We Are the Solution

Affordable Housing Providers Need Reasonable Rent Guidelines

Comments on the Preliminary Rent Guidelines for Order 51
June 2019

RSA We House New York
Rent Stabilization Association

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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, this submission will highlight important facts that we believe justify a return to fair 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 21.5% since 2014 while the RGB, under this current Administration, has only granted a 3.75% increase in rents. Prior to the de Blasio Administration, the RGB set rent guidelines with the intent to preserve the health of the City's affordable housing stock. The guidelines enacted provided building owners with adequate rent increases that allowed them to properly invest into their buildings and maintain a safe and suitable living environment for their tenants.

With operating costs increasing the way they have over the last six years, rent levels kept historically low, and an uncertain future for the City's affordable housing stock with changes looming in Albany, it is imperative that this Board return to a level of reasonable rent guidelines for both owners and tenants. Aside from RGB produced data that justify the need for adequate rent increases, there is an abundance of additional information produced by various sources that express the need for investment back into aging buildings.

A trend that RSA predicted three years ago is now evident in this year's research data and is a direct result of rent freezes and historically low guidelines. We sat before the Board prior to the first rent freeze in 2015 and warned that owner net operating income would gradually decline to the point that owners would not make a profit as rents remained stagnant and operating expenses continued to rise. Despite a thirteenth straight year that NOI has increased, the downward trend of NOI is undoubtedly visible in the last three years.

When rental property owners, especially buildings with 10 or less units, do not have a steady revenue stream, the health of their aging buildings and tenant living conditions are ultimately affected. The reputations of a few bad apples should not cloud the fact that private owners are the largest providers of affordable housing in New York City. In order to maintain the best living conditions for their tenants, owners need fair and reasonable rent guidelines.

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. Additionally, a universe of over 100,000 rent-regulated tenants exists, such as SCRIE, DRIE and Section 8 recipients, that are protected by any rent increases enacted by this Board.

Restricting much-needed revenue for building owners does much more than jeopardize the City's aging housing stock, it jeopardizes the City's economy. The annual operations and maintenance, as well as capital improvements to the stock of rent-stabilized apartments throughout the five boroughs, has contributed to the City's economy in numerous ways. By providing direct on-site employment in building management and caretaking, as well as construction employment in apartment and building improvements, owner annual expenditures purchase materials and supplies needed for investment into properties. We will delve into those numbers in this submission.

Whether this Board or this Administration chooses to believe it or not, 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 substantial portion of the City's rent-stabilized housing exists in buildings with less than 11 units and continues to be overlooked by this Board's calculations.

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

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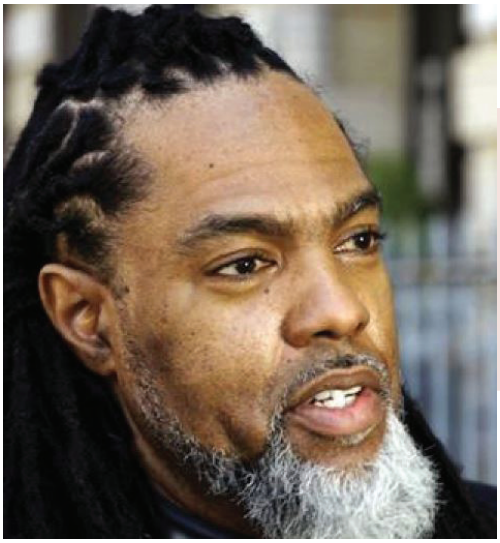

"There's no absentee landlord in this building because I live here. I want my tenants to feel pride in the homes they live in. They're able to contact me 24/7."

– Lincoln Eccles, RSA Member

It's Time to Stop Penalizing the City's Private Affordable Housing Providers

One of the oldest rivalries in New York State is one that has been created by State and City elected officials: landlord versus tenant. For the sake of politics, government continues pitting building owners against their tenants as a result of a few bad apples in the system. The truth of the matter is, the City's rental housing stock is in the best condition it's ever been in[1] and this is a direct result of property owners investing in and maintaining their properties. However, if elected officials throughout the State and this Board continue to limit owner income, it will ultimately result in disinvestment down the road.

The perception that all rental property owners are "slumlords" is false. Although hundreds of tenants throughout the City will testify before this Board throughout the month of June, the vast majority will not have direct issues with the building owner, but rather the inability to afford the rent. RSA does acknowledge that an affordability issue continues to exist for some tenants. However, this issue has remained constant despite historically-low rent guidelines over the last five years that included two consecutive rent freezes. When rent increases have been relatively stagnant, it is obvious that a solution to the affordability crisis is far beyond this Board's mandate.

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

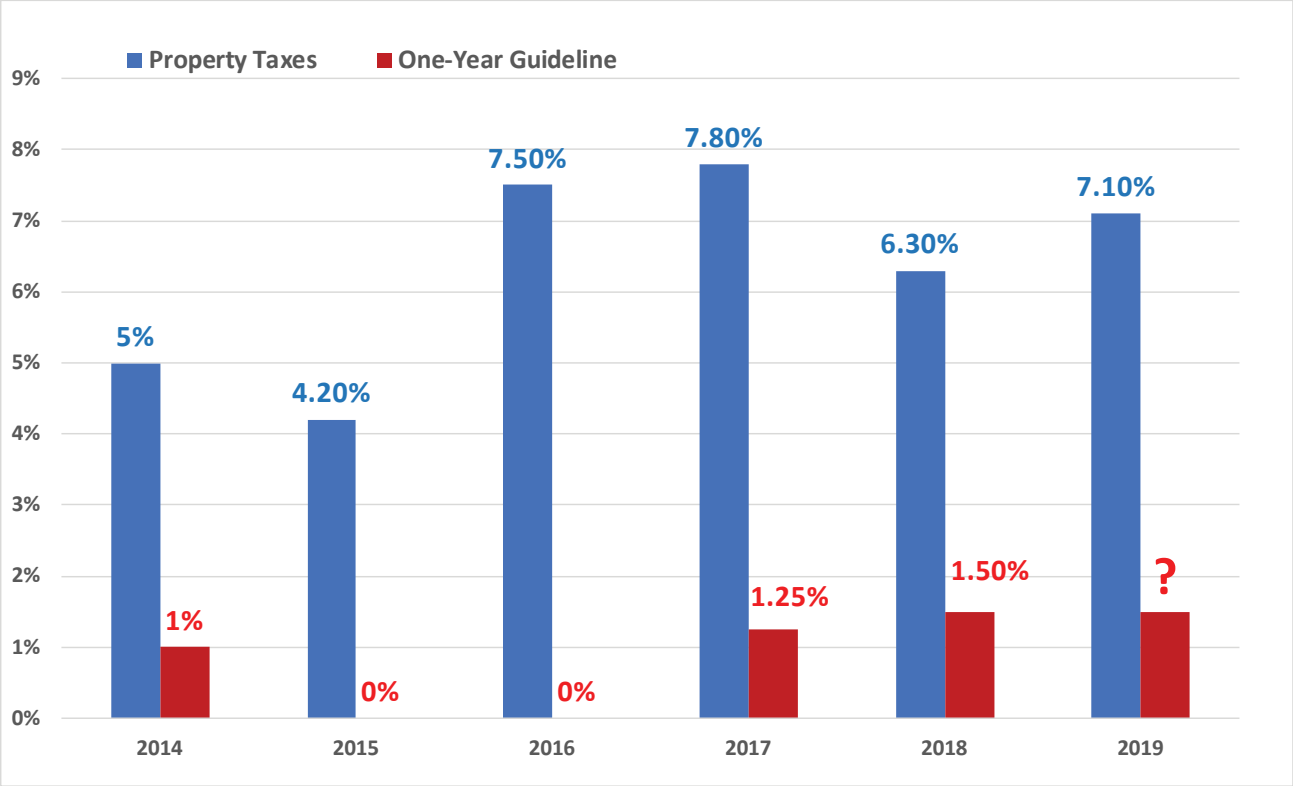

Figure 1
Source: RGB PIOC Reports 2014-2019

So, while rents are kept historically low, owner operating expenses continue to rise at astronomical rates. Over the last five years under the current administration, one-year rent guidelines have been a fraction of property tax increases for rental property owners (**see Figure 1**), which are up an astounding **37.1%** since 2014. In addition, water and sewer rates continue to rise, as well as all other main components that are used to calculate the Board's Price Index of Operating Costs (PIOC).

Since this Board's inception over 50 years ago, the mandate has always been to maintain a healthy rent-stabilized housing stock in New York City by providing building owners with reasonable rent guidelines to offset ongoing increases in building operating costs and mandates. However, since Mayor Bill de Blasio took office, this Board has prioritized tenant affordability only, a job that belongs to the lawmakers on the State and City level.

Rather than make a recommendation to the State Legislature for a subsidy program for all rent-stabilized tenants who are income-burdened, this RGB would rather risk the health of the City's privately-owned housing stock by preventing building owners from generating enough income to invest back into their buildings and maintain enough reserves for unexpected expenses that will undeniably arise in their aging buildings.

There is no question that the vast majority of the City's rent-stabilized units exist in the City's oldest privately-owned buildings. Out of nearly 963,000 rental buildings throughout the five boroughs, 150,998 of them were built between 1947 and 1974 and a staggering 587,590 buildings were built before 1947. With a total of approximately 738,588 buildings, 77% of the City's total rental buildings were built at least 45 years ago.[2]

If these numbers do not paint a clear picture of why adequate rent increases are necessary, then perhaps the research data provided by this Board can do a better job. Since the current Administration began in 2014, operating expenses as calculated by the PIOC have increased 21.2% and one-year guidelines have been kept at historic lows, totaling 3.75% over a five-year period.[3] It is incredibly difficult to justify, based off of the small basket of increased expenses calculated by this Board, how these inadequate guidelines can provide private rental property owners with the revenue needed to maintain these aging buildings.

With inevitable changes to the State rent laws looming in Albany, it is up to this Board to ensure that owners generate an adequate revenue stream so that they can properly invest into their buildings and provide the best possible living conditions for their tenants. Many of this Board's Members have heard first-hand from RSA members about the countless expenses that owners face on a daily basis and the struggles of maintaining and improving the City's oldest housing stock. Therefore, a return to reasonable guidelines after five years of sever under-compensation is mandatory this year. Building owners are the solution, not the problem.

"My building was built in 1932...it's an older building that needs massive repairs continually."

– Janice Hamilton, RSA Member

NOI Cannot Be Determined and Cannot Be Used as a Basis for Guidelines

Over the last five years, RSA has heard about a consistent pattern of increased NOI. In fact, tenant advocates will often highlight the fact that NOI has increased for 13 straight years. Although this is true based on data compiled by the 2019 RGB Income and Expense Report, it is impossible to measure owner profitability solely by net operating income. Furthermore, there is a downward trend unfolding in NOI that RSA predicted when this Board enacted the first-ever rent freeze four years ago.

Prior to the two straight historic rent freezes that were enacted in 2015 and 2016, RSA warned this Board that zero-to-minimal guidelines would ultimately have a radical effect on an owner's bottom-line. Diminishing increases in NOI over the last three years, coupled with a consistent increase in operating costs, have made this prediction a reality **(see Figure 2 on page 9)**. Last year, NOI was essentially stagnant. With only a 0.4% increase, we can clearly see the very real possibility of an absolute decline in NOI going forward as a result of historically low guidelines which have affected the revenue stream for building owners.

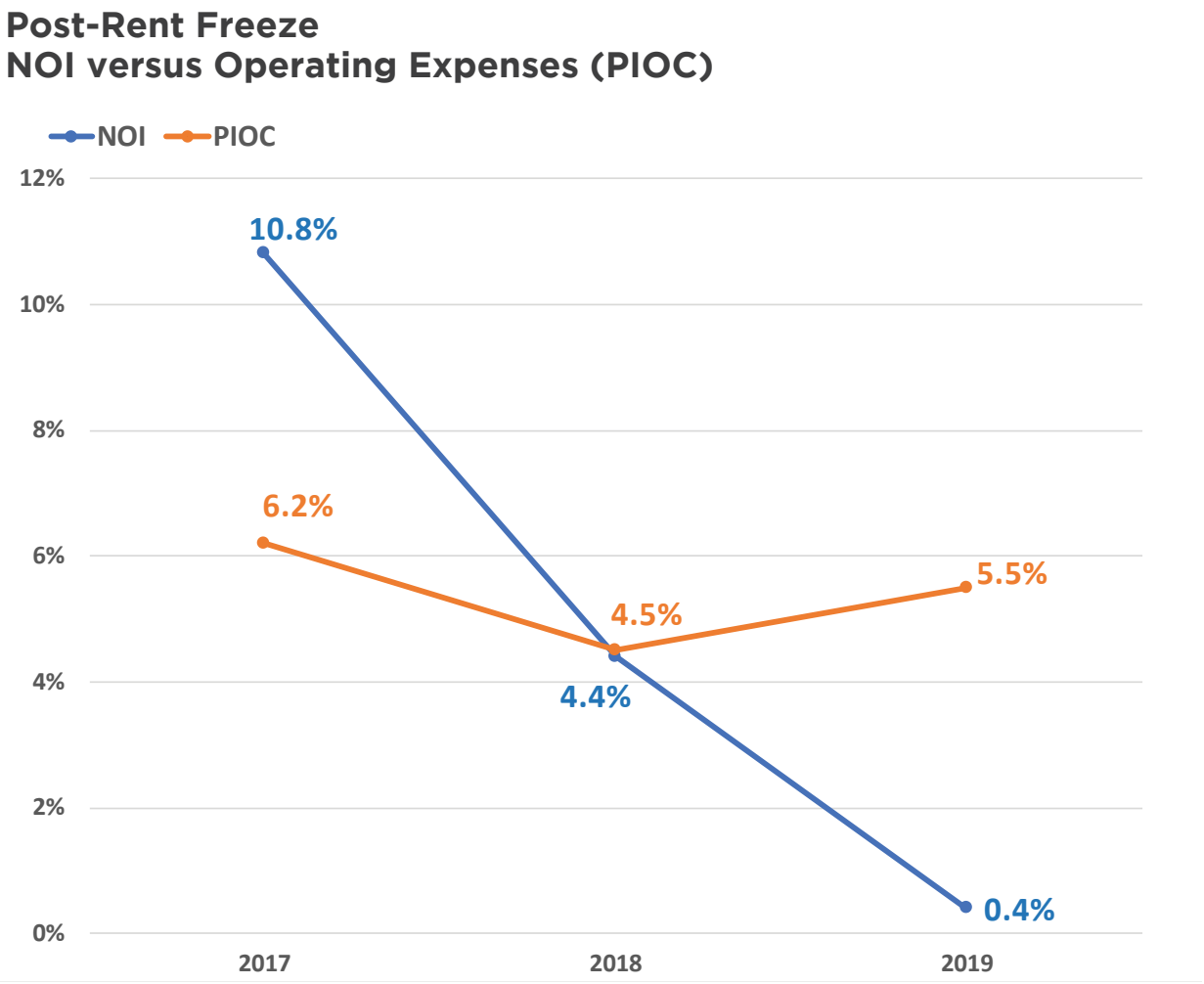

Figure 2
Source: RGB Income and Expense Reports
RGB Price Index of Operating Cost Reports

Despite what tenant advocates believe, owners do need to make a profit on their buildings in order to maintain and improve them. NOI is a much bigger picture than profit because it is an owner's gross revenue minus operating expenses and does not include any debt service including paying a mortgage.

Echoing RSA's arguments, the NYU Furman Center recently published a report[4] that details the process for balancing affordability and a fair return through the City Rent Guidelines Board. With regard to NOI and why it matters, the report specifies that if a building produces positive NOI, the income can be used to pay back any debt or equity investment used to rehabilitate the building. The RGB measures operating expenses based on property taxes, fuel, labor costs, maintenance, insurance, and utility costs, but **does not include** costs incurred in making major capital repairs such as installing a new boiler, converting a heating system or other various mandates that continue to be ignored in PIOC calculations.

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)
• Local Law 55 of 2019 (Indoor Allergen Remediation)

Figure 3

Of course, the Furman Center report acknowledges that the latter types of expenses varies by building size and age, in which case operating costs are likely to increase more consistently over time and across buildings. However, the report points out that "in order to prevent NOI from falling in an environment in which operating costs increase over time, revenues must likewise increase."

In addition to inevitable operating costs increases, owners must be in a position to maintain reserves in the event of unexpected and catastrophic expenses that again, are not considered by the PIOC report. Unforeseen expenses and unaccounted for mandates **(see Figure 3)** are part of everyday life for rent-stabilized property owners and several Board Members heard that first-hand by meeting face-to-face with dozens of RSA members in May.

Furthermore, owners are prevented from including a long list of miscellaneous expenses on RPIE filings **(see Appendix A, page 21)** through the City Department of Finance (DOF), which the RGB relies on heavily when calculating NOI. It is also important to note that reserves for replacements can also not be listed on RPIE filings. Even though DOF now acknowledges the importance of reserves by attributing reserves for purposes of tax assessment, property owners may not report reserves on their RPIE statements. Therefore, the RGB Income and Expense Report does not take replacement reserves or actual payments for capital costs into account although it includes additional income from MCI increases.

Revisiting the argument about smaller buildings, the RPIE report does not include data from approximately two-thirds of stabilized buildings and one-third of stabilized units because buildings containing 10 or fewer units or assessed at less than $40,000 are not required to file RPIE statements. This makes the RGB data sample extremely non-representative. These smaller buildings are known to have lower rents and higher operating costs and therefore have lower levels of net operating income than the larger housing stock. If these smaller buildings were included in the analysis, net operating income would be lower than currently calculated.

In addition to the buildings left out of the I&E Survey, we must also consider the type of buildings that are included in the Survey that effect the calculation of profitability. There are a large number of stabilized properties that benefit from government subsidy, usually in the form of real estate tax abatements or exemptions under programs such as 421a, 421c and Article XI (HDFCs). These properties will show large NOI's because they do not face the critical economic burden of real estate taxes. In addition, the Survey also includes buildings that have at least one stabilized unit. Obviously, a building that is largely deregulated will have a more positive economic profile than a typical rent stabilized building.

RSA continues to believe that a better picture of profitability would emerge if DOF were asked to eliminate properties that receive favorable tax breaks and buildings that do not have a majority of stabilized rents in order to determine the economic margin for a typical building that is primarily rent regulated and paying full taxes.

Because of the many deficiencies in the I&E data, it's nearly impossible to gauge rental housing profitability given the vast differences amongst the City's varied housing stock. Therefore, it is difficult to understand how this Board can allow a nebulous concept of profitability to undermine the fact that rent-stabilized housing needs rent increases to compensate for increases in operating costs.

We have seen the negative impacts that inadequate revenue streams and reserves can have on buildings through the consistent deterioration of the City's public housing stock. If this Board's goal is to reach the point where owner profitability does not increase, we could easily head down a similar path, one which has lacked timely and critical maintenance. This is not only a realistic consequence that State lawmakers must take into consideration as they consider reforms to the State rent laws, but one that the RGB must consider now and moving forward.

Even the Furman Center recognizes that, "the Rent Guidelines Board's annual decisions on basic allowed rent adjustments are critical to both affordability and the long-term quality of New York City's rent stabilized housing stock. Given the Board's current mandate to find the right balance between maintaining affordability and allowing owners to earn a fair return, policymakers should be mindful to guard against any changes that may lead to the unintended consequences of inequitable rent increases or a gradual decline in the long-term quality of the housing stock."[4]

"The rent goes back into the building, to the maintenance and repairs. I hire local people; I hire plumbers and electricians...and that's good for the community."

– Oscar Perez, RSA Member

When Rent-Stabilized Buildings are Healthy, Local Economies are Healthy

As pointed out in the 2017 New York City Housing and Vacancy Survey (HVS), housing and neighborhood conditions throughout the City are better than ever. It is important to recognize the fact that rent-stabilized property owners, regardless of the size of their buildings, have invested tremendously into their properties to provide the best possible living conditions for their tenants. Beyond that, money invested into their buildings is money invested into local businesses that perform upgrades and maintenance to their buildings, further emphasizing the need for fair and reasonable rent increases.

RSA has repeatedly made the case for rent guidelines that are fair to both the property owner and their tenants. Most tenant advocates will strongly disagree with any rent guideline above a rent freeze. However, whether they choose to believe it or not, owners are constantly in need of adequate guidelines that not only recoup ever-increasing operating costs, but allow investments back into their buildings.

Tenant advocates and elected officials have turned a blind eye to the fact that building repairs and upgrades are not only vital for aging buildings, but vital for local businesses, where owners purchase needed materials and who they hire to perform the maintenance on their buildings. This includes contractors, plumbers, painters, electricians, hardware stores, and much more. These investments undoubtedly have a major impact on the City's economy.

Please keep in mind, these repairs and upgrades are not limited to major capital improvements (MCIs) and individual apartment improvements (IAIs). Many of these repairs and enhancements that owners perform on their buildings do not qualify for these state-permitted programs. In fact, many of these enhancements are mandated and are not accounted for in RGB data. Ultimately, these repairs and upgrades are a result of money spent from an owner's pocket or from loans.

According to a recent Urbanomics Report, the direct impact of expenditures on all capital improvements and annual operations of rent-stabilized buildings was estimated to be $13.33 billion in 2018 alone. Out of that $13.33 billion, $12.869 billion came from operations and maintenance (O&M) expenditures, which include $3.706 billion for property taxes (funding City services such as the police and fire department and education), $2.144 billion for maintenance, $1.725 billion for administration, $1.390 billion for fuel, and $1.406 billion for labor.[5]

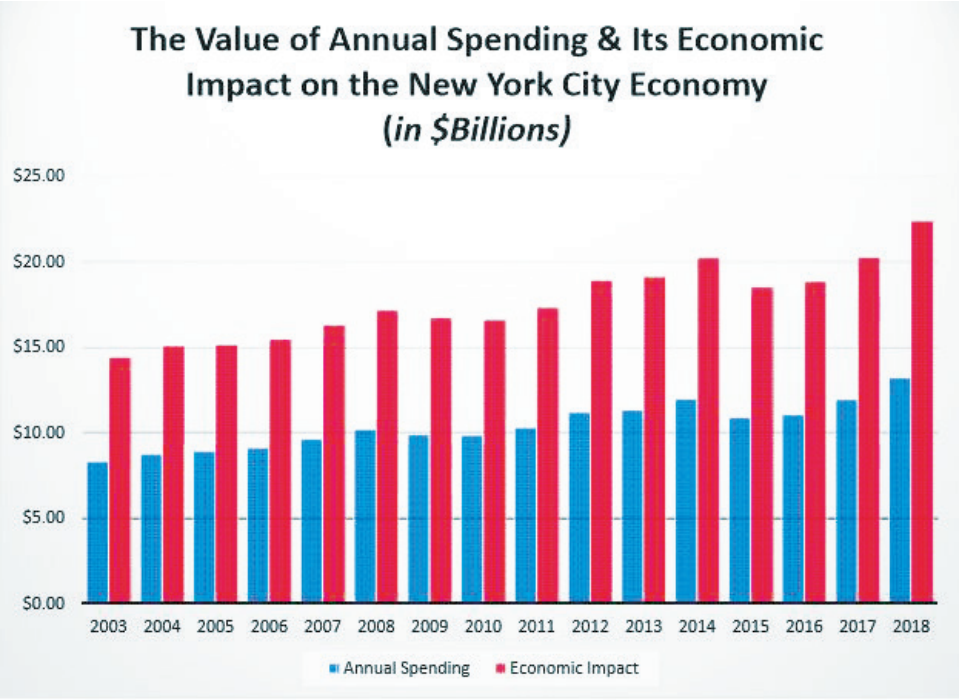

Figure 4
Source: Urbanomics: The Economic Impact of Capital Improvements & Annual Operations of Rent Stabilized Buildings on the Economy of New York City, 2003-2018

The report highlights the fact that the $13.33 billion reinvested into buildings had a $22.4 billion cascading impact on the local economy **(see Figure 4 on page 13)**, supporting more than 180,000 jobs and pumped around $4.5 billion into neighborhood retail shops. Annual worker earnings for direct labor in rent-stabilized building operations averaged $62,300 in 2018.

Although MCI and IAI work on buildings is beyond this Board's mandate, enacting reasonable rent guidelines is not. Regardless of what is enacted by the State Legislature, this Board, by mandate, is required to enact rent guidelines that not only compensate owners for increased operating costs, but to ensure the future health of the City's existing rent-stabilized housing stock. When owners are provided with the rent increases they need, they invest into their buildings and the local communities.

Continued Under-Compensation Will Hurt Housing

It is clear that money invested back into buildings plays a major role in the City's economy and local jobs. If pro-tenant lawmakers in Albany are successful in completely reforming the rent laws as they have proposed to do, rent-stabilized property owners will likely be forced to rely solely on rent guideline increases to invest back into their buildings and to accommodate ever-increasing costs. If one-year guidelines over the last two Administrations, a total of 18 years, is an indication of what owners must look towards in the future, then we cannot be optimistic about the future of the health of the City's housing.

Over the last six RGB deliberations, the rental housing industry was told over and over by tenant advocates that building owners have been severely over-compensated by past guidelines, particularly under former Mayor Michael Bloomberg. In reality, that is the furthest thing from the truth **(see Figure 5 on page 15)**. Some may argue that for 12 years under the Bloomberg Administration, the average one-year guideline was 3.3%. An easy rebuttal would be to point out that the average PIOC was nearly 6%, which means that owners were only compensated for approximately half of their operating expenses.

It's important to dig even deeper into the operating expense numbers during the Bloomberg Administration. Property tax rates increased **twice** in the same calendar year on two occasions (2003 and 2009). Four times under that Administration, property tax increases calculated by the RGB were over 10% and averaged an increase of 7.3%. Additionally, water and sewer rates increased over 11.5% four times and averaged an increase of 8.5% over Mayor Bloomberg's 12 years in office.[6]

Despite these spikes in operating expenses as calculated by the RGB, owners were provided with approximately only half of those total operating cost increases, proving under-compensation under the Bloomberg years. Fast forward to the pro-tenant Bill de Blasio Administration and owners are hit with severe under-compensation that include the only two rent freezes in the 51-year history of this Board.

An Average of Operating costs and One-year Guidelines

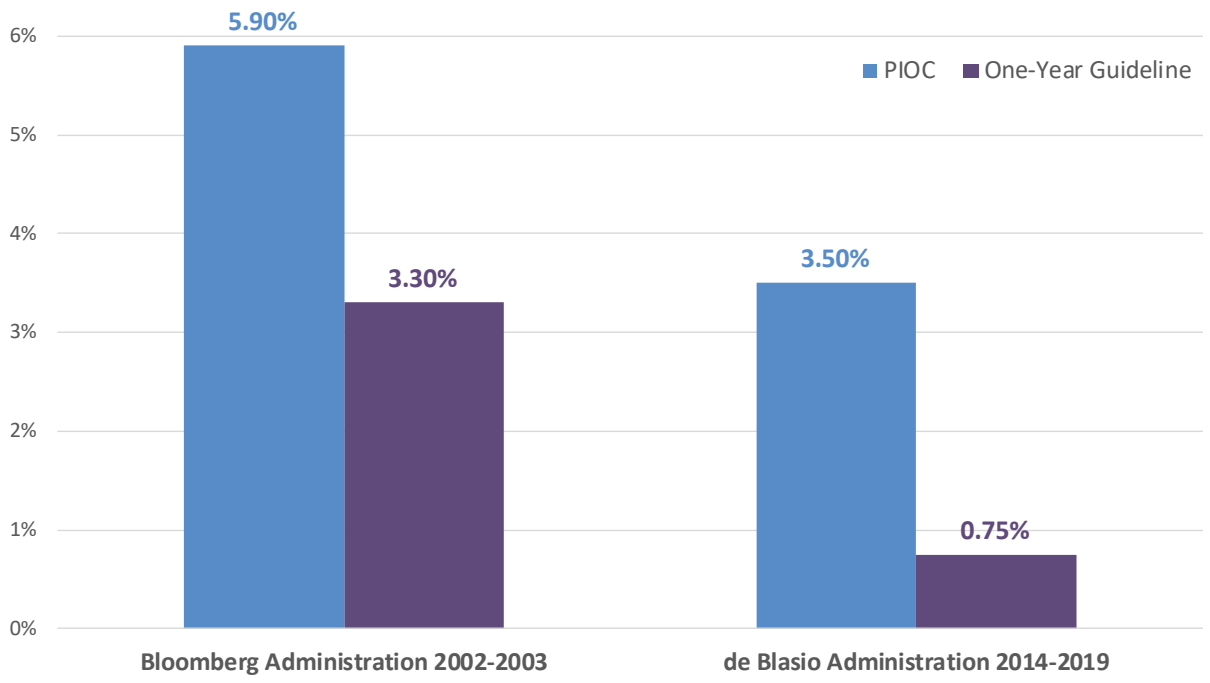

Figure 5
Source: RGB Final Guidelines and Staff Memoranda 2002-2019

An average one-year guideline increase of less than 1% over a five-year period is not only unacceptable, but dangerous to an affordable housing stock that was primarily built over 70 years ago. With another projected 3.2% PIOC next year, it could not be any clearer that increased operating expenses are consistent for rent-stabilized property owners. 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." It is imperative that this Board make a shift to normalcy and consider the RGB's own commensurate ranges that suggest that guidelines begin no less than **3.0%**.

> ***"The single best thing that New York's State government can do to improve housing policy is to provide more rent assistance to pay part of the rent for tenants in imminent danger or becoming homeless and shelter residents trying to get permanent housing."***

– Tom Waters, CSS

Tenants' Conditions Have Improved, but Government Can Help Them Do Better

Along with the findings of the 2017 New York City Housing and Vacancy Survey (HVS), the 2019 RGB Income & Affordability (I&A) Report further proves that an improved economy has improved economic conditions for tenants. The non-vacancy findings of the 2017 HVS and 2019 I&A study show that tenants have certainly recovered from the 2008 recession. However, RSA acknowledges that an affordability issue still exists for many tenants. The remedy for that affordability crisis is not by limiting rent guidelines increases for property owners, but by supporting extended government subsidy programs for these tenants.

An important statistic provided by the 2017 triennial HVS shows that incomes have outpaced rents, 10.9% versus 8.1% over the previous three-year period. Historically-low rent increases since 2014, only 3.75% over a five-year period, have allowed rent levels to remain relatively stagnant for tenants while income levels have vastly improved.

This year's I&A study shows that a consistently improved economy has further aided tenants. Inflation-adjusted wages are up 3.5%, the City gained another 86,000 jobs in 2018, the unemployment rate fell from 4.6% to 4.1% and most importantly, non-

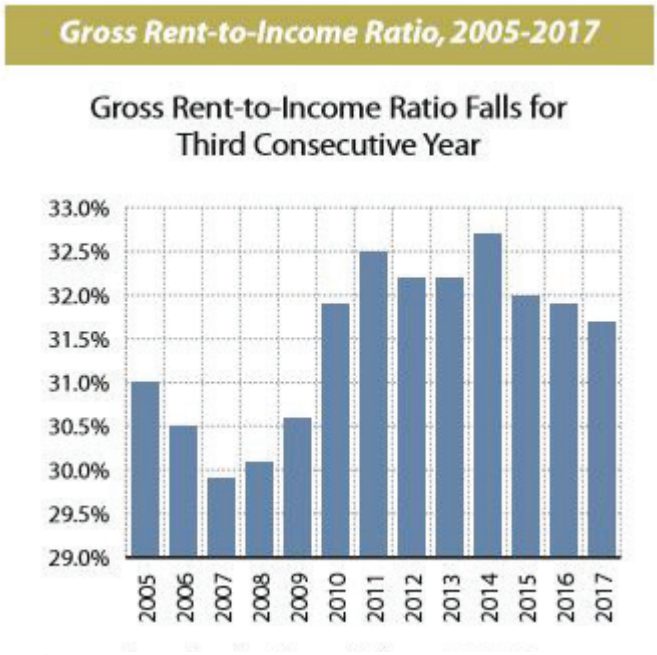

Figure 6
Source: American Community Survey 2005-2017

payment filings in housing court decreased 4.7% and evictions fell 13.9%. Although this can partially be credited to the millions of dollars invested by the City into free legal assistance and One-Shot Deals, it is evident that improved tenant conditions have allowed tenants to comfortably meet their rents.

The I&A study also shows that at 31.7%, a decrease of 0.2% from 2016, gross rent-to-income ratios fell for the third consecutive year throughout the City **(see Figure 6)**. Furthermore, the proportion of households throughout the City that pay 50% or more of their income towards rent also fell for the third consecutive year, nearly a full percentage point from 29.3% to 28.4%.[7]

It cannot be more obvious that a strong economy, coupled with a restraint in rent guidelines, has improved conditions for tenants. However, while the conditions improve for rent-burdened tenants, building owners of all sizes are paying the price. Rents increases that are used to invest back into buildings are kept relatively stagnant while property taxes and other operating expenses continue to rise astronomically. The solution to aiding the percentage of income-burdened tenants is beyond this Board's mandate and we urge the nine Members of this Board to instead endorse State initiatives that will protect both tenants and rental property owners.

According to the 2017 HVS, there are approximately 966,000 rent-stabilized apartments throughout the five boroughs. Out of those units, around 60,632 tenants were enrolled in the Senior Citizens Rent Increase Exemption Program (SCRIE) and around 11,423 tenants were enrolled in the Disabled Person Rent Increase Exemption Program (DRIE).[8] These programs freeze the rents of senior citizens 62 and older or disabled tenants who live in rent-regulated apartments and make $50,000 or less and pay more than one-third of their income towards rent.

Furthermore, through information provided to RSA by representatives at the City Housing Authority (NYCHA), approximately 67,000 tenants in rent-stabilized apartments received Section 8 benefits in 2018. In the case of SCRIE and DRIE, building owners receive tax credits to offset the rent freezes and with regard to Section 8,

tenants rents are capped and owners receive the difference in the rent.

So, while legislators in Albany are seeking the most radical package of rent reforms in the history of rent-stabilization, they have deliberately chosen to ignore a sound solution that would undoubtedly solve the affordability issue for all other tenants while protecting owners as well. A proposed bill that would freeze rents for all income-eligible renters modeled after SCRIE and DRIE twice received unanimous support from the State Senate while in Republican control, but would not be supported by pro-tenant legislators in the Assembly.

The proposed legislation, known as the **Tenant Rent Increase Exemption (TRIE)** program, would freeze rents for **all rent-regulated tenants** who make $50,000 or less and pay half of their income towards their rent. Building owners would then be compensated for the subsequent rent guideline increases through tax credits. Fast-forward to the present day and pro-tenant Democrats, who now control both the Senate and Assembly, have refused to give this proposed legislation any satisfaction. One must wonder why elected officials would rather ignore a sound solution that would aid both tenants and building owners and instead continue the politics of pitting owners against tenants.

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 not gained any traction the State Legislature.[9] Keep in mind, out of all the positive numbers produced by the I&A study, approximately 60,028 people still reside in homeless shelters, an increasing record under the de Blasio Administration.

The continuation of depriving rent-stabilized property owners of necessary rent increases will undoubtedly 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 either the State Senate, Assembly, or both.

Recommendations from RSA

After five years of unsustainable rent guidelines, this Board must reverse course and properly compensate owners for their continued increases in operating costs. Many will argue that rent freezes were justified based on the PIOC in 2015 and 2016, but that has been far from the case since. Particularly because of the uncertainties of the State rent laws, rent-stabilized property owners can no longer afford to be deprived of the necessary source of income that they need to properly maintain their buildings.

Last year's 4.5% increase in the PIOC and this year's 5.5% increase reflect long-term increases in building operating costs that far surpass increases in the consumer price index. This trend will most certainly continue next year and subsequent years. Property taxes will undoubtedly increase, fuel costs continue to rise and water rates are projected to increase another 2.31% for Fiscal Year 2020.

The PIOC 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. Under the current Administration, this Board has blatantly ignored 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 0.5% and 2.75% for one-year leases and 1.5% and 3.75% for two-year leases, RSA continues to believe that an increase of **4% for a one-year lease** and a **8% increase for a two-year lease** is justifiable for two reasons: these numbers fall well within the commensurate adjustments promulgated by RGB staff, which suggested guidelines no lower than 3%, and it is time to make up for historically-low and inadequate guidelines since 2014 that have burdened rent-stabilized property owners.

Additionally, we encourage this Board to approve a vacancy allowance in some form as they have done in the past in the event that the State Legislature abolishes vacancy allowances for one and two-year leases. Vacancy lease increases are vital, particular in the face of inadequate guideline increases, for building owners who have had tenants with lengthy occupancies. Additionally, we support a sublet allowance of 10%, but believe the special guideline should be the Maximum Base Rent (MBR) plus 39%, or HUD's Fair Market Rent (FMR), whichever is greater.

Although housing affordability continues to be a concern, that concern must be addressed by State and City government **only** and is best met by targeting rental assistance to those most in need of it. The mandate of this Board cannot continue to be ignored at the expense of the health of the City's aging housing stock. Politically-motivated rent guidelines must come to an end this year.

For the last five years, rents have remained relatively still and the fact that economic conditions for tenants have tremendously improved cannot be ignored. The proof is in data that was thoroughly outlined in this submission to the Board. It is in the best interests of tenants, owners and the City's aging affordable housing stock to approve moderate rent increases so that owners can properly invest into their properties and continue to provide decent and affordable living conditions.

"We have to {recognize that we as a tax paying body have an obligation to} understand the effect that those increases may have on rent and we can't just say to landlords, you have to absorb them and not pass them on to the tenants, because that's just an unsustainable system."

– Vicki Been, Deputy Mayor for Housing and Economic Development

Endnotes

1 2017 NYC Housing and Vacancy Survey (HVS)

2 New York City Rental Housing Landscape Analysis, Prepared by HR&A Advisors, Inc.

3 RGB Price Index of Operating Costs 2014-2019

4 The Challenges of Balancing Rent Stability, Fair Return, and Predictability under New York's Rent Stabilization System, May, 2019

5 Urbanomics: The Economic Impact of Capital Improvements & Annual Operations of Rent Stabilized Buildings on the Economy of New York City, 2003-2018

6 RGB Price Index of Operating Costs 2002-2013

7 2019 RGB Income and Affordability Study

8 DOF Annual Report on Tax Expenditures Fiscal Year 2019

9 Home Stability Support, State Assemblyman Andrew Hevesi, 2016

Appendix A

Instructions for Worksheet RPIE-2018 from the Department of Finance

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

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