

## EXPLANATORY STATEMENT - APARTMENT ORDER #52

### Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2020-21 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law<sup>1</sup>

#### Summary of Order No. 52

The Rent Guidelines Board (RGB) by Order No. 52 has set the following maximum rent increases for leases effective on or after October 1, 2020 and on or before September 30, 2021 for apartments under its jurisdiction:

For a one-year lease commencing on or after October 1, 2020 and on or before September 30, 2021: **0.0%**

For a two-year lease commencing on or after October 1, 2020 and on or before September 30, 2021: **0.0%** for the first year of the lease and **1.0%** for the second year of the lease.

#### Adjustments for Lofts

For Loft units to which these guidelines are applicable in accordance with Article 7-C of the Multiple Dwelling Law, the Board established the following maximum rent increases for increase periods commencing on or after October 1, 2020 and on or before September 30, 2021.

One-year: **0.0%**

Two-year: **0.0%** for the first year and **1.0%** for the second year

These guidelines apply to all leases and increase periods. Therefore, consistent with guidance from New York State Homes and Community Renewal (HCR), the guidelines apply to vacant apartment and loft units that become occupied during the term of the Order, as well as to renewal leases or periods. No more than one guideline adjustment may be added during the guideline year governed by Order No. 52.

The guidelines do not apply to hotel, rooming house, and single room occupancy units that are covered by separate Hotel Orders.

#### Special Guideline

Leases for units subject to rent control on September 30, 2020 that subsequently become vacant and then enter the stabilization system are not subject to the above adjustments. Such newly stabilized rents are subject to review by HCR. In order to aid HCR in this review, the Rent Guidelines Board has set a special guideline of **39%** above the maximum base rent.

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<sup>1</sup> This Explanatory Statement explains the actions taken by the Board members on individual points and reflects the general views of those voting in the majority. It is not meant to summarize all the viewpoints expressed.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2020 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

## **Background of Order No. 52**

The Rent Guidelines Board is mandated by the Rent Stabilization Law of 1969 (Section 26-510(b) of the NYC Administrative Code) to establish annual guidelines for rent adjustments for housing accommodations subject to that law and to the Emergency Tenant Protection Act of 1974. In order to establish guidelines, the Board must consider, among other things:

1. the economic condition of the residential real estate industry in the affected area including such factors as the prevailing and projected (i) real estate taxes and sewer and water rates, (ii) gross operating and maintenance costs (including insurance rates, governmental fees, cost of fuel and labor costs), (iii) costs and availability of financing (including effective rates of interest), (iv) overall supply of housing accommodations and overall vacancy rates;
2. relevant data from the current and projected cost of living indices for the affected area;
3. such other data as may be made available to it.

The Board gathered information on the above topics by means of public meetings and hearings, written submissions by the public, and written reports and memoranda prepared by the Board's staff. The Board calculates rent increase allowances on the basis of cost increases experienced in the past year, its forecasts of cost increases over the next year, its determination of the relevant operating and maintenance cost-to-rent ratio, and other relevant information concerning the state of the residential real estate industry.

## **Material Considered by the Board**

Due to the COVID-19 health crisis, the Board held virtual public meetings and hearings.<sup>2</sup> Order No. 52 was issued following **six** virtual public meetings, **two** virtual public hearings, its review of written, oral and video submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. Approximately **210** written, oral and video submissions were received by the Board from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 11, 2020** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held virtually following public notice on April 23, April 30, May 5 and May 27, 2020. On **May 7, 2020**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

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<sup>2</sup> On March 12, 2020, Governor Cuomo issued Executive Order Number 202.1, in part suspending "Article 7 of the Public Officers Law, to the extent necessary to permit any public body to meet and take such actions authorized by the law without permitting in public in-person access to meetings and authorizing such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed."

Public hearings were held virtually on **June 10 and June 11, 2020** pursuant to Section 1043 of the New York City Charter and Section 26-510(h) of the New York City Administrative Code. Testimony on the proposed rent adjustments for rent-stabilized apartments and lofts was heard on June 10 from **4:00 p.m. to 7:57 p.m.** and June 11 from **6:00 p.m. to 9:48 p.m.** Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately 65** apartment tenants and tenant representatives, **35** apartment owners and owner representatives, and **11** public officials. In addition, **1** speaker read into the record written testimony from a public official. On **June 17, 2020** the guidelines set forth in Order No. 52 were adopted.

A written transcription and/or audio recording and/or video recording was made of all proceedings.

**Presentations by RGB Staff and Housing Experts Invited by Members of the Board**

Each year the staff of the New York City Rent Guidelines Board is asked to prepare numerous reports containing various facts and figures relating to conditions within the residential real estate industry. The Board’s analysis is supplemented by testimony from industry and tenant representatives, housing experts and by various articles and reports gathered from professional publications.

Listed below are invited speakers and the dates of the public meetings at which their testimony was presented:

<u>Meeting Date / Name</u>	<u>Affiliation</u>
<b>April 23, 2020:</b>	<u>Staff presentations</u> <i>2020 Income and Expense Study</i> <i>2020 Price Index of Operating Costs</i>
<b>April 30, 2020:</b>	<u>Staff presentations</u> <i>2020 Income and Affordability Study</i> <i>Supplement to the 2020 Income and Affordability Study</i> <i>2020 Mortgage Survey Report</i>
<b>May 5, 2020:</b>	<u>Owner group testimony:</u>
1. Vito Signorile	Rent Stabilization Association (RSA)
2. Paimaan Lodhi	Real Estate Board of New York (REBNY)
3. Joseph Condon	Community Housing Improvement Program (CHIP)
4. Jimmy Silber	Small Property Owners of New York (SPONY)
	<u>Tenant group testimony:</u>
1. Oksana Mironova	Community Service Society (CSS)
2. Tim Collins	Collins, Dobkins and Miller LLP
3. Barika Williams	Association for Neighborhood and Housing Development (ANHD)
4. Brian Sullivan	Mobilization for Justice, Inc.
5. Larry Wood	Goddard Riverside Law Project
6. Amadi Ozier	Tenant

7. Rita Marmor Tenant  
8. Kim Statuto Tenant, CASA Leaders Team

**May 27, 2020:**

Staff presentations  
*2020 Housing Supply Report*  
*Changes to the Rent Stabilized Housing Stock*  
*in New York City in 2019*

1. Lucy Joffe NYC Department of Housing Preservation and Development  
Assistant Commissioner, Housing Policy

### **Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups<sup>3</sup>**

Comments from tenants and tenant groups included:

“RGB’s rent freezes have eased housing hardships for rent regulated tenants in the past and can do so again during what will be an extremely trying, and long, pandemic recovery period. We call on the RGB to freeze tenants’ rents for both one- and two-year leases, to help mitigate the immediate impacts of the pandemic and provide some sense of long-term stability during an incredibly turbulent and uncertain time.”

“If apartments become unaffordable because operating costs are truly driving prices up, rent increases may be a necessary evil to sustain the housing stock and to ensure a fair return for owners. But if apartments are becoming unaffordable because unwarranted rent increases are simply transferring wealth from the City’s tenants to its owners – resulting in excessive profits for owners – then it is indefensible. With this year’s receipt of the income and expense data from the 2018 tax filings the record is now clear: The RGB has continued to overcompensate the City’s landlords while ignoring continuing hardships faced by tenants. For all of the foregoing reasons, this Board must act without hesitation to provide relief where prior guidelines have inflicted so much unnecessary harm. Future economic conditions suggest that harm will only be amplified in the coming year.”

“We’re in the middle of a worldwide pandemic with depression-level unemployment and economic contraction. We should be reducing rent or waiving it entirely. It’s absurd to even consider raising rents.”

“The RGB should vote a rent freeze for both one-year and two-year leases. Hundreds of thousands of tenants have lost their jobs due to the COVID-19 pandemic and many thousands do not qualify for stimulus checks or unemployment insurance benefits because of their immigration status. It is so hard for tenants to pay their current rents. They should not have to bear the additional burden of having to pay more at this time. A rent increase will make many, many thousands of tenants have to choose between paying for rent and paying for food, medicine and other essentials.”

“If there ever were a time to support struggling individuals and families, especially those with a limited safety net, the time is now. I understand that landlords, too, may be struggling, but they have access to many more resources than tenants--there are no small business loans (ultimately forgivable) that allow tenants to pay their rent. A rent rollback is just the kind of city-

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<sup>3</sup> Sources: Submissions by tenant groups and testimony by tenants.

based support that our neighbors need. Please, I beseech you to do the just thing in making life easier for a large portion of our community--NYC renters--by rolling back rents for NYers in need. This is the time for you to stand with our most vulnerable families and stand together as New Yorkers have done throughout this pandemic to support each other in a time of great crisis.”

#### **Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups<sup>4</sup>**

Comments from owners and owner groups included:

“The 2020 Rent Guidelines Board PIOC study found that increases between 2.5% - 3.5% for 1-year leases and 3.3% - 6.75% for 2-year leases are required to maintain owners’ current dollar NOI. REBNY recommends a minimum of a 2.4% increase for 1-year leases, commensurate with the weighted increase of expenses dedicated to property taxes.”

“This board’s data acknowledges that property owners need rent increases: a 3% increase for a one-year lease and a 6% increase for a two-year lease are necessary for rents to keep up with rising operating costs. To freeze rents under these circumstances would be a conscious decision to ignore the data, punish property owners, and make a political statement. That is not this board’s mandate.”

“We urge the RGB to adopt a range that reflects the commensurate rent increases that RGB research suggests as necessary increases: 2.5% to 4.5% for a one-year lease and 3.5% to 5.5% for a two-year lease. Furthermore, pursuant to clarification issued by DHCR last fall with regard to the HSTPA of 2019, these renewal guidelines should also apply to vacancy and renewal leases. These guidelines would be a starting point for owners to recoup for recent inadequate guidelines, the draconian changes to the State’s rent laws, and reverse the recent trend in which the RGB’s own commensurate rent adjustments have been deliberately ignored over the last six years.”

“Just like the tenants, small property owners are individual small business owners that also need help to keep their buildings. Many insist that property owners should bear the significant brunt of the pandemic’s economic downside. Small property owners are also hurting because we cannot collect the rent that pays for our ever-increasing building expenses. All property owners are still required to make current payments that are not excused by the passing of HSTPA or of the existence of the pandemic, such as payments to lenders, service providers, utility companies, real estate taxes with very high 18% interest rates if we don’t pay timely, increasing water and sewer charges to the city, escalating, expensive insurance premiums, normal maintenance and large major capital improvements for our century old buildings.”

“With so many New Yorkers walking a financial tightrope or even having no rope at all, I agree that tenant assistance is needed, and government bears the responsibility of creating an appropriate and equitable solution to the situation. However, the solution cannot one sided - forcing rents to be well below operating costs. I know my tenants personally and am always willing to work with them. However, it is beyond my ability to provide such reduced rent when many of the expenses related to the maintenance of desirable housing continue to rise including but not limited to: water/sewer bills, heating and electric bills, monthly extermination services, building & apartment repairs, boiler maintenance and property taxes.”

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<sup>4</sup> Sources: Submissions by owner groups and testimony by owners

## **Selected Excerpts from Oral and Written Testimony from Public Officials<sup>5</sup>**

Comments from public officials included:

“This year, I urge the RGB to freeze rents for all renewal leases, including one- and two-year leases. As the devastating impacts of this virus continue to ripple across the City, a rent increase would be unconscionable, and, for many New Yorkers, insurmountable. As the City continues to explore all avenues to help New Yorkers weather this storm, a freeze for rent regulated units would be an invaluable way to mitigate the shockwaves of this virus and help the City to survive and recover. Now more than ever, New Yorkers deserve the promise of stability provided by rent-regulated housing, and I look forward to the RGB’s determination.”

“Ordinarily, I would consider the rent freeze recommended by the RGB at its May 7 meeting to be a welcome development. The RGB has earned well-deserved praise for its historic vote to freeze one-year lease renewal increases for 2015 and 2016. But this year, I urge the Board to roll back rents by as much as 3 percent for one-year leases, and by 2 percent for two-year leases. I appreciate that a rollback is a dramatic move. But it may make the difference between tenants being able to pay their rent on time and the grim prospect of economic deprivation, eviction, or homelessness.”

“This year, I am calling on the Rent Guidelines Board to vote for a rent rollback or -2% for one-year leases and -1% for two-year leases. If the Board does not support a rent rollback, I urge you to at least vote for a rent freeze. While I understand that in your preliminary vote, you voted for a rent freeze for one-year leases, I urge you to consider voting for a rent rollback given the extended pain caused to tenants by the Covid-19 pandemic. If there’s one thing we can learn from this crisis, it’s that we are all in this together. We cannot continue with a mentality that every person must fend for themselves.”

“In many ways, our economy has not seen a crisis of this magnitude since the 1930s. New Yorkers are hurting due to an unprecedented, forced closure of business activity and its repercussions such as unemployment and heightened food insecurity. In the absence of a universal rent-forgiveness program from the State, the Rent Guidelines Board must step in and do what it can to provide relief to tenants, who do not have any real alternative financial recourse...Therefore, I ask that the Board freeze rent increases on the residential stock it oversees.”

“This year, I urge the RGB to freeze rents for all renewal leases, including one- and two-year leases. As the devastating impacts of this virus continue to ripple across the City, a rent increase would be unconscionable, and, for many New Yorkers, insurmountable. As the City continues to explore all avenues to help New Yorkers weather this storm, a freeze for rent regulated units would be an invaluable way to mitigate the shockwaves of this virus and help the City to survive and recover.”

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<sup>5</sup> Sources: Submissions by public officials.

## **FINDINGS OF THE RENT GUIDELINES BOARD**

### **Rent Guidelines Board Research**

The Rent Guidelines Board based its determination on its consideration of the oral and written testimony noted above, as well as upon its consideration of statistical information prepared by the RGB staff set forth in these findings and the following reports:

1. *2020 Income and Expense Study*, April 2020 (based on income and expense data provided by the Finance Department, the *Income and Expense Study* measures rents, operating costs and net operating income in rent stabilized buildings);
2. *2020 Mortgage Survey Report*, April 2020 (evaluates recent underwriting practices, financial availability and terms, and lending criteria);
3. *2020 Income and Affordability Study*, April 2020 (includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2020 Price Index of Operating Costs*, April 2020 (measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);
5. *2020 Housing Supply Report*, May 2020 (includes new housing construction measured by certificates of occupancy in new buildings and units authorized by new building permits, tax abatement and exemption programs, and cooperative and condominium conversion and construction activities in New York City); and,
6. *Changes to the Rent Stabilized Housing Stock in NYC in 2019*, May 2020 (quantifies all the events that lead to additions to and subtractions from the rent stabilized housing stock).

The six reports listed above may be found in their entirety on the RGB's website, [nyc.gov/rgb](http://nyc.gov/rgb), and are also available at the RGB offices, One Centre St., Suite 2210, New York, NY 10007 upon request.

### **2020 Price Index of Operating Costs for Rent Stabilized Apartment Units in New York City**

The 2020 Price Index of Operating Costs for rent stabilized apartments in New York City found a 3.7% increase in costs for the period between March 2019 and March 2020.

This year, the PIOC for all rent stabilized apartments increased by 3.7%. Increases occurred in all PIOC components, except Fuel. The largest proportional increase was seen in Insurance (16.5%), followed by Taxes (5.9%), Maintenance (4.8%) and Administrative Costs (3.5%). More moderate increases occurred in the Labor Costs (3.2%) and Utilities (1.6%) components, while Fuel was the only component to decline (12.3%). The growth in the Consumer Price Index (CPI), which measures inflation in a wide range of consumer goods and services, during this

same time period was lower than the PIOC, rising 1.8%.<sup>6</sup> See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2019-20.

The “Core” PIOC, which excludes changes in fuel oil, natural gas and steam costs used for heating buildings, is useful for analyzing long-term inflationary trends. The Core PIOC rose by 5.1% this year and was higher than the overall PIOC due to the exclusion of costs in the Fuel component, which fell 12.3%.

**Table 1**

2019-20 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City <sup>7</sup>			
Component	Expenditure Weights	2019-20 Percentage Change	2019-20 Weighted Percentage Change
Taxes	31.88%	5.90%	1.88%
Labor Costs	10.99%	3.15%	0.35%
Fuel Oil	7.86%	-12.30%	-0.97%
Utilities	10.08%	1.58%	0.16%
Maintenance	18.33%	4.84%	0.89%
Administrative Costs	15.61%	3.53%	0.55%
Insurance Costs	5.26%	16.53%	0.87%
All Items	100%	-	3.73%

Source: 2020 Price Index of Operating Costs.

## Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study is 15,012 properties containing 675,924 units. This is the 28<sup>th</sup> year that staff has been able to obtain longitudinal data in addition to cross-sectional data. The RGB staff found the following average monthly (per unit) operating and maintenance (O&M) costs in 2019 Real Property Income and Expense (RPIE) statements for the year 2018:

**Table 2**

2018 Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	\$998	\$1,116	\$1,034

Source: 2020 Income and Expense Study, from 2019 Real Property Income and Expense filings for 2018, NYC Department of Finance.

In 1992, the Board benefited from the results of audits conducted on a stratified sample of 46 rent stabilized buildings by the Department of Finance. Audited income and expense (I&E)

<sup>6</sup> The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2019 to February 2020 (279.3) compared to the average for the year from March 2018 to February 2019 (274.3) rose by 1.8%. This is the latest available CPI data and is roughly analogous to the ‘PIOC year’.

<sup>7</sup> Totals may not add due to weighting and rounding.



figures were compared to statements filed by owners. On average the audits showed an 8% over reporting of expenses. The categories, which accounted for nearly all of the expense over reporting, were maintenance, administration, and "miscellaneous." The largest over-reporting was in miscellaneous expenses.

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be \$949, rather than \$1,034. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

**Table 2(a)**

2018 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs <sup>8</sup>	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	\$949	\$1,397	0.680	\$1,568	0.605

Source: *2020 Income and Expense Study*, from 2019 Real Property Income and Expense filings for 2018, NYC Department of Finance.

### Forecasts of Operating and Maintenance Price Increases for 2020-21

In order to decide upon the allowable rent increases for two-year leases, the RGB considers price changes for operating costs likely to occur over the next year. In making its forecasts the Board relies on expert assessments of likely price trends for the individual components, the history of changes in prices for the individual components and general economic trends. The Board's projections for 2020-21 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

**Table 3**

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2019-20 and Projected 2020-21		
	Price Index 2019-20	Projected Price Index 2020-21
Taxes	5.9%	3.9%
Labor Costs	3.2%	3.4%
Fuel Oil	-12.3%	-11.7%
Utilities	1.6%	0.4%
Maintenance	4.8%	4.0%
Administrative Costs	3.5%	2.9%
Insurance Costs	16.5%	8.5%
<b>Total (Weighted)</b>	<b>3.7%</b>	<b>2.4%</b>

Source: *2020 Price Index of Operating Costs*.

<sup>8</sup> Overall O&M expenses were adjusted according to the findings of an income and expenses audit conducted by the Department of Finance in 1992. The unadjusted **O&M to Rent** ratio would be 0.740. The unadjusted **O&M to Income** ratio would be 0.659.

Overall, the PIOC is expected to grow by 2.4% from 2020 to 2021. Costs are predicted to rise in each component except Fuel, with the largest growth (8.5%) projected to be in Insurance, with Taxes, the component that carries the most weight in the Index, at 3.9%. Other projected increases include Maintenance (4.0%), Labor Costs (3.4%), Administrative Costs (2.9%), and Utilities (0.4%). Fuel is the only component predicted to decrease, by 11.7%. Table 3 on this page shows projected changes in PIOC components for 2021. The Core PIOC is projected to rise 3.6%, 1.2 percentage points more than the overall projected Apartment PIOC.

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## Commensurate Rent Adjustment

Throughout its history, the Rent Guidelines Board has used a formula, known as the commensurate rent adjustment, to help determine annual rent guidelines for rent stabilized apartments. In essence, the “commensurate” combines various data concerning operating costs, revenues and inflation into a single measure to determine how much rents would have to change for net operating income (NOI) for rent stabilized apartments to remain constant.<sup>9</sup> The different types of “commensurate” adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

In its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain owners’ current dollar NOI for their rent stabilized apartments at a constant level. In other words, the commensurate provides a set of one- and two-year renewal rent adjustments, or guidelines, that will compensate owners for the change in prices measured by the PIOC and keep net operating income constant.

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the term of leases actually signed by tenants, it does not adjust owners’ NOI for inflation. The “Net Revenue” formula is presented in two ways: first, by adjusting for the mix of lease terms; and second, by adding an assumption for rent stabilized apartment turnover and the subsequent impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 3.7% increase in the PIOC is 2.75% for a one-year lease and 5.5% for a two-year lease. Using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover, results in guidelines of 2.5% for one-year leases and 4.25% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (O&M) costs and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 1.8% increase in the Consumer Price Index and the 3.7% increase in the PIOC is 3.5% for a one-year lease and 6.75% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 3.0% for one-year leases and 6.0% for two-year leases.<sup>10</sup>

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<sup>9</sup> The commensurate rent adjustments are designed to keep NOI constant in rent stabilized apartments only. They are not designed to keep NOI constant in deregulated units that are subject to changes in the real estate rental market. Therefore these formulas will not necessarily keep NOI constant for buildings that contain both rent stabilized and deregulated units.

<sup>10</sup> The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 65.9% of the 2020 PIOC increase of 3.7%, or 2.5%. The 65.9% figure is the most recent ratio of average operating costs to average income in buildings that contain rent stabilized units; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.1% times the latest 12-month increase in the CPI ending February 2020 (1.8%), or 0.62%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2017 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, a 3.97% increase in vacancy leases was applied to the estimated 10.1% of rent stabilized units that turn over each year (as based on 2017 NYC Housing and Vacancy Survey data). This increase was derived from 2019 New York State Homes and Community Renewal registration data for vacant units, with adjustments to account for the presumed effect of the Housing Stability & Tenant Protection Act of 2019 on vacancy leases. The estimated increase in vacancy leases is based on the increase that rent stabilized units without preferential rents were able to take under RGB Apartment

The third commensurate 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 the PIOC projection. The “traditional” commensurate yields 2.5% for a one-year lease and 3.3% for a two-year lease. This reflects the increase in operating costs of 3.7% found in the 2020 PIOC and the projection of a 2.4% increase next year.

All of these commensurate methods have limitations. The “Net Revenue” formula does not attempt to adjust NOI based on changes in interest rates or the effect of inflation. The “CPI-Adjusted NOI” formula inflates the debt service portion of NOI, even though interest rates have been historically low over recent years. For both of these commensurate methods, including a consideration of the amount of income owners receive on vacancy assumes that turnover rates are constant across the City.

As a means of compensating for cost changes, the “traditional” commensurate rent adjustment has two major flaws. First, although the formula is designed to keep owners’ current dollar income constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about two-thirds of leases are renewed in any given year, with a slight majority of leases being renewed having a one-year duration, the formula does not necessarily accurately estimate the amount of income needed to compensate owners for O&M cost changes. A second flaw of the “traditional” commensurate formula is that it does not consider the erosion of owners’ income by inflation. By maintaining current dollar NOI at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the “traditional” commensurate formula.<sup>11</sup>

Finally, it is important to note that only the “traditional” commensurate formula uses the PIOC projection and that this projection is not used in conjunction with, or as part of, the “Net Revenue” and “CPI-Adjusted NOI” formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The “Net Revenue” and the “CPI-Adjusted NOI” formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (3.7%). The traditional method differs from the other formulas in that it uses both the PIOC’s actual change in costs as well as the projected change in costs (2.4%).

Each of these formulae may be best thought of as a starting point for deliberations. The data presented in other Rent Guidelines Board annual research reports (e.g., the *Income and Affordability Study* and the *Income and Expense Study*) along with public testimony can be used in conjunction with these various commensurates to determine appropriate rent adjustments.

## **Consideration of Other Factors**

Before determining the guideline, the Board considered other factors affecting the rent stabilized housing stock and the economics of rental housing.

## **Effective Rates of Interest**

The Board took into account current mortgage interest rates and the availability of financing and refinancing. It reviewed the staff's *2020 Mortgage Survey Report* of lending institutions.

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Order #51, and the increase that vacant units with preferential rents took between 2018 and 2019; and (6) the collectability of these commensurate adjustments are assumed.

<sup>11</sup> Whether profits will actually decline depends on the level of inflation, the composition of NOI (i.e., how much is debt service and how much is profit), and changes in tax law and interest rates.

Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

**Table 4**

2020 Mortgage Survey <sup>12</sup>									
Average Interest Rates and Points for									
New Financing of Permanent Mortgage Loans 2012-2020									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Avg. Rates	4.6%	4.4%	4.9%	4.3%	4.0%	4.3%	4.8%	4.7%	4.0%
Avg. Points	0.63	0.59	0.54	0.70	0.42	0.44	0.44	0.38	0.22

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<sup>12</sup> Institutions were asked to provide information on their "typical" loan to rent stabilized buildings. Data for each variable in any particular year and from year to year may be based upon responses from a different number of institutions.

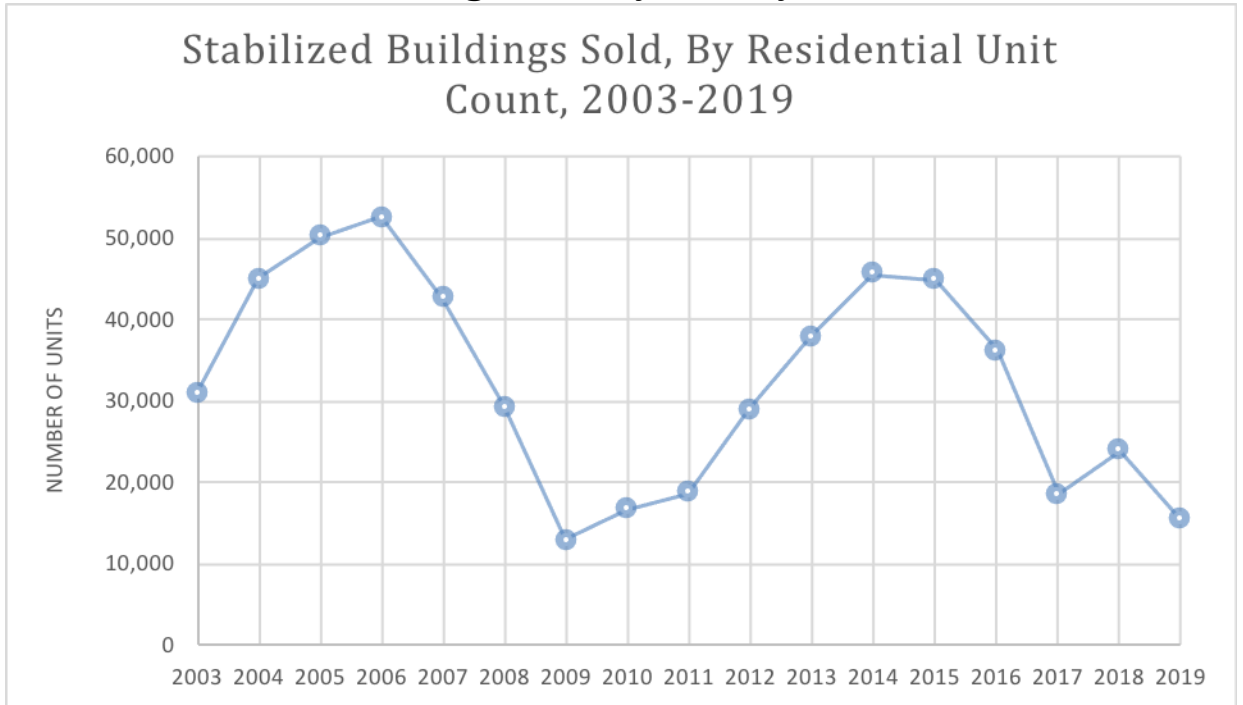
**On April 28, 2020 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2020 Mortgage Survey Report*. The memo follows:**

Board members asked for additional information from the *Mortgage Survey Report* (MSR) last year. This memo provides an update. The table below lists the total number of residential units located in rent stabilized buildings Citywide sold each year, along with the total number of buildings sold, as well as the average number of units in each building sold each year. On the following page are graphs of building sales by unit count and by building count.

In addition, to understand the potential impact of the passage last June of the Housing Stability & Tenant Protection Act of 2019, this year's *MSR* reported a 37% decline in the number of buildings sold during the second half of 2019, compared to the second half of 2018. When analyzing the number of residential units in these same buildings sold, there was a 48% decline over the same period, which shows that the average sized building sold in the latter half of 2019 was smaller, compared to the same period in 2018.

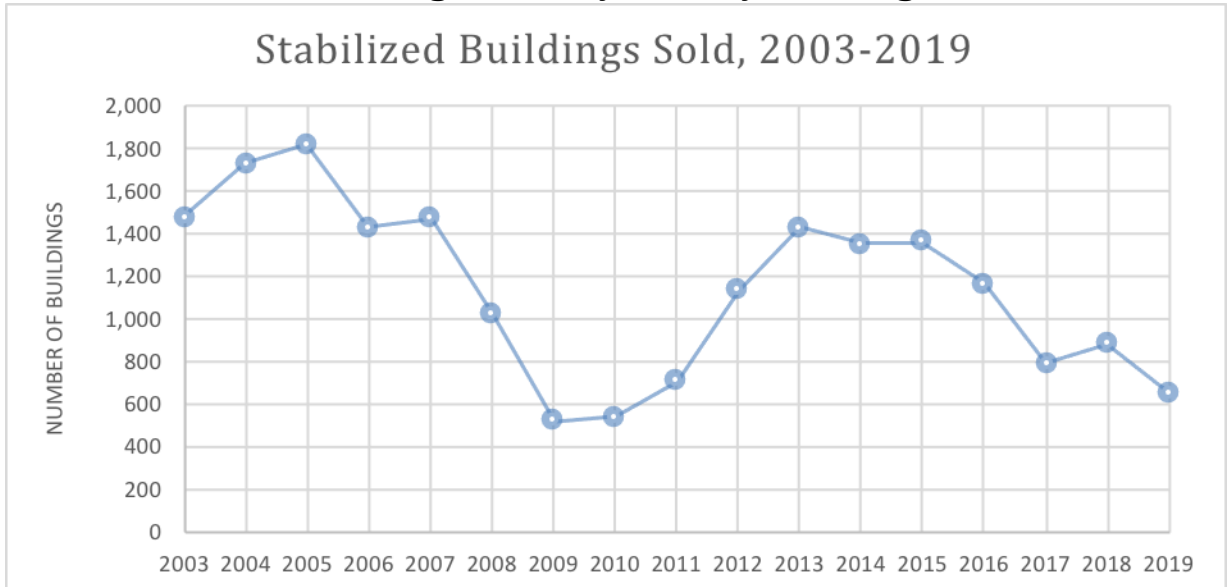
<b>Year</b>	<b># of Residential Units in RS Buildings Sold</b>	<b># of RS Buildings Sold</b>	<b>Average # of Residential Units per Building Sold</b>
<b>2019</b>	15,278	650	23.5
<b>2018</b>	23,932	885	27.0
<b>2017</b>	18,370	793	23.2
<b>2016</b>	36,150	1,167	31.0
<b>2015</b>	44,847	1,361	33.0
<b>2014</b>	45,534	1,356	33.6
<b>2013</b>	37,855	1,431	26.5
<b>2012</b>	28,912	1,135	25.5
<b>2011</b>	18,628	709	26.3
<b>2010</b>	16,565	541	30.6
<b>2009</b>	12,827	521	24.6
<b>2008</b>	29,232	1,021	28.6
<b>2007</b>	42,567	1,474	28.9
<b>2006</b>	52,557	1,433	36.7
<b>2005</b>	50,168	1,816	27.6
<b>2004</b>	45,025	1,728	26.1
<b>2003</b>	30,969	1,481	20.9

### Rent Stabilized Building Sales Citywide, by Unit, 2003-2019



Note: Figures exclude Staten Island. Source: NYC Department of Finance.

### Rent Stabilized Building Sales Citywide, by Building, 2003-2019



Note: Figures exclude Staten Island. Source: NYC Department of Finance.

**[END OF MEMO]**

## Condition of the Rent Stabilized Housing Stock

The Board reviewed the number of units that are moving out of the rental market due to cooperative and condominium conversion.

**Table 5**

Number of Cooperative / Condominium Plans <sup>13</sup> Accepted for Filing, 2011-2019									
	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Construction	180	112	142	204	212	206	224	233	227
Conversion Non-Eviction	17	24	16	20	29	27	18	11	11
Conversion Eviction	1	2	0	0	0	0	0	0	0
Rehabilitation	2	9	19	36	43	45	33	43	43
Total	200	147	177	260	284	278	275	287	281
Subtotal:									
HPD Sponsored Plans	0	2	1	0	1	0	0	1	0

Source: New York State Attorney General's Office, Real Estate Financing.

## Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2012.

**Table 6**

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2013-2020 (For "All Urban Consumers")								
	2013	2014	2015	2016	2017	2018	2019	2020
1st Quarter Avg. <sup>14</sup>	2.1%	1.4%	-0.2%	0.7%	2.5%	1.6%	1.5%	2.3%
Yearly Avg.	1.7%	1.3%	0.1%	1.1%	2.0%	1.9%	1.7%	--

Source: U.S. Bureau of Labor Statistics.

<sup>13</sup> The figures given above for eviction and non-eviction plans include those that are abandoned because an insufficient percentage of units were sold within the 15-month deadline. In addition, some of the eviction plans accepted for filing may have subsequently been amended or resubmitted as non-eviction plans and therefore may be reflected in both categories. HPD sponsored plans are a subset of the total plans. Some numbers revised from prior years.

<sup>14</sup> First Quarter Average refers to the change of the CPI average of the first three months of one year to the average of the first three months of the following year. Some numbers have been revised from prior years.

## **Calculation of the Current Operating and Maintenance Expense to Income Ratio**

Each year the Board estimates the current average proportion of the rent roll which owners spend on operating and maintenance costs. This figure is used to ensure that the rent increases granted by the Board compensate owners for the increases in operating and maintenance expenses. This is commonly referred to as the O&M to income ratio.

With current longitudinal income and expense data, staff has constructed an index, using 1989 as a base year. This index is labeled as Table 7. Except for the last three years, this index measures past changes in building income and operating expenses as reported in annual income and expense statements. The second- and third-to-latest years in the table reflect actual PIOC increases and projected rent changes. The last year in the table - projecting into the future - include staff projections for both expenses and rents.

In order to calculate the change in income for the latest three years, staff uses the RGB Rent Index. The RGB Index calculates the change in rent based on the guidelines passed by the Board, as well as the change in rent upon vacancy. The RGB Index is calculated using the adjustments authorized in applicable Apartment and Loft Orders and the change in rents upon vacancy (most recently, 0.4%). Then, in order to represent the same 12-month time period as the change in costs, measured change in income is adjusted to match the same period as measured change in costs. Therefore, the change in rent incorporates seven months of the previous Rent Index (7/12<sup>ths</sup> or 58.3%), plus five months of the most recent Rent Index, (5/12<sup>ths</sup> or 41.7%).

However, this index is not without limitations. First, as noted, for the latest two years of the index, it will continue to rely upon the price index and staff rent and cost projections. Second, while this table looks at the overall relationship between costs and income, it does not measure the specific impact of any change in rent regulation on that relationship.



**Table 7**

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2021			
Year <sup>15</sup>	Average Monthly O & M Per d.u. <sup>16</sup>	Average Monthly Income Per d.u.	Average O & M to Income Ratio
1989	\$370 (\$340)	\$567	.65 (.60)
1990	\$382 (\$351)	\$564	.68 (.62)
1991	\$382 (\$351)	\$559	.68 (.63)
1992	\$395 (\$363)	\$576	.69 (.63)
1993	\$409 (\$376)	\$601	.68 (.63)
1994	\$415 (\$381)	\$628	.66 (.61)
1995	\$425 (\$391)	\$657	.65 (.59)
1996	\$444 (\$408)	\$679	.65 (.60)
1997	\$458 (\$421)	\$724	.63 (.58)
1998	\$459 (\$422)	\$755	.61 (.56)
1999	\$464 (\$426)	\$778	.60 (.55)
2000	\$503 (\$462)	\$822	.61 (.56)
2001	\$531 (\$488)	\$868	.61 (.56)
2002	\$570 (\$524)	\$912	.63 (.57)
2003	\$618 (\$567)	\$912	.68 (.62)
2004	\$654 (\$601)	\$969	.67 (.62)
2005	\$679 (\$624)	\$961	.71 (.65)
2006	\$695 (\$638)	\$1,009	.69 (.63)
2007	\$738 (\$678)	\$1,088	.68 (.62)
2008	\$790 (\$726)	\$1,129	.70 (.64)
2009	\$781 (\$717)	\$1,142	.68 (.63)
2010	\$790 (\$726)	\$1,171	.67 (.62)
2011	\$812 (\$746)	\$1,208	.68 (.63)
2012	\$841 (\$772)	\$1,277	.66 (.60)
2013	\$884 (\$812)	\$1,337	.66 (.61)
2014	\$946 (\$869)	\$1,434	.66 (.61)
2015	\$960 (\$882)	\$1,487	.64 (.59)
2016	\$985 (\$905)	\$1,552	.63 (.58)
2017	\$984 (\$904)	\$1,524	.65 (.59)
2018	\$1,034 (\$950)	\$1,568	.66 (.61)
2019 <sup>17</sup>	\$1,091 (\$1,002)	\$1,607	.68 (.62)
2020 <sup>18</sup>	\$1,131 (\$1,039)	\$1,644	.69 (.63)
2021 <sup>19</sup>	\$1,158 (\$1,064)	\$1,665	.70 (.64)

Source: RGB Income and Expense Studies, 1989-2020; Price Index of Operating Costs, 2019 – 2020; RGB Rent Index for 2016 – 2020.

- <sup>15</sup> The O&M and income data from 2008 to 2011 has been revised from that reported in previous explanatory statements to reflect actual, rather than estimated, expense and income data.
- <sup>16</sup> Operating and expense data listed is based upon unaudited filings with the Department of Finance. Audits of 46 buildings conducted in 1992 suggest that expenses may be overstated by 8% on average. Figures in parentheses are adjusted to reflect these findings.
- <sup>17</sup> Estimated expense figure includes 2019 expense updated by the PIOC for the period from 3/1/18 through 2/28/19 (5.5%). Income includes the income for 2019 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/18 through 2/28/19 (2.48% --- i.e., the 10/1/17 to 9/30/18 rent projection (2.35%) times (.583), plus the 10/1/18 to 9/30/19 rent projection (2.66%) times (.417)).
- <sup>18</sup> Estimated expense figure includes 2020 expense estimate updated by the PIOC for the period from 3/1/19 through 2/29/20 (3.7%). Income includes the income estimate for 2020 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/19 through 2/29/20 (2.33% --- i.e., the 10/1/18 to 9/30/19 rent projection (2.66%) times (.583), plus the 10/1/19 to 9/30/20 rent projection (1.87%) times (.417)).
- <sup>19</sup> Estimated expense figure includes 2020 expense estimate updated by the 2021 PIOC projection for the period from 3/1/20 through 2/28/21 (2.4%). Income includes the income estimate for 2021 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/20 through 2/28/21 (1.26% - i.e., the 10/1/19 to 9/30/20 rent projection (1.87%) times (.583), plus the 10/1/20 to 9/30/21 rent projection (0.40%) times (.417)).

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## Changes in Housing Affordability

NYC's economy in 2019 showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the tenth consecutive year, increasing 2.1% in 2019. The unemployment rate also fell, declining by 0.3 percentage points, to 3.9%, the lowest level recorded in at least the last 44 years. Gross City Product (GCP) also increased for the tenth<sup>20</sup> consecutive year, rising in inflation-adjusted terms by 2.4% in 2019.

In addition, the number of non-payment filings in Housing Court fell by 24.3%, calendared cases by 22.3%, and tenant evictions by 15.1%. Homeless levels also fell for the first time in 11 years, by 0.9%. There was also a decrease in cash assistance caseloads of 6.0%, while SNAP caseloads fell 5.0% and Medicaid enrollees fell 7.8%.

Inflation also rose at a slightly slower pace than the prior year, with the Consumer Price Index rising 1.7% in 2019, 0.2 percentage points slower than in 2018. In addition, inflation-adjusted wages rose slightly during the most recent 12-month period for which data is available (the fourth quarter of 2018 through the third quarter of 2019), rising 0.4% over the corresponding time period of the prior year.

The only negative indicator studied in this report was personal bankruptcy filings, which rose 3.8% in NYC in 2019.

The most recent numbers, from the fourth quarter of 2019 (as compared to the fourth quarter of 2018), show many positive indicators, including cash assistance levels down 6.9%; SNAP recipients down 5.6%; GCP rising, by 2.2% in real terms; employment levels up 1.5%; the unemployment rate down 0.6 percentage points; homeless levels, down 1.4%; and in Housing Court, the number of cases heard (calendared) down 28.0%<sup>21</sup> and the number of non-payment filings down 31.7%.<sup>22</sup>

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**On June 8, 2020 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning an update of Rent Guidelines Board study data. The memo follows:**

### Introduction

Due to a lag time of data, annual New York City Rent Guidelines Board (RGB) reports generally focus on data from the previous year or earlier. The full effect of the COVID-19 pandemic on the housing market and the economic condition of New Yorkers could not be quantified in these reports because very little recent data was available. This memo will detail as much recent data as we have available for analysis. Future editions of the reports will better reflect some of the hardships that our fellow New Yorkers are experiencing due to the COVID-19 pandemic.

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<sup>20</sup> The Office of the NYC Comptroller, which provides data on Gross City Product (GCP), updated its methodology for estimating GCP in early 2020. It has applied this methodology to GCP figures from 2013 forward. The statement that GCP has increased for ten straight years is based on a combination of data from both the old and new methodologies, and is most likely, but not definitely, an accurate statement. GCP figures prior to 2013 will be updated by the Comptroller's Office later this year.

<sup>21</sup> This data is obtained from the Civil Court of the City of New York, which cannot provide exact "quarterly" data. The Court has 13 terms in a year, each a little less than a month long. This data is for terms 10-13, which is from approximately the middle of September through the end of the year. It is compared to the same period of the prior year.

<sup>22</sup> See Footnote 20.

## Federal Reserve “Current Economic Conditions”

The Federal Reserve recently published their most recent “Summary of Commentary on Current Economic Conditions by Federal Reserve District,” commonly known as the Beige Book, which is published eight times per year. Each Federal Reserve Bank gathers anecdotal information on current economic conditions in its District through reports from bank and branch directors and interviews with key business contacts, economists, market experts, and other sources. The most recent Beige Book was published on May 27, 2020 and is based on information collected on or before May 18, 2020.<sup>23</sup> The following five paragraphs are select excerpts from the Federal Reserve Bank of New York, as reported in the Beige Book on May 27. A summary of the Beige Book from April 15, 2020 (with comments related to the early stages of the COVID-19 pandemic), can be found in the supplement to the *2020 Income and Affordability Study*.<sup>24</sup>

*The Second District economy contracted substantially again in the latest reporting period, as widespread closures and stay-at-home orders severely constrained business activity. Employment continued to decline, and wages were mixed but down modestly, on balance. Businesses reported that input prices rose slightly but selling prices decreased slightly. Activity fell in every sector, with particularly widespread declines in leisure & hospitality. However, business contacts tended to be less pessimistic than in the prior report about the near-term outlook, and those in the manufacturing, construction, real estate, and health services sectors expected modest improvement. Consumer spending has fallen further, though there have been scattered reports of a nascent pickup in early May, as more parts of the economy have started to reopen. Tourism and travel have remained moribund, with hotels and airlines continuing to see very little business. Home sales and residential leasing activity have remained down sharply, as have commercial leasing and construction activity. Finally, banks reported further moderate weakening in loan demand, tighter credit standards, and higher delinquency rates but also greater leniency on existing loans.*

*The labor market has remained weak, as widespread layoffs have continued and hiring has been spotty. Two major employment agencies—one in New York City and another in upstate New York—noted that hiring was sluggish in April, though the latter noted a modest pickup in early May. A wide array of business contacts, as well as employment service firms, reported widespread layoffs and furloughs, especially at small to medium-sized businesses. However, the vast majority of these were viewed as temporary, with workers expected to be re-hired when business activity rebounds. Some businesses have already made efforts to recall laid off workers, as well as hire new workers. A number of these firms noted that this has been challenging, with many unemployed workers reluctant to return to work—some attributed this to generous unemployment benefits, as well as safety concerns. Reports from across business sectors remained negative. Contacts in leisure & hospitality, transportation, retail, and construction reported the most widespread staff reductions, while businesses in manufacturing, information, finance, and professional & business services noted modestly declining staffing levels. Looking ahead, contacts in both manufacturing and real estate said they expect a modest pickup in employment, while those in leisure & hospitality, retail,*

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<sup>23</sup> <https://www.federalreserve.gov/monetarypolicy/beigebook202005.htm>.

<sup>24</sup> <https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2020/04/2020-IA.pdf>.

*finance, and professional & business services projected steady staffing levels. Businesses across other sectors expected moderate staff cuts, on net, in the months ahead. Wages have mostly been flat to lower since the last report. Businesses in the hard-hit leisure & hospitality sector continued to report widespread reductions in wages, whereas contacts in health services and finance indicated steady to modestly rising wages. Contacts in other service industries reported modest declines in wages.*

*Service industry contacts reported continued widespread deterioration in business activity. Leisure & hospitality contacts reported particularly widespread declines in activity, as restaurants remained shut down for dine-in service and hotels suffered from an almost complete drop-off in travel and tourism. Contacts in professional & business services also indicated steep declines in activity, while businesses in the information, health, and education sectors all reported more moderate, but still fairly widespread, declines. Looking ahead, business contacts continued to express great uncertainty about whether and when business would get back to reasonably normal levels, but there continued to be fairly widespread pessimism. A contact in air transportation expects any rebound in air travel to be slow and led by the leisure segment, noting a modest recent pickup in advance bookings for late 2020. A contact in New York City's tourism sector expects any rebound in visitations to be slow—particularly for international visitors, the most profitable segment—noting that Broadway theaters are closed until at least Labor Day.*

*Home sales markets across the District have largely ground to a halt, with almost no new transactions and home viewing limited to virtual showings. The residential rental market has slowed but not quite as dramatically. A local real estate authority noted that new rental leasing in New York City was down about 70 percent, while renewals were up, and that there has been a pickup in demand for single-family home rentals outside the city. A major appraiser noted that it's almost impossible to gauge changes in prices and rents during this pandemic due to a dearth of transaction activity. Commercial real estate markets across the District also remain moribund, with April marking a record low in new leasing activity and some companies pulling out of leases. A contact at a major commercial real estate firm estimated that only about 10 percent of tenants in both office and industrial space have fallen behind on rent, thus far, but that the corresponding rate for retail tenants is well over 50 percent. Even beyond that, for some mall retailers, rent is assessed a share of sales revenue. More generally, real estate contacts were more optimistic than contacts in other sectors about the near term outlook. New construction starts have essentially remained at zero, and ongoing construction projects remained paused, except where considered essential. However, this is likely to pick up as states ease restrictions on construction activity in the days ahead.*

*There was widespread interest, among businesses in all sectors, in the SBA Paycheck Protection Program loans, though some contacts expressed concerns about the program's implementation and accessibility. Separately, small to medium sized banks across the District reported lower loan demand across all categories, but most dramatically from the commercial segment. Banks reported tightening credit standards across all categories except consumer loans. Loan spreads narrowed on all categories except C&I loans. Respondents reported widespread declines in average deposit rates. Bankers reported higher delinquency rates but more lenient policies for delinquent accounts across all categories.*

## April 2020 Unemployment Statistics

The most recently available unemployment rates for NYS and NYC are from April of 2020.<sup>25</sup> The unemployment rate considers the number of persons employed and unemployed, the combination of which is the labor force. To be considered unemployed, you must be actively looking for work. The unemployment rate in April of 2020 for New York City (NYC) was 14.6%, an increase from 3.7% in April of 2019. The unemployment rate considers, in part, the number of employed persons, which fell 18.5% (or 722,500 persons), as compared to April of 2019. The number of unemployed persons in this same time period rose 260.8% (or 393,000 persons). The overall labor force contracted by 8.1% (or 329,500 persons). The decline in the labor force indicates that a large number of persons either left NYC or are not actively looking for work. For reference, between 2008 and 2009 (when the NYC unemployment rate rose from 5.6% to 9.3%), the labor force contracted by 0.9%. Had more of those who lost employment been officially counted as “unemployed,” the unemployment rate would have been higher than 14.6%.

The following table illustrates the April 2020 unemployment rate for NYC, the boroughs of NYC, New York State (NYS), and the United States (U.S.), as compared to April of 2019. These rates are not seasonally adjusted. Recently released U.S. data shows that the May unemployment rate is a seasonally adjusted 13.3%<sup>26</sup> for the nation as a whole, compared to 14.7%<sup>27</sup> in April of 2020; 4.4% in March of 2020,<sup>28</sup> and 3.5% in February of 2020.

### April 2020 versus April 2019 Unemployment Rates

Geography	April 2020	April 2019	Change (in percentage points)
New York City	14.6%	3.7%	10.9 pp
Bronx	16.5%	5.0%	11.5 pp
Brooklyn	14.6%	3.8%	10.8 pp
Manhattan	10.9%	3.3%	7.6 pp
Queens	16.4%	3.2%	13.2 pp
Staten Island	14.0%	3.6%	10.4 pp
New York State	15.0%	3.6%	11.4 pp
U.S.	14.4% <sup>29</sup>	3.3%	11.1 pp

It is important to note that even during a robust economy, not all City residents are a part of the labor force, and therefore cannot be considered “unemployed.” According to the 2018

<sup>25</sup> NYC and NYS: <https://labor.ny.gov/stats/index.shtm>; U.S.: <http://www.bls.gov/webapps/legacy/cpsatab1.htm>.

<sup>26</sup> The U.S. Bureau of Labor Statistics reported that an error in classifying workers who were “unemployed on temporary layoff” as being “employed but not at work” in March, April, and May of 2020 led to lower official unemployment rates. They estimate that the actual unemployment rate in May of 2020 was 16.4%, however they will not amend the 13.3% that was reported. See <https://www.bls.gov/cps/employment-situation-covid19-faq-may-2020.pdf> for more information.

<sup>27</sup> The actual estimated unemployment rate for April of 2020, in light of the reporting errors as described in footnote 4, is 19.5%. See <https://www.bls.gov/bls/employment-situation-covid19-faq-april-2020.htm#ques14> for more information.

<sup>28</sup> The actual estimated unemployment rate for March of 2020, in light of the reporting errors as described in footnote 4, is 5.3%. See <https://www.bls.gov/cps/employment-situation-covid19-faq-march-2020.pdf> for more information.

<sup>29</sup> See footnote 5.

*American Community Survey*, there are 6,839,186 persons aged 16 and over in NYC.<sup>30</sup> Of these, 63.5% (4.3 million persons) are in the labor force, and 36.5% (2.5 million persons) are not. Only those in the labor force (those either working or actively looking for work) are counted in the unemployment rate. In addition, there are methods of receiving income beyond employment and unemployment insurance compensation, both for those in and out of the labor force. There are 3,184,496 households in NYC, with 2,479,959 (77.9%) reporting earnings (either wages, salaries, or self-employment income) and 704,537 (22.1%) receiving income in other ways, such as fixed-income programs.<sup>31</sup> As a proportion of total households, 848,474 households (26.6%) receive Social Security income; 427,193 (13.4%) receive other retirement income; 251,672 (7.9%) receive Supplemental Social Security income; and 144,372 (4.5%) receive cash public assistance. In addition, 615,225 (19.3%) receive food stamps.

### **April 2020 NYC Employment by Industry**

The most recently available employment figures by industry for NYC are from April 2020.<sup>32</sup> These are jobs located within New York City, regardless of the residency of the employees. The following table illustrates employment levels by industry in April of 2020 and the change from April of 2019. The largest proportional losses are in the Leisure and Hospitality and Construction sectors, with the largest net loss of jobs in the Leisure and Hospitality and Trade, Trade, and Utilities Sector (which includes retail trade). Overall, NYC employment levels fell 19.2% (or 891,800 jobs) between April of 2019 and April of 2020. These figures are not seasonally adjusted.

### **April 2020 versus April 2019 Employment Levels by Industry, in Thousands**

Industry	April 2020	April 2019	Net Change	% Change
Natural Resources, Mining and Construction	78.10	161.30	-83.2	-51.6%
Manufacturing	45.60	67.60	-22.0	-32.5%
Trade, Transportation, and Utilities	467.10	627.50	-160.4	-25.6%
Information	204.80	210.20	-5.4	-2.6%
Financial Activities	454.70	477.50	-22.8	-4.8%
Professional and Business Services	688.60	789.20	-100.6	-12.7%
Education and Health Services	968.00	1,068.30	-100.3	-9.4%
Leisure and Hospitality	131.30	466.80	-335.5	-71.9%
Other Services	140.00	194.80	-54.8	-28.1%
Government	578.70	585.50	-6.8	-1.2%
<i>Total, New York City</i>	<i>3,756.90</i>	<i>4,648.70</i>	<i>-891.8</i>	<i>-19.2%</i>

<sup>30</sup> <https://data.census.gov>.

<sup>31</sup> Households can receive more than one type of fixed income, and fixed income can be received in addition to earnings by employment.

<sup>32</sup> <https://labor.ny.gov/stats/index.shtm>.

## Initial Unemployment Claims

Initial unemployment claims for the 12-week period from March 8 through May 30, 2020, were reported by the NYS Department of Labor and the U.S. Department of Labor on a weekly basis.<sup>33</sup> Per the U.S. Department of Labor, “An initial claim is a claim filed by an unemployed individual after a separation from an employer. The claimant requests a determination of basic eligibility for the UI [Unemployment Insurance] program. When an initial claim is filed with a state, certain programmatic activities take place and these result in activity counts including the count of initial claims. The count of U.S. initial claims for unemployment insurance is a leading economic indicator because it is an indication of emerging labor market conditions in the country. However, these are weekly administrative data which are difficult to seasonally adjust, making the series subject to some volatility.”<sup>34</sup>

Initial claims in the first week of this crisis (March 8-14) rose by approximately 26% as compared to the week prior (to reach 6,580 claims).<sup>35</sup> For the next four weeks, claims rose each week as compared to the one before, with the largest proportional increases in the second and third weeks of the crisis (March 15-March 28), with increases of 485.4% and 273.4%, respectively. Rates fell for the first time between April 12-18, by 44%, and have both risen and fallen on a weekly basis since then. The greatest proportional increase since the week ending April 18 was in the week ending May 16, when initial claims rose 17.5% over the prior week. The largest proportional decrease was in the last week of this study, the week ending May 30, when initial claims fell 55.3% over the prior week. For reference, claims in NYS as a whole during this same week fell by 56.5% and claims in the U.S. as a whole fell 16.4%.

Over this 12-week period, 1,189,038 initial claims were filed by NYC residents, compared to 72,597 in the same period of 2019 (see table on the next page). This is an increase of 1,116,441 claims, or 1,538%. This compares to increases in initial claims in NYS of 1,353% (2.38 million claims) and in the U.S. of 1,562% (36.70 million claims).

At the borough level, claims rose by the smallest proportion in Manhattan, rising approximately 1,203% (or 168,951 claims); followed by the Bronx, at 1,238% (or 189,890 claims); Staten Island, at 1,422% (or 54,090 claims); Brooklyn, at 1,476% (or 331,448 claims); and by the most in Queens, at 2,194% (or 372,063 claims).<sup>36</sup> See the table below for a breakdown of initial unemployment claims for NYC, the boroughs of NYC, NYS, and the U.S. Note that the number of initial unemployment claims should not be equated to the number of people receiving unemployment benefits. For instance, the federal Department of Labor reports that approximately 1.8 million persons were receiving UI benefits in NYS during the week ending May 23, compared to the 2.5 million initial unemployment claims between March 8 and May 23.

Note that for at least the first five weeks of the 12-week period outlined above, the initial unemployment claims include those persons who would not typically be eligible for NYS Unemployment Insurance (NYSUI), but were instead eligible for Pandemic Unemployment Assistance (PUA). This program is explained in more detail in the following section of the

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<sup>33</sup> NYC and NYS: <https://labor.ny.gov/stats/weekly-ui-claims-report.shtm> and U.S.: [https://oui.doleta.gov/unemploy/claims\\_arch.asp](https://oui.doleta.gov/unemploy/claims_arch.asp).

<sup>34</sup> <https://www.dol.gov/ui/data.pdf>.

<sup>35</sup> This number was not directly reported by the NYS Department of Labor, but was imputed based on other data reported by this agency.

<sup>36</sup> The first week of data for 2020 (March 8-14) was not available at the borough level and was estimated based on other known data, as were the comparison data from 2019 for initial unemployment claims for the period of March 8-21).

memo. During this period, PUA applicants were required to apply for (and be denied) NYSUI benefits before they could be approved for PUA. Beginning in mid-April, the State’s application process was modified so that PUA claimants were no longer required to be denied UI benefits before being determined eligible for PUA. PUA is financed through the federal government and those receiving PUA are not considered to be receiving unemployment benefits by either NYS or the federal government. Therefore, early data on initial unemployment claims includes potentially tens of thousands of claims from those who ultimately received PUA (and not NYSUI), and later data on initial claims may not reflect the full extent of the unemployment crisis. In NYS, there were more than 658,000 initial claims for PUA benefits between April 26 and May 30 and federal Department of Labor reports show that there were more than 1.1 million continuing claims for PUA in NYS during the week ending May 16. It is not known how many of these initial/continuing claims were in NYC.

### Over-the-Year (OTY) Change in Initial Unemployment Claims (Cumulative)

Geography	2020 (March 8-June 6)	2019 (March 10-June 8)	OTY Net Change	OTY % Change
New York City	1,189,038	72,597	1,116,441	1,538%
Bronx*	205,227	15,337	189,890	1,238%
Brooklyn*	353,901	22,453	331,448	1,476%
Manhattan*	182,995	14,043	168,951	1,203%
Queens*	389,023	16,960	372,063	2,194%
Staten Island*	57,893	3,803	54,090	1,422%
New York State	2,552,683	175,714	2,376,969	1,353%
U.S.	39,055,113	2,350,305	36,704,808	1,562%

\*Borough rates are very close estimates. See footnote 36 for more details.

The NYS Department of Labor also reports on the industries most affected, as based on initial unemployment claims.<sup>37</sup> This data is not available at the Citywide level. For reference, the NYS labor force was 9.6 million in February of 2020, of which NYC makes up 43%. Per NYS Department of Labor information, for the 12 weeks studied in this supplement, the industry with the largest net change in employment was Accommodation and Food Services, which saw an increase in initial unemployment claims of 382,621, or 1,936% for NYS as a whole. The average salary in this industry in NYC in 2019 is \$38,729. Retail Trade also saw a large increase in initial unemployment claims, with an increase of 285,198 claims in 12 weeks, or 2,289%. The average salary in this industry in NYC is \$46,583. The Health Care and Social Assistance sector rose by 265,303 claims, or 1,941%. The average salary in this industry in NYC is \$51,960. The Administrative and Support Services sector saw an increase in initial claims of 183,343, or 877%. The average salary in this industry in NYC is \$70,462. The Construction and Utilities sector saw an increase in initial claims of 163,017 during this period, or an increase of 648%. The average salary in this industry in NYC is \$88,034. Other sectors that had an increase of initial claims of more than 100,000 include Other Services and Manufacturing. In addition, for jobs that cannot be classified (the “Unclassified” sector), initial claims rose by 330,235 in this 12-week period, an increase of 14,173%. It is not possible at

<sup>37</sup> The net change in employment is from <https://labor.ny.gov/stats/PDFs/Research-Notes-Initial-Claims-WE-5302020.pdf>, while the average wage data for NYC is derived from the Quarterly Census of Employment and Wages for 2019 (<https://labor.ny.gov/stats/lqcew.shtm>).



this time to ascertain if the change in NYC in these industries would be at the same proportions as NYS as a whole.

## **Changes to Unemployment Insurance Compensation**

In the wake of the COVID-19 crisis, NYS and the federal government have both expanded eligibility and increased compensation for unemployed persons for the period of at least April 4, 2020 to July 31, 2020 (these dates are accurate as of the publication of this memo). The new guidelines expand eligibility for some of those who do not typically qualify for unemployment insurance (the self-employed, parents caring for children who are currently home-schooled, and those who are taking care of a family member with COVID-19 or who experienced the death of the head of household due to COVID-19, among other categories). Individuals who would not normally qualify for NYS Unemployment Insurance (NYSUI) will be covered at the same rates as those who do, through the federal Pandemic Unemployment Assistance program. In addition, all recipients of either PUA or NYSUI will receive an additional \$600 per week through the federal Pandemic Unemployment Compensation program.<sup>38</sup>

Prior to COVID-19 crisis, the maximum NYSUI compensation was \$504 per week (or \$2,184 per month), for those making \$52,416 per year or more. The typical compensation for those making below \$52,416 is half of the salary the claimant was earning before becoming unemployed.<sup>39</sup> NYSUI is normally capped at 26 weeks of compensation, but will be extended an additional 13 weeks, for a total of up to 39 weeks of benefits.

For more information on unemployment insurance compensation, see the supplement to the *2020 Income and Affordability Study*.<sup>40</sup>

## **NYC Economic Data**

The Office of the NYC Comptroller and the NYC Office of Management and Budget both analyze the City's finances and make forecasts about the economic health of NYC.

Per the Comptroller's Office (as of May 21, 2020):<sup>41</sup>

*Prior to the lockdown, the City's economy was strong and, by many measures, outperforming the U.S. Now, the Office of the Comptroller is estimating that the City's economy has already fallen 4.2 percent in the first quarter of 2020 and will fall 31 percent in the second quarter before recovering 15.7 and 6.0 percent, respectively, in the third and fourth quarters.*

*The outlook for the City's economy is somewhat more uncertain than the nation's. The same considerations that will determine the trajectory for the U.S. economy, whether a viable vaccine can be developed in the near term, whether residents will be comfortable in resuming their activities in the absence of one, whether businesses will require employees to resume their activities on-site or whether they will continue to work remotely, whether tourists will feel comfortable traveling once again, are equally important for the City's outlook and equally unanswerable at this time. What makes New*

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<sup>38</sup> <https://dol.ny.gov/pandemic-unemployment-assistance>.

<sup>39</sup> <https://labor.ny.gov/benefit-rate-calculator/>.

<sup>40</sup> <https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2020/04/2020-IA.pdf>.

<sup>41</sup> "Comments on New York City's Fiscal Year 2021 Executive Budget." Office of the NYC Comptroller. May 21, 2020.

*York City more at risk is its vulnerability to future waves of infection and our dependence on both vacation visitors and business travelers.*

*While our baseline assumption is that U.S. economic activity will begin to slowly recover in 2020 Q3, the City's recovery will be slower given the devastating impact the pandemic has had on the City. The City's unique characteristics, in terms of its density and reliance on mass transit, will also make for a more challenging recovery in the City and a more staggered re-opening. While most sectors of the City's economy are expected to be almost fully recovered by the end of 2022, industries that interact more closely with the public, such as restaurants and bars will resume either more slowly, or in a different manner compared to pre-COVID-19 world that could result in long-term reduced economic activity. The tourism and entertainment industries will likely see the slowest recovery due to their reliance on travelers.*

*If the broader economy outside of the tourism and entertainment sectors were to open more slowly than reflected in our baseline assumption, the impact on the City's economy and revenue outlook would darken considerably as domino effects begin to spread throughout the economy.*

*The forecasts for employment and wages are driven by the extent to which different industries will be directly impacted by the shutdown, and the extent to which firms will respond to the shutdown by cutting payroll either through employment, wages, or both. This is expected to vary considerably among industries. Some office professionals have been able to work at least in some capacity remotely during the shutdown while other sectors that rely on interaction with the public have closed. High paying sectors such as finance have greater flexibility in maintaining employment at current levels through cuts in flexible pay than sectors that rely on wage workers, such as retail. Already some leaders on Wall Street have announced that they will attempt to mitigate job losses, although cutbacks in bonus pay may result as a tradeoff.*

*The degree to which business have been impacted by the pandemic largely depends on the extent to which they rely on interacting with the public directly. Industries that can work remotely, mainly office-using professions, have been less impacted, at least for now, and spillover effects have been contained, based on data available from State unemployment claims. This distinction informs the forecast for sectoral employment.*

*The retail, accommodation and food services, and arts and entertainment sectors of the economy are expected to be most severely impacted (losses exceeding 70 percent) by the shutdown given their greater reliance on dealing with the public. Other industries such as manufacturing, construction and real estate are also expected to experience significant if somewhat less severe job losses. Industries that can rely on telecommuting such as finance, professional and business services, management companies, and information are expected to suffer proportionately fewer losses and rebound fairly quickly.*

*Peak employment losses are expected to total more than 900,000 in 2020 Q2, with losses heavily concentrated in accommodation and retail. Year over-year job losses are expected to decline by over 10 percent in 2020. Even though job growth is expected to return at a fairly rapid clip we do not anticipate returning to 2019 peak employment*

*levels until 2023 as some of the tourism and entertainment sectors continue to lag behind.*

*The near-term impact of the shutdown on wages for City workers is also expected to be extremely severe. Already Wall Street firms have signaled that in order to curtail job losses, bonuses or flexible pay will be cut. Bonuses across all industries are expected to be reduced considerably, by as much as 30 to 40 percent. The majority of City workers who do not earn bonuses will also see reduced wages as a result of layoffs, reduced work hours, pay freezes, or even pay cuts to lower-paid salaried employees. Overall, City wages are expected to decline by 5.1 percent year over year. To put this into perspective the overall wage loss in the 2001 recession was 2.6 percent, and 8.0 percent during the Great Recession when the finance industry was most severely impacted. As with the rest of the economy, the forecast assumes that growth in wages will gradually resume in 2021 and by 2024 be back to pre-COVID-19 levels.*

*Given the depth of the devastation to the budget, the City will need Federal support to weather the fiscal challenges in the coming fiscal years. Without Federal support, the fiscal challenge facing the City will be further compounded by the shifting of costs from the State to the City. In the absence of any Federal provision of budget relief to states and locality, the State has already announced its intention to make \$8.2 billion in recurring cuts to local aid. In order to avoid drastic cuts in services in a time when these services are needed more than ever, the City will need to seek creative and innovative ways to reduce spending, and the Federal government will have to do its part to provide budget relief to state and localities.*

The report also forecasts job losses in the second quarter of 2020. Per the Comptroller's forecasts, in the second quarter of 2020 the hardest hit industry (as measured by net job loss) will be Accommodation and Food Services, which is projected to lose 184,300 jobs in NYC. Retail Trade is projected to lose 178,000 jobs; Health Care and Social Assistance, 159,700 jobs; Construction, 63,200 jobs; Professional, Scientific, and Technical Services, 54,400 jobs; Arts, Entertainment, and Recreation, 48,900 jobs; Other Services, 39,300 jobs; Administrative Services, 34,700 jobs; Wholesale Trade, 27,900 jobs; Manufacturing, 27,400 jobs; Real Estate, 26,400 jobs; Transportation and Warehousing, 25,700 jobs; Financial Activities, 13,600 jobs; Educational Services, 10,200 jobs; Information, 8,400 jobs; Management of Companies, 2,900 jobs; and Utilities, 600 jobs. This is a total loss of 905,700 jobs.

This report also details projections from both the Comptroller's Office and the NYC Office of Management and Budget (OMB) with respect to Gross Domestic Product (GDP), Gross City Product (GCP), job growth, and wage growth. The following table outlines these projections.

## Selected Economic Indicators Forecasts (Annual Averages)

Selected Economic Indicators	Agency	2020	2021	2022	2023	2024
Real GDP (2012 \$, % Change)	Comptroller	-4.6%	3.2%	3.0%	2.6%	2.2%
	OMB	-5.4%	6.3%	4.0%	1.6%	1.3%
Real GCP (2012 \$, % Change)	Comptroller	-6.0%	2.3%	1.0%	0.9%	0.9%
	OMB	-12.9%	12%	0.8%	0.2%	1.1%
Payroll Jobs (Change in Thousands)	Comptroller	-507.0	343.0	90.0	64.0	46.0
	OMB	-350.4	213.3	130.3	72.9	55.4
Wage-Rate Growth (% Change)	Comptroller	-5.1%	0.8%	2.3%	2.1%	1.9%
	OMB	-3.4%	2.5%	3.3%	2.4%	2.2%

The Comptroller’s Office also analyzed real estate transaction data from the NYC Department of Finance (DOF). In the last half of March 2020 (March 16-31), the number of transactions of 1- to 3-family homes declined by 47 percent; coops by 54 percent; condos by 44 percent; and rental buildings by 66 percent, compared to the second half of March 2019. The Comptroller’s Office projects that real estate transactions will slow to a virtual halt in the second quarter of 2020, with continuing stay-at-home orders making transactions challenging.

A separate report from the Comptroller’s Office, released on June 1, 2020, provides similar data on real estate transactions for March and April combined.<sup>42</sup> Per the report, residential real estate transactions fell from 7,607 in March and April of 2019 to 4,517 in March and April of 2020, a drop of 40.6%. An analysis of the same DOF building sales data by staff found that in March and April of 2019, 93 buildings containing rent stabilized units were sold. During the same time period of 2020, 42 were sold, a decline of 54.8%. Note that the 2019 data precedes both the passage of the Housing Stability and Tenant Protection Act of 2019 as well as the COVID-19 pandemic.

The Comptroller report also analyzed building permit data, both for alterations and new construction. Note that the permit data includes both initial permits and renewals of permits that were previously issued. For the week ending March 14, there were 2,198 permits issued (including 318 new buildings and 1,800 alterations). The following week the total number of permits issued fell to 1,885, a 14.2% decline. Permits then fell in all but one of the next seven weeks, reaching a low of 665 permits in the week that ended May 2 (including 93 new buildings and 572 alterations). This is a decrease as compared to the week ending March 14 of 69.7% (including a decrease of 70.8% in new buildings and 69.6% in alterations). For the week ending May 9 (the most recent report available), permits rose to a total of 1,079 (including 255 new buildings and 824 alterations), an increase of 62.2% as compared to the week prior.

### Select Current and Proposed COVID-19 Legislation

In the wake of the COVID-19 crisis, lawmakers are working on plans to ease the financial burden for Americans. One such plan has already been enacted into law. Eligible households are receiving a one-time “Economic Impact Payment” of up to \$1,200 for individuals with adjusted gross income below \$75,000. Married couples filing taxes jointly, who earn under

<sup>42</sup> New York City by the Numbers Weekly Economic and Fiscal Outlook.” Office of the NYC Comptroller. June 1, 2020.

\$150,000, will receive \$2,400 and head of household filers can earn up to \$112,500 to receive the full payment. The government will also pay \$500 per qualifying child. For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the thresholds. Filers with no children and adjusted gross income exceeding \$99,000 for singles; \$136,500 for heads of household; and \$198,000 for joint filers are not eligible and will not receive payments.<sup>43</sup> On June 3, the U.S. Department of the Treasury and IRS announced that 159 million Economic Impact Payments, worth more than \$267 billion, had been distributed and that payments had been sent to all eligible Americans for whom the IRS has the necessary information to make a payment.<sup>44</sup>

On March 20, 2020, an Executive Order issued by NYS Governor Cuomo enacted an eviction moratorium for a period of 90 days.<sup>45</sup> On May 7, 2020, the moratorium was extended for an additional 60 days, until August 20, but with language that specified that the moratorium extends only to those renters eligible for unemployment insurance or benefits under state or federal law or otherwise facing financial hardship due to the COVID-19. In addition, the Executive Order bans late payments or fees for missed rent payments until August 20, and allows renters facing financial hardship due to COVID-19 to use their security deposit as payment and repay their security deposit over time.<sup>46</sup>

On May 28, 2020, a bill, the "Emergency Rent Relief Act of 2020" was passed by both the NYS Senate and Assembly. As of June 8, it has been delivered to, but not yet been signed into law by, the Governor. The program would authorize NYS Homes and Community Renewal to provide rental assistance vouchers to landlords on behalf of tenants with an increase in rent burden (due to a loss of income) as a result of the COVID-19 pandemic. The program's spending cap is \$100,000,000. The coverage period would extend from April 1 through July 31. A tenant is defined as having a rent burden if their rent is more than 30% of household income. Households would be eligible if they made up to 80% Area Median Income prior to March 7, as well as at the time of application; have a rent burden both prior to March 7 and at the time of application; and have lost income during the covered period. The subsidy would be a voucher paid to the landlords for the gap between their pre-COVID rent burden and their new rent burden, up to 125% Fair Market Rent.<sup>47</sup>

On May 27, 2020, a bill, the "Tenant Safe Harbor Act" was passed by both the NYS Senate and Assembly. As of June 8, it has not yet been delivered to, or been signed into law by, the Governor. The bill provides that for the duration of the "State Disaster Emergency," as declared by Governor Cuomo, that the courts are prohibited from issuing a warrant of eviction or judgment of possession against a residential tenant or other lawful occupant that suffered financial hardship during the COVID-19 covered period for the nonpayment of rent that accrues or becomes due during the COVID-19 covered period. It also allows tenants to raise financial hardship as an affirmative defense and provides factors a court may examine in determining hardship. It also allows courts to award a judgment for the rent due and owing to a landlord in a summary proceeding under Article 7 of the Real Property Actions and Proceedings Law.<sup>48</sup>

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<sup>43</sup> <https://www.irs.gov/coronavirus/economic-impact-payment-information-center>.

<sup>44</sup> <https://home.treasury.gov/news/press-releases/sm1025>

<sup>45</sup> <https://www.governor.ny.gov/news/no-2028-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency>

<sup>46</sup> <https://www.governor.ny.gov/news/no-20228-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency>

<sup>47</sup> <https://www.nysenate.gov/legislation/bills/2019/s8419>.

<sup>48</sup> <https://www.nysenate.gov/legislation/bills/2019/s8192/amendment/b>.

This is not a complete summary of bills introduced in relation to the COVID-19 crisis and there is currently no way to ascertain if additional bills will be introduced and passed at either the local, state, or federal level.

## Summary

This memo provides updates to data from RGB annual reports, including employment data; legislative actions; and data from the Federal Reserve Bank of New York and the Comptroller's Office regarding the economic health of NYC. While this memo details as much recent data as we have available for analysis, future editions of the reports will better reflect some of the hardships that our fellow New Yorkers are experiencing due to the COVID-19 pandemic.

## [END OF MEMO]

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**On June 16, 2020 the staff of the Rent Guidelines Board released a memo to Board members with additional information analyzing building ownership. The memo follows:**

## Introduction

On March 4, 2020, JustFix.nyc, a website which “designs and builds tools for tenants, housing organizers, and legal advocates fighting displacement in New York City”<sup>49</sup> published an article on Medium.com entitled, “Examining the Myth of the “Mom-and-Pop” Landlord: An Analysis of NYC Building Ownership by JustFix.nyc.”<sup>50</sup> The article analyzes publicly available data from the NYC Department of Housing Preservation and Development (HPD) to determine what proportion of landlords of buildings within NYC would be considered small (“mom-and-pop”) and potentially hurt by stricter tenant protection laws (such as the changes to the rent stabilization laws in June of 2019).

The bulk of the article focuses on all buildings in NYC, not just rent stabilized ones. The end of the article focuses on buildings that contain rent stabilized units, as based on a list of 2017 NYS Homes and Community Renewal (HCR) registrations published on the RGB website.

Some Board members asked staff to take a closer look at the article and provide more context, especially because the JustFix.nyc analysis focuses on all buildings within the City (both regulated and unregulated), and the RGB mandate is to provide rent adjustments just for rent stabilized units. The RGB analysis of the article follows.

## Methodology

JustFix.nyc used publicly available data to create what they call a Who Owns What tool, which links together properties with common ownership found in HPD registration data. Per the article, “For any property with HPD Registration, the Who Owns What tool: 1. gathers the business address (or addresses) of entities registered with the property on HPD and finds other properties in the city with a matching address; 2. gathers the “Head Officer”, “Individual

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<sup>49</sup> <https://www.justfix.nyc/our-mission>.

<sup>50</sup> <https://medium.com/justfixnyc/examining-the-myth-of-the-mom-and-pop-landlord-6f9f252a09c>.

Owner”, and “Corporate Owner” contact names registered with the property on HPD and finds other properties in the city that have a matching contact name, using “fuzzy matching” to account for misspellings; Under this algorithm, Who Owns What estimates a building’s portfolio as all HPD registered properties that fit the above criteria. All statistics and summarizations in this report were calculated using the complete set of portfolios determined by Who Owns What for all HPD Registered properties in December 2018. For the purpose of this report, the terms “buildings” and “properties” refer to city tax lots as defined by the Department of City Planning.”

There are an unknown number of buildings analyzed in the JustFix.nyc analysis (with the exception of the section on rent stabilized housing, which includes just over 40,000 buildings), but the universe of units is more than 2.3 million.

With limited time available to analyze the data, the RGB methodology is more basic and focuses on buildings that contain rent stabilized units.<sup>51</sup> The basis of the analysis are rent stabilized buildings registered with HCR in 2018. As JustFix.nyc did, we defined a building as a single tax lot (BBL). The HCR file contained a total of 47,088 registered buildings. More than 4,000 buildings were removed from the RGB analysis because they are part of a complex and share a BBL with at least one other building. Common ownership was determined by common phone numbers of landlords. It cannot be said with certainty that every building owned by a particular landlord was assigned to that landlord, as phone numbers needed to match to establish common ownership. This is a different methodology than used by JustFix.nyc to determine common ownership, which as described above relies on finding common contact persons within individual registrations.

The HCR file provides only the number of rent stabilized units within a building. To obtain the total number of units (both stabilized and unregulated), the rent stabilized building list was matched to HPD files to obtain the total unit count of the building. After matching the HCR data to HPD files, some records (with a total of almost 13,000 units) could not be matched and were removed from the analysis. There were 43,138 buildings available for analysis after these procedures were taken, with a total of 875,679 rent stabilized units and 1.37 million units within rent stabilized buildings (including deregulated units). Note that if a complex spans more than one BBL, that complex is recorded as being at least two buildings. For complexes with multiple buildings on a single BBL, the complex is recorded as a single building. This seems to be the same methodology that JustFix.nyc used.

## **Data Analysis**

Based on questions received from Board members, there was some confusion about the focus of the JustFix.nyc analysis. The bulk of the article relates to all rental buildings within NYC,<sup>52</sup> including unregulated ones. The RGB analysis will focus on buildings that contain rent stabilized units, although as noted above, the methodology to establish ownership differs from JustFix.nyc.

For reference, the Medium article identified landlords with one building as tiny landlords; 2-5 buildings as small landlords; 6-20 buildings as medium landlords; 21-60 buildings as large

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<sup>51</sup> Note that the terms “buildings that contain rent stabilized units” and “rent stabilized buildings” are used interchangeably in this memo. A “rent stabilized building” contains at least one rent stabilized unit, but may also contain one or more units that have been deregulated.

<sup>52</sup> The article does not specifically state that only rental buildings were analyzed, but based on the number of units, it is likely.

landlords; and 61+ buildings as very large landlords. For the sake of comparison, the RGB analysis will use the same classifications.

The Medium article analyzed a total of 2.3 million units (See table: Distribution of Housing Units Owned, NYC 2018). It found that 13.0% of the units were owned by “tiny” landlords; 15.1% by “small” landlords; 19.8% by “medium” landlords; 24.6% by “large” landlords; and 27.4% by “very large” landlords.

Staff ran the same analysis as above, but just for buildings containing rent stabilized units. The analysis was done in two ways – both using just the number of rent stabilized units (a sample size of more than 875,000 units) as well as for all the units within buildings that contain rent stabilized units (including deregulated units, a sample size of 1.37 million units).

Based on just rent stabilized units registered with HCR in 2018, the breakdown (as based on almost 876,000 units) is as follows: 14.2% of the units were owned by “tiny” landlords; 18.9% by “small” landlords; 25.8% by “medium” landlords; 24.2% by “large” landlords; and 16.9% by “very large” landlords. Based on this analysis, the proportion of units owned by very large rent stabilized landlords skews lower than the overall population, as reported by JustFix.nyc. It is not known if this difference is because of the difference in methodology or because of a different ownership pattern among rent stabilized landlords than landlords of unregulated buildings.

This data was also analyzed using the total number of units in the building, regardless of regulation status (as reported by HPD). Per this analysis (based on almost 1.4 million units within rent stabilized buildings): 14.2% of the units were owned by “tiny” landlords; 18.1% by “small” landlords; 27.0% by “medium” landlords; 25.2% by “large” landlords; and 15.4% by “very large” landlords. Based on this analysis, the proportion of units owned by very large rent stabilized landlords skews lower than the overall population, as reported by Medium. It is not known if this difference is because of the difference in methodology or because of a different ownership pattern among rent stabilized landlords than landlords of unregulated buildings.

A table summarizing these three datasets follows:

**Table 1: Distribution of Housing Units Owned (by Unit Count)**

Landlord Size	JustFix.nyc (all rental <sup>53</sup> units)	RGB (rent stabilized units)	RGB (all units within rent stabilized buildings)
Tiny Landlords (1 Building)	13.0%	14.2%	14.2%
Small Landlords (2-5 Buildings)	15.1%	18.9%	18.1%
Medium Landlords (6-20 Buildings)	19.8%	25.8%	27.0%
Large Landlords (21-60 Buildings)	24.6%	24.2%	25.2%
Very Large Landlords (61+ Buildings)	27.4%	16.9%	15.4%
<i>Unit Count Sample</i>	<i>2,293,492</i>	<i>875,679</i>	<i>1,366,357</i>

Note that the analysis in the Medium article seems to imply that landlords who own more buildings are larger than ones who own less. Per the definitions in the article, a landlord with

<sup>53</sup> See Footnote 52.



one building is a “tiny” landlord, and one with 21 buildings is a “large” landlord. But there are other ways to think about how large or small rent stabilized landlords are. For instance, under these definitions the landlord of 21 buildings with six units each (126 units, total) is a “large” landlord, but a landlord with one building with 600 units, or a single complex of thousands of units, is a “tiny” landlord. With that in mind, the data was analyzed in two other ways.

The number of rent stabilized buildings owned by each landlord (regardless of unit count) was analyzed. The RGB sample has just over 15,000 unique landlords. The data shows that 70.1% of these landlords are “tiny (i.e. own one building);” 21.7% are “small;” 6.2% are “medium;” 1.7% are “large;” and 0.4% are “very large.”

The number of units owned by individual landlords (both rent stabilized units and units overall) was also analyzed. Based on the HCR data (for rent stabilized units only), 61.4% of landlords own 10 rent stabilized units or less; 13.8% own between 11 and 20 units; 10.7% own between 21 and 50 units; 3.3% own between 51 and 75 units; 2.0% own between 76 and 100 units; and 8.8% of landlords own more than 100 rent stabilized units. To provide more context, 48.7% of landlords own six rent stabilized units or less; 5.2% own more than 200 units; and 3.6% own more than 300 units. As based on HPD unit counts (which includes market rate units): 52.3% of landlords of rent stabilized buildings own 10 units or less; 15.9% own between 11 and 20 units; 12.6% own between 21 and 50 units; 4.2% own between 51 and 75 units; 2.4% own between 76 and 100 units; and 12.5% of landlords own more than 100 units. To provide more context, 36.9% of landlords own six units or less; 7.8% own more than 200 units; and 5.6% own more than 300 units. This data is summarized in the following table.

**Table 2: Distribution of Housing Units Owned (by Unique Landlords)**

Number of Units Owned by Unique Landlords	Rent stabilized		All units	
	Count	Percentage	Count	Percentage
<i>Six Units or Less</i>	7,398	48.7%	5,601	36.9%
10 or less units	9,316	61.4%	7,944	52.3%
11-20 units	2,097	13.8%	2,416	15.9%
21-50 units	1,624	10.7%	1,914	12.6%
51-75 units	506	3.3%	633	4.2%
76-100 units	302	2.0%	367	2.4%
More than 100 units	1,331	8.8%	1,902	12.5%
<i>More than 200 units</i>	794	5.2%	1,179	7.8%
<i>More than 300 units</i>	552	3.6%	845	5.6%
<b>Number of Unique Landlords</b>	<b>15,176</b>		<b>15,176</b>	

As mentioned in the introduction, the Medium article also details some information specifically for rent stabilized buildings. Of the four rent stabilized data points in the article, there is only one that can be replicated by staff at this time. The article analyzed just over 40,000 buildings from the 2017 HCR database and found that 13.7% of the buildings are owned by “tiny” landlords; 19.3% by “small” landlords; 22.8% by “medium” landlords; 23.7% by “large” landlords; and 20.4% by “very large” landlords. Note that equivalent data for all buildings is not provided in this article. Note that the HCR file that they used (from our website) had 44,667 records. The difference between the sample size and the full list is most likely due to the treatment of multiple buildings on a single lot as a single property.

The same analysis was run by staff using HCR data from 2018. The 2018 HCR file contains over 47,000 buildings, with a sample size (after adjusting for duplicate BBLs) of just over 43,000 buildings. As already stated, a different methodology was used to estimate ownership. The RGB analysis of HCR data found that 24.7% of the buildings are owned by “tiny” landlords; 20.7% by “small” landlords; 22.3% by “medium” landlords; 19.5% by “large” landlords; and 12.7% by “very large” landlords. Based on our analysis, the number of buildings owned by large landlords is a smaller proportion that JustFix.nyc found. It is not known, but is likely, that the difference between the RGB analysis and the JustFix.nyc analysis is because of the difference in methodology. This data is summarized in the following table.

**Table 3: Distribution of Rent Stabilized Buildings (by Unique Landlords)**

Landlord Size	JustFix.nyc (rent stabilized buildings, 2017)		RGB (rent stabilized buildings, 2018)	
	Count	Percentage	Count	Percentage
Tiny Landlords (1 Building)	5,573	13.7%	10,644	24.7%
Small Landlords (2-5 Buildings)	7,863	19.3%	8,934	20.7%
Medium Landlords (6-20 Buildings)	9,280	22.8%	9,627	22.3%
Large Landlords (21-60 Buildings)	9,655	23.7%	8,433	19.5%
Very Large Landlords (61+ Buildings)	8,292	20.4%	5,500	12.7%
Total Buildings in Sample	40,663		43,138	

A Board member also requested if any data could be provided for medians (as opposed to averages). The RGB analysis of HCR data for rent stabilized buildings found that for the more than 15,000 individual landlords, the average number of rent stabilized units owned by a single one is 58, with a median of seven. The average number of units (including market rate) owned by a single landlord is 90, with a median of nine. The average number of properties owned by a single landlord is three and the median is one.

A specific question was also asked by a Board member regarding the following statement in the article: "An average HPD-registered apartment belonged to a 21 property, 893 unit portfolio, according to public HPD data." Note that the quote from the article refers to all landlords, not just landlords of rent stabilized buildings. However, it is unclear to staff what this statement is referring to, and based on our analysis, we do not interpret it to mean that the average landlord owns 21 properties and 893 units (as was suggested by the Board member’s interpretation). Because the meaning of the statement is unclear, it cannot be replicated using our methodology.

### Summary

In summary, the RGB cannot, at this time, replicate the methodology used by JustFix.nyc. If Board members request a more in-depth analysis, we can explore ways over the coming months to refine our methodology. While there are differences in methodology between the RGB and JustFix.nyc, we do again stress that most of the data in the article is for all properties within NYC, not just rent stabilized ones.

At this time, it is unknown how an analysis of rent stabilized buildings by JustFix.nyc, were they to undertake such an analysis, would compare with their analysis for buildings overall. This

memo attempts to do that, although with a different methodology, so the data is not directly comparable. It is also not known how the unique analyses in this memo (those that were not undertaken by JustFix.nyc) would differ if computed using the JustFix.nyc methodology.

In addition, we remind Board members that the JustFix.nyc analysis does not take into account that buildings vary in size, and while a landlord may own many buildings, it does not necessarily mean that they own a lot of units.

**[END OF MEMO]**

### **Buildings with Different Fuel and Utility Arrangements**

The Board was also informed of the circumstances of buildings with different fuel and utility arrangements including buildings that are master-metered for electricity and that are heated with gas versus oil (see Table 8). Under some of the Board's Orders in the past, separate adjustments have been established for buildings in certain of these categories where there were indications of drastically different changes in costs in comparison to the generally prevailing fuel and utility arrangements. This year the Board did not make a distinction between guidelines for buildings with different fuel and utility arrangements under Order 52.

**Table 8**

<b>Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2019-2020, and Commensurate Rent Adjustment</b>		
<b>Index Type</b>	<b>2019-20 Price Index Change</b>	<b>One-Year Rent Adjustment Commensurate With O&amp;M to Income Ratio of .659</b>
All Dwelling Units	3.7%	2.44%
Pre 1947	3.8%	2.50%
Post 1946	3.6%	2.37%
Oil Used for Heating	3.7%	2.44%
Gas Used for Heating	3.9%	2.57%

Note: The O&M to Income ratio is from the *2020 Income and Expense Study*.

Source: *2020 Price Index of Operating Costs*.

### **Adjustments for Units in the Category of Buildings Covered by Article 7-C of The Multiple Dwelling Law (Lofts)**

Section 286 sub-division 7 of the Multiple Dwelling Law states that the Rent Guidelines Board "shall annually establish guidelines for rent adjustments for the category of buildings covered by this article." In addition, the law specifically requires that the Board, "consider the necessity of a separate category for such buildings, and a separately determined guideline for rent adjustments for those units in which heat is not required to be provided by the owner and may establish such separate category and guideline."

The increase in the Loft Index this year was 6.2%, equal to the increase in 2019. Increases in costs were seen in all eight components that make up this index, with the exception of Fuel.

Fuel was the only component to decrease, falling 8.0%. All other components increased, including Insurance Costs (16.5%), Administrative Costs-Legal (8.5%), Taxes (5.9%), Maintenance (4.8%), Labor Costs (3.6%), Utilities (2.2%) and Administrative Costs-Other (1.9%).

This year's guidelines for lofts are 0.0% for a one-year period and 0.0% for the first year and 1.0% for the second year for a two-year period.

**Table 9**

Changes in the Price Index of Operating Costs for Lofts from 2019-2020	
	Loft O & M Price Index Change
All Buildings	6.2%

Source: 2020 Price Index of Operating Costs.

**Special Guidelines for Vacancy Decontrolled Units  
Entering the Stabilized Stock**

Pursuant to Section 26-513(b) of the New York City Administrative Code, as amended, the Rent Guidelines Board establishes a special guideline in order to aid the NYC Homes and Community Renewal in determining fair market rents for housing accommodations that enter the stabilization system. This year, the Board set the guidelines at 39% above the maximum base rent.

The Board concluded that for units formerly subject to rent control 39% above the maximum base rent was a desirable minimum increase.

**INCREASE FOR UNITS RECEIVING PARTIAL TAX EXEMPTION PURSUANT TO  
SECTION 421 AND 423 OF THE REAL PROPERTY TAX LAW**

The guideline percentages for 421-A and 423 buildings were set at the same levels as for leases in other categories of stabilized apartments.

This Order does not prohibit the inclusion of the lease provision for an annual or other periodic rent increase over the initial rent at an average rate of not more than 2.2 per cent per annum where the dwelling unit is receiving partial tax exemption pursuant to Section 421-A of the Real Property Tax Law. The cumulative but not compound charge of up to 2.2 per cent per annum as provided by Section 421-A or the rate provided by Section 423 is in addition to the amount permitted by this Order.

**Votes**

The votes of the Board on the adopted motion pertaining to the provisions of Order #52 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #52	6	3	-

Dated: June 17, 2020  
Filed with the City Clerk: June 26, 2020

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David Reiss  
Chair  
NYC Rent Guidelines Board

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