Building Revenue is Down

All buildings depend on rent payments – income – to operate. Maintenance, real estate taxes, compliance and debt service are funded through rent. Stabilized buildings with limited sources of revenue and limited means of increasing their incomes rely on this cash flow to continue operations. This stream, however, has been disrupted as guideline increases have failed to keep pace with inflation, legislative changes have severely limited other revenue sources and collections lag behind historic norms, all of which is causing distress in the sector.

Legislative changes over the past five years mean guideline increases are the primary, if not sole, means to increase desperately needed revenue in the regulated market. While some buildings contain commercial or free market units, the vast majority do not. And, outside prestige locales – often international tourist destinations – many ground floor retail spaces remain vacant. Now, with this year's adoption of the Good Cause Eviction law, there will be a new legislative throttle that will further dampen income and increase building economic stresses.

Other means to secure capital for building or apartment improvements, such as the J-51 program, MCI or IAIs have lapsed or been modified in such ways as to be of limited benefit and fall short of the programs' original intent. Restrictions that fail to account for market realities means projects are foregone, building conditions suffer and – ultimately and unavoidably – contributions to the city budget lessen.

The arguments as to why collections have not rebounded to pre-covid levels are varied: housing court delays, inability to access financial assistance, legacy of covid and expectation of government intervention, and a need for vouchers.

The disruption of a reliable cash flow creates uncertainty in operations and causes difficulties and increased costs in the insurance and lending markets. ■