RSA Reporter

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RGB Sets Highest Rent Adjustments Since 2013

Board Concerned with Recent Housing Trends

Although there was strong data that recommended significant rent adjustments as a result of historic inflation and increased operating expenses, the City Rent Guidelines Board (RGB) voted in favor of more moderate rent increases, which were still the highest rent adjustments in nearly a decade.

At the RGB Final Vote on June 21st, the Board ended the most contentious RGB process in recent memory amongst a crowd of angry tenants and concerned property owners. After several interruptions at the RGB's first in-person Final Vote since 2019, the Board ultimately adopted the following guidelines under RGB Order No. 54:

One-year lease: **3.25%**

Two-year lease: **5%**

A Special Guideline for decontrolled apartments equal to **Maximum Base Rent (MBR) + 27%**

A 0% increase for all classes of hotels, rooming houses and Single Room Occupancies (SRO's)

Please be advised that as a result of clarification issued by HCR in late 2019 with regard to the Housing Stability and Tenant Protection Act (HSTPA), as well as advocacy from RSA, these guidelines apply to both **renewal and vacancy leases**. The guidelines will go into effect for leases commencing October 1, 2022 through September 30, 2023 (*see page 4 for more information*).

The motion for these guidelines were put on the table by RGB Chairman David Reiss and passed by a vote of five to four with all Public Members voting in favor of the motion except Christian Gonzalez-Rivera. In order to ensure that the motion passed, Owner Member Christina Smyth ultimately voted in favor of the motion. Prior to the Chairman bringing his motion forward for a vote, Owner Members Robert Ehrlich and Christina Smyth put forth a motion for a 6% increase on a one-year leases and a 9% increase on two-year leases. That motion was defeated seven to two.

After the Tenant Members put forward a motion earlier in the meeting, Public Member Gonzalez-Rivera read a statement to discuss the difficult position that the RGB has been placed in over the years. Gonzalez-Rivera, who has typically supported rent freezes and lower guideline increases since his appointment to the Board in 2020, stated that he believes that the entire rent-stabilization system in New York City is broken and that more needs to be done to address tenant affordability and skyrocketing expense increases for rental property owners. Chairman Reiss and the Owner Members also echoed these concerns to a degree in their prepared remarks.

Nevertheless, despite a raucous crowd that often made it impossible to hear dialogue amongst the Board Members, Chairman Reiss cited various data and research that shows concerning trends within the aging rent-stabilized housing stock. He also expressed concern with regard to tenant affordability, but recognized that at this juncture, moderate rent adjustments were necessary for property owners to help offset historic rises in building operating expenses.

Regardless of what final guidelines were voted on by the RGB, the Board dealt with immense pressure from property owners, tenants, and elected officials all throughout this year's deliberations. This year's process was particularly notable compared to past deliberations as a result of a new mayoral administration, the ongoing financial impact of the pandemic, and data that showed alarming trends throughout the City's aging rent-stabilized housing stock.

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PRESIDENT'S MESSAGE

Joseph Strasburg

A Return to Normal at the RGB?

Although Rent Guidelines Board (RGB) research data suggested that the Board Members approve significantly higher rent adjustments, the Board did ultimately approve the highest rent increases in nearly 10 years.

For the vast majority of RSA members, this 3.25% increase is a sigh of relief regardless of how high it could have or should have been. This is especially true when taking into consideration three-and-a-half rent freezes and historically-low guideline increases over the last eight years under the previous mayoral administration. Regardless of what RSA advocated for this year or what should have been, there is a major takeaway from this year's RGB process: it seems as if this Board is once again acting independently of City Hall as it did for the first 45 years of its existence.

For many property owners who are dealing with historic increases in operating expenses, particularly over the last 12 months, this guideline increase may not be enough to keep up with the costs to maintain your building(s). However, I promise you that it is a step in the right direction. Coming into this year's deliberations, we were concerned with how much of an impact holdover Board Members from the de Blasio Administration would have on this year's decision making. Based on this end result, as well as remarks made by the RGB Chairman at the Final Vote, we are incredibly optimistic that this Board will once again allow their future decision-making to be based solely on data and not political interference.

Many people, particularly State and City elected officials, forget or are too young to understand that the mandate of the RGB is to set fair rent adjustments based on increased operating expenses that property owners have incurred over the past year. Until Bill de Blasio became mayor, never before was the RGB used as the epicenter of a political agenda.

Unfortunately, eight years of inadequate guidelines created an unrealistic perception that stabilized rents would forever be kept historically-low. In reality, it's simple economics. If building owners do not have adequate rent revenue to pay for increased expenses and mortgages, it will only expedite the deterioration of the City's aging rent-stabilized housing stock.

What anti-owner elected officials fail to realize is that this is not about profit. Poor housing policies, particularly those enacted over the last decade, have exacerbated the alarming trends we are currently seeing in affordable apartments throughout the five boroughs. For decades, RSA has advocated for more balanced housing policy that not only takes into account affordability for income-insecure tenants, but also takes into consideration ever-increasing operating expenses that building owners face, particularly a suffocating property tax system.

If there is anything that this year's RGB process accomplished, it should serve as a wakeup call to the State Legislature and City Council. Our industry is long overdue for sound and balanced housing policy. The 2019 changes to the State rent laws have often been mislabeled as the strongest tenant protections in the history of New York. In reality, those laws did nothing to address the affordability crisis and have severely limited a property owner's ability to reinvest back into their buildings.

When New York's elected officials read newspaper headlines concerning this year's RGB process, all they will read is that these guideline increases were not enough for property owners and that they were too high for tenants. We have a message for these elected officials: go back to the drawing board and do something about it. The RGB has a mandated duty to ensure that building owners have adequate funds to preserve and maintain the City's aging stabilized housing stock. The Legislature and City Council are the only ones with legislative power to enact real housing solutions that help building owners and tenants.

More than ever, our mission moving forward is to continue putting pressure on these elected officials to stop using the RGB as an arena to push poor housing policy and to sit with their colleagues and engage in real discussions to address real problems.

In the meantime, we would be remiss if we did not thank our membership for the role that you played in this year's RGB process. No longer are your voices silenced and it goes without saying how much of an impact your testimony had on the Board Members this year. Together, we are one industry voice. Keep up the great work! ■

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Successful Industrywide Effort Stops Good Cause Eviction This Year

HFAANY's Efforts Will Continue Moving Forward

As we anticipated heading toward the end of the legislative session in early June, Good Cause Eviction failed to generate enough support to become a top priority before lawmakers went home to campaign for upcoming elections.

After the State Senate Standing Committee on Judiciary and Committee on Housing, Construction, and Community Development held a joint, virtual hearing on Senator Julia Salazar's Good Cause Eviction legislation in early January, RSA and other housing industry leaders throughout the State launched **Homeowners for An Affordable New York (HFAANY)**, a coalition to fight and stop the bill from passing.

For the first five months of HFAANY's existence, our coalition led a massive effort to engage with and educate voters throughout New York State. Our goal was to educate them about the dangerous implications that Good Cause Eviction would have on housing of all sizes, particularly with regard to its financial consequences. The coalition featured digital and radio ads, educational mailers sent to homeowners and voters, daily patch-through live calls that connected constituents with their Senate and Assembly representatives, text messages, and a successful VoterVoice effort. All components of the campaign were strategically designed with specific messaging in major New York State regions.

The end result was nearly 10 million views of our digital ads, nearly 500,000 mail pieces sent to targeted voters and residents statewide, thousands of patch-through phone calls to approximately 70 relevant Senators and Assembly Members, and nearly 33,000 messages sent to these lawmakers via email and VoterVoice. It is also important to keep in mind that throughout the duration of this educational campaign, RSA staff and other members of the HFAANY coalition held hundreds of meetings with Senators and Assembly Members. For the time being, we were able to successfully educate them about the full impact of Good Cause Eviction and convince them that the proposed legislation was poor housing policy for both property owners and tenants.

It is important to keep in mind that although our efforts have been a success up until this point, this does not mean that Senator Salazar's controversial bill has been permanently stopped. We have certainly gained incredible momentum by educating the public, but we anticipate that tenant advocates will once again make this bill a priority during next year's legislative session, regardless of the outcome of November's statewide elections.

As a result, HFAANY is already preparing for the next phase of our coalition's efforts. Over the summer, HFAANY will map out our next moves, which will all depend on primary election results on June 28th and August 23rd, as well as the general election on November 8th. Once we know how particular Senate and Assembly seats will play out for the new legislative session in 2023, it will determine how we will proceed in our next phase of our Good Cause Eviction efforts. Stay tuned for more information in the months to come. ■

RGB Sets Highest Rent Adjustments Since 2013 *(Cont'd From Cover...)*

Because the Board has been in existence for over 50 years, the vast majority of the public, as well as elected officials, have forgotten that this Board was created with a mandated duty to enact fair and adequate guideline increases with the health of the City's aging stabilized housing stock in mind. As a result, they have often been criticized for their decision-making and have been particularly lambasted by tenant advocates.

Due to the statutory limitations of this Board and their goal of ensuring long-term stability of rent-stabilized apartments, RSA believes that this year's RGB process must finally serve as a wakeup call to lawmakers in Albany for their failure to address growing problems in New York's rent regulation system. This includes, but is not limited to, a broken system that has done nothing to address tenant affordability over the last six decades, as well as fix a broken property tax system that has allowed expenses to skyrocket year after year.

Over the years, RSA has pushed for a thorough voucher or subsidy program for income-insecure tenants similar to the Senior Citizens Rent Increase Exemption (SCRIE) program. This program would cap rents and provide payments or tax abatements to property owners to offset rent increases set forth by the RGB. Because this idea has always been pushed by RSA, rather than tenant advocacy groups, it has been largely ignored. This year's RGB process has now placed a larger spotlight on such a sensible policy idea.

Moving forward, especially next legislative session when anti-owner Senators and Assembly Members continue to push bad housing policy such as Good Cause Eviction, RSA will continue to put pressure on these lawmakers to come up with real housing solutions that help all parties involved. Our industry will cite this year's RGB process as the real motivation behind sound solutions rather than continuing to demonize property owners for decades of failed housing policy.

In the meantime, this year's rent adjustments are a step in the right direction. Property owner voices are no longer silenced during RGB deliberations and our messaging is finally resonating. Starting next year, it is important that this Board continues to consider these alarming trends in the aging housing stock and enact proper rent adjustments that allow property owners to reinvest back into their buildings. ■

Water Board Approves Highest Rate Increase Since 2013

Despite concerns over the ongoing financial impact of the COVID-19 pandemic on property owners, the City Water Board ultimately confirmed the City Department of Environmental Protection's (DEP) rate proposal made in May.

On June 6th, the City Water Board voted in favor of a **4.9% rate increase** that will go into effect for all rate payers for bills due on July 1, 2022. The approved rate increase is the highest since 2013 and has revived painful memories of historic rate increases that were approved under former Mayor Michael Bloomberg.

Prior to approving DEP's proposal, nearly all Water Board members went on record and discussed their concerns over such a large rate increase. Many noted that for rate payers, particularly single-family homeowners and owners of small, multi-family rental buildings, a significant rate increase is going to have an impact on those still reeling from the financial burdens created by the pandemic. Despite these concerns, the Board voted unanimously in favor of the rate increase and placed a higher significance over DEP's financial concerns rather than those made by rate payers during two days of teleconference testimony.

In May, DEP made a formal presentation to the Water Board and cited various reasons why such a significant rate increase was needed for the upcoming 2023 Fiscal Year (FY). DEP suggested to the Board that a 4.9% rate increase for all rate payers was necessary to "balance overdue customer bills which are higher than before the pandemic" and to offset decreased operating revenues. Meanwhile, for the years leading up to the pandemic, DEP noted on several occasions how the system was in a great financial position for years to come.

In submitted testimony to the Board, RSA criticized DEP for turning to rate payers to help ease the financial burdens faced by the City's water infrastructure. At a minimum, there was no real justification for exceeding last year's moderate rate increase of 2.76%. RSA believed that it was the City's fiscal responsibility to help offset losses faced during the heights of the pandemic, especially since New York City received an infusion of cash from the second and third federal stimulus packages.

Although this rate increase is significant, it did provide RSA with additional leverage while advocating for the highest possible rent adjustment through the City Rent Guidelines Board (RGB). From the moment that DEP requested a near-5% rate increase, it certainly gained the attention of many RGB Members and we believe it ultimately had an impact on the final number that the Board voted in late June. ■

New Real Estate Tax Rates Set for FY 2023

In mid-June, the City Council set new real estate tax rates that apply to the new Fiscal Year (FY) 2023, which begins on July 1, 2022 and will end June 30, 2023. Except for class four properties, the tax rates increased for all other tax classes (please see the table below).

Although the increase in tax rates for class two buildings is not overly substantial, multi-family property owners throughout the City continue to get crushed by increased property tax rates. In mid-May, final property tax assessments were released, increasing significantly in all boroughs for class two buildings. After an anomaly year in which assessments and tax rates decreased in FY 2022 due to the negative financial implications created by the COVID-19 lockdown measures, the City continues to show no remorse without property tax relief for building owners who are still reeling from the impact of the pandemic.

These new rates will be reflected in your latest quarterly tax bill that was due on July 1st. ■

Comparison of Tax Rates for Fiscal 2022 and Fiscal 2023
(Per $100 Assessed Value)

Class	Fiscal Year 2022	Fiscal Year 2023	% Difference
1	$19.963	**$20.309**	**+1.7%**
2	$12.235	**$12.267**	**+0.3%**
3	$12.289	**$12.755**	**+3.8%**
4	$10.755	**$10.646**	**-1.0%**