
# RSA Reporter

WE HOUSE NEW YORK

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## New York City Loses Billions in Tax Revenue When Stabilized Buildings Can't Keep Up With Costs

If you landed on Earth just a few minutes after the initial Rent Guidelines Board (RGB) meeting of 2024, and knew nothing about the state of residential real estate prior to your arrival other than what you read on X (formerly Twitter) in response to the RGB's first data-centered report, you'd think that apartment building owners in New York City were thriving and our role in supporting affordable housing and the city's budget were secure.

You'd think this because the online temper tantrums of professional activists and tenant lobbyists were totally divorced from reality. Staying with the space theme – the online comments from those who vilify building owners were something from another planet – a planet where math doesn't work, there's no geography, economics has no role and data doesn't inform decision making. Probably gravity doesn't apply either.

To hear the professional activist class tell it, the RGB Income & Expense analysis instructs that because some "Core Manhattan" rents are higher and more reliably paid, then it must be the case that apartment buildings in every part of our vast and diverse city are similarly situated. You know that's not the case and that the assumption is both classist and racist. New York City is more than Manhattan and certainly more than the experiences of new high-rise rental buildings and affluent professionals.

Consider Net Operating Income (NOI). It's up in Manhattan (except in Washington Heights, but more on that shortly). NOI is a significant metric because – despite what our detractors insist – it is not profit.

Rather, NOI is vital cash flow - money left after common building expenses are paid, not including mortgage payments or other debt services. NOI is devoted to three broad uses: repayment of mortgage or other debt, reinvestment in the property, and then – lastly - profit. In New York City, property taxes are assessed based on a building's NOI.

Apartment buildings in every Bronx neighborhood saw a *decline* in NOI of between 8.7% to 22.5% with a boroughwide *decline* in NOI of 14%.

Consider Brooklyn Neighborhood NOI:

- Flatlands and Canarsie: 14.6% *decline*.
- Ocean Hill and Brownsville: 5.2% *decline*.
- Sheepshead Bay and Gravesend: 4.8% *decline*.
- Bay Ridge: 6.1% *decline*.
- Bensonhurst: 7% *decline*.

Or NOI in Queens Neighborhoods :

- Flushing & Whitestone: 13.1% *decline*.
- Jamaica: 10.1% *decline*.
- Rockaways: 10.2% *decline*.
- Kew Gardens: 9.7% *decline*.
- Elmhurst & Corona: 8.2% *decline*.

Staten Island apartment buildings have seen a 9.3% *decline* in NOI.

Washinton Heights may technically be in Manhattan, but apartment building finances there more closely resemble neighborhoods in Brooklyn, the Bronx and Queens with an 8.8% *decline* in NOI.

In 57% of New York City neighborhoods NOI *declined*.

The age of the building also matters when considering NOI. Pre-1974 buildings throughout New York City have NOI between 33% to 65% less than newer buildings, depending on location.

This isn't an academic exercise. *Decline* in NOI isn't something to celebrate as some sort of overdue correction or punishment, which

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### IN THIS ISSUE:

**A NOTE FROM AARON SIRULNICK, CHAIRMAN OF THE BOARD OF RSA:**

*"RSA held its special membership meeting on April 2, 2024 to vote on the proposed merger of RSA & CHIP. I want to thank everyone who took the time to vote by proxy and in person at the virtual meeting. I'm happy to report that the merger was approved by overwhelming numbers, clearly showing that our diverse membership wants this to go forward. Once again, RSA thanks all its members for their participation."*

## New York City Loses Billions in Tax Revenue... *(Cont'd From Cover...)*

is what the professional tenant activists and lobbyists would have you believe. They try to distract from these troubling numbers by pointing to increases in building values since 1990, as if tweeting about economic data from thirty-four years ago somehow addresses today's problems. (But when the industry talks about a return to economic distress of the late 1970s, we're criticized for being alarmist).

And for those who still cannot bring themselves to acknowledge that the government forced degradation of affordable housing caused by overregulation is in of itself a problem for tenants and owners, consider its impact on New York City's budget. For those who can't bring themselves to care about how the City actually works, let them think about how less money will impact the services they depend on.

In New York City, property taxes are assessed based on a building's NOI.

For every 1% drop in NOI across the rent stabilized stock, rent stabilized apartments generate $67.3 million less in property taxes.

If the economic life of stabilized buildings doesn't improve, the potential NOI reduction is estimated between 40-60% across the rent stabilized stock by early 2030s. That's between $1.3 billion to $2 billion less property tax revenue generated on an annual basis.

On this planet, those are real numbers. ■

## Benchmarking And Energy Efficiency Ratings

New York City Benchmarking Law, Local Law 84 of 2009 as amended by Local Law 133 of 2016, requires owners of buildings that meet the criteria outlined in the law (25,000 sq. ft. or greater) to annually measure their energy and water consumption through benchmarking. **Owners are required to submit their building usage data to the City by May 1st annually.**

Benchmarking reports are submitted online using the Energy Star Portfolio Manager, where you can compare building energy performance to similar buildings as well as past years.

New York City has released the **2024 LL84 Covered Buildings List (CBL)**: **https://on.nyc.gov/3INuuBj**. All properties on the CBL are required to submit a benchmarking report with 2023 data to the City by May 1st.

Once your benchmarking report is ready, upload the 2024 Reporting Template **https://bit.ly/49YceB3** to your Energy Star Portfolio Manager account and follow the 2024 Submission Instructions to submit the report to NYC.

Visit Energy Star Portfolio Manager's website to access your Energy Star account: **https://bit.ly/49YceB3**. ■

## A Well Attended RSA Compliance Webinar

In early March we hosted a webinar discussing owner compliance and new requirements. With over 150 attendees, our refresher course highlighted key areas of owner obligations including timely rent registrations, multiple dwelling registrations, annual safety notices, lead abatement and more.

Considering the increasing demands on owners with ever changing requirements and new penalties for non-compliance, we encourage you to stay tuned for future email blasts and information on upcoming virtual programs. If you were unable to attend, or would like to refer back to the information discussed, visit **https://rsanyc.net/rsa-compliance-webinar/**. Should you have additional questions or concerns please contact RSA at **(212) 214-9200** and ask to speak to a Counselor. ■