THE CITY OF NEW YORK

RENT GUIDELINES BOARD

PUBLIC MEETING

OF THE

DIRECTORS

Spector Hall

22 Reade Street

New York, NY 10007

Thursday, March 26, 2026

9:30 a.m.

B E F O R E:

CHANTELLA MITCHELL,

THE CHAIR

APPEARANCES:

Board of Directors:

Chantella Mitchell - The Chair

Sina Sinai

Sagar Sharma

Arpit Gupta

Maksim Wynn

Brandon Mancilla

Christina Smyth

Adan Soltren

Lauren Melodia

S T A F F:

Andrew McLaughlin - Executive Director

Brian Hoberman - Co-Research Director

Danielle Burger - Co-Research Director

Charmaine Superville - Office Manager

Mark Willis - NYU Furman Center
Oksana Mironova - Community Service Society (CSS)
Samuel Stein - Community Service Society (CSS)
Emily Eisner - Fiscal Policy Institute
Danielle Burger - Co-Research Director
Brian Horberman - Co-Research Director

P R O C E E D I N G S

CHAIR MITCHELL: Good morning. I'm Chantella Mitchell, the newly appointed chair of the New York City Rent Guidelines Board. And I'd like to welcome you all to this meeting of the board.

This is the first time -- this is the first meeting in a series of public meetings and hearings to determine lease adjustments for rent stabilized housing units in New York City with leases commencing or being renewed on or after October 1st, 2026, and on or before September 30th, 2027.

On behalf of the board, I would

like to take this opportunity to welcome five new members to the RGB: public members Brandon Mancilla, Lauren Melodia, and Sina Sinai; tenant member Sagar Sharma; and owner member Maksim Wynn.

I would also like to welcome back the three sitting members on the board, Arpit Gupta, Christina Smyth, and Adan Soltren. I look forward to working with you all in the coming days and months. Welcome everyone.

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

MR. GUPTA: Present.

CHAIR MITCHELL: Brandon Mancilla.

MR. MANCILLA: Present.

CHAIR MITCHELL: Lauren Melodia.

MS. MELODIA: Present.

CHAIR MITCHELL: Sagar Sharma.

MR. SHARMA: Here.

CHAIR MITCHELL: Sina Sanai.

MR. SINAI: Present.

CHAIR MITCHELL: Christina Smyth.

MS. SMYTH: Present.

CHAIR MITCHELL: Adan Soltren.

MR. SOLTREN: Present.

CHAIR MITCHELL: Maksim Wynn.

MR. WYNN: Present.

CHAIR MITCHELL: And Chantella Mitchell. I'm here.

Let the record show that we do have a quorum.

With the arrival of new members, I would be remiss if I did not also recognize the contribution of the members who have left the board: Chair Doug Apple, Alex Armlovich, Genesis Aquino, Robert Ehrlich, Reed Jordan, and Alex Schwartz. I would also like to recognize the hard work -- I would like to recognize their hard work and dedication to the RGB. So, on behalf of the current members, thank you to them, and we wish them well.

Finally, I would like to thank the Dedicated Rent Guidelines Board staff, Andrew McLaughlin, Brian Hoberman, Danielle Burger, and Charmaine Superville. Thank you for your service to the Board and to New York City.

The next planned meeting of this board will be here at Spector Hall on April 9th, starting at 9:30 a.m. Staff plan to present the

2026 Price Index of Operating Costs and the 2026 Mortgage Survey Report. This public meeting will also be live-streamed via YouTube at youtube.com/rentguidelinesboard. Information regarding this meeting is posted on our website, nyc.gov/rgb in our meeting section.

The preliminary vote for rent stabilized lease adjustments will be held on Thursday, May 7th. This in-person meeting will start at 7:00 p.m., and will be held at the LaGuardia Performing Arts Center at LaGuardia Community College in Long Island City, Queens.

If you plan to attend, please use the entrance on Van Dam Street at the intersection of 47th Avenue. This meeting will also be live-streamed via YouTube.

Information regarding this meeting will be posted on our website in our meeting section later today and will be sent to those who are on our email list. If you're interested in receiving the email updates about upcoming RGB meetings and hearings, please go to our homepage and click on the RGB email updates under quick links.

Today, staff will present the 2026 Income and Expense Study. A copy of this report is in your meeting folder. There are copies of this report here today, and it will be made available to the public on our website after this meeting. A copy of the I&E presentation will also be posted on our website. Just click Research on our homepage to download these documents.

After the staff presentation, we will hear invited speakers from the New York University Furman Center, the Community Service Society, and the Fiscal Policy Institute.

Please note that the annual Conflicts of Interest Board financial disclosure report filing period begins on April 6th and will end on May 1st. The COIB packets are here today. If you have not received a packet, which I think most of us have, please see Andrew after the meeting.

And I will now introduce Brian Hoberman, the RGB Co-Research Director, who will be presenting the 2026 Income and Expense Study. I'll turn it over to you, Brian.

MR. HOBERMAN: Okay. Good

morning. Thank you. Welcome to the new and returning board members. I apologize for my voice in advance. I have been dealing with a little bit of laryngitis, so I'll have to pause for sips of coffee during it.

The income and expense study examines the income and expense conditions that existed in New York City's rent-stabilized housing market in 2024. The year for which the most recent data set is available, and the extent to which these conditions changed from 2023.

In addition, the study stratifies buildings based on whether they were constructed prior to 1974, that's pre-'74, or on or after 1974. We call it post-'73 in the report. With the passage of the Emergency Tenant Protection Act, the ETPA of 1974, buildings containing six or more residential units constructed prior to 1974 are rent stabilized.

However, apartment units and buildings constructed or extensively renovated after 1973 may be subject to rent stabilization only because the owner has agreed to receive tax benefits in exchange for entering the rent

stabilization program.

Finally, the study analyzes real property income and expense, RPIE, data based on the proportion of stabilized units in the building. Building owners are mandated to submit RPIE statements annually to the Department of Finance.

While certain types of properties such as most residential-only buildings with fewer than 11 units are exempt from filing RPIE forms, the filings generate comprehensive financial information on thousands of buildings containing rent-stabilized units.

To ensure that only buildings with stabilized units are analyzed, the DOF releases data to us only after matching RPIE data with building registration data from New York State Homes and Community Renewal HCR.

The data utilized in this year's study encompasses 17,764 properties, which house 805,312 units. This data is employed to calculate average revenues and costs for a snapshot-in-time perspective. Additionally, we conduct a longitudinal analysis of 16,604 buildings containing 755,097 units, demonstrating the change

from 23 to 2024 among the same set of buildings.

Before we go into detail, I'll summarize our main findings. Looking at longitudinal data from 2023 to 2024, net operating income, NOI, increased 6.2 percent citywide, marking the third consecutive year; NOI has increased. There is a notable difference in the NOI growth rate among buildings based on their location. Staten Island increased the most, up 15.1 percent.

Core Manhattan, which is the area south of West 110th Street and East 96th Streets, grew 10 percent. Upper Manhattan, which is the remainder of the borough up 9.1 percent. Queens rose 6.8 percent, and Brooklyn was up 4.4 percent. However, NOI in the Bronx declined a 10th of 1 percent.

At the community district level, NOI increased in 93 percent of the city's neighborhoods. The largest increases occurred in Midtown Manhattan, up 17.4 percent, followed by Jamaica, Queens, up 14 percent. And Brownsville, Ocean Hill, Brooklyn, which is up 13.3 percent.

The largest increase in the Bronx

was in the Pelham Parkway neighborhood, up 9.4 percent. By contrast, NOI fell in four city neighborhoods, all located in the Bronx. The largest decline occurred in Hunts Point, Longwood, down 13.1 percent, followed by Mott Haven, Port Morris, down 2.6 percent. University Heights Fordham down 1.4 percent. And Highbridge South Concourse, down 1.3 percent.

There's also significant variation in NOI citywide among buildings with differing proportions of rent-stabilized units. Between 2023 and 2024, NOI increased 6.2 percent for buildings containing stabilized units. Among 50 percent or more stabilized buildings, that is at least 50 percent of the units are stabilized, the NOI grew 4 percent. It increased 3 and a half percent among 80 percent plus stabilized buildings, and NOI was up 2.4 percent among 100 percent stabilized buildings.

From 2023 to 2024, rental income grew 4.8 percent. Total revenue collection increased by 4.9 percent. And expenses rose by 4.2 percent. Taxes make up the largest expense category, averaging 26.3 percent of all costs among

buildings containing stabilized units.

The proportion of financially distressed properties defined as negative NOI for a building citywide decreased by one-tenth of a percentage point, reaching 9.2 percent down from 9.3 percent the prior year.

By borough, 37.5 percent of distressed buildings are located in Manhattan, while the remaining buildings are in the Bronx, which has 34 and a half percent. Brooklyn, with 18.4 percent. Queens, with 9.2 percent. And Staten Island, with four-tenths of 1 percent.

I'll go into more detail now about some of the things I just discussed. In 2024, the rent-stabilized property owners collected monthly rent averaging $1,681 per unit per month. The median rent citywide in 2024 was $1,437. Units and buildings constructed before 1974 rented for less on average, $1,521 per month, than those in buildings constructed after 1973, 2374 per month. At the borough level, the average monthly rent in buildings containing stabilized units was $2,295 in Manhattan. And it was 2,989 in Core Manhattan. And $1,549 in Upper Manhattan. $1,675 in Brooklyn.

$1,610 in Queens. $1,190 in the Bronx. And 1,102 on Staten Island. Average monthly rent per unit in the city, excluding Core Manhattan, was $1,476.

Many building owners diversify their income streams by charging for amenities in addition to renting commercial space. In 2024, building owners in New York City earned an average gross income of $1,890 per unit. The citywide median income was $1,567.

In pre-'74 buildings, they earned $1,704 per unit, and those in post-'73 properties earned 2,702 per unit. Income was highest in Manhattan at $2,697 per unit. Core Manhattan saw income averaging $3,506, and it was 1828 in Upper Manhattan.

Elsewhere in the city, Brooklyn's gross income was $1,818. Followed by Queens at $1,747. The Bronx at $1,336. And Staten Island at $1,297. And monthly income per unit in the city, excluding Core Manhattan, was $1,630.

This graph shows that average monthly income and rent were the highest in Core Manhattan and lowest in Staten Island. Average income is shown in dark purple and average rent in

red. And this and all the other graphs in the presentation are also in the report if you want to look at it more closely.

Many building owners diversify their income streams by charging for amenities in addition to renting commercial space. Gross income encompasses all revenue generated from rent, including apartment rent and commercial rent, ancillary income, and all other operating income.

The sale of services and commercial income accounted for 11.1 percent of the total income earned by building owners in 2024 citywide. It was up six-tenths of 1 percent from the previous year's 10 and a half percent. By borough, income earned from services and commercial rents as a percentage of total building income was 15 percent on Staten Island. 14.9 percent in Manhattan. It was 15.3 percent in Upper Manhattan. And 14.7 percent in Core Manhattan. It was 10.9 percent in the Bronx. 7.9 percent in Brooklyn. And 7.8 percent in Queens. In the city, excluding Core Manhattan, the proportion was 9 and a half percent.

The average monthly operating cost

for units was $1,203 in 2024. The median monthly cost average, $1,094. Costs were lower in units in pre-'74 structures at 1192 and higher among post-'73 buildings at $1,249.

By borough, average costs were highest in Manhattan at $1,659. Within Manhattan, costs for units located in Core Manhattan averaged $2,042 a month, while costs in Upper Manhattan were $1,248.

In the other boroughs, expenses in Queens were $1,125. In Brooklyn, it was 1,068. The Bronx, $977. And Staten Island, $895. Excluding Core Manhattan, the average monthly operating costs for stabilized building owners in the city was $1,073.

For the fourth year, the I&E study makes cost adjustments as a replacement for an outdated audit that was previously used to adjust expenses. This year's cost adjustment reduces expenses by 3.07 percent. The adjustment is based on calculating the difference in average expenses among data sets both with and without DOF assessment adjustments.

Note that adjustments to expenses

are only made in a few specific parts of the report and are clearly cited as adjusted expenses. Adjustment of the 2024 RPIE O&M cost of $1,203 by the results of this year's cost adjustment resulted in average O&M cost of $1,166.

And just as buildings without commercial space typically generate less revenue on a per unit basis than stabilized properties with commercial space, expenses in these buildings tend to be lower on average than in buildings with a mixture of uses.

In 2024, average adjusted operating and maintenance costs for residential-only buildings was $1,070 per month. Residential-only buildings therefore have average adjusted O&M costs that are 8.2 percent lower than among all buildings.

This graph breaks down expenses by component and further splits them into pre-'74 and post-'73 categories. The average expenses per unit per month for all stabilized buildings are shown in blue. The post-'73 buildings shown in red spent more on average on maintenance, administration, labor, and miscellaneous costs. The pre-'74

buildings shown in purple spent more on taxes, fuel, and insurance, and utilities were about the same in both categories.

Buildings that have O&M expenses that exceed gross income are considered, for the purposes of this study, financially distressed. In 2024, 9.2 percent of buildings were considered distressed, down from the prior year's 9.3 percent.

Comparing Core Manhattan to the rest of the city, the proportion of distressed properties in Core Manhattan was 6.5 percent compared to 10 percent in the rest of the city. By borough, 37.5 percent of distressed buildings are in Manhattan. All the remaining are in the Bronx, with 34.5 percent. Brooklyn, 18.4 percent. Queens, 9.2 percent. In Staten Island, four-tenths of a percent.

Since 1990, when 13.9 percent of stabilized properties were considered distressed, a portion of distressed buildings declined to as low as 4.9 percent in 2016. Subsequently, distress rates rose. So by 2022, the distress rate was up to 9.8 percent, but has since fallen over the last two years to 9.2 percent.

Revenues generally exceed operating costs, generating funds that can be used for mortgage payments, improvements, and pre-tax profit.

The amount of income remaining after O&M expenses are paid is typically referred to as net operating income, NOI. In 2024, apartments and buildings containing stabilized units generated $688 of NOI per month, with units in post-'73 buildings earning more, $1,454 per month, than those in pre-'74 buildings, $512 per month. Average monthly NOI in residential-only properties citywide was $616 per unit, 10.3 percent lower than the average for all buildings containing stabilized units.

In 2024, average NOI was significantly different by borough. Average monthly per-unit NOI is greater among stabilized properties in Manhattan at $1,038 than in the other boroughs.

There was a notable difference when looking at NOI on a sub-borough level in Manhattan. Core Manhattan properties earned, on average, $1,464 per unit, per month in NOI, 152

percent greater than properties in upper Manhattan, which earned an average of $580.

In the other boroughs, NOI was $751 in Brooklyn, $621 in Queens, $401 on Staten Island, and $359 in the Bronx. The monthly NOI average calculated citywide, excluding Core Manhattan, was $557.

Another way to evaluate the financial condition of buildings that contain stabilized units is by measuring the ratio of expenses to revenues using the expense adjustment method. The expense-adjusted cost-income ratio in 2024 was 61.7 percent. This means that, on average, owners of stabilized properties spent on average 61.7 cents out of every dollar of revenue on O&M costs in 2024.

Looking at unadjusted operating expenses, the cost-income ratio was 63.6 percent. Rent, income, and costs per unit were on average highest in Core Manhattan. Outside Core Manhattan, average revenue and cost figures are lower and have different expense-to-revenue ratios.

In 2024, the adjusted cost-income ratio in the city outside Core Manhattan, which is

shown on the right, was about 63.8 percent. 7.4 percentage points higher than the adjusted cost-income ratio for buildings located in Manhattan's core at 56.4 percent.

This graph shows the inflation-adjusted change in citywide income rent expenses in NOI over a period of more than three decades. Between 1990 and 2024, income, a line nearest the top, cumulatively increased and inflation-adjusted 38.9 percent. Rent, the second line from the top, rose 38.2 percent. Costs, the third line, grew 30.5 percent, and NOI, represented by the bottom line, increased by 56.6 percent.

These graphs represent the same period as the graph on the last slide, but break it down by borough. We have too few -- no buildings at Staten Island to include. It shows that while the actual inflation-adjusted income, rent costs, and NOI figures are far higher in Manhattan, the percentage increase in NOI since 1990 in Manhattan was not the highest among the boroughs.

Brooklyn, shown at the top right, saw the largest NOI increase over this period with NOI rising 168 percent. Queens, at the bottom

left, experienced the second largest growth in NOI, rising 76 percent. Manhattan, at the top left, saw NOI increase 51 percent. And in the Bronx, at bottom right, the inflation-adjusted NOI grew 38 percent since 1990.

We will now move on to the second part of the I&E study, which is the longitudinal analysis. The longitudinal sample encompasses properties that filed RPI forms reflecting conditions in both 2023 and 2024. By conducting the longitudinal analysis, we can more accurately track changes over two years as the same buildings are being analyzed.

Average rent collections in buildings containing stabilized units rose by 4.8 percent from 2023 to 2024. Rent collections in post-'73 buildings rose at a greater rate, up 5.9 percent, while rent among pre-'74 buildings grew 4.4 percent. By building size-rent collections on average rose 5.2 percent among both small 11- to 19-unit buildings and large 100-plus-unit buildings. While medium-sized 20- to 99-unit buildings increased 4.4 percent.

Examining rent collections by

borough, they increased the most on Staten Island, up 7.9 percent, followed by Manhattan, up 5.6 percent. Within Manhattan, Core Manhattan rents rose more, up 5.7 percent. While in Upper Manhattan, rents increased 5.3 percent.

In Queens and Brooklyn, rent collections rose 4.6 percent in both. And in the Bronx, they grew by 3.6 percent.

Rent collections in the city, excluding Core Manhattan, increased 4.5 percent, and the median rent citywide rose 4.1 percent.

Looking at average -- looking at rent collections throughout the city, every community district except one saw an increase in average rent from 2023 to 2024. At the neighborhood level, the largest increase in the amount of rent collected citywide occurred in Midtown and the North Shore of Staten Island, both up 7.6 percent, followed by Chelsea Clinton in Manhattan up 7.1 percent.

The financial district in lower Manhattan up 6.9 percent. And Williamsburg, Greenpoint, Brooklyn, up 6.6 percent. The largest increase in the Bronx was in Hunts Point Longwood,

up 5.9 percent. And the largest increase in Queens was in Flushing Whitestone, up 4.9 percent.

Meanwhile, rent collections fell one-tenth of 1 percent in Brooklyn's Brownsville Ocean Hill, the only neighborhood seeing a decline. A list of all neighborhoods and how much rent change can be found in the report in Appendix 13.

The average total income collected in buildings containing stabilized units comprising apartment rents, commercial rents, and auxiliary services rose 4.9 percent from 2023 to 2024. Revenues grew more in post-'73 buildings, up 6.6 percent, than among pre-'74 buildings, which increased 4.3 percent.

By borough, income grew the most on Staten Island, rising 7.8 percent, followed by Manhattan, up five and a half percent. Within Manhattan, Core Manhattan income rose 5.7 percent, and upper Manhattan income increased 5.2 percent. Queens and Brooklyn both saw increases of 4.9 percent, and the Bronx was up 3.8 percent. Total income in this city, excluding Core Manhattan, increased 4.7 percent, and median income citywide grew 4.4 percent.

Citywide, average expenses in buildings containing stabilized units rose 4.2 percent from 2023 to 2024. Post-'73 buildings saw a larger increase in expenses, up 6.2 percent, while pre-'74 buildings experienced 3.7 percent increase in expenses.

The change in operating costs varied by borough: Costs grew the most in the Bronx, up 5.3 percent. Followed by Brooklyn, up 5.2 percent. Staten Island up 4.9 percent. Queens up 3.8 percent. And Manhattan up 3 percent.

Within Manhattan, upper Manhattan costs grew more, rising 3.4 percent, while costs grew 2.8 percent in Core Manhattan. Operating costs in the city, excluding Core Manhattan, rose by 4.6 percent, and median citywide expenses grew by 4.1 percent.

It could be useful to compare the cost changes calculated from RPIE data with the price and cost data from the RGB's price index of operating costs, the PIOC, which has been adjusted to match time periods between the two. The adjusted PIOC is in red while the RPIE data is in purple.

The graph shows that the RPIE data in the study grew at varying rates compared to the price index. In the most recent year, the PIOC grew by 5.7 percent from 2023 to 2024. The same period as a 4.2 percent increase in RPIE expenses, a one-and-a-half percentage point difference.

Citywide longitudinal NOI in buildings containing stabilized units grew by 6.2 percent from calendar year 2023 to 2024. It's the third consecutive yearly increase. Citywide, NOI in post-'73 buildings climbed 7 percent, while in older pre-'74 buildings, it grew by 5.6 percent.

The average change in NOI from 2023 to 2024 varied around the city. NOI increased the most on Staten Island, up 15.1 percent, followed by Manhattan, up 9.8 percent. Within Manhattan, NOI grew 10 percent in Core Manhattan and 9.1 percent in Upper Manhattan. In Queens, NOI rose 6.8 percent. And in Brooklyn, it was up 4.4 percent. However, in the Bronx, NOI fell 0.1 percent. Monthly NOI in the city, excluding Core Manhattan, increased 4.7 percent.

At the community district level, NOI increased in 93 percent of the city's

neighborhoods. Largest increase occurred in Midtown Manhattan, up 17.4 percent, followed by Jamaica, Queens, up 14 percent. And Brownsville, Ocean Hill, Brooklyn, up 13.3 percent.

The largest increase in the Bronx was in the Pelham Parkway neighborhood, up 9.4 percent. By contrast, NOI fell in four New York City neighborhoods, all in the Bronx. Hunts Point Longwood was down 13.1 percent. Mott Haven Port Morris down 2.6 percent. University Heights Fordham down 1.4 percent. And Hybrid South Concourse down 1.3 percent.

And like the community district rent data, a list of all neighborhoods and how much NOI changed can be found in Appendix 13.

This table shows both the nominal and inflation-adjusted change in NOI over the last 11 years citywide in Core Manhattan and in the city excluding Core Manhattan.

NOI grew 2.2 percent in inflation-adjusted dollars from 2023 to 2024. In Core Manhattan, inflation-adjusted NOI increased 6.1 percent. And in the city, excluding Core Manhattan, inflation-adjusted NOI rose by 0.9

percent for 2023 to 2024.

Until this point, the study has examined buildings that contain at least one rent-stabilized unit. In recent years, RGB board members have asked the staff to also examine buildings based on the proportion of stabilized units.

The RGB requested that the Department of Finance prepare supplemental data for buildings that contain at least 50 percent stabilized units, at least 80 percent stabilized units, and 100 percent stabilized units. That is, all residential units are stabilized in a building.

Citywide, half the buildings that contain at least one stabilized unit are 100 percent stabilized. However, there is a sizable difference when comparing Core Manhattan to the rest of the city. Buildings that are entirely rent stabilized comprise 61 percent of buildings containing at least one stabilized unit in the city, excluding Core Manhattan, compared to 16 percent in Core Manhattan alone.

Average rent income costs in NOI vary widely between post-'73 and pre-'74 buildings,

as well as based on the proportion of stabilized units in the building. For example, comparing Core Manhattan to the rest of the city, among 100 percent stabilized buildings in Core Manhattan, NOI was $879 in pre-'74 buildings and $1,544 among post-'73 buildings, a $665 difference.

By comparison, among 100 percent stabilized units in the rest of the city, NOI was $377 in pre-'74 buildings compared to $1,330 among post-'73 buildings, a $953 difference.

Adjusted cost-income ratios can also be examined based on a building's proportion of stabilized units, as well as a location. As noted earlier, the adjusted cost-income ratio citywide among all buildings was 61.7 percent. Looking solely at pre-'74 buildings, the ratio for all buildings is 67.8 percent citywide, 60.1 percent in Core Manhattan, and 70.8 percent in the rest of the city.

Looking at pre-'74 buildings with differing proportions of stabilized units, among 50 percent plus stabilized buildings, the city-wide ratio rises to 69.6 percent, with a ratio of 61.4 percent in Core Manhattan and 71.4 percent in the

remainder of the city.

Among pre-'74, 80 percent plus stabilized buildings, the city-wide ratio is 69.9 with a ratio of 58.2 percent in Core Manhattan and 71.5 percent in the city outside Core Manhattan. And among pre-'74, 100 percent stabilized buildings, the city-wide ratio rises to 70.6 percent with a ratio of 59.4 percent in Core Manhattan and 70.8 percent elsewhere in the city.

Looking at the change in NOI from 2023 to 2024, among 100 percent stabilized buildings of all ages, NOI rose 2.4 percent citywide. In Core Manhattan, NOI rose 6.4 percent, and in the rest of the city, it rose 2.1 percent. Among 100 percent pre-'74 buildings, NOI increased 1.4 percent citywide, increased 5.9 percent in Core Manhattan, and rose 1 percent in the city outside of Core Manhattan.

The vast majority of distressed properties were built before 1974. Only 5.1 percent were built after that. Examining pre-'74 buildings based on the proportion of stabilized units, among buildings with 50 percent plus stabilized units, 8.7 percent of buildings in Core

Manhattan were distressed compared to 10.6 percent elsewhere in the city.

Among pre-'74 buildings with 80 percent plus stabilized units, 10.8 percent were distressed in Core Manhattan while 11 percent elsewhere in the city.

And among entirely stabilized pre-'74 buildings, 11.1 percent of Core Manhattan buildings were distressed, while 11.4 percent were distressed elsewhere in the city.

Thank you. I will now take any questions you may have.

CHAIR MITCHELL: Thank you, Brian.

Any questions from the board?

MR. MCLAUGHLIN: Just before. Hi, everyone. If you are going to speak, because we have to get it recorded, we're streaming live, make sure you press the button on your mic. It should come up as red. So press that and, you know, turn it off if you don't want to be recorded.

CHAIR MITCHELL: Thank you, Andrew.

Arpit?

MR. GUPTA: Yeah, thank you so

much, Brian, for the report.

Just one question about the counts of distressed properties. So the understanding from prior years that the sampling frame sometimes changes, which is to say the set of buildings and the denominator of building distress counts can move over time.

So, I'm just curious if you can break out the percent of distressed properties in terms of what happened to the numerator, what happened to the nominator to just get a sense of, is it like changing sampling frames or kind of changing distress, holding fixed a set of buildings?

MR. HOBERMAN: Well, yeah, each year, basically, we get a count of the number of distressed properties around the city. And then, you know, and then we base the percentage on the total number of buildings that filed in that year.

MR. GUPTA: Right, right. So the filing count, the denominator, right, can change year to year. So I'm just curious if you have the -- if you have the numbers or you can get back to us on like how the exact --

MR. HOBERMAN: The denominator?

MR. GUPTA: Yeah, the numerator and the denominator for the distress count.

MR. HOBERMAN: Oh, the denominator is in the -- we have the building count in the appendix, or I mentioned it in the report. The number of buildings was 17,764. And distressed, you actually have the numbers in Appendix Seven, based, you know, it's broken down by borough and building size in pre- and post-'74.

MR. GUPTA: Right, sorry.

MR. HOBERMAN: So, I'm sorry, yes.

MR. GUPTA: Yeah, just one, I just wanted to see if we can get the counts both for, for both years. So for the previous year and this year, right?

MR. HOBERMAN: No, just for the current year. Just for the most recent year.

MR. MCLAUGHLIN: Yeah. Brian, I think what he's asking is what, even though the percentage is basically the same, the number of buildings is going to be higher if the sample was higher.

MR. HOBERMAN: Right.

MR. MCLAUGHLIN: This year. And so do we have the numbers from last year?

MR. HOBERMAN: It's in last year's report, which I don't have. Yeah. I mean, the number of buildings data that we get is increased substantially over the last few years, primarily because DHCR has been enforcing registration more, so that matches with the RPI data. So we've had a large increase.

MR. MCLAUGHLIN: So, the number of buildings were distressed last year was 1,563. And this year, it's 1,628.

MS. SMYTH: Thank you.

MR. GUPTA: So that implies that the building count must have increased proportionally now.

MR. MCLAUGHLIN: The building count increased.

MR. HOBERMAN: It's gone up about 8 percent.

MR. MCLAUGHLIN: Proportionately.

MR. HOBERMAN: Roughly 8 percent, the number of buildings in this RPI study. Approximately.

CHAIR MITCHELL: Thank you, Brian.

Other questions? Yes, Christina.

MS. SMYTH: Hi, Brian. Thanks.

There are a couple things. I think there's about, maybe you know, maybe you don't know, maybe Andrew knows, about 44,000 rent-stabilized buildings total in the universe. If you know.

MR. HOBERMAN: Offhand, I don't know.

MS. SMYTH: Yeah.

MR. HOBERMAN: I mean, based on the DHCR database or?

MS. BURGER: 50,000.

MS. SMYTH: 50,000. Thanks, Danielle. So just for sort of comparison purposes, we're getting data from 17,000.

MR. HOBERMAN: Oh, buildings, in buildings with fewer than 11 units don't have to file normally.

MS. SMYTH: Sure, sure. And totally understood. It's just, I think it's important to frame the information we're getting, right? So there's still lots of buildings that are

outside.

The other point that I wanted to make is that in post-'73 buildings, there are buildings that are 100 percent tax abated. The post-'73 buildings are stabilized by choice most in a report --

MR. HOBERMAN: Yeah, that's stated in the report. Yeah.

MS. SMYTH: Recapping for the -- for the new people and the people in the back, right? So there's a segment of the population that we study that is rent stabilized by mandate and law, and then a segment that is tax abated.

And so, again, just for clarity purposes and sort of looking at the data and all of those newer, right, 421A buildings that are rent regulated because of choice, because they took a tax abatement, all of those rents are mixed in. And --

MR. HOBERMAN: That's why we --

MS. SMYTH: More of a statement than a question.

MR. HOBERMAN: Yeah, that's why several years ago, we started to break it out based

on pre-'74, post-'73.

MS. SMYTH: Got it.

MR. HOBERMAN: Used to be pre-war and post-war, but that was becoming increasingly irrelevant, I think.

CHAIR MITCHELL: Yeah. I have a question. On the community -- the community districts, first, the change in rent collections. I want to make sure I understood. Brownsville Ocean Hill was the only community district that had a negative change in collected rents. This is -- I don't have the slide numbers, but.

MR. HOBERMAN: Where is it?

MR. MCLAUGHLIN: If you go to Page 34 in the report, appendix 13, it shows you all the community districts.

MR. HOBERMAN: I'm sorry. So the only one, yes, that was --

CHAIR MITCHELL: Okay. Perfect.

And also, for the change in NOI, that community district was also among the neighborhoods with the highest increase in NOI?

MR. HOBERMAN: Yeah, that. We looked at that. That was because the -- in that

particular neighborhood, the costs went up a lot less than the rest of the city.

CHAIR MITCHELL: Yeah.

MR. HOBERMAN: That's what it accounts for.

CHAIR MITCHELL: Thank you.

MR. SOLTREN: I guess while we're on the topic of the community districts, do you have any insights as to the swing in Hunts Point and Longwood? Because in the previous year, I think the NOI was up like 20 percent.

MR. HOBERMAN: I mean, some of these, I don't have offhand how many buildings there were, but there were, you know, some of these community districts don't have that many buildings. If there's a large number, if there's a change in the number of buildings that are reporting the data that could account for it. But yeah, offhand, I can't say.

MR. WYNN: Hunts Point Longwood has a lot of buildings in it. So is it possible to get more detailed information that you used on that set of buildings?

MR. HOBERMAN: We have the -- and,

you know, we have the accounts that we get from finance of the exact number of buildings. What kind of detail do you want?

MR. WYNN: I mean, it'd be interesting to see the expense and income broken out specifically for the pre-'74 buildings in those neighborhoods.

MR. HOBERMAN: Oh, that we -- yeah, we don't normally do that because of the fewer number of buildings, but I can take a look and see if it's available. Do you want it just for that neighborhood?

MR. WYNN: I think any ones that had big swings, the same thing happened in Staten Island with going from, I think, 20 percent up to 20 percent down.

MR. HOBERMAN: Yeah.

CHAIR MITCHELL: Other questions from the board? Lauren?

MS. MELODIA: Hi, I'm also not sure if this is possible, but I'm curious if the information on buildings can be disaggregated between those that have nonprofit status and those that don't.

MR. HOBERMAN: I'm afraid not, no. We get this data. We don't get the raw data; we get the aggregate data from the finance, and I don't think that's --

MS. MELODIA: That's not --

MR. HOBERMAN: -- available.

MS. MELODIA: -- the question that they collect information on.

MR. HOBERMAN: Well, we -- I don't know if we've ever asked them that. We can try.

MR. MCLAUGHLIN: So we don't have the file. So any requests that we have, we have to go through finance. We could see if they identify those buildings somehow as being run by -- you're saying by affordable housing groups, or that --

MS. MELODIA: I would just assume that you're --

MR. MCLAUGHLIN: -- the operators are.

MS. MELODIA: -- submitting data to the Department of Finance. You might have to, like, you know, describe your corporate.

CHAIR MITCHELL: Your tax filing status, 501?

MR. MCLAUGHLIN: Yeah, I can't answer for them. You would think, yes. But I don't know for sure. And it also, I mean, it's Department of Finance, it's where you pay your real estate taxes. So if there's any benefit they're getting from that, you would think that would be registered.

MS. MELODIA: Right.

MR. MCLAUGHLIN: I guess, yeah, we could take a look. And what about those buildings would you be interested in generally? The same kind of data that's for the other? Just like pull those out?

MS. MELODIA: Yeah, just like income and expense study, but broken out by the corporate status.

MR. WYNN: You're going to have some issues with post-'74 buildings there, because every building financed by HPD has to have a HDFC, like a nonprofit, as the legal owner, even if there's for-profits as the nominal and beneficial owner. So the data may not be super clean if you're pulling that status.

CHAIR MITCHELL: Other questions?

Yes, Christina?

MS. SMYTH: On the RPIE data that we get, I see that you, on Page 8, you list the categories of expenses or I'm sorry, operating maintenance costs, right? Taxes, labor, utilities. Are there any other expenses that are regularly occurring or re-occurring that is -- that make up the data?

MR. HOBERMAN: I mean, based on what we're told, this should be everything that's operating maintenance expenses.

MS. SMYTH: Is it possible to get, I mean, someone, I could ask my clients, right? A list of the actual submission to see what the categories are that they're reporting on.

MR. HOBERMAN: That's in the -- you can look in the RPI form, which has --

MS. SMYTH: Yeah, that's what I was thinking.

MR. HOBERMAN: Yeah.

MS. SMYTH: And then this just also to point out that this doesn't include -- our data doesn't include debt service. I don't know if anyone realized that, but --

MR. HOBERMAN: That's mentioned in the report, yeah.

MS. SMYTH: Yes. And it doesn't distinguish between commercial and residential either. So I think that's -- you can have very --

MR. HOBERMAN: Well, we do have residential-only buildings that we look at some of the -- we compare it to this, and I mean --

MS. SMYTH: That's in here?

MR. HOBERMAN: We compare the residential, yeah, with NOI and rent.

MS. SMYTH: 100 percent residential, not including --

MR. HOBERMAN: Yeah, we collect that data, yeah, separately.

MS. SMYTH: Okay.

MR. MCLAUGHLIN: We also should recognize too that major capital improvements should not be a part of what they're reporting in this.

MR. SINAI: Hi. I'd also just be curious to see the kind of cost compositions broken out by like the proportion of rent stabilization, just to see how that might shift along 50 percent,

80 percent, 100 percent stabilized kind of properties across the city. I think that'd also be interesting to kind of compare with, like the rent collection rates across those proportions, just to kind of see how that looks, just as an avenue of inquiry. Thanks.

MR. MCLAUGHLIN: We'll see what we can do.

CHAIR MITCHELL: Okay. Yes, Lauren?

MS. MELODIA: This is kind of more of a historical question, but many of you have been here for a long time. I was surprised that the costs were higher in new buildings compared to older buildings, and I was just curious if that's something that you've seen consistently.

MR. HOBERMAN: I mean, I think probably those buildings probably have better, you know, more amenities. They might be more likely to be more staffed, but offhand, I don't have any specifics about that.

MR. WYNN: And again, with post-'74 buildings, if they're financed by HPD and HTC in like recent times, the building service

workers are paid prevailing wages, so you have higher labor costs as well, and maybe, you know, more advanced and more energy-intensive mechanical systems.

MR. HOBERMAN: Oh, yeah. You do see in the graph, yeah, the labor costs.

MR. MCLAUGHLIN: Yeah, on Page 8 (unintelligible).

MR. HOBERMAN: Yeah, particularly high. As well as administrative costs.

MR. MCLAUGHLIN: Labor's a big one. Labor's a big gap, yeah.

MR. SHARMA: Just to follow up on that, on page 8, the costs, do those take into account the commercial costs as well that are in the buildings?

MR. HOBERMAN: These are the costs per unit, so it includes any expenses that are reported as part of the RPIE to the Department of Finance that the owner pays. So anything that is commercial space, I guess presumably if the tenant, if there's a retail tenant, they would pay for things that would not be included in this.

But overall maintenance of the

building and operating costs, part of that would be included. But so is the income, you know, when we report income. So we're reporting total income in the building, rents, income, and costs, so.

MR. SHARMA: So if you just took that back, there is a commercial unit cost that it (unintelligible)?

MR. HOBERMAN: If the owner's paying it, presumably it would be included, but if the tenant is, then it wouldn't be.

CHAIR MITCHELL: Thanks. Brandon?

MR. MANCILLA: Thank you, Chair, and thank you for the report.

So, similarly on the cost, the lower taxes on the post-'74 buildings, is that because of the tax abatements and policies of that kind?

MR. HOBERMAN: I believe so.

MR. MANCILLA: Okay.

CHAIR MITCHELL: Adan, you had a question?

MR. SOLTREN: Well, yeah, again, just so I'm clear, Brian. So as it remains here on the graph, it is inclusive. It's not broken out.

MR. HOBERMAN: I'm sorry, what?

MR. SOLTREN: As to Sagar's question, though, the graph here is inclusive of the fact that it might have a commercial space.

MR. HOBERMAN: It's anything that the owner reports, which means if they're paying the bill for gas or something to heat the retail space, that would be here.

MR. SOLTREN: I got it. And there's no way we can get that broken out.

MR. HOBERMAN: Broken out?

MR. SOLTREN: By commercial.

MR. HOBERMAN: I think they report a total number that the owners don't report based on units or commercial.

MR. SOLTREN: I had a separate question.

So we're seeing the third year in a row of increased NOI, right, 6.1 percent. And I know that in the report you had noted that, adjusting for inflation, it was like a 2.2 percent citywide increase. I'm assuming that you guys are still including housing costs as a part of that adjustment for inflation. Is that accurate?

MR. HOBERMAN: I'm sorry, we're including?

MR. SOLTREN: Like the rising cost of housing.

MR. HOBERMAN: It's based on the inflation rate.

MR. SOLTREN: Right, which is inclusive of rising housing costs. But what I'm wondering is, shouldn't we be extracting that from this analysis, because we're talking about the expenses that landlords are incurring?

MR. HOBERMAN: No --

MR. SOLTREN: I think it would be more appropriate, right, because the number presumably would be higher than 2.2 percent of NOI adjusted after inflation if we take out that cost, because that's not a cost to let that landlord experience, right?

MR. HOBERMAN: I mean, the CPI, I don't believe you can get data that excludes that. Can you?

MR. MCLAUGHLIN: Well, I mean, we can go and do that exercise. It would only be, I guess, would be a difference if the housing cost is

rising less or more than the other expenses, right?

MR. SOLTREN: Right.

MR. MCLAUGHLIN: So whether or not that would -- so if it's higher and we pull it out, then yeah, NOI would have less. But if it's all the other expenses are rising higher than housing costs, then yeah.

MR. HOBERMAN: Do we know what proportion of the CPI is housing costs?

MS. SMYTH: 40 percent.

MR. HOBERMAN: Okay, thanks.

MR. MCLAUGHLIN: But we can run it with that.

MR. SOLTREN: Okay.

CHAIR MITCHELL: Other questions from the board? Yes, Christina?

MS. SMYTH: How many actual free market units are included in the data? Do we have any idea? Like units that were removed or deregulated due to higher-end vacancy and so forth; do we know?

MR. HOBERMAN: Well, other than asking for the units, the buildings that have 50 percent, 80 percent or 100 percent stabilized, we

don't know the mix.

MS. SMYTH: And, I guess, there's no way to know. Short of that.

MR. HOBERMAN: Yeah, I mean, those categories are, I guess, you could say broad. You can't look at it. I mean, we would have to ask for it to be broken down by, you know, 5 percent, 10 percent. I mean, we get the aggregate data. So, you know, we wouldn't know per building necessarily, but as an aggregate.

MS. SMYTH: I think it's important, though. The headlines are that, you know, rents are the highest they've ever been. The average rent is $5,500. Right. That's so outside of our universe and what we're doing here. And so, you know, it can seem shocking, right, that, sure, as Don said, NOI is theoretically up, but the data includes those astronomical rents due to low supply that everyone's reading headlines about. The impossibility to find an apartment and so on and so forth. So, I think it might be important.

I don't know how we do it, but the actual number of free market units that are in our data. Short of the 50, 80, 100.

MR. HOBERMAN: I mean, 100 percent, if you want to, you know, I mean, that's the closest thing to excluding all free market units, if you look at the data.

MS. SMYTH: I think, though, even in the hundred -- go ahead, Danielle.

MS. BURGER: Sorry to interrupt. The RPIE data is not the entire universe of rent-stabilized buildings because it's only for units -- buildings with 11 or more units.

MS. SMYTH: Yeah.

MS. BURGER: But for a separate report that I'm doing, there's about a million rent-stabilized units, and then there's 1.7 or 1.8 million units total in those buildings. I can't remember the exact number off the top of my head. It was either 1.7 or 1.8 million and about a million rent-stabilized units.

MS. SMYTH: So, the 700 is truly that those are the difference that you just talked about. The 700 are free market, right? Not rent-stabilized free market, but free market, right? Because there's another layer here that in a new construction 421A building, HPD sets the

rents and those rents are basically at market but stabilized through the duration of the abatement.

So, I mean, that's an interesting report to know is coming and I look forward to it.

CHAIR MITCHELL: Yeah, and if I can read Mark's face correctly, he'll be presenting soon. I think he has some data to share on this.

MS. SMYTH: Okay.

MR. SHARMA: I just --

CHAIR MITCHELL: Yes, Sagar.

MR. SHARMA: Do you know if the data reported for the total amount of rents collected includes vacant units?

MR. HOBERMAN: I'm sorry, you should use your mic, one of the mics.

MR. SHARMA: Do you know if the data collected for the total amount of rents includes vacant units or is it just for units that are leased up?

MR. HOBERMAN: I mean, the reported rents would include rents collected, and if they're not collecting rent on vacant units, you know, --

CHAIR MITCHELL: But the HCR data

would include the rent roll correctly.

MR. HOBERMAN: The DHCR data, the rent roll.

MR. MCLAUGHLIN: The rent level.

MR. HOBERMAN: The rent level, yeah.

MR. SHARMA: Because one data point that I noticed between the two numbers is that the rent reported was significantly lower than what was registered with DHCR, which might be preferential rents and whatnot.

MR. HOBERMAN: Well, DHCR rents include only stabilized units, and this includes all units in a building.

MR. WYNN: Yeah, on a similar question, and maybe it's a methodological one, but is there, when we're talking about collections here -- we're not talking about economic occupancy, right? We're not talking about the amount of people in a unit or in a building who do or do not pay. We're just talking about the overall amount collected by the building, correct?

MR. HOBERMAN: It's collected rents, so if they're not paying, it would obviously

lower the rent roll - the renting -- the collected rents.

MR. WYNN: Right, but we don't have that other than talking about economic occupancy as a share of the total.

MR. HOBERMAN: That's not reported, yeah.

CHAIR MITCHELL: Other questions from the board?

(No response.)

CHAIR MITCHELL: All right. Okay. Thank you, Brian, so much for the analysis and for preparing this for us.

MR. HOBERMAN: Thank you.

CHAIR MITCHELL: We will now invite Mark Willis, the Senior Policy fellow from the NYU Furman Center, to come and present. Thank you.

MR. WILLIS: I'll just do an introduction (unintelligible). Preview.

CHAIR MITCHELL: Yeah, absolutely.

MR. WILLIS: You all have a really (unintelligible). I just want you to know we're available. We work with Andrew; we work with

(unintelligible).

CHAIR MITCHELL: Thank you.

MR. WILLIS: I look at it all the time (unintelligible).

CHAIR MITCHELL: And Mark, I'll just ask you to use the mic as much as possible. Okay, great. Thank you.

MR. WILLIS: (Unintelligible). So, my name is Mark Willis. I'm a Senior Policy Fellow at NYU Furman Center. I want to thank you for the opportunity to testify on (unintelligible) for the RGB (unintelligible) more generally insightful and accurate data.

MR. HOBERMAN: Is your mic on? I'm sorry.

MR. WILLIS: You turned it off? Okay. Shall I start it again?

CHAIR MITCHELL: Sure.

MR. WILLIS: All right. For the record, my name is Mark Willis, and I am the Senior Policy Fellow at the NYU Furman Center. Thank you for the opportunity to be here to talk about insightful and more accurate data and analysis that would be helpful to you.

A year ago, I appeared before the RGB to share our research findings on the status of the rent-stabilized stock and to lay out our concerns about how the current regulatory and policy environment seem to be threatening the quality and financial sustainability of a significant portion of this critical source of affordable housing.

My testimony today offers an update on the quality of data as we have delved further into the data you use from the Department of Finance as well as some additional data we have obtained directly from the Department of Finance.

Key to this presentation is that sound policymaking requires a full understanding of the current state and the vulnerabilities across all sub-segments of the city's rent-stabilized stock.

Policymakers cannot guard against unintended consequences such as deterioration in the quality and size of our current stock without such data, thereby risking a scenario where tenants and neighbors are harmed and taxpayers are left picking up the tab to reverse the damage. The

stakes here are very high.

The first part of my testimony will focus mainly on what we have now learned about the two subsegments we have identified of most concern. The second part of my testimony re-underlines the importance of analysis of the subsegment at the subsegment level. And lays out what appears to be a significant shortcoming in the figures upon which the RGB bases its analysis.

To properly design interventions to meet the goals of affordability, quality, and financial stability, policymakers need more accurate data on expenses.

Before I delve into the data issues, let's just review quickly the background here in the realities that we're dealing with. It is absolutely critical that affordability is a real problem in New York City. 41 percent of the tenants in rent-stabilized units are already rent-burdened, paying more than 30 percent. New York City is short of the amount of housing that is affordable to its low and moderate and even some middle-income residents.

In that light, preservation of the

existing affordability and the scale of this stock is key if we want to expand our stock -- overall stock of affordable housing. Obviously, there are many issues squeezing owners of that affordable stock. There's rising costs, rising insurance, rising water and sewer fees. Local regulations, such as Local R11, and other revenue challenges. All these issues need attention.

But the rent-stabilized stock also faces an additional set of challenges because of its unique system of regulations. As you know, the rent-stabilized laws require you, the board, to take into account affordability and financial sustainability. The two together are intended to preserve the current stock and maintain the quality and habitability, as well as affordability.

But satisfying both goals is impossible in a world with inflation. Said this last time: Not all tenants find their incomes going up at the rate of inflation, yet building operating costs keep going up, sometimes at a rate even faster than overall inflation. There is no way both of these goals can be satisfied at the same time with one level of income cap -- of rent cap,

sorry.

The result poses challenges for owners as rent shortfalls compound over time. This grows and grows over time, leaving owners increasingly short of revenue to cover rising operating costs.

To see the extent and variation -- sorry, I forgot I was supposed to be doing this. So, the impossible task that you have of these two dual mandates. So, to see the extent and variation among subsegments of the rent-stabilized stock, let's begin with a high-level breakdown of the overall stock of rental housing.

Christina, you're going to like this.

So we start with the rental units are about 2.4 million units out of a total of 3.7 million units in the city, or about 2/3 of the city's stock residential units are rental. Of the rental units, some 1 million are between a third and a half are rent-stabilized, housing approximately 42 percent of all rental units.

The rest of the rental units fall into three categories, amounting to 1.4 million

units. There's the unregulated or market-rate units. There is the public housing. And there are other regulated rental units such as Mitchell-Lama.

Diving into the rent-stabilized stock, we can now see the number of units and the number of units that are rent-stabilized. The key fact here, which you've heard over and over again, is the rent-stabilized stock, as analyzed as in all of your top-level data, includes buildings that have as few as 1 rent-stabilized unit.

So we think and have said before, it's important just to look into the different subsegments, which will help you understand the difference across boroughs, all of the differences that you saw here that are somewhat confounding. So the two subsegments that we focused on of what we describe as most concern, which we think are most immediate -- need the most immediate attention are the legacy buildings on the left side of the slide. These legacy buildings contain -- I'm sorry. Yeah.

These legacy buildings contain units that are stabilized under the 1974 State Law because they were built before that time and have

six or more units. They contain almost 617,000 rent-stabilized units, roughly 65 percent of the overall rent-stabilized stock. But not all of them remain fully regulated.

Most, that is, 456,000, or 3/4 of the units in these buildings, are still in buildings where 90 percent or more of the units are rent stabilized. The buildings with more than 0 to 35 percent units stabilized contain roughly 5 percent, and the buildings with between 36 and 89 percent account for another roughly 20 percent. And if you're interested in those breakdowns, we can talk about why we picked those, consulting with a number of different experts.

Also, on the right side here is the post-1973, which are a totally different category, as I think came out of the question that appeared before. They are stabilized because of their participation in public financing or tax incentive programs that require compliance with the rent stabilization law. These programmatic buildings contain more than 327,000 rent-stabilized units, roughly 35 percent of the overall stock.

But here's what's important.

Within this group, we also have separated them into 2 subgroups. Some are mixed-income buildings, but the second -- which have market-rate rents. But the second group is different in key ways. These are the 100 percent affordable, requiring virtually all the units, if not all, to be income-restricted. This universe has roughly 183,000 rent-stabilized units, or roughly 19 percent of the overall rent-stabilized stock.

It is these two subsegments, the legacy 90 percent plus rent-stabilized buildings and the government-subsidized income-restricted rent-stabilized buildings, which share a common characteristic: they derive all or nearly all of their residential income from rent-stabilized apartments.

The units in these two categories, as you can see here, have -- are some of our most affordable stock. Way to the right is the government-subsidized income-restricted with $1,300 -- no, $1,200, I'm sorry. And the 90 percent to 100 percent rent stabilized. Both of those are significantly lower average rents than the rest of this category and certainly less than the mixed

income that I talked about before.

To understand what's happening here, we try to look at what, over time, has been happening to gross income, expenditures, and net operating income. So look at the darker colors, the bottom part of all these bars, and you can see that the 90 to 100 percent, the brown, has the slowest growth in gross income, the slowest expenditures -- growth in expenditures, and the slowest in net operating income.

The reason for the lighter colors is we also show you how much CPI has gone up over this period of time and, in the case of expenditures, how much RGB has said it goes up under their PIOC index. So you can see that in this period from 2019 to 2025, 2019 having obviously been picked for a particular reason, there's been great shortfalls. So gross income isn't keeping up with inflation, expenditures aren't keeping up with inflation, particularly for the 90 to 100 percent. But when you look at the costs of expenses has a significant shortfall. And net operating income is way short of the growth in CPI.

I would add here that I'm going to be talking about the quality of the data and where it comes from and what DOF does. And I would be very skeptical that the NOI numbers here are valid. I can't tell you what they should be, but they are probably much higher than they actually are. And I will describe in some detail why that is the case.

Now, just taking a look at the government-subsidized; many of these are owned by and run by the not-for-profits. Mission-oriented. We have not separated out specifically them and I remind you, their expenses don't include taxes because they're tax-exempt. So this is something slightly different here.

But again, we see the same phenomenon. Gross income, expenditures, net operating; have not gone up anywhere near what would be required to meet the needs of inflation, to meet the PIOC increases. And so, net operating income is falling.

I'll do a quick aside here. If you haven't seen the presentation by, I think it was 5 not-for-profits last week at a forum where they're all talking about how desperate they are.

So, the shortfall in net operating income is particularly hard for not-for-profits who do not have deep pockets, who cannot sustain themselves through not just a short-time downturn, but obviously this is something, as I said before, that's going to keep compounding over and over again, year after year.

The finding from this part is pretty simple, that you need, in order to do good policymaking, as you are all trying to do and asking questions about. You need detailed and separate analysis for each of the different subsegments to be able to tailor policies that are required to achieve affordability and financial sustainability within each subsegment.

Without that, you just have all these different numbers, that I described before, that are hard to understand by borough, by community district, whatever. Once you start cutting it this way, it all becomes much more, I think, understandable. And the data RGB puts out is what policymakers look at. So we highly recommend looking at different subsegments.

So we -- and this is the part I

promised -- we also require accurate data. Unfortunately, here, the adjustments made by DOF to the income and expense data -- you called it screening; I would have another name for it -- filed by owners on their RPIE forms bring into question the validity of analysis that use that data.

Why is that true? So here you'll see on the DOF website, where they look at lots of different subcategories: outer boroughs, Manhattan, regulated, unregulated, elevator. Sorry, this slide doesn't have walk-up. They have all sorts of different categories they look at. And you turn to the column that we've highlighted, maximum expense ratio. These cram down or set a cap on how much they allow expenses to be of gross income when computing the market value of the property.

And they rely on NOI divided by a cap rate. It gives you market value, multiplied times the assessment ratio; you get assessed value. So this determines taxes, property taxes as well. So if you have, which we do, a government policy that is restricting the increase in income but obviously is not restricting the increase in costs,

then you might expect that over time the expense ratio would go up. And if the expense ratio goes up, NOI would fall. But if you constrain the increases in the proportion of expenses, then NOI cannot fall as a proportion. And as rents go up in an inflationary world, NOI will seem to be going up.

So that is our concern here. As was talked about before, this all starts with the RPIE data. And remember, the data you're looking at here is 2024 RPIE data, '23 to '24. It's not today's. What was presented to you from the RGB studies.

So since 2019, more and more the rent-stable stock has hit that cap, actually, hit multiple caps as you can see. As a result, DOF adjusts by limiting the amount of expenses that will take into account when determining the market value of buildings for property tax purposes.

To see this, we can compare the distribution expense ratios in 2019 with those 6 years later. So in 2019, this is the distribution. These are the distribution expense ratios. Economists talk about a bell-shaped curve. This

looks roughly like a bell-shaped curve, but if you look more carefully, it does seem to be a little constrained on the top tail.

When we looked at 2025, when you would have expected that expense ratios had gone up, the median gone up, the curve shifted to the right, this is what we found. To be honest, this was very shocking. The idea that expenses cannot go above 64 percent because of those maximum caps tells you that it's not just a little screening that the Department of Finance is doing, they're actually constraining the ability of people to report what may be valid. Maybe valid increases in their expenses.

I'm not saying every RPIE is valid or whatever, but the fact that the whole bulk of the curve -- of the distribution shifts to the right, but it can't get past 64 percent, tells you something is happening. And this is happening in a world, again, where you all know that expenses have been going up more rapidly than income in the rent-stabilized stock because rents are being constrained and expenses are not.

So this goes through here a little

bit more to explain how this really -- and I said before, I don't know about NOI, it increased or not. It could have. But it probably didn't increase as much as you saw before, because by definition, they're not allowing NOI to go up.

So relying on DOF data that they've adjusted is -- needs further examination and further consideration. So again, the higher expenses are of a ratio of gross income, the smaller the share of gross income available for NOI. Since NOI is a direct driver of DOF market value, the city's property tax system translates directly into DOF's estimate of market value. Therefore, when the expense ratio has a cap, new NOI, net operating income, as a proportion of gross income has a floor below which it cannot fall.

As a result, for buildings with actual expenses that exceed the allowed ratio of expenses to gross income and there's all those different categories with each of their expense caps, the DOF crams down -- crams total expenses down to conform to the cap. At the same time, DOF procedures for estimating buildings' market value is artificially inflated by definition because the

NOI is artificially inflated, which increases the market value.

It is these cases of suppressed expenses and inflated NOI that DOF makes available to the RGB, which is what you see in the RGB's reports. Obviously, most of the --

MR. MCLAUGHLIN: Excuse me. Mark, one second.

The data in the I&E is not adjusted. It's the raw data reported by owners. We do one thing that we adjust in the --

MR. WILLIS: I thought you got the same number.

MR. MCLAUGHLIN: We get the raw data that (unintelligible).

MR. WILLIS: I thought you got the same numbers as the NLPV that's used to compute the assessed values.

MR. MCLAUGHLIN: We get the raw data that owners report for that, for the I&E.

MR. HOBERMAN: It's weighted with -- given the fact that there was an over-reporting of --

MR. MCLAUGHLIN: We weight one

number.

MR. HOBERMAN: Right.

MR. WILLIS: No, no, but get the weighting.

MR. MCLAUGHLIN: Adjusted figures. We only use the adjusted figures in one number that we report. But we also report both the adjusted and unadjusted cost, the ratios. So if you go in different parts, you'll see the ratio is going above the 64 percent that they're capping it on. So we do use the raw data in 95 percent of the reports.

MR. WILLIS: I'm sorry if I misunderstood. But then you do add in the full taxes.

MR. MCLAUGHLIN: We add in the full taxes.

MR. WILLIS: And so one of the points I'm making in here is about the taxes are also misleading here in the sense that tax is based on a computation that is a result of the cap.

MR. MCLAUGHLIN: I'd say, yeah, it's the actual tax bill. You're right. I could see that the tax portion may be understated.

MR. WILLIS: Right.

MR. MCLAUGHLIN: But because of how they're doing that, but the rest of the expense data that we have is the raw data.

MR. WILLIS: I'll take your word for it, but we need to make sure, right?

MR. MCLAUGHLIN: Okay.

MR. WILLIS: My discussions with the Department of Finance didn't lead me to believe that, but that's fine. If nothing else, we need to be clear about what all these different things are.

So our recommendations here is to support good policymaking; we need an accurate portrayal of what's happening to the different subsegments of the rent-stabilized stock. The summary statistics as a whole just hides all of these critical differences, as I laid out, with the two subsegments for the 90 percent rent-stabilized pre-'74 and for the government 100 percent rent stabilized.

So we need to provide more nuanced data analysis by dividing the rent-stabilized stock into subsegments and analyzing each of them separately.

Maybe we need a further breakdown, because even the pre-'74 100 percent rent-stabilized, a wide range of average rents. So maybe break it down even to those that are rents below the median.

And we need to avoid relying on adjusted DOF expense data. If you're not, that's great, because it increasingly does not accurately reflect the levels and trends over time in expenses and NOI.

So that concludes my testimony.

CHAIR MITCHELL: Thank you, Mark.

Questions from the board? Yes, Adan.

MR. SOLTREN: I don't have a question, but I have a suggestion.

Well, first of all, thank you for your presentation. I will be candid and admit to you, this was a lot like drinking from a fire hose a bit in terms of the data that you're putting out.

MR. WILLIS: I apologize for that.

MR. SOLTREN: No, no, no, it's not your fault. It's just I'm looking forward to being able to sit with your presentation and actually,

like, go back to it.

I think perhaps this would warrant DOF coming to see whether or not -- to testify and see whether or not they share some of these same opinions as Mr. Willis and also to see directly how they would address the adjustment issue.

CHAIR MITCHELL: Yes, similarly, I have lots of questions about the history of the adjustment, knowing that this is all self-reported, as well as questions about ways that DOF might suggest other asset management besides this one document that groups are contributing, to your point about preservation goals.

MR. WILLIS: Yeah.

CHAIR MITCHELL: Other questions?

MR. WILLIS: I will mention, Andrew, I'm obviously going to look -- get right back to you to talk about this, but the discussion we had with you and DOF about the distressed, which I thought was the same data, the distressed is a measure of What the expenses are plus taxes. What the expenses that are mentioned on RPIE plus taxes.

The question is whether they've taken the RPIE as was originally reported or it's

been adjusted in terms of what you've seen. So let's find that out. I take you at your word, but that's the issue I have.

MR. MCLAUGHLIN: For years we've gotten the raw data. If at some point they decided not to give us the raw data, I, you know, it's my understanding for years and years and years from the inception we've gotten the raw data and that's what we use.

MR. WILLIS: Yeah. Okay.

MR. MCLAUGHLIN: So. I --

MR. WILLIS: We'll get to the bottom of that quickly.

CHAIR MITCHELL: Yes, I'm glad we could get --

MR. MCLAUGHLIN: Well, I don't know --

CHAIR MITCHELL: Great.

MR. WILLIS: Right.

CHAIR MITCHELL: All right. Thank you so much, Mark.

MR. WILLIS: Okay. Again, we're available. This data, you'll have the deck so you can get your breakdowns that you asked for in terms

of different parts, and you'll certainly have one that government subsidized. That includes some for-profit owners as well as the not-for-profit owners.

CHAIR MITCHELL: Great. Thank you. And now --

MR. WILLIS: Thank you.

CHAIR MITCHELL: Okay. Great.

All right. We'll invite up Community Service Society, Oksana Mironova, housing policy analyst, and Samuel Stein, housing policy analyst. Welcome.

MR. STEIN: Yep. It's on. Red light means on. Okay. Great. Thank you so much, Chair Mitchell. Thank you to the new board members. Thank you to the veterans. Good to see you all.

We are presenting today on the state of low-income rent-stabilized tenants in New York City, using primarily survey data from our annual survey of housing and economic security. This is a brief overview of our presentation today.

And I'll say quickly that my name is Samuel Stein. This is my colleague, Oksana

Mironova. We are both senior policy analysts at the Community Service Society, which is a longstanding anti-poverty organization in New York City, and we've been presenting in front of the Rent Guidelines Board for a long time.

Yeah, so we'll start with a little bit of data from the Housing and Vacancy Survey about where New York City's low-income residents live. This is a breakout by the 50 percent AMI level, so certified very low income in HPD discourse. And you'll see here that the large plurality of low-income tenants live in rent -- or low-income New York City residents live in regulated apartments, 434,300.

This is more than in unregulated housing, owner-occupied housing, public subsidized and everything else. So this is the predominant source of housing for low-income New Yorkers.

It's also the largest source of housing for Latino and Black New Yorkers at 38 percent and 29 percent, respectively.

We're going to present some findings on financial insecurity among rent-stabilized New York City tenants from our

annual survey, which was conducted this past July. We found that a fragile foundation undermines short-term stability for low-income rent-stabilized tenants. Two-thirds cannot make ends meet or are barely managing to get by.

A large majority, 83 percent, have little or no emergency savings to fall back on, and a majority, 55 percent, told us they couldn't or probably couldn't cover a $400 unexpected expense.

We also asked some open-ended questions and wanted to share some of the responses. For example, we asked, "What do you wish elected officials better understood about what it takes to get ahead financially?" A lot of people talked about high housing costs. One Queens resident here is saying that "Rent is the most expensive bill for most people," which is borne out in many surveys. Rents are not -- are rising faster than wages. Wages are not keeping up with rents.

One Manhattan resident says, "My rent keeps going up, but my paycheck does not." A Brooklyn resident says, "I wish they knew the struggle to pay rent while making minimum wages."

And all this has a lot of negative impacts. A Queens resident told us, "I think it's hard for them to understand that having to pay an insane amount of money for very small apartments put people at a big disadvantage sometimes at risk of not even being able to feed themselves."

A Manhattan resident adds, "When your monthly rent is over half your monthly salary, it's impossible to get ahead." And for the lowest-income New Yorkers, the vast majority are paying most of their income in rent every month.

We asked which two issues of those listed below our respondents would most like New York leaders to focus on. So among low-income rent-stabilized tenants, a majority, 56 percent, chose reducing the cost of housing. The second most popular response is also about housing: reducing street homelessness. These are largely in line with everybody's response, but we wanted to highlight low-income rent-stabilized tenants.

I'm going to move on now to discuss specific reports we published about the state of low-income rent-stabilized tenants and rent-stabilized tenants as a whole.

MS. MIRONOVA: Doing a little curtain change to act two. Hi, everyone. I'm Oksana. Great to be here.

Like Sam said, we field a survey of low-income New Yorkers every single year. We have been fielding the survey for over 20 years, and the data that we're presenting to you here is based on findings for New York City tenants specifically, even though the survey is statewide and we could talk a little bit about the methodology at the end if you all are interested.

So over the -- over the last couple of months, we've published three short briefs that focus on rent-stabilized tenants and low-income rent-stabilized tenants in particular, and we looked at what the financial situation is like for tenants like this. Then we tried to look a little bit into something that's a little bit more ethereal, but that is really central to rent stabilization in New York and in other cities in the US and around the world. And that's stability of tenure.

So what do people get out of being able to stay in their communities as renters?

We're pretty unique in New York where people stay in their rental apartments for a very long period of time. And what does that mean for people? And then at the end, we do a little bit of a comparison between rent-stabilized and market-rate tenants to get at some of the stress issues. So that's what we're going to cover.

So yep, our findings really focus on -- fall 2025 findings really show that people really like being able to stay in New York City. That's not surprising. But at the same time, that the burden of the city's affordability crisis is really crushing, specifically for low-income tenants. So when we look at low-income rent-stabilized tenants, and this was something that was in an earlier slide that Sam showed, we see that two-thirds are struggling financially, and the vast majority don't have savings.

When you zoom out to all of rent-stabilized tenants, so that includes people who are in our smaller sample, but also people who are moderate, middle-income, there are 1 million units, so there's a little bit of a range. You find that half report struggling financially, and

64 percent report having low to no savings. The combination of these 2 factors basically means that people are, like, on the brink of eviction. So if something bad happens, they're a step away.

So this is moving on to the security of tenure questions that we asked. We were interested in, with rent-stabilized housing, if people were able to stay in their communities longer. You all know that New York City has gentrified really, really rapidly. Many neighborhoods are just not affordable for people anymore.

And then the psychic stress of having to deal with rent as a primary expense too. And then thinking a little bit more towards the future, does rent stabilization -- is it something that people think about when they're thinking about, like, what's going to happen in the future?

And for rent-stabilized tenants as a whole, we found that a good portion of people that is the primary -- the primary thing that they think about when they talk about, like, what keeps you in your neighborhood is the fact that their apartment is rent-stabilized, so their rents are

not going to go up very quickly.

There's a little bit of a typo there, but the first -- the first point that we drew out is that if you look at the same data in kind of like switch the causality, you find that people who have been living in New York for 15 years or more, so like a significant amount of time, are twice as likely to be rent regulated as opposed to market rent.

Which is not surprising. Again, it's -- you have the stability of tenure. You can't get kicked out as easily of your apartment, so you're able to stay. And then there's like a universe of psychological ethnographic research that shows that that type of stability really contributes to people being able to become full citizens of their communities, become civically active and contributes to public safety as well.

And that we usually in the US really associate that with homeownership, but I think it's really important for you all to consider that rent stabilization functions like homeownership for a lot of people in New York. And that's not a bad thing. That's a good thing

because it gives people stability to be able to do -- to live life without coming up with a huge down payment, for example. So it distributes that across the income spectrum.

So this is changing -- sorry. Yes, changing tack a little bit. So here, we move away from the stability stuff and look at Housing quality has been coming up a lot. So how housing quality presents itself across the rent -- the private rent universe in New York City as a whole. So we're not talking about public housing or Mitchell-Lama rentals, project-based Section 8 buildings. So basically anything that's fully federally subsidized in any kind of way?

And this data has two parts. So we're looking at regulated versus market, and then we're looking at people's income -- tenants' income, so low income versus everyone.

So on the left, when we compare housing conditions in people's -- live experiences of people's lives, we see that there's a little bit of a difference. So with people who responded to our survey, those who report no issues or one to three issues, that's sort of -- that's within our

-- you could treat those as basically the same, but there is a little bit of a difference between people reporting 4-plus issues, so that's people living in distressed housing, between regulated and market tenants. So more regulated tenants in our sample reported having 4-plus housing quality issues compared to market across the board.

But when you narrow the sample down to just low-income people, that difference disappears. So, 20 percent, one in five, of low-income regulated tenants reporting having 4-plus issues compared to 21 percent of market tenants. So that's within the error, not much of a difference.

So from this, we can speculate that the housing quality issue really is driven much more by income and by tenants' income compared to regulation.

Then we also asked those tenants who reported having issues in their apartments if they were -- if they did anything about it, if they reached out to the city, 311, their council member to get help with repairs. New Yorkers like to complain, so 41 percent of tenants as a whole said

that they reached out to the government in one way or another, but you see a big difference between market and regulated tenants. So 46 percent of regulated tenants felt comfortable reaching out compared to 33 percent of market tenants.

And again, this goes back to the security of tenure issue where clearly regulated tenants feel a little bit safer in reaching out to 311 than market tenants.

And here's a little bit about our survey. We polled 4,000 adults all across the state. In New York City, that number was 2,000. The surveys are offered in a range of languages and our margin of error is 2.75 percent for low-income people. It gets a little bit bigger for the smaller sample of rent-stabilized respondents, but it comes up to like about 3.5 percent.

Any questions?

CHAIR MITCHELL: Yes. Thank you. I have a question.

Do you all have the -- for the slide with the reported housing issues, a geographic version of that? I'm curious of how we might look at the physical and financial distress,

which we spend time with the financial distress data, but how those might look together.

MS. MIRONOVA: Unfortunately, we don't, just because our sample is too small. So when you start cutting it by -- even by borough, it gets, like, pretty wonky and not super accurate.

CHAIR MITCHELL: Okay. Thank you.

Other questions from the board members?

MR. MANCILLA: Chair?

CHAIR MITCHELL: Yes, Brandon?

MR. MANCILLA: Thank you for the report.

What's the threshold you're using for low savings? I know you're saying no savings, but low savings?

MS. MIRONOVA: Low savings? Let me -- I could get back to you. I think it's under $400, but I will double-check.

CHAIR MITCHELL: Yes, Lauren?

MS. MELODIA: Thank you.

You shared some of the information people contributed around kind of their housing stability, but I'm curious if there's other

information in this study around kind of people's economic mobility, you know, labor force participation rate, or, you know, any other data related to, like, regulated low-income tenants and, you know, their economic outlooks in the city?

MS. MIRONOVA: Yeah, we do have that data. We're happy to run it and share it with the board.

MS. LAUREN: Thank you.

CHAIR MITCHELL: Other questions from board members?

(No response.)

CHAIR MITCHELL: All right. Thank you so much, Oksana and Samuel.

MR. MCLAUGHLIN: I will share the presentation of --

CHAIR MITCHELL: Great.

MR. MCLAUGHLIN: I'll send around the digital.

CHAIR MITCHELL: Okay. Great.

So for our final presentation, I am pleased to welcome up the Fiscal Policy Institute. We'll be hearing from Emily Eisner, PhD, Acting Executive Director and Chief Economist.

Welcome, Dr. Eisner.

MS. EISNER: All right, I think you all can see this, right?

CHAIR MITCHELL: Yeah. All right, welcome.

MS. EISNER: Hi. Thank you. I'm Emily Eisner, the Chief Economist and currently the acting executive director of the Fiscal Policy Institute. Thanks so much for inviting me. I was asked specifically to expand a little bit on something I presented last year, so I'm going to do that.

And I just want to note -- I guess this is an outline, but I just want to note that I'm not going to discuss tenant needs today, but would be happy to produce work on that in the future. Actually, will plan to produce work on it, but happy to present on it in the future if you want.

Anyway, so I'll just jump into talking about sort of the housing stock itself and the housing market. Last year, I sort of said this. My framing about rent stabilization in New York City is that the goal, as Mark sort of very

well described, is to both maintain the stock of the affordable housing and make sure it's sort of maintained well and we preserve it. And also to -- I've described it here as minimize housing displacement, make sure that people can stay and afford to live in their homes.

This is sort of a dual mandate that you all have to figure out how to weigh these two things that sometimes are in tension. In a mathy way, have described it to myself as minimize -- trying to keep rent as low as possible such that we can keep the NOIs positive for the most part.

I think it's important to note that rent regulation is specifically a tool of price stabilization policy. So when we're talking about how rent regulation should be related to other measures of prices, it's important to note that, like, sometimes we have inflationary cycles. We've had that over the last five or six years, and that does not mean that we should necessarily make rents match those inflationary cycles. In fact, we might want to use rent regulation to keep prices that people face on their housing more stable than the market actually would like to push it.

And in the context of New York City and everywhere, rent regulation is designed to address a deep market failure. When housing is too scarce, as it is in New York, rents will naturally be set too high because landlords have too much pricing power; that means that we should be using rent regulation specifically to keep the prices lower.

In the near term, I think that correcting housing prices that have become distorted over the last couple decades due to the housing scarcity should be a goal. And over the longer term, we have to solve the scarcity problem.

Okay. So what's going on currently in New York? So I just said this under sort of A neoclassical market economic model, you would expect that housing supply would increase when prices, in this case rents, go up. That's just not what we see. There's now tons of definitive evidence that our housing market is not responding appropriately. I don't think I need to convince any of you of that.

But so that's the context that we are living in, which does not mean that rent

regulation is the only solution. It's not a full solution. It's just a partial solution to try to mitigate the impact of the bad sort of market failure.

You know, one of the ways that we see this is the low vacancy rates in the city. Citywide, it's less than one and a half percent. But for low-cost housing, it's even lower, less than half a percent for units that cost less than $1,100 a month. And this is from the Housing Vacancy Survey from a few years ago that should be getting updated in the near future.

I think this chart is really important for people to take in. This is showing the distribution of rents in the city in 1993 and in 2023. And this is inflation adjusted. I believe it's just with CPI inflation, not anything fancy. But what you can see is that even accounting for some measure of inflation or costs, the distribution of rents in the city has gotten way more spread out and way higher. The rents are way higher for everyone in the city.

And this is a product of the fact that for basically 30 years, we've had too few

homes. And so we've skewed the whole rent distribution to be much higher. And I think we all know that people are feeling it in the city.

So we need a policy intervention that returns us to like a more healthy distribution of rents closer to this 1990 state of things. Rent stabilization is part of accomplishing that. In this chart, you can see sort of the stock of housing that's in these different buckets. So the bottom bucket being units that cost less than $1,100 a month. The -- I don't know if it's a majority, but the plurality of those are rent-stabilized units because we've been able to keep them in that low-cost state.

That also holds for the between 1,100 and 1,650 sort of cost bucket. And then in the higher categories above 1,650, now we start to see it dominated by market rentals. And the point of showing this to you is just to say that rent regulation is an incredibly important part of keeping sort of this distribution of rents healthy in the city.

Okay. This is sort of, I think, what I presented last year and something that I

believe Adan was sort of getting at earlier. So, in this chart, it's a little hard probably for you to read, but if you can see the purple and the yellow line in the middle, the purple line is RGB 1-year increases going back to 1977. And the yellow line is the CPI sort of -- and it's just the CPI on all items and it's for the New York City metro area.

And what you can see is that in the last few years -- so they departed a little bit. RGB went over the CPI in the sort of 2010s. But in the last few years, they have basically converged. And now, you know, inflation has been a little higher, I guess, than the RGB increases over the last couple of years.

But I think that -- so, to some extent, there's some historical truth to the fact that the RGB has basically followed CPI inflation. I guess, I would like to make the point that that's not a great measure of -- because, as was mentioned earlier, CPI inflation is like about 40 percent housing costs. You can sort of break out the housing costs and that's what you see in the gray line, and the housing costs have shot up way higher

overall in the city. And if you take CPI less shelter, you get the light blue line, which is far below the RGB increases over time.

So the argument I'm making here is that if we sort of benchmark our rent-regulated increases to a measure of inflation that includes a distorted housing market, that's not actually a very good regulatory practice.

These are the sort of differences between the RGB 1-year increases and CPI less shelter every year. On average, over this whole time period, there's a 0.3 percentage point difference between the RGB and the CPI less shelter. That might sound small, but over time it becomes big and percentage increases aren't exactly additive, but I guess maybe this is the best chart. You can see that there becomes a large difference over time in the rents versus a measure of price inflation that doesn't sort of get distorted by the market-rate housing market.

A big topic of conversation is what's going on with the building fundamentals, both the finances and the physical state of the buildings. I do agree with previous people who

have testified today that the data is somewhat lacking, and it would be really great to see better data, but I know that that's a big challenge.

But overall, you know, on average, NOIs have gone up a huge amount since 1990, so that's a huge amount more sort of profit for building owners. And in the last couple of years, we've seen the share of financially distressed properties, at least according to this measure, fall marginally. Sort of the inverse of NOI, the cost-to-income ratios. I like to look at this table. This is from the RGB's income and expense study that came out today.

I just think it's very notable that across these different building types, and I do agree that there's sort of, as Mark was showing, like, looking at the different types of buildings is important, and they're very different in terms of their fundamentals. But there's actually remarkable similarity. Like if you look from column to column here, between 50 percent stabilized, 80 percent stabilized, and 100 percent stabilized, they're all showing citywide about 70 percent of the -- is their cost-to-income ratio.

Those are all for the pre-'74.

For things that are newer, the cost-to-income ratio is a little lower here because their incomes are a little higher. But what I want to point out is the stability across the percent of the buildings that is rent stabilized, which suggests to me that the stable -- you know, if we saw that the 100 percent stabilized buildings were -- had much higher cost-to-income ratios, I would say, oh, okay, I'm really concerned that the units aren't paying for themselves. But because we see stability across the variation in how much of the building is stabilized, that gives me some solace that things are basically stable.

This is a table that many of you look to. I think it's similar to what Mark was showing on the -- he was showing nice distributions, and this is sort of the best you have if you're getting things out of the income and expense study yourself.

This is like looking at the percentiles. So, I think, sometimes I do think it's really important to look at the distribution of these cost-to-income ratios because we can't

just look at that mean or median number. That's going to not tell us what's going on at the tails. But looking at the distribution, you can see that, you know, it's basically at 90 percent -- the 90th percentile, where you start seeing that costs are equal to income. So that's when things start getting sort of not stable.

And I'll just note again that this doesn't include debt or mortgage costs. And that is important. But I'll come back to it in a minute. But yeah, basically 90 percent of the buildings have stable cost-to-income ratios that are healthy, minus the fact that they might be carrying too much debt.

I just took this table and have plotted the numbers in it, but like since 2017. And what you can see, so the top line is like the 90th percentile, and you can see that it is the case that basically in 2017, the, like, worst 10 percent of buildings in terms of their cost-to-income ratio had about a 90 percent cost-to-income ratio. And then in 2022, that became 100 percent, and then it's fallen very marginally since then.

So, I think, what the pattern that I want you to see is that basically there was sort of an increase over time in these cost-to-income ratios, mostly around the pandemic, 2020 to 2022. We saw sort of a ratcheting up of the cost-to-income ratios. And basically, we're starting to see them come back down.

I think that a lot of the dynamics in the city in both housing and the labor market are still experiencing sort of fallout from the pandemic, and it's worth taking that into consideration when thinking about policy changes.

I'll sort of skip over that.

Yeah, this is again just pointing out how much the pandemic mattered. These are the sort of average NOIs in different building types. But I just want to point out, look at the part of the chart that I put in the red box. I think you all were talking about this earlier, but the swings of NOIs, 22 percent declines and then a 42 percent increase. Like, something is really going on in those Core Manhattan buildings that should be understood. But should be understood as not a long-run trend, but instead, you know, acute

experience.

Okay. And then the issue of mortgage payments. Rent-stabilized buildings, it's just important to understand in the context of mortgages that there are two reasons that some rent-stabilized buildings are having major problems. One is that some landlords took out speculative mortgages that assumed that their buildings would be more expensive now than they are, or would be worth more now than they are, before the 2019 HSTPA Law.

It is the case that the value of those buildings has declined because the landlords can no longer deregulate the units. However, that doesn't mean that the buildings are themselves not sort of financially sound, but for the fact that they -- the landlords took out sort of -- they made a bad bet on what the value of the building was.

Second, as has already been discussed, buildings with HPD contracts assumed a 2 percent growth in rents each year, but the economic conditions of the last 10 to 20 years have made that difficult to sustain. And again, basically all of this could be fixed via sort of refinancing

or renegotiating those contracts rather than sort of fixed through rent increases. And in fact, difference between a rent freeze and 2 percent rent growth for a couple years won't make a big difference to fixing the finances of these buildings.

And yeah, I'd just like to point out that, you know, it's just important to remember that there's a big difference -- this is a screenshot from the Enterprise Community Partners report, which is reporting on the cash flow of the buildings and saying that, you know, well over half of buildings are having cash flow problems. But that's when you do include debt service in the cash flow picture. If you don't include debt service, you know, it's closer to 10 percent of the buildings are having NOI less than zero.

So this issue of the debt service is a major issue, but one that I would see as separate from sort of the specifics of rent increases this year.

Oh, and finally, some people -- some commentators will report that the housing problems in rent-stabilized buildings are

disastrous. I, again, think that the pandemic caused housing problems to increase for all types of housing. You can see that in the last, you know, couple years of this line chart for both the rent-stabilized buildings and market rentals. You see housing problems increase.

But I would just caution that that is a recent trend that is starting to recover. And I think this is an area where we really don't have good data on what's going on in some of the across the rent-stabilized portfolio.

Okay. So, yeah, essentially, just to wrap up, you know, we're in historic times where we would need to protect -- we have a weak economy or a very uncertain economy at least and a need for strong tenant protections. I see the building fundamentals as relatively strong and not majorly different from what they've been for decades. But there is an urgent need for policymakers to add supply and, in the near term, to contain costs.

Thanks.

CHAIR MITCHELL: Thank you, Dr. Eisner.

Questions from the board?

Christina?

MS. SMYTH: Hi, Emily.

MS. EISNER: Hey.

MS. SMYTH: Good to see you again.

The speculative lending, where you concluded that owners assumed that they would be able to deregulate, but the amount of the loan and the willingness of a lender to make a loan is based on an existing rent roll. So I'm not sure where your conclusion is that they were overleveraged. If they produced a rent roll in 2017 and it contained a mix of stabilized and free market, I'm not sure how -- and it was based on real numbers that, you know, not magic numbers, but real numbers -- how were they overleveraged?

MS. EISNER: Okay. Well, this -- I mean, I would -- I'm going to speak on this, but we should review the data. But, you know, it definitely seems clear based on data that I've seen that the market value of some of these buildings has fallen since 2019. That's because the projections for what the building can earn in rent has fallen, which is appropriate given the fact that the 2019 law did change the trajectory that

rents can follow.

That means that the valuation of the building by a bank would have been higher before the 2019 law than after the 2019 law, which would mean that the mortgage that you take out might have been sort of too large relative to the current value of the building.

MR. WYNN: I think it would be interesting, and I don't know if this exists, but a breakdown of the capital stack in some of these pre-2019 buildings, because I could see a world where you have a regular lender kind of underwriting on fundamentals, and then MES debt above -- or I guess below it -- that assumes some more speculative lending. So, I think, you know, maybe a future presentation or future information breaking down the types of lending would be helpful.

MS. EISNER: Okay. I would love to dig into that, and maybe I would follow up with you, too, a little bit about what you'd like to see.

CHAIR MITCHELL: Thank you.

Other questions?

MR. WILLIS: Mr. Chairman -- Ms. Chairwoman.

CHAIR MITCHELL: Yes, Mark.

MR. WILLIS: I'd like to clarify the record here for one minute, if I may, after this presentation.

CHAIR MITCHELL: Okay. We can do that. All right. Thank you so much. Oh, yes, Adan.

MR. SOLTREN: Thank you, Dr. Eisner.

You had mentioned, I think, in the portion of your presentation about distress, kind of as an aside, about the data being lacking. And so I was just curious from your perspective, because we're open to suggestions here, is there any specific data from specific sources that you think would be helpful in our quest to come up with possible rental adjustments?

MS. EISNER: Oh, yeah. I think you're talking -- I think I said that when I was talking about physical distress.

MR. SOLTREN: Yes.

MS. EISNER: Yeah, I mean, I guess

there's a lot of experts who can speak to this. The best data that I know of is in the Housing Vacancy Survey, and that's just not a huge data source. And I get the impression from talking to other experts that, you know, there's kind of very -- we hear cries for help from many sources. Both the tenant side and the building side, so I don't want to undermine that, but it's very hard to know sort of, yeah, what's actually happening on the ground.

So I think any resources that can be put into greater data collection or if administrative data already has some of this information, although I don't think it does. I think it would have to be new data, but we can do a -- I can do more thinking about that.

I'll just note that I also have concerns about the PIOC data, which I don't know if you all -- you don't seem to follow it that closely, which is fine based on the fact that it has a very low response rate and diverges significantly from other cost indices, so.

MR. SOLTREN: Yeah. Thank you for bringing that up. Actually, I meant to mention it

both in Mr. Willis's presentation and also during Brian's presentation. I've said this for years now. I don't see why we are still relying on the PIOC. I think it does more harm than good in terms of the way that the general public understands these issues, and particularly when there's such a gap in the longitudinal study.

I think it's like overstated in a way by like 70 percent over the last 30 years, something to that effect, right, Andrew? I think it does more harm than good, and I don't think that we need to be relying on it at this point.

CHAIR MITCHELL: And I did have one more question. Were you going to talk about the PIOC?

MR. MCLAUGHLIN: Yeah, no, I just -- which part of the price index is underrepresented?

MS. EISNER: Oh, I'm talking -- so like the price index -- I mean, you know better than I do, but there's a bunch of data sources that feed into it, but the owner survey is one of the sources that feeds into it. And I believe you all put out like about 12 or 15,000 surveys and have a

3 percent response rate. So, there's like 400 responses that then end up feeding in. I'm not saying 400 -- I mean, I would just be more comfortable with it if there was a higher response rate.

MR. MCLAUGHLIN: Yeah, no, we would like that. Trust me. But yeah, I mean, that's -- It primarily is insurance costs that we get from there, management fees that impact the pricing, but a large majority of where we're getting it is a lot of data.

MR. SOLTREN: A lot of what?

MR. MCLAUGHLIN: A lot of data. It's not -- but there's certain parts of it, I understand what you're saying, but again, not the whole.

MS. EISNER: Yeah.

CHAIR MITCHELL: So you touched on this a little bit, but I'd be curious to hear more about why the cost-to-income ratio feels like a good measure of stability from your experience. Like, it was helpful to see you hone in on that slide, and curious of -- there's so many ways you could define building stability, like why that one

is an appropriate one.

MS. EISNER: Well, I mean, okay, I guess I would say that it doesn't actually matter to me whether someone looks at NOI or cost-to-income. And, you know, the income and expense report sort of does both and shows them in dollars and in this particular chart in sort of fractions.

I think the reason I actually highlight this particular chart is because it's one of the only charts in the income and expense study that gives the distribution at all. And that feels very important to me because often when we cite numbers that are just the median or the mean, that's sort of leaving out, you know, okay, well, sure, like on average things are okay, but yeah, what's going on with like the worst 10 percent of buildings or worst 20 percent?

And then also, I think -- so why do I think this is important? Yeah, I think that this data and a lot of the other data in the income and expense study really gives us sort of a grounding in what is the dollars that these building owners can actually take out of a unit or

out of the building.

Yeah. Notably, like not having debt in these numbers is both good and bad. I think it allows us to see sort of what the material - yeah, how sort of if we were living in a world where these buildings were owned outright or we had like low-cost debt funding them, this would be a fairly good picture. Leaving out some of the debt costs leaves these a little bit -- they're missing one component of the costs for owners. But, yeah.

CHAIR MITCHELL: Thank you.

Other questions from the board?

(No response.)

CHAIR MITCHELL: All right, great. Thank you so much.

MS. EISNER: All right. Thank you, all.

CHAIR MITCHELL: Mark, want to come back up?

MR. WILLIS: Thank you.

We work very closely with the staff here, and I have the highest respect for them, so I want to make sure that there's no misunderstanding in that regard. But I would like

to read from Page 9 of the --

CHAIR MITCHELL: Oh, is your microphone on? Sorry.

MR. WILLIS: I think it's on.

CHAIR MITCHELL: Can everybody --

MR. WILLIS: Is it on now?

CHAIR MITCHELL: Okay. Great. Thank you. Sorry, Mark.

MR. WILLIS: Oh, thank you.

So I have the highest regard for the staff here. We work very closely with them from time to time. At least we talk to each other very openly about the challenges. So I'd like to read from Page 9 of the income and expense. I believe it's the left column, a paragraph that starts, until four years ago.

"RGB staff three years ago began using an alternative methodology to adjust O&M expenses. The RPIE data provided to the RGB by the DOF includes records that the DOF, when they consider these figures to be outside of what's reasonable as part of their assessment evaluations, including adjustments to expense ratios and vacancy rates."

So if we have misinterpreted that, I'm fine with that. But I just want to put on the record this is the words from the staff. You know, your own publication.

So, and this is a perfect example. What is this telling us here? I love that everybody's now talking about the distribution and a lot of subsegments. That's obviously a key point that we want to make, but let's make sure we know what the data that we're actually looking at.

So, I appreciate the extra time.

CHAIR MITCHELL: Thank you. I appreciate that, Mark.

MR. MCLAUGHLIN: Right. So, prior to our using the data for adjusting for overstatement of expenses, there was an audit done in 1992. As per many, many years, so we were saying that the amount of reporting has increased in the RPI by so much. There's so many more building owners that are reporting. The enforcement has gone up. That this isn't -- the audit is not telling the story of what the difference is.

In addition to that, when we ask

finance for more audits, it's not something they audit anymore, because they take the RPIE data and they do their own adjustments --

MR. WILLIS: Right.

MR. MCLAUGHLIN: -- to say what the value of a building -- you know, this is all for assessment purposes, what the value of the building is.

So to try to get an idea of where they're saying over-expenses are, or where owners are reporting expenses that are over, that we're taking the difference between the raw data that we get and then the sample of buildings that they actually adjust expenses for and what's the difference between those expenses.

So we're saying that owners this year over reported expenses in the raw data by 3 percent because this adjustment was made by finance. That's the only place we use that is in a cost-to-income ratio, but we also report the unadjusted cost-to-income ratio. Both are in the report. This particular table is based on --

MR. WILLIS: As I understand that, Andrew, just so we're clear, that adjustment that

you're now referring to, your adjustment, you only -- you report it with and without your adjustment. But I'm talking about DOF has already adjusted the data that they are giving you.

MR. MCLAUGHLIN: They have not. It's raw data, Mark.

MR. WILLIS: All right.

MR. MCLAUGHLIN: That's what we've been told for years and years, that that data was not adjusted. The two datasets have different numbers. What they give us is raw data --

MR. WILLIS: The language needs to be -.

MR. MCLAUGHLIN: What they give us that's been adjusted. So, the numbers are different.

CHAIR MITCHELL: So, we might take a closer look at how this language is so that it's clear for external --

MR. WILLIS: That would be perfect. Thank you.

CHAIR MITCHELL: -- audience.

Yes, Adan?

MR. SOLTREN: No, I'll just say

again, I think that's a great -- another great reason why we should just have DOF come and testify or submit testimony. And also so I can get to the bottom of whether or not it would be actually more beneficial to have an additional audit with a larger sample size. Because as you noted, it's been, you know, I don't know, 40 -- what, 30 years? 40 years? 30 years. Jeez, I can't do the math. 30 years.

MR. MCLAUGHLIN: 1992.

MR. SOLTREN: 1992.

MR. MCLAUGHLIN: 44 years ago.

CHAIR MITCHELL: Yeah.

MR. SHARMA: 34.

MR. SOLTREN: 30 --

MR. MCLAUGHLIN: 34.

MR. SOLTREN: Okay. Apparently I'm not the only one.

MR. MCLAUGHLIN: But, Adan, if you adjust it by the final -- no.

CHAIR MITCHELL: I'm personally glad we're doing this in meeting 1, so we actually have time to take care.

MR. MCLAUGHLIN: What I will say

this is these are not adjusted by anything. These are, you know, if it's the raw numbers we're getting, because these are medians, they're not adjusted by anything. So that's actually -- so the 50th percentile, we're saying citywide, it's 68 cents on a dollar is being paid for maintenance. But those are dealing with medians at that point because they're --

MR. WILLIS: I think you would agree with me, Andrew, that it's important to realize that the operating costs here include taxes.

MR. MCLAUGHLIN: Yeah. Yeah.

MR. WILLIS: Just as a fact.

MR. MCLAUGHLIN: Absolutely.

CHAIR MITCHELL: Yes. Thank you, Mark.

All right. So now we will have further discussion. If anyone hasn't, maybe those presentations were comprehensive enough. Any further discussion?

(No response.)

CHAIR MITCHELL: All right. Well, I will first thank again our presenters. And a

motion to adjourn.

MS. SMYTH: Motion to adjourn.

MR. SOLTREN: Seconded.

CHAIR MITCHELL: Wonderful, we are adjourned. Thank you all.

(Whereupon, at 12:00 p.m., the hearing proceeding was adjourned.)

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 116, 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 4th day of August, 2026.

MARC RUSSO

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