictions to an owner's ability to invest into their buildings through MCI's and IAI's will undoubtedly have an impact in subsequent IME reports. In fact, the number of distressed buildings have already increased at the highest percentage coming from pre-award buildings. Clear indication that owners of city's oldest affordable housing stock were already on the verge of no longer being able to properly and operate their buildings before the HSCPA.

For seven years under this administration, we have been repeatedly told that this Board looks at all of the data before determining what the rent guidelines should be, when actually many members of this Board over the last seven years have indicated, on numerous occasions, that their intention was to correct overcompensation of the past. But the numbers do not lie. There was never overcompensation in the past but the average guideline increased between 2002 and 2013 was 3.3 percent, while the average PIOC was 5.8 percent. In fact, severe under-compensation has occurred between 2014 and 2020 with an astounding average 0.75 percent one-year guideline increase and an average 3.6 percent PIOC increase.

After the HSCPA was passed nearly

two years ago, it was acknowledged by many top-level city administration officials who believe that the new laws may have gone too far and that moving forward, adequate rent increases through the City Rent Guidelines Board would now be necessary in order for building owners to keep up with ever-increasing operating expenses and maintenance that was needed for their apartments. Last year was an anomaly and now we must return back to normal.

There's no denying that generous measures were taken off the last year to protect the city's most vulnerable tenants. It is true that the city's unemployment rate remains high at 11.1 percent as of March. That number, as well as unemployment claims, continue to be on a steady decline and will further decline. We are in fact under clear path to economic recovery. Just today, Mayor de Blasio announced that New York City is prepared to fully re-open 100 percent by July 1st, three months before the next guideline order would go into effect. Millions will go back to work and millions of jobs will come back.

Although there is no been direct

support of another rent freeze this year, any consideration of another rent freeze is a blatant disregard of this Board's mandate as well as two years worth of data showing increased owner expenses with no property tax relief or any other operating expense relief for building owners. If this Board supports anything short of rent increase you are irresponsibly assuming that at a minimum, this current crisis has no end in sight and that tenants will never make a complete recovery. We urge the RGB to adopt a range that reflects the commensurate rent adjustments that RGB research suggests as necessary increases.

Furthermore, the data in the PIOC and incoming affordability report reflect a full year of economic impact for both building owners and tenants and still recommends that this Board consider a rent guideline increase no less than two percent.

With that in mind, RSA recommends to this Board preliminary ranges for rent adjustments of two percent to four percent for a one-year lease and three percent to five percent for a two-year lease. These guidelines would be a starting point for owners to recoup recent inadequate guidelines, the draconian changes to the state rent laws, and reverse the recent trends in which RGBs owned commensurate rent adjustments have been deliberately ignored over the last seven years.

Furthermore, pursuant to clarification issued by DHER in late 2019 with regard to the HSCPA, these renewal guidelines should continue to apply to vacancy and renewal leases. We look forward to working with all members on this Board and will continually remain available to any questions or requests from each of you throughout this deliberation process.

On behalf of our entire membership thank you very much for your time and consideration.

CHAIRMAN REISS: Vito, I have a question. I'm pretty confident you were watching the morning session. But those representing tenants focused on all of the data relating to unemployment and loss of income and then your testimony focused on all of the government programs that had been put into place to supplement or to make up for that lost income.

And the staff took a very good stab in its income and affordability report to try to mesh those two things to kind of get a sense of where tenants are at. But do you have any comments? So you focused on the benefits that the government has made available. How does that net out with the loss of income that people face from extreme unemployment rates?

MR. SIGNORILE: Well, there was no doubt that in some particular cases there were tenants who had severe loss of income. The pandemic affected everybody differently and we are well aware of that. You know, however, there are also just like in any industry, you know, some bad actors so to speak, who took advantage of things such as the eviction moratorium that protected even tenants who are incapable of -- who were completely capable of making their rental payments, but knew under the moratorium that they didn't have to necessarily do that. So there's building owners who ultimately paid the price. At no point throughout this pandemic was any relief directly provided to building owners. But yet we discussed in my testimony, the thorough relief that was provided to tenants to generous measures in many cases.

CHAIRMAN REISS: And what's your take on the $2.4 billion relief that landlords are going to be able to access directly in the coming months? What is RSA's views on that?

MR. SIGNORILE: Well, we're in full support of it. You know, from the beginning of the pandemic last year when the idea of an eviction moratorium was considered, you know, we strongly touted a rent subsidy program. The issue at that time was that there was no money for it. Unfortunately, it took a little while for, you know, federal funds to come into place for that. And it came in the last two stimulus packages that was enacted in December of 2020 and this past March. So with $2.4 billion, you know, it's more than enough to provide rent relief.

You know, there's data out there that suggests that there's up to as much as 2.2 billion in rental arrears that haven't been paid. So if that's the case that would definitely cover. Our only concern is that over the summer, the

State, you know, implemented a $100 million program through HGR and at this point, HGR still hasn't distributed over half of that money. So, you know, we do understand that in that particular program there were undocumented residents who didn't qualify for that particular money. So that could have had a role in the fact that a lot of that money was not disbursed.

We hope that through this program, because there are no limitations as to who could apply in terms of immigration status, that the money rolls out quickly. One of our biggest concerns was that owners can directly apply on behalf of the tenant, which we feel is important because one issue that we had with the HGR program was that it wasn't publicized enough, you know. We took the initiative to constantly give the message out to our members saying, please notify your tenants, any tenants who are directly struggling from the pandemic, that this money is available for them to provide up to four months in arrear payments.

We will continue to do that with the new rent relief program, but the State needs to do a better job in making sure that this information is put out to tenants so that, you know, they're not blindsided when a building owner applies on their behalf or that they can apply on their own.

And we think that should be done through community boards, through public relations campaigns, you know. It would be a shame to see that this money would be gone to waste because as of now, this money has to be spent. The first portion of the second stimulus package requires 1.3 billion to be spent by the end of September of this year and the second portion by April of next year. Now, we're optimistic that the current administration might provide some kind of extension in the event that that isn't spent. But as of now, time is ticking and we need to roll that money out the door.

CHAIRMAN REISS: Thank you. Alex.

MR. SCHWARTZ: Thank you. Just following up on that. In the morning session, one of the witnesses talked about that for -- if landlords accept the rental assistance, they're obligated not to raise the rent for the year. I'm wondering if you could comment on that.

MR. SIGNORILE: Yes. That's correct. You know, we do understand that, let's just say hypothetically, the first, you know, rent relief payment goes into the account of an owner as of June. The owner is required at that point, from our understanding that they're ineligible, regardless of what this Board decides in June, that they cannot raise the rent between June of 2021 and June of 2022. But that doesn't necessarily mean that there won't be a period of time where a lease comes up for renewal during that time where a tenant could pay as much as up to four to six months of the potential rent increase if that's possible.

We do realize that it would be an extreme burden if this Board does enact a rent increase of any kind, that an owner cannot collect that for an extended period until a year has passed since they took in rent relief program. But the important thing is that arrears are paid, and -- and we understand for a good chunk of the tenant population in New York City that that's a priority right now. Many have been without paying rent, you know, for a year and then some, and maybe even more in some cases. So that's the important thing right now, you know.

Do we necessarily agree with the protection of not being able to increase the rent for a year? No. I mean, it's obvious the report shows owner operating expenses have gone up. They went up last year too. That wasn't considered as, you know, the Board enacted a rent freeze last year. So it's two years of data we're really looking at here where increases in most components of operating expenses, and yet owners have had to bear these costs throughout the duration of the eviction moratorium when in some cases, yes, tenants can't pay their rent, but at the end of the day, rent is not being paid and that's taking a hit on an owner's bottom line.

MR. SCHWARTZ: If I can ask a follow-up question? Can you estimate what share of your members do you think would participate in the Rental Assistance Program?

MR. SIGNORILE: It's hard to put a number on that, but at this juncture in the pandemic based on the financial situations that most of their tenants are in, you know, they understand that the priority is to make the tenant whole. You know, there's a terrible, you know, perception out there that anytime an eviction proceeding is initiated by a landlord, it's because they want the tenant out of the apartment. That's not the case. It's because rent hasn't been paid.

And the last thing an owner wants to do right now, particularly our members, is to get a tenant out of their home in the midst of a pandemic that's still ongoing after dealing with the financial consequences that came with the pandemic over the year. So we can, you know, again not put an exact number to it but we know our members are extremely receptive to the idea of being covered for at -- 12 months and in some cases 15 months of rental payments because at the end of the day it's going to make them whole and it's going to make their tenants whole and God willing, and their cases are either currently employed or on the verge of or getting new work again.

MR. SCHWARTZ: Thank you.

CHAIRMAN REISS: Christina.

MS. DEROSE: Thanks. So I did have a couple of actually other questions, I'd like to ask my most recent one. But you mentioned the interest rates on late real estate taxes has gone down a little. I know it's incredibly high, typically like 18 percent. But what did they reduce it to?

MR. SIGNORILE: It was down to seven-and-a-half percent and it was only for a temporary period. I believe it was only a six-week window. So, you know, some of them -- you know, even in the midst of that city council hearing where they were to vote on the legislation, many council members, I believe it was up a dozen, came out and supported the last-minute of slashing that to zero which would have been, you know, extremely helpful at the time.

But at the end of the day, cutting the interest rate isn't exactly what you would call relief. All it did was lower [zoom inaudible] for the payment.

MS. DEROSE: I mean, the typical 18 percent, I understand, is incredibly high, to say the least. So and even a seven percent late fee is high, I understand that. And then my other question was, and I think this sort of goes to the unfortunateness of us not having to land more reps right now. To answer my question so I'll ask you, Vito, as well. And I might -- you know, we heard a lot in the morning session about the -- that ratio of operating and maintenance costs to income and how it's at 60 or 70, and what was the right -- you know, I think anybody who could operate a business where they got $0.40 -- 40 percent, you know, revenue would be, you know, gang buster.

So can I -- can you talk a little bit about what -- are there other costs that landlords are incurring? I mean, I know debt service is not included in that, but, you know, if you could talk a little bit about other costs that the landlords are facing --

MR. SIGNORILE: Of course. So, I mean --

MS. DEROSE: -- that might not be happening now in operating and maintenance.

MR. SIGNORILE: This is something, you know --

CHAIRMAN REISS: I'm sorry, Vito,

can I just tag onto Christina's question too? Because this morning, Tim had said that, you know, he wasn't worried about net operating costs, you know, going up to, you know, 70 percent or 70, 75 percent of total revenue. And if you can comment where you think the danger line is for your members.

MR. SIGNORILE: Sure -- sure. So to start off with Christine's question. You know, one thing -- one argument that we've made and I failed to mention this in my testimony so I apologize. I will be following up before deliberation is over with RSA's annual submission to the Board.

We -- the data that further justifies, you know, our position this year. But the price index is -- remains outdated at this juncture. You know, it doesn't include dozens of government-imposed mandates that owners are -- are still required to follow every year. And that's code enforcement fees, you know, oil tank registration fees, Local Law 11, fire safety notice requirements, local law 87, retrofitting, benchmarking, bedbug infestation, mold, and indoor allergen removal.

I'm going to highlight all these other expenses that aren't considered in the price index but these are expenses that didn't go away. You know, just because of the pandemic, you know, the city at best, provided extensions for compliance deadlines. But other than that, these requirements were not waived. So these were fees that came out of owner's pockets on top of not collecting rent over the last year, in particular, they had to comply with these regulations on top of the other costs that are considered in the price index.

So, you know, nothing stopped on the owner's end. You know, rental payments might have stopped, but that only did harm, it doesn't end there. You know, the amount of money that's invested into the operating expense of each apartment is, you know, crucial. And without that money, a lot of them weren't able to comply with these regulations. Now the city is handling failure to comply. It's up in the air because it's different for every case. But if violations are issued, you know, owners are still required to correct those violations at some juncture and then certify that they've corrected that. So it's -- it's safe to say that over the last year on top of regular expenses, owners have had their hands full.

And David, with regards to your question. You know, I think we're at that point now. I don't think, you know, Tim's recommendation or consideration of where that number would be were owners are -- would be okay in terms of maintaining their buildings, is it fair assessment because, you know, that -- at this point, you know, the income in terms of covering increased expenses is so little at this point and continues to be a little, as I highlighted, you know, with the average one-year increase had been over the last seven years. You know, the data is still not reflecting of where we've been over the last two years so we expect that number to still drastically go lower but to assume that, you know, an owner can be comfortable covering their costs at a higher level is just -- it's irresponsible.

CHAIRMAN REISS: Vito, one of the tenant speakers for the morning said that if we voted for an increase, it would create a perverse incentive to encourage owners not to take advantage of rent relief in the $2.4 billion bill. Could you comment on that? So like we understand from both you and from them that if you participate, you get a zero increase for the next year. If we voted for, you know, higher than a zero, would that -- what impact would that have in the decision-making of one of your members? Would that make them less likely to participate?

I'm not saying that this would be a reason that we would come to a decision, but I'm just trying to understand the incentives and whether you agree with the analysis of a tenant rep that -- tenant speaker that there would be a perverse incentive to not participate in rent relief if we voted for an increase?

MR. SIGNORILE: I strongly disagree and I'll explain why. Although I can understand why that might be a concern on the tenant's behalf, the fact of the matter is, the law is the law, and -- and as it's outlined as it passed in the budget, it clearly states that an owner, if they accept this money, cannot accept, you know, a rent increase for a year following the acceptance of the money.

So one of the things we pride ourselves in at RSA is our consistent communication with our membership. And although the program isn't open yet we've been hammering out the details of what this program is going to entail and the benefits that remain if they accept the payment over, you know, not accepting the payment.

So even if they're, you know, there is an increase, it's going to put the owner in a much difficult position. Not only are they dealing with the arrears that they may not have been able to collect over the last year because of COVID-related issues for the tenant but, you know, there's -- there's -- it's -- it's irresponsible to assume that they can even collect another rent increase on top of that on money that they haven't been able to receive. So, you know, it's crucial. We are, you know, getting it out to our members that -- that it is -- it is very important that they accept for any talent -- tenants that's eligible for this program to accept it, and that, you know, at some point during the lease renewal, there will be a period if a rent increase is approved, that that will be -- that they will be eligible to collect that at some point throughout the lease renewal. So it certainly outweighs, you know, that there's -- there's more harm in not accepting the rent relief than there is.

CHAIRMAN REISS: Christian.

MR. GONZALEZ-RIVERA: So hi Vito again, and thank you for your testimony. It's good to see you again.

So I wanted to ask you a question that I've actually been curious about since last year, but you mentioned in your testimony that it's not true that landlords have been overcompensated by rent increases. And so I wanted to ask you this because I mean, Tim Collins in the morning presented some data that attempted to sort of put some numbers behind this, you know, overcompensation. And [zoom inaudible] 1990.

But what's more interesting, I mean, it's like it's that throughout the 90s and early 2000s, the estimated number -- sorry, the estimated increase that would've made landlords whole tried pretty closely to the actual decision made by the Board. And that began -- that began to

-- to -- those numbers began to widen around the time of the Great Recession. And are still widening and only now are starting to narrow with the -- with the lower increases and the rent freezes.

So I wanted to ask you, I mean, it's like basically your response to this data that Tim has been presenting consistently year after year. And in particular, I mean, it's like, are there any -- is there any data that he's not taking into account into this calculation? Any data that does shed more light onto the question of overcompensation that is not revealed by the data that Tim presented this morning?

MR. SIGNORILE: Absolutely. And that's more data that I'm going to highlight in my submission that I provide to the Board within the next weeks. But again, you know, I focus on expenses that are not included in the price index that owners deal with on a regular basis. We've tried the same data since 1990 in terms of, you know, increase enacted on top of operating expense increases. I mean, there were years where property taxes went up per year 17 percent for consecutive years and, you know, the rent increase, you know, didn't even come close to touching with the price index average wasn't totaled that year. So I'd like to, you know, take the opportunity to really dive into that data to, you know, reject his notion. And I will provide that to the Board in the coming weeks.

MR. GONZALEZ-RIVERA: Okay. I mean, just as a quick follow-up. I mean, by how much do you think -- I mean, you mentioned that the price index that we use is sort of not accurate, you know, considering that list of expenses that are not included. By how much do you think our price index is off given all of those expenses that you mentioned that are not counted?

MR. SIGNORILE: You're looking for a particular number?

MR. GONZALEZ-RIVERA: Sorry. If you've estimated it. I mean, it's -- I mean, it's like, is there a spread between, I mean, it's like with the actual expenses are compared to, I mean, it's like what we actually take into account in our RGB reports?

MR. SIGNORILE: Sure. I mean, I

don't want to throw a hard number on it only because it'll vary, you know, a lot of these -- these mandates vary based on building size and particular regulations that apply to them. But these are government mandates that are yearly expenses for owners. So if these were factored into the price index, I have no doubts that the number on a yearly basis would double from what it currently is.

MR. GONZALEZ-RIVERA: So you think it as much as double? That -- I mean, it's like we're undercounting by a [zoom inaudible] half?

MR. SIGNORILE: These are yearly mandates. And were not just talking about mandates that have been enacted since, I don't know, 2013, for example, because there's been a lot of anti-owner mandates that have been enacted by the city council over the last 10 years in particular, but, you know, this is dated that the PIOC hasn't been adjusted since the 80s if I'm correct. So we're talking about over 30 years of data that's outdated at this juncture based on the mandates that had been imposed on owners over that three decade span.

MR. GONZALEZ-RIVERA: Okay.

CHAIRMAN REISS: Alex. Is your point at this point?

MR. SCHWARTZ: Yeah. It is. I'm a little confused. Are we talking about -- you're talking about the PIOC which is a index not based on actual expenses, but just looking at the sort of a basket of different kinds of typical operating costs? Are you looking at the income and expense report which is the actual expenditures of landlords, you know, lag by a year? And I think Tim's work was based on the income and expense report, not the PIOC if I remember correctly. So I'm just curious, are you referring to the PIOC or the income and expense report?

MR. SIGNORILE: In this particular argument, I'm referencing the PIOC. However, you know, annually we do refer to a list of various expenses that owners are required to file through the RPIE. And that list is even longer than the brief one that I just mentioned with regards to PIOC expenses.

CHAIRMAN REISS: But Vito, just

kind of following up on Christian and Alex's point. So if we said there is operating and maintenance costs and then you have what's leftover -- or let's say we've gross revenue of the building that's 100, all of these -- these -- so I think we've asked this before. But if you could quantify that when you -- in your follow-up submission and say, you know, this -- this lead -- lead regulation, this boiler regulation, this climate change regulation, here are the dollar figures, you know, that would be useful information.

MR. SIGNORILE: No. Absolutely. I could put an estimate on dollar amounts for each particular mandate and then, you know, do a number on the whole amount, what that would do in terms of NOI.

CHAIRMAN REISS: Yeah. And, I mean, I'm thinking if you could do that on a per unit or -- I'm not sure it wouldn't make sense do it per unit or per building, but thinking about some way that we can take that information and kind of, you know, evaluate it in the context of our decision, that will be helpful.

MR. SIGNORILE: Right. Sure.

MS. DEROSE: Yeah. If I can add to that, I think that really would be helpful. Sorry. I think it would be helpful because I think would often -- when we talked about [zoom inaudible, but I understand, that's not income, but it often sounds like that -- like the -- you take your dollar in revenue from rent and then you take your $0.60 of NOI and also your pocketing $0.40 for every dollar.

And you know, I understand that not the case, but it's helpful to lay that out. Like if $0.30 is going to debt service, like, you know, and then there's $0.05 going to these other mandates, like, that's a helpful thing to understand, like, where that balance is because I don't think any landlord is making $0.40 on the dollar of their building.

MR. SIGNORILE: No. I would do more than happy to quantify that.

MS. DEROSE: That would be very helpful.

MS. GOODRIDGE: I just wanted to make a quick point. You know, we had really great tenant speakers in the morning. And so I think a lot of the questions that we're asking now is in response to work to characterize. They're working their reports and they're not here to respond or expand on it so I just wanted to make that point and I'm not, you know, going to sort of, like, nitpick or interrupted today's speakers. You, you know, will speak as you will.

But I just wanted to make the point that if -- it's not a forum to allow for back-and-forth so if there is a question about the reports or their work, we're more than happy to let them know, and then they could provide some background to the Board. But, you know, it is a little -- you know, they don't really have the opportunity to come back and sort of expound on it as opposed to the owner -- the owner speakers being able to reply to what they've said without a sort of counter. That could be the lawyer in me, but at any rate it's a -- it's a reality. So thank you. That'll be all I'll be saying for today.

Thank you for the speakers.

CHAIRMAN REISS: Leah, that's 100 percent true and that's one of the -- maybe that's the main reason why just a reminder for our viewers why we switch the order every year. So it's -- this year tenants, owners next year will be owners, tenants just to kind of balance that out over time. But then certainly, and I know that some of those same reps are probably watching the afternoon session, we would more than welcome follow-up in response to either, the questions that board members have made or assertions or arguments that owner reps have made as well.

MS. GARCIA: I just wanted to make the point that I believe -- and Andrew or the staff can correct me, but I believe that this conversation of additional expenses that the RGB doesn't track is something that we've talked about consistently for many years and I believe the Board actually has listed -- and Andrew, there was an additional memo I remember a few years back where we actually -- where you guys went through some of those extra expenses and talked about when they have to get done and all of that information.

But I also want to make sure it's understood that when an owner is purchasing a rent-stabilized unit, that they do understand that they have to keep it up to code. That is part and it should be part of how and when they make decisions on purchasing a building. So for me from my perspective, it feels like that is a cost of doing business that a rent-stabilized owner is going -- is taking when they purchase these units. And so I see it as part of a cost that they have to cover as doing business because it is still very profitable to own rent-stabilized units.

But Andrew, can you speak about that because I feel like I've seen this thing, this theme come up in other years and you guys did actually provide us with information.

MR. MCLAUGHLIN: Yeah. So I think we have to keep in mind what a price index is, it takes a look at price and change in price. There is some cost in there but predominantly it's price. So we're looking at a change in costs. So if something goes up, it's going to be factored into the price index as an increase. If something goes down, it's going to factor in. Each one of those items or components, whether it's insurance or maintenance, takes up a certain percentage of owner's expenses. But it's not cost. That's what we do in the IME.

So in years where those particular items may be in the price index, we include them. If there's no change in that -- the price of doing that, if the fee is still $75 from one year to the next, it would dampen the price index in a sense because you're not including that as an increase. So I think it becomes more important in the RPIE data.

My understanding, a lot of those costs are captured there. Maybe I'm incorrect with that, but they are part of where the owner could list those costs. But just referring to the price index, you know, it's a price index, we don't take prices for every single item that owners have because it would just state it's an index. And we're not capturing every single item they spend on, but it's not cost, it's price, so it's just the change in that price.

CHAIRMAN REISS: Andrew, where do you think the RPIE captures some of those regulatory burden costs? Would it be in professional's fees or where would that be?

MR. MCLAUGHLIN: I would imagine it would be -- yeah, or it could be in administrative costs as part of it as well. I mean, I could double-check into the RPIE to see if those costs are being captured. But, you know, I --

CHAIRMAN REISS: Do you have any thoughts on that? Where would it be captured in the RFP? If they were captured, where would they be captured? I'm sorry. Vito, did you catch my --

MR. SIGNORILE: Oh, I apologize, David. You much have blanked out for a minute so I didn't hear my name.

CHAIRMAN REISS: Oh, sorry.

MR. SIGNORILE: There was a brief delay so if it was a question geared towards me, I didn't make out the full question.

CHAIRMAN REISS: Let me repeat it. I just -- do you have a sense where, if some of these regulatory burdens that you listed were captured by the RPIE, do you know where in the RPIE they would be or that's not something you can speak to right now?

MR. SIGNORILE: No. I don't think that's something -- you know, I think that's something that the Department of Finance would have to, you know, adjust to the forms that owners are required to file every year. But in the past we provided a list of miscellaneous expenses that we believe should be included in the RPIE and I didn't provide that once again.

CHAIRMAN REISS: Great. Thank you.

Any more questions for Vito?

(No response.)

CHAIRMAN REISS: Okay. All right.

Our next speaker is Basha Gerhards from REBNY Real Estate Board of New York. Welcome, Basha.

MS. GERHARDS: Good afternoon, everyone. Thank you for having me today.

I'm Basha Gerhards, Senior Vice President of Planning for the Real Estate Board of New York. Be reading some prepared remarks and then happy to take any questions.

The Real Estate Board of New York is the city's leading Real Estate Trade Association representing commercial, residential, and institutional property owners, builders managers, investors, brokers, salespeople, and other organizations and individuals active in New York City Real Estate. REBNY strongly supports policies that expand the local economy, grow and improve the city's housing stock, and create greater opportunities for all New Yorkers.

Thank you to the Rent Guidelines Board for the opportunity to provide our perspective regarding rent adjustments for the city's rent-regulated apartments.

We acknowledge that the 2021 Rent Guidelines Board PIOC study found that increases between 2 percent to 2.75 for one-year leases and 2.4 to 5.75 percent for two-year leases are required to maintain owner's current dollar net operating income. In light of flaws that others have talked about and we have certainly referenced in years past and that we'll spend a little bit more time on in a moment.

An historical misalignment between RGB increases in rising expenses, we must provide a recommendation. REBNY actually recommends a minimum of a 3.9 percent increase for one-year renewal and initial leases commensurate with the awaited increase of expenses dedicated to property taxes given all of these challenges with the other metrics.

So I want to spend some time on federal aid and how that can address tenant's needs versus a rent freeze. The scope and scale of the COVID-19 crisis is one that can only be adequately addressed by federal resources. The National Multi-family Housing Council's rent payment tracker found 79.8 percent of apartment households made a full or partial rent payment by April 6 in its survey of 11.6 million units of professionally managed apartments across the country. This is compared to 82.9 percent pre-pandemic.

The National Multi-family Housing Council has been tracking payments throughout the pandemic. Their reporting found a direct correlation between the improvement of payment rates and tenants receiving direct federal assistance, whether that was through increased unemployment or stimulus funds. Likewise, the US Census Bureau's PROPEL Survey found that 80.2 percent of renters were currently cut off on rent payments according to the most recently available data from the week of March 17 through the 29th, 2021.

These findings at the national level are comparable with what has been reported at the local level. In a report analyzing rental payments, the Furman Center found that total rent arrears increased following both, beginning of the crisis and the expiration of extended federal unemployment benefits at the end of July.

Furman also noted a concern for owner ability to pay mortgages and operating expenses given these drops in revenue. REBNY has been a tireless advocate for New York City at the federal level, pushing for business interruption programs, state and local aid, reforms to expand the Paycheck Protection Program and an emergency rental assistance program. REBNY members were the first to pledge a 90-day moratorium on evictions, enter into voluntary rent repayment plans, and a partnership with members for the New York Association for Affordable Housing founded Project Parachute.

Project Parachute is a philanthropic initiative administered by Enterprise

Community Partners that seeks to help the most vulnerable New York City renters remained in their homes during and in the aftermath of the coronavirus crisis.

The tenant-facing portion of Project Parachute is known as FASTEN and began case management in the fall of 2020. As of this month, under FASTEN, Project Parachute has provided support to over 1600 individuals with 2.6 million in rental arrears requested. Importantly, the Program is reaching those were not otherwise eligible for government assistance. 87 percent of the [zoom inaudible] household are undocumented. Over 50 percent are single adults.Importantly, as most stimulus dollars and existing programs identified prior housing instability as a criterion for relief over 80 percent of the household served under FASTEN would be deemed ineligible for traditional voucher assistance as they have no document to show their history.

FASTEN has provided key lessons, including the need for trust-building and leveraging partners for referrals for assistance. As part of Project Parachute, REBNY has joined with diverse stakeholders, including representatives from Enterprise Community Partners, the Legal Aid Society, Homeless Services United, Court Appointed Special Advocates for children and NYSAFAH to develop upstream solutions to prevent evictions. If the Board is looking for a villain in tenant hardship, it is the pandemic they should be looking to. 0 percent increases cannot solve for tenant hardship and existing rent burden or accrued rental arrears. It certainly won't solve for keeping buildings habitable, safe, and condition -- in good condition over the long run.

The 2019 data is not just irrelevant because of the pandemic, or other changes, or methodology concerns others have spoken about in the past, and in today, there was a seismic law change in the passage of the Housing Stability Tenant Protection Act of 2019.

The HSTPA included the effective wholesale elimination of increases beyond those provided for by the Rent Guidelines Board for renewals and initial leases. There are no more vacancy allowances. There's a severe curtailment major capital improvements and individual apartment improvements, which quite frankly only affected less than 1 percent of units a year. There's the elimination of luxury deed control and the elimination of changes to preferential rents within a tenancy. As a result, the burden to maintain quality housing amid escalating costs falls solely on RGB via annual rent increases. This is especially true for 100 percent rent-stabilized buildings who cannot rely on crossed subsidization from their commercial tenants in better years or from the market-rate units.

As we have previously shared with the Board, an analysis by HR&A Advisors suggested that the HSTPA could dramatically change the economic viability of the operations and maintenance for apartment buildings across the city. Their analysis estimated that within five years, approximately 272,000 units could be financially distressed and unable to afford any investment beyond basic maintenance taxes and utilities.

Already, we have seen a roughly 48 percent drop in the number of alteration filings and rent-stabilized buildings from 2018 to 2020 and approximately 17 percent decreased between 2018 and 2019. It is not surprising that these decreases in investment had been accompanied by three consecutive years of increasing numbers of distressed buildings, according to the Board's own 2021 income and expense study. To keep buildings in good physical condition and budgets balanced, this Board must take accountability for their role in keeping these buildings financially and physically viable, especially given the new regulatory framework.

Data used by RGB staff to calculate net operating income is incomplete. An outdated 20-year-old analysis, by the RGB and the Department of Finances uses a basis for adjusting expenses downward 8 percent. Similarly, costs of building facade maintenance, increased elevator inspections, lead paint abatement, and any other government mandates imposed since the price index was last updated 36 years ago, are not considered by the Board.

Further inflating reported net operating income is the universe of buildings of the RGB studies. The RGB excludes data on smaller, one to ten-unit buildings that leaves nearly 16,000 fully stabilized buildings unaccounted for while simultaneously including predominantly market-rate buildings with abated property taxes through programs such as Affordable New York or larger buildings that may only have a handful of stabilized units.

With 71 percent of the rent-stabilized housing stock built prior to 1947, maintenance and operational costs are a fact of business with a regular cycle of necessary major system overhauls like gas, electricity, water, boiler, elevator, and roof replacements. It is unsurprising to see increases year over year in operating expenses. According to the RGB's income and expense report, operating costs increased 3.3 percent.

Additionally, the 2019 data shows that property taxes continued to comprise the largest share of owner expenses, averaging 31.2 percent of all costs among rent-stabilized buildings. From 2018 to 2019, the average monthly expense per dwelling unit paid toward taxes increased 6 percent and change, and have more than doubled since 2007.

However, as we know, the methodology utilizes expense data from 2019, meaning that these figures do not capture increases in operating expenses due to COVID-19 protocols. Initial evidence indicates that expenses continued to rise during the pandemic, with reports of price gouging on cleaning supplies and personal protective equipment, impacting tenants and property owners, their employees, and property managers alike.

During this time of crisis, property owners have gone above and beyond in meeting their responsibility of providing quality and safe housing for their residents. They continued to and must find ways to cover the increased costs for utilities and maintenance, along with continuing to pay property taxes based on pre-pandemic assessments and collection rates. Additionally, at a time in which many of us are at home, building owners have worked to ensure buildings are safe, clean, and responsive to the pandemic, often at significant expense.

The 2019 data shows that property

taxes continue to comprise the largest share of owner expenses. From 2018 to 2019 the average monthly expense -- apologies. This is a duplicate. So since 1990, RGB increases averaged 2.7 percent while expenses for property owners increased almost twice that rate at 5.3 percent. We believe this is the result of a highly politicized process that in some years has certainly favored owners and in other years favored tenants.

So while property owners tackle the challenges of decreased occupancy rates, decreased rent collections, and increased costs due to COVID-19 while providing and maintaining quality housing, they must also abide by the additional regulatory requirements that do not qualify as ineligible expense under the curtailment of the MCI and IA programs.

To the board members question, right? What's not counted an NOI or made clear, it's capital expenses like this. So as an example, to achieve our shared climate goals, more buildings need to contribute to energy reductions and efficiencies. As of last year, Local Law 97 now applies to buildings containing rent-stabilized units that are less than 35 percent stabilized. These buildings must conform to a law that invokes additional expenses that are not subsidized and cannot be captured through rent increases. Failure to comply will result in fines. This regulatory burden --

CHAIRMAN REISS: Basha, could I just ask clarifying question?

MS. GERHARDS: Yes.

CHAIRMAN REISS: Could you do an MCI for those costs or no?

MS. GERHARDS: No.

CHAIRMAN REISS: And why not? Why is it excluded from an MCI?

MS. GERHARDS: You would have to ask the state legislative body why that particular percentage was tied into the changes under the HSTPA.

CHAIRMAN REISS: Okay. Thank you.

MS. GERHARDS: But that same threshold appears in that law as appears in the amendment to Local Law 97.

CHAIRMAN REISS: So -- I'm sorry.

So the legislature defined MCI to exclude these climate change retrofits?

MS. GERHARDS: Correct.

CHAIRMAN REISS: Got it.

MS. GERHARDS: So those changes incurred by the HSTPA created a new regulatory normal. The consequence of which is that the RGB is effectively solely responsible for determining whether rent increases will cover rising expenses and in turn whether there is sufficient NOI left for ongoing maintenance and capital improvements. In the future, the city's rent-stabilized housing stock is in the RGB's hands. This reality is not unexpected and was foreseen by academics, including those at the Furman Center who wrote prior to the passage of the HSTPA, that the Board may need to account for these costs when fulfilling its constitutional obligation to provide a fair return.

The rapid adverse changes COVID-19 wrought on the market and housing landscape lend additional credence to serious consideration for moving to a new standard formula that inputs various indices for degenerating RGB increases that can operate independent of political machinations and in real-time, a two-year lag in data is unacceptable most years and more so today. We, therefore, continue to believe there are merits to a formula system and would suggest a formula that encompasses a wide range of indices. This would follow other jurisdictions with a similar system and keep focus on adjustments commensurate with operating costs and inflation.

This Board's responsibility is to provide increases that allow for maintenance of quality housing for millions of New Yorkers. We appreciate that rising rents and tenant seems like a losing proposition and even a formula would not address this concern. The RGB operates within a broken system that places the role of subsidizing housing, regardless of whether the tenant is in need, wholly on the private sector and places the financial cost of rising expenses inclusive of property taxes, whether they can afford to or not, on the tenant.

But the government policies in this pandemic and our own lessons from our involvement in Project Parachute have shown us is that direct targeted interventions make the biggest differences to tenants in need and struggling to pay rent. Direct assistance to owners for public goods also have a track record for improving outcomes. In this case, building quality without relying on rent increases to cover the difference in capital expenses. Programs like J 51 should and must be reformed to do this role to make it financially feasible to bring buildings into 21st century and to also meet sustainability goals.

In 2017, building quality was at its highest level in decades. That is not sustainable with de minimus increases. Rental income and capital investment are the lifeblood of rental housing. To change this paradigm in a manner that ensures affordability for tenants without sacrificing building quality will require another seismic shift in political discourse. A regulatory landscape that recognizes property tax revenue will power social programs that direct assistance to tenants in need while they are already housed, provide stability, and is effective eviction protection, and to keep rents affordable without sacrifice and building quality abatement programs are necessary.

Maintaining the housing ecosystem in a way to balances all stakeholders should be the goal of an administrative body with the biggest driver of those expenses being increases to city property taxes. This deficit was previously balanced by other statutorily available revenue streams beyond RGB annual increases.

Now that the state has eliminated those revenue streams with the passage of the HSTPA, the role of the RGB is more critical to maintaining the economic viability of the city's rent-stabilized apartment stock, which is already in decline, the extent of which is not captured by the RGB due to method -- methodological challenges.

So again, the 2021 Rent Guidelines Board PIOC, found that increases between 2 to 2.75 percent for one-year leases and 2.4 to 5.75 percent for two-year leases are required to maintain owners current dollar net operating income. We would instead recommend a minimum of a 3.9 percent increase for one-year renewal and initial leases commensurate with the weighted increase of expenses dedicated to property taxes given the challenges of our time.

It is appreciated and appropriate that the guidelines last year applied to both renewal and initial leases, recognizing the expenses that occur at turnover. The majority of apartments do not utilize preferential rent and absent a guideline, applying to initial leases will not have a chance until 2023 to even recoup a portion of those required costs, which may now include hiding cleaning procedures related to COVID-19. We encourage this precedent to continue. The city has been experiencing an affordability crisis that impacts hundreds of thousands of New Yorkers both in and out of rent-stabilized housing for decades. We will also not know the full impact of COVID-19 for some time. What we do know is that direct assistance will do more for rent burden and rental arrears than blanket policies that address neither. We also know that property taxes help significantly fund the programs that can be most impactful.

We encourage the Board to adopt guidelines that support high-quality rental stock and allow for property owners to meet their financial obligations to maintain a functioning housing ecosystem. Again, government policies can intervene for good and at minimum, should not cause additional harm.

Thank you to the members of the Rent Guidelines Board for considering our testimony.

CHAIRMAN REISS: Thank you, Basha.

Before I forget, can I just ask that you send your testimony to Andrew just so we can circulate it to the board members?

MS. GERHARDS: Yes, of course.

CHAIRMAN REISS: Thank you. So I have a series of questions. I'm just going to start with one and see if others have questions as well, but they kind echo the questions that we asked Vito as well.

What is the interplay of the $2.4 billion of rent relief like if landlords who take that, take a zero for the next year, what's the benefit to landlords of getting the increase from us? Kind of what's the -- what's the decision-making for landlords, given that there's these two competing regulatory overlays?

MS. GERHARDS: First, I don't think they're competing at all, right. The 2.4 billion is to address a rent arrears hole, and the goal is to make a tenant whole for that period of time and to reduce the potential for non-payment eviction. So that's a win. That is great and that's the program we wanted. It's, you know, wonderful that we're not dealing with, like, pressing through, is it going to apply to undocumented or not?

It's very clear this applies to tenants in need who are eligible to fill the 12 months and, you know, depending, again, on their AMI levels and other criteria, three months moving forward. So without participating in the program, owners aren't going to get that money. So I fail to understand the connection of, Oh, they're not going to take it because there's also going to be this freeze. The --

CHAIRMAN REISS: If they get a zero because they participate in the program -- but you're also calling for the 4 percent increase. I'm just trying to understand the --

MS. GERHARDS: The corporate --

CHAIRMAN REISS: -- action between those two things.

MS. GERHARDS: Right. So the guidelines go into effect in October and last from 2021 until any lease is signed until, right, the following year. So there's still going to be a gain of some months and again, some dollars is better than $0. So I guess from our perspective --

CHAIRMAN REISS: So it will kick in --

MS. GERHARDS: -- this is good.

CHAIRMAN REISS: Your understanding, Basha, is that it will -- so that the landlord would put in let's say we -- we voted for an increase, they put in the increase, but they wouldn't collect the increase during dependency of the legislation --

MS. GERHARDS: Right.

CHAIRMAN REISS: -- and then it would take thereafter?

MS. GERHARDS: Right. And I think again, a lot of the good conversations that are happening now is what is ongoing rental assistance look like, making sure, you know, we're involved in some conversations for changes to the social services law to make it easier to access things like FAPS and one-shots of additional assistance as necessary. I think those are -- again, this concept of direct assistance is what's going to plug the gap for anyone who is not able to handle, or pay, or fully, I guess, meet their financial obligations.

But again, that's one subset of the tenant universe and we have the entire owner universe and which, their rising expenses, we're going to make our recommendation, we sincerely hope they're considered. But participating in the program doesn't mean someone wouldn't want to do -- I again, I'm just having a hard time wrapping my head around this idea of, like, not participating in the program when this is something that we've been advocating for, for the last 12 months.

MR. SIGNORILE: Basha, if you don't mind. I just want to build on that for a second. I think there's some poor perception out there that this rent-relief program is married to whatever decisions the local guidelines board makes. That's not the case. Because let's just say this program is rolled out and an owner accepts the money June 1 of this year. That is in effect that they can't increase the rent at any level until June of next year. So let's just say this Board enacts a rent increase of 2 percent, for example, and a tenant has a renewal coming up on October 3rd, beginning after that June period next year an owner can collect that increase from when that one-year period ends up until the conclusion of that lease.

So, you know, and also you also have to consider the universe of tenants that, having lost their jobs throughout the pandemic, have been consistently paying their rent and you're telling owners that if you enact rent freeze that despite that tenant being financially responsible throughout the duration of time, that they can collect rent increase on that tenant.

CHAIRMAN REISS: Do other board members have questions? I have some other questions, but I don't want to -- Christina.

MS. DEROSE: Yeah. I -- you -- and this is sort of for everyone. Even those [zoom inaudible]. Local Law 97. Can you talk a little bit -- [zoom inaudible] some research into this, what the cost implications are for Local Law 97? I know at my own institution, we are you expecting a huge increase in our costs. But if you could talk a little bit about what Local Law 97 impacts will be in terms of costs.

MS. GERHARDS: I believe the -- and this is not my exact area. My colleague works in this so we can come back to the Board with some, I want to say, more precise numbers. But my understanding is we're talking about billions of dollars in retrofit costs for existing buildings. And that is -- there is an opportunity there in terms of job growth for sure.

But the more immediate timeline is the millions of dollars in fines if you're not able to get the work done and some fundamental flaws with the law itself in terms of how it looks at electrification as the end goal, not necessarily energy efficiency improvements. So for a building that say, may have already undertaken a MCI in the last few years, where they say, replace the windows or put in a new heating and cooling system, all of a sudden they're in a really tough spot in terms of, like, there's not much more that they can do to make their building more efficient or running a different way and they're going to be facing these fines.

MS. DEROSE: And then another question I had was, you know, we've heard a little bit about sort of these low-interest loans and tax-exempt programs that are available to people who own -- to those -- to for-profit, as well as non-profits that own rent-stabilized units.

Can you talk a little bit about, like, how -- well how -- how much are those programs accessed by landlords, specifically, obviously, the private for-profit landlords? Like, you know, just -- if you could talk a little bit about that.

MS. GERHARDS: Are you specifically asking about the hardship for, like, I guess, like --

MS. DEROSE: Not specific hardship. Like, you know, forgive me. I'm not that familiar with the programs, but someone this morning, I mentioned that, you know, as an operator of low-income and moderate housing, they can access these HPD low interest or low interest loans and taxes and programs that are also available to -- the person speaking with from a not-for-profit, but they are also available to, you know, for-profit organizations. And I just wondering, like, how often are those accessed? Are they very complicated? You know, just sort of trying to understand those programs. I have a hunch of what it is, but I want to hear what --

MR. LEE: [zoom inaudible] that as an owner?

MS. GERHARDS: I was going to just say, I think it really does depend on the particular program because each one of these different financing programs has different requirements in terms of, I want to say, like, the stabilization status of the building.

So the testimony referenced, we really need to rework and rethink something like J 51, which requires the entire building to be 100 percent stabilized. But the pricing floor for that -- for that program was done years ago. So it doesn't actually account for things like solar panels or a modern boiler system. So I would have to -- I hesitate to speak broadly about any of the programs because each one is individually different and tailored to, me I want to say, different, like, affordability requirements or different energy metrics. And just generally, yes, they all have a lot of rules attached to them in terms of compliance and reporting. And, you know, I think depending on the portfolio, it makes sense or it doesn't make sense based on that combination.

MS. DEROSE: Sure.

MR. LEE: I just wanted to add the for the most of the small property owners, the PPP loans ware not available to us, we don't qualify. So I just wanted to make sure that that's clear to everyone.

MS. DEROSE: Thank you.

CHAIRMAN REISS: Basha, I had a few other follow-up questions and other board members feel free to jump in too. You made a point similar to Vito. That the PIOC does not include some of these items of regulatory burden. And I guess I have the same confusion that I do with Vito, which is, is it really the PIOC that we should be thinking about, or is it really the income and expenses that were thinking about? Is it really a PIOC question? I don't get it why it it's a PIOC question.

MS. GERHARDS: I think it's both, right. And the reason I say it's both is on the PIOC, when we're talking about it, right, it's pricing to the point, like, so take lead abatement is lead abatement covered in administrative costs? Like, there's the actual paying someone to come in and test and then there's the physical work that needs to occur in terms of sealing the walls and whatever mediation or mitigation procedures are required or requested. And I think there's this tension there between, how do you parse out all of these different regulatory programs?

And local Law 97 and the sustainability upgrades that are going to be really asked of more and more buildings and appropriate so -- appropriately so if we're going to meet our climate goals, right? We -- every building needs to participate in some way. I think these are the the things that we need to further tease out and to our point, we're using data that's going to be lagging when we're using PIOC and we're using all of these other things. Even, I think, a memo was referenced from a few years ago. The lead laws have changed, I think three separate times in the last three years. So it's one of those things where, how do we stay more current and can make an informed decision?

MS. GARCIA: I just want to do bring Andrew back because I feel like I, -- I'm a little bit confused because I was under the impression that some of the finance data actually captures some of the costs that we're hearing about today. But what I'm hearing right now is that it doesn't and so I think that that's a question for us not to just ask of people who are testifying but to actually do our own research to make sure that we, as a board, are knowledgeable for actually seeing these expenses being an issue for landlords, that we should be actually looking at them. So Andrew, can you -- I'm a little bit -- I thought that they would be included but it feels like we are hearing that's not.

MR. MCLAUGHLIN: Like I said before, I'll double-check with the, you know, finance with RPIE filings to see if these types of costs are indeed reported by owners so --

MS. GARCIA: And I think, --

MR. MCLAUGHLIN: -- I'll look into that.

MS. GARCIA: I mean, I think the only point I wouldn't make is that when we look at affordability for tenants, are we actually looking at, you know, the price of costs of tenants living in the city during the pandemic just the same way we're looking at landlords cost? So I think intentional, it's not only intentional, but I think that we have to -- I think we as a board are trying to find that balance of what a normal market would look like in any other city. And I think New York City is unique because of all the challenges that I feel like all of the panelists, both in the morning session and in the afternoon session, are bringing up. But I think that we're also being very critical about every expense that, you know, someone who is running a business, right, we, you know, think about the folks who had to close on their stores or landlords.

I feel like there's so many views so that we have to take that I think that we have really clear data on the fact that overall, in the last year, there is no data that's talked about what landlords saw in 2020, and then I think future RGB boards will be able to look at the -- what happened in these years and make the adjustments that are needed to make sure that landlords are run well. I mean, buildings are run well and maintained. But I don't necessarily feel that we know that their costs is a good enough reason to be increasing rents when we don't actually have data to quantify what that is other than anecdotal data from folks.

Because for landlord affordability, we just went through every little program that maybe a tenant benefited from and highlighted them as tenants are doing fine when we were in the middle of a real crisis before the pandemic and were in a worse crisis now during the pandemic and probably after.

There are 220,000 evictions waiting in the state and I think all of that data together with -- we might think that there's something we're not looking at right now, but we don't know what that is and I feel like the Board should do a lot more to make sure that we're tracking all the expenses that landlords are having in order to make knowledgeable and decisions based on actual facts and not just what we think is happening across the city.

CHAIRMAN REISS: Basha, I'm going to continue -- and again, welcoming other board members to jump in. But you made an argument which other owner reps have made in the past that we have this big data gap about small buildings. Why do we have any reason to believe that small buildings, you know, see price increases in any way that's materially different than other buildings? What -- what's the -- what's the evidence?

You know, so we all know that there's a data gap, that there's not the data for the buildings with less than 11 units. But why do we even -- I'm trying to figure out, is that a red herring or do we have real reason to believe that their prices increase at a different rate than other buildings?

MS. GERHARDS: The reason we raise it every year is we don't know, right? And because we're not including them, we don't know.

And I think that's in the spirit of it would be best to make decisions on the best available data and what's available. There's this whole universe that's not even counted. But what I do feel comfortable saying is when you're including buildings that already have an abatement program and are not paying property taxes and you're comparing that to a universe of buildings that we don't even count that are paying full property taxes and the expenses in NOI are adjusted on a universe that's not including a very large universe that is paying property taxes, that seems problematic from a math standpoint and from a data standpoint.

CHAIRMAN REISS: But again, and this goes back to conversations in previous years as well. I mean, so we acknowledged that data gap, but we also don't believe that that data is being collected by anyone. So do you have a, -- so I -- I appreciate the critique, but do you have any proposed solution for your critique?

MS. GERHARDS: I think the expectation was that owner -- smaller owners were not collecting this information in years past and that's why it was not requested. You will have the chance to hear from a small owner and I'll -- again, I don't want to speak for them, but you should ask -- feel free to ask Jan here, right. Our -- I imagine anyone operating their business is keeping track of their expenses. And we've already alluded to the vast amount of bureaucracy an owner must go through in terms of documenting many things. This just seems like one other thing. But again, I would defer to the other panelists on this.

CHAIRMAN REISS: So if I'm hearing you, I'm hearing you say that it would be good to -- I'm not sure if I'm saying this tongue in cheek or not, but to actually require that all rent-regulated buildings report RPIE data is what I'm kind of hearing you saying. And that, -- that the Board, -- the Board can make that request to the relevant deciders of that subject?

MS. GERHARDS: I think it would be a great start to say should we see if people are willing to do this voluntarily to start since the original exclusion of the data was based on a very low return of those filings. And I think it's always worth going back to the broader universe and say, asking no question again. Are you able to provide this on a percentage basis that will make a significant difference for the data that we are collecting?

CHAIRMAN REISS: Okay. Thank you. Alex.

MR. SCHWARTZ: Yeah. Just following up on that a couple of questions. One is, I guess, would it be possible to get income and expense data for buildings with and without property tax exemptions and abatements from Department of Finance, that could answer some of those questions?

The other point is, I'm really sort of puzzled about the discussion on PIOC. And this goes back to some of Andrew's comments. In that, it's about change in price, not the price itself. And so the fact that there are some costs that are not included, that may or may not be important, it depends whether or not they are rising faster or slower than other costs. And also reflects their overall magnitude relative to the, you know, their share of the total costs. But just to say that costs are excluded, I'm not really sure how meaningful that is because we don't know, you know, if they're -- if they're rolling relative to other costs.

MS. GERHARDS: I think it's -- I think these are all fair questions to ask and I think it speaks to the challenges of dealing with data that where there's lags and where there's obvious holes on using data that has a methodology that was set decades ago and going back to what universe of buildings and filings and prices and all these things are being fed into.

You know, I think one of the other members said this well, like, we can spend a lot of time nitpicking each other's data today, it really speaks to the need for a probably more in-depth conversation with all the stakeholders and the Department of Finance in terms of what is collected, what is not, what is classified, what is not. You know, I don't have a good answer for you today about, like, why this thing versus that thing. It just really, I think, speaks to the overall confusion that these things create when they're set up decades ago and no one looks under the hood.

MR. MCLAUGHLIN: To answer your question, Alex. Yeah. I think he summed it up best. Is that if there's a change of cost and whether it impacts going up or down. It's not the actual cost, which is what that RPIE file, it's a change in price. And methodology may be the same but the price index has been updated many times. The weighting of the price index is now weighted using the RPIE data.

So we're using that so the current price index was using weights from the 2019 year. In addition, we go back and we look at -- each year, we look at a different component and we update the items within that component. So we'll take a look at, for example, fuel and we'll do a update on, like, whose, you know, of owners and a owner survey and say what percentage are using gas, what percentage are using oil, and what's the total cost going on? So we reweight the items within the components as well. So we -- may go back to methodology, but methodology for price index is a methodology of a price index but it is updated and we've been doing updates on an annual basis. So it's -- that's -- that's how we do our price index.

CHAIRMAN REISS: Andrew, who -- is it a regulatory decision or legislative decision to not collect data for buildings of fewer than 11 units?

MR. MCLAUGHLIN: Yeah. That's a regulatory, the law, when it was created. They can voluntarily fill out, if they want, an RPIE form for buildings that aren't required. And we've looked into getting that data in the past, but it's just not enough data to make any sense out of it. It doesn't -- there's not enough units. There are buildings that are filing sometimes. We'll ask for it and there's hardly any buildings who file voluntarily. So I don't know if that's the solution. I think you may have to require it in order for us to get to that data.

CHAIRMAN REISS: So it would require a change in the law, it sounds like?

MR. MCLAUGHLIN: Uh-huh.

CHAIRMAN REISS: All right. Basha, I have one last question. So you tied your proposal to the change in the increasing property taxes. And I just don't understand why that would be the driver. Like, you know, so if owners have a whole range of, you know, that's just one component of their expenses. So I just -- like why? Like, why is that the thing that we tie it to?

MS. GERHARDS: Because that's the government-controlled driver. If we're talking about a government body and we're talking about government drive to expenses and to all these other points, right? Like, you can slice everything else a different way, the property taxes are the property taxes. And the property taxes I think in some way is because you're not inflating or adding other things, right? Like, property taxes as a share has remained very consistent of owner's expenses year over year, it's typically a third. And we think that's the just most appropriate at this moment.

CHAIRMAN REISS: Okay. Thank you. Any other questions for Basha?

(No verbal response.)

CHAIRMAN REISS: Okay. So thank you, Basha.

Our next speaker is Joseph Condon from CHIP, from Community Housing Improvement

Program.

Joe, welcome.

MR. CONDON: Thank you, David. Hello, board members and fellow panelists. My name is Joseph Condon. I'm providing this testimony on behalf of Community Housing Improvement Program. I sent something around to the Board. It's a copy of my testimony, also a report on some surveys that we did within our membership throughout the last 12 months during the pandemic to try and collect information on rent arrears and vacancy rates and things of that nature so feel free to take a look at that as well.

CHIP is a not-for-profit membership-based association. We focus on education and advocacy for rent-stabilized housing providers. Our members run their own businesses. They're all manager/owners. They manage their own buildings. They're typically long-term owners. They are usually fixtures within their communities. They sit on local clubs, civic associations, sometimes even community boards. About 50 percent of our membership have owned their property for 20 or more years so they are long-term holders. And yeah, I think that's always good to know.

I also like to always remind the Board that CHIP member buildings and about 90 percent of all the existing stabilized housing stock are pre 1974 buildings. Most were actually constructed before 1947. I point this out just to remind everybody that these buildings are old, they need constant upkeep, constant capital improvements.

And the reason I mentioned it is to just to echo that these capital costs are not captured in the income and expense -- income and expense statement so they are not captured in the NOI calculation. Capital expenditures are just not reportable to Department of Finance. So I think that's an important thing to mention and it's why NOI is misrepresented as income. That's one of the reasons.

The reason -- another reason I also point out the construction date of these buildings is to remind you that these housing providers do not receive anything in exchange for providing below-market rent-stabilized housing. There are no tax subsidies or other governmental benefits that they received to offset their costs in exchange for being rent-stabilized. So there's essentially unsubsidized affordable housing providers and they only have this Board to rely on for the viability of their buildings.

And as previously mentioned, those rent increases go to pay for energy-efficient and environmentally friendly upgrades that the city is requiring. So it's not just taxes. The city also requires capital expenditures. You know, there is also a need to pay for construction costs for upgrading buildings to be accessible, installing ramps, stairlifts, widening doors, et cetera. These are all capital costs that are not captured in the incumbent expense statement. And again, the guidelines passed by this Board are the only real method that these owners have to keep up with these types of expenses.

The Board's data this year does acknowledge that the cost of providing housing has increased and therefore, housing providers need to be able to reasonably increase rents in order to stay in business. We went over some of the numbers but the inflation-adjusted commensurates call for a

2.75 percent increase for a one-year lease and a 5.75 percent increase for a two-year lease and we do think that adopting guidelines below those numbers would be a decision by the Board to ignore the data. I know though this Board has sort of justified ignoring the data historically based on tenant affordability concerns with monumental rent relief available to tenants and protections from rent increases and evictions as part of that relief. It would appear that those concerns are not as significant this year.

So there's $2.4 billion for retroactive and prospective rent relief for low-income families. Anyone who qualified for unemployment will also potentially qualify for that rent relief. It's that simple. So I know there's a lot of talk about the unemployment numbers and how many people qualified for unemployment. Every single one of those people can also qualify for rent relief. And aside from those protections, there's also the Tenant Safe Harbor Act, which is State legislation which prevents evictions for rent arrears that were accrued during COVID-19. That applies regardless of whether the rent relief is accepted or not. So I just wanted to mention that as well.

As far as data. Aside from the RGB reports, we also had data on rent-stabilized housing providers and how they have fared over the past year. We surveyed membership basically on a monthly basis since April 2020. We've collected responses on rent collections, vacancy rates, operating expenses, and other things impacted by the pandemic. Again, you can check the report out that we put in the submission. And we're, of course, happy to answer any follow-up questions on that or go a little bit further into the data than what we reported.

But generally, I know why most buildings has declined so significantly in 2020. And just as the Board considered more current data in its deliberations last year that projected significant tenant hardship, we ask the Board to consider more current data this year on building finances and housing provider hardship.

Two things, especially, that I want to highlight from the survey report are that overall operating costs increased by 10 percent in

2020 and overall operating income declined by 22 percent in 2020. So if we apply those rates to the figures that were in this year's INE report, we would see that NOI for 2020 is $83 per unit, which is down from $556 per unit in this year's report. Rent stabilized housing providers, however, have been feeling pressure, not this much pressure, but they have been feeling pressure on their operating budgets from even before COVID-19.

NOI has actually been decreasing since the 2018 INE report. At that point, it was 64 percent above the 1990 level. Right now, it is at 52 percent above the 1990 level so it is still coming down despite the slight uptick this year, it's still well below that 2018 level. And it is -- NOI is actually closer to Its 2014 level. Unfortunately, housing providers cannot stay the same for their property tax levies or any other expenses. There are no expenses that are decreasing to their 2014 levels and, yeah, expenses to run buildings are not going down.

Let's see what else I would like to mention. Yes. Just, you know, the Board decision applies to all 1 million rent-stabilized households regardless of their situation, whether they can pay or not, whether they lost the job or not. And it's difficult, but navigating this type of detail and nuance really is supposed to be done through legislation, not through this Board, and especially not through adopting a single rate for all 1 million households. So while CHIP and its members are deeply concerned with the issue of housing affordability, we do not believe it is the proper forum -- or this is the proper forum for the discussion and certainly, this Board does not possess the tools to address the complexity of the housing affordability crisis.

The [zoom inaudible] itself is not an affordable housing program. At least it's not supposed to be. It's intended to prevent speculation and profiteering and displacement effects that those cause. The commensurate adjustments in the PIOC report sort of perform the function of preventing unreasonable rent increases by establishing the minimum rent increase necessary just to meet expenses. So while CHIP is more than willing to explore reasonable policy solutions, we just don't think this is the proper place for the discussion. And in line with this year's PIOC operating expenses and given prior years, this year we recommend a 4 percent increase on a one-year lease and a 5.5 percent increase on a two-year lease.

We do also urge the Board to continue to authorize the rent increases that are adopted to also apply to vacancy leases. Allowing guidelines to apply to vacancy leases reduces the rent increase necessary on renewal leases. So for example, if you look at the commensurates in this year's report, without applying to vacancy leases, the commensurate would be 2.75 and 5.75 but if you do apply the order to vacancy leases, those commensurates would decrease to 2.5 and 4.5, respectively.

The one other thing that I do want to mention is sort of on the NOI point again and sort of the -- I think I've mentioned this before, but I did want to bring it up since we're talking about NOI. The methodology the Board uses actually double-counts NOI -- I'm sorry, double-counts increases in building revenue from capital improvements. That's because it does not account for the cost of capital improvements. Those are not reported in income and expense and there's no other method that The Board uses to collect those costs, but it does count rent increases that have resulted from those capital improvements.

So what the Board does is, it counts the rent increases from NCIs or whatnot but does not count the expense for those improvements and so it has a double-counting effect so to speak. So we just wanted to raise that again. It's just another example of how NOI is really distorted and not a complete picture of expenses for buildings -- rent-stabilized buildings. That's all I really have. You can read my testimony. There's a little bit more in there, more detail. But that's it for now. Happy to take some questions.

CHAIRMAN REISS: Thanks, Joe.

Questions from members? I know I have questions, but let me open it up to others first.

Joe, I'd like to take a deep dive into your survey and in large part, I don't know if you had a chance to attend our last meeting, but where we heard from representatives of Community Preservation Corporation and from M&T Bank. And when they talked about their portfolios, they didn't describe them as in nearly as much distress as you're describing the CHIP member survey -- as the survey of CHIP members, and I'm just trying to get my head around why it would look so different.

MR. CONDON: I don't know the reasons. I mean, I don't know, 10 percent -- I did attend that. I thought they actually said their operating costs were increased by more than 10 percent. So I thought they were up around like 18 percent actually.

CHAIRMAN REISS: Well, that was just a component of their operating -- that was just -- was it labor or -- Andrew, do you remember or --

MS. GARCIA: I think I ask a question about union labor and that's when that cost increase came in.

CHAIRMAN REISS: There was one component of their costs I think.

MR. MCLAUGHLIN: Yeah. I believe it was -- I believe it was maintenance that [zoom inaudible.

CHAIRMAN REISS: And then there were some -- a little lack of clarity as to whether their labor -- like, their labor was low but their maintenance was high and the RGB staff, it was the opposite or something like that. And but it kind of netted out. It kind of netted out to the same place where the RGB staff came when you added in all the expenses. It kind of -- it was roughly in the same ballpark, you know, within a percentage point or two, I think.

MR. MCLAUGHLIN: No, I'm sorry. I was -- let's see. Yeah. It actually is labor costs were up significantly higher. Maintenance was down as compared to the RGB for 2019 -- you know, the RPIE 2019 data. But is the CPC data from the same year? I don't know. I don't want to speak about the data and state -- no, it is CPC 2019 expense information. Yeah. So where it differed was, they were spending more in labor and less in maintenance and that's 2019 though it's not --

MR. CONDON: We're talking 20 -- so we surveyed our members from 2020.

MR. MCLAUGHLIN: Yeah. It's two different time periods.

CHAIRMAN REISS: Right. But they were kind of talking about -- they were talking about loans in default, loans in forbearance and collections.

MR. MCLAUGHLIN: I'm sorry.

CHAIRMAN REISS: And they were talking about collections. And they just -- it just seems like the numbers from those two portfolios were not nearly as bad as what your numbers are. I'm just trying to understand like --

MR. CONDON: The difference could be -- well, I think a lot of those are not-for-profit housing providers. So the universe that we surveyed are all private -- privately-owned housing providers. Don't know if that comes into play a little bit. You know, we also --

CHAIRMAN REISS: I would assume if your NOI goes down to $83 a unit per month down from $556 a month, that you'd have a really hard time, like, paying your debt service, I would think. Like, and so, like, do you survey about how many of them are in forbearance or in default on their loans?

MR. CONDON: We did have surveys about tax defaults and tax payment delays or defaults. I could share those with you as well.

CHAIRMAN REISS: That'd be great.

MR. CONDON: Yeah.

CHAIRMAN REISS: But nothing about loan defaults or forbearances?

MR. CONDON: I don't think we asked that question, no.

CHAIRMAN REISS: Okay. All right. And then the impact of the rent relief, the 2.4 billion, so you had this massive drop in 2020, but then I'm not going to call it a windfall, but then you're going to kind of get this massive -- to the extent that your members participate in the rent relief, they will get a massive infusion of income when that comes through. I'm just confirming that that is true.

MR. CONDON: I'm sorry. Say that -- the -- something about the windfall --

CHAIRMAN REISS: So you said there was a drop in income in 2020 which makes sense. But once the rent relief comes through, you'll have a massive one-time infusion of income if they participate in the program, right?

MR. CONDON: There will be a -- I mean, presumably, there'll be some certain infusion, right, that will cover the arrears. But that really goes to the fact that, you know, this housing was being provided essentially at no cost for the last, I don't know, 13, 14 months or however long it may be. So yeah. I don't know it that will balance out entirely, but certainly, the rent relief is helpful.

MR. SIGNORILE: David, I think it's a little unfair to call that an infusion of income. That's rent that's owed that's being paid back to the property owner.

MR. CONDON: Right.

CHAIRMAN REISS: But, I mean, on an accounting basis, it would be reflected as a massive -- I'm not saying that's a massive increase in profitability, but it's a massive increase in your 2021 income if you kind of got this all in one payment, right? I mean --

MR. CONDON: I think the other part that's important to note is that the loss in operating income also comes from the significant vacancy rate that is occurring in a lot of buildings. So I think our estimate or our survey showed that, of the total lost income, about half of it was from rent arrears and then half of it was from vacancies and the inability to collect money from those units.

CHAIRMAN REISS: So have any of the owner organizations tried to look and see, like, if we looked at our 2020 balance sheet or 2020 income statement and our 2021 income statement and combine the two, have you modeled, you know, how much worse off owners are as -- you know, when you net out the pandemic and then the rent relief? Has anyone started to kind of think about it that way?

MR. CONDON: The vacancy increases -- I mean, the vacancy losses, I think, have a bigger impact than the -- are a bigger chunk of the overall losses than the rent arrears.

CHAIRMAN REISS: And does your survey include reporting on vacancies?

MR. CONDON: Yes.

CHAIRMAN REISS: And is that

included in what you gave us or can you give it to us if it wasn't?

MR. CONDON: Yes. I believe so. There should be a chart in there. It should be on the last page.

CHAIRMAN REISS: Yeah. I see. So --

MR. CONDON: So yeah. So we started asking you about how many units are vacant. And you'll see it's 10 percent or higher for each month.

CHAIRMAN REISS: And what was it pre-pandemic?

MR. CONDON: Anywhere from 3 to 4 percent.

CHAIRMAN REISS: Other questions for Joe?

(No response.)

CHAIRMAN REISS: Okay. Joe, thanks so much. And it looks like, I misplaced my agenda. Let me just pull it up. So Jan Lee, from SPONY from Small Property Owners of New York.

Welcome, we look forward to your testimony.

MR. LEE: Thank you, David and thank you to the Board and thank you for giving us this time to speak. SPONY, Small Property Owners of New York is a volunteer non-profit organization founded in 1984. The vast majority of our owners are small families like myself. Many of them we call legacy owners.

My name is Jan Lee and am a member/manager of my family's tenement properties in the heart of Chinatown, we're closing in on our 96th year of property ownership. My grandfather came to this country during the Chinese Exclusion Act and despite being deported twice, he finally gained sponsorship and settled in Chinatown. After years of hard work, he managed buy the buildings that we call home in a part of New York City that was relegated to the Chinese as a ghetto. Hemmed being by racism and hostility, he persevered. He raised his family here and my dad was born in the 1920s in our building. I'm the third generation to live and manage this property.

As I've had the privilege of meeting small owners from all over the city during the pandemic, other immigrants from the Caribbean, Korea, India, China, Taiwan, Hong Kong, Puerto Rico, the Dominican Republic, Eastern Europe, the Mediterranean, the Middle East and many, many more. I hear similar stories about immigrants fighting against racism in this city but having been left to fend for themselves in corners of the city that were not prime real estate. The places left to people of color and black owners were for the most part, undesirable and therefore, affordable at the time. It was up to us to grow these communities, to open the doors to people who looked like us. People who understood our culture, our food, our religious beliefs.

We rented storefronts that were contextual to businesses, because we knew that our tenants would shop there, would eat there, use the daycare center, the clinic, the doctor's office, all in a language that is familiar to them. We grew communities where there weren't any. As one owner put it, While the bullets were flying through our windows and crack dealers knew our names, in our case in Chinatown at one time we were overrun by gangs. But we rented to low-income tenants. People who started families here. We subsidized with our own meager rents, millions of immigrants getting their first start in this country. And they thrive because of our personal sacrifices. It's our families, that gave others the stability during hard times, in the months after 911, during the blackout of Hurricane Sandy, the depression of 2008, and now during the global pandemic that no one could have predicted.

We made our tenant's lives bearable during these times because unlike huge corporations, we know our tenant's names, we know their situations, and we were able to adapt. We check in on them. In my case, I worked with other Chinatown tenement owners to bring fresh groceries to our tenants doorsteps during the height of the pandemic lockdown from a nearby food pantry, that was set up as an emergency pantry. That pantry is likely in a building owned by a small family like mine.

The vast majority of small property owners are like myself, we have good relationships with our tenants. We're providing the familiarity and the stability, which is so vital at this time when trauma and change of life can threaten, especially older tenants. In many cases, we're the only people in their lives that check in on them. Safety is a really big important priority in my community right now, with the rise of anti-Asian violence, which is undeniable. We work with the NYPD community leaders, we make our communities safer, we advocate, and again, we provide a safe environment that we expect for ourselves.

But we can't go on with no increases of rent any longer. Taxes have doubled for me in 10 years. Insurance has increased, water rates, practically everything that it takes to maintain my building. Brick and wood buildings that were built when Ulysess Grant was President, horse and carriages rumbled down Mott Street when my grandfather was here and even into my father's lifetime. That's how old these buildings are. And to expect us to maintain safe and stable housing with no increases after a global pandemic that has thrust our commercial tenants, many into oblivion, or at least a slow and painful death spiral, that's unconscionable to do right now. Because after all, it's our vulnerable tenants who ultimately suffer along with us. I don't believe that that's what you want.

We need you to advocate for us and to help our tenants by providing them the stability that they deserve as we emerge from a pandemic. The alternative is a mass sell off of small properties that will be bought by soulless corporations, entities that will harm the communities that have built New York. And essentially destables -- destabilize, a lot of rent-regulated apartments. An increase of five percent is needed at this time to help us provide safe and stable housing needed as myself and our tenants struggle to safely emerge from our homes and back into our normal lives.

I do want to address a question that was brought up by, I think, it was Christina, who was asking about some of the programs that were rolled out. And I just want to say as a personal experience of someone who tried to apply for the penalty decrease if we didn't pay our taxes on time. That was a proposal that was so clumsily rolled out that it took weeks and weeks and weeks of myself working with our local council member representatives, who then, in turn, tried to reach the Department of Finance, and I want to tell you that all throughout this year, the Department of Finance has been absolutely understaffed and totally unprepared for the legislation that was before them, where they absolutely could not get back to me in a timely manner.

So to this day, I still have trouble working with them. Many, many weeks and months went by when we would try to apply for programs that were rolled out, only to find that no one had an answer for us.

I also want to talk about the fact that small property owners, particularly those in communities of color, also hire tradesmen, people who maintain our buildings, who in turn, many, many times, are people of color. And they have been cut out of this because of the laws that started in 2019, HSTPA has put on such a suffocating blanket of economic disaster that even our tradesmen are left to be sitting on the couch when they really should be working. And if you talk to enough people in the trades, they'll tell you that they're spending less even in their own communities. And that has a ripple effect. When those people stop spending in the small businesses that we have, we collect less rent also.

So these things that are being talked about really have a tremendous effect and I urge you to really look at the situation in a holistic manner.

With regard to David, you know, I know that you're talking about this massive increase of money that's supposed to rain down on us. I just want to let you know that the administration of this, it's very difficult. I don't want you to be misled to think that once the floodgates are open, that the administration at the state and city level is going to run smoothly. It is not. It is absolutely not. And I am living proof of that. I have tried, every which way to keep my family from going into debt. To say that we're going to rely on a system that runs smoothly like a Swiss watch, I can tell you this is not the case and we may never see this for the next 12 months.

This federal money that's supposed to be opening up like the gates of heaven, it's not going to happen for the small property owners like myself for a very long time. And that's why we need this increase now. We can't be lulled into complacency to think that, if, you know, just like the Department of Finance was supposed to get me a decrease from 18 percent to seven-and-a-half percent, and I can show you the e-mails, I would be happy to send you the e-mails to show you what a cumbersome process this has been. I do want to remind you that we're still under threat of lien sales. We're still under threat of the 18 percent penalties. So please be realistic and understand that small property owners, particularly those owners in the neighborhoods that we love, neighborhoods that we identify New York by, are under serious threat of no longer existing. And please work with us. We'd be very happy to share our testimony from other small property owners like myself. I'll take your questions. Thank you.

CHAIRMAN REISS: Thank you, Jan. Questions for Jan? Alex.

MR. SCHWARTZ: Hi, thank you. Quick question. So I think you may have just implied something regarding the conflict or the sort of contradiction between the rent-freeze that's implicit in the -- explicit in the rental assistance and whether or not the Rent Guidelines Board can increase.

But are you saying that if it's going to take so long for the rental assistance to come into place that there's an opportunity, through the Rent Guidelines Board to increase rent, at which point it would be frozen by the rental assistance program? Is that what you're suggesting?

MR. LEE: Well, I -- I'm responding to David's comment about having a massive increase of money, you know, over a billion dollars coming from the feds. The administration of that, I don't want to mislead -- I don't want you to be misled to thinking that, you know, that's going to happen in the next couple of weeks or months. In the meantime, many of our small property owners are carrying a huge debt load. And I know that many tenant advocates will always tell us, we'll just take out a loan, go to the bank, you know, you guys got mortgage relief. But in realistic terms, many of us don't qualify for a letter of credit. We don't qualify for many of the traditional programs that are out there. If we've been bleeding out for a year, any banker looking at our balance sheet, we're not showing a favorable, you know, loan opportunity here. So some of us have qualified for the EIDL loans. Those came and went. Those were used up very quickly. And I know that there's a second infusion of a possibility of a -- of a second draw on the EIDL loans, hopefully, those will come through. I myself have applied for an increase. But again, this is a loan.

And we're already, many of us, are in debt to the city of New York to the tune of 18 percent so we're talking about adding loans on top of loans without having grants that are actually forgivable. And so I just want to answer what David was saying about being realistic about the money that's coming in.

The example that I can use, is the $100 million that was recently released during the summer of which only 40 or less than 50 percent of it was actually administered. And there's a number of reasons why that happens. But it's fairly typical of the clumsiness and the awkwardness of these rollouts. So we need to take that into consideration that every day that goes by is more interest that's accruing and more people's whose lives are at danger.

CHAIRMAN REISS: Christian.

MR. GONZALEZ-RIVERA: Hi Jan, thank you for your testimony. What share of all and rent-stabilized owners do you think your members represent?

MR. LEE: What share of the 900,000 units that we represent? I can only tell you from personal experience, Christian, I've started meeting with other SPONY members over the course of the pandemic, and perhaps this is one of the silver linings of being able to meet on Zoom because we've met many, many dozens and dozens of them. I can't tell you the numbers out of the hundreds of members of SPONY, how many of them are small owners like me because one of their issues that we are confronted with oftentimes when we speak to legislators is, what is small. I know what small is because I operate a tenement building.

You know, there are landlords who own five or six tenement buildings, but they're still basically writing leases over the kitchen table. I mean, they're not managed by big corporate companies, we're essentially self-managed. As I said, I'm a third-generation person who's been writing those leases across the kitchen table and meeting with my tenants in my home. But I think that there's a clear distinction between us and the people who own several thousand units that have a different perspective on the whole thing.

MR. GONZALEZ-RIVERA: Okay. Are there any -- are there any sort of requirements as to, I mean, who gets to be a member of SPONY or not? I mean, like, do you have any -- you know, do you draw certain lines around this?

MR. LEE: Well, I think that we tend to represent people, as I said, like myself who are really family-owned and managed as opposed to someone who owns -- who has the ability to, you know, have 20, $30,000 retainer's with management companies that are on, you know, on -- and a cadre of lawyers to answer all of the numerous agency things that they have to do. They really don't qualify. Because we want to advocate and we want to represent people who are the lifeblood of New York that own the majority of the rent-stabilized housing. So in answer to your question, it's really more about family ownership and management than it is about the number of units.

MR. GONZALEZ-RIVERA: Okay. Thank you.

CHAIRMAN REISS: Other questions for Jan?

(No response.)

CHAIRMAN REISS: Thank you, Jan.

MR. LEE: Thank you so much.

CHAIRMAN REISS: So our last speaker for the invited owner groups is Mary Ann Rothman, Council of New York Cooperatives and Condominiums. Welcome, Mary Ann.

MS. ROTHMAN: Thank you very much. I'm very happy for this opportunity to express our views. My name is Mary Ann Rothman, I'm the Executive Director of the Council of New York Cooperatives and Condominiums, which is a membership organization of more than 2,300 housing co-ops and condominiums, located throughout the five boroughs of New York City and beyond.

More than 175,000 New York families make their homes, in these buildings. For over 40 years, my organization has provided education, information, and advocacy to our members and has tried to bring their needs to the attention of lawmakers and government agencies.

Many of our members were converted from rental housing to co-ops and condos. Since 1982, rent-regulated tenants who opt not to purchase their units, have generally had the right to stay on in their apartments. And even prior to that time, seniors and individuals with disabilities could exempt themselves from the conversion process and remain in their homes. As a result, there are rent-regulated units in many of our member co-ops and condos. In some cases, the rent-regulated apartments are now owned by the co-op or condo itself, often as a result of default by the sponsor.

Rents from these units can be considerably less than the cost of operating them, which means that the co-operative or condominium, must budget to cover the shortfall through carrying charges paid by the other shareholders or unit owners. And if the former sponsor or an investor owns multiple rent-regulated units in the building that have shortfalls, that owner is still responsible for paying full carrying charges for the unit, which means that there's always the risk of default by this underwater owner.

Co-ops and condos are self-contained communities governed by volunteer boards elected by the shareholders or unit owners to set policy and to oversee the operation of the building. The Board tries to do this in a way that provides quality housing at reasonable cost. Prudent cooperatives and condominiums will also try to set a budget that funds reserves to cover the constant need to repair and replace building systems. But beyond that, co-ops and condos operate at break even which is why the operating costs of cooperatives and condominiums in New York City give good insight into the actual costs of operating similar rental buildings.

Since 1980, the Council of New

York Cooperatives and Condominiums has annually compiled a study of operating costs. And we sent you a copy of our comparative study of operating costs for the year 2019 as my first ever pdf of it. We collect financial data from co-ops and condos and compare on a dollars per room, per year basis the various costs of operating these buildings. And while I was still listening attentively to what everyone was saying, I turned to our comparative study of 2019 operating costs to substantiate Basha's remarks about how much property taxes have increased.

We divide -- we report on -- well, there's -- because of the pandemic there's only a little over a thousand different buildings in the 2019 study, and they're grouped in eight categories, east side cooperatives, west side cooperatives, small cooperatives in Manhattan, that's 100 rooms or fewer, small cooperatives in Brooklyn, larger cooperatives outside of Manhattan, and condominiums in Manhattan and outside Manhattan, and loft. The loft section is very small. But let me just -- oh, and then after the raw data, there's a ten-year recap for each of the categories, and that's where I want to call your attention for real estate taxes.

So our ten-year recap goes from 2010 to 2019. For small Manhattan co-ops, real estate taxes were 36 percent of a typical budget in 2010. They are 43 percent of a typical budget in 2019. And in dollar -- in average dollar amounts, that means they went from $1,791 per room per year to $2,671 per room per year in 2019.

Hardest hit with property taxes is the east -- larger buildings on the east side of Manhattan. Their percentages of budget went from 36.5 percent in 2010 to 46 percent in 2019. But the -- it's their dollar amounts that are astounding, averaging $2,280 per room per year in 2010 and rising to $3,491 per room per year in 2019. And we know that property assessments were set so early in 2020 that they anticipated a prosperous year and increases so the property taxes shall have gone up again in 2020.

So, in brief, are chart -- our report and its various charts clearly illustrate that operating costs increase year after year. If fuel prices drop, then government mandates eat up the budget. Labor costs increase annually, water rates keep rising and property taxes continue to grow at a very fast pace. Yeah. For owners to be able to continue to operate rental properties, they must be able to collect rents the cover the ever-growing costs of operating their buildings plus a margin of prof -- profit.

When co-ops and condo owner -- when co-ops and condos on rent-regulated units, growing shortfalls between rent collected and actual costs impose a hardship on all the other owners. We urge the Rent Guidelines Board to allow rent increases attuned to the costs of operating property in New York City today.

And we appreciate this opportunity to express our views.

CHAIRMAN REISS: Thank you, Mary Ann.

Questions for Mary Ann?

(No response.)

CHAIRMAN REISS: Mary Ann, I don't want to say it's the end of a long day, but that may be a reflection of a long day.

MS. ROTHMAN: It's okay.

MS. JOZA: Mary Ann, I had a question. So you're talking about a study done for these co-ops and condos. Are these 100 percent rent or they are -- you know, some of them -- some of them are owned?

MS. ROTHMAN: For a co-op or condo to exist, it -- there have to be at least 15 percent of the units owned by individual owners. But even, you know, 50 years after the first wave of converting rental buildings from -- to co-ops and condos, many, many of our member buildings still have quite a number of rent-regulated tenants. Though I would venture to say that just about none of them have as much as 35 percent rent-regulated tenants. But buildings are mostly owner-occupied and will have some rental tenants.

MS. JOZA: Right. And then the taxes assessed on these buildings are the same taxes that the owners pay for, right? It's the same tax that --

MS. ROTHMAN: Okay.

MS. JOZA: Right?

MS. ROTHMAN: In a co-op, the Department of Finance will set taxes on the whole building. And then each person who lives in the co-ops is assigned an apartment to live in and they're assigned a certain number of shares that reflects the size of their apartment and other amenities that they may have. And the co-op board or the manager divides up all of the costs of operating the building among those shareholders based on the proportion that they own.

So, yes, together all the people who live in a co-op -- in co-op pay the tax bill. Actually, in a condo, it's different because each condo is its own piece of property. And the Department of Finance actually sends a tax bill to each individual.

MS. JOZA: They pay directly to the Department of Finance. Right.

CHAIRMAN REISS: Other questions for Mary Ann?

(No response.)

CHAIRMAN REISS: Okay. Thank you, Mary Ann.

I guess, to the members of the Board, any other questions for our guests?

(No response.)

CHAIRMAN REISS: All right. Well, I'm not one to scorn some free extra minutes. So I would just like to say thank you all for your testimony and it was really very helpful for us. As you could see, all of us are trying to think through, you know, what is, you know, a difficult -- you know, just a really difficult decision-making process, particularly given the interplay between the data we have and recent events. And so your insights has been very helpful test.

So thank you so much.

MR. SIGNORITE: Thank you, David. Thank you, everybody. And we hope you continue to stay well. Looking forward to continuing conversations throughout the remainder of the two months.

CHAIRMAN REISS: Thank you.

MS. JOZA: Thank you.

MR. SIGNORITE: Thank you.

MR. CONDON: Thanks, everyone.

MS. ROTHMAN: Thank you.

MR. CONDON: Thank you for your time after a long day.

CHAIRMAN REISS: Thank you.

So, Sheila, I'm totally forgetting what we were talking about, talking about. Was there something that we wanted to cover other than the testimony that we heard or I --

MS. GARCIA: I mean, I had -- I didn't know if we were going to have, like, general board discussion of everything we've heard today, but I also want to recognize that we've had a really long day.

CHAIRMAN REISS: Yeah.

MS. GARCIA: So I can -- we can definitely continue this dialogue, but I wanted to flag that we have a preliminary vote next week and we are -- it feels like even from the testimony this morning, we're in a -- we still have a lot of questions that we have.

We also heard, I think, a lot of testimonies, from my view and I don't know, if for example, Scott, we'd want to, you know -- I have a lot of reaction to the landlord testimony that I would like to sort of talk through, not necessarily with the folks testifying because they're testifying on what they're testifying.

But I feel like to your point earlier, David, I saw -- I heard a lot of things that were different than what we've seen in other reports and another testimony and I find that very difficult to come to terms as we head into the preliminary vote and still have all of these questions and dialogue that we haven't had. So --

CHAIRMAN REISS: So, yes. So I'm totally open to the conversation. I'm also totally open to the fact that people may be, you know, six hours of meetings is a lot for one day. So I guess I'm going to follow everyone else's lead as to how we should proceed right now.

MR. MCLAUGHLIN: David, I did just want to go over before people start disappearing, just what we're voting on Wednesday, May 5th.

Just to clarify that this is what we need to do.

MS. GARCIA: Yeah. And also just timeline, Andrew, for us because it feels like it's like next week.

MR. MCLAUGHLIN: It doesn't only feel like it's next week, it's next week. So, yes -- so there's --

MS. JOZA: It's next month.

MR. MCLAUGHLIN: Next -- yeah, it's next month, right. There you go, Cecilia. No, it's just that -- I'm going to be sending around the proposed language for both orders, which is order number 53 for the apartments and lofts and order number 51 for hotels.

So everyone's a veteran that's been on this Board so the things we have to do at the preliminary are set proposed guidelines for apartments for one and two-year lease renewals, for lofts one and two-year lease renewals. The special guideline for units coming out of rent control that are going into rent stabilization.

And the fourth thing is the adjustment for hotels for all five classes of hotels. So that's what we're responsible to do. And, you know, as was discussed earlier today, our current orders do include units that become vacant, that is up to the Board whether or not they want -- that our order would apply to those vacant units. That's a decision the Board can make.

CHAIRMAN REISS: So, Andrew, could you just kind of clarify, at least, I think it's not necessarily super clear for everyone what that means. That's as opposed to the old law that allowed for a separate vacancy increase. What --

MR. MCLAUGHLIN: So --

CHAIRMAN REISS: -- what -- yeah, go ahead.

MR. MCLAUGHLIN: So the interpretation of the laws in 2019 by HCR was that local RGBs can state in their order or apply those renewal lease adjustments to units that become vacant. Last year that was the case with our order. So it's not a vacancy controlled by the State anymore. It's not a separate guideline that this Board can set. We can't set a separate vacancy allowance for those units. But it can be the same as what the renewal lease adjustments are for that unit. Not just --

CHAIRMAN REISS: Just to be clear, if we voted -- if we voted a one percent for renewal lease, then that one percent would also increase a vacancy lease?

MR. MCLAUGHLIN: Correct.

MS. JOZA: By the same percentage.

MR. MCLAUGHLIN: Correct. You can do that. Right.

CHAIRMAN REISS: By one percent. So now if had two apartments next to each other, one was a renewal and one was the -- and they both had the same rent, they both had $1,000 month rent and then you had one percent increase, they both go up to $1,010?

MR. MCLAUGHLIN: Correct. Yeah. So those are the things that we have to vote on. And so I'll send around those proposed language. Generally, you know, you can just put whatever percentage out there. There's no, you know, like -- unlike the final vote where we have to put out, you know, what the Board is considering 72 hours prior to the vote, that's not the case of the preliminary. You can just as a member of the Board, put forth a guideline suggestion, and then, you know, we need five yeses for anything to pass and then it would go. So whatever proposal gets those five votes, then that would be the preliminary guideline.

So -- and generally speaking, the apartment and lofts takes in -- in current years, you know, in the last 20 years or so, the apartment, the lofts, and the special guidelines all at once. That's why we generally have two votes, one on the order itself and one on the hotel -- the one on the apartment and lofts, that includes all that and then one on the hotel guide. So I'll get that language to you tomorrow is -- was my plans. So that will be sent out. And the voting sheet will be accompanying that so you can track how people are voting in real-time. You can, you know, mark off how the votes are going.

So any questions?

(No response.)

MR. MCLAUGHLIN: Okay. Yeah. Veterans, if you have any questions in the meantime, please let me know and I'll answer.

CHAIRMAN REISS: Any other, you know -- being totally open to Sheila's point, anybody else want to share anything? No pressure for me to say yes. Just -- I just want to make sure people get an opportunity to speak if they would like to.

MS. GARCIA: I mean, maybe the question is, are people open to hearing someone else speak too? Because I had a lot of reactions to all the testimony we had and I can definitely reach out to folks individually. But there were a lot of assertions on rent stabilization and the State should have a decision on this, but then we're hearing, Board undo the vacancy that was withdrawn from the State but use this venue to increase on vacancy.

So I feel like they were a lot of ideas brought up by the landlords that I would like to discuss, and I also don't know where other board members fall on whether this is an -- a thing that they are considering? To me, it seems like we're being asked to, like, ignore what happen on the State but oh, FYI, we can't do MCIs and we're going to be hurting because of those things so take that into account and increase rent. So I feel like I heard both those things and I just -- I couldn't come to terms with, like, where other folks are at so close to the vote.

CHAIRMAN REISS: Sheila, I think you may have hit a wall. A three -- a 3:15 wall.

MS. GARCIA: I mean, that's fine. I would just, like, ask for folks who also want to, I mean, to make themself available because I feel like we have to -- it's Wednesday, next week, were already on Thursday. So we have the weekend and two additional days before we can all have dialogue on where people at and why they were there and really look at the data. And so it just feels like this is an off-year unless folks have decided and then I'm happy to have that conversation also.

MR. GONZALEZ-RIVERA: Just so -- Sheila, just so you don't feel like you're talking to a wall. I mean, it's -- at least speaking for myself, I also see what you're seeing. I mean, there's a lot of conflicting information, every single report, I mean, it's like -- has sort of a slightly different message. And so there is a lot to consider, but I feel like we have a lot to take in, unfortunately, in a really short amount of time. So yeah.

Speaking for myself, yes, I'd like to make myself available to talk through some of these things and to get some clarification, but I feel like it's probably not going to happen in the next 15 minutes. So but yeah, just wanted to --

MS. GARCIA: I would just -- I

would also be interested if folks wanted to share -- like, there were a lot of, I think, interpretation of our reports that I don't necessarily agree with, also interpretation of other people's reports to make points. And I would actually -- I would be open to hearing if folks are like, I heard this data over the weekend and I would like to hear if there's other data to explain that or context that I need to hear for as to be able to do that research.

I don't want us to sit at planned vote and say, well, we didn't get a chance to talk, so this is why I'm landing here. Because that doesn't feel like the right place for us to be at. And then the final vote will approach a lot faster. So so it feels like we're in a bit of a rush to make sure that we're responding with data and facts as much as possible, especially to the claims that I honestly --

MS. JOZA: Yeah. I --

MS. GARCIA: -- I will -- I will react thoughtfully but we're -- it seemed a little outrageous to me as well.

MS. JOZA: Yes. So Sheila, I'm

with you. I know that we have -- we heard Vito speaking. We asked him to provide the list of the costs that they're having on the side that they were not reported, that they're not accounted for, and then we hear also -- what's this other person? We hear -- we hear Joseph also who has some data that he's going to send it to us price-wise.

And I get you, there's a lot of conflicting information. And again, like every year we hear about costs that were not reflected in the report that the RGB, based on the research they're provided to the -- to the Board, right? We hear this every year. And then, you know, the information that we receive from CPC and the information that we receive from the banks was very, very, very informative, and -- and -- and -- and what we hearing is like -- what we hearing is kind of like the contrary.

I'm very confused just like you are. Yeah. So I'm with you.

MR. GONZALEZ-RIVERA: I mean, one thing I'd like to give more clarity on, it's just, I mean, what are -- I know this question has been asked in several ways to different people in several contexts, but what are the indicators of distress? You know, I mean, there -- there's a lot that can be said about, you know, which costs fits -- fits in which bucket? I mean, it's like how are they accounted for, et cetera, et cetera. But at the end of the day, I mean, there's maybe an increased cost in one area might be covered by a decrease in another, but we have really no -- it seems that we don't really have a window into how exactly that happens and it's probably likely to be very individual from building to building.

So is there anything that we can know on the aggregate in terms of distress or, like, leads up to distress? I mean, it's -- is there something that we can really know around that?

MS. GARCIA: And, Andrew, you got -- Andrew, the Board, right now our reports describe distress and the way we use distress as of now, and my understanding about that's financial, not physical, correct?

MR. MCLAUGHLIN: Right. In the INE the distressed property is one where expenses exceed income and that's what we define as distressed. In the back of that report, you can also see, in deciles, different levels of, you know, the number of O&M's that are $0.90 on $1 are going toward expense or $0.80 and it goes down the line. So if your definition of distress is like, Yeah. Okay. Would a building still be considered distress if $0.90 on every $1 is going to O&M costs. So, you know, there's different ways that you can look at distressed but what we define as distress in our IME report is just if expenses exceed income.

CHAIRMAN REISS: Christian, I would just say -- and I'm also just kind of trying to think this through. I would say that we've identified four indicia of distress but we didn't have good data on any of them.

So from the lenders that we heard from, it would be defaults and forbearances. But, you know, I think Leah made a good point last time that we're talking about a relatively small number of buildings. So like I don't -- I don't know, you know, I don't know what that means for the city overall but there's like a hint of it and then the hint was more in -- and then -- and then -- there

-- there -- there's a hint of those -- those -- those factors, but then the other two indicia of distress that I have come to see from the testimony we've heard would be collections and vacancy rate.

And so we saw some issue with collections both from the lender portfolios, but then that was kind of mixed, which is a point I think that Sheila made last time, and then we also saw from CHIP that they said that there was collection issues. But then, interestingly, like the new law may address collection issues to some extent on a retroactive basis.

But then the remaining indicia, which is vacancies, if landlords had a big increase in vacancies, that's money that they're never going to get back and I would think that that would probably be a big driver of decreased gross income. And that's -- again, we don't have good data on it, but that's something that worries me, is that, if you have a vacancy rate that goes from three percent to ten percent, you know, we could kind of estimate, I guess, your loss in income to some extent, but we don't have good data on it. So that's my -- those are some of my preliminary thoughts.

MS. GARCIA: I mean, I think that challenge for the vacancy portion is that we will see that data eventually, we'll catch up and so we can make shifts if we have to, but if it was vacant, they're not going to get money from the rent relief program. It doesn't matter if we increase rents this year, that money is gone and there's no -- I think -- I think it's something to look at it as an indicator, but it feels like to -- for -- on my end, it feels like to -- like to focus on that without actually saying, also, all of those units will likely all get rented out, even though the city saw a lot of people leave, the overall, like, population stayed the same and so, you know, when people start getting back their jobs, I'm assuming, we'll see people fill in those units and if they're not being filled, I think that that's an indicator then. But we're not out of the pandemic, so having an expectation that we would see a jump in that -- a huge jump in that would, I think would be unrealistic.

And then, to me, I think that the lenders' testimony was really important because it also all -- to me, it also showed that they're keeping an eye, but they're not, like, saying, something is wrong right in this moment, even though it's a smaller group of folks. But that's actually -- to me, as far as data, the best grouping of data because you want to show your len -- your -- your -- the person lending you money that you're doing well or not well so that they can help and support in that way. The CHIP data. I feel like we didn't talk about what -- where the data was. Was it was a self-reporting? Did they select who? Where is the concentration including the SPONY?

You know, we -- I think it was very woke testimony but it doesn't actually get at the heart that we're seeing displacement, mass displacement of tenants in Chinatown and, you know, folks who are organizing and doing work in Chinatown aren't seeing units vacant in order to vacate -- to keep a building vacant so that they can remodel and bring them up to, you know, higher rents.

And so I -- I -- it was a little bit like, I think that there's, like, a lot of conflicting data and I think -- I'm happy to talk about any specific portion of it. I'm also happy to bring in research to say -- to paint the other picture or to put some of those data into context because I feel like just looking at the vacancies, that would be the same to say, let's help every store that lost funding or money during the pandemic. Let's make sure that tenant's costs didn't go up too. You know, like there's just a lot that we would have to do if we wanted to take that as just the reality.

MS. JOZA: I have a question for Andrew. Andrew, so do we have -- I don't know, it's kind of like -- it's such short time, right? So I don't know if we have a chance to get a testimony from another bank.

MR. MCLAUGHLIN: Well, I -- I -- you know, we certainly can, in a short period of time, we can't, but, remember, this is a preliminary guideline --

MS. JOZA: Right.

MR. MCLAUGHLIN: -- and the final guideline will be made in June, and we can certainly bring in folks to talk further on these kind of things. But in order to, like, to do a public discussion of what's going on, no, we don't have the time to do that because just between the public knowing -- notice and setting up another meeting, there's no way possible to do that before the preliminary hearing.

CHAIRMAN REISS: Andrew, I think we were supp --

MS. GOODRIDGE: I wanted to say -- I'm sorry --

CHAIRMAN REISS: Go ahead, Leah.

MS. GOODRIDGE: I wanted to say, you know, in my experience, it is a preliminary guideline but -- and I -- you know, I really don't know why people stick to this, but a lot of folks don't like to go [zoom inaudible] whatever the [zoom inaudible] line is. So for example, if the lowest that the preliminary vote holds is a one percent for one-year leases and a higher percent for two-year leases, and then when it's time for the preliminary vote, folks are really reticent to do anything below the one percent for the final vote claiming that, you know, they don't want to do anything lower than what we did in the prelim vote.

So, it -- it -- you know, I just wanted to point that out. So -- and maybe we should have discussion about that because I don't really know if it's really proper, but that was in response really to Cecilia's point getting more information and the point made about that we have a preliminary vote but after that, we can always have the final vote.

CHAIRMAN REISS: Andrew, could you comment on, I'm speaking to Leah's point, on the guidance that we received from the Law Department in terms of the relationship between the final vote and the preliminary vote? And then I'm also going to ask Assistant Commissioner Jaffee from HPD said that she might be able to get us some data about the performance of HPD's portfolio. It would be great if we could see that before the preliminary vote. That would just be one more, not small, you know, data point about how buildings are performing.

MS. GARCIA: Maybe not as important data, but I was really floored by some of the comments made by Basha and some of the data that she cited. So I would really want to -- she sort of read through those numbers fairly quickly and I would want to be able to, like, see her testimony and if that data is cited anywhere.

MR. MCLAUGHLIN: Yes. She recently sent her testimony over. I just got it at 3:08 so I can now forward it -- forward to you guys.

MS. GARCIA: -- Andrew.

MR. MCLAUGHLIN: So in terms of a preliminary, it's a guideline that folks who want to comment on what this Board is doing has an idea of what, you know, a number to comment on, right? So if you have a range that the Board has set up, it's -- that's what they're commenting on, a range. So I guess bear that in mind when you're thinking about a range, that if you feel like it should be, you know, a bit of a wider range because you're having that issue of not having everything we have yet, and if it's a range you want to go with, you can do. If it's a single number -- like last year where there was a -- there was single numbers there, you can -- you don't -- we're not beholding to that number.

So you can go off that number

because it's a preliminary. The whole idea is, it's public comment and there's a hearing, so, you know, those numbers can change, and so that's fine. The idea of a range is that here's the range that people can really comment on and they want to comment on that range, then it's going outside that range, you know, are they commenting on that range? I guess that -- that's more of an issue. But, you know, if something's -- like, if we had had our preliminary vote in May of last year and a pandemic hit in the beginning of June, I'm not so sure that you couldn't have gone off outside of range that we did. I mean, there can be circumstances that certainly would allow you to go without -- without -- in that range, so --

MS. GARCIA: But it's not statutory, right?

MR. MCLAUGHLIN: Yeah.

MS. GARCIA: Like, not having to vote without --

MR. MCLAUGHLIN: No. It's not statutory. But again, the purpose of that range is for people that comment on that range so --

MS. GARCIA: So for example, if

we were to vote for zeros across the board in the preliminary vote we could in theory hear, landlord testimony, tenant testimony, and [zoom inaudible] one and two for the final vote?

MR. MCLAUGHLIN: Yes. Yeah. That's how this thing works. Yeah. If you do a single number, then you can go off that number, no question. Now, if you go to 10 percent and 20 percent, then that would be okay. Then you didn't comment on that. But if you're commenting on a 0 0 and it ends up -- the same guidelines, for example, now, where it's zero and rent freeze for two -- you know, for everyone and then an increase in the second-year for tier leases, that's very different than saying, Okay, now we're going to do, you know, 10 percent for one-year lease and 20 percent for two-year lease. So that, you know, are you really truly being able to comment if it was 0, you know w, 00?

MS. GARCIA: So just so that I'm clear, if we wanted to do a guideline like last year, we wouldn't necessarily have to -- to have the exact numbers --

MR. MCLAUGHLIN: Right.

MS. GARCIA: -- in the preliminary vote --

MR. MCLAUGHLIN: Correct.

MS. GARCIA: -- in order to do that?

MR. MCLAUGHLIN: Absolutely. Yeah. If it's a, you know, a single, it's a -- yeah. Like, if we did it like last year, you can get off that number. Again, you know, going into something like 10 percent and 20 percent, that becomes problematic.

CHAIRMAN REISS: Any other comments from board members or questions?

MS. GARCIA: I feel like I'll put everyone out of their misery and I maybe motion to close the meeting for the first time in eight years.

CHAIRMAN REISS: With that, do we hear a second?

MR. MCLAUGHLIN: Wait. Before you --

CHAIRMAN REISS: Okay.

MR. MCLAUGHLIN: -- before you -- wait, wait. Before you close this, I will send around the most recent contact information I have for everybody. So you, you know, the rule is that, you know, can -- you can meet up to four outside of a meeting, after that, it -- it's no longer legal. So you'd have to do it in public.

MS. JOZA: Does that include Zoom?

MR. MCLAUGHLIN: Yes, sure. You can meet on Zoom. Yeah. And if you want me to help facilitate that, I can certainly do that as well.

MS. GARCIA: And the four people rule includes Zoom and calls, correct?

MR. MCLAUGHLIN: Correct. Yeah. If it was a combination of the two. That's fine. Yeah. But it can only total up to four.

CHAIRMAN REISS: All right. So we have a motion.

Do we have a second?

MS. JOZA: I second.

CHAIRMAN REISS: All right. All right. Thank you all for a long day, and I will --

(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 260, taken at the time and place aforesaid, is a true and correct transcription of my shorthand notes.

IN WITNESS WHEREOF, I have hereunto set my name this 19th day of May 2021.

Marc Russo

MARC RUSSO

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