THE CITY OF NEW YORK

RENT GUIDELINES BOARD

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PUBLIC MEETING

OF THE

DIRECTORS

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Spector Hall

22 Reade Street

New York, NY 10007

Thursday, April 9, 2026

9:30 a.m.

B E F O R E:

CHANTELLA MITCHELL,

THE CHAIR

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

Board of Directors:

Chantella Mitchell, Chair

Arpit Gupta

Christina Smyth

Adán Soltren

Sagar Sharma

Lauren Melodia

Sina Sinai

Brandon Mancilla

S T A F F:

Andrew McLaughlin - Executive Director

Brian Hoberman - Co-Research Director

Danielle Burger - Co-Research Director

Charmaine Superville - Office Manager

Guest Speaker:

Robert Riggs - Senior Managing Director from Community Preservation Corporation

P R O C E E D I N G S

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

This is the second 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.

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

Arpit Gupta?

MR. GUPTA: Present.

CHAIR MITCHELL: Brandon Mancilla.

MR. MANCIA: Present.

CHAIR MITCHELL: Lauren Melodia.

MS. MELODIA: Present.

CHAIR MITCHELL: Sagar Sharma?

MS. SHARMA: Here.

CHAIR MITCHELL: Sina Sanai.

MR. SINAI: Present.

CHAIR MITCHELL: Christina Smyth?

MS. SMYTH: Present.

CHAIR MITCHELL: Adán Soltren?

MR. SOLTREN: Present.

CHAIR MITCHELL: Maksim Wynn, who's not here.

And Chantella Mitchell. I'm here. Let the record show that we do have a quorum.

The next planned meeting of this Board will be here at Spector Hall on April 16th, starting at 9:30 a.m. Staff plan to present the 2026 Income and Affordability Study.

We will also have guest speakers from the New York City Department of Housing Preservation and Development, HPD, the New York State Homes and Community Renewal, HCR, and the Center on Poverty and Social Policy at Columbia University.

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 meetings' section.

The preliminary vote for rent stabilized lease adjustments will be held Thursday,

May 7th. This in-person meeting will start at 7:00 p.m., and will be held at 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 our YouTube channel.

If you're interested in receiving emails about upcoming RGB meetings and hearings, please go to our homepage and click on RGB email updates under quick links.

Today, staff will present the 2026 Income of Operating Costs and the 2026 Mortgage Survey Report. Copies of these reports are in your meeting folders. There are copies of these reports here today, and they will be made available on our website after our meeting, along with the staff presentations. Just click research on our homepage to download these documents.

After the staff presentations, we will hear from our guest speaker, Robert Riggs, Senior Managing Director of the Community Preservation Corporation.

Please note that the annual conflict of interest board financial disclosure report filing period has begun and it will end on May 1st. Please file before the deadline.

All right. I will now introduce Andrew McLaughlin and Danielle Burger, who will be presenting the 2026 Price Index of Operating Costs.

MR. MCLAUGHLIN: Good morning. Can everyone hear?

CHAIR MITCHELL: Yes.

MR. MCLAUGHLIN: Yeah. Okay. Great.

So Section 26-510 of the Rent Stabilization Law requires the Board to consider the prevailing and projected operating and maintenance costs for buildings containing Rent Stabilized Units when promulgating lease adjustments.

In order to meet the legal requirement, the New York City Rent Guidelines Board Price Index of Operating Costs, PIOC, contains prices for a market basket of goods and services used in the operation and maintenance of buildings that contain Rent Stabilized Units in New

York City, and use these prices to estimate cost or price changes from one year to the next. Separate indices are calculated for rent stabilized apartments, hotels, and lots.

Before I go into the details of all the report, there's a summary of the findings from this year's price index. The PIOC rose 5.3 percent. Five of the seven operating costs components experienced slower growth than in the prior year while fuel and maintenance costs increased at a faster pace.

The core PIOC rose by 4.8 percent this year. The growth in the consumer price index was lower than the price in PIOC, rising 3.3 percent during the same time period. Excluding the cost of shelter, the CPI rose 2.7 percent. Overall costs in natural gas heated buildings increased 5.3 percent, while overall costs in fuel oil buildings increased 5.5 percent. The PIOC for pre-'74 buildings rose 5.3 percent and post-1973 buildings rose 5.9 percent. And the PIOC for buildings that contain rent stabilized apartments is projected to increase 4.1 percent next year.

In the PIOC, we identify prices

for various items that are representative of the operating cost for apartment buildings in New York City. The importance of each of these items in calculating the PIOC is its weight. This should be based on how much owners have spent in the past for that category of expenses. The change in price or cost is referred to as a price relative.

Before we take a more in-depth look at the PIOC component changes, it is important to note that the data collected for the PIOC is gathered from four source types: Government agencies account for 35 percent of the data used in the PIOC; Vendors and contractors supply 30 percent of the data; Unions and utility companies supply 14 percent of the data.

Unlike the data reported in the RGB income and expense study, which is 100 percent owner reported data, only 21 percent of the data used for the price index is gathered from owners of rent stabilized building.

Here is an overview of the changes in the apartment PIOC, which we will go into detail shortly. Also shown here is the weight of each PIOC component. Increases occurred in all seven of

the PIOC components, however, each of these components, except for fuel and maintenance, increased at a slower pace than the previous year.

Notably, taxes, which account for nearly 28 percent of the price index increased 2.6 percent. The largest proportional increase was seen in fuel, 11 percent, followed by insurance costs 10.5 percent. More moderate increases were seen in maintenance, 6 percent, utilities, 5.6 percent, administrative costs, 4.8 percent, and labor costs 3 percent. These changes in costs resulted in an overall increase of 5.3 percent.

In last year's PIOC, staff projected that costs would rise 4.8 percent. By comparison, the CPI increased 3.3 percent over the same time period. Again, excluding the cost of shelter, the CPI rose 2.7 percent.

Now, we'll outline the change in cost for the seven components that make up the PIOC, starting with the tax component. The real estate tax component of the pricing carries the most weight representing about 20 percent of owners' costs. This slide outlines the impact that assessments, the tax rate, exemptions, and

abatements have on the total tax change.

As noted previously, aggregate real estate taxes rose by 2.6 percent, 1.3 percentage points lower than last year's rise of 3.9. The growth in taxes was primarily due to the rise in the value of assessments of 2.4 percent, which was responsible for 3.2 percent rise in aggregate real estate taxes.

Also contributing to the rise in taxes was a reduction in the total value of abatements driven by fewer properties receiving abatements despite increases in the average benefit per abatement.

However, the overall growth in taxes is dampened by a decrease in the class two tax rate of 0.5 percent from the prior fiscal year, as well as an increase in the value of real estate tax exemptions.

As you can see in this graph, you can desegregate the taxes into several components. The black line in the chart represents the change in taxes from one year to the next. This year the change was 2.6 percent. The change can be broken down into the impact and assessments, which is the

orange bar, and the impact of exemptions, abatements and changes in the tax rate, which are grouped together in the maroon-colored bar.

The change in taxes was primarily due to a rise in the assessment of 2.4 percent, which was responsible to 3.2 percent of the tax relative. It is interesting to note that since 2008, the increase in real estate taxes have more often than not been driven by change in assessments.

The next component is labor costs, which rose three percent, 0.7 percentage points lower than last year's rise of 3.7 percent. The price index measure of labor costs includes union and non-union salaries and benefits in addition to social security and unemployment insurance. The cost of non-union labor makes up 58 percent of the labor cost component. The entire labor cost component comprises 11.9 percent of the overall PIOC.

Wages comprise nearly 80 percent of this labor cost component. Non-Union pay increased 3.5 percent, while unionized wages also rose, rising by a combined 3.3 percent. Health and

welfare benefits, which comprises 13.5 percent of the labor cost component increased 0.5 percent, a decrease in unemployment insurance of 5.3 percent had minimal impact. It accounts for only 1.3 percent of this component's weight.

The next component is fuel. This component comprises 7.9 percent of this year's price index. The change in costs measured in this component considers both the change in weather and the change in prices for heating multifamily buildings with fuel oil, natural gas, and steam. This year, the fuel component increased 11 percent more than the rise of 10.3 percent from the prior year.

Natural gas costs which account for 68 percent of the overall cost in this component increased by 11.5 percent; the cost for heating buildings by fuel oil makes up 32 percent of this component and increased by 9.9 percent; steam costs increased by 24.5 percent, but these costs account for less than half a percent of the fuel component.

The Utilities component consists of costs paid by owners for non-heating natural gas

and electricity costs, as well as water and sewer charges, and it comprises 10.9 percent of this year's price index. This year, utilities increased 5.6 percent compared to 8.2 percent increase in the previous year.

The increase in the component was driven by electricity costs and non-heating natural gas costs, which increased by 9.1 percent and 12.9 percent respectively. However, water and sewer costs, which account for 66 percent of the component rose 3.7 percent, effectively dampening the overall increase in utility.

We'll now move on to the Maintenance component, which includes services performed by contractors such as painters and plumbers; hardware and cleaning items; and appliances that need periodic replacement. This component accounts for 18.5 percent of this year's price index. The maintenance component rose six percent, 1.7 percentage points higher than last year's rise of 4.3 percent.

Of the 29 expense items combined in this component, just four items account for half of its expenditure weight: Repainting, which rose

5.7 percent; plumbing, faucet and plumbing stoppage, which rose a combined 4 percent; and electrician services, which rose 12.9 percent.

Other price increases of note were boiler repairs that rose 4.8, floor maintenance 0.3 percent, and roof repair, 12.4 percent, which represent a total of six expense items and account for 21 percent of this component.

Next up is the administrative cost component, which rose 4.8 percent, following a 5.1 percent increase in the prior year. It comprises 13.5 percent of the price index. Fees paid to management companies, accountants, and attorneys make up 78 percent of the Administrative costs component. Much of the increase in the administrative cost component can be attributed to rise in attorney fees of 3.4 percent, accounting fees which increased this year's PIOC by 8.8 percent. These two items account for 43 percent of the administrative cost component.

Communications, which accounts for 11 percent of administrative costs, decreased by 0.5 percent. Management fees increased 4.7 percent. These fees comprise 35 percent of this

component. Periodically, staff will update the item weights within the PIOC components.

Following the owner survey of administrative costs in 2025, the weights for the different administrative items in this component were updated in this year's price index. Notably, more weight was given to accounting fees and communication items. Correspondingly, there was less weight given to management fees and attorney fees items.

The second largest increase in this year's PIOC was an insurance cost component, rising 10.5 percent compared to last year's increase of 18.7 percent. Insurance costs account for 9.5 percent of the price index.

On average, larger policies in this year's price index increased by a slightly larger proportion than smaller part of policies. Policies that cost more than $11,382 would represent half of all the insurance quotes, saw an increase in cost of 10.6 percent upon renewal. However, buildings with police that cost $11,382 or less saw an increase of 10 percent.

Starting last year, staff

calculated the change in insurance cost by the age of the building. Insurance costs rose more in pre-'74 buildings, 11.6 percent, than in post-'73 buildings, 5.4 percent.

Over the past five years, the PIOC has increased by a cumulative 31 percent. The component that experienced the most rapid price change in this time period was Insurance costs, which increased by cumulative 99.9 percent. This component, which has been the second lowest weight in the PIOC, but saw the fastest growth in price over the five years contribute 6.8 percent of the 31 percent cumulative increase, the largest contribution of the seven component.

Fuel had the second largest price increase, a cumulative 63 percent, but its relatively low weight resulted in the second lowest contribution to the five-year cumulative change, just three percent. Maintenance, which rose by a cumulative 36.7 percent over the last five years was responsible for the second largest contribution to the five-year cumulative change in the PIOC, 6.2 percent to the 31 percent increase.

While the cost of taxes accounts

for more than a quarter of the entire PIOC and therefore impacts the overall change more than other component -- any other component, its relatively slow increase in the cost of 14.1 percent means it was responsible for contributing a disproportionately small share to the five-year cumulative PIOC change, just 3.9 percent of the 31 percent cumulative increase.

We'll now move on to the other indices that are calculated in this report based on building type. In addition to the price index for all buildings that contain rent stabilized apartment, the PIOC includes separate indices for gas heated and oil heated buildings. This year, the gas heated index rose by 5.3 percent, less than the 5.5 percent rise in the oil-heated index.

Not only does this report include indices based on type of heat use in a building, but indices based on building age are also calculated based on whether a building was built before 1974, pre-1974, and for buildings constructed in 1974 or later, which we call post-1973 buildings.

This year, the pre-1974 index rose

by 5.3 percent, less than that of the post-1973 index of 5.9. The primary difference between these two indices is disparity in taxes and Insurance costs components for each index. Taxes rose in the pre-'74 index by 2.1 percent compared to a 7.1 percent rise in the post 1973 index. In contrast, insurance costs rose more in the pre-'74 index, 11.6 percent, than in the post 1973 index, 5.4 percent.

Next is the Core PIOC, which rose 4.8 percent compared to the six percent in 2025. This index measures long-term trends by factoring out shifts in fuel costs for heating buildings that contain rent-stabilized apartments in New York City. The rise in the 2026 Core PIOC was 0.5 percentage points lower than this year's apartment index of 5.3 percent. This year's Core PIOC rose at a slower pace than the overall PIOC because fuel costs, which were not used to calculate the core, increased 11 percent.

Section 26-510 of the Rent Stabilization Law requires the Board to consider projected operating and maintenance costs for buildings containing Rent Stabilized Units. The

PIOC Projections are estimated by using data from federal, State, and local agencies; estimates from industry experts; and trend forecasting using three-year or long-term averages.

Projecting cost changes in the PIOC has become more challenging in recent years. Energy prices have become increasingly volatile. The tax component which come -- accounts for just under 28 percent of the entire index, has also become harder to project. This is due to changes in tax policies such as tax rate adjustments and changes of the city's tentative assessment role after the period that is covered in the price index.

The table on this slide shows projected changes in the prices and components for 2027. Overall, the PIOC is expected to grow by 4.1 percent from 2026 to 2027. Costs are predicted to rise in five components with the largest growth, 16.9 percent, projected to be in insurance costs.

Tax, is the component that carries the most weight in the index, is projected to increase 4.7 percent.

Other projected increases include

Administrative costs of 4.8 percent, Maintenance, 4.6, and Labor costs 3.9 percent.

In contrast, both fuel and utility costs are projected to decline by 7.5 and 1.7 percent, respectively. The Core PIOC is projected to rise by 5.1 percent, one percentage point higher than the overall projected PIOC for rent-stabilized apartments.

In addition to the apartment indices, the 2026 PIOC report also includes indices for hotels and lofts. The price index for all hotels increased 4.4 percent, less than the 7.3 percent seen the prior year. There were increases in all seven hotel PIOC components. The Insurance cost component had the highest proportional increase, rising 10 and a half percent, followed by fuel which rose 9.6.

More moderate increases were seen in maintenance 6.2 percent, utilities six percent, administrative costs 3.5 percent, and labor costs 3.3 percent. The change in taxes which make up 35 percent of the hotel index was nearly flat, rising just 0.1 percent.

The hotel index separate indices

for each of the three categories of hotels that contain stabilized units, and the general index for all hotels that includes all three. The three categories of hotels are: Traditional hotels, which are class A, multiple dwellings that have amenities such as a front desk, maid or linen services; rooming houses, class B multiple dwelling other than a hotel with three or fewer sleeping rooms; and single room occupancy hotels, Class A multiple dwellings, which are either used in whole or in part for single room occupancy or as a furnished room house. Among the different categories of hotels, index for traditional hotels increased three and a half percent, Rooming houses by 5.6 percent, and SROs by 5.4 percent.

The increase in the Loft PIOC this year was 6.5 percent, lower than the increase of 9.6 percent in 2025. Increases in costs were seen in all eight components that make up the index.

Fuel saw the highest proportional increase rising 11.5 percent, followed by a rise in insurance costs of 10.5. The remaining six components all rose by lesser proportions, including: Maintenance, 6 percent; administrative

costs, other, 5.4 percent; utilities, 4.4; labor costs, 2.9 percent; administrative costs and legal, 3.4 percent; and Taxes, 2.6 percent. Note that, historically, administrative costs in the Loft index has been split into two components: Administrative costs Legal; and administrative costs other. Therefore, the Loft PIOC has eight components.

We'll now move on to the commensurate rent adjustment formulas. Commensurate rent adjustments are a series of formulas which combine various data concerning operating costs, revenues, and inflation to a single measure that determines how much rents would have to change for the net operating income, or NOI, or the amount of income remaining after operating and maintenance expenses are paid of rent stabilized apartments to remain constant.

The commensurate formulas provide a set of illustrative adjustments for one and two leases that would hypothetically compensate owners for the change in prices measured by the price index in addition to other relevant metrics while keeping NOI constant. For example, if NOI was $400

and the income was $1,000, how much would rents have to change to keep the NOI at $400 in absolute fixed dollars?

Note that the commensurate adjustments presented on the next slide do not constitute staff or board recommendations for guideline adjustments. They are illustrative measures of operating cost changes and do not reflect the full range of considerations in this Board's statutory mandate.

The various data points presented in the 2026 PIOC, and other, Rent Guidelines Board annual research reports such as the income and affordability study, and the income and expense study, plus supplemental data sources in addition to public testimony can all be considered to determine appropriate rent adjustments.

The first commensurate method is called Net Revenue approach, designed to consider the change in the price index and revenue received by owners based on the estimate of tenants who sign either one or two-year leases. Under the net revenue formula, a guideline that would preserve NOI in the face of 5.3 percent increase in the

price index is 3.75 percent for one-year lease and 6.25 percent for a two-year lease.

The second commensurate method, the CPI-Adjusted NOI formula, considers the change in the PIOC, the mix of lease terms, and the effect of inflation on NOI. A guideline that would preserve NOI in the face of the 2.7 percent increase in the consumer price index for all items less shelter and 5.3 percent increase in the PIOC is 4.5 percent of one-year lease and 8.5 for two.

Note that in a change from prior years and for the third consecutive year, staff is calculating a single formula for both the net revenue and CPI adjusted NOI commensurate, which assumes that after vacancy, owners will be able to collect the applicable RGB guidelines for renewal leases as authorized under current New York state law. Also, this is the first time State staff has used the CPI for all items less shelter to determine the effect of inflation on NOI.

The third commencement method, the Traditional commensurate adjustment, is the formula that has been in use since the inception of the Rent Guidelines Board, and is the only method that

relies on both the current price index change as well as the PIOC projection for the following year. Note that this commensurate does not account for the mix of lease terms or the effect of inflation on NOI. The traditional commensurate yields 3.4 percent for one-year leases and 4.8 percent for two-year leases.

This reflects increases in the operating costs of 5.3, found in the 2026 PIOC, and the projecting of 4.1 percent next year.

I will now take any questions that you may have.

CHAIR MITCHELL: Questions from the Board?

Yes, Arpit.

MR. GUPTA: Yeah. Thanks so much, Andrew, for this great report. We have talked about these previous years. I'm just curious what you think is driving the insurance increase, right, you know, we've kind of seen insurance now become like a pretty sizable chunk, actually, of, like, the building expenses. I think it's, like, larger the fuel now, like, in your overall, kind of like, breakdown. So actually, other members as well may

want to opine in. I'm just curious if you have any idea what you think is driving that?

Oh, and sorry, related question; I think you're projecting also that inflation next year is going to grow, like, almost 20 percent. So, like, where does that projection come from?

MR. MCLAUGHLIN: Yeah. So let me answer the easier one. So we take a three-year trend of insurance costs and that's put in our projection. If we go back to the projection from last year, that was the one -- one of the ones that were off was insurance. And I, you know, now that I think about how we talk about projecting, taxes are generally difficult as well as fuel, but insurance has become difficult to predict. So that's another one that makes it hard for the projection. So that's where we get that.

But in terms of the other, what we do is we verify the insurance policy. It's part of the data that we do get from owners. We have a survey that we send out to owners, they respond and they give us the premiums for this year and last year. And then we go and we verify those prices. We actually verified over 80 percent of them.

So we'll talk to insurance brokers and agents, and they'll verify the price. They don't necessarily get into the reasons why insurance going up. They just know that it's insurance that this is.

So there's different things that will change that we notice. Like, sometimes, if the insured is required -- because the value of the building went up, or if there was some sort of claim that was done the previous year, things like that will drive individual claims up.

But to comment on the overall market of why insurance is going up, it's, you know, insurance in general is not just related to what's happening in New York, but it can happen to other areas that are going on in the country, not just in housing, but in other areas.

So I don't want to comment on this specific, you know, I can comment on what we find when we call to verify the policies, but I'm not -- I don't know all the reasons why those are going up. But, maybe --

CHAIR MITCHELL: Sina?

MR. SINAI: Hi, yeah, my question

has two parts. One is, I'm kind of curious as to, since this is like a survey, how insurance costs are maybe, sort of, standardized to make them, kind of, comparable between years of the surveys and, like, maybe different samples of the types of structures there in term -- when, kind of, considering the costs and, you know, getting, like, the verification sort of aligned across years.

And the second thing is, the wedge that I know -- the spread between, like, the pre-'73 and post-'74 buildings is -- also stands out. And I'm wondering, I'm curious, you know, I would love to kind of go through the reports over the years, but if we were to make, like, a time series of that, if that's possible, and reconstruct that and look at the way that spread varies over time. That way we'd be able to maybe try to control for time-varying factors and then maybe try to, like, think about, like, see how much that is what -- with what factors might be driving that.

MR. MCLAUGHLIN: Right. Well, the second part is really easier. So, we just started last year breaking those two things out. In theory, we could go back, and we could go back and

try to break those things out from past price indices, right?

MS. BURGER: Yeah, we could in theory, but I think the first part of your question ties into the second part, and when we explain the first part, the second part might not be as important. We ask the owners for their insurance costs for two years. So it's not comparing what was answered in one year to what was the next year. It's all one year, their previous cost versus the current cost.

If you still feel like that breakdown, a longer breakdown of the pre- and post- is necessary, we can try to go back and do that.

MR. SINAI: Cool.

MS. BURGER: Just let us know.

MR. SINAI: Okay. I'll let you. I'll think on it. Thanks.

CHAIR MITCHELL: I also have an insurance question. Unsurprisingly, I was actually struck by how considerably the insurance and labor costs slowed compared to the growth last year. And so, I was curious in the projections, for example, the insurance projection for next year looked much

closer to last year than the increase this year. So I'm curious of how you factored that deceleration in for the projections specifically, because both insurance and labor looked like the increases looked like last year.

MR. MCLAUGHLIN: Yeah. So I'm quite sure insurance, we take a look at three-year look back of what's happening. I mean, we could take a longer look back and see what's happening. There are certain items that we go further back, just considering the item that we're looking at.

Generally, because of the changes in the nature of insurance, we generally do a three-year average of what's going on to project. But we could take a longer look and see what's happening, and see what that would be. It's, like I said, it's one of the costs we now find that are harder to predict, to say that it will go up a lot or less than the previous year or not. It's not a, you know, it's one of the harder ones to do. But that's the methodology that we use, but we could take a longer look back. If you'd like, we could -- is there how many, like, we could take a 10-year look back if you want.

CHAIR MITCHELL: Yeah. I'm just curious how much we should pay attention to the fact that it's decelerating. Is it just a blip this year; is it part of a pattern? I really appreciate what you said about the difficulty to project, particularly when the swings have been so large in some of the weightier costs.

CHAIR MITCHELL: Adán?

MR. SOLTREN: Thank you. And thank you for presenting, Andrew. I have a feeling you know what is going to come out of my mouth right now, but that's fine, and it has to do with --

MR. MCLAUGHLIN: Your love for the project.

MR. SOLTREN: -- my love for the project. As you've stated, at least three different times, about the difficulties of nailing down these projections, I just want to flag for the Board as something to think about, right? Granted, the RPIE and the income and expense report talk about actual reported expenses; this is a projection of cost.

But there's been a massive

diversion in the percentage increases in each of those metrics over the course of the last, I don't know, 30 years. So from 1990 to 2024, the PIOC increased 334 percent, 334.2 percent, if I'm being precise, compared to the RPIE data, which was 267.1 percent. That's a massive gap.

And so, I just think that it's important that we understand, if we're talking about trying to use this as a barometer for what landlord economics and their financial situations are looking like when we're making these decisions, I think it's concerning. And so, I think we need to, similarly, like, when we're looking at this data and this report, specifically, I think we should take a lot of this with a grain of salt.

I think another portion of this, I appreciate that slide, which I don't know when you added it; it might have been the last couple years, but the one that talks about our charge under the section of the law, 26-510. It doesn't say we need to consider this in the form of a report. It doesn't mean that, you know; it just says that we have to consider it somewhere in our discussion, in our decision-making, the prevailing cost or

projection of prevailing costs.

It doesn't mean that we need to have a full day dedicated to this, doesn't mean we have to have an hour to it. I think the PIOC winds up creating more issues than it does solving any answers, particularly when there's no -- if you're going to even go down this exercise and this route, I think it is doing a massive disservice to not have a comparable tenant projection. I don't think we should be using this at all unless there's a price or operating cost-of-living index.

And so, I'm going to think this through to figure out whether or not a motion needs to be made in order to, in the future, deal with this sort of over-reliance, in my opinion, on this. But I can't stress enough that I think that this is a flawed tool, and I don't think this is appropriate for us to be giving a ton of weight to -- in our decision-making.

CHAIR MITCHELL: Christina?

MS. SMYTH: Thanks, Andrew. Thanks, Chantella.

So, I think every report that I don't like, I'm going to ask the Board to strike

from now on, like Adán just did. When the numbers don't look good for owners, I'm going to certainly just ask you, just don't show those. That would, you know, that'd be helpful.

A couple things I just wanted to say about insurance, like, a contribution to the conversation is that the strict liability laws are basically the reason, right? If there's a trip and fall or there's a construction accident, the owner's liable, regardless of fault. So that, I think these accidents happen, and I think that is one reason why those costs go up. The governor's talking about, how there's, you know, the same phenomenon's happening with auto insurance, right?

So anyway, for whatever that's worth, certainly, owners' expenses as they relate to insurance are way up. And just with respect to the cost of living and tenants, tenants have the ability on five public hearings to come and explain what their challenges are with respect to their costs. And so, just another point, to -- we try to balance the information that comes through, and we don't like the PIOC, I understand you don't like the PIOC, but I do think tenants do have an

opportunity to communicate to us what they're experiencing in terms of their cost of living.

CHAIR MITCHELL: Thank you, Adán and Christina.

Lauren?

MS. MELODIA: Hi, just, two kind of quick methods questions. In the report, you mentioned that, the surveys were sent out to the, you know, proportionally across the boroughs, and then you have a three percent response rate. Do you have a sense of how those are distributed across the boroughs?

MS. BURGER: The responses?

MS. MELODIA: Yeah.

MS. BURGER: I can look it up.

MS. MELODIA: Okay. I think that would be helpful.

And then I don't want to get too into the weeds of the commensurate rent adjustment formula. It seems like there's a lot going into that, and I'm new here, but the data presented at our last meeting was less recent than this data. And so, I'm just kind of curious if that formula involves, like, lagging the data, like, how you're

kind of taking an NOI from a previous year and putting it into a formula with price, information from a more recent year, if that makes sense.

MR. MCLAUGHLIN: So we don't use actual -- so we don't use actual NOI dollar amounts, but we do use the percent of ONM costs that we find in the most current I&Es. So in 2024, we used that number, 63 point whatever it was.

And so, we're saying that, on the commensurates, when you go to the NOI commensurate, that the ONM cost should be adjusted by the price index, the 63 percent. And then the 37 percent represents NOI, and that would be adjusted by inflation. And that's how the formula works.

So it's not an actual NOI. From your point, though, if we had a more current percentage of, you know, costs to income, it would be more current, I guess. But it doesn't fluctuate at all. You know, it can go from, like, over the years, it's been consistently probably anywhere from 61 percent to 65 percent, sort of, in that ballpark every year, but… So it's not an actual dollar figure, but it's the percent that we get from that report.

I will speak just to Adán's point, and it is a point we recognize, and we did a paper on this, but it is a measure of inflation. So, the price index for these buildings, in years of recession, just like how anybody would respond to a high inflationary, or a high -- well, high -- a recession where you're reducing costs, it -- the measurement's not as good.

Pandemic, we're measuring what happened to prices; whether owners spent money on those prices is a thing. So that's where the disparity over the years comes in for the most part. So you are correct in that. I'm not saying, and we did a whole paper on that in 2015, so we can distribute that, but -- and there's certain components where owners can respond to that. One is labor, and one is maintenance, generally.

So, the I&E reports what owners actually expend. Whether that's the amount they should be, that -- that's the argument the evil folks will have. That's fine. But it's a measure of more of, like, inflation. That's why we always, you know, equate it to the CPI. But that's where the difference is coming. And --

MS. BURGER: Is that the same timeframe?

MR. MCLAUGHLIN: It's not the same timeframe, but --

MS. BURGER: Yeah, you can't, in an individual year, you can't compare the two because the timeframe was different.

MR. MCLAUGHLIN: Yeah, we try to -- we try to adjust it when we do that where it's to calendar years, which is a little problematic too. But anyway, so it does happen, and so we get this gap, and that, because it's real life that happens, so.

CHAIR MITCHELL: Sagar?

MR. SHARMA: Thank you.

I kind of like had a similar question as to Lauren as well, where I'm trying to consider this report with what we were presented last time. And I'm having a little trouble as well where we were -- where we were presented data from 2004 -- I mean, sorry, 2024 rents and what their average was, but I'm trying to see how could I use that report in 2026 data when it's almost two years lagging as to what the rents might be in 2026 as

compared to these costs. And if you have any thoughts about that.

MR. MCLAUGHLIN: You know, you're saying it right. It's from 2024, and its owner reported data. And that's the difference between -- so there are two different things that are happening with these reports: One's more current, it's April of last year to March of this year. And we're measuring price changes. We're not asking owners, except for 20 percent of the survey, for cost. So those are the big differences between the two. How you guys reconcile those two things is part of meeting them, you know, providing a more relevant -- not relevant, more current change in cost. You know, but they are two different numbers. They're two different -- they represent two different things. Yeah.

MS. LAUREN: Thank you.

MR. MCLAUGHLIN: I don't know if that helped, but.

MS. LAUREN: But, yeah.

CHAIR MITCHELL: All right. Well, before we move on to the mortgage report, I think just to wrap that up in it kind of acknowledging

the role that this plays, but also the limitations, I'm just thinking a lot about how, particularly with the commensurate, prior boards have thought about those in context of the full mandate that we have, and it sounds like we should spend some time discussing that and kind of where this fits into the overall scheme of the data, both that we received last week and that we will continue to receive.

So unless there are any other questions -- yes.

MR. SOLTREN: Sorry, I have a comment.

CHAIR MITCHELL: Yes.

MR. SOLTREN: So I have two quick comments.

CHAIR MITCHELL: Adán.

MR. SOLTREN: One, in response to my colleague on the other side, let's not forget that owners can testify as well at the public hearings. It is not a tenant-only hearing. And I will just say, in terms of the commensurate, our job, and nowhere in the law does it say that we need to have a formula that preserves NOI each year

to keep NOI constant.

And so, I don't think it is helpful for us to be engaging in that exercise, especially where, despite the number of caveats and disclaimers that the RGB research entity provides, that it winds up taking over part of the conversation in a way that I don't necessarily think is appropriate.

CHAIR MITCHELL: Yes. And if it's worth one more time saying that those are illustrative and not benchmarks.

So, we will now go to the mortgage survey report unless there are any more questions from the Board on the PIOC.

(No response.)

CHAIR MITCHELL: Okay. Great. Yes.

MR. HOBERMAN: Good morning.

Since the 1980s, the RGB has conducted a mortgage survey which highlights changes in the city's multifamily lending market over the prior year. The survey, which reports data solely for buildings containing rent-stabilized units, asks lenders questions about

financing, underwriting criteria, and other lending-related issues.

In addition to the survey analysis, the report also examined sales of buildings containing rent-stabilized units by volume and price.

Before we go into detail, here is a summary of the highlights from this year's report: Among all buildings with stabilized units, the citywide average price per unit sold in 2025 was $289,478, an inflation-adjusted increase of 10.5 percent from the prior year.

Among 100 percent stabilized buildings, the average per unit sales price citywide in 2025 was $218,182, an inflation-adjusted increase of 20.4 percent.

A total of 730 buildings containing rent-stabilized units were sold citywide in 2025, an increase of 33 percent from the prior year. Average interest rates for new multifamily mortgages decreased 59 basis points, falling to 6.13 percent this year. Average maximum loan-to-value ratios increased from 72.5 percent last year to 73.6 percent this year. Vacancy and

collection losses increased from 3.14 percent last year to 5 percent this year.

Okay. To go into more detail, we'll first analyze the sale of buildings that contain rent-stabilized units. In 2025, 730 buildings containing stabilized units were sold in New York City, a 33 percent increase over the prior year. Among buildings containing six to ten residential units, sales volume in 2025 rose 39 percent from the prior year. Sales volume among 11 to 19 unit buildings was up 23 percent. Among 20 to 99 unit buildings, sales volume increased 27 percent. And among the largest buildings, which contain a hundred or more units, sales volume rose 63 percent over the prior year.

Examining sales volume around the city, sales increased the most in the Bronx, up 106 percent, followed by Queens, up 46 percent, Brooklyn, up 17 percent, and Manhattan, up 16 percent. And as I stated earlier, sales volume increased 33 percent around the city. Please note, though, that Staten Island is not included in this analysis because there are too few sales of stabilized buildings to meaningfully measure change

from year to year.

This graph shows the 23-year period during which we have collected building sales data. Citywide sales reached their peak in 2005 with a total of 1,816 buildings sold. Conversely, sales reached their lowest point in 2020 with 470 sold. Sales volume experienced fluctuations after that, rising and falling, before once again increasing this year to 730 buildings sold.

And next, we'll take a look at the average sales price per residential unit in buildings containing stabilized units. In 2025, the average sales price per unit citywide was $289,478, an inflation-adjusted increase of 10.5 percent from the prior year. Around the city, average sales price per unit was highest in Manhattan at $619,560, up an inflation-adjusted 70.5 percent; followed by Brooklyn at 281,338, up 7.5 percent; Queens at $187,863, up 15.6 percent; and the Bronx at a $102,847, down 11.2 percent.

This graph presents the average sales price per residential unit citywide and by borough for all buildings containing stabilized

units since 2003 after adjusting for inflation. And just a reminder, all the graphs in the presentation are also in the report.

In 2005, the citywide average sales price of $289,478 was almost double the inflation-adjusted price of $145,078 in the graph's earliest year, 2003. Details for each year since 2005 are in the report in Appendix 10, which also breaks it down by borough.

To assess sales performance based on the construction year of buildings, we can categorize them into two groups; those built before 1974 and those built after 1973. Only 53 buildings, or 7.3 Percent of the total, were built post-'73. Units of these buildings sold for an average price of $799,062 in 2025, an inflation-adjusted increase of 93.1 percent over the prior year. The remaining 677 buildings sold were built pre-'74. Units in these buildings sold for an average price of $228,437, a decrease of -- inflation-adjusted decrease of 5.8 percent.

Looking at the change in average sales price per unit based on a proportion of stabilized units in a building, in 2025, among

buildings with at least 50 percent stabilized units, the average sales price per unit was $176,723, an 8.7 percent inflation-adjusted decline from the prior year.

Among 80 percent plus stabilized buildings, the average price per unit was $167,873 and an inflation-adjusted nine and a half percent decline. And among 100 percent stabilized buildings, the average price per unit was $218,182, an inflation-adjusted increase of 20.4 percent.

Next, we'll examine the mortgage survey. The RGB conducts surveys of institutions providing loans for multiple dwelling buildings in the city that house rent stabilized units. The survey undergoes annual updates to encompass institutions offering new and refinance mortgages. Institutions including both savings and commercial banks as well as non-traditional lenders such as CDFIs.

Seven lenders participated in the survey this year, the same as last year. Of the four lenders required to report to the FDIC, multifamily loan portfolios range between $4.3 million and $6.8 billion dollars.

After three introduce -- after three interest rate reductions by the Federal Reserve over the past year, the average interest rate from new multifamily mortgages was 6.13 percent, 59 basis points or nine percent lower than a year earlier. This was the second consecutive year seeing a decrease in average interest rates. However, the moving five-year average interest rate was 5.96 percent, up from 5.48 percent last year.

This slide displays average interest rates for new mortgages since the early 1980s. Interest rates were double digits throughout the '80s and early '90s, but fell to a record low of 3.76 percent in 2021. After rising over the subsequent three years, interest rates have declined over the past 2 to 6.13 percent this year.

Certain lenders impose a separate upfront fee known as points as a direct expense incurred by borrowers. The average service fee charged on newly originated loans by lenders rose to 0.32 points, surpassing the previous year's 0.30 points. In a survey conducted among respondents, points range from zero to one, with four surveyed

lenders opting to charge zero points on new loans.

This graph shows the average points charged for new mortgages since 1981. Average points reported in the survey have remained around or below one point for three decades. With this year, the average points charged was 0.32.

In our survey of buildings with stabilized units, the average volume of new mortgage originations decreased from 19 last year to twelve this year. Similarly, the average number of refinance loans also decreased from eleven last year to nine this year.

Among the surveyed institutions, the typical maximum Loan-to-Value ratio, representing the maximum amount respondents were willing to lend based on a building's value, ranged from 60 to 85 percent. This year's LTV average of 73.6 percent increased 1.1 Percentage points from last year's 72.5 percent.

Another important lending criterion is the debt service coverage ratio, DSCR, which is net operating income divided by debt service, reflecting an owner's ability to cover mortgage payments using its NOI. The higher the

DSCR, the less money a lender is willing to loan given constant net income. The average minimum DSCR of 1.26 was minimally changed from last year's average of 1.27. Overall, DSCR at all institutions ranged between 1.15 and 1.50.

And recently, we began asking lenders about their capitalization rate, which assesses a property's potential return on investment. A cap rate is the ratio of a property's NOI to its current market value. This year lenders reported an average cap rate of 5.9 percent, down from 6.6 percent last year.

This graph illustrates lenders' standards for maximum loan-to-value ratios since 1996. After three consecutive years of decline, the MLTV ratio grew over the most, two most recent years to 73.6 percent this year. Three lenders reported that they had non-performing loans among their portfolio of buildings with stabilized units, the same as the prior year. Those three lenders, on average, reported that approximately 3.1 percent of their portfolios were non-performing, down from 4 percent last year.

Furthermore, one lender reported

foreclosures this year, the same as last year. The lender reporting foreclosures indicated that they represented about 2.04 percent of their portfolio.

The average size of buildings exhibit significant variation among lenders. Two lenders indicate that their typical portfolio of buildings contain more than a hundred units, and other two lenders indicate that their buildings typically are between 20 and 49 units. One lender reports a typical building between 11 and 19 units, while another building reports buildings containing fewer than eleven units.

This graph illustrates the average vacancy and collection losses since 1996, which is at the bottom, exhibiting significant fluctuations over these three decades. And this year, the average vacancy collection losses increased to five percent from last year's 3.14 percent.

This graph illustrates the average vacancy and collection losses since 1996, which is at the bottom, exhibiting significant fluctuations over these three decades. And this year, the average vacancy collection losses increased to five percent from last year's 3.14 percent.

And now we'll discuss the longitudinal analysis, which examines findings among institutions that responded to our survey both this year and last year.

Among the seven respondents that completed the survey this year, all but one also responded last year. Like the main survey analysis, the longitudinal group saw interest rates decline. As of March 2026, interest rates were reported at 6.16 percent, down from 6.62 percent a year earlier. Among the longitudinal group, average points offered by lenders rose from 0.27 last year to 0.31 this year.

The average maximum loan to value ratio rose among the longitudinal group from 73.3 percent last year to 75 percent this year. The average debt service ratio remained unchanged from last year at 1.27 and similar to the main mortgage survey analysis, vacancy and collection losses among the longitudinal group rose from three percent last year to 4.5 percent this year.

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

CHAIR MITCHELL: Questions from

the Board?

I had a got a question, and thank you so much, Brian. Seeing that the per unit sales price rose this year, including for 100 percent stabilized buildings, is there anything from the qualitative survey responses or just broadly that you can share about that?

MR. HOBERMAN: The building prices, we actually are separate from the survey itself. So other than the data that we report, can't state any reasons for that.

CHAIR MITCHELL: Thank you.

MR. HOBERMAN: And then also includes pre- and post-'74 buildings that 100 percent increase, the increase among the 100 percent stabilized.

MR. MCLAUGHLIN: So where do you get the data, Brian for this --

MR. HOBERMAN: It's from the Department of Finance.

CHAIR MITCHELL: Got it. Thank you, Brian.

MR. HOBERMAN: I'm sorry, Department of Buildings. Where is it?

MR. MCLAUGHLIN: It's from the Department of Finance, but they post the cells, building cells and -- correct?

MR. HOBERMAN: Let me double-check. Finance, yeah, I'm sorry.

CHAIR MITCHELL: Thank you.

Other questions? Yeah, Adán.

MR. SOLTREN: Thank you, Brian. I was just curious. So in terms of the vacancy and collection change, I know we don't have the housing vacancy survey yet in terms of some of those vacancy numbers potentially, but what do you make of that? Because collections have increased generally, so.

MR. HOBERMAN: Right. Well, it is a combination of both vacancy and collection. So if an apartment is vacant, you know, you're not collecting any rent, so that's reflected in it as well as collection issues of current tenants.

MR. SOLTREN: Okay.

CHAIR MITCHELL: Sina?

MR. SINAI: Hi, Brian. Thank you for this. Actually, just two questions. One sort of piggybacking on the Adán's question. Is there

any way to sort of decompose collection and vacancy in these?

MR. HOBERMAN: We don't ask. No, unfortunately, for next year we could break it out. Otherwise, the survey doesn't.

MR. SINAI: Okay. Cool.

And then the second question I had was just maybe like a point of curiosity. I noticed that the sales prices for post-'74 buildings were like meaningfully different for pre-'74 buildings. Just sort of still going to have to speed here, but understanding that lot of that is like hinging on 421A and 485X style tax credits that have like 10 years -- like maturity of like 10 to 35 years.

So I'm just like kind of curious given like the $700,000 difference in the sales prices there, that would imply a relatively low discount rate for the expected rents and cash flows baked into the sales prices. And I was wondering if we have information on the kind of average maturity or like sort of like the kind of rent stabilization stock kind of tax credit longevity that goes into that, factoring those decisions to

sort of disentangle fundamentals from like market dynamics.

MR. HOBERMAN: Yeah, we don't have that specific data readily available, but yeah, we'd have to look into that further.

MR. SINAI: Sure.

CHAIR MITCHELL: Other questions from the Board?

(No response.)

CHAIR MITCHELL: All right. Thank you, Brian.

MR. HOBERMAN: Okay. Thank you.

CHAIR MITCHELL: Okay. So now we will welcome Robert Riggs, Senior Managing Director from Community Preservation Corporation.

MR. RIGGS: Good morning, everyone. My name's Robert Riggs, I'm a senior managing director at CPC.

I'd like to thank the Board for the opportunity to come and present this morning. I'd also like to thank the Board members for your service on the Board, its challenging role but critical to how the city works and how housing in the city works. So, thank you.

I'm going to take some time this morning and go through, review some information primarily on expenses for two large portfolios of debt that we service all secured by multifamily buildings in New York City, overwhelmingly rent stabilized.

So, CPC is a CDFI formed in 1974. We are today one of the largest CDFIs in the country solely dedicated to investing in multifamily housing. We are an active lender. We are an active lender in New York City. We did respond to the lender survey that was discussed a few minutes ago as we do every year.

So, I'm actually going to talk about two different portfolios, and I'm just going to tell you what they are. Now, one is what we prefer to do is the CPC portfolio. Most of it was originated by us. It's a mix of the investors in those portfolios are either the New York City pension funds, NYCERS, the state pension funds, CRF, and then there are also some Freddie and Fannie loans in there, and a handful of FHA loans.

This portfolio is nearly 100 percent rent stabilized and also the vast majority

of projects have an HPD or HDC regulatory agreement and often subordinate debt. So these are Capital A regulated affordable housing mostly in addition to being stabilized.

The owners are not-for-profit and for-profit but they also tend to be self-defined affordable housing owners.

And the implication of that is there are two important ones for this discussion. One is that rents tend to be lower, and most of these buildings do not pay real estate taxes. I'll tell you about the other portfolio when I get to it.

But this portfolio, the universe is, all in New York State. So, its 58,000 units total. 38,000 of those are in New York City. So, we're only talking about those. And we rely on a survey response and 14,500 units responded to that survey. So that's the data set we're talking about, and this is like the RGB information. This information was collected in 2025 and it is actually about 2024 expenses.

So this is our breakdown for 2024 based on those responses. I'll just like start at

the bottom. It's $10,016 in annual operating costs, excluding taxes. It's a 5.1 increase over the total for last year. And the drivers are really -- we see that property insurance as usual continues to increase payroll and benefits is the other big number.

One thing worth noting, yeah, property insurance. Again, the big driver. So in this bar chart, we've stacked, this again is our expense information excluding taxes from 2020 to 2024 with the annual percentage increases across and then the individual categories are stacked up and so the kind of notable things are on the right.

Really, utilities and property insurance is the big number, 75 percent. Utilities at 21 percent, it starts out as a big number. That includes fuel, and I know in the RGB stuff it's separate here all the utilities are collapsed. General and administrative jump, 52 percent, which is a big percentage, but it's not a big slice of the pie.

And then really one of the most notable things to me is repair and replacement over the course of the whole series here has increased

one percent, which means it's stable, which means in an inflationary environment that's actually kind of a red flag. So, on the one hand it's a relief it's not going up, but that's problematic since a lot of that is discretionary and that could be a sign of deferred maintenance.

So on the left is a summary of what we were just looking at, you know, with the totals going to $10,016. And then on the right is the same information from RGB for pre-1974 buildings. We've taken out the taxes, but we show them there as a shadow. And the kind of the notable thing here is really how consistent these are. We see the kind of basically the same overall increase, 28 percent, 27 percent. And our like per unit M&O number is shockingly consistent, you know, within $200.

All right. Revenue and collections. I think this is important, but it's a little tricky to talk about. And I've been through this graph in previous years. I'm going to take the time to go through it again. Pre-pandemic in New York City, tenants, whether they were in regulated or regulated and stabilized units had an

incredibly strong record of paying their rent.

Vacancy aside, collections were very, very low. They were generally underwritten. You could say with a 5 percent loss or 95 percent collections, it's the same thing, with the understanding that you would hit 97 or 98 percent. And actually, some of the regional banks and Freddie and Fannie would underwrite the 93 percent, 97 percent collections if you could show a history of it and you usually could show a history of it.

So during the pandemic, there was a really significant change in what happens, right? And so, it dropped into the low 70's collections. So really significant losses, which is completely understandable. That tendency was directly exposed to the fallout from the pandemic. A lot of service workers, restaurants, they're just -- there was not the income to pay the rent. There was also a moratorium on evictions. All understandable.

It has recovered, and it has recovered substantially, and it continues to recover. And we'd say, I would say now it's in the low 90 percent, with a lot of variation, that there are buildings that are back to 97, and there are

buildings like in the high 80's. So, I feel like those are true statements. They're backed up by what we see in our portfolio. They're backed up from what I hear from owners. It's one of questions I ask every owner or manager I talk to.

The data here is from a very small data set, which is our construction loan portfolio. And to the discussion of tracking collections, it is very difficult to track collections based on owner-reported, you know, management software. It's hard to differentiate collections from vacancy; it's hard to differentiate arrears from collections. It's hard to account for one-shot deals that show up as a big revenue source, but maybe they don't mean that collections resume.

I'm acknowledging how tricky it is to track it. This data is real data, but it's a very small data set. It is consistent with what we see in the market and what we hear in the market. And there is an ongoing -- it's like the loss of that revenue is really significant. To go from 97 percent to 92 percent or from three percent losses to eight or nine percent losses is a tripling of that negative impact.

All right. So in our servicing portfolio, I've shared this information before but never in this graph, so bear with me for a second. Debt service coverage, as I mentioned before, is the NOI divided into the debt obligation. And if you're above one, it means you can pay your debt, and you have cash flow left. If you're below one, it means you don't have enough cash flow to service your debt. So, we track the percentage of our portfolio, that reports debt service coverage below 1.0, and that's the green line.

So, it starts at 30 percent and it goes down in 2021 and '22, but remember from the previous slide, that's when collections were in the tank, right, coming out of the pandemic. And as collections improved, you know, that line goes down and gets better, but then as expenses have increased year over year, it started to go back up. And now over 30 percent of our portfolio reports debt service coverage under 1.0.

Debt service coverage under 1.0 is a leading indicator for distress. So the blue line below it is our DQ rate, which is below five, and is now, you know, at 10 or a little over 10.

The dotted line represents there are several assets that we foreclosed, took into REO and have sold. So they're out of the portfolio, not because they started performing, but because they were liquidated. So if those were still in the portfolio and they are still distressed, you know, by this definition, we'd be at 12 percent; without them we're at 10 percent.

In terms of enforcement actions, we had none from 2019 to 2022, two in 2023, 12 in 2024, and 15 in 2025. I was surprised that only one institution in the study reported foreclosure; it's us. A leading CDFI invested in affordable housing is apparently the only institution in the city that's foreclosed.

All right. So, this brings us to the other portfolio. We manage a significant portfolio that is part of the old Signature Bank multifamily portfolio. It was split into a couple of pieces, and we're one of the entities that, in partnership with the FDIC, manage those portfolios.

They came over to us in 2024. So, it's actually a big portfolio. Its 30,000 units right now. There are very few like self-identified

affordable housing owners in this portfolio. These are conventional owners. Every building in the portfolio has stabilized units in it. The majority of them are over 90 percent stabilized. These are small buildings. The average unit size is 30 units. This is all overwhelmingly 1974. Like when you picture stabilized multifamily building in New York, it probably looks a lot like what's in the Signature Portfolio, which we call the CSP portfolio.

So we have operating information for a subset of those units. All right. So bear with me here, there are numbers here, but it's interesting. So, this is the signature portfolio that we have good operating information on for the last couple of years, 9,500 units. And then all the way to the right is the CPC portfolio just for comparison. It's the same categories, and we're saying in the signature portfolio, $10,200 a unit in M&O excluding taxes, remarkably consistent with the CPC portfolio and remarkably consistent with RGB's numbers.

So then we took that, we've only been servicing it for two years, so we don't have

year over year increases. But what we do have is we know how many stabilized units are in each building, so we separated this 9,500 units into two categories: Units less than 90 percent stabilized; and more than 90 percent stabilized.

So, I'll point out two things. At the bottom, the M&O, for the mixed, I'll call them mixed revenue buildings, is nearly $11,500, $2,000 higher than the M&O for the overwhelmingly stabilized buildings. And the big drivers are repair and replacement is $1,000, and management fees is the other difference. Management fees, yeah.

And this management fee to me is kind of suspiciously low. It makes me think a lot of people are self-managing and not reporting their management fee, but I don't know that to be the case. We have also included the average rent. The average rent in the overwhelmingly stabilized buildings, which actually are turns out to be 100 percent stabilized is $1,600 -- 1,603, so again, really consistent with the RGB average rent for the city.

The average rent in the mixed

buildings is $2,400. So that's not just the average of the stabilized units, it's the stabilized and the market rate units. So, these buildings have substantially more revenue and they have higher operating costs, attributable really primarily to repair and maintenance.

So in the Signature Portfolio, we do track a set of financial and physical indicators. So this is a comparison between -- we took over servicing in February of 2024, two years ago, and today. DQ delinquent has gone from 17 to 22 percent, that's 60 plus days DQ, and loans with unsatisfactory debt service coverage have gone from 11 percent to 32 percent. So we do see like signs of distress.

Physical indicators, we track a bunch of stuff, but on here is B and C violations and emergency repair program charges or ERP charges, more than $50 per unit or both. And a third of the portfolio has those flags, but it's consistent between two years ago and today in spite of the increase in physical distress.

So we have some tools in our partnership with the FDIC to kind of relieve some

of the financial distress, and they haven't really -- I think they would be higher. There'd be more distress if we weren't deploying it. And what we expect is over the next couple of years, we can start to bring that down as we de-leverage the buildings.

But our working, you know, hypothesis is that physical stress follows financial distress. And if we don't do something, we will start to see physical distress start to spike. But right now, these are the numbers in that portfolio.

So that's what's in the portfolio. I'm going to take a minute and do some projections or just something to indicate where we see this going. So this is actually -- this slide was provided to us by a former member of the Board. It was put out in public and we thought it was so interesting that we included it.

The blue bars are the RGB increases since 2001, and the orange line is RGB increases less the CPI increase. And kind of the concept is, you know, if rent went up 2 percent, but you subtracted the CPI on an inflation adjusted

basis, like what's happening to rents?

And, I mean, you could argue that in the last several years, rents in real terms have been going down. I think that's a pretty aggressive argument to make. I'm not going to make it, but what I will point out is how they seem to be in sync through 2015, 2016, and then as we get an inflationary environment, we start to see this opening up between revenue and inflation. So what does that do?

All right. So this is -- I admit this is an academic exercise, but for me it makes it real. It's not going to be precise, but I stand by the kind of logic of it and the impact of it. So this is the 10-year outlook on a building with the average rent, the RGB's average rent of $1,680 for a stabilized unit. So this is just one unit.

And in year one, we annualize that to $20,000. We take an 8 percent collections loss, which I think is legitimate, for an effective revenue, and then we apply the RGB's M&O for pre-1974 buildings. And then we subtract taxes, which we're calculating at 20 percent of revenue. A real tax person that makes their head explode,

say that's not the right way to do it, but then when you finish the conversation, like it's perfectly good for this, 20 percent is perfectly good.

Andrew, I think you mentioned that 20 percent is actually what it ends up being. So, for purposes of this conversation, the tax liability is 20 percent of revenue, net operating income of $4,000.

All right. So the second column is we're projecting four years out and the third column 10 years out with the following assumptions: Average annual RGB increases of three percent, that's the most we could reasonably expect. Collections rates stay at 92 percent. Expense inflator, 5 percent annually, which is consistent with what we've seen over the last five years. And we keep real estate at 20 percent of gross, and you see this decline in net operating income.

All right. And then the second exercise, everything is exactly the same except the highlighted assumptions for year one to four rent increases of zero percent, which I think the lowest is that we would expect, assuming we're not going

to have a rollback. And we see this is the same year one and we just see a faster decline in NOI.

So one way to think, I mean, NOI, this is not including debt service, so the first thing to note is that NOI is probably not going to the owner, very little of it, and if it's been declining over time and they have debt in place, it's probably all going to the owner.

And then the second is that's the simplest measure of value for these units is to take that and apply a cap rate, which would be between six and seven. I would say it's seven right now. So if you apply a cap rate to those, you get: in year one, that unit's worth $70,000, and its worth, you know, $35,000, and it's worth $17,000. So, like, you're really cutting; you know, the value is going down as the NOI goes down.

So, I want to take a minute and talk about NOI, because there is an argument that's very cavalier about declining NOI. Like, well, if there's NOI, it means the building can operate. And, you know, the excess cash represents value, and if owners and lenders have miscalculated value and taken risk, it's all on them. They just have

to absorb that, and there's no reason to, on the backs of the tenants, save the owners.

There's some pretty compelling logic in that. I don't deny it. It doesn't mean that declining NOI is not a problem. So, what does declining NOI do; declining NOI creates periods of distress and disinvestment that are characterized by insufficient operating budgets and deferred maintenance, unaddressed capital needs, periods of foreclosure, litigation, multiple changes in control and ownership, during the whole time, buildings and tenants are neglected, and there's an increasing lack of access to the debt and equity necessary to support the housing stock.

I am not saying that NOI can't ever go down. Markets can adjust, and owners and lenders can absorb losses. As painful as it is, like, that's their role. But values have to stabilize at some point at a level that supports operations and investment. And ongoing declines in NOI that you can project reasonably are headed towards zero make it impossible for responsible owners to lend and invest.

And owners that are coming in and

buying, like it's a question of like what are their cash flow projections look like; what are their plans for this building? And we do see a flight of institutional capital and kind of good owners, or at least a change in owner profile, as this, we're on this downward slide.

And from my point of view, policymakers should support a soft landing that supports lower but stable values that correct for the excesses of pre-19 valuations. I am not defending those valuations. They were destructive to the housing stock and to the city of New York.

Rent-stabilized buildings need to be viewed as low-risk, low-return assets that work like an annuity and are held long term. They are not high-risk, high-reward proposition. And you have to have stable ownership committed to investing and maintaining housing quality. And that's a tangent, but it's under -- you need to have stable NOI for any of those things to come into condition -- to come to fruition.

Now, we may never come to a meeting of the minds on the importance, some of us, on the importance of NOI, but at some point, it's

moot because NOI will go away, right? So, this is the same analysis, but the rent to the left, that is the average stabilized rent in the Bronx. So, if we start with that, we could annualize it, take the collections loss, effective revenue, same operating expenses; that building has no net operating income.

Now, operating expenses should be inelastic across neighborhoods. In fact, I can think of arguments why it costs more to operate a 100 percent rent stabilized building in the Bronx. But there are discretionary things, and I'm sure owners suppress, you know, in this situation, suppress expenses. But you are in the realm of break-even and not being able to operate. And you run projections at the three percent, and you're just further and further in the red. And an owner can only suppress operations so far. And even the suppressed operations are bad for the building and bad for the tenants. And eventually, we're just talking about operating. Eventually you've got capital needs. You're going to need a new roof or a new boiler.

This is the same thing with the

one-to-four-year increase at zero, and it's just a much more accelerated decline. So, this is like -- I mean, we started to see in the RGB data some distress at the one end of the spectrum, like it's a small number of buildings. But remember, this is also 2024. You know, we're in 2026 now; by the time an RGB recommendation is implemented, we'll be near the end of 2026. So we're two years down this line already. And like the decisions compound mathematically. As expenses go up and rent growth is capped, that delta just gets wider and wider, it puts more and more pressure on these buildings.

And once you're on that trajectory, it gets harder and harder to get off of it. And the end result is like financial distress increases, housing quality decreases, all driven by growing expenses, weak collections, and suppressed revenue growth.

And I'm happy to take questions.

CHAIR MITCHELL: Thank you, Robert.

Questions from the Board? Yes, Lauren.

MS. LAUREN: Thank you for this

presentation.

The scenarios that you played with where you looked at different rent increases and the impact on NOI, you held the assumptions at 5 percent expenses, growth per year, and the collection rate.

MR. RIGGS: Correct.

MS. LAUREN: And, you know, you showed us before how collections had been higher pre-pandemic, are you suggesting here that 92 percent is what we should expect, that there can't be any increases in that area?

And on a similar level, because I haven't been in the weeds of this data to the extent that you have, you mentioned that the expense inflator was based on the last five years of data. But, you know, I mean, it's complicated. The post pandemic period and um inflation has been pretty unusual.

And then of course, we live in the world we live in today, which is greatly uncertain and a lot of disruptions happening globally that might lead us to believe that price increases will remain elevated, inflation will remain elevated.

But just curious, if you were to use a pre-pandemic kind of five-year expense inflator, would it also be five percent?

MR. RIGGS: I mean, there are two huge assumptions, that collections stay at 92 percent and that inflation stays at five percent. I have no idea what's going to happen to either one of those things. There seems to be a conventional wisdom in the industry that we're stuck at 92 percent collections, unless there are changes to the court system.

And then there's this dangerous thing if everyone starts to play kind of armchair psychiatrist, which I don't think is helpful about tenant behavior. But we're at a plateau at 92 percent, again, with a lot of variations across buildings.

And then inflation, I agree, five percent is unusual. I've been doing this for 25 years and we always lived with a two or three percent inflator and the cash flow looked fine. And getting two and three percent rent increases from RGB and there was a balance there. And when what's really thrown it out of balance is the post

pandemic inflation, which I mean, this is not the inflation per se, but it's the expense in operating costs, which is perfectly good proxy and that 10 percent was that 9.8 percent. Like, that was a really kind of terrifying thing to see for the first time when you started to look at underwriting.

And again, I think there's this idea of the owner profile. Like, what are the owners assumptions, what are the buyer's assumptions, the owner's assumptions about when he's thinking about investing in buildings, when lenders are thinking about lending to buildings, you know, as lenders start to live with this and live with their DQ rates and run these projections, you start to -- our credit box has gotten tighter and tighter and tighter.

And, you know, again, I think that good institutional owners don't want to own these buildings because they're being conservative about exactly those two vectors that you raised.

CHAIR MITCHELL: I also have a question about the projections. I know in the fine print it says that the commercial and ancillary

income is not included. And so, I'm curious since we have that data --

MR. RIGGS: Totally. Yeah, yeah, yeah.

CHAIR MITCHELL: For example, we saw in the INE that the average rent stabilized actual income was $18.90. Like why leave that out? Does CPC not have units?

MR. RIGGS: We do have -- we have -- yes, we do have -- we have it -- so it's interesting. Yes, this is again. It's an academic exercise: if you had a hundred percent stabilized building with no retail or, you know, non-residential income, it would look like -- it would look like this. So, if that, those declines are offset by the ability to raise retail rents, know would be the primary example lease rate 3 percent a year inflator. That's positive.

The neighborhoods that I'm the most concerned of might have retail space, it might be renting at $15 or $25 a square foot, and it's probably only ground floor and only part of the ground floor. It absolutely takes some heat off that like very negative academic exercise. It's

interesting to beat the signature portfolio, has a lot of buildings in neighborhoods that I'm, as an affordable housing owner in New York, I'm not used to like being in.

So it's like stabilized buildings on the Upper East Side and in East Village and they have retail space that runs for $140 a square foot. So it's like a huge -- so yes, there is non-residential space that's an important part of any actual analysis of a building. I think it's more impactful in the stronger markets and in the markets that I'm most concerned about, you know, in parts of the Bronx and central Brooklyn, like those, even if it exists, it's not as big of relief as you might think it would be, or as it would certainly be, you know, in the East village.

CHAIR MITCHELL: Yeah. I just ask because I think the projections are of an illustration of one very specific type of scenario, while we are asked to make a decision on what we know is a very diverse stock. So I'm curious if you've applied this exercise to other parts of the stock or other types of building.

I also noticed this was

specifically for pre-1947, which I imagine CPC's portfolio if it has regulatory agreements include some new construction and newer buildings.

MR. RIGGS: It's mostly that pre-1974 but yes, there is new construction. So, I'm kind of working with what I have. Expenses are actually slightly higher in post-1974 buildings.

CHAIR MITCHELL: I imagine rents are too.

MR. RIGGS: True. Yeah, no, I mean those are all good points. I mean, I know other presenters have raised like that you have a very challenging task because of the diversity within the stock. And people say, like, the stock's doing fine, like look at this and some of the stocks doing terrible, look at this.

So I'm among -- well, I'm totally upfront. Like, I'm worried about the 100 percent 60 unit rent stabilized building in the Bronx with significant capital needs and average rents of $1,200 and maybe they've got some ground for retail that pays $15 a square foot. Those buildings are in trouble, and that category is going to grow. If this keeps happening, you know, it's not going to

be 10 percent of the stock; it's going to be and in an extreme, are we saying those neighborhoods in the Bronx don't matter?

Like, people have said that before. I'd hate to be in that situation again. So, I am focused 100 percent on those buildings.

CHAIR MITCHELL: Got it. And last, to clarify, this slide: rent growth is specific. This is the RGB-approved.

MR. RIGGS: All it is the RGB, yes.

CHAIR MITCHELL: Thank you.

Sina?

MR. SINAI: Hi, thank you so much for this. There's two questions that I have. The first one being sort of dovetailing with Chantella's point. The CSP portfolio is very specifically, like I think as I understand it, a distressed, quite a distressed portion of the Signature Loan portfolio, right? Like, the Santander got the kind of more secure or like a --

MR. RIGGS: On paper we have the more distressed look and they have the slightly less distressed.

MR. SINAI: Right. And this is just maybe from the press and I know there's some sort of like adjustability provisions or sort of negotiations around the terms of some of those loans. And I'm wondering, how much that sort of opened up breathing room. The other part of that is, you know, that was just trying to contextualize the sort of debt service coverage ratios and like signs of DQ distress that you were pointing out and sort of wanted to contextualize it there.

And the other thing is a lot of the sort of multifamily lending activity that I've seen sort of has most precipitously dropped off during the rate tightening cycle that started in 2022. And so, to the extent that's a macro variable, that's in terms of, like, when we're trying to frame supply response or credit response kind of tools, the sensitivity is more to the overnight rate than it is to, let's say, marginal shifts in expected rents.

And I think that holds true for when you compare like stabilized lending activity in multifamily units and market rate. So just like trying to contextualize the sort of arguments, I'm

just curious if you have thoughts on --

MR. RIGGS: So, there's a lot there.

MR. SINAI: Yeah.

MR. RIGGS: I'm going to try to, if I get in a rabbit hole, correct me; if I'm off, correct me. So the first thing I point out is the signature portfolio, which I'm going to call the CSP portfolio, as I've been instructed to do, is very different from the CPC portfolio.

And the CPC portfolio is almost entirely long-term fixed-rate debt; that kind of aggressive regional bank lending that was so characteristic of the pre-2019 New York City does not apply to that CPC portfolio, like different animals. And we see distress in both of them.

In the CSP portfolio, it is the more distressed part of the book. That's why we are involved. And this is information that's in the market; I'm not saying anything that's not known, is that we have the ability within parameters that only we are aware of to restructure those loans and forgive principal. The idea being that if we can take the financial, if they're

over-leveraged, we can take the financial pressure off and responsible owners can begin to operate them and make the investments they need and eventually refi out.

Now, it took Signature -- the good thing about that is they don't have to go through foreclosure; this I would call an orderly deleveraging. It's much less painful, although it did require signature to fail in the FDIC. So, all the pain was front loaded and now we've got these levers. So we can forgive -- we can re-underwrite it and say, you know, you're carrying $100,000 a unit in debt, and you really can only carry 75, so if you do this, this, and this, and you do it for three years, we'll forget $25,000.

But my concern is that the solution that works in year one doesn't work in year three or four or five, because they're going to see that declining in a line; we're just going to have to go through the whole thing again. And then in terms of kind of the availability of debt, so Signature's gone; they were the second largest lender in the city.

New York Community Bank, which is

now Flagstar, is basically out of the market. Freddie Mac had a small balanced lending program that was very aggressive and is basically also out of the market. So there is still short-term debt available, it's like the credit standard is high and there's not that competition among aggressive lenders among the regional banks and then including Freddie Mac. I don't think it was a good thing. I think it contributed to over leveraging those buildings and that for better or worse, those institutions have borne the brunt of that their actions and one is gone and although in all fairness the multifamily book did not bring signature down, something else did. But they're gone and Fannie is out of the market and Freddie's out of market. That I -- okay.

CHAIR MITCHELL: Adán.

MR. SOLTREN: Thank you for your presentation.

Could you just remind us, how many units in total are the portfolios we're talking about?

MR. RIGGS: 14,000 in CPC and about 10,000 in CSP, so 24,000.

MR. SOLTREN: So, what percentage?

MR. RIGGS: 2.4 percent.

MR. SOLTREN: Okay. All right. And I guess I just had a question. We're trying to reconcile this with the mortgage survey report that we just received in terms of the 100 percent red stabilized stock, which I think we can do.

MR. RIGGS: Yeah, me too.

MR. SOLTREN: And so, I just, you know, I think we share a common concern for that stock. And so, when I'm seeing, you know, sales are up 20 percent, wouldn't that to me --

MR. RIGGS: I'm sure that data is correct.

MR. SOLTREN: I'm just saying, wouldn't that to me be an indicator that maybe things are stabilizing in that subsection of the stock?

MR. RIGGS: Two things: I'm sure that data is correct. The idea that 100 percent rent stabilized buildings trade in New York right now for $280,000 a unit is not accurate. Like --

MR. SOLTREN: Why do you say that?

MR. RIGGS: Well, I'm trying to

think of something like the Pinnacle portfolio traded at $88,000 a unit. That's a lot less than two and they overpaid. So I don't think that the buildings I'm focused on --

MR. SOLTREN: The 5,400 units in the stock that were subject to the banker.

MR. RIGGS: Yes, yes, yes. And that's, you know, I -- and there's industry news every day of like resales at 50 percent losses from six years ago and all the reasons are apparent, and it's stuff that was bought. It's selling between 40- and 80- or 90,000 a unit. So, that's what I see in the market. I'm sure there's a data set that backs up the $280,000 number. So, I don't think things are selling for $280,000. I think prices are coming down. I don't have a presentation to back that up but….

MR. SOLTREN: I feel like Andrew is looking at something to enlighten us with. Perhaps not.

MR. RIGGS: The other thing is; who is the buyer and what are their assumptions? And when I say good buyers have left the market, like I mean it. I think that just because someone

is willing to pay it, doesn't mean its stable. And I think that the city's made pretty clear, and I agree with them 100 percent that that portfolio, that 5,400 unit portfolio is going to be in trouble very soon because I don't think it's worth 88,000.

MR. MCLAUGHLIN: That's everything, including post-'73.

MR. RIGGS: They broke out the post-'73 and the pre-'73. There's still a shock behind it.

MR. MCLAUGHLIN: Not in the 100 --

MR. RIGGS: And the 100 percent, oh, that's everything.

MR. MCLAUGHLIN: Not in the 100 percent. We didn't say pre-74 or 100 percent stabilized.

MR. RIGGS: But what would be a post-74? I mean, I would expect the price jumps to be, this was mentioned earlier, the big prices would be on 485X or 421A buildings, which would not be 100 percent stabilized. So again, I'm not challenging the data, but the conclusion is not consistent with what we see in the market. And

again --

MS. BURGER: (Unintelligible) stabilized.

MR. RIGGS: Oh, they are through the end of the tax payment. So that might be.

MR. MCLAUGHLIN: Yeah, I think maybe we should take a look at the pre-74, 100 percent stabilized sales prices and that may be more.

MR. RIGGS: Prices will be lower and they will be declining.

MR. MCLAUGHLIN: They certainly would be lower if we take those out and they are averages. They certainly should be lower, but we may see a decline -- I may not. Yeah, we could take a look at that.

MR. RIGGS: I mean, there's been some favorable -- yeah, I noted that too. At first, I was like, oh, this is the explanation because only 7 percent of the sales were from pre-74, but I had it reversed. So, it's 93 percent of those sales were pre-'74.

MR. MCLAUGHLIN: Right, right. I mean, we could take a look at that.

MR. RIGGS: But that differential on that slide was like $800,000, almost $800,000. So, it's a big -- if you put those back into the 100 percent, maybe that accounts for part of it. But I mean, that is something I would suggest the Board follow up on is like, what are sales prices in the market for 100 percent stabilized buildings, which are trading sometimes in foreclosure or bankruptcy and sometimes just people trying to get out before they go into a foreclosure or bankruptcy.

CHAIR MITCHELL: Sagar?

MR. SHARMA: I feel the follow question on, I guess slide number 18, where you go through the one to four year increase at zero and just under the assumption that the question was they had 92 percent when rent stayed the same. In my mind shouldn't it go up a little bit if the rent stay the same and they are more affordable and I want to see your thoughts on why that assumption was made that it was the same.

MR. RIGGS: I mean, that's the assumption. You know I always talked about why their collections were so good pre-pandemic, and

it's because a below market apartment, you know, with a lease is a very, very valuable thing. And it's actually -- it's almost to my mind, form of equity that you have as the tenant.

I mean, you can't -- it's not liquid, but as long as you're there, you have this incredible benefit and tenants would go to great length and not pay other things to pay the rent. And I mean, the decline during the pandemic was understandable, but somehow it changed the dynamic and it were back up to 92.

If you're paying 1,680 or in the more extreme, you know, in the Bronx, if you're paying $1,200 a month, like you're already below market. I don't know why being slightly more below market would change how committed you were to paying or not paying the rent, but it is an arbitrary number and we've kept it the same.

MR. SHARMA: And since you do have these buildings that have a lot of regulatory agreements, would you be able speak to how much of the 8 percent loss is reflected by constraints by the agreements? As a tenant attorney, I do see all the time that there are a lot of cases where

tenants aren't allowed to succeed to units due to these agreements, and therefore they're not paying rent on those units. And what percentage of those are due to the constraints put by those agreements versus the tenants not paying themselves?

MR. RIGGS: I don't quite follow the question. I'm not familiar with that dynamic.

MR. SHARMA: So usually when a tenant of record for a unit that has a regulatory agreement tax abatement passes away, a lot of times, there's a lot of red tape that would allow the landlord to give the unit to a family member who might be in the unit. And when that happens, there are court cases that have to be filed, like holdovers. And during those holdovers, rent's not being paid. And it's often because tenants are saying that we could pay the rent, but the landlord's like, we can't give you this apartment due to red tape.

MR. RIGGS: Until they become the legal sponsor.

MR. SHARMA: Or if they can even due to the agreements that are creating the -.

MR. RIGGS: God forbid he accepts

rent in the meantime, because it's right.

MR. SHARMA: Correct. So I'm still questioning what the 92 percent rate is. Like, what is that -- is that due to tenant inability to pay, or also significant red tape that stops the payment of rent?

MR. RIGGS: It's non-payment. I don't know the reason, I certainly can imagine that that would be a factor. I don't know what percentage it would be. But again, to me, what I see is like the change from, you know, you can underwrite to 95 or even 97 and you're to get 98 or 99 and today you can't make those assumptions anymore.

And so, we're underwriting to 10 percent collections losses. And, you know, the buildings can carry less debt because that's the reality. Until they can prove, so, I don't know why succession would have changed between pre-pandemic and post-pandemic. It probably plays a role, it's probably always played a role. But the net net-collections are, and if you kind of talk to people, to owners and managers, like it is one of the first things that after they complain

about insurance, then they'll start complaining about projection.

And just, I was here for the insurance discussion, there is this, I agree it's, liability drives it, not property, and it has to do with, you know, that legal liability, but to the extent it's property, it's the extent that construction prices have gone up so much that to repair a unit after a fire costs more than it did five years ago. So, you know, the business model, so it's driven by liability, but also comes from property.

And then, there is an -- in terms of projections, this is completely anecdotal and it's actually an anecdotal projection. There is some expectation that insurance costs are going to have -- will reach a plateau and we're not going to see the same increase, the same really dramatic increase as we've seen over the last four years.

So I don't know if that's going to happen or not, but there is an expectation among some owners that it will.

CHAIR MITCHELL: Yeah. I have two questions sticking with this slide.

Since this is model at the unit level and distress is at the building level, I'm curious how we should think about this in terms of measuring unit distress since there are so many things that go into actually like the cash flow maintenance, all those things of a distressed building.

And then second question, I'm really going with you in the exercise piece of this; is CPC's recommendation that, I know we'll be talking about income and affordability next week, but that the RGB approved increases to not only get net operating income in these specific buildings positive, but also to a 1.25 DSCR. And is, like, that the recommendation of CPC or are we perhaps missing some other things around preservation tools and around expense relief? I just see the last slide of what the factors lead to and I'm like, something's missing.

MR. RIGGS: There's some nuance here, but I don't think it is the RGB's job or the tenant's job to bail out the lenders and the owners. So I would never come in front of you as a lender and say, you've got to get coverage back up

to 125 so we don't take losses. That's what I want to do, but I can't -- that's not responsible.

CHAIR MITCHELL: Thank you for your honesty.

MR. RIGGS: But if I step back, you know, I can go down. The lenders and owners will have to absorb the losses. That's -- it's economics, and -- but they have to stabilize, so they can say, well, this is what the unit in the building's actually worth. And owners can begin to lend again -- lenders can lend. Owners can borrow. Good owners.

I mean, the worst-case scenario is an owner that says I'm going to buy this building because I have a cash flow projection that looks like this, and the cash is going to be gone in seven years if I cut expenses to $7,000 a unit and don't invest a penny. I can take the net present value of that and that's the price I'll pay, and then I will just milk that building until again I'll walk away from it. That's completely hypothetical but in theory it exists in the market.

To make room in the market for responsible owners who say, I'm going to invest in

this thing and own it for 30 years and give it to my kids, and I'm going to do right by the tenants and the asset, because it has to cash flow, and bring the interest of the owner back in alignment with the interest of the tenants, those owners are not going to come into the market if they have a - if their projection look like this.

CHAIR MITCHELL: Got it, and again, this is a very specific look, but I do have still the question of is there, on the last slide, where it's kind of the factors, is there something missing there in your experience in terms of what the -- I know you mentioned CPC as a CDFI has certain tools, but is there, the very last slide, I think is where it --

MR. RIGGS: Oh, yeah, yeah.

CHAIR MITCHELL: Yes.

MR. RIGGS: I mean, look, we can tap tax abatements from the city; we can tap low interest loans from the city; we can tap energy efficiency, like those programs exist. There are resources that can be brought into the -- but the idea that the public sector is going to bail out, you know, the distressed stock and Furman says

there are like over 440,000 units in 100 percent stabilized buildings concentrated in the outer boroughs.

The idea that the public sector is going to like just forego taxes on all of those or like, so we do have tools. We use them in our portfolio, we use them for good borrowers that we have confidence in, but I don't think the resources exist nor would it be appropriate for, you know, the city of New York to just take care of either paying everybody's rent or paying operating costs for the city -- for the owners.

Now, whatever the city can do to bring down insurance costs, utility costs, like, Godspeed, like, that's really helpful. And a targeted tax abatement to good owners who demonstrate distress is like a hardship. Those are wonderful tools and the city's working at them. But if, I would say, you know, it's very hard to solve on the expense side if this is what you're looking at over time.

And I would say revenue is the universal solvent. Revenue can solve all those problems. And, you know, going back to this, which

like the idea that modest tax increases are somehow abandoning rent-stabilized tenants to the market, you know, isn't really true. I feel like there's a disconnect where people say like cost of housing is spiraling and it's true and rents are going up, they're spiraling and you see the non-outside of the stabilized stock, see rent increases and asking rents in the double digits year over year. Like we have to do something.

Say, well let's go over to this housing stock where we have two and three percent increases, and let's make that -- like that's pretty -- there's a lot of protection there. I don't know if it's enough protection, that's not my job to say, but the idea that there's that - that the frustration that people feel with the market rate stock, that then somehow the solution is squeezing the stabilized stock.

There's a displacement there, and I think you can, you know, in this inflationary environment, you don't need a zero percent rent increase to offer protection to tenants.

CHAIR MITCHELL: Thank you. And do you know which CPI this is?

MR. RIGGS: I do not, but I could find out. Someone had to explain this to me a couple of days ago.

CHAIR MITCHELL: Very interesting.

Other questions from the Board?

(No response.)

CHAIR MITCHELL: Thank you so much, Robert.

MR. RIGGS: Thank you very much. It's good to see you all again.

CHAIR MITCHELL: Good to see you too.

Any more discussion from the Board?

(No response.)

CHAIR MITCHELL: All right. Motion to adjourn.

MS. SMYTH: Motion to adjourn.

CHAIR MITCHELL: Thank you, Christina.

Second?

MR. SINAI: Second.

CHAIR MITCHELL: Thank you, Sina.

All right. Thank you. We are

adjourned.

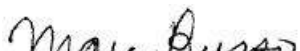
STATE OF NEW YORK)

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 102, 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 6th day of August, 2026.



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