An Era of Under-Compensation

Why Inadequate Guidelines Must Come to an End

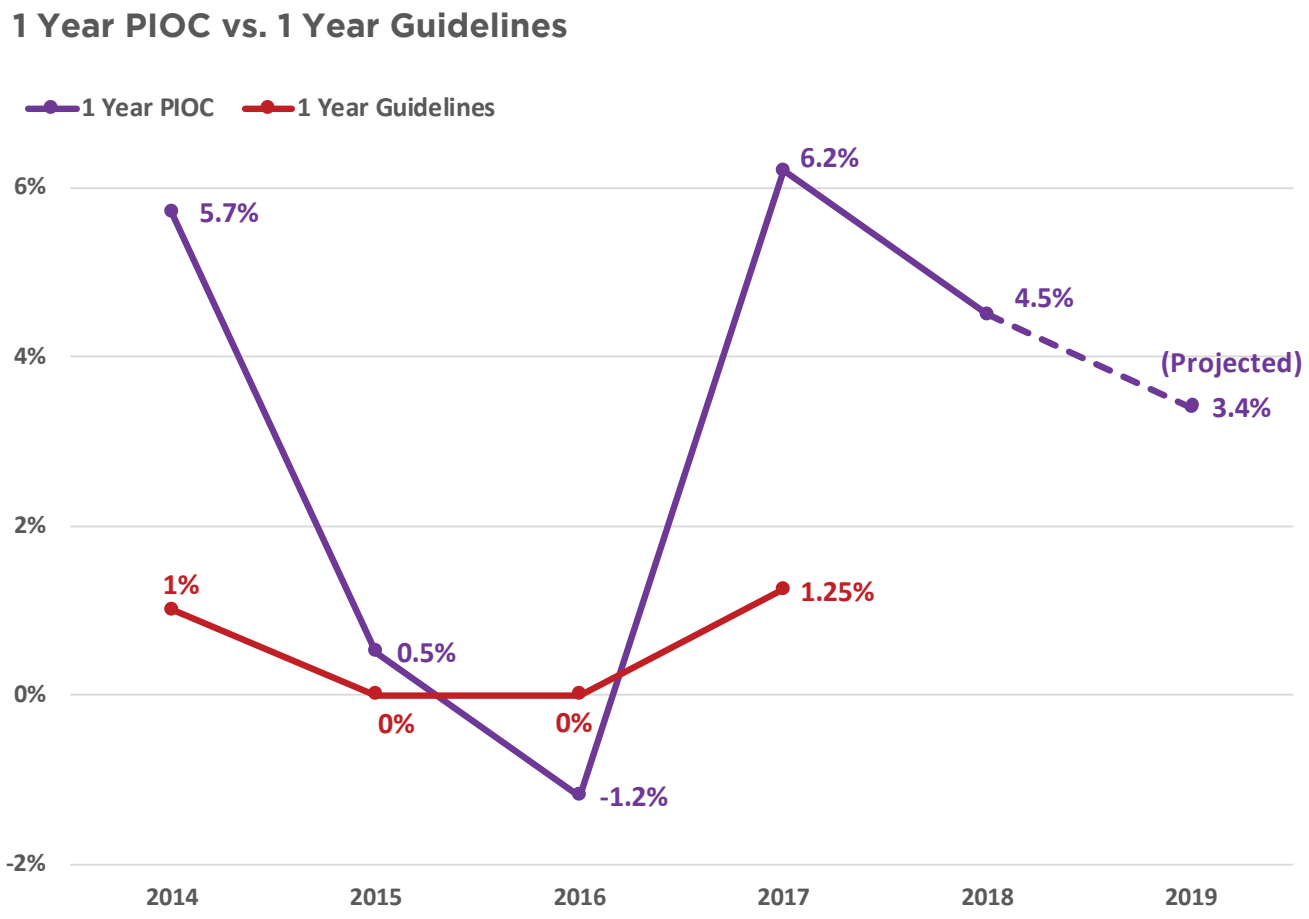

Figure A: Source: RGB Final Guidelines and Staff Memoranda 2014-2018

Comments on the Preliminary Rent Guidelines for Order 50

June 2018

RSA We House New York
Rent Stabilization Association

Joseph Strasburg, President
Jack Freund, Executive Vice President
Vito Signorile, Director of Communications

RSA We House New York
Rent Stabilization Association

Members of the Rent Guidelines Board:

On behalf of the 25,000 rental property owners that we represent, RSA is asking for a return to fair and reasonable rent guidelines this year that are necessary to sustain the nearly one million affordable rent-stabilized apartments in New York City.

Including this year, building operating costs have increased by 16% since 2014 while the RGB under this current Administration has only granted a 2.25% increase in rents. In the 45 years prior to the current Administration, this Board set rent guidelines that allowed owners to preserve the health of the City's affordable housing stock while protecting tenants from market rate rent increases.

That notion has gone by the wayside and with costs continuing to rise for the owners of rent-stabilized apartments, our message to this Board could not be any clearer: it is time to reverse course on a politically motivated agenda and reset.

Please keep in mind that RSA understands the difficulty that some tenants have paying their rent, because the members of our organization are in the business of providing affordable housing. The Members of this Board must also understand that, over the years, the RGB has failed to increase rents as much as might have been justified by increases in operating costs based on its concern about tenant affordability. It is also important to remember that it is not this Board's mandate to solely consider tenant affordability, but to prioritize maintaining a healthy affordable housing stock.

All of the available data indicates that improved economic conditions should allow a return to fair and reasonable rent increases. Advocates will continue to paint a picture that illustrates a housing emergency in the City. However, the 2017 Housing and Vacancy Survey has shown quite the contrary and we will discuss how that is the case.

Despite these positives, a much-needed balance between the interests of both property owners and tenants is ignored by this RGB. The RGB crosses a boundary when it implicitly places the burden of subsidizing tenants with inadequate income squarely on the backs of property owners. Rent Stabilization laws were created to limit rent increases, not eliminate necessary and justifiable rent increases completely.

Rent-stabilization should not and cannot be treated as an affordable housing program. Some legislators on the State level have gone above and beyond to consider rent subsidy programs that would benefit **all tenants** who are truly income-burdened. However, it has been the legislators who advocate for tenant rights that have not allowed these programs to be realized, hurting the very people they have vowed to protect.

Last year, the RGB undoubtedly used an unusual one-time spike in net operating income as their justification for a minimal rent increase that did not properly compensate for the 6.2% increase in operating costs. This year, the growth of even an outdated Price Index far exceeded the growth in net operating income. In this submission, we demonstrate how owner operating costs are much more than what the PIOC calculates and how inadequate guidelines are not the long-term solution to achieving tenant affordability.

Whether this Administration chooses to believe it or not, increased rental income is in fact needed for owners to properly maintain their aging buildings. And because of the wide variety of housing covered by stabilization, it is impossible for this Board to determine whether the rental industry as whole has an adequate level of profit. This is especially true because a significant portion of the City's rent-stabilized housing is overlooked by this Board's calculations. The overlooked stock exists in buildings with less than 11 units and is economically more precarious than the stock of larger stabilized properties.

RGB actions alone cannot alleviate housing affordability problems, certainly not without threatening the living conditions of tenants and jeopardizing future investments in the City's rental stock. Fair and reasonable rent guidelines are the only way to preserve the City's housing stock. They allow tenants to live in decent, affordable housing and allow rental property owners to generate the money they need to meet growing City and State mandates.

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RSA We House New York
Rent Stabilization Association

123 William Street
New York, NY 10038-3814
Tel: 212.214.9200, Fax: 212.732.0617
http://www.rsanyc.org

Recent Under-Compensation Supersedes Any Thought of Over-Compensation

The most consistent mantra under Mayor Bill de Blasio's Administration is that owners have far been over-compensated by past rent guidelines. As we have demonstrated in past submissions to this Board, that notion is the furthest from the truth. In fact, when considering rent guidelines set since 2014, owners have been way under-compensated. To return to its mandate of preserving the existing affordable housing stock, the RGB must enact reasonable levels of rent increases this year and in subsequent years as costs are projected to continue to increase.

As indicated in **Figure 1**, prior to 2014, the one-year guideline increase had generally been set well below the PIOC. Any argument that the PIOC is overexaggerated should be rejected considering the components used to calculate the PIOC have not been updated in 35 years and do not include government-imposed mandates that owners incur on a yearly basis.

Because the approved one-year rent guidelines are significantly lower than the PIOC ensures that owners could not have been over-compensated through rent guideline increases. The facts are right in the numbers.

Furthermore, as indicated in **Figure A (front page)**, the notion of under-compensation under the de Blasio Administration is much more evident than any notion this Board has carried over the same period of time. Excluding the forthcoming one-year guideline that will be set by this Board in June, the graph clearly shows how operating costs have been ignored, particularly in 2014 and 2017.

Many will argue that rent freezes were justified based on the PIOC in 2015 and 2016. However, prior to those years, never in the history of this Board were one-year guidelines ever set below 2%, regardless of what the PIOC was. No matter what Members sat on the Board, there was a definitive understanding that owners would always need some level of income to balance out ever-increasing operating expenses, particularly

Rent Guidelines Consistently Lower Than PIOC

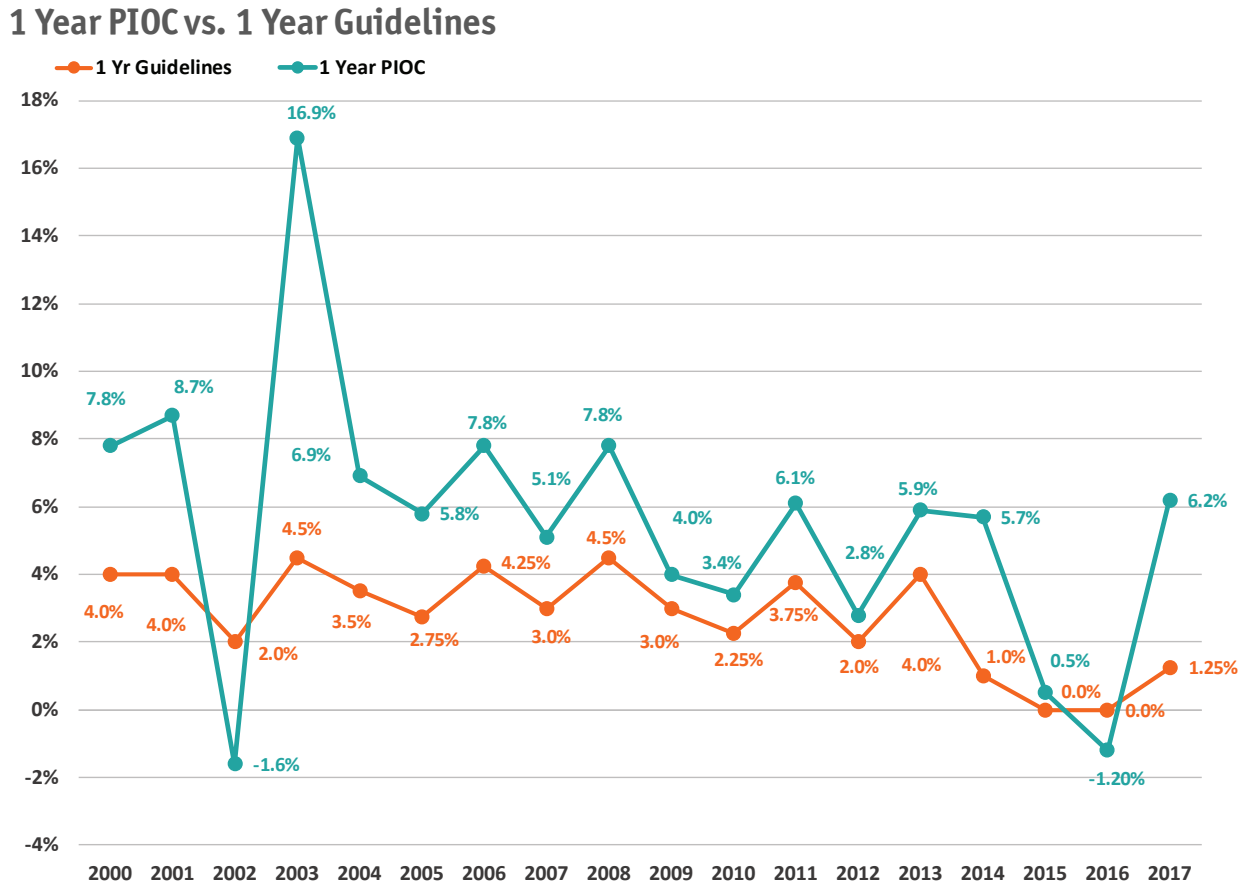

Figure 1

Source: RGB Final Guidelines and Staff Memoranda 2000-2018

property taxes. Based on these charts alone, it is difficult to imagine how anyone can conclude objectively that rent guideline increases have over-compensated owners for their increased costs of operation.

In addition, the Board currently projects a 3.4% increase in the 2019 Price Index.[1] Despite this year's PIOC (4.5%) nearly matching the 2018 projection of 4.4%, we should expect next year's PIOC to be close if not higher for the following reasons: property tax assessments have once again increased throughout the five boroughs, fuel costs are currently on the rise and the City Water Board has approved a 2.36% water rate increase for Fiscal Year (FY) 2019.[2]

It could not be any clearer that increased operating expenses are consistent for rent-stabilized property owners. The two years of low PIOCs that resulted in politically motivated rent freezes were an aberration based on an unprecedented drop in fuel costs. Since then, fuel costs have risen and PIOC increases have better represented owner expenses based on Price Index components. Therefore, this Board is in no position to consider any guidelines less than the RGB commensurate ranges.

Ignoring Commensurate Ranges Ignores This Board's Mandate

When Mayor de Blasio first took office in 2014, his campaign promise of attempting a rent freeze quickly came into fruition when a Preliminary Range for one-year guidelines of 0% to 3% was approved despite a PIOC increase of 5.7%. That year, the Board's very own commensurate ranges did not reach lower than 3% for a one-year lease. The end result was a 1% increase for one-year leases, but not after a clear attempt at a rent freeze.

Last year, with a PIOC increase of 6.2%, the Board's commensurate ranges did not dip below 3% again. The Preliminary Range for one-year leases was between 1% and 3% and the end result was a 1.25% increase. This year, the pattern of ignoring commensurate ranges continued and is certainly not a coincidence. In the face of a 4.5% PIOC increase, with a commensurate range beginning no lower than 1.75% **(see Figure 2)**, an unjustifiable preliminary range for one-year leases was approved a 0.75% to 2.75%.

According to the RGB PIOC report, "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 its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain owners' current dollar NOI at a constant level."

The Members of this Board have a duty, according to its mandate, to approve appropriate rent guidelines that properly compensate owners for their increased costs. Over the last five years, that very mandate has been deliberately ignored. In fact, that mandate has technically been ignored over a 16-year period, where owners' compensation of increased costs dropped to 50% of the PIOC, further proving the argument of long-term under-compensation.

While under-compensation has been a long-term issue, the virtual elimination of rent increases under this Administration has become particularly egregious. This must be reversed with the health of the City's aging affordable housing stock at risk. In the face of historically low guidelines and increased costs, this Board is no longer in a position to ignore commensurate ranges and must reverse course in order to accomplish its mandate.

COMMENSURATES		
	1-Year Lease	2-Year Lease
"Net Revenue" Commensurate Adjustment	3.5%	6.25%
"Net Revenue" Commensurate Adjustment with Vacancy Increase	1.75%	3.0%
"CPI-Adjusted NOI" Commensurate Adjustment	4.5%	7.25%
"CPI-Adjusted NOI" Commensurate Adjustment with Vacancy Increase	2.5%	4.5%
"Traditional" Commensurate Adjustment	2.9%	4.0%

Figure 2
Source: RGB PIOC Report

Mandates... Mandates... & More Mandates

Since 1984, the RGB has consistently used Property Taxes, Labor Costs, Utilities, Fuel Costs, Maintenance, Administrative Costs and Insurance Costs as the main components used to calculate the Price Index of Operating Costs (PIOC). Over the last 35 years, dozens of government mandates have been enacted that have created annual costs for rent-stabilized property owners. The PIOC is far beyond outdated and must be re-evaluated in order to paint a more accurate picture of true owner expenses.

This year's PIOC increased by 4.5%, with increases in all categories used to calculate the Price Index. Most notably, real estate taxes have increased by 6.3% and fuel costs have increased by 16.4%.

Property taxes and fuel costs have consistently served as the two largest components driving the increase in the PIOC. In particular, increased property taxes are an incredible burden for rent-stabilized property owners, increasing over 112% since 2002 or, the beginning of former Mayor Michael Bloomberg's Administration. During the de Blasio Administration alone, property taxes have spiked nearly 31% in just five short years, an average of 6% per year **(see Figure 3, page 9)**.

Although fuel costs, whether increasing as high as 67% in 2003 or decreasing as low as 41.2% in 2016, have a major weight on the PIOC, inconsistent shifts in fuel costs have resulted in a separate calculation known as the Core PIOC that excludes changes in fuel costs. True to form, the core PIOC increased 3.7% this year, and is projected to increase 3.5% next year, higher than the projected increase in the PIOC itself.

While the PIOC and the core PIOC are the major indicators of building operating cost increases, it should be noted that these measures provide only a base level for such increases. It must be understood that the PIOC has failed to keep pace with the growth in the market basket of goods and services that property owners must provide and therefore the PIOC under-estimates the real increase in costs incurred by property owners on a year-to-year basis.

Property Taxes vs. One-year Guidelines Under the de Blasio Administration

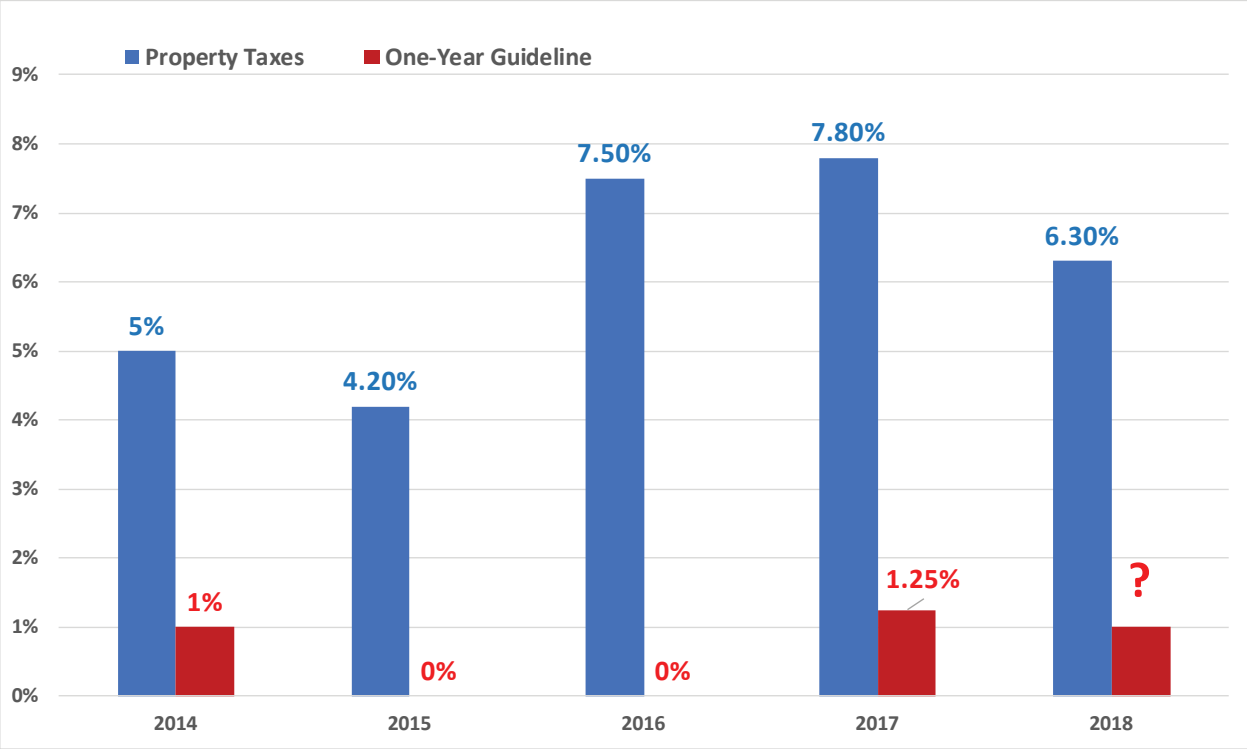

Figure 3
Source: RGB PIOC Reports 2014-2018

Since the PIOC was last overhauled in 1983, only minor adjustments have been made to remove or combine certain elements of the calculation and re-weight certain components. What has not been done is include government mandates that have been imposed on owners over the last three decades. Some of these mandates are minor costs, however, most are major and include significant investments that result in recurring expenses such as lead paint removal.

In past submissions to the Board, we have highlighted the vast majority of the significant government mandates that are not included in the PIOC such as lead paint abatement and facade improvements **(see Figure 4 on page 10)**. However, there are other significant mandates that have been imposed on owners, particularly over the last four years under the current Administration and anti-owner City Council.

This includes, but not limited to, **Local Law 84** and the recent amendment enacted by the City Council, which expands the number of buildings throughout the City that are required to be benchmarked for energy and efficiency. Currently, the law requires all buildings citywide over 50,000 square-feet to benchmark their buildings or measure their energy and water consumption. Owners are then required to submit this information

Government Mandates Not Included in the Price Index of Operating Costs
• Code Enforcement Re-inspection Fees
• DEP Recycling Regulation Costs
• New York State DEC Oil Tank Registration Fees
• DOB Standpipe Sprinkler Coding
• DHCR Annual Registration Fees
• Local Law 11 of 1998 (Façade Inspections)
• NYC Fire Department Fire Safety Notice Requirements
• NYC Fire Department Monthly Sprinkler Inspections
• Local Law 38 (Lead Hazard Reduction)
• Local Law 77 of 2015 (regulation of cooling towers)
• Conversion to Natural Gas or No. 2 heating oil
• Local Law 87: Energy Audits and Retro-commissioning
• Third-Party Elevator Inspections
• Lead paint certifications for workers in the building
• DOF Annual Preparation of Income and Expense Reports
• Local Law 84 (Benchmarking) + 2019 Amendment
• Local Law 10 of 2008 (Section 8 Processing)
• Local Law 69 of 2017 (Bedbug Infestation History)

Figure 4

to the City annually on May 1st. Beginning next year, Local Law 84 will require all buildings of *25,000 square feet or larger* to meet annual benchmarking requirements. By amending the law to reflect buildings less than 25,000 square feet, this adds a universe of thousands of smaller buildings owners.

As you can see, costs not included in the PIOC are constantly growing and in this era of anti-owner legislation, it is safe to assume mandates will continue to be imposed. The RGB must include such costs in its consideration of qualitative factors that are not captured in either the PIOC or in the Income and Expense Reports that building owners file with the City Department of Finance (DOF), which precludes many of these additional costs.

Mandated costs that are not reflected in the PIOC represent a 100% increase in costs and this Board can no longer ignore the growing legacy of mandates. The market basket of costs has grown substantially and operating costs have grown equivalently. The PIOC alone is not an adequate gauge of increased building operating costs when the market basket itself grows continuously as a result of mandate growth.

It is due time the RGB recognizes the unrepresented costs created by mandates and takes cognizance of these costs in setting rent guidelines.

Proof is in the Data and It Is Good News for Renters

Most elected officials will say the 2017 triennial Housing and Vacancy Survey (HVS) released by the U.S. Census Bureau depicts a clear housing emergency. Although any vacancy rate short of 5% demonstrates a so-called "housing emergency," the current 3.63% vacancy rate, which has been steadily rising since 2011, is the third-highest vacancy rate since the Census Bureau began this survey in the 1960s. Additionally, the 2017 HVS clearly paints a picture that elected officials will ignore: a vastly improved economy has improved economic conditions for tenants.

The non-vacancy findings of the 2017 HVS shows that tenants have undoubtedly recovered from the burdens imposed by the 2008 recession. The report clearly shows that tenant income is rising faster than rents, 10.9% versus 8.1% over the last three years.[3] Coupled with historically low rent guidelines over the same three-year period (1% in 2014 and consecutive rent freezes in 2015 and 2016), tenants have not only been able to maintain relatively stagnant rents, but improved income levels have allowed these tenants to comfortably meet their rents.

Average rent levels reported by the HVS completely debunk the notion of elected official and media who claim that average City rents are near $3,000 per month. Median contract rent for **all renters** in the City is approximately $1,337, but this Board does not need to take into consideration the median rents outside of stabilization. At a median rent of $1,267 per month, rent-stabilized apartments are well below the median asking rents for vacant apartments at $1,875 per month, which are also well below the exaggerated levels that advocates want the public to believe.

While we have seen historically low guidelines since 2014, the average one-year guideline increases since 2002 is a mere 2.6%, just a fraction of average owner cost increases of 5.1%. These low guideline increases have eased the burdens on renters and the 2017 HVS finding that stabilized rents increased 2.6% over three years further debunks any notion that owners reap huge rent increases from sources other than guidelines.

Partially as a result of restraint in rent guidelines, rent-to-income ratios have remained static for the last nine years at approximately 30% of income for rent while overall rent burdens in other urban areas have continued to increase to the point that several localities have increased the affordability standard from 30% to 35% of income paid for rent.

Furthermore, apartment overcrowding has been reduced most particularly in stabilized apartments, which clearly indicates that more households are able to achieve independent living. An addition of 69,000 housing units since 2014, including a net gain of 4,387 rent-stabilized units in 2017[4], which has led to the largest housing stock on City record, has also aided this transition.

The 2018 RGB Income and Affordability Study further sheds light on the improved conditions for rent-stabilized tenants. New York City saw an increase of 81,000 jobs, a 2% increase from 2016 and coincides with a decrease in the unemployment rate, which dropped from 5.2% in 2016 to 4.5% in 2017. This is the eighth consecutive year that employment levels have risen in the City.

Rental property owners have been negatively labeled when it comes to non-payment filings and eviction cases. In reality, the overwhelming cause for eviction proceedings is for lack of rental payment. The 2018 Income and Affordability Study shows that, for the sixth consecutive year, non-payment filings in Housing Court have decreased and the actual number of tenant evictions decreased by 4.6%. This is a clear indication that tenants are in a far better position financially and are becoming more capable of meeting their monthly rent.

The Financial Plan for Fiscal Years 2018 through 2022 as promulgated by the City Comptroller's Office predicts that the City will continue to gain jobs in 2018, the unemployment level will continue to drop and wages will also rise, continuing a positive trend for City renters. Also, a recent report from the Mayor's Office for Economic Opportunity shows that fewer New Yorkers are living in near-poverty conditions for the first time since the 2008 Recession. **Figure 5** shows how the poverty rates and near poverty rates continue a downward trend, down from 20.6% in 2014 to 19.5% in 2016.[5]

NYCgov and U.S. Official Poverty Rates and Thresholds, 2014–2016

	2014	2015	2016
Poverty Rates (%)			
NYCgov Poverty	20.6	19.9	19.5*
NYCgov Near Poverty	45.1	**44.2**	43.5*
U.S. Official Poverty	19.1	18.4	**17.6***
Thresholds ($)			
NYCgov Poverty	31,581	31,756	32,402
U.S. Official Poverty	24,008	24,036	24,339

Figure 5
Source: New York City Government Poverty Measure 2005-2016

Despite Improved Economic Conditions, Affordability Issues Still Exist, But Cannot Be Addressed by the City Rent Guidelines Board

Tenant advocates will completely disregard any of the above improved economic factors. Thousands of new jobs, a decreased unemployment rate and poverty levels still may not aid tenants who are truly rent burdened.

Historically-low rent guidelines have become the norm under this Administration over the last four years. Rent freezes kept rent levels steady and yet tenants still cannot afford their rent. An affordability crisis is evident but exists on a national level from decades of structural changes in the American economy and cannot be remediated at the local level that this Rent Guidelines Board oversees. A small 2.25% increase in rents over a four-year period has not alleviated the rent burden on tenants but has instead threatened the health of the City's affordable housing stock.

We have preached to this Board, way before this Administration, that the problem for rent-burdened tenants is not high rents, but low incomes. The housing burden problems of low income households cannot be solved by this Board and is not in this Board's mandate to do so. The only remedy would be to improve on subsidy programs to help tenants truly in need of rental assistance. It is time for this Board and this Administration to get behind such proposals.

A proposed bill that would freeze rents for all income-eligible renters through a system similar to the Senior Citizen Rent Increase Exemption Program (SCRIE) and Disability Rent Increase Exemption Program (DRIE) has received unanimous support on multiple occasions from the State Senate, but would not be supported by pro-tenant legislators in the Assembly or even on the City level.

Furthermore, a proposed bill that would create a statewide, federally and state-funded rent supplement for families and individuals who are eligible for public assistance benefits and who are facing eviction or homelessness, has also fell flat because of lack of support.[6]

An attempt to resolve tenant income issues by depriving property owners of necessary rent increases will only lead to poorer housing conditions for tenants. We encourage this Board to support State initiatives that have come to a standstill in the Legislature because of lack of support from the State Assembly and the de Blasio Administration.

Healthy Housing & Profitability Cannot Be Measured by Net Operating Income

In order to ensure that the City's aging rent-stabilized housing stock is properly invested in, housing must be profitable. Since 2014, this Board has deprived rent-stabilized owners of their primary source of income as operating costs have continued to rise. The New York City Rent Stabilization Law, Sec. 26-510, states this Board's primary mandate is to consider the "economic condition of the residential real estate industry" and to enact rent guidelines that will allow building owners to maintain the health of the City's affordable housing stock.

After a Price Index increase of 6.2% last year, this Board continued to carry the notion that rent-stabilized property owners are doing well financially as a result of a 10.8% increase in Net Operating Income (NOI). This year, NOI was calculated at an increase of 4.4%, a far cry from the numbers calculated by the 2017 RGB Income and Expense Report.

It is important to realize that the Income and Expense data that is being examined this year by the RGB is more than two years old and does not reflect the current economic condition of the City's rent-stabilized housing stock. The data, covering calendar year 2016, incorporates only three months of the devastating 0% guideline enacted in 2016, the second straight year that a rent freeze was imposed on building owners. It will be at least another year before these economic factors are better reflected in owner Real Property Income and Expense (RPIE) filings.

Last year, the data only reflected three months of the first rent freeze implemented in 2015, thus creating a perception that owners were continuing to make extraordinary profits with a 10.8% increase in NOI. With 15 months of zero rent increases included in this year's calculations, perhaps this is reflected more accurately with a mere 4.4% increase in NOI. Next year, it would not be surprising if the calculated NOI is even less than this year's increase, or perhaps negative.

Tenant advocates will ignore that drastic difference and cite a rise in NOI for the 12th consecutive year. Historically, the Report has inaccurately used NOI as a proxy for owner profitability. NOI is derived from the RPIE statements that are filed with the City Department of Finance (DOF). As we have argued in the past, RPIE statements

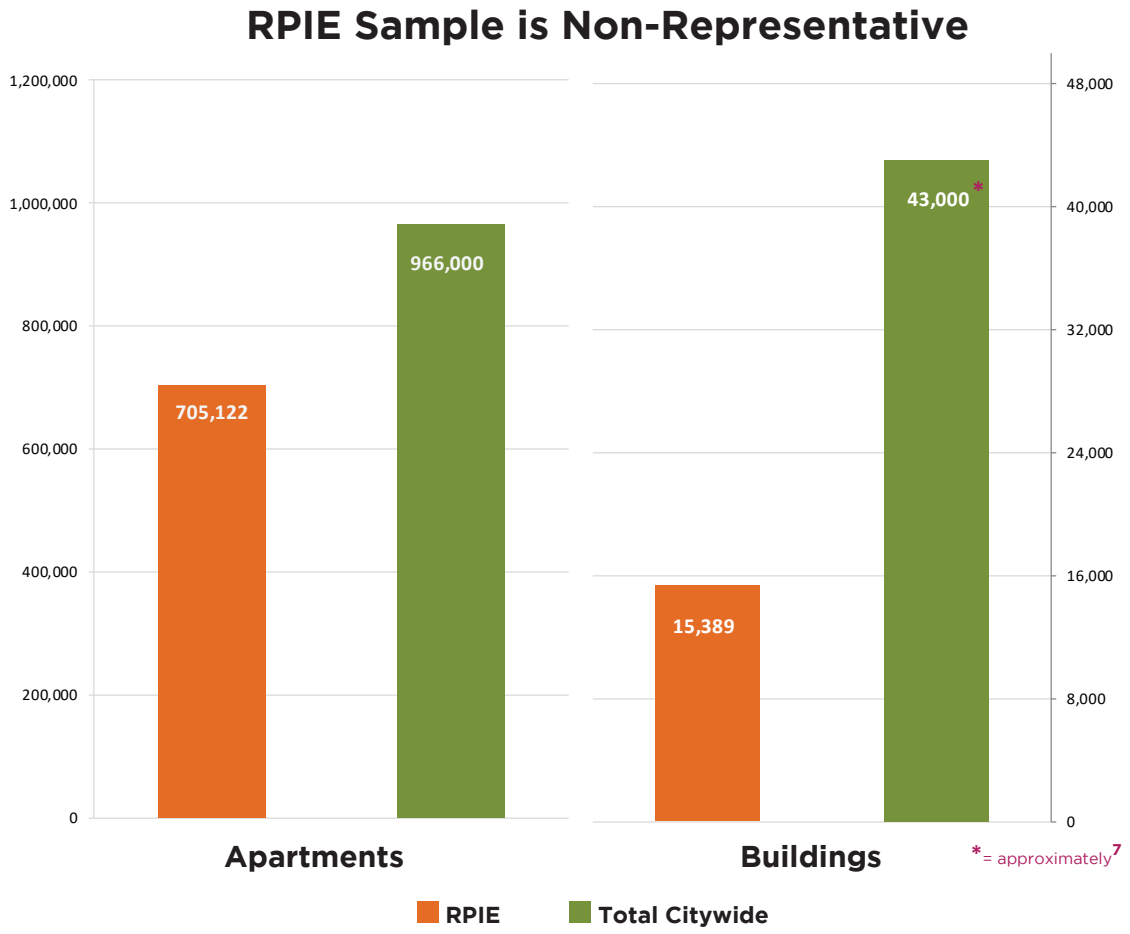

Figure 6

Source: NYC Department of Finance RPIE Filings, 2017 Housing and Vacancy Survey

do not account for owner cost of financing their buildings, nor does it account for the cost of building capital improvements that are largely required by the aforementioned government mandates. Furthermore, RPIE instructions include a lengthy list of various expenses (**see Appendix A, page 19**) which cannot be included on RPIE filings. The vast majority of these items are common expenses for building owners and are routine costs of doing business.

Despite this, RPIE statements continue to contain all types of owner income which include, but are not limited to, rental income from residential and/or commercial units, and income earned from Major Capital Improvements (MCIs). Therefore, the exclusion of legitimate operating and financing costs and the inclusion of all sources of income has greatly exaggerated NOI for rent-stabilized properties. This has continued to create the illusion that owners of rent-stabilized properties continue to profit enormously from their buildings even during this era of severe under-compensation.

Furthermore, although the RPIE sample used to promulgate NOI data is large, we consider this sample extremely inaccurate based on the fact that buildings with less than 11 units are not required to file RPIE statements. This is significant because the

building sample used by the Board's NOI analysis excludes nearly two-thirds of all of the City's rent-stabilized buildings that include approximately one-third of all of the City's rent-stabilized units. **Figure 6** shows the total number of buildings and units reflected in RPIE statements compared to the total actual number of buildings and units existing citywide. These smaller buildings undoubtedly have much lower rents and higher operating costs, which leads to inadequate guidelines having a much more severe effect on these particular building owners.

The NOI calculation is an average for thousands of buildings that are all vastly different from each other. Some are decades old, while some are newer; some are large while most are much smaller and owned by "mom and pop" operators who work more than one job in order to earn enough income to invest back into their buildings. All rent-stabilized buildings exist in dozens of various neighborhoods throughout the five boroughs that are extremely different from each other, so to say there is common profitability in the diverse housing stock is virtually improbable.

Because of how little we know about rental housing profitability and the vast differences amongst the City's varied housing stock, it is difficult to understand how this Board can come to the conclusion that rent-stabilized housing does not need rent increases to compensate for increases in operating costs.

Ignoring these facts blatantly ignores the needs of rent-stabilized building owners. If this Board's goal is to reach the point where owner profitability does not increase, we could easily head down a path where the City's regulated housing stock will mirror the City's public housing stock, which has lacked timely and critical maintenance due to the lack of adequate capital funding.

The bulk of the City's rent-stabilized apartments are in aging buildings that are constantly in need of maintenance and improvements in order to provide adequate living conditions for its tenants. Over the last four years, many owners of older and smaller buildings have found it increasingly difficult to make up for the loss of rental increases on stabilized apartments that they have relied on over the years. If this Board continues to try to eliminate owner profitability, any existing reserves will be depleted and will ultimately be reflected in the conditions of their buildings.

Recommendations from RSA

Rent-stabilized property owners can no longer afford to be deprived of the necessary source of income that they need to properly maintain and operate their buildings. After four years of unjustifiable rent guidelines that have totaled only 2.25%, this Board must reverse course and properly compensate owners for their continued increases in operating costs.

Last year's 6.2% increase in the PIOC and this year's 4.5% increase reflect long-term increases in building operating costs that far surpass increases in the consumer price index. Next year, this trend will most certainly continue. Property taxes will undoubtedly increase, fuel costs are currently on the rise and water rates have increased for the first time in two years.

The Price Index forms the basis for the commensurate rent adjustments calculated each year by the Board staff. The commensurate rent adjustments result in a range of rent increases intended to keep building owners whole. What this Board has done over the last five years is blatantly ignore the commensurate adjustments and have set Preliminary Ranges well below the rent increases that owners need to continue maintaining their properties.

Despite Preliminary Ranges set between 0.75% and 2.75% for one-year leases and 1.75% and 3.75% for two-year leases, RSA continues to believe that an increase of **4% for a one-year lease** and a **7% increase for a two-year lease** is justifiable for two reasons: these numbers fall well within the commensurate adjustments promulgated by RGB staff and it is time to make up for inadequate guidelines since 2014 that have burdened rent-stabilized property owners.

The mandate of this Board cannot continue to be ignored at the expense of the health of the City's aging housing stock. Although housing affordability continues to be a concern, that concern is best met by targeting rental assistance to those most in need rather than inadequate rent guidelines that harm not only property owners, but tenants as well.

For five years, rents have remained relatively still and there is no hiding the fact that tenants overall are doing well. The proof of that is in data that has been presented to this Board. It is in the best interests of tenants, owners and the City's aging housing to approve moderate rent increases so that property owners can continue to provide decent and affordable living conditions for years to come.

Endnotes

1 2018 RGB Price Index of Operating Costs

2 Fiscal Year 2019 Water Rate Proposal to the New York City Water Board

3 2017 U.S. Census Bureau Housing and Vacancy Survey

4 2018 RGB Changes to the Rent Stabilized Housing Stock in NYC in 2017 Report

5 NYC Government Poverty Measure 2005-2016

6 Home Stability Support, State Assemblyman Andrew Hevesi, 2016

7 DHCR Office of Rent Administration 2014/15 Annual Review

Appendix A

Instructions for Worksheet RPIE-2015 from the Department of Buildings, Pages 15

Below are ***Ineligible Miscellaneous Expenses*** and expenses that are ***Eligible*** to be included in the Expense portion of the RPIE.

Ineligible Miscellaneous Expenses		
Air rights	Engineer's fee	Personal insurance
Alterations	Equipment purchase	Pointing - over $500
Amortization (except leasing)	Estimate expenses (except real estate taxes)	Projected expenses
Appliances	Financial charges or expenses	Pro-rated expense of any kind (except leasing and insurance)
Appraisal fee	Fines	Public phone charge
Architects fees	Franchise taxes	Real estate abatement fees
Automobile expenses	Furniture	Real estate fees
Bad debt	General expense	Real Estate Taxes
Bank Charges	Gifts	Rebates
Blanket insurance policies	Ground rent	Recovery charges
Bond premium	Health club/gym	Refunds
Building rent	Improvement loan	Reimbursements of any type
Business insurance	In rem payments	Renovations
Business organization expenses	Income taxes	Rent
Cable Service	Insulation	Rent strike settlement
Capital improvements	Intercom	Reserves for replacement
Car fare	Interest payments	Return of rent
Certificate of occupancy costs	J51 Exemption/abatement filing fee (421 a filing fee)	Safe deposit boxes
Certiorari costs	Janitor's apartment and/or utilities	Storage
Christmas expenses	General expense	Superintendent's apartment and/or utilities
Claims of any kind	Late charges	Tenant buyout
Closing costs	Lawsuit settlement	Tenant holdovers
Commercial rent tax	Lease cancellation costs	Tenant moving expense
Commitment costs	Lease surrender	Tenant refund
Common charges	Leasehold interest	Tenant's refund
Compactor	Lien	Termination fee
Computer purchases	Local law 5 or 10 filing fee	Title insurance
Construction	Management training	Transportation
Consultation fee (other than that specified for management or leasing	Merchant's association dues	Travel
Contributions	Miscellaneous expense	Unincorporated business tax
Corporation expenses	Mortgage Interest	Vacancy
Corporation taxes	Negative (bracketed) amounts	Vacancy and loss of rent
Debt service	Occupancy tax	Vacating expense
Delivery expense	Office rent	Variance costs
Demolition	Officers' salaries	Violations
Depreciation	Organization expenses	Write off on leasing & renting
Drawing	Parking	Zoning fees
Dumpster	Partners' salaries	Xmas expenses
Electrical survey	Penalties	

Eligible Miscellaneous Expenses			
Petty cash	Lease buy-out	Special assessments	Sundry