

## EXPLANATORY STATEMENT - APARTMENT ORDER #46

### Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2014-15 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law<sup>1</sup>

#### Summary of Order No. 46

The Rent Guidelines Board (RGB) by Order No. 46 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2014 and on or before September 30, 2015 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2014 and on or before September 30, 2015: 1.0%

For a two-year renewal lease commencing on or after October 1, 2014 and on or before September 30, 2015: 2.75%

#### Vacancy Allowance

The vacancy allowance is now determined by a formula set forth in the State Rent Regulation Reform Act of 1997 and in Chapter 97 of the Laws of 2011, not by the Orders of the Rent Guidelines Board.

#### Sublet Allowance

The increase landlords are allowed to charge when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2014 and on or before September 30, 2015 shall be 10%.

#### Adjustments for Lofts

For Loft units to which these guidelines are applicable in accordance with Article 7-C of the Multiple Dwelling Law, the Board established the following maximum rent increases for increase periods commencing on or after October 1, 2014 and on or before September 30, 2015. No vacancy allowance is included for lofts.

<u>1 Year</u>	<u>2 Years</u>
1.0%	2.75%

The guidelines do not apply to hotel, rooming house, and single room occupancy units that are covered by separate Hotel Orders.

Any increase for a renewal lease may be collected no more than once during the guideline period governed by Order No. 46.

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<sup>1</sup> This Explanatory Statement explains the actions taken by the Board members on individual points and reflects the general views of those voting in the majority. It is not meant to summarize all the viewpoints expressed.

## **Special Guideline**

Leases for units subject to rent control on September 30, 2014 that subsequently become vacant and then enter the stabilization system are not subject to the above adjustments. Such newly stabilized rents are subject to review by the State Division of Housing and Community Renewal (DHCR). In order to aid DHCR in this review the Rent Guidelines Board has set a special guideline of whichever is greater:

1. 30% above the maximum base rent, or
2. The Fair Market Rent for existing housing as established by the United States Department of Housing and Urban Development (HUD) for the New York City Primary Metropolitan Statistical Area pursuant to Section 8(c) (1) of the United States Housing Act of 1937 (42 U.S.C. section 1437f [c] [1]) and 24 C.F.R. Part 888, with such Fair Market Rents to be adjusted based upon whether the tenant pays his or her own gas and/or electric charges as part of his or her rent as such gas and/or electric charges are accounted for by the New York City Housing Authority.

Such HUD-determined Fair Market Rents will be published in the Federal Register, to take effect on October 1, 2014.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2014 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

## **Background of Order No. 46**

The Rent Guidelines Board is mandated by the Rent Stabilization Law of 1969 (Section 26-510(b) of the NYC Administrative Code) to establish annual guidelines for rent adjustments for housing accommodations subject to that law and to the Emergency Tenant Protection Act of 1974. In order to establish guidelines the Board must consider, among other things:

1. the economic condition of the residential real estate industry in the affected area including such factors as the prevailing and projected (i) real estate taxes and sewer and water rates, (ii) gross operating and maintenance costs (including insurance rates, governmental fees, cost of fuel and labor costs), (iii) costs and availability of financing (including effective rates of interest), (iv) overall supply of housing accommodations and overall vacancy rates;
2. relevant data from the current and projected cost of living indices for the affected area;
3. such other data as may be made available to it.

The Board gathered information on the above topics by means of public meetings and hearings, written submissions by the public, and written reports and memoranda prepared by the Board's staff. The Board calculates rent increase allowances on the basis of cost increases experienced in the past year, its forecasts of cost increases over the next year, its determination of the relevant operating and maintenance cost-to-rent ratio, and other relevant information concerning the state of the residential real estate industry.

## Material Considered by the Board

Order No. 46 was issued by the Board following **seven** public meetings, **four** public hearings, its review of written submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. Approximately 115 written submissions were received at the Board's offices from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 19, 2014** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 27, April 10, April 24, May 1, and May 29, 2014. On **May 5, 2014**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 12, June 16, June 18 and June 19, 2014** pursuant to Section 1043 of the New York City Charter and Section 26-510(h) of the New York City Administrative Code. Testimony on the proposed rent adjustments for rent-stabilized apartments and lofts was heard on June 12 from **5:00 p.m. to 10:15 p.m.**, June 16 from **2:00 p.m. to 8:45 p.m.**, June 18 from **5:00 p.m. to 10:30 p.m.**, and June 19 from **5:00 p.m. to 8:00 p.m.** The hearings ended when all those who were in attendance who wished to testify did so and there were no additional speakers. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately** 204 apartment tenants and tenant representatives, 49 apartment owners and owner representatives, and 14 public officials. In addition, 5 speakers read into the record written testimony from various public officials. On **June 23, 2014** the guidelines set forth in Order No. 46 were adopted.

A written transcription and/or audio recording and/or video recording was made of all proceedings.

## Presentations by RGB Staff and Housing Experts Invited by Members of the Board

Each year the staff of the New York City Rent Guidelines Board is asked to prepare numerous reports containing various facts and figures relating to conditions within the residential real estate industry. The Board's analysis is supplemented by testimony from industry and tenant representatives, housing experts, and by various articles and reports gathered from professional publications.

Listed below are the other experts invited and the dates of the public meetings at which their testimony was presented:

<u>Meeting Date / Name</u>	<u>Affiliation</u>
<b>March 27, 2014:</b>	Staff presentation, <i>2014 Mortgage Survey Report</i>
	Presentation by Dr. James F. Hudson, <i>Comparing the Price Index of Operating Costs (PIOC) and the RGB Income and Expense Study</i>
<b>April 10, 2014:</b>	Staff presentation, <i>2014 Income and Affordability Study</i>

NYC Department of Housing Preservation and Development (HPD)

1. Elyzabeth Gaumer Director of Housing Policy and Research

**April 24, 2014:**

Staff presentations  
*2014 Price Index of Operating Costs*  
*2014 Income and Expense Study*

**May 1, 2014:**

1. Jack Freund
2. Joseph Condon
3. Jimmy Silber
4. Joseph Zitolo

Apartment Owners group testimony:  
Rent Stabilization Association (RSA)  
Community Housing Improvement Program (CHIP)  
Small Property Owners of New York (SPONY)  
Lemle & Wolff Inc.

1. Tim Collins
2. Barika Williams
3. Greg Jost
4. Tom Waters
5. Patrick Markee

Apartment Tenants group testimony:  
Collins, Dobkins and Miller LLP  
Association for Neighborhood and Housing Development (ANHD)  
University Neighborhood Housing Program (UNHP)  
Community Service Society (CSS)  
Coalition for the Homeless

1. Larry Wood
2. Clint Guthrie
3. Brian Sullivan

Hotel Tenants group testimony:  
Goddard Riverside Community Center  
Goddard Riverside SRO Law Project  
SRO Law Project at MFY Legal Services, Inc.

**May 29, 2014:**

Staff presentations  
*2014 Housing Supply Report*  
*Changes to the Rent Stabilized Housing Stock in New York City in 2013*

1. Woody Pascal
2. Guy Alba
3. Daniel Savary
4. Michael Berrios

NYS Division of Housing and Community Renewal (DHCR) testimony  
Deputy Commissioner for Rent Administration  
Assistant Commissioner for Research and Analysis  
Special Counsel for Rent Administration  
Executive Assistant to the Deputy Commissioner

NYC Department of Housing Preservation and Development (HPD) testimony

1. John Kimble Assistant Commissioner of Strategic Planning

**Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups<sup>2</sup>**

Comments from tenants and tenant groups included:

“Decisions of the Rent Guidelines Board in recent years have contributed to the growing rental affordability crisis since the recession. The recent divergence between the Price Index of Operating Costs and the actual expenses of landlords has significantly exacerbated this

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<sup>2</sup> Sources: Submissions by tenant groups and testimony by tenants.

problem, but the main problem has been the RGB's apparent policy of authoring increases that would be sufficient to hold Net Operating Income constant, without regard for the state of tenant incomes, and without considering that landlords also receive numerous non-RGB rent increases."

"Despite an aging housing stock and sharply declining tenant incomes which should have caused the O&M ratio to rise and net operating income to decline, the actions of the RGB and the operation of various statutory deregulation provisions sent the ratio sharply down and net operating incomes significantly up. It is therefore completely unsurprising that the RGB staff now reports that owner net operating incomes are 31.5% higher (in constant 2012 dollars) than they were in 1990."

"The Board's own data indicates that owners are doing well. The *Income and Expense Study* shows that owner net operating incomes are 31.5% higher than they were in 1990. On average, landlords of rent stabilized buildings retained a monthly average of \$436 per unit as pre-tax profit or for use in financing the building and improvements, equivalent to an estimated annual mean of \$237,500 per building. By contrast the average amount of rent paid by stabilized tenants has increased to 34.9% of household incomes—the highest rent burdens ever recorded."

"The Rent Stabilization Association has spent six figures on an advertising campaign to claim that a rent freeze would hurt affordable housing...Even if this Board were to freeze rents this year, and the year after, rent stabilized owners would still get rent increases through vacancy bonuses, individual apartment improvement increases, and Major Capital Improvement increases."

"Increases in regulated rents have greatly exceeded both operating costs and increases needed to protect net operating income from the effects of inflation...All other things being equal, based upon the best available evidence, the RGB has substantially overcompensated owners with excessive rent increases since 1990."

"We're calling for a course correction this year and to have a rent freeze this year because the increases in the past have just been compounded year-after-year along with MCI's and others increases, and unless we stop the course we're on, we will continue with a completely lopsided and completely unjustified increases."

### **Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups<sup>3</sup>**

Comments from owners and owner groups included:

"We recommend that this year's guideline be 6% and 11%. For many years the RGB has discounted its own estimate of cost increases and provided guidelines which are substantially below the PIOC. As recognized by the Court of Appeals, 'the costs of maintaining an apartment and providing services to its occupants are often not in proportion with historical rents. Where the rent is relatively small and there is no vacancy for many years, the disproportion can become acute, with small annually authorized increases that do not come close to covering increased costs.' This has resulted in a negative increase in constant dollars available to cover operating costs. Accordingly, the proper response by the RGB would be to provide a guideline this year which is higher than the PIOC."

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<sup>3</sup> Sources: Submissions by owner groups and testimony by owners

“We ask the Board to bear in mind that the rent increases approved by the RGB in prior years, while viewed as excessive by some, have been inadequate in themselves to preserve the City’s affordable housing. Despite cost increases which have averaged 6% per year over the past 12 years, the RGB has approved rent increases averaging only half that amount or approximately 3% per year.”

“The process for setting rent increases is highly politicized and it shouldn’t be. Fees and expenses for owners go up every year. According to the RGB’s own reports—real estate taxes are up 5%, fuel oil is up 7.8%, utilities are up 8.4%, property insurance is up 9.3% as well as rising repairs and payroll costs. Not to mention increased fees for annual elevator services and inspections, which you don’t ask about in your request. The city has already announced a proposed increase to water & sewer of over 3.5%.”

“Operating and emergency expenses increase every year, whether due to soaring property tax and water- and sewer-rate hikes; catastrophic damages caused by severe weather such as we had this winter; or costly upgrades of our old homes required to meet a slew of new building regulations. When it comes to affording these higher costs, I assure you, no one gives an owner a break because you have low-rent, regulated apartments.”

“Today I would like to talk about the huge costs of just doing business in this City. Over the past ten years, we have seen a tremendous growth in regulations governing every sector of our economy...If the City continues to grow itself, burden us with more and more regulations, violations, fees and paperwork, then the rent increases must continue, just to stay above water.”

#### **Selected Excerpts from Oral and Written Testimony from Public Officials<sup>4</sup>**

Comments from public officials included:

“I am here today to call for a rent freeze. Any rent increase at all is too much. The proposed rent increases of up to 3% for one year lease renewals and between .5% and 4.5% for two year lease renewals, if passed, will be an economic burden to thousands of families and individual rents who reside in my district and throughout the city at large.”

“While you may view a proposed three or four percent rent increase as minimal or reasonable, I urge you not to evaluate that percentage in isolation, standing alone, but in the full context of the last ten or fifteen years of consistent, relentless, substantial rent increases that have been imposed on tenants in this City. These increases, granted to owners consistently—whether they were necessary or not, in lean years and good years, through booms and recession—combined with MCI’s, enormous vacancy increases, and individual apartment increases (fraudulent and not) have brought average rents in ordinary low-income, working class, middle-income and mixed neighborhoods to the very brink of or beyond affordability.”

“The Rent Guidelines Board consistently shows data of the Net Operating Income increasing for owners. The NOI has increased for the 8<sup>th</sup> consecutive year and this year by 9.6%...The steady loss of rent stabilized units, one of our most precious housing resources, is mostly due to high rent vacancy deregulation. Raising rents is both an enormous burden for tenants currently in their apartments and contributes to the overall loss of affordable housing. The city has lost 104,155 rent stabilized units in the past twenty years. The Board should take into consideration the effect of this enormous loss on the city as a whole.”

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<sup>4</sup> Sources: Submissions by public officials.

“First, the city’s rent stabilized housing stock continues to decline, and those units that remain are less affordable...Second, apartments renting for \$1,000 or less—a critically important price point for many low-income New Yorkers—are rapidly disappearing from our city...Lastly, low-income households are increasing in number and their rent burdens have spiked.”

“Large rent increases amount to a citywide redistribution of wealth from lower income households to the wealthy; taking money from more than a million mostly low- and moderate-income tenants and transferring it to about 25,000 landlords, who include some of the wealthiest New Yorkers. From 2005 to 2012, the median rent in NYC rose 11%; meanwhile, household incomes rose at a low 2%.”

## **FINDINGS OF THE RENT GUIDELINES BOARD**

### **Rent Guidelines Board Research**

The Rent Guidelines Board based its determination on its consideration of the oral and written testimony noted above, as well as upon its consideration of statistical information prepared by the RGB staff set forth in these findings and the following reports:

1. *2014 Mortgage Survey Report*, March 2014, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);
2. *2014 Income and Expense Study*, April 2014, (Based on income and expense data provided by the Finance Department, the Income and Expense Study measures rents, operating costs and net operating income in rent stabilized buildings);
3. *2014 Income and Affordability Study*, April 2014, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2014 Price Index of Operating Costs*, April 2014, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);
5. *2014 Housing Supply Report*, May 2014, (Includes new housing construction measured by certificates of occupancy in new buildings and units authorized by new building permits, tax abatement and exemption programs, and cooperative and condominium conversion and construction activities in New York City); and,
6. *Changes to the Rent Stabilized Housing Stock in NYC in 2013*, May 2014, (A report quantifying all the events that lead to additions to and subtractions from the rent stabilized housing stock).

The six reports listed above may be found in their entirety on the RGB’s website, [nycrgb.org](http://nycrgb.org), and are also available at the RGB offices, 51 Chambers St., Suite 202, New York, NY 10007 upon request.

### **2014 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City**

The 2014 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 5.7% increase in costs for the period between March 2013 and March 2014.

This year, the PIOC for all rent stabilized apartment buildings increased by 5.7%, 0.2 percentage points less than the PIOC percentage change from the year before (5.9% in 2013). Increases occurred in all nine of the PIOC components. The PIOC was driven upward by significant increases in Insurance Costs (9.3%), Utilities (8.4%) and Fuel Oil (7.8%).<sup>5</sup> More moderate increases were seen in Taxes (5.0%), Contractor Services (3.9%), Labor (3.0%) and Administrative Costs (2.5%). The Parts & Supplies and Replacement Costs components, each of which carry very little weight in the PIOC, increased 3.1% and 5.5% respectively. The growth in the Consumer Price Index (CPI) during this same time period was lower than the PIOC, rising 1.5%.<sup>6</sup> See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2013-14.

The “core” PIOC, which excludes erratic changes in fuel oil, natural gas, and electricity costs, is useful for analyzing long-term inflationary trends. The core PIOC rose by 4.7% this year and was lower than the overall PIOC due to the exclusion of the costs for fuel oil, which rose 7.8%, and natural gas used for heating, which rose 17.0%.

**Table 1**

2013-14 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City <sup>7</sup>			
Item	Expenditure Weights	2013-14 Percentage $\Delta$	2013-14 Weighted Percentage $\Delta$
Taxes	28.69%	5.02%	1.44%
Labor Costs	12.52%	3.05%	0.38%
Fuel Oil	14.90%	7.83%	1.17%
Utilities	16.40%	8.43%	1.38%
Contractor Services	11.66%	3.87%	0.45%
Administrative Costs	6.92%	2.53%	0.18%
Insurance Costs	6.90%	9.28%	0.64%
Parts & Supplies	1.43%	3.06%	0.04%
Replacement Costs	0.59%	5.51%	0.03%
All Items	100%	-	5.71%

Source: 2014 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

Note: The  $\Delta$  symbol means change.

**On April 24, 2014 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the calculation of the *Price Index of Operating Costs (PIOC)* Using Component Weights from the RPIE data presented in the *Income and Expense Study*. Below is the memo in its entirety:**

### Introduction

<sup>5</sup> Prior to the 2012 PIOC, the Fuel Oil component was entitled “Fuel” in previously PIOC. This change was made to eliminate any confusion as to whether this component included other fuel types used for heating. The Fuel Oil component measures the cost of heating rent stabilized building with #2, #4, and #6 fuel oil.

<sup>6</sup> The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2012 to February 2013 (253.5) compared to the average for the year from March 2013 to February 2014 (257.5) rose by 1.5%. This is the latest available CPI data and is roughly analogous to the ‘PIOC year’, which for the majority of components compare the most recent point-to-point figures from April to March, monthly cost-weighted figures from April to March, or the two most recent fiscal year bills.

<sup>7</sup> Totals may not add due to weighting and rounding.



The NYC Rent Guidelines Board (RGB) *Price Index of Operating Costs (PIOC)* gathers prices for a market basket of goods and services used in the operation and maintenance of rent stabilized buildings in NYC and uses these prices to estimate cost changes from one year to the next. This is the same approach used by the Consumer Price Index (CPI) and other similar indices, but the PIOC specifically analyzes the goods and services typically purchased by building owners. Every PIOC in the last 30 years, including the most recent Index, is based on expenditure patterns of owners from 1983. Although these expenditure weights are revised each year, and there have been some changes to expenditure items since 1983, the PIOC may no longer represent expenditure patterns that are prevalent today. In fact, the RGB report that measures recent owner-reported expenses, the *Income and Expense Study (I&E)*, shows that increases in overall operating costs have been smaller than those shown by the PIOC in recent years.

In the fall of 2013, the RGB commissioned Dr. James Hudson to study this issue and to offer suggestions on how to use the NYC Department of Finance Real Property Income and Expense (RPIE) data presented in the *RGB Income and Expense Studies* to update the expenditure patterns in the PIOC. The results of Dr. Hudson's analysis were released in his paper entitled *Comparing the Price Index of Operating Costs (PIOC) and the RGB Income and Expense Study* and were presented to the Board on March 27. Dr. Hudson concluded that the main cause of the differences between the PIOC and the I&E is "how owners change their spending in response to changes in prices and the goods and services that are available." These changes are not captured in the PIOC. He proposed two approaches to address the divergence between these indices:

- Use the most recent I&E to create the component weights for each year's PIOC. This will connect the PIOC much more closely to what owners have actually been buying so that we can better estimate the overall effect of price changes.
- Annually survey owners about their costs for various items within a single component, to update the item weights and allow development of improved items and specifications. Since this is not necessary for taxes and insurance (which have one item each in their components), it should allow updates of items weights across the PIOC every 5-6 years.

In an attempt to update the PIOC to reflect current expenditure patterns, Dr. Hudson, along with assistance from the RGB staff, used the expenditure patterns presented in the *2014 Income and Expense Study* to update the component weights for the *2014 PIOC*. In addition, a historical analysis was conducted to gauge the impact of using the I&E component weights in PIOC's dating back to 1999. The results of these analyses are presented in this memo. Note that this analysis does not alter the items priced in the PIOC, which may be updated by staff at a later date.

### **Updating the 2014 PIOC Using Weights from the 2014 I&E**

Data used to update the component weights for the *2014 PIOC* is contained in the *2014 RGB Income and Expense Study*. The I&E used summary data from the NYC Department of Finance RPIE filings to report on owner expense. Data from the 2013 RPIE filings were used and represent owner reported expenses from calendar year 2012.

In order to update the PIOC component weights, there were two technical issues involved in using the I&E weights that had to be addressed.

First, the individual items in the PIOC needed to be allocated to the corresponding I&E components. The current PIOC contains nine components and the I&E data is categorized

into eight components. Using the Expense Categories Chart of items in the 2013 RPIE Worksheet, PIOC expense items were allocated to the corresponding I&E expense categories. For example, the Fuel component in the I&E includes natural gas costs, fuel oil and steam. Therefore the gas and steam heating items from the PIOC Utilities component and the Fuel Oil component items were put into one component labeled Fuel. This same procedure was used with other PIOC items and I&E expense components. There were a few items that did not fit into any of the I&E expense categories, such as the PIOC items that priced air conditioners, so they were not included in this update. These items carried minimal weight in the PIOC so the effect of not including them was negligible. Furthermore, there were no items priced in the PIOC that fit into the I&E expense category of Miscellaneous, so that component is not included in this analysis. Therefore, seven components are used in this I&E weight-based 2014 PIOC.

Second, the I&E weights are from a year earlier than the PIOC. So those data needed to be updated based on the previous PIOC prices. For example, for 2014 this involved:

- Taking the I&E costs per component from 2012
- Updating those to estimated 2013 costs based on the 2013 PIOC
- Adjusting the weights based on those 2013 costs

This is the same methodology used in the PIOC to update weights each year. The only difference is using the I&E component weights as the starting point.

After applying the methodology outlined above, the impact of using I&E component weights with 2014 PIOC price relatives resulted in lowering the Price Index for Apartments from 5.7% to 5.2%. Below is a table that compares the component weights in each index.

**A Comparison of Component Weights, 2014 I&E-Based PIOC vs. the 2014 PIOC, Apartments**

<b>2014 I&amp;E-Based PIOC Components</b>	<b>Weight</b>	<b>2014 PIOC Components</b>	<b>Weight</b>
Taxes	26.6%	Taxes	28.7%
Labor	11.6%	Labor	12.5%
Fuel	15.9%	Fuel Oil	14.9%
Utilities	11.8%	Utilities	16.4%
Administration	16.3%	Administration	6.9%
Insurance	4.9%	Insurance	6.9%
Maintenance	13.0%	Contractor Services	11.7%
		Parts & Supplies	1.4%
		Replacement Costs	0.6%
<b>Total</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

Source: 2014 PIOC and 2014 I&E Study

In this table, note that the weight in the I&E “Fuel” component (including Oil and Natural Gas) is similar to the weight in the PIOC for Fuel Oil alone. The I&E-based approach also shows Insurance as a smaller portion of expenditures and Administration as a larger one, compared to the 2014 PIOC.

It is important to note that this new methodology still uses the same prices and costs as reported in the 2014 PIOC. Therefore, the individual price relatives do not change from one to the other. Real estate taxes increased 5% in the 2014 PIOC. This same increase is used in the 2014 I&E-Based PIOC. What differs is the *importance* of these changes in price from one index to the other. Taxes represent 28.7% of the 2014 PIOC and 26.6% of the 2014 I&E-Based PIOC. Below is a table that outlines the price relative for the seven components in the 2014 I&E-Based PIOC.

<b>2014 I&amp;E - Based PIOC Components</b>	<b>Price Relative</b>
Taxes	5.0%
Labor	3.0%
Fuel	9.5%
Utilities	6.0%
Administration	2.0%
Insurance	9.3%
Maintenance	3.9%
<b>Total</b>	<b>5.2%</b>

Since 1983, the PIOC has calculated separate indices for different types of buildings that contain rent stabilized units. In addition to the all Apartment PIOC, separate indices for buildings constructed before 1947 (pre-1947) and for buildings constructed in 1947 or later (post-1946) as well as gas-heated and oil-heated can also be calculated using I&E

component weights. The master-metered building index cannot be calculated using this methodology because there is no usable data for calculating expenditure weights. Below is a table that compares these separate indices using the 2014 PIOC and the 2014 I&E-Based PIOC.

**Price Indices for Different Building Types, 2014 PIOC vs. 2014 I&E- Based PIOC**

	<b>2014 PIOC</b>	<b>2014 I&amp;E-Based PIOC</b>
All Apartments	5.7%	5.2%
Pre-1947	6.2%	5.2%
Post-1946	5.2%	5.2%
Gas Heated	6.2%	6.0%
Oil Heated	5.6%	4.9%

Source: 2014 PIOC and 2014 I&E Study

After all is said and done, there are still limitations using this methodology. First, the PIOC still measures prices, not costs. It can be expected to slightly overestimate changes in costs. Secondly, the Hotel and Loft Indices cannot be updated using the I&E weights.

**Historic Analysis**

Now that a methodology is in place to update the PIOC expenditure weights using I&E data, we can go review previous Apartment PIOC indices, comparing these new I&E-based PIOC's with the traditional methodology. Below is a table that tracks these changes.

**PIOC vs. I&E-Based PIOC, Apartments, 2000-2014**

<b>Year</b>	<b>PIOC</b>	<b>I&amp;E-Based PIOC</b>
2000	7.8%	6.5%
2001	8.7%	7.0%
2002	-1.6%	-0.8%
2003	16.9%	12.8%
2004	6.9%	5.5%
2005	5.8%	N/A
2006	7.8%	7.0%
2007	5.1%	5.2%
2008	7.8%	7.0%
2009	4.0%	4.5%
2010	3.4%	4.0%
2011	6.1%	3.5%
2012	2.8%	3.5%
2013	5.9%	5.2%
2014	5.7%	5.2%

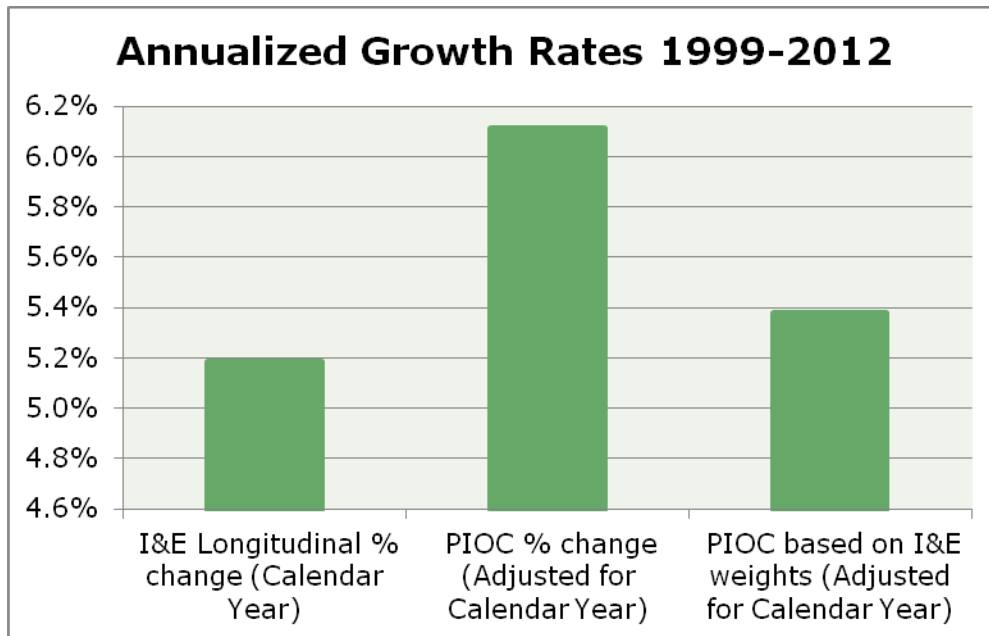
N/A: I&E data not available

Source: PIOC's 2000-2014 and RGB *Income and Expense Studies*, 2000-2014

As the table illustrates, there are years in which the I&E-based changes exceed expense growth of the PIOC and other years where the PIOC grew faster. This comes from the differences in weights. For example, the 2014 I&E-based PIOC had a lower weight for fuel oil items (Specs 301, 302 and 303) than the PIOC, and that pattern shows up in the other years. So, in years when fuel oil increased faster than the overall PIOC, the I&E-based approach

would typically show a lower increase; in years where fuel oil increased slower than the overall PIOC, the I&E-based approach would tend to be higher. Differences in weights for Insurance, Administration, and other areas will tend to lower or raise the I&E-based increase compared to the PIOC.

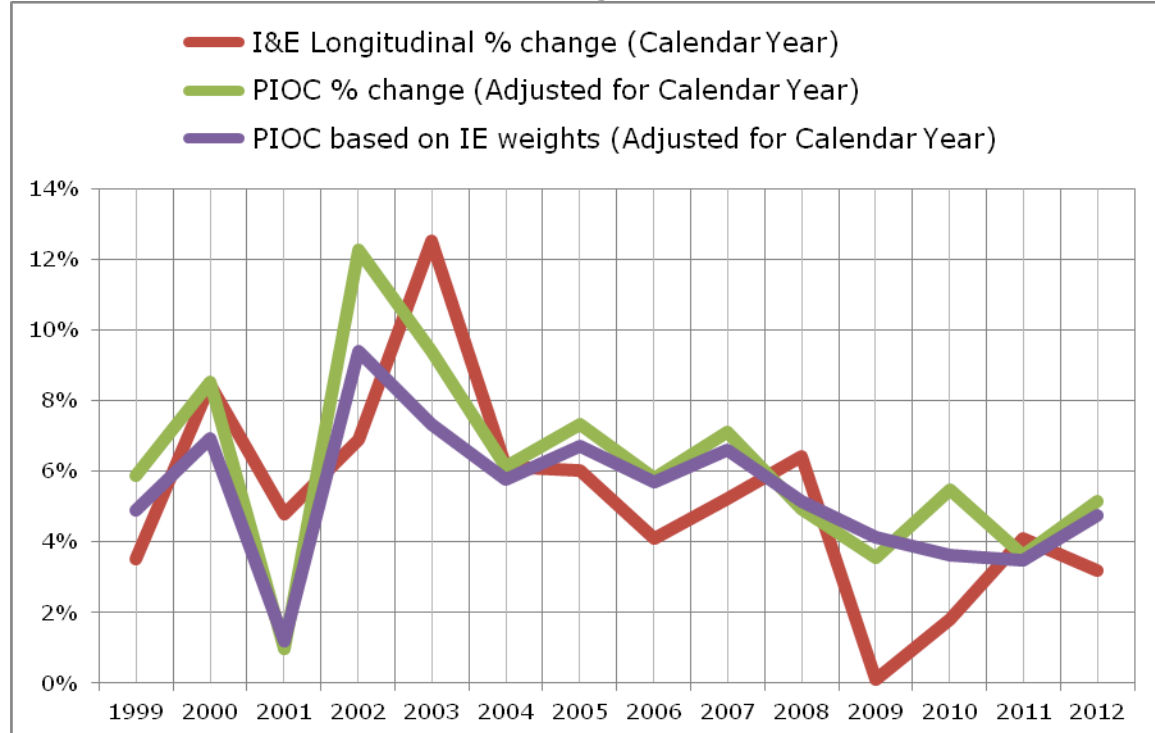
The more useful analysis is to examine the growth in expense from the I&E with both the PIOC and I&E-based PIOC over time. In order to do this analysis, we first needed to adjust the PIOC time frame to that of the I&E. The PIOC tracks price data from March to March while the RPIE data is based on a calendar year. Once this adjustment was made, the annualized growth rate for all three indices was computed. From 1999 to 2012, the PIOC witnessed an annualized growth rate of 6.1%. The I&E-based PIOC annualized growth rate was less, 5.4%, and more in line with that of the RPIE expense growth of 5.2%. See graph below.



Note: Since no longitudinal data was available to calculate a cost change for the I&E in 2004, the PIOC percent change of 6.1% was used to calculate annualized growth rates for all three indices. Source: PIOC, 1999-2012 and Income and Expense Studies, 2001-2014

The graph below outlines annual longitudinal percent cost changes reported in the RGB *Income and Expense Studies* along with annual changes in the PIOC and I&E-Based PIOC from 1999 to 2012.

**Percent Change in I&E Longitudinal Annual Cost Change vs. that of the PIOC and the I&E-Based PIOC Annual Price Change, 1999-2012**



Note: Since no longitudinal data was available to calculate a cost change for the I&E in 2004, the PIOC percent change of 6.1% was used.

Source: PIOC, 1999-2012 and Income and Expense Studies, 2001-2014

**On April 29, 2014 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the *Price Index of Operating Costs (PIOC)* presentation. Below is the memo in its entirety:**

*Question 1: Are the sizes of buildings that responded to the PIOC Building Survey reflective of the size of buildings in the rent stabilized universe?*

The table below reflects the distribution of buildings, by building size, in the entire 2012 DHCR registration database, the PIOC Sample of 5,100 buildings, and the responses actually received and verified by PIOC staff and used as part of the 2014 PIOC.

Building Size	2012 DHCR Registration Database		PIOC Sample		Insurance Responses		Non-Union Labor Responses		Management Fees Responses	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Less than Six Units	9,520	23.2%	1,175	23.0%	90	22.7%	18	16.8%	14	15.1%
6-9	12,334	30.0%	1,530	30.0%	149	37.6%	16	15.0%	13	14.0%
10-19	7,085	17.2%	878	17.2%	74	18.7%	26	24.3%	21	22.6%
20-29	3,858	9.4%	458	9.0%	34	8.6%	20	18.7%	17	18.3%
30-49	4,070	9.9%	555	10.9%	26	6.6%	15	14.0%	13	14.0%
50-74	2,446	5.9%	298	5.8%	16	4.0%	10	9.3%	12	12.9%
75-99	905	2.2%	102	2.0%	5	1.3%	1	0.9%	3	3.2%
100 or more	901	2.2%	104	2.0%	2	0.5%	1	0.9%	0	0.0%
# of Responses	41,119	100%	5,100	100%	396	100%	107	100%	93	100%

Question 2: What are increases in assessment values, by borough, historically?

The table below shows the change in assessment values, by borough, from 2005-2014.

Borough	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Manhattan	5.4%	7.5%	4.4%	7.5%	4.8%	7.6%	6.1%	8.4%	5.2%	5.8%
Bronx	1.6%	7.4%	-2.0%	12.0%	7.4%	-8.2%	-3.6%	2.5%	1.3%	3.9%
Brooklyn	3.2%	6.6%	1.9%	10.0%	4.1%	1.7%	0.1%	5.7%	5.5%	5.2%
Queens	5.1%	8.1%	0.8%	5.3%	4.0%	0.6%	-2.9%	5.4%	4.9%	5.3%
SI	8.1%	6.6%	3.6%	6.3%	0.2%	0.4%	-3.5%	4.6%	13.2%	1.9%
NYC	4.6%	7.5%	2.9%	7.8%	4.8%	4.5%	2.7%	7.1%	4.9%	5.4%

Question 3: How many units of “hotel” housing are Traditional Hotels, versus SROS and Rooming Houses?

The 2013 DHCR database provides information about owner registrations of buildings. However, the DHCR database only provides data for “Hotels” and “Rooming Houses.” Per the 2013 DCHR database, 61 buildings listed themselves as “Hotels.” Of these, 30 are also registered as “Rooming Houses.” Registered solely as “Rooming Houses” are 439 buildings.

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### Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes almost 14,900 properties containing over 674,100 units. This is the 22<sup>nd</sup> year that staff has been able to obtain longitudinal data in addition to cross-sectional data. The RGB staff found the following average monthly (per unit) operating and maintenance (O&M) costs in 2013 Real Property Income and Expense (RPIE) statements for the year 2012:

**Table 2**

2014 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	\$813	\$918	\$841

Source: 2014 Income and Expense Study, from 2013 Real Property Income and Expense filings

In 1992, the Board benefited from the results of audits conducted on a stratified sample of 46 rent stabilized buildings by the Department of Finance. Audited income and expense (I&E) figures were compared to statements filed by owners. On average the audits showed an 8% over reporting of expenses. The categories, which accounted for nearly all of the expense over reporting, were maintenance, administration, and "miscellaneous." The largest over-reporting was in miscellaneous expenses.

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be \$772, rather than \$841. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

**Table 2(a)**

2012 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs <sup>8</sup>	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	\$772	\$1,126	0.686	\$1,277	0.605

Source: 2014 *Income and Expense Study*, from 2013 Real Property Income and Expense filings for 2012, NYC Department of Finance.

### Forecasts of Operating and Maintenance Price Increases for 2014-15

In order to decide upon the allowable rent increases for two-year leases, the RGB considers price changes for operating costs likely to occur over the next year. In making its forecasts the Board relies on expert assessments of likely price trends for the individual components, the history of changes in prices for the individual components and general economic trends. The Board's projections for 2014-15 are set forth in Table 3, which shows the Board's forecasts for price increases for the various categories of operating and maintenance costs.

**Table 3**

Year-to-Year Percentage Changes in Components of the Price Index of Operating Costs: Actual 2013-14 and Projected 2014-15		
	Price Index 2013-14	Projected Price Index 2014-15
Taxes	5.0%	2.5%
Labor Costs	3.0%	3.0%
Fuel Oil	7.8%	-8.6%
Utilities	8.4%	4.9%
Contractor Services	3.9%	3.5%
Administrative Costs	2.5%	2.5%
Insurance Costs	9.3%	6.3%
Parts & Supplies	3.1%	2.2%
Replacement Costs	5.5%	2.0%
<b>Total (Weighted)</b>	<b>5.7%</b>	<b>1.7%</b>

Source: 2014 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City, which includes the 2015 PIOC Projection.

Overall, the PIOC is expected to grow by 1.7% from 2014 to 2015. Costs are predicted to rise in each component except Fuel Oil, where costs are anticipated to decline 8.6%. The largest growth, of 6.3%, is projected to be in the Insurance Costs component. More moderate increases are projected in Utilities (4.9%), Labor (3.0%), Administrative Costs (2.5%) and Contractor Services (3.5%). Taxes, the component that carries the most weight in the Index, is projected to increase 2.5%. The Parts and Supplies and Replacement Costs components are expected to rise 2.2% and 2.0%, respectively. The table on this page shows predicted changes in PIOC components for 2015. The core PIOC is projected to rise 3.2%, more than the overall projected Apartment PIOC.

<sup>8</sup> Overall O&M expenses were adjusted according to the findings of an income and expenses audit conducted by the Department of Finance in 1992. The unadjusted **O&M to Rent** ratio would be 0.747. The unadjusted **O&M to Income** ratio would be 0.658.



## Commensurate Rent Adjustment

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 essence, the “commensurate” combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to change for net operating income (NOI) in stabilized buildings to remain constant. The different types of “commensurate” adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

In its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain landlords’ current dollar NOI at a constant level. In other words, the formula provides a set of one- and two-year renewal rent increases or guidelines that will compensate owners for the change in prices measured by the PIOC and keep net operating income “whole.”

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the types of leases actually signed by tenants, it does not adjust landlords’ NOI for inflation. The “Net Revenue” formula is presented in two ways: First, adjusting for the mix of lease terms; and Second, adding an assumption for stabilized apartment turnover and the impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 5.7% increase in the PIOC is 4.75% for a one- year lease and 8.5% for a two-year lease. Using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover result in guidelines of 3.0% for one-year leases and 5.75% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (O&M) costs and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 1.5% increase in the Consumer Price Index (see Footnote 6) and the 5.7% increase in the PIOC is 5.5% for a one-year lease and 9.5% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 3.75% for one-year leases and 6.75% for two-year leases.<sup>9</sup>

The “traditional” commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board. The “traditional” commensurate yields 3.8% for a one-year lease and 4.3% for a two-year lease. This reflects the increase in operating costs of 5.7% found in the 2014 PIOC and the projection of a 1.7% increase next year.<sup>10</sup>

As a means of compensating for cost changes, this “traditional” commensurate rent adjustment has two major flaws. First, although the formula is supposed to keep landlords’ current dollar income constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about three-fifths of leases are renewed in any given year, with a

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<sup>9</sup> The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 65.8% of the 2014 PIOC increase of 5.7%, or 3.8%. The 65.8% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.2% times the latest 12-month increase in the CPI ending February 2014 (1.5%) or 0.53%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2011 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 8.33% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2012 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

<sup>10</sup> Calculating the “traditional” commensurate rent adjustment requires an assumption about next year’s PIOC. In this case, the 1.7% PIOC projection for 2015 is used.

preponderance of leases having a two-year duration, the formula does not necessarily accurately estimate the amount of income needed to compensate landlords for O&M cost changes.

A second flaw of the “traditional” commensurate formula is that it does not consider the erosion of landlords’ income by inflation. By maintaining current dollar NOI at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the “traditional” commensurate formula.<sup>11</sup>

All of these methods have their limitations. The “traditional” commensurate formula is artificial and does not consider the impact of lease terms or inflation on landlords’ income. The “Net Revenue” formula does not attempt to adjust NOI based on changes in interest rates or deflation of landlord profits. The “CPI-Adjusted NOI” formula inflates the debt service portion of NOI, even though interest rates have been generally falling, rather than rising, over recent years. Including a consideration of the amount of income owners receive on vacancy assumes that turnover rates are constant across the City.

Finally, it is important to note that only the “traditional” commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the “Net Revenue” and “CPI-Adjusted NOI” formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The “Net Revenue” and the “CPI-Adjusted NOI” formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (5.7%). The traditional method differs from the other formulas in that it uses both the PIOC’s actual change in costs as well as the projected change in costs (1.7%). If the change in projected costs, which may not be an accurate estimate of owner’s costs, is added to the “Net Revenue” and “CPI-Adjusted NOI” formulas, the resulting guidelines will likely over- or under- compensate for the change in costs.

Each of these formulae may be best thought of as a starting point for deliberations. The other Rent Guidelines Board annual research reports (e.g., the *Income and Affordability Report* and the *Income and Expense Study*) and testimony to the Board can be used to modify the various estimates depending on these other considerations.

### **Consideration of Other Factors**

Before determining the guideline, the Board considered other factors affecting the rent stabilized housing stock and the economics of rental housing.

### **Effective Rates of Interest**

The Board took into account current mortgage interest rates and the availability of financing and refinancing. It reviewed the staff’s 2014 Mortgage Survey Report of lending institutions. Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

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<sup>11</sup> Whether profits will actually decline depends on the level of inflation, the composition of NOI (i.e., how much is debt service and how much is profit), and changes in tax law and interest rates.

**Table 4**

2014 Mortgage Survey <sup>12</sup>									
Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 2006-2014									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Avg. Rates	6.3%	6.3%	5.9%	6.5%	6.3%	5.8%	4.6%	4.4%	4.9%
Avg. Points	0.44	0.61	0.47	0.62	0.79	0.61	0.63	0.59	0.54
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	2006	2007	2008	2009	2010	2011	2012	2013	2013
Avg. Rates	6.3%	6.2%	5.8%	6.5%	6.3%	5.7%	4.7%	4.4%	4.9%
Avg. Points	0.44	0.61	0.44	0.62	0.83	0.61	0.63	0.40	0.50

Source: 2006–2014 Annual Mortgage Survey Reports, RGB.

**On April 8, 2014 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2014 Mortgage Survey Report. Below is the memo in its entirety:**

This memo is in response to the request for rent stabilized building sales prices analyzed by the average number of units per building. The following tables indicate the average prices of rent stabilized buildings sold, on a per unit basis, grouped by building size and borough, in 2012 and 2013, and the percentage change from 2012 to 2013:

**2013 Sales Prices Citywide & By Borough, Average Price Per Unit**

	Citywide	Manhattan	Brooklyn	Bronx	Queens
All UNITS	\$221,258	\$354,949	\$159,569	\$100,353	\$160,829
6-10 UNITS	\$279,490	\$628,251	\$173,182	\$114,878	\$156,567
11-19 UNITS	\$286,218	\$413,690	\$197,808	\$135,519	\$166,526
20-99 UNITS	\$188,108	\$313,009	\$139,160	\$92,797	\$153,128
100+ UNITS	\$250,931	-	-	-	-

Note: Fewer than 15 bldgs in each category excluded. SI excluded.

**2012 Sales Prices Citywide & By Borough, Average Price Per Unit**

	Citywide	Manhattan	Brooklyn	Bronx	Queens
All UNITS	\$180,659	\$284,297	\$124,352	\$83,535	\$123,457
6-10 UNITS	\$217,147	\$498,667	\$138,603	\$86,160	\$138,639

<sup>12</sup> Institutions were asked to provide information on their "typical" loan to rent stabilized buildings. Data for each variable in any particular year and from year to year may be based upon responses from a different number of institutions.

11-19 UNITS	\$238,316	\$347,019	\$136,266	\$91,180	-
20-99 UNITS	\$145,871	\$211,753	\$123,490	\$82,832	\$130,900
100+ UNITS	\$279,929	-	-	-	-

Note: Fewer than 15 bldgs in each category excluded. SI excluded.

### Change in Sales Prices from 2012 to 2013, Average Price Per Unit

	Citywide	Manhattan	Brooklyn	Bronx	Queens
All UNITS	22%	25%	28%	20%	30%
6-10 UNITS	29%	26%	25%	33%	13%
11-19 UNITS	20%	19%	45%	49%	-
20-99 UNITS	29%	48%	13%	12%	17%
100+ UNITS	-10%	-	-	-	-

Note: Fewer than 15 bldgs in each category excluded. SI excluded.

### Condition of the Rent Stabilized Housing Stock

The Board reviewed the number of units that are moving out of the rental market due to cooperative and condominium conversion.

**Table 5**

Number of Cooperative / Condominium Plans <sup>13</sup> Accepted for Filing, 2005-2013									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Construction	361	644	573	454	335	235	185	121	151
Conversion Non-Eviction	24	53	66	50	29	20	20	25	18
Conversion Eviction	18	13	16	18	13	4	9	3	0
Rehabilitation	6	0	8	4	1	0	2	11	21
Total	409	710	663	526	378	259	216	160	190
Subtotal:									
HPD Sponsored Plans	18	13	16	18	13	4	9	3	0

Source: New York State Attorney General's Office, Real Estate Financing.

<sup>13</sup> The figures given above for eviction and non-eviction plans include those that are abandoned because an insufficient percentage of units were sold within the 15-month deadline. In addition, some of the eviction plans accepted for filing may have subsequently been amended or resubmitted as non-eviction plans and therefore may be reflected in both categories. HPD sponsored plans are a subset of the total plans. Some numbers revised from prior years.

## Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2007.

**Table 6**

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2007-2014 (For "All Urban Consumers")								
	2007	2008	2009	2010	2011	2012	2013	2014
1st Quarter Avg. <sup>14</sup>	2.9%	3.8%	0.8%	2.1%	2.3%	2.6%	1.9%	1.3%
Yearly Avg.	2.8%	3.9%	0.4%	1.7%	2.8%	2.0%	1.7%	--

Source: U.S. Bureau of Labor Statistics.

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### Calculating of the Current Operating and Maintenance Expense to Rent Ratio

Each year the Board estimates the current average proportion of the rent roll which owners spend on operating and maintenance costs. This figure is used to ensure that the rent increases granted by the Board compensate owners for the increases in operating and maintenance expenses. This is commonly referred to as the O&M to rent ratio.

With current longitudinal income and expense data, staff has constructed an index, using 1989 as a base year. Except for the last three years, this index measures changes in building income and operating expenses as reported in annual income and expense statements. The second and third to last years in the table will reflect actual PIOC increases and projected rent changes. The last year in the table - projecting into the future - will include staff projections for both expenses and rents. This index is labeled as Table 7. However, this index it is not without limitations. First, as noted, for the past and coming year the index will continue to rely upon the price index and staff rent and cost projections. Second, while this table looks at the overall relationship between costs and income, it does not measure the specific impact of rent regulation on that relationship.

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<sup>14</sup> 1<sup>st</sup> Quarter Average refers to the change of the CPI average of the first three months of one year to the average of the first three months of the following year. Some numbers revised from prior years.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2015			
Year <sup>15</sup>	Average Monthly O & M Per d.u. <sup>16</sup>	Average Monthly Income Per d.u.	Average O & M to Income Ratio
1989	\$370 (\$340)	\$567	.65 (.60)
1990	\$382 (\$351)	\$564	.68 (.62)
1991	\$382 (\$351)	\$559	.68 (.63)
1992	\$395 (\$363)	\$576	.69 (.63)
1993	\$409 (\$376)	\$601	.68 (.63)
1994	\$415 (\$381)	\$628	.66 (.61)
1995	\$425 (\$391)	\$657	.65 (.59)
1996	\$444 (\$408)	\$679	.65 (.60)
1997	\$458 (\$421)	\$724	.63 (.58)
1998	\$459 (\$422)	\$755	.61 (.56)
1999	\$464 (\$426)	\$778	.60 (.55)
2000	\$503 (\$462)	\$822	.61 (.56)
2001	\$531 (\$488)	\$868	.61 (.56)
2002	\$570 (\$524)	\$912	.63 (.57)
2003	\$618 (\$567)	\$912	.68 (.62)
2004	\$654 (\$601)	\$969	.67 (.62)
2005	\$679 (\$624)	\$961	.71 (.65)
2006	\$695 (\$638)	\$1,009	.69 (.63)
2007	\$738 (\$678)	\$1,088	.68 (.62)
2008	\$790 (\$726)	\$1,129	.70 (.64)
2009	\$781 (\$717)	\$1,142	.68 (.63)
2010	\$790 (\$726)	\$1,171	.67 (.62)
2011	\$812 (\$746)	\$1,208	.68 (.63)
2012	\$841 (\$772)	\$1,277	.66 (.60)
2013 <sup>17</sup>	\$891 (\$818)	\$1,332	.67 (.61)
2014 <sup>18</sup>	\$941 (\$865)	\$1,388	.68 (.62)
2015 <sup>19</sup>	\$957 (\$879)	\$1,439	.67 (.61)

Source: RGB Income and Expense Studies, 1989-2014, Price Index of Operating Costs 2013 - 2014, RGB Rent Index for 2011 - 2014.

<sup>15</sup> The O&M and income data from 2007 to 2010 has been revised from that reported in previous explanatory statements to reflect actual, rather than estimated, expense and income data.

<sup>16</sup> Operating and expense data listed is based upon unaudited filings with the Department of Finance. Audits of 46 buildings conducted in 1992 suggest that expenses may be overstated by 8% on average. See *Rent Stabilized Housing in New York City, A Summary of Rent Guidelines Board Research 1992*, pages 40-44. Figures in parentheses are adjusted to reflect these findings.

<sup>17</sup> Estimated expense figure includes 2012 expense updated by the PIOC for the period from 3/1/12 through 2/29/13 (5.9%). Income includes the income estimate for 2012 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/12 through 2/28/13 (4.23% - i.e., the 10/1/11 to 9/30/12 rent projection (4.53%) times (.583), plus the 10/1/12 to 9/30/13 rent projection (3.95%) times (.417)).

<sup>18</sup> Estimated expense figure includes 2013 expense updated by the PIOC for the period from 3/1/13 through 2/28/14 (5.7%). Income includes the income estimate for 2013 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/13 through 2/28/14 (4.23% - i.e., the 10/1/12 to 9/30/13 rent projection (3.95%) times (.583), plus the 10/1/13 to 9/30/14 rent projection (4.62%) times (.417)).

<sup>19</sup> Estimated expense figure includes 2014 expense estimate updated by the staff PIOC projection for the period from 3/1/14 through 2/28/15 (1.7%). Income includes the income estimate for 2014 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/14 through 2/28/15 (3.69% - i.e., the 10/1/13 to 9/30/14 rent projection (4.62%) times (.583), plus the 10/1/14 to 9/30/15 rent projection (2.39%) times (.417)).

## Changes in Housing Affordability

Looking at New York City's economy during 2013, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the fourth consecutive year, increasing 2.1% in 2013. The unemployment rate also fell, declining by 0.6 percentage points, to 8.7%. Gross City Product (GCP) also increased for the fourth consecutive year, rising in real terms by 2.7% in 2013. In addition, inflation slowed slightly, inflation-adjusted wages rose by 1.2% during the most recent 12-month period (the fourth quarter of 2012 through the third quarter of 2013), and the number of non-payment filings in Housing Court fell by 1.1%, while "calendared" non-payment cases fell by 7.8%.

Negative indicators include a 0.4% increase in evictions, despite the number of non-payment filings in Housing Court declining. In addition, cash assistance levels increased for the fifth consecutive year, increasing by 0.6% between 2012 and 2013. The number of Supplemental Nutrition Assistance Program (SNAP) recipients rose by 1.4% in 2013, increasing for the eleventh consecutive year. Homelessness also rose over 2012 levels, increasing to an average of more than 49,000 persons a night, a 14.1% increase.

The most recent numbers, from the fourth quarter of 2013 (as compared to the fourth quarter of 2012), show that homeless levels were up 8.7%, and non-payment filings in Housing Court were up 1.1%.<sup>20</sup> However, most indicators were positive, with employment levels up 2.1%, unemployment down 0.8 percentage points, SNAP recipients down 1.5%, and cash assistance levels down 2.8%. Fourth quarter GCP also rose, by 2.6% in real terms, and inflation was lower than that of the last quarter of 2012, rising by 1.3%, as compared to 1.9%. And while non-payment filings rose, the number of calendared court cases fell 9.5%.

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**On April 22, 2014 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2014 *Income & Affordability Study*. At the April 10, 2014 *Income & Affordability Study (I&A)* presentation, 13 questions were asked for which an immediate answer could not be provided. In addition, after a presentation given by Elyzabeth Gaumer from the NYC Dept. of Housing Preservation and Development, an additional question was asked about the number of units in the 421-A and J-51 programs. Detailed answers are the memo presented below in its entirety:**

*Question 1: What is the exact definition of Consumer Price Index rent increases?*

The Consumer Price Index (CPI) measures "Rent of Primary Residence," by asking survey respondents the following question: "What is the rental charge to your CU\* for this unit including any extra charges for garage & parking facilities? Do not include direct payments by local, state or federal agencies. What period of time does this cover?" The price changes noted are for the metropolitan areas covered by the CPI study. The New York metropolitan area consists of the five boroughs of New York City, Nassau, Suffolk, Westchester, Rockland, Putnam, Dutchess, and Orange Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Mercer, Monmouth, Middlesex, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; Fairfield County and parts of Litchfield, New Haven, and Middlesex Counties in Connecticut; and Pike County in Pennsylvania.

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<sup>20</sup> This data is obtained from the Civil Court of the City of New York, which cannot provide exact "quarterly" data. The Court has 13 terms in a year, each a little less than a month long. This data is for terms 10-13, which is from approximately the middle of September through the end of the year. It is compared to the same period of the prior year.

\* CU stands for “consumer unit,” which in this case is a household unit

*Question 2: What percentage of rent stabilized households have utilities included in their rent?*

Per the 2011 *Housing and Vacancy Survey*, 8.1% of rent stabilized households have electricity costs included in their monthly rent payment. This compares to 11.6% of market rate apartments and 17.7% for all rental apartments (the figure for “all rental apartments” is significantly higher than rent stabilized apartments because approximately three-quarters of public housing and Mitchell-Lama tenants have electricity costs included as part of their rent). The number of rent stabilized tenants who have gas included as part of their rent, 32.6%, is much higher than that of electrical inclusion and compares to 39.3% for market rate apartments and 42.3% for all rental apartments. Note that if both gas and electric costs are included as part of a tenant’s rent, their contract rent and gross rents are equivalent.

*Question 3: What is the exact definition of the unemployment rate?*

Each month the U.S. Bureau of Labor Statistics (BLS) conducts the “Current Population Survey,” a survey of approximately 60,000 households nationwide of employment and demographic characteristics. Among the questions asked is the employment status of those 16 and older in the household. In the simplest terms (verbatim from the BLS):

- People with jobs are employed.
- People who are jobless, looking for jobs, and available for work are unemployed.
- People who are neither employed nor unemployed are not in the labor force.

More specifically:

“Persons are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. Actively looking for work may consist of any of the following activities:

- Contacting:
  - An employer directly or having a job interview
  - A public or private employment agency
  - Friends or relatives
  - A school or university employment center
- Sending out resumes or filling out applications
- Placing or answering advertisements
- Checking union or professional registers
- Some other means of active job search”

The unemployment rate is the number of unemployed persons (per the above definition) as a proportion of the labor force (those who are unemployed, plus those employed). It is not in any way based on the number of people applying for, or receiving, Unemployment Insurance benefits.

*Question 4: Does Housing Court have information on the proportion of non-payment housing court cases against rent stabilized tenants? Does the Court have information on how non-payment cases are resolved without being “calendared?”*



Housing Court does not track the regulation status of apartments being filed against in their database, and therefore cannot provide this information.

Housing Court is not generally notified of the cause of a non-payment case not being calendared. While approximately half of all non-payment cases do not result in a court appearance in any given year, most cases technically remain open indefinitely.

*Question 5: Does the NYC Dept. of Homeless Services (DHS) track what type of apartments homeless individuals seeking shelter last lived in?*

When an individual or family enters the shelter system, they are asked for their last address. They are not asked the regulation status of this address, and therefore DHS cannot provide information about how many of their clients are former residents of rent stabilized housing. However, with information about the last residence, it is possible to manually match addresses with registration lists of known rent stabilized buildings. The NYC Dept. of Housing Preservation and Development undertook this endeavor in 2010, and they are currently working on presenting this information to the Board, in a separate memo.

*Question 6: Can the number of NYC Dept. of Homeless Services permanent housing placements be provided for prior years?*

Data for 2007-2013 follows.

**Permanent Housing Placements, 2007-2013**

<b>Year</b>	<b>Families with Children</b>	<b>Adult Families</b>	<b>Single Adults</b>
2007	5,526	756	8,934
2008	7,054	1,203	9,923
2009	8,521	1,166	7,984
2010	8,090	892	7,551
2011	4,893	481	8,719*
2012	4,545	418	7,615*
2013	6,682	572	9,829

\* Because data from December of 2011 and January of 2012 is not available, the total number of placements is estimated by taking the average number of placements per month for the bulk of the year, and applying that average as a proxy for missing data.

Question 7: Can every poverty statistic in the I&A Study be broken out by borough?

Data for 2005-2012 follows, for the US as a whole, for NYC as a whole, and by borough.

**Overall Poverty Rate (Individuals)**

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	13.3%	13.3%	13.0%	13.2%	14.3%	15.3%	15.9%	15.9%
<b>NYC</b>	19.1%	19.2%	18.5%	18.2%	18.7%	20.1%	20.9%	21.2%
<b>Bronx</b>	29.2%	29.1%	27.1%	27.6%	28.5%	30.2%	30.4%	31.0%
<b>Brooklyn</b>	22.4%	22.6%	21.9%	21.1%	21.8%	23.0%	23.6%	24.3%
<b>Manhattan</b>	17.9%	18.3%	17.6%	16.9%	16.6%	16.4%	18.3%	17.8%
<b>Queens</b>	11.9%	12.2%	12.0%	12.1%	12.6%	15.0%	15.8%	16.2%
<b>SI</b>	11.0%	9.2%	9.8%	10.0%	11.2%	11.8%	11.7%	11.6%

**Overall Poverty Rate, Aged Under 18 (Individuals)**

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	18.5%	18.3%	18.0%	18.2%	20.0%	21.6%	22.5%	22.6%
<b>NYC</b>	27.7%	28.2%	27.3%	26.5%	27.1%	30.0%	29.8%	31.4%
<b>Bronx</b>	39.7%	41.3%	38.1%	39.7%	40.4%	43.0%	40.9%	44.5%
<b>Brooklyn</b>	30.5%	32.3%	31.7%	30.4%	31.5%	34.0%	33.6%	34.9%
<b>Manhattan</b>	29.6%	27.1%	27.5%	21.8%	24.5%	22.1%	25.6%	25.8%
<b>Queens</b>	15.9%	17.0%	16.5%	16.4%	15.4%	21.8%	21.1%	23.2%
<b>SI</b>	17.5%	11.8%	12.4%	14.8%	15.2%	17.1%	17.5%	14.6%

**Overall Poverty Rate, Aged 18-64 (Individuals)**

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	11.9%	12.0%	11.6%	11.9%	13.1%	14.2%	14.8%	14.8%
<b>NYC</b>	15.6%	15.9%	15.4%	15.2%	16.0%	17.4%	18.4%	18.4%
<b>Bronx</b>	24.5%	24.3%	23.0%	22.9%	24.5%	26.1%	26.9%	26.4%
<b>Brooklyn</b>	18.3%	18.2%	17.7%	16.9%	17.8%	19.5%	20.0%	20.5%
<b>Manhattan</b>	14.2%	15.8%	15.0%	15.0%	14.4%	15.1%	16.8%	16.0%
<b>Queens</b>	10.4%	10.5%	10.3%	10.7%	11.7%	13.4%	14.3%	14.6%
<b>SI</b>	8.7%	7.9%	8.5%	8.9%	10.0%	9.8%	10.2%	10.7%

**Overall Poverty Rate, Aged 65 and over (Individuals)**

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	9.9%	9.9%	9.5%	9.9%	9.5%	9.0%	9.3%	9.5%
<b>NYC</b>	20.3%	19.0%	18.4%	18.6%	18.0%	17.2%	19.0%	19.1%
<b>Bronx</b>	26.4%	22.6%	20.6%	21.6%	20.8%	22.5%	24.7%	24.8%
<b>Brooklyn</b>	25.7%	24.2%	23.4%	23.8%	23.1%	20.6%	23.2%	24.4%
<b>Manhattan</b>	21.7%	20.4%	18.9%	20.7%	18.6%	17.0%	17.8%	17.9%
<b>Queens</b>	13.0%	12.5%	13.0%	12.8%	12.7%	12.3%	15.1%	13.3%

<b>SI</b>	10.0%	11.0%	11.2%	6.4%	9.9%	11.8%	8.7%	11.1%
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### Poverty Rate, All Families

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	10.2%	9.8%	9.5%	9.7%	10.5%	11.3%	11.7%	11.8%
<b>NYC</b>	16.7%	16.3%	15.6%	15.3%	15.8%	17.0%	18.0%	18.2%
<b>Bronx</b>	27.0%	26.5%	24.4%	25.4%	25.4%	27.6%	28.1%	28.8%
<b>Brooklyn</b>	20.1%	19.3%	18.3%	17.7%	18.3%	19.7%	20.4%	20.8%
<b>Manhattan</b>	15.1%	15.1%	15.1%	12.9%	13.3%	12.4%	14.9%	15.1%
<b>Queens</b>	9.5%	9.9%	10.0%	9.9%	10.5%	12.1%	13.1%	12.9%
<b>SI</b>	9.4%	7.0%	6.9%	8.1%	9.3%	9.6%	8.7%	9.4%

### Poverty Rate, Families With Related Children in Household

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	15.6%	15.0%	14.9%	15.0%	16.6%	17.9%	18.6%	18.8%
<b>NYC</b>	23.3%	23.0%	22.3%	21.9%	22.3%	25.0%	24.8%	26.0%
<b>Bronx</b>	34.5%	35.3%	31.9%	33.8%	34.1%	37.4%	36.2%	38.5%
<b>Brooklyn</b>	25.8%	26.1%	25.9%	24.4%	25.5%	28.0%	27.6%	28.8%
<b>Manhattan</b>	23.5%	22.1%	23.3%	19.3%	19.0%	18.8%	21.0%	21.1%
<b>Queens</b>	13.9%	14.1%	13.7%	14.2%	14.0%	17.7%	17.9%	19.1%
<b>SI</b>	13.6%	9.3%	10.3%	12.6%	13.5%	14.4%	12.9%	12.8%

### Poverty Rate, Married-Couple Families

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	5.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.8%	5.8%
<b>NYC</b>	9.1%	9.2%	9.0%	8.9%	9.2%	10.1%	10.8%	11.1%
<b>Bronx</b>	12.0%	10.7%	11.8%	12.8%	10.4%	12.8%	14.4%	14.1%
<b>Brooklyn</b>	13.9%	12.8%	12.4%	12.2%	12.7%	14.3%	14.4%	15.2%
<b>Manhattan</b>	6.8%	7.8%	7.2%	5.5%	6.7%	5.0%	7.7%	6.8%
<b>Queens</b>	6.2%	7.6%	7.0%	7.3%	7.8%	9.0%	9.6%	10.0%
<b>SI</b>	4.1%	4.2%	4.2%	4.2%	4.9%	5.6%	4.2%	4.2%

### Poverty Rate, Female-headed Families (no spouse present)

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	29.4%	28.6%	28.2%	28.0%	29.4%	30.3%	31.4%	31.8%
<b>NYC</b>	31.2%	30.4%	29.3%	28.8%	29.2%	30.7%	31.6%	32.2%
<b>Bronx</b>	42.0%	41.4%	38.4%	38.7%	39.4%	41.8%	41.3%	42.9%
<b>Brooklyn</b>	31.0%	31.1%	30.2%	29.0%	28.7%	30.7%	31.2%	31.1%
<b>Manhattan</b>	32.6%	31.8%	32.1%	28.6%	29.8%	27.8%	30.6%	33.1%
<b>Queens</b>	18.5%	17.8%	18.2%	18.1%	17.9%	20.6%	22.8%	21.4%
<b>SI</b>	31.5%	16.9%	16.2%	23.4%	26.0%	23.5%	25.9%	27.8%

**Poverty Rate, Male-headed Families (no spouse present)**

Year	2005	2006	2007	2008	2009	2010	2011	2012
<b>US</b>	13.8%	13.2%	12.8%	13.6%	15.8%	16.9%	17.6%	17.7%
<b>NYC</b>	14.6%	14.3%	13.9%	12.2%	15.4%	15.8%	17.4%	18.7%
<b>Bronx</b>	20.9%	23.4%	16.5%	15.6%	18.7%	21.1%	22.2%	23.4%
<b>Brooklyn</b>	16.3%	16.8%	13.9%	14.4%	19.7%	15.5%	21.2%	22.9%
<b>Manhattan</b>	17.2%	13.7%	17.1%	12.0%	12.6%	16.3%	15.5%	18.9%
<b>Queens</b>	8.1%	7.1%	10.7%	8.4%	10.5%	12.3%	12.5%	12.1%
<b>SI</b>	2.8%	10.4%	12.9%	7.6%	11.1%	17.4%	9.6%	10.9%

*Question 8: What is the distribution of rent stabilized apartments and buildings, by borough?*

The RGB utilizes two different sources for data on the number and location of rent stabilized apartments and buildings. The triennial *Housing and Vacancy Survey (HVS)*, last conducted in 2011, estimates a total of almost one million rent stabilized apartments in New York City. We also rely on data from owner registrations of rent stabilized buildings with the NYS Division of Housing and Community Renewal (DHCR), which shows a total of 863,000 rent stabilized apartments, almost 125,000 less than the HVS estimate. However, the DHCR database is the sole source of the number and location of rent stabilized *buildings*, as the HVS does not track this data.

The table below shows both HVS and DHCR data for the location of rent stabilized apartments and buildings. The left portion of the graph presents *HVS* data and shows the total number of rent stabilized units, by borough, plus the distribution of those units throughout the boroughs (i.e., 23.2% of rent stabilized apartments are in the Bronx). It also shows the proportion of units within each borough that are rent stabilized, as compared to both all rental units (i.e., 59.1% of *all rental units* in the Bronx are rent stabilized) and all housing units, including owner-occupied units/houses (i.e., 46.1% of *all housing units* in the Bronx (rental and owner) are rent stabilized).

The right portion of the table shows the total number of rent stabilized apartments and buildings, by borough, as registered with DHCR. It also includes the distribution of each throughout the boroughs (i.e., 23.9% of DHCR-registered apartments are in the Bronx, and 14.6% of DHCR-registered buildings are in the Bronx). DHCR data is from 2012 registration filings, but a check of 2011 data (that is, the same year as the *HVS* survey) shows almost identical distribution patterns.

## Rent Stabilized Apartments/Buildings, by Borough

Borough	2011 Housing and Vacancy Survey				2012 DHCR Registration Filings			
	Total # of RS Apts.	Distribution of RS Apts. Between Boroughs	RS/Total Rentals in Borough	RS/Total Housing Units in Borough	RS Apartments and Distribution Between Boroughs		RS Buildings and Distribution Between Boroughs	
Bronx	229,361	23.2%	59.1%	46.1%	206,591	23.9%	6,369	14.6%
Brooklyn	295,631	30.0%	42.8%	30.2%	232,244	26.9%	14,181	32.5%
Manhattan	264,365	26.8%	45.0%	32.1%	268,404	31.1%	14,328	32.8%
Queens	189,021	19.2%	42.1%	23.3%	149,038	17.3%	8,358	19.2%
SI	8,461	0.9%	14.8%	4.9%	7,155	0.8%	386	0.9%
<b>Total NYC</b>	<b>986,840</b>	<b>100.0%</b>	<b>45.4%</b>	<b>30.0%</b>	<b>863,432</b>	<b>100.0%</b>	<b>43,622</b>	<b>100.0%</b>

Question 9: What are median rent levels for all categories of rental apartments, by borough?

See the tables below for median contract and gross rents as reported in the 2011 Housing and Vacancy Survey. Gross rents include the estimated monthly cost of utilities.

### Median Contract Rents, 2011 Housing and Vacancy Survey

Apt. Type	Rent Stabilized	Rent Control	Mitchell-Lama	Public Housing	Other Regulated	Non-Regulated	All Rentals
Bronx	\$950	\$750	\$926	\$443	\$933	\$1,176	\$942
Brooklyn	\$1,010	\$750	\$1,160	\$425	\$591	\$1,200	\$1,020
Manhattan	\$1,200	\$800	\$1,000	\$467	\$910	\$2,500	\$1,500
Queens	\$1,148	\$1,047	\$900	\$549	\$955	\$1,300	\$1,200
Staten Island	--*	--*	--*	--*	--*	\$1,000	\$1,000
<b>Total NYC</b>	<b>\$1,050</b>	<b>\$800</b>	<b>\$1,000</b>	<b>\$450</b>	<b>\$910</b>	<b>\$1,369</b>	<b>\$1,100</b>

\*Rent figures for Staten Island are not reported because of the small sample size of units in the borough.

### Median Gross Rents, 2011 Housing and Vacancy Survey

Apt. Type	Rent Stabilized	Rent Control	Mitchell-Lama	Public Housing	Other Regulated	Non-Regulated	All Rentals
Bronx	\$1,060	\$895	\$980	\$455	\$1,000	\$1,320	\$1,050
Brooklyn	\$1,129	\$820	\$1,200	\$452	\$670	\$1,330	\$1,143
Manhattan	\$1,305	\$863	\$1,000	\$481	\$1,113	\$2,600	\$1,580
Queens	\$1,223	\$1,180	\$900	\$550	\$955	\$1,400	\$1,265
Staten Island	--*	--*	--*	--*	--*	\$1,262	\$1,130
<b>Total NYC</b>	<b>\$1,160</b>	<b>\$895</b>	<b>\$1,021</b>	<b>\$480</b>	<b>\$1,000</b>	<b>\$1,510</b>	<b>\$1,204</b>

\*Rent figures for Staten Island are not reported because of the small sample size of units in the borough.

Question 10: What are median rent-to-income ratios for all categories of rent apartments, by borough?

See the tables below for median contract rent-to-income ratios and gross rent-to-income ratios as reported in the 2011 Housing and Vacancy Survey. Gross rent-to-income ratios include the estimated monthly cost of utilities.

### Median Contract Rent-to-Income Ratios, 2011 Housing and Vacancy Survey

Apt. Type	Rent Stabilized	Rent Control	Mitchell-Lama	Public Housing	Other Regulated	Non-Regulated	All Rentals
Bronx	37.9%	26.3%	42.2%	28.6%	73.7%	39.1%	36.0%
Brooklyn	32.0%	23.7%	44.8%	28.4%	40.0%	31.8%	31.4%
Manhattan	29.1%	25.6%	38.1%	26.7%	38.0%	27.5%	28.6%
Queens	31.2%	45.5%	47.4%	28.8%	38.4%	30.0%	30.8%
Staten Island	--*	--*	--*	--*	--*	28.0%	28.2%
<b>Total NYC</b>	<b>32.0%</b>	<b>27.6%</b>	<b>40.8%</b>	<b>28.4%</b>	<b>44.3%</b>	<b>30.5%</b>	<b>30.9%</b>

\*Rent figures for Staten Island are not reported because of the small sample size of units in the borough.

### Median Gross Rent-to-Income Ratios, 2011 Housing and Vacancy Survey

Apt. Type	Rent Stabilized	Rent Control	Mitchell-Lama	Public Housing	Other Regulated	Non-Regulated	All Rentals
Bronx	42.8%	30.0%	46.6%	29.8%	81.1%	44.0%	40.8%
Brooklyn	35.5%	30.1%	44.8%	28.5%	43.4%	35.3%	34.5%
Manhattan	31.0%	29.9%	38.1%	27.2%	43.4%	28.2%	29.8%
Queens	34.0%	52.5%	48.5%	29.8%	39.6%	33.8%	34.1%
Staten Island	--*	--*	--*	--*	--*	33.9%	33.0%
<b>Total NYC</b>	<b>35.2%</b>	<b>32.1%</b>	<b>42.5%</b>	<b>28.7%</b>	<b>48.0%</b>	<b>33.5%</b>	<b>33.8%</b>

\*Rent figures for Staten Island are not reported because of the small sample size of units in the borough.

*Question 11: The employment figures reported in the I&A Study are based on place of employment, not place of residence. Is there data for employment by place of residence?*

The employment statistics reported in the *I&A* are from data obtained via the “Current Employment Statistics” survey, which surveys employers each month to ask them their staffing levels and average wages. Wage information from this survey was included for the first time in this year’s *I&A Study*. Because the survey is of employers, not employees, the data is for place of employment, not place of residence. The only source of data for place of residence is the “Current Population Survey,” the same survey that estimated unemployment rates are derived from. The table below provides employment data for each borough for the years 2005-2013. The last row of the table provides a year-to-year change in total employment levels for the City as a whole.

It is also worth noting that another source of employment information is the Quarterly Census of Employment and Wages, the same source of most of our wage data in the *I&A*. Because employers are required to file this information with New York State, it is a virtually complete detailing (i.e., it is not a survey), by place of employment. For the period from 2005 through the first three quarters of 2013 (the most recently available data), changes in employment levels for the City as a whole were within half a percentage point of those reported via the “Current Employment Statistics” survey (the data source used for employment statistics presented in the *I&A*, also by place of employment). Data from the “Current Employment Statistics” survey can be found in Appendix 2 of the *I&A Study*.

**Current Population Survey Employment Levels, In Thousands (by place of residence)**

<b>Year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bronx	463	472	479	483	471	477	477	484	492
Brooklyn	992	1,017	1,030	1,037	1,012	1,008	1,015	1,030	1,047
Manhattan	847	871	880	884	855	850	856	866	881
Queens	1,021	1,044	1,056	1,062	1,037	1,025	1,029	1,041	1,059
Staten Island	217	226	229	231	227	221	221	221	225
<b>NYC</b>	<b>3,540</b>	<b>3,630</b>	<b>3,674</b>	<b>3,698</b>	<b>3,602</b>	<b>3,580</b>	<b>3,598</b>	<b>3,642</b>	<b>3,702</b>
<b>% Change (NYC)</b>	<b>--</b>	<b>2.5%</b>	<b>1.2%</b>	<b>0.7%</b>	<b>-2.6%</b>	<b>-0.6%</b>	<b>0.5%</b>	<b>1.2%</b>	<b>1.7%</b>

*Question 12: Some tenants of rent stabilized apartments are subject to additional charges for appliances such as washing machines, dryers, dishwashers, and air conditioners. How many tenants are paying these charges? Are these charges included in contract rent figures from the Housing and Vacancy Survey?*

Contract rents in the triennial *Housing and Vacancy Surveys* are reported by tenants. If the tenant considers these charges to be part of their rent, then they will report it as such. They are not separately questioned about these types of charges. Owners of rent stabilized apartments are authorized by the NYS Division of Housing and Community Renewal (DHCR) to charge tenants separate fees for the use of certain appliances, in consideration of the extra water and/or electricity used by these appliances. Current charges for washing machines are \$20.76 for electrical exclusion buildings (buildings where tenants pay their own electricity bills) and \$22.23 for electrical inclusion buildings; charges for electric dryers are \$0.00 for electrical exclusion buildings and \$12.29 for electrical inclusion buildings; charges for dishwashers are \$5.17 a month for electrical exclusion buildings and \$7.12 for electrical inclusion buildings; charges for gas-powered dryers are \$0.00 for electrical exclusion buildings and \$8.88 for electrical inclusion buildings; charges for air conditioners are \$0.00 a month in electrical exclusion buildings and \$29.13 in electrical inclusion buildings. In addition, any tenant whose air conditioner extends beyond the window line (regardless of electrical inclusion or exclusion) can be charged \$5.00 per month, per air conditioner. Note that a review of the DHCR registration database showed there are almost no charges that utilized the higher electrical inclusion prices.

The above noted fees are somewhat lower in the period covered by the 2012 DHCR registration file, which was used to analyze the number of tenants being charged for appliances. It is also important to note that only those owners who registered these additional fees (and registered them correctly) can be quantified. In addition, while the owner may register fees for appliances, they are not obligated to charge tenants for these fees, nor the full legal rent on the apartment. Approximately 30% of the apartments found to have these fees were being charged a preferential rent (per the owner's registration).

The table below outlines the approximate number of tenants with registered appliance fees (again, registration does not necessarily equate to actual payment of fees). The table quantifies individual charges, but approximately 10% of these tenants pay more than one fee, so the total number of tenants is less than the total number of charges.

## 2012 DHCR Appliance Registrations (863,432 total registrations)

<b>Appliance</b>	<b>Fee (electrical exclusion buildings)</b>	<b>~ Number of Charges</b>
Washing Machine	\$13.62-\$16.82	576
Dryer	\$10.89-\$15.00	0
Dishwasher	\$3.77-\$4.74	6
Air Conditioner	\$29.13	458
Air Conditioner Window Fee	\$5.00 per A/C	1,068
<b>Total</b>		<b>2,108</b>

*Question 13: Can income/wage data be provided at the borough level? Can more details be provided on the UNHP report that shows income in the Bronx fell 22% in inflation-adjusted terms between 1990 and 2011?*

There are three main sources for income/wage data at the borough level in New York City: the Quarterly Census of Employment and Wages (QCEW); the decennial Census and annual American Community Survey (ACS); and the triennial Housing and Vacancy Survey (HVS). The QCEW measures wages as reported by employers (that is, it measures monies being paid from employers to employees, including bonuses and exercised stock options). It is extremely accurate, because all employers in New York City are required to provide this information on a quarterly basis, but it is limited by the fact that it can only provide averages (as opposed to medians) and is by place of employment, not place of residence. The Census, ACS, and HVS surveys all measure household income, which is the total of wages and any other source of income, such as Social Security, pensions, interest income, public assistance, or disability benefits. It is self-reported by tenants, and is based on a statistically significant sample of residents. Unlike the QCEW, the survey data is based on place of residence and reports on both medians and averages (however, only medians are reported in this memo).

The decennial Census no longer reports income data. The 2000 Census was the last to ask this question, which is now asked on the annual American Community Survey. The Census Bureau, which conducts both surveys, urges caution when comparing income data from the Census to the ACS. This is primarily because the Census is conducted at a fixed time, and asks respondents to provide their income for the previous calendar year. The ACS survey is conducted throughout the year, and asks respondents to provide their income for the “past 12 months.” This income is then inflation-adjusted to the relevant calendar year (i.e. any responses during the 2012 calendar year, which would include income from 2011, are inflation-adjusted to 2012 levels). A study conducted by the Census Bureau found that in New York State in the year 2000, those responding to the Census reported household incomes approximately 2.5% higher than those responding to the ACS (then in the testing stage). More information about the discrepancies between these two surveys can be found at: [https://www.census.gov/acs/www/guidance\\_for\\_data\\_users/comparing\\_2012/](https://www.census.gov/acs/www/guidance_for_data_users/comparing_2012/).

There are also warnings against comparing HVS data in certain years. Each HVS survey is weighted based on the findings of the most recent decennial Census, which means each HVS in a particular decade is based on a different sample. See the first page of “Selected Initial Findings of the 2011 New York City Housing and Vacancy Survey” at <http://www.nyc.gov/html/hpd/downloads/pdf/HPD-2011-HVS-Selected-Findings-Tables.pdf> for more information on this topic.



Note that the HVS is the only one of these wage/income sources that can be analyzed specifically for rent stabilized households, although the Census/ACS surveys do provide household income data for all renter households.

The tables below present nominal and inflation-adjusted wage/income data from all three sources, dating back to 1990/1991. Incomes from the 1990 and 2000 Census reflect household incomes from the year 1989 and 1999, respectively. HVS income levels are all from the prior calendar year. All “real” incomes have been inflation-adjusted to 2012 dollars. Each survey source provides data for income/wages (in both nominal and “real” terms), and rate of change from the preceding time period (in some cases, 10 years, in many cases just one year), in addition to the change from the period of 1990/1991 to 2011/2012 (i.e., the most recent time period), as well as the period of 1990/1991 to 2007/2008 (i.e., the year preceding the most current recession).

**Median HH Income (All Households, Nominal & Real \$2012), Decennial Census & Annual ACS Surveys**

Census/ ACS Year	Nominal/Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	NYC
1990	Nominal	\$21,944	\$25,684	\$32,262	\$34,186	\$43,861	\$29,823
	Real (\$2012)	\$42,441	\$49,674	\$62,397	\$66,118	\$84,830	\$57,679
2000	Nominal	\$27,611	\$32,135	\$47,030	\$42,439	\$55,039	\$38,293
	Real (\$2012)	\$39,402	\$45,858	\$67,114	\$60,563	\$78,543	\$54,646
2005	Nominal	\$29,228	\$37,332	\$55,973	\$48,093	\$63,023	\$43,434
	Real (\$2012)	\$34,709	\$44,333	\$66,470	\$57,112	\$74,842	\$51,579
2006	Nominal	\$31,494	\$40,393	\$60,017	\$51,190	\$68,620	\$46,480
	Real (\$2012)	\$36,044	\$46,229	\$68,689	\$58,586	\$78,535	\$53,196
2007	Nominal	\$34,156	\$41,406	\$64,217	\$53,171	\$66,985	\$48,631
	Real (\$2012)	\$38,016	\$46,086	\$71,475	\$59,180	\$74,555	\$54,127
2008	Nominal	\$35,033	\$43,378	\$69,017	\$56,034	\$73,882	\$51,116
	Real (\$2012)	\$37,530	\$46,470	\$73,936	\$60,028	\$79,148	\$54,759
2009	Nominal	\$32,893	\$43,166	\$68,706	\$55,120	\$66,292	\$50,033
	Real (\$2012)	\$35,082	\$46,039	\$73,279	\$58,789	\$70,704	\$53,363
2010	Nominal	\$32,568	\$42,143	\$63,832	\$53,054	\$70,560	\$48,743
	Real (\$2012)	\$34,153	\$44,194	\$66,939	\$55,636	\$73,994	\$51,116
2011	Nominal	\$32,058	\$42,752	\$66,299	\$53,572	\$70,578	\$49,461
	Real (\$2012)	\$32,688	\$43,592	\$67,602	\$54,625	\$71,966	\$50,433
2012	Nominal	\$32,460	\$45,230	\$67,099	\$54,713	\$70,963	\$50,895
	Real (\$2012)	\$32,460	\$45,230	\$67,099	\$54,713	\$70,963	\$50,895

Note: The “Year” is the year of the Census or ACS Survey. Income levels in the 1990 and 2000 Census are totals from the prior calendar year (i.e., 2000 Household Incomes are total income levels from calendar year 1999). The ACS asks respondents for their household income in the prior 12 months, and then inflation-adjusts each answer to the calendar year of the survey.

**% Change from prior time period, Median HH Income (All Households, Nominal & Real \$2012), Decennial Census & Annual ACS Surveys**

Census/ ACS Year	Nominal/Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	NYC
1990	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
2000	Nominal	25.8%	25.1%	45.8%	24.1%	25.5%	28.4%
	Real (\$2012)	-7.2%	-7.7%	7.6%	-8.4%	-7.4%	-5.3%
2005	Nominal	5.9%	16.2%	19.0%	13.3%	14.5%	13.4%
	Real (\$2012)	-11.9%	-3.3%	-1.0%	-5.7%	-4.7%	-5.6%
2006	Nominal	7.8%	8.2%	7.2%	6.4%	8.9%	7.0%
	Real (\$2012)	3.8%	4.3%	3.3%	2.6%	4.9%	3.1%
2007	Nominal	8.5%	2.5%	7.0%	3.9%	-2.4%	4.6%
	Real (\$2012)	5.5%	-0.3%	4.1%	1.0%	-5.1%	1.8%
2008	Nominal	2.6%	4.8%	7.5%	5.4%	10.3%	5.1%
	Real (\$2012)	-1.3%	0.8%	3.4%	1.4%	6.2%	1.2%
2009	Nominal	-6.1%	-0.5%	-0.5%	-1.6%	-10.3%	-2.1%
	Real (\$2012)	-6.5%	-0.9%	-0.9%	-2.1%	-10.7%	-2.5%
2010	Nominal	-1.0%	-2.4%	-7.1%	-3.7%	6.4%	-2.6%
	Real (\$2012)	-2.6%	-4.0%	-8.7%	-5.4%	4.7%	-4.2%
2011	Nominal	-1.6%	1.4%	3.9%	1.0%	0.0%	1.5%
	Real (\$2012)	-4.3%	-1.4%	1.0%	-1.8%	-2.7%	-1.3%
2012	Nominal	1.3%	5.8%	1.2%	2.1%	0.5%	2.9%
	Real (\$2012)	-0.7%	3.8%	-0.7%	0.2%	-1.4%	0.9%
% Change 1990*-2007	Nominal	55.7%	61.2%	99.0%	55.5%	52.7%	63.1%
	Real (\$2012)	-10.4%	-7.2%	14.5%	-10.5%	-12.1%	-6.2%
% Change 1990*-2012	Nominal	47.9%	76.1%	108.0%	60.0%	61.8%	70.7%
	Real (\$2012)	-23.5%	-8.9%	7.5%	-17.2%	-16.3%	-11.8%

\*The 1990 Census reflects income levels from 1989

**Median HH Income (All Renter Households, Nominal & Real \$2012),  
Decennial Census & Annual ACS Surveys**

Census/ ACS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1990	Nominal	\$18,957	\$20,845	\$27,446	\$27,507	\$26,969	\$23,829
	Real (\$2012)	\$36,664	\$40,315	\$53,082	\$53,200	\$52,160	\$46,087
2000	Nominal	\$23,108	\$25,880	\$39,657	\$34,252	\$32,281	\$30,481
	Real (\$2012)	\$32,976	\$36,932	\$56,593	\$48,879	\$46,067	\$43,498
2005	Nominal	\$23,739	\$30,008	\$45,498	\$37,277	\$30,566	\$33,119
	Real (\$2012)	\$28,191	\$35,635	\$54,030	\$44,268	\$36,298	\$39,330
2006	Nominal	\$25,979	\$29,775	\$47,923	\$40,582	\$32,705	\$35,051
	Real (\$2012)	\$29,733	\$34,077	\$54,847	\$46,446	\$37,430	\$40,115
2007	Nominal	\$28,024	\$32,728	\$51,279	\$41,822	\$35,149	\$37,562
	Real (\$2012)	\$31,191	\$36,427	\$57,074	\$46,549	\$39,121	\$41,807
2008	Nominal	\$28,562	\$34,554	\$53,833	\$45,087	\$37,124	\$39,421
	Real (\$2012)	\$30,598	\$37,017	\$57,670	\$48,301	\$39,770	\$42,231
2009	Nominal	\$27,159	\$33,268	\$54,417	\$44,040	\$33,548	\$38,437
	Real (\$2012)	\$28,967	\$35,482	\$58,039	\$46,971	\$35,781	\$40,995
2010	Nominal	\$27,079	\$33,804	\$52,209	\$41,556	\$32,074	\$37,982
	Real (\$2012)	\$28,397	\$35,449	\$54,750	\$43,579	\$33,635	\$39,831
2011	Nominal	\$26,553	\$34,184	\$53,533	\$41,492	\$38,284	\$37,891
	Real (\$2012)	\$27,075	\$34,856	\$54,585	\$42,308	\$39,037	\$38,636
2012	Nominal	\$26,848	\$36,540	\$57,435	\$42,756	\$40,512	\$40,209
	Real (\$2012)	\$26,848	\$36,540	\$57,435	\$42,756	\$40,512	\$40,209

Note: The "Year" is the year of the Census or ACS Survey. Income levels in the 1990 and 2000 Census are totals from the prior calendar year (i.e., 2000 Household Incomes are total income levels from calendar year 1999). The ACS asks respondents for their household income in the prior 12 months, and then inflation-adjusts each answer to the calendar year of the survey.

**% Change from prior time period, Median HH Income (All Renter Households, Nominal & Real \$2012), Decennial Census & Annual ACS Surveys**

Census/ ACS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1990	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
2000	Nominal	21.9%	24.2%	44.5%	24.5%	19.7%	27.9%
	Real (\$2012)	-10.1%	-8.4%	6.6%	-8.1%	-11.7%	-5.6%
2005	Nominal	2.7%	16.0%	14.7%	8.8%	-5.3%	8.7%
	Real (\$2012)	-14.5%	-3.5%	-4.5%	-9.4%	-21.2%	-9.6%
2006	Nominal	9.4%	-0.8%	5.3%	8.9%	7.0%	5.8%
	Real (\$2012)	5.5%	-4.4%	1.5%	4.9%	3.1%	2.0%
2007	Nominal	7.9%	9.9%	7.0%	3.1%	7.5%	7.2%
	Real (\$2012)	4.9%	6.9%	4.1%	0.2%	4.5%	4.2%
2008	Nominal	1.9%	5.6%	5.0%	7.8%	5.6%	4.9%
	Real (\$2012)	-1.9%	1.6%	1.0%	3.8%	1.7%	1.0%
2009	Nominal	-4.9%	-3.7%	1.1%	-2.3%	-9.6%	-2.5%
	Real (\$2012)	-5.3%	-4.1%	0.6%	-2.8%	-10.0%	-2.9%
2010	Nominal	-0.3%	1.6%	-4.1%	-5.6%	-4.4%	-1.2%
	Real (\$2012)	-2.0%	-0.1%	-5.7%	-7.2%	-6.0%	-2.8%
2011	Nominal	-1.9%	1.1%	2.5%	-0.2%	19.4%	-0.2%
	Real (\$2012)	-4.7%	-1.7%	-0.3%	-2.9%	16.1%	-3.0%
2012	Nominal	1.1%	6.9%	7.3%	3.0%	5.8%	6.1%
	Real (\$2012)	-0.8%	4.8%	5.2%	1.1%	3.8%	4.1%
% Change 1990*-2007	Nominal	47.8%	57.0%	86.8%	52.0%	30.3%	57.6%
	Real (\$2012)	-14.9%	-9.6%	7.5%	-12.5%	-25.0%	-9.3%
% Change 1990*-2012	Nominal	41.6%	75.3%	109.3%	55.4%	50.2%	68.7%
	Real (\$2012)	-26.8%	-9.4%	8.2%	-19.6%	-22.3%	-12.8%

\*The 1990 Census reflects income levels from 1989

**Median Household Income (All Households, Nominal & Real \$2012), HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	\$18,000	\$20,000	\$27,000	\$30,000	\$41,000	\$24,750
	Real (\$2012)	\$32,827	\$36,475	\$49,241	\$54,712	\$74,773	\$45,138
1993	Nominal	\$16,560	\$20,000	\$28,900	\$28,000	\$42,600	\$24,000
	Real (\$2012)	\$27,886	\$33,678	\$48,665	\$47,150	\$71,735	\$40,414
1996	Nominal	\$20,000	\$24,000	\$35,000	\$35,000	\$42,800	\$29,600
	Real (\$2012)	\$31,145	\$37,374	\$54,504	\$54,504	\$66,651	\$46,095
1999	Nominal	\$22,000	\$28,800	\$40,000	\$38,000	\$50,000	\$33,000
	Real (\$2012)	\$32,010	\$41,904	\$58,200	\$55,290	\$72,750	\$48,015
2002	Nominal	\$26,000	\$33,800	\$48,400	\$44,000	\$53,000	\$39,000
	Real (\$2012)	\$35,100	\$45,631	\$65,341	\$59,401	\$71,551	\$52,651
2005	Nominal	\$27,500	\$35,000	\$50,000	\$45,000	\$60,000	\$40,000
	Real (\$2012)	\$33,917	\$43,167	\$61,667	\$55,500	\$74,000	\$49,334
2008	Nominal	\$28,000	\$40,000	\$62,200	\$50,000	\$60,200	\$45,000
	Real (\$2012)	\$31,164	\$44,521	\$69,230	\$55,651	\$67,004	\$50,086
2011	Nominal	\$30,000	\$42,000	\$69,000	\$52,000	\$61,000	\$48,040
	Real (\$2012)	\$31,460	\$44,044	\$72,359	\$54,531	\$63,969	\$50,378

Note: The "Year" is the year of the HVS Survey. Income levels are totals from the prior calendar year (i.e. 2011 Household Incomes are total income levels from calendar year 2010).

**% Change from prior time period, Median Household Income (All Households, Nominal & Real \$2012), HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
1993	Nominal	-8.0%	0.0%	7.0%	-6.7%	3.9%	-3.0%
	Real (\$2012)	-15.1%	-7.7%	-1.2%	-13.8%	-4.1%	-10.5%
1996	Nominal	20.8%	20.0%	21.1%	25.0%	0.5%	23.3%
	Real (\$2012)	11.7%	11.0%	12.0%	15.6%	-7.1%	14.1%
1999	Nominal	10.0%	20.0%	14.3%	8.6%	16.8%	11.5%
	Real (\$2012)	2.8%	12.1%	6.8%	1.4%	9.2%	4.2%
2002	Nominal	18.2%	17.4%	21.0%	15.8%	6.0%	18.2%
	Real (\$2012)	9.7%	8.9%	12.3%	7.4%	-1.6%	9.7%
2005	Nominal	5.8%	3.6%	3.3%	2.3%	13.2%	2.6%
	Real (\$2012)	-3.4%	-5.4%	-5.6%	-6.6%	3.4%	-6.3%
2008	Nominal	1.8%	14.3%	24.4%	11.1%	0.3%	12.5%
	Real (\$2012)	-8.1%	3.1%	12.3%	0.3%	-9.5%	1.5%
2011	Nominal	7.1%	5.0%	10.9%	4.0%	1.3%	6.8%
	Real (\$2012)	0.9%	-1.1%	4.5%	-2.0%	-4.5%	0.6%
% Change* 1991-2008	Nominal	55.6%	100.0%	130.4%	66.7%	46.8%	81.8%
	Real (\$2012)	-5.1%	22.1%	40.6%	1.7%	-10.4%	11.0%
% Change* 1991-2011	Nominal	66.7%	110.0%	155.6%	73.3%	48.8%	94.1%
	Real (\$2012)	-4.2%	20.8%	46.9%	-0.3%	-14.4%	11.6%

\*The 1991 HVS reflects income data from 1990, the 2008 HVS reflects income data from 2007, and the 2011 HVS reflects income data from 2010.

**Median Household Income (All Renter Households, Nominal & Real \$2012),  
HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	\$15,000	\$17,624	\$23,500	\$25,000	\$30,000	\$20,000
	Real (\$2012)	\$27,356	\$32,142	\$42,858	\$45,594	\$54,712	\$36,475
1993	Nominal	\$13,908	\$16,704	\$24,020	\$23,400	\$25,000	\$20,000
	Real (\$2012)	\$23,420	\$28,128	\$40,448	\$39,404	\$42,098	\$33,678
1996	Nominal	\$16,253	\$20,000	\$30,000	\$28,650	\$28,000	\$23,892
	Real (\$2012)	\$25,310	\$31,145	\$46,718	\$44,616	\$43,603	\$37,206
1999	Nominal	\$17,472	\$23,200	\$34,140	\$30,000	\$32,000	\$26,000
	Real (\$2012)	\$25,422	\$33,756	\$49,674	\$43,650	\$46,560	\$37,830
2002	Nominal	\$22,000	\$29,000	\$40,000	\$35,650	\$32,000	\$31,000
	Real (\$2012)	\$29,700	\$39,150	\$54,001	\$48,128	\$43,201	\$41,850
2005	Nominal	\$23,000	\$30,000	\$41,527	\$36,000	\$34,200	\$32,000
	Real (\$2012)	\$28,367	\$37,000	\$51,217	\$44,400	\$42,180	\$39,467
2008	Nominal	\$23,200	\$34,000	\$51,000	\$40,100	\$40,000	\$36,200
	Real (\$2012)	\$25,822	\$37,843	\$56,764	\$44,632	\$44,521	\$40,291
2011	Nominal	\$25,200	\$35,000	\$57,780	\$42,450	\$35,000	\$38,500
	Real (\$2012)	\$26,427	\$36,704	\$60,592	\$44,516	\$36,704	\$40,374

Note: The "Year" is the year of the HVS Survey. Income levels are totals from the prior calendar year (i.e. 2011 Household Incomes are total income levels from calendar year 2010).

**% Change from prior time period, Median Household Income (All Renter Households,  
Nominal & Real \$2012), HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
1993	Nominal	-7.3%	-5.2%	2.2%	-6.4%	-16.7%	0.0%
	Real (\$2012)	-14.4%	-12.5%	-5.6%	-13.6%	-23.1%	-7.7%
1996	Nominal	16.9%	19.7%	24.9%	22.4%	12.0%	19.5%
	Real (\$2012)	8.1%	10.7%	15.5%	13.2%	3.6%	10.5%
1999	Nominal	7.5%	16.0%	13.8%	4.7%	14.3%	8.8%
	Real (\$2012)	0.4%	8.4%	6.3%	-2.2%	6.8%	1.7%
2002	Nominal	25.9%	25.0%	17.2%	18.8%	0.0%	19.2%
	Real (\$2012)	16.8%	16.0%	8.7%	10.3%	-7.2%	10.6%
2005	Nominal	4.5%	3.4%	3.8%	1.0%	6.9%	3.2%
	Real (\$2012)	-4.5%	-5.5%	-5.2%	-7.7%	-2.4%	-5.7%
2008	Nominal	0.9%	13.3%	22.8%	11.4%	17.0%	13.1%
	Real (\$2012)	-9.0%	2.3%	10.8%	0.5%	5.5%	2.1%
2011	Nominal	8.6%	2.9%	13.3%	5.9%	-12.5%	6.4%
	Real (\$2012)	2.3%	-3.0%	6.7%	-0.3%	-17.6%	0.2%
% Change* 1991-2008	Nominal	54.7%	92.9%	117.0%	60.4%	33.3%	81.0%
	Real (\$2012)	-5.6%	17.7%	32.4%	-2.1%	-18.6%	10.5%
% Change* 1991-2011	Nominal	68.0%	98.6%	145.9%	69.8%	16.7%	92.5%
	Real (\$2012)	-3.4%	14.2%	41.4%	-2.4%	-32.9%	10.7%

\*The 1991 HVS reflects income data from 1990, the 2008 HVS reflects income data from 2007, and the 2011 HVS reflects income data from 2010.

**Median Household Income (*Rent Stabilized Households, Nominal & Real \$2012*),  
HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	\$16,000	\$19,000	\$27,095	\$25,000	--	\$22,000
	Real (\$2012)	\$29,180	\$34,651	\$49,414	\$45,594	--	\$40,122
1993	Nominal	\$14,981	\$17,480	\$29,350	\$22,700	--	\$20,944
	Real (\$2012)	\$25,227	\$29,435	\$49,423	\$38,225	--	\$35,268
1996	Nominal	\$16,600	\$21,000	\$35,000	\$28,500	--	\$25,350
	Real (\$2012)	\$25,851	\$32,703	\$54,504	\$44,382	--	\$39,477
1999	Nominal	\$18,000	\$23,600	\$37,954	\$30,000	--	\$27,000
	Real (\$2012)	\$26,190	\$34,338	\$55,223	\$43,650	--	\$39,285
2002	Nominal	\$22,797	\$28,660	\$42,000	\$38,400	--	\$32,000
	Real (\$2012)	\$30,776	\$38,691	\$56,701	\$51,841	--	\$43,201
2005	Nominal	\$24,000	\$30,000	\$42,500	\$34,200	--	\$32,000
	Real (\$2012)	\$29,600	\$37,000	\$52,417	\$42,180	--	\$39,467
2008	Nominal	\$25,900	\$34,420	\$50,000	\$40,000	--	\$36,000
	Real (\$2012)	\$28,827	\$38,310	\$55,651	\$44,521	--	\$40,069
2011	Nominal	\$26,400	\$35,500	\$50,000	\$40,928	--	\$37,000
	Real (\$2012)	\$27,685	\$37,228	\$52,434	\$42,920	--	\$38,801

Note: The "Year" is the year of the HVS Survey. Income levels are totals from the prior calendar year (i.e. 2011 Household Incomes are total income levels from calendar year 2010). The median household income for Staten Island is not reported because of the small sample size of rent stabilized households in that borough.

**% Change from prior time period, Median Household Income (*Rent Stabilized Households, Nominal & Real \$2012*), HVS 1991-2011**

HVS Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1991	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
1993	Nominal	-6.4%	-8.0%	8.3%	-9.2%	--	-4.8%
	Real (\$2012)	-13.5%	-15.1%	0.0%	-16.2%	--	-12.1%
1996	Nominal	10.8%	20.1%	19.3%	25.6%	--	21.0%
	Real (\$2012)	2.5%	11.1%	10.3%	16.1%	--	11.9%
1999	Nominal	8.4%	12.4%	8.4%	5.3%	--	6.5%
	Real (\$2012)	1.3%	5.0%	1.3%	-1.6%	--	-0.5%
2002	Nominal	26.7%	21.4%	10.7%	28.0%	--	18.5%
	Real (\$2012)	17.5%	12.7%	2.7%	18.8%	--	10.0%
2005	Nominal	5.3%	4.7%	1.2%	-10.9%	--	0.0%
	Real (\$2012)	-3.8%	-4.4%	-7.6%	-18.6%	--	-8.6%
2008	Nominal	7.9%	14.7%	17.6%	17.0%	--	12.5%
	Real (\$2012)	-2.6%	3.5%	6.2%	5.5%	--	1.5%
2011	Nominal	1.9%	3.1%	0.0%	2.3%	--	2.8%
	Real (\$2012)	-4.0%	-2.8%	-5.8%	-3.6%	--	-3.2%
% Change* 1991-2008	Nominal	61.9%	81.2%	84.5%	60.0%	--	63.6%
	Real (\$2012)	-1.2%	10.6%	12.6%	-2.4%	--	-0.1%
% Change* 1991-2011	Nominal	65.0%	86.8%	84.5%	63.7%	--	68.2%
	Real (\$2012)	-5.1%	7.4%	6.1%	-5.9%	--	-3.3%

\*The 1991 HVS reflects income data from 1990, the 2008 HVS reflects income data from 2007, and the 2011 HVS reflects income data from 2010.

**Average Wages (by Place of Employment, Nominal & Real \$2012),  
Quarterly Census of Employment and Wages, 1990-2012**

QCEW Year	Nominal/ Real	Bronx	Brooklyn	Manhattan	Queens	Staten Island	City
1990	Nominal	\$24,541	\$22,964	\$39,202	\$26,193	\$22,586	\$34,369
	Real (\$2012)	\$44,756	\$41,880	\$71,494	\$47,769	\$41,191	\$62,680
1991	Nominal	\$25,952	\$23,998	\$40,801	\$27,410	\$23,526	\$35,745
	Real (\$2012)	\$45,270	\$41,862	\$71,173	\$47,814	\$41,039	\$62,354
1992	Nominal	\$27,696	\$25,288	\$46,388	\$28,563	\$24,871	\$39,785
	Real (\$2012)	\$46,638	\$42,583	\$78,114	\$48,098	\$41,881	\$66,995
1993	Nominal	\$28,053	\$25,653	\$47,214	\$28,837	\$25,290	\$40,349
	Real (\$2012)	\$45,863	\$41,939	\$77,189	\$47,145	\$41,346	\$65,965
1994	Nominal	\$28,730	\$26,646	\$47,680	\$29,391	\$25,933	\$40,876
	Real (\$2012)	\$45,871	\$42,544	\$76,128	\$46,927	\$41,406	\$65,264
1995	Nominal	\$29,174	\$27,347	\$51,361	\$30,014	\$26,704	\$43,397
	Real (\$2012)	\$45,432	\$42,586	\$79,983	\$46,740	\$41,585	\$67,580
1996	Nominal	\$29,588	\$27,819	\$55,312	\$30,639	\$27,619	\$46,247
	Real (\$2012)	\$44,779	\$42,102	\$83,710	\$46,369	\$41,799	\$69,991
1997	Nominal	\$30,163	\$27,871	\$59,173	\$31,430	\$28,357	\$48,994
	Real (\$2012)	\$44,607	\$41,217	\$87,508	\$46,480	\$41,936	\$72,454
1998	Nominal	\$31,131	\$28,987	\$62,970	\$32,564	\$30,159	\$52,006
	Real (\$2012)	\$45,296	\$42,176	\$91,621	\$47,381	\$43,881	\$75,669
1999	Nominal	\$31,975	\$29,650	\$65,794	\$33,507	\$30,840	\$54,083
	Real (\$2012)	\$45,630	\$42,312	\$93,891	\$47,816	\$44,010	\$77,179
2000	Nominal	\$32,850	\$30,760	\$72,572	\$34,986	\$32,149	\$59,103
	Real (\$2012)	\$45,466	\$42,573	\$100,443	\$48,422	\$44,496	\$81,801
2001	Nominal	\$34,250	\$31,953	\$74,892	\$36,963	\$34,123	\$61,045
	Real (\$2012)	\$46,238	\$43,137	\$101,105	\$49,901	\$46,067	\$82,412
2002	Nominal	\$35,817	\$32,882	\$72,454	\$37,719	\$34,070	\$59,461
	Real (\$2012)	\$47,144	\$43,281	\$95,367	\$49,648	\$44,845	\$78,265
2003	Nominal	\$36,637	\$33,907	\$73,527	\$38,800	\$34,665	\$60,365
	Real (\$2012)	\$46,785	\$43,299	\$93,893	\$49,547	\$44,267	\$77,085
2004	Nominal	\$37,931	\$35,450	\$79,904	\$39,836	\$35,832	\$64,834
	Real (\$2012)	\$46,782	\$43,722	\$98,549	\$49,131	\$44,193	\$79,962
2005	Nominal	\$38,880	\$35,856	\$84,200	\$40,686	\$36,473	\$67,858
	Real (\$2012)	\$46,171	\$42,580	\$99,990	\$48,316	\$43,313	\$80,583
2006	Nominal	\$40,660	\$37,159	\$91,679	\$41,945	\$37,589	\$73,268
	Real (\$2012)	\$46,535	\$42,528	\$104,925	\$48,005	\$43,020	\$83,854
2007	Nominal	\$42,372	\$38,483	\$101,060	\$44,380	\$39,187	\$80,092
	Real (\$2012)	\$47,161	\$42,832	\$112,481	\$49,396	\$43,616	\$89,144
2008	Nominal	\$43,853	\$39,393	\$101,165	\$44,994	\$40,454	\$80,378
	Real (\$2012)	\$46,979	\$42,201	\$108,376	\$48,201	\$43,337	\$86,107
2009	Nominal	\$44,530	\$39,481	\$91,786	\$44,751	\$40,274	\$73,917
	Real (\$2012)	\$47,494	\$42,109	\$97,895	\$47,730	\$42,955	\$78,837
2010	Nominal	\$44,712	\$39,663	\$98,408	\$44,680	\$40,240	\$77,997
	Real (\$2012)	\$46,888	\$41,594	\$103,198	\$46,855	\$42,199	\$81,793
2011	Nominal	\$45,366	\$39,295	\$101,332	\$45,148	\$40,972	\$79,968
	Real (\$2012)	\$46,258	\$40,068	\$103,324	\$46,036	\$41,777	\$81,540
2012	Nominal	\$46,306	\$39,842	\$101,884	\$45,798	\$41,375	\$80,565
	Real (\$2012)	\$46,306	\$39,842	\$101,884	\$45,798	\$41,375	\$80,565



**% Change from prior time period, Average Wages (by Place of Employment, Nominal & Real \$2012), Quarterly Census of Employment and Wages, 1990-2012**

Year	Nominal/Real	Bronx	Brooklyn	Manhattan	Queens	SI	City
1990	Nominal	--	--	--	--	--	--
	Real (\$2012)	--	--	--	--	--	--
1991	Nominal	5.7%	4.5%	4.1%	4.6%	4.2%	4.0%
	Real (\$2012)	1.1%	0.0%	-0.4%	0.1%	-0.4%	-0.5%
1992	Nominal	6.7%	5.4%	13.7%	4.2%	5.7%	11.3%
	Real (\$2012)	3.0%	1.7%	9.8%	0.6%	2.1%	7.4%
1993	Nominal	1.3%	1.4%	1.8%	1.0%	1.7%	1.4%
	Real (\$2012)	-1.7%	-1.5%	-1.2%	-2.0%	-1.3%	-1.5%
1994	Nominal	2.4%	3.9%	1.0%	1.9%	2.5%	1.3%
	Real (\$2012)	0.0%	1.4%	-1.4%	-0.5%	0.1%	-1.1%
1995	Nominal	1.5%	2.6%	7.7%	2.1%	3.0%	6.2%
	Real (\$2012)	-1.0%	0.1%	5.1%	-0.4%	0.4%	3.5%
1996	Nominal	1.4%	1.7%	7.7%	2.1%	3.4%	6.6%
	Real (\$2012)	-1.4%	-1.1%	4.7%	-0.8%	0.5%	3.6%
1997	Nominal	1.9%	0.2%	7.0%	2.6%	2.7%	5.9%
	Real (\$2012)	-0.4%	-2.1%	4.5%	0.2%	0.3%	3.5%
1998	Nominal	3.2%	4.0%	6.4%	3.6%	6.4%	6.1%
	Real (\$2012)	1.5%	2.3%	4.7%	1.9%	4.6%	4.4%
1999	Nominal	2.7%	2.3%	4.5%	2.9%	2.3%	4.0%
	Real (\$2012)	0.7%	0.3%	2.5%	0.9%	0.3%	2.0%
2000	Nominal	2.7%	3.7%	10.3%	4.4%	4.2%	9.3%
	Real (\$2012)	-0.4%	0.6%	7.0%	1.3%	1.1%	6.0%
2001	Nominal	4.3%	3.9%	3.2%	5.7%	6.1%	3.3%
	Real (\$2012)	1.7%	1.3%	0.7%	3.1%	3.5%	0.7%
2002	Nominal	4.6%	2.9%	-3.3%	2.0%	-0.2%	-2.6%
	Real (\$2012)	2.0%	0.3%	-5.7%	-0.5%	-2.7%	-5.0%
2003	Nominal	2.3%	3.1%	1.5%	2.9%	1.7%	1.5%
	Real (\$2012)	-0.8%	0.0%	-1.5%	-0.2%	-1.3%	-1.5%
2004	Nominal	3.5%	4.6%	8.7%	2.7%	3.4%	7.4%
	Real (\$2012)	0.0%	1.0%	5.0%	-0.8%	-0.2%	3.7%
2005	Nominal	2.5%	1.1%	5.4%	2.1%	1.8%	4.7%
	Real (\$2012)	-1.3%	-2.6%	1.5%	-1.7%	-2.0%	0.8%
2006	Nominal	4.6%	3.6%	8.9%	3.1%	3.1%	8.0%
	Real (\$2012)	0.8%	-0.1%	4.9%	-0.6%	-0.7%	4.1%
2007	Nominal	4.2%	3.6%	10.2%	5.8%	4.3%	9.3%
	Real (\$2012)	1.3%	0.7%	7.2%	2.9%	1.4%	6.3%
2008	Nominal	3.5%	2.4%	0.1%	1.4%	3.2%	0.4%
	Real (\$2012)	-0.4%	-1.5%	-3.7%	-2.4%	-0.6%	-3.4%
2009	Nominal	1.5%	0.2%	-9.3%	-0.5%	-0.4%	-8.0%
	Real (\$2012)	1.1%	-0.2%	-9.7%	-1.0%	-0.9%	-8.4%
2010	Nominal	0.4%	0.5%	7.2%	-0.2%	-0.1%	5.5%
	Real (\$2012)	-1.3%	-1.2%	5.4%	-1.8%	-1.8%	3.7%
2011	Nominal	1.5%	-0.9%	3.0%	1.0%	1.8%	2.5%
	Real (\$2012)	-1.3%	-3.7%	0.1%	-1.7%	-1.0%	-0.3%
2012	Nominal	2.1%	1.4%	0.5%	1.4%	1.0%	0.7%
	Real (\$2012)	0.1%	-0.6%	-1.4%	-0.5%	-1.0%	-1.2%
% Change 1990-2007	Nominal	72.7%	67.6%	157.8%	69.4%	73.5%	133.0%
	Real (\$2012)	5.4%	2.3%	57.3%	3.4%	5.9%	42.2%
% Change 1990-2012	Nominal	88.7%	73.5%	159.9%	74.8%	83.2%	134.4%
	Real (\$2012)	3.5%	-4.9%	42.5%	-4.1%	0.4%	28.5%

Question 14: After the I&A Study presentation, Elyzabeth Gaumer from HPD testified about their most recent accomplishments and programs, including data on the 421-A and J-51 programs. Can the number of units currently in these programs be provided?

Per the NYC Dept. of Finance’s FY 2014 “Annual Report on Tax Expenditures,” almost 325,000 rental units are receiving a J-51 abatement or exemption, and more than 77,000 rental units are receiving a 421-a exemption. Due to the exemption, these units should all be rent stabilized, for at least the length of the abatement/exemption (many of the J-51 units would be rent stabilized regardless). See the table below for details by borough.

**Number of Units in FY 2014 Receiving J-51 or 421-a Abatements/Exemptions**

<b>Abatement/ Exemption Type</b>	<b>Bronx</b>	<b>Brooklyn</b>	<b>Manhattan</b>	<b>Queens</b>	<b>Staten Island</b>	<b>City</b>
J-51 Exemptions	37,581	18,708	21,787	4,792	406	83,274
J-51 Abatements	55,657	70,988	62,506	49,680	1,997	240,828
<i>Total J-51</i>	<i>93,238</i>	<i>89,696</i>	<i>84,293</i>	<i>54,472</i>	<i>2,403</i>	<i>324,102</i>
421-a Exemption	11,098	16,703	37,393	11,502	671	77,367
<b>Total J-51 &amp; 421-a</b>	<b>104,336</b>	<b>106,399</b>	<b>121,686</b>	<b>65,974</b>	<b>3,074</b>	<b>401,469</b>

**Buildings with Different Fuel and Utility Arrangements**

The Board was also informed of the circumstances of buildings with different fuel and utility arrangements including buildings that are master-metered for electricity and that are heated with gas versus oil (see Table 8). Under some of the Board's Orders in the past, separate adjustments have been established for buildings in certain of these categories where there were indications of drastically different changes in costs in comparison to the generally prevailing fuel and utility arrangements. This year the Board did not make a distinction between guidelines for buildings with different fuel and utility arrangements under Order 46.

**Table 8**

<b>Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2013-14, and Commensurate Rent Adjustment</b>		
<b>Index Type</b>	<b>2013-14 Price Index Change</b>	<b>One-Year Rent Adjustment Commensurate With O&amp;M to Income Ratio of .658</b>
All Dwelling Units	5.7%	3.75%
Pre 1947	6.2%	4.08%
Post 1946	5.2%	3.42%
Oil Used for Heating	5.6%	3.68%
Gas Used for Heating	6.2%	4.08%
Master Metered for Electricity	7.1%	4.67%

Note: The O&M to Income ratio is from the 2013 Income and Expense Study.  
Source: RGB's 2014 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

**On April 29, 2014 the staff of the Rent Guidelines Board released a memo summarizing the major findings of the 2014 Rent Guidelines Board reports issued through the end of April. Below is the memo in its entirety:**

**2014 Mortgage Survey Report**

- Average interest rates for new multifamily mortgages rose 0.53 percentage points to 4.89%.
- Average refinancing interest rates rose by 0.47 percentage points, to 4.91%.
- Vacancy and collection losses declined from 4.07% last year to 3.35% this year.
- Average maximum loan-to-value ratios rose from 71.3% last year to 72.7% this year.
- Average service fees for new loans fell to 0.54 points and rose for refinanced loans to 0.50 points.
- In 2013, 1,431 buildings containing rent stabilized units were sold citywide, up 26% from the prior year.

**Changes in Average Interest Rates, Loan Volume, Points, Loan-to-Value Ratios, Debt Service Coverage, and Vacancy & Collection Losses**

(Averages)	NF Interest Rate	RF Interest Rate	NF Loan Volume	RF Loan Volume	NF Points	RF Points	Max LTV Ratio	Debt Service Ratio	V&C Losses
2014 Cross-Sectional Data	4.89%	4.91%	61	46	0.54	0.50	72.70%	1.24	3.35%
2014 Longitudinal Data	4.83%	4.85%	68	51	0.48	0.52	72.50%	1.24	3.29%

NF=New Financing RF=Refinancing LTV=Loan-to-Value V&C=Vacancy & Collection

**2014 Income and Affordability Study**

- Results from the *2012 American Community Survey* show that median renter income is \$40,209, median gross rent is \$1,196, and the median gross rent-to-income ratio is 32.2%.
- New York City’s economy grew by 2.7% in 2013, compared to a 0.8% increase during 2012.
- The City gained 83,100 jobs in 2013, resulting in a 2.1% increase from 2012 in total employment levels.
- The unemployment rate fell in 2013, to an average of 8.7%, down from 9.3% in 2012.
- Inflation averaged 1.7% in the metro area in 2013, down from 2.0% in the prior year.
- Inflation-adjusted wages increased 1.2% during the most recent 12-month period, following a 4.4% decrease in the preceding 12 months.
- In 2013, an average of 49,408 people were staying in Dept. of Homeless Services shelters each night, up 14.1% from 2012.
- The number of non- payment filings decreased 1.1% in 2013, while those actually heard in Housing Court decreased 7.8%, and the number of evictions increased 0.4%.
- The number of cash assistance recipients rose by 0.6% in 2013, while those receiving SNAP (formerly known as Food Stamps) rose by 1.4%.
- 2008 HVS
  - ✓ RS median HH income: \$36,000

- ✓ median gross rent-to-income ratio: 31.7%
- ✓ median contract rent-to-income ratio: 28.5%
- 2011 HVS
- ✓ RS median income: \$37,000
- ✓ median gross rent-to-income ratio: 34.9%
- ✓ median contract rent-to-income ratio: 31.9%

### Summary Table of Statistics from the 2014 I&A Report

Statistic	2012	2013	Change
GCP	0.8%	2.7%	+1.9 pp
Unemployment Rate	9.3%	8.7%	-0.6 pp
Employment	3,884,000	3,967,100	+2.1%
Inflation	2.0%	1.7%	-0.3 pp
Inflation-Adjusted Wages	\$80,053	\$80,995	+1.2%
Homelessness	43,295	49,408	+14.1%
Non-Payment Filings	217,914	215,497	-1.1%
Non-Payment Calendared Cases	132,860	122,463	-7.8%
Evictions	28,743	28,849	+0.4%
Cash Assistance Recipients	353,930	356,018	+0.6%
SNAP (Food Stamps) Recipients	1,837,113	1,862,043	+1.4%

Notes: "pp" stands for percentage points. Statistics in red moved in a positive direction, and those in black in a negative direction.

### 2014 Price Index of Operating Costs and the 2014 I&E-Based PIOC

- Operating Costs (PIOC) for Rent Stabilized Apartment Buildings increased 5.7% this year.

#### 2014 PIOC for Apartments

Component	Percent Change
Taxes	5.0%
Labor Costs	3.0%
Fuel Oil	7.8%
Utilities	8.4%
Contractor Services	3.9%
Administrative Costs	2.5%
Insurance Costs	9.3%
Parts and Supplies	3.1%
Replacement Costs	5.5%
<b>All Costs</b>	<b>5.7%</b>

- Costs in natural-gas heated buildings increased 6.2% and costs in fuel-oil heated buildings rose 5.6%.
- The 2014 PIOC for Hotels was 6.4%.
- The 2014 PIOC for Lofts was 5.7%.

- The “core” PIOC, which excludes the erratic changes in fuel oil prices, natural gas, and electricity costs, is useful for analyzing inflationary trends. The core rose by 4.7% this year.
- The PIOC for Apartments is projected to increase 1.7% next year.
- The 2014 I&E-Based PIOC was 5.2%, lower than the 2014 PIOC (5.7%)
- The **annualized** growth rate of the I&E-Based PIOC (5.4%) was closer to that of the I&E Longitudinal Expense Change (5.2%) than that of the PIOC (6.1%).

### **2014 Income and Expense Study**

- Because income grew at a faster rate than expenses, net operating income (revenue remaining after operating expenses are paid) grew. This is the eighth consecutive year that net operating income has increased.
- From 2011 to 2012:
  - Rental income increased by 5.0%.
  - Total income rose by 5.3%.
  - Operating costs increased by 3.2%.
  - Net operating income (NOI) grew by 9.6%.
- The average rent, income, costs and NOI per unit in the cross-sectional section of the report are:
  - Rent: \$1,126
  - Income: \$1,277
  - Costs: \$841
  - NOI: \$436
- The proportion of distressed buildings fell from 7.0% in 2011 to 6.6% in 2012, its lowest level in 13 years.
- Audited cost-to-income ratio fell to 60.5% in 2012, a 1.3 percentage point decline.
- Audited cost-to-rent ratio fell to 68.6% in 2012, a 1.1 percentage point decline.
- In a point-to-point comparison, net operating income (NOI), adjusted for inflation, rose 31.5% Citywide from 1990 to 2012.

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### **Adjustments for Units in the Category of Buildings Covered by Article 7-C of The Multiple Dwelling Law (Lofts)**

Section 286 sub-division 7 of the Multiple Dwelling Law states that the Rent Guidelines Board "shall annually establish guidelines for rent adjustments for the category of buildings covered by this article." In addition, the law specifically requires that the Board, "consider the necessity of a separate category for such buildings, and a separately determined guideline for rent adjustments for those units in which heat is not required to be provided by the owner, and may establish such separate category and guideline."

In 1986, Abt Associates Inc. conducted an expenditure study of loft owners to construct weights for the Loft Board's index of operating costs and to determine year-to-year price changes. In subsequent years, data from the PIOC for stabilized apartments was used to compute changes in costs and to update the loft expenditure weights. This is the procedure used this year.

The increase in the Loft Index this year was 5.7%, the same increase seen in apartments. Although the increases in the components for these indices were similar, there were disparities in the importance that the components hold in each index. Insurance Costs rose

9.3% in both indices but this rise in costs carried more weight in the Loft Index, making up 17% of this index versus 7% for the Apartment Index. Counterbalancing the upward pressure of insurance costs in the Loft Index, the smaller increase in Utilities, 7.2% for lofts versus 8.4% for apartments (in addition to Utilities carrying more weight in the Apartment Index, 16% versus 8% in the Loft Index), put a downward pressure on the Loft Index. The disparities in the weights for the components that make up these two indices resulted in a Loft Index that was similar to the PIOC for Apartments.

This year's guidelines for lofts are: 1.0% for a one-year lease and 2.75% for a two-year lease.

**Table 9**

Changes in the Price Index of Operating Costs for Lofts from 2013-2014	
	Loft O & M Price Index Change
All Buildings	5.7%

Source: 2014 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

**Special Guidelines for Vacancy Decontrolled Units  
Entering the Stabilized Stock**

Pursuant to Section 26-513(b) of the New York City Administrative Code, as amended, the Rent Guidelines Board establishes a special guideline in order to aid the State Division of Housing and Community Renewal in determining fair market rents for housing accommodations that enter the stabilization system. This year, the Board set the guidelines at the greater of the following:

1. 30% above the Maximum Base Rent, or
2. The Fair Market Rent for existing housing as established by the United States Department of Housing and Urban Development (HUD) for the New York City Primary Metropolitan Statistical Area pursuant to Section 8(c) (1) of the United States Housing Act of 1937 (42 U.S.C. section 1437f [c] [1]) and 24 C.F.R. Part 888, with such Fair Market Rents to be adjusted based upon whether the tenant pays his or her own gas and/or electric charges as part of his or her rent as such gas and/or electric charges are accounted for by the New York City Housing Authority.

The Board concluded that for units formerly subject to rent control, either an increase to rent levels reflecting the Fair Market Rent guidelines established by the U.S. Department of Housing and Urban Development (HUD), or 30% above the maximum base rent was a desirable minimum increase. Notably, the HUD guidelines differentiate minimum rents on the basis of bedroom count.

**INCREASE FOR UNITS RECEIVING PARTIAL TAX EXEMPTION PURSUANT TO  
SECTION 421 AND 423 OF THE REAL PROPERTY TAX LAW**

The guideline percentages for 421-A and 423 buildings were set at the same levels as for leases in other categories of stabilized apartments.

This Order does not prohibit the inclusion of the lease provision for an annual or other periodic rent increase over the initial rent at an average rate of not more than 2.2 per cent

per annum where the dwelling unit is receiving partial tax exemption pursuant to Section 421-A of the Real Property Tax Law. The cumulative but not compound charge of up to 2.2 per cent per annum as provided by Section 421-A or the rate provided by Section 423 is in addition to the amount permitted by this Order.

**Vacancy Allowance**

As of June 15, 1997, Vacancy Allowances are now determined by a formula set forth in the State Rent Regulation Reform Act of 1997 and in Chapter 97 of the Laws of 2011.

**Sublet Allowance**

The increase landlords are allowed to charge under Order #46 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2014 and on or before September 30, 2015 shall be 10%.

**Votes**

The votes of the Board on the adopted motion pertaining to the provisions of Order #46 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #46	5	4	-

Dated: June 24, 2014

Filed with the City Clerk: June 27, 2014

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Rachel D. Godsil  
Chair  
NYC Rent Guidelines Board

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