# RSA Reporter

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## RSA's 2024 Testimony to NY Joint Legislative Housing Budget Hearing

The Rent Stabilization Association of New York City represents diverse owners and managers who collectively manage more than one million apartments in every neighborhood and community throughout the city. We thank both the Senate and Assembly for giving us the opportunity to submit this testimony to the Joint Legislative Budget Hearing on Housing on behalf of our members, the majority of whom operate twenty or fewer units.

The talk of a New York housing crisis is pervasive. There are only two ways to address it. Build more housing, as others inevitably will speak about today, and maintain and bolster our current aging housing stock, which is economically impossible to do under current conditions.

Owners today are faced with unprecedented challenges resulting from a combination of economic and regulatory factors that have increasingly made operating rent-regulated housing untenable. Overregulation is threatening the future of New York's aging rent regulated housing stock. These challenges are no secret; they are being widely discussed in media and by economists, experts, advocates and policy makers. Inflation, insurance, maintenance, and taxes all are factors leading to sky-high operating costs. Decades-high interest rates along with an uncertain lending market with heightened lending requirements are closing off capital markets meaning that property owners have no, or very little, access to much needed capital required for maintaining building system. Impacts of the HSPTA, specifically the elimination of nearly all avenues to generate building revenues, have severely capped income. The funding to maintain and operate safe, habitable buildings is no longer available.

Five years ago, the RSA along with other owners testified before the legislature warning that adopting the HSPTA, which, among other things, limits the amount an owner can recoup for investing in Individual Apartment Improvements (IAI) and Major Capital Improvements (MCI), would inevitably lead to reduced investment in building systems and operations, which, in turn, would lead to deteriorating building conditions. We know this to be true today.

In coordination with RSA, HR+A Advisors conducted an industry wide survey over the last several months to fill in significant gaps in publicly available data regarding the real time condition of the rent stabilized housing stock. The purpose was to: develop a clear and reliable quantitative data set on the impacts of the HSTPA, following its passage in 2019; analyze changes in building quality, reinvestment, vacancy, tenants, and city tax revenue; and help stakeholders develop a deeper understanding of the short- and medium-term impacts of HSTPA. The majority of the 781 participating property owner respondents are primarily rent stabilized owners representing 242K units, approximately 11% of the total rental stock in NYC, both rent stabilized and unregulated.

This survey represents direct responses of what is happening now, unlike the Housing Vacancy Survey (HVS), which relies on sampling to make inferences about the condition of the City's housing stock and is released a year after the data sampling and analysis. Our survey was further bolstered by direct data from RSA registration filings.

This information represents up-to-date information about conditions today and starkly demonstrates that changes need

*(Continued on Page 4...)*

### IN THIS ISSUE:

## RSA's 2024 Testimony... *(Continued From Cover...)*

to happen in order to preserve the regulated housing stock as units fall into disrepair and are left unrented as the funding sources to renovate these units have disappeared.

The survey reveals:

- There is a higher vacancy rate in smaller buildings that are predominantly rent-stabilized.
- 28 percent of survey respondents cite economic infeasibility of unit improvements at the end of a long tenancy as a reason for continued vacancy.
- Insurance costs have increased consistently and dramatically over the past 10 years, at nearly twice the 10-year pace of any other expense category, affirming data from the Rent Guidelines Board.
- 51 percent of respondents said property taxes represent the highest share of their expenses. Fuel/energy is on average the second largest expense for owners/managers, followed by property insurance and utilities.
- 99 percent of survey respondents of small property owners with units in primarily rent stabilized buildings expressed a need for MCI improvements for their units. Yet, by 2023, annual MCI filings had declined by 45 percent compared to 2017.
- The top four Major Capital Improvements needed for properties with rent-stabilized units are energy efficiency modifications, boilers, roof and wall, and plumbing.
- 78 percent of survey respondents of small property owners with units in primarily rent stabilized buildings expressed the need for IAI improvements for their units. Yet, RSA data show that IAI filings have dropped substantially since 2019, with 2023 annual filings constituting a 77 percent decline from 2019.
- 25 percent of rent stabilized units need IAI investments, with kitchen and bathroom improvements reported as most essential.
- Property owners have cut back most on appliance improvements. With stove, refrigerator and dishwasher installations down, 59 percent, 59 percent and 65 percent, respectively.
- Cost of compliance is a challenge as 29 percent indicated electrical upgrades and 16 percent cited lead abatement among the most needed improvements

While it is mostly the owners who speak to the issues arising from these changing conditions, the repercussions are multi-faceted and wide-ranging. These impacts are felt first and foremost by tenants. Upgrades to major building systems and vacant apartments are deferred because of cash flow and financing issues plaguing many rent stabilized buildings. These impacts are felt by local contractors and laborers who no longer are performing these apartment or building-wide improvements. These impacts are felt by local vendors, such as PC Richard, whose appliance sales have dropped. But it does not stop there, for these impacts are expansive. As building values suffer so do City tax revenues, MTA funding streams and bank values and lender capitalizations.

Not only should the Legislature be revisiting those policies that have put affordable, subsidized units at risk, the Legislature should be devising programs that assist owners in maintaining the economic health of their buildings while protecting the rent levels of low- and moderate-income renters. Funding should be increased to ensure access to housing vouchers, which are now hard to obtain and often first require housing court action be filed before help is made available.

There are a number of improvements that can be made within the court system. New York City's right to counsel program, which has been enormously successful in decreasing the actual number of evictions, should be expanded statewide and modified to allow for 18-b panel attorneys, currently provided in criminal and family courts, to be used in housing court actions to bridge any staffing shortages so that all parties are better represented and have better outcomes. Social services staff should be physically present in housing courts to allow direct and immediate access to assistance. In addition, diversion programs should be established to alleviate the burden on housing court and judicial resources should be increased to alleviate the current housing court backlogs.

As the Legislature undertakes its budgetary deliberations, we urge the Legislature to address the pressing needs of New York's aging buildings stock and take steps to ensure its ongoing viability for current and future tenants. Legally mandating owners to maintain their buildings is a hollow gesture if owners are not provided with the financial wherewithal through rents or existing programs. Failure to provide owners with the necessary resources cripples tenant protections. We welcome the opportunity to work together to provide any additional information that may be of assistance to you in crafting policies that serve to aid tenants while allowing building owners to continue to provide quality affordable housing. ■