EXPLANATORY STATEMENT - APARTMENT ORDER #41

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2009-10 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law[1]

Summary of Order No. 41

The Rent Guidelines Board (RGB) by Order No. 41 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2009 and on or before September 30, 2010 for **apartments** under its jurisdiction:

Where heat **is** provided or required to be provided to a dwelling unit by an owner from a central or individual system **at no charge** to the tenant, the adjustments are as follows:

For a **one**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **3%**

For a **two**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **6%**

Provided, however, that where the most recent vacancy lease was executed **six** years or more prior to the date of the renewal lease under this Order, the following shall instead apply:

For a **one**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **3% or $30, whichever is greater.**

For a **two**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **6% or $60, whichever is greater.**

Where heat is neither provided nor required to be provided to a dwelling unit by an owner from a central or individual system, the adjustments are as follows:

For a **one**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **2.5%**

For a **two**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **5%**

Provided, however, that where the most recent vacancy lease was executed **six** years or more prior to the date of the renewal lease under this Order, the following shall instead apply:

For a **one**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **2.5% or $25, whichever is greater.**

For a **two**-year renewal lease commencing on or after October 1, 2009 and on or before September 30, 2010: **5% or $50, whichever is greater.**

[1] 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.

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 82 of the Laws of 2003, 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, 2009 and on or before September 30, 2010 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, 2009 and on or before September 30, 2010. No vacancy allowance or low rent allowance is included for lofts.

1 Year	2 Years
3%	**6%**

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. 41.

Special Guidelines

Leases for units subject to rent control on September 30, 2009 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. **50%** 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, 2009.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2009 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

<u>The following outlines examples of how the guideline adjustments would be calculated under different lengths of tenancies:</u>

Example 1: A tenant signed a vacancy lease on October 1, 2002. As of September 30, 2009, he is paying $650 per month. He decides to sign a one-year lease renewal commencing on October 1, 2009. The adjustment in his rent is 3.0% or $30, whichever is greater. (Since he has lived in the apartment for seven years, his lease renewal is subject to the $30 minimum increase for tenants in place for six or more years.) A 3.0% increase in rent of $650 is $19.50, which is less than $30. Therefore, his rent increases the full $30, to $680.

Example 2: A tenant signed a vacancy lease on August 1, 1998. As of July 31, 2010, she is paying $1,250 per month. She decides to sign a one-year lease renewal commencing on August 1, 2010. The adjustment in her rent is 3.0% or $30, whichever is greater. (Since she has lived in the apartment for twelve years, her lease renewal is subject to the $30 minimum increase for tenants in place for six or more years.) However, a 3.0% increase in rent of $1,250 is $37.50, which is greater than $30. Therefore, her rent increases $37.50, to $1,287.50.

Example 3: A tenant signed a vacancy lease on January 1, 2005. As of December 31, 2009, he is paying $550 per month. He decides to sign a one-year lease renewal commencing on January 1, 2010. The adjustment in his rent is 3.0%. (Since he has lived in the apartment for only five years, his lease renewal is <u>not</u> subject to the $30 minimum increase for tenants in place for six or more years.) Therefore, his rent increases $16.50, to $566.50.

Example 4: A tenant signed a vacancy lease on March 1, 1996. On March 1, 2004, the tenant's son succeeded his mother in the apartment. As of February 28, 2010, he is paying $775 per month. He decides to sign a two-year lease renewal commencing on March 1, 2010. The adjustment in his rent is 6% or $60, whichever is greater. (Since a vacancy lease was last signed fourteen years earlier, the tenant is subject to the minimum $60 increase.) A 6% increase in rent of $775 is $46.50, which is less than $60. Therefore, his rent increases the full $60, to $835.

Background of Order No. 41

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. 41 was issued by the Board following **two** public hearings, **seven** public meetings, its review of written submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. A total of approximately **130** written submissions were received at the Board's offices from many individuals and organizations including public officials, owners and owner groups, and tenants and tenant groups. The Board members were provided with copies of public comments received by the **June 17, 2009** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 24, April 7, April 21, April 30, and June 4, 2009. On **May 5, 2009**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 15, 2009** and **June 17, 2009** 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 from **4:00 p.m. to 8:30 p.m. on June 15, 2009 and from 10:00 a.m. to 8:30 p.m. on June 17, 2009**. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately 86 apartment tenants and tenant representatives, 48 apartment owners and owner representatives, and 6 public officials**. In addition, **4** speakers read into the record written testimony from various public officials. On **June 23, 2009** the guidelines set forth in Order No. 41 were adopted.

A written transcription and/or audio 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:

Meeting Date / Name	*Affiliation*
March 24, 2009:	Staff presentation, *2009 Mortgage Survey Report*
	Guest Speaker
1. Joseph Rosenberg	Deputy Commissioner, Intergovernmental Affairs, NYC Department of Housing Preservation and Development
April 7, 2009:	Staff presentation, *2009 Income and Affordability Study*
	Guest Speaker
1. Gregory Kern	Director for Leased Housing, NYC Housing Authority
April 21, 2009:	Staff presentations *2009 Price Index of Operating Costs* *2009 Income & Expense Study*
April 30, 2009:	
	Apartment Tenants group testimony:
1. James Parrott	Fiscal Policy Institute
2. Dina Levy	Urban Homesteading Assistance Board
3. Tom Waters	Community Service Society
4. Tim Collins	Collins, Dobkin & Miller LLP
5. Victor Bach	Community Service Society
	Apartment Owners group testimony:
1. Jack Freund	Rent Stabilization Association (RSA)
2. Mary Ann Rothman	Council of New York City Cooperative
3. Pat Siconolfi	Community Housing Improvement Program (CHIP)
4. Christopher Athineos	Small Property Owners of New York (SPONY)
5. Frank Anelante	Lemle & Wolff, Inc.
6. Mark Engel	Langsam Property Services Corp.
7. Constance Nugent-Miller	Property Owner
	Mortgage Financing Panel testimony:
1. Michael Edelman	Freddie Mac
2. Scott Swerdlin	Capital One
	Hotel Tenants group testimony:
1. Susanna Blankley	West Side S.R.O. Law Project
2. Jonathan Burke	MFY Legal Services
3. Larry Wood	Goddard Riverside Family Council
June 4, 2009:	Staff presentations *2009 Housing Supply Report* *Changes to the Rent Stabilized Housing Stock in NYC in 2008*
	NYS Division of Housing and Community Renewal (DHCR) testimony
1. Michael Rosenblatt	Assistant Commissioner, Office of Rent Administration
2. Guy Alba	Chief Economist, Office of Rent Administration

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups[2]

Comments from tenants and tenant groups included:

“This year, rent stabilized tenants deserve to have their rents frozen at the current levels as they struggle to get through these difficult economic times. The numbers are on our side: According to the “2009 Income and Expense Report” released by the RGB in April, ‘revenues have outpaced expenses to the extent that average monthly net operating income was worth 17.2% more in 2007 than it was in 1990, after adjusting for inflation.’ In 2007, the average net income per month for a landlord on a rent stabilized unit was over $400. In a small building with 6 units, that’s nearly $30,000 in profit annually after operating expenses. Keep in mind that profit margin reflects a year when fuel costs hit an all time high. Fuel costs have since decreased 10%, meaning that profits on rent stabilized apartments are larger now than they were two years ago. Landlords are doing better than at any other time in recent history. I urge you to support a rent freeze.”

“I just want you to know how badly the decision to increase rent stabilized buildings by 4.5% this year has hurt the people of this city myself included. I didn’t get a pay increase this year (even if I had it certainly wouldn’t have been 4.5%) and now I have to figure out a way to pay an extra $63.00 per month starting in September. This large rent increase comes along with an increase in my health costs and my transit costs. The only thing that hasn’t increased, like I said, is my pay. I realize that you thought raising the rents this high was fair due to costs in heating fuel but now those costs have gone down and yet I am still stuck paying a substantial increase.”

“Landlords profits are rising while working class people are suffering job losses and pay cuts. Heating cost are down and landlords’ profits rise higher and we know landlords are in the business of profit. That’s fine but RGB needs to recognize after a high rent increase last year and costs down for landlords it is time to freeze rents for a period so the working class can recover. The city is strapped for cash and we, the middle/working class, will be paying more for everything, as I’m sure you’ve seen in the news. You must see the situation is dire for us and you can help…Freeze rents at the current level so that working and middle-class New Yorkers – the engines of our economy – can remain in the communities and homes.”

“While tenants struggle to find and maintain affordable housing and at the same time pay for other necessities, landlords continue to realize increased profits as rent income is exceeding costs by a great amount. Low-income tenants in rent stabilized apartments have had to shoulder the greatest burden of declining affordability in the New York City rental market, while the rental burden on moderate-income tenants is worsening. The Rent Guidelines Board must finally live up to its responsibility by not allowing the situation facing low- and moderate-income tenants to worsen by unnecessarily raising rents for rent stabilized apartments.”

“Most recently, in our neighborhoods, we have seen a new type of investment in rent stabilized and subsidized housing. Private equity firms are buying up rent stabilized buildings. They are promising their investors returns that are above what the present rent role can produce. They have classified people’s homes as ‘under-performing assets.’ At begrudgingly agreed upon meetings with tenants, they have said that they will do what it takes to make a profit. Their prospectuses boast 20-30% per year turnover, substantially more than the normal turnover rate of 5-10% per year for rent stabilized units.”

“New York City is already largely unaffordable for many public servants. Increasing rent on stabilized apartments will force even more out of their homes. Beyond the direct impact of increasing rent on those in stabilized apartments, I would ask you to consider the implications of a rent hike on the larger health and well-being of New York City. I, for one, wonder what this city will look and feel like, and how well it will function, if only those on the extreme ends of the financial spectrum remain.”

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[2] Sources: Submissions by tenant groups and testimony by tenants.

SELECTED EXCERPTS FROM ORAL AND WRITTEN TESTIMONY FROM OWNERS AND OWNER GROUPS[3]

Comments from owners and owner groups included:

"The Rent Stabilization Law states in section 26-501, in its declaration of emergency related to rental housing that the purpose of this law is 'to prevent…unwarranted and abnormal increase in rents.' Each year, the RGB issues an allowable increase factor in pursuit of this purpose. But the law only speaks about preventing unwarranted and abnormal increase. Since the board makes an annual determination of costs increases (the PIOC), and since these determinations are based on actual economic data, independently provided, it is therefore necessarily the case that the PIOC is not unwarranted or abnormal. In fact it is just the opposite: it is both expected because it reflects actual financial events which have already occurred, and normal since it is a reflection of data independently provided which demonstrates broadly applicable economic conditions."

"Not since the last economic collapse in the 1970's and 80's have so many owners called the RSA in an act of desperation, at their wits end, seeking guidance or assistance which is simply unavailable. After years of inadequate guideline increases, owners simply can not make ends meet. Owners can't pay their water and sewer bills and are threatened with lien sales. Extraordinary increases in real estate taxes have far outstripped increase in building income. Owners enter the summer months owing thousands of dollars for the past winter's oil bills. And owners certainly don't have the reserves they need if the oil burner breaks down or some other major repair is required."

"Rents should reasonably cover the cost of operating a unit, plus allow for a margin of profit for the owner of a rental property. In the case of cooperatives and condominiums owning rent regulated units, growing shortfalls between rent collected and actual costs impose a hardship on all the other resident owners in the building. In 2009 taxes are increasing again and so are water rates. The City has introduced new mandates for energy efficiency, an admirable but expensive set of requirements. These changes may make the shortfalls even more pronounced. I urge the Rent Guidelines Board to authorize rent increases attuned to the costs of operating property in New York City today."

"As a small building owner, I am burdened with massive increases on all fronts. The DEP brutally imposed a giant increase on water and sewer bills. NYC increased its property taxes. Insurance companies continue to raise premiums while demanding endless improvements. Oil prices are on the rise again. Workers compensation and health care continue to grow, driving up the cost of labor. And the cost of supplies is constantly increasing. Tenants need to understand that rents must increase so home-owners can provide affordable, quality housing…It is necessary to extend the supplement formula for rentals under $1000 once more to help home-owners stay afloat under the endless barrage of increases facing us. At minimum, one-year lease renewals should be increased 7.5% with a $65 supplement, and two-year lease terms should increase by 10% with a $99 supplement."

"Low guidelines yield minimal increases on low rents—and low rents don't pay for the apartment's basic operating costs. Often, the occupants of low rent apartments aren't in need of the owner's subsidy. I know of many cases where tenants own second homes and earn more than the property owner, resulting in middle-class owners subsidizing rich tenants. In many more cases, middle-class tenants, who wouldn't qualify for any government program, are being subsidized by middle-class owners."

"This past year has seen double digit increases of water-sewer rates and real estate taxes. If the city is allowed to get such large increases why couldn't we, the owners, be allowed similar increases, after all it is us who support a significant portion of the city's budget while at the same time doing the city's job and subsidize the housing in the city. This past year I had two of my properties fall into foreclosure, and if not for the lower fuel cost I would have lost two more. If we are not going to get an increase that will allow us to operate I am afraid that we will see more buildings falling into foreclosure and the tenants of such buildings suffer needlessly."

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[3] Sources: Submissions by owner groups and testimony by owners

SELECTED EXCERPTS FROM ORAL AND WRITTEN TESTIMONY FROM PUBLIC OFFICIALS[4]

Comments from public officials included:

"There is ample evidence that tenants are finding it increasingly difficult to make ends meet while building owners' operating costs, and therefore their profits, have remained steady. To place a higher burden on tenants to the benefit of owners at this time would be completely unjustified and highly misguided. New York City, like the rest of the nation, is experiencing its worst economic crisis since the Great Depression. Unemployment in the City has reached record levels, many individuals have been downsized or had salary freezes, and the number of food stamp recipients is on the rise. Both low- and middle-income residents continue to pay a disproportionately large share of their income toward housing and struggle to absorb the rapidly increasing costs of utilities, transportation and other necessities."

"I'd like to now take a moment to directly address the proposed supplemental rent increase, or the "poor tax" as it's more aptly known. This is a terrible idea. There are some that came before this Board at its most recent hearing two days ago and argued that the poor tax – which was shamefully levied last year at the last possible moment and without any semblance of a reasonable time period for analysis and consideration by Board members – should be once again implemented this year in order to catch those two year lease holders who were mid-cycle in their leases last year. Setting aside the legal questions surrounding the Board's introduction of the poor tax last year, it is clear to me that this punitive tax must not be allowed to pass again this year. "

"Year after year, the Rent Guidelines Board has determined in favor of landlords, granting them higher and higher rents on stabilized apartments. It seems that every year landlords are afforded increases to offset their rising costs, and every year, the ability of tenants to afford their homes and the robust and increasing profits of landlords are ignored. Tenants are facing serious hardships as our country endures the worst economic downturn since the Great Depression."

"At a time when my constituents are losing their jobs, income is falling, the cost of food is exorbitant, and the rest of the economy is struggling, the Rent Guidelines Board must stop acting to guarantee substantial profits to the wealthy housing industry. By increasing rents, you are violating your public trust and contributing significantly to the loss of affordable housing—the very commodity you are supposed to help stabilize."

"Like many New Yorkers, I am deeply troubled by the decreasing stock of affordable housing for low- and middle-income residents of our city. Over the past few years, the City has seen market rents skyrocket, particularly in Manhattan. Rent stabilized apartments are one of the few affordable housing options available to low- and middle-income New Yorkers. The rent increases on these apartments proposed by the RGB would be devastating to many New York City families, particularly in the midst of this economic crisis. Therefore, I am urging members of the Rent Guidelines Board to support a rent freeze for this year. Granted, this would be the first such vote by the RGB but the current reality calls for such a bold vote."

"Every week my office receives dozens of calls from tenants who are unable to find affordable housing, who cannot afford to live in the places they have called home for so long, and who are alarmed by the scarcity of affordable housing in this city. There is a clear connection between RGB increases and the loss of affordable housing, which is in turn playing havoc on the lives of our City's residents. And so, I join with tenants once again this year to urge the RGB to protect, not erode, the diminishing stock of affordable housing in New York City."

[4] Sources: Submissions by public officials.

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) *2009 Mortgage Survey Report*, March 2009, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

(2) *2009 Income and Expense Study*, April 2009, (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) *2009 Income and Affordability Study,* April 2009, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);

(4) *2009 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City,* April 2009, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);

(5) *2009 Housing Supply Report*, June 2009, (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 2008,* June 2009, (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, www.housingnyc.com, and are also available at the RGB offices, 51 Chambers St., Suite 202, New York, NY upon request.

2009 PRICE INDEX OF OPERATING COSTS FOR RENT STABILIZED APARTMENT HOUSES IN NEW YORK CITY

The *2009 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City* found a 4.0% increase in costs for the period between April 2008 and April 2009.

This year, the PIOC for rent stabilized apartment buildings increased by 4.0%, nearly 4 percentage points less than the PIOC percentage change from the year before (7.8% in 2008). The PIOC was driven upward by significant increases in real estate taxes (11.7%) and utility (10.9%) costs. More moderate increases were seen in administrative costs (4.1%), labor (2.9%), contractor services (2.8%), parts and supplies (2.6%) and replacement costs (6.1%). These increases were offset by declines in the cost of fuel oil of 10.1% and insurance of 2.9%. The growth in the Consumer Price Index (CPI) of 3.5% was just half a percentage point lower than the PIOC. 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 6.5% this year, higher than the overall PIOC due to the exclusion of declining fuel oil prices.

Table 1

2008-09 Percentage Changes in Components of *the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City*[5]			
Item	Expenditure Weights	2008-09 Percentage Δ	2008-09 Weighted Percentage Δ
Taxes	25.39%	11.72%	2.98%
Labor Costs	13.53%	2.88%	0.39%
Fuel Costs	15.43%	-10.12%	-1.56%
Utility Costs	15.33%	10.91%	1.67%
Contractor Services	12.59%	2.77%	0.35%
Administrative Costs	7.34%	4.05%	0.30%
Insurance Costs	8.23%	-2.90%	-0.24%
Parts & Supplies	1.51%	2.65%	0.04%
Replacement Costs	0.64%	6.07%	0.04%
All Items	**100.00**	**-**	**3.96%**

Source: *2009 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.*
Note: The Δ symbol means change.

On April 28, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2009 Price Index of Operating Costs*. The text of that memo follows:

At the April 21 meeting of the board, staff presented the *2009 Price Index of Operating Costs (PIOC)*. Contained in this memo are follow-up questions regarding the PIOC and the answers to these inquiries.

Question 1: Can Appendix 6 also provide average building sizes and names of Community Districts?

Appendix 6, with the additional information requested, is provided below.

	# of Buildings	Tax Relative	Average Building Size
Manhattan			
1 (Civic Center, Wall St., Governors Isl., Liberty Isl., Ellis Isl., Tribeca)	58	22.79%	72.8
2 (Greenwich Village, Noho, Soho, Little Italy)	1,056	12.27%	28.8
3 (Lower East Side, Chinatown, Two Bridges)	1,506	16.00%	19.3
4 (Chelsea, Clinton)	953	10.71%	30.8
5 (Midtown, Times Square, Herald Square, Midtown South)	271	10.24%	30.8
6 (Murray Hill, East Midtown, Stuyvesant Town)	807	11.45%	70.3
7 (Lincoln Square, Upper West Side)	1,793	13.50%	31.0
8 (Upper East Side, Lennox Hill, Yorkville, Roosevelt Island)	2,030	11.21%	36.5
9 (West Harlem, Morningside Heights, Manhattanville, Hamilton Heights)	681	17.03%	29.6
10 (Central Harlem)	863	24.81%	23.3
11 (East Harlem)	563	26.73%	20.4
12 (Washington Heights, Inwood)	1,357	13.14%	42.7
Total	**11,944**	**12.46%**	**34.1**

[5] Totals may not add due to weighting and rounding.

	# of Buildings	Tax Relative	Average Building Size
Bronx			
1 (Mott Haven, Melrose, Port Morris)	301	13.09%	21.3
2 (Hunts Point, Longwood)	225	10.00%	28.3
3 (Melrose, Morrisania, Claremont, Crotona Park E)	281	39.44%	26.5
4 (Highbridge, Concourse)	662	20.59%	49.4
5 (Morris Heights, University Heights, Fordham, Mt. Hope)	622	16.39%	41.5
6 (East Tremont, Bathgate, Belmont, West Farms)	444	14.88%	23.0
7 (Kingsbridge Heights, Bedford Park, Fordham, University Heights)	913	14.07%	41.3
8 (Kingsbridge, Riverdale, Marble Hill, Fieldston)	339	7.49%	75.9
9 (Soundview, Castle Hill, Union Port, Parkchester)	279	16.76%	45.7
10 (Throgs Neck, Pelham Bay, Co-op City, Westchester Sq., City Island	179	11.34%	28.8
11 (Morris Park, Pelham Parkway, Bronxdale, Van Nest, Laconia)	291	6.37%	50.4
12 (Williamsbridge, Baychester, Woodlawn, Wakefield, Eastchester)	377	12.24%	29.4
Total	**4,937**	**13.15%**	**39.9**

	# of Buildings	Tax Relative	Average Building Size
Brooklyn			
1 (Greenpoint, Williamsburg)	1373	16.43%	9.5
2 (Downtown Brooklyn, Ft. Greene, Brooklyn Heights, Boerum Hill)	575	12.74%	23.3
3 (Bedford Stuyvesant, Tompkins Park North, Stuyvesant Heights)	687	13.78%	11.1
4 (Bushwick)	1111	11.48%	6.9
5 (East New York, New Lots, City Line, Starrett City)	307	12.05%	15.4
6 (Red Hook, Park Slope, Gowanus, Carroll Gardens, Cobble Hill)	860	14.98%	10.8
7 (Sunset Park, Windsor Terrace)	774	13.24%	11.9
8 (Crown Heights, Prospect Heights, Weeksville)	831	10.69%	16.6
9 (Crown Heights South, Prospect Lefferts Gardens, Wingate)	498	13.23%	41.2
10 (Bay Ridge, Dyker Heights, Fort Hamilton)	727	8.10%	25.3
11 (Bensonhurst, Mapleton, Bath Beach, Gravesend)	678	8.24%	25.9
12 (Borough Park, Ocean Parkway, Kensington)	580	6.89%	31.2
13 (Coney Island, Brighton Beach, Gravesend, Homecrest, Seagate)	156	10.43%	65.3
14 (Flatbush, Ocean Parkway, Midwood)	834	6.80%	43.2
15 (Sheepshead Bay, Manhattan Beach, Kings Highway, Gravesend)	360	8.42%	53.1
16 (Ocean Hill, Brownsville)	274	-31.25%	12.9
17 (Flatbush, Rugby, Farragut, Northeast Flatbush)	546	10.31%	30.8
18 (Canarsie, Flatlands, Marine Park, Mill Basin, Bergen Beach)	69	10.73%	64.1
Total	**11,248**	**9.74%**	**21.7**

Queens	# of Buildings	Tax Relative	Average Building Size
1 (Astoria, Long Island City)	1,663	8.57%	15.8
2 (Sunnyside, Woodside)	786	8.70%	24.2
3 (Jackson Heights, East Elmhurst, North Corona)	371	3.47%	44.2
4 (Elmhurst, Corona)	350	11.53%	54.2
5 (Maspeth, Middle Village, Ridgewood, Glendale)	1,118	12.92%	8.3
6 (Rego Park, Forest Hills)	307	12.81%	107.1
7 (Flushing, Whitestone, College Point)	357	9.13%	63.7
8 (Fresh Meadows, Kew Gardens Hills, Jamaica Hills)	179	10.75%	104.0
9 (Woodhaven, Richmond Hill, Kew Gardens)	191	6.64%	44.9
10 (Howard Beach, Ozone Park, South Ozone Park)	50	-4.81%	26.5
11 (Bayside, Douglaston, Little Neck, Auburndale)	114	8.77%	59.1
12 (Jamaica, South Jamaica, Hollis, St. Albans)	145	9.18%	61.5
13 (Laurelton, Cambria Heights, Queens Village, Glen Oaks)	44	11.60%	123.7
14 (The Rockaways, Broad Channel)	85	14.41%	66.7
Total	**5,836**	**9.86%**	**35.5**

Staten Island	# of Buildings	Tax Relative	Average Building Size
1 (North Island)	106	6.05%	44.0
2 (Mid Island)	27	-2.93%	24.9
3 (South Island)	23	15.41%	66.4
Total	**157**	**7.27%**	**44.4**

	# of Buildings	Tax Relative	Average Building Size
Citywide	**34,122**	**11.72%**	**31.1**

Question 2: Can you break out tax increases by building size?

Tax increases in Fiscal Year 2009 are presented below, grouped according to the size of the building – 10 units and under, 11-19 units, 20-49 units, and 50 or more units.

Building Size	**Tax Increase, FY 2009**
10 Units or Less	11.5%
11-19 Units	15.1%
20-49 Units	13.2%
50 or More Units	10.9%
Citywide	**11.7%**

Question 3: Why did taxes decline by more than 31% in Brooklyn's Community District 16 (Ocean Hill/Brownsville)?

Taxes increase (or decrease) based a number of factors – the tax rate, abatements and exemptions, and the assessed value of buildings. In Ocean Hill/Brownsville, the impact of lowered assessments alone between FY 2008 and FY 2009 caused taxes to decline by 12.8%, as opposed to a 4.75% increase for the City as a whole. The other large factor impacting taxes in this Community District is the disproportionally high number of buildings with exemptions. While Citywide, 18.6% of buildings received exemptions, in Ocean Hill/Brownsville 41.2% of buildings received exemptions. Buildings can also experience large decreases in tax bills in the year that they first receive an exemption. In Ocean Hill/Brownsville, there were twelve new exemptions in FY 2009 that reduced building's tax liability to zero, including one that reduced an owner's bill from what would have been more than $400,000 to zero (the other bills ranged from $8,854 to $16,370 in FY 2008). In addition, this building's assessed value was more than halved between the two years – falling from $7.7 million to $3.5 million. Had this one building's assessed value remained constant between FY 2008 and FY 2009, and had it not received an exemption in FY 2009, taxes would have risen 6.9% in FY 2009 for the Community District as a whole. Using the building's new assessed value to calculate a hypothetical tax bill, had this building not received an exemption in FY 2009 (but the assessment remained at the lower value), taxes as a whole would have fallen 14.1% instead of 31.2%. Had none of these twelve buildings received exemptions in FY 2009, and using their current assessed values to calculate tax liability, taxes would have fallen 8.2%.

In total, the impact of assessments in Ocean Hill/Brownsville lowered tax liability by 12.8%, exemptions lowered tax liability by 24.2%, and "interactions" lowered tax liability by 2.1%. Increases in the tax rate raised taxes by 7.1% and a change in the number and value of abatements raised tax liability by 0.7% (for a total decrease of 31.2%). See Appendix 5 of the *Price Index of Operating Costs* for equivalent data for each borough of the City.

Note that in every neighborhood, in every year, buildings gain and lose exemptions, drastically altering individual tax bills. It is only when looking at a relatively small number of buildings (274 buildings in the total Community District sample) that a single building's impact can become magnified, as illustrated here.

Similarly, we can look for converse trends in a Community District that saw a disproportionately large increase in property taxes, such as Community District 1 in Manhattan (Civic Center, Wall St., Governors Isl., Liberty Isl., Ellis Isl., Tribeca), which rose 22.8%. In this Community District, despite a decrease in assessments that led to a decline in tax liability of 30.0%, the loss in the value of exemptions was so great that it lead to an increase in tax liability of 46.3%, which along with an increase in the tax rate far offset the decline in assessments. Had even four of the larger buildings in this Community District maintained the same value of exemptions between FY 2008 and FY 2009, taxes District-wide would have increased 8.6% instead of 22.8%.

Question 4: Can you determine the fuel oil grades used by different sized buildings?

The RGB staff could not locate specific data regarding usage of #2, #4 and #6 fuel grades by building size. However we did confirm the following:

- The Department of Environmental Protection (DEP) Code does not allow use of #4 or #6 oil if the maximum burner-firing rate is less than 10 GPH (gallon per hour). This firing rate is used in buildings that have 20-25 units. Anything smaller would have to burn #2 oil or gas.
- If a building burns between 10-20 GPH it can burn #2, #4 or gas, but not #6 oil.
- Buildings that have interruptible gas, a heating system that can burn both gas and oil, are almost always matched with #2 heating oil.
- In general the larger the building the heavier the oil one is likely to find being used.

Local Law 63/ Income & Expense Review

The sample size for the Income and Expense (I&E) study includes over 13,200 properties containing over 620,700 units. This is the seventeenth 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 2008 Real Property Income and Expense (RPIE) statements for the year 2007:

Table 2

2009 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	**$710**	**$803**	**$738**

Source: *2009 Income and Expense Study*, from 2008 Real Property Income and Expense filings for 2007, NYC Department of Finance.

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 $678, rather than $738. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2007 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs[6]	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	$678	$974	0.696	$1,088	0.623
Stabilized Pre'47	$652	$924	0.706	$1,039	0.628
Stabilized Post'46	$738	$1,088	0.678	$1,200	0.614

Source: *2009 Income and Expense Study*, from 2008 Real Property Income and Expense filings for 2007, NYC Department of Finance.

On April 28, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional *Income and Expense Study* information. The text of that memo follows:

This memo is in response to two questions posed by board members regarding the *2009 Income and Expense Study* released on April 21, 2009. The first question dealt with whether the RPIE uses a cash or accrual basis for calculating owner income. The Department of Finance, which collects the data, told us that the information is reported on a cash basis.

The second question was a request for median Net Operating Income data, which is provided below:

6 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** ratios would be 0.758 (All), 0.768 (Pre-47), and 0.738 (Post-46), respectively. The unadjusted **O&M to Income** ratios would be 0.679 (All), 0.684 (Pre-47), and 0.669 (Post-46).

Median Longitudinal Net Operating Income Changes (2006-07) by Building Size and Location							
	Post-46	Pre-47	All bldgs		Post-46	Pre-47	All bldgs
Citywide	**6.3%**	**10.3%**	**8.9%**	Core Man	6.6%	12.6%	10.5%
11-19 UNITS	-	9.2%	7.7%	11-19 UNITS	-	10.4%	9.3%
20-99 UNITS	10.3%	10.1%	10.1%	20-99 UNITS	15.3%	12.8%	13.1%
100+ UNITS	4.5%	12.5%	7.0%	100+ UNITS	5.6%	14.6%	8.7%
Bronx	6.0%	7.0%	6.7%	Upper Man	2.2%	11.6%	9.8%
11-19 UNITS	-	-8.4%	0.5%	11-19 UNITS	-	14.9%	14.6%
20-99 UNITS	6.5%	8.7%	8.2%	20-99 UNITS	-	10.3%	8.9%
100+ UNITS	2.5%	-7.5%	-0.7%	100+ UNITS	-	-	11.1%
Brooklyn	7.0%	8.6%	8.0%	City w/o Core Man	6.2%	8.3%	7.5%
11-19 UNITS	-	7.3%	5.8%	11-19 UNITS	-3.8%	7.3%	5.3%
20-99 UNITS	9.8%	7.9%	8.5%	20-99 UNITS	9.3%	8.6%	8.8%
100+ UNITS	4.4%	17.3%	8.0%	100+ UNITS	2.9%	7.0%	3.9%
Manhattan	6.2%	12.4%	10.4%				
11-19 UNITS	-	10.8%	9.9%				
20-99 UNITS	11.0%	12.1%	12.0%				
100+ UNITS	5.5%	15.0%	8.8%				
Queens	5.5%	7.3%	6.3%				
11-19 UNITS	-	8.8%	2.1%				
20-99 UNITS	12.2%	8.0%	9.9%				
100+ UNITS	-1.1%	-1.8%	-1.2%				
Staten Island	20.0%	-	11.9%				

Forecasts of Operating and Maintenance Price Increases for 2009-10

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 2009-10 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 2008-09 and Projected 2009-10		
	Price Index 2008-09	Projected Price Index 2009-10
Taxes	11.7%	15.2%
Labor Costs	2.9%	4.1%
Fuel Costs	-10.1%	-24.5%
Utility Costs	10.9%	0.8%
Contractor Services	2.8%	4.3%
Administrative Costs	4.1%	5.4%
Insurance Costs	-2.9%	6.1%
Parts & Supplies	2.6%	1.8%
Replacement Costs	6.1%	1.8%
Total (Weighted)	**4.0%**	**2.2%**

Source: *2009 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City*, which includes the 2010 PIOC Projection.

Overall, the PIOC is expected to grow by 2.2% from 2009 to 2010. Fuel, the most volatile PIOC component, is expected to decline 24.5%. Conversely, Taxes are projected to increase 15.2% due to an increase in billable assessments, levy share and the tax rate for Class Two properties. Insurance Costs and Utilities are projected to rise 6.1% and 0.8% respectively. Contractor Services are expected to rise 4.3%, Administrative Costs 5.4%, and Labor Costs are projected to increase by 4.1%. The table on this page shows predicted changes in PIOC components for 2010. The core PIOC is projected to rise 9.1%, a significantly higher rate than the overall PIOC.

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 4.0% increase in the PIOC is 3.5% for a one-year lease and 5.5% for a two-year lease. Guidelines using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover are 1.75% for one-year leases and 2.5% 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) and NOI constant. This is commonly called the "CPI-Adjusted NOI" formula. A guideline that would preserve NOI in the face of the 3.5% increase in the Consumer Price Index and the 4.0% increase in the PIOC is 5.0% for a one-year lease and 8.0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 3.25% for one-year leases and 5.0% for two-year leases. [7]

The original formula that has been in use since the inception of the Rent Guidelines Board is called the "traditional" commensurate adjustment. The "traditional" commensurate yields 2.7% for a one-year lease and 3.5% for a two-year lease, given the increase in operating costs of 4.0% found in the 2009 PIOC and the projection of a 2.2% increase next year. [8]

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[7] The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 67.9% of the 2009 PIOC increase of 4.0%, or 2.7%. The 67.9% 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 32.1% times the latest 12-month increase in the CPI ending February 2009 (3.5%) or 1.1%; (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 2008 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 11.13% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2008 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

[8] The collectability of legally authorized adjustments is assumed. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 2.2% PIOC projection for 2010 is used.

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 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. [9]

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 (4.0%). 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 (2.2%). 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 *Mortgage Survey 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 *2009 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.

[9] 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

2009 Mortgage Survey[10] Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 2001-2009									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Avg. Rates	8.4%	7.4%	6.2%	5.8%	5.5%	6.3%	6.3%	5.9%	6.5%
Avg. Points	0.99	0.79	0.81	0.67	0.56	0.44	0.61	0.47	0.62
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Avg. Rates	8.0%	7.4%	6.2%	5.7%	5.5%	6.3%	6.2%	5.8%	6.5%
Avg. Points	1.06	0.83	0.78	0.60	0.56	0.44	0.61	0.44	0.62

Source: 2001–2009 *Annual Mortgage Surveys*, RGB.

On April 2, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional *Mortgage Survey* information. The text of that memo follows:

This memo is in response to questions posed by board members at the March 26 meeting concerning the *2009 Mortgage Survey Report*.

1. Ronald Languedoc asked about the total number of residential units contained in rent stabilized buildings sold. In 2007, there were 42,567 residential units in 1,474 building sold, while in 2008, there were 29,232 units in 1,021 buildings sold.

2. Risa Levine inquired about the breakdown of buildings sold in each half of 2008. Of the 1,021 buildings sold in 2008, 674 (65.9%), at a median price of $2,262,500 were sold in the first six months, while 349 (34.1%), at a median price of $1,522,535 were sold in the second half of 2008. The price decline from the first to the second half was 32.7%, and the sales volume decline was 48.2%.

3. Marvin Markus suggested contacting large lenders and asking if they could speak to the board at a future meeting. Andrew is in the process of contacting them.

4. Steven Schleider asked whether the 86% of lenders who reported that their lending standards were the same for rent stabilized buildings as for non-stabilized multifamily properties included the lenders making the largest number of loans. Of the four lenders making the largest share of new loans (81.6% of the total) and one additional lender making the largest number of refinanced loans:

    a. Three reported the same lending standards for all four categories (New financing rates; refinancing rates; LTV Ratio and debt service)
    b. One lender reported the same standards for new and refinancing rates; a higher standard for LTV ratio and a lower standard for debt service.
    c. One lender reported higher standards for new and refinancing rates as well as debt service coverage, but a lower standard for LTV Ratio.

[10] 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.

Condition of the Rent Stabilized Housing Stock

The Board reviewed the number of buildings owned by the City following *in rem* actions and the number of units that are moving out of the rental market due to cooperative and condominium conversion.

Table 5

City-Owned Properties in Central Management Occupied and Vacant Building Counts, Fiscal Years 2001-2008								
	2001	2002	2003	2004	2005	2006	2007	2008
Occupied Bldgs.	1,203	919	610	373	235	175	133	115
Vacant Bldgs.	633	524	367	275	221	155	92	75

Source: NYC Department of Housing Preservation and Development, Office of Property Management.

Table 6

Number of Cooperative / Condominium Plans[11] Accepted for Filing, 2000-2008									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
New Construction	87	145	136	190	268	361	644	573	454
Conversion Non-Eviction	9	12	14	10	16	24	53	66	50
Conversion Eviction	9	2	15	0	15	18	13	16	18
Rehabilitation	15	13	20	18	18	6	0	8	4
Total	**120**	**172**	**185**	**218**	**317**	**409**	**710**	**663**	**526**
Subtotal:									
HPD Sponsored Plans	8	2	15	0	15	18	13	16	18

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

On June 12, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional Housing Supply Data information. The text of that memo follows:

At the June 4 meeting, where the 2009 *Housing Supply Report* and *Changes to the Rent Stabilized Housing Stock in NYC in 2008* were presented, five questions were asked of RBG staff for which answers were not immediately available. Detailed answers are provided in this memo.

Question 1: What is the breakdown of owner-occupied housing by borough?
The table below breaks out, by borough, the number of "conventional" owner-occupied units, co-op units, and condo units found in the *2008 Housing and Vacancy Survey*. The two right-most columns present the proportion of housing in each borough that is either "conventional" or co-op/condo.

[11] 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.

Borough	Owner (Conventional)	Owner (Co-op)	Owner (Condo)	% Conventional	% Co-op/Condo
Bronx	63,691	35,737	7,271	59.7%	40.3%
Brooklyn	191,512	49,937	14,180	74.9%	25.1%
Manhattan	5,157	137,215	40,452	2.8%	97.2%
Queens	264,200	83,155	14,856	72.9%	27.1%
Staten Island	101,018	2,264	8,719	90.2%	9.8%
Citywide	**625,579**	**308,308**	**85,478**	**61.4%**	**38.6%**

Question 2: Can you explain in greater detail the changes to the 421-a program enacted last year and the income limits that apply to the "affordable" component of the program?

The most significant change to the 421-a program is an extension of the Geographic Exclusion area (previously approximately 14th to 96th Streets in Manhattan and Greenpoint/Williamsburg in Brooklyn) to include all of Manhattan (except Roosevelt Island), and multiple neighborhoods in every borough, including portions of Crotona Park in the Bronx, the entire Queens East River waterfront, most of northern Staten Island, and large portions of northern Brooklyn, including Downtown, Cobble Hill, and Park Slope. Any housing built in these neighborhoods that receive 421-a benefits must set aside 20% of units in these buildings for affordable housing.

The new legislation also reduces the length of the exemption period for many buildings. In addition, the legislation stipulates that affordable units within the GEA must be kept affordable for a minimum of 35 years, and residents of the Community Board where the development is located will be guaranteed 50% of the units. The minimum building size was also raised from three units to four units, and only the first $65,000 of an apartment's value will now be exempt from taxes.

The income levels of apartments built with 421-a depends on whether the building receives "substantial government assistance" as well as the location of the building. Per requirements:

- If construction is carried out with substantial governmental assistance provided pursuant to a program for the development of affordable housing, at least 20% of the units in the multiple dwelling must meet one of the following requirements:
    - initial and subsequent rentals in multiple dwellings with 25 units or less must be affordable at or below 120% of Area Median Income (AMI) or;
    - initial and subsequent rentals in multiple dwellings with more than 25 units must be affordable at or below 120% of AMI and cannot exceed an average of 90% of AMI or;
    - homeownership units at initial sale must be affordable at or below 125% of AMI.
- If no substantial governmental assistance is utilized, at least 20% of the units in the multiple dwelling must at initial rental or sale and at all subsequent rentals upon vacancy be affordable at or below 60% of AMI.

As an example of the type of income the above requirements would dictate, the table below illustrates selected Area Median Incomes in 2008 by household size.

Family Size	30% of Median	60% of Median	100% of Median	125% of Median	150% of Median	250% of Median
1	$16,150	$32,300	$53,800	$67,250	$80,700	$134,500
2	$18,450	$36,900	$61,400	$76,750	$92,100	$153,500
3	$20,750	$41,500	$69,100	$86,400	$103,650	$172,750
4	$23,050	$46,100	$76,800	$96,000	$115,200	$192,000
5	$24,900	$49,800	$82,900	$103,650	$124,350	$207,250
6	$26,750	$53,500	$89,100	$111,400	$133,650	$222,750
7	$28,600	$57,200	$95,200	$119,000	$142,800	$238,000
8	$30,450	$60,900	$101,400	$126,750	$152,100	$253,500

Reported by the DHCR in their response to RGB question #5 on June 4, in 2008 the average rent stabilized rent in buildings due to 421-a tax abatement was $2,654.92; the median rent was $1,699.50.

For further information, "421-a Legislation Overview and FAQ," by the NYC Dept. of Housing Preservation and Development, is attached for further information.

Question 3: Can you explain in greater detail the 420-c and 421-g programs?
The section 420-c program, enacted in 1993, provides a 100 percent exemption from real property taxes for qualifying low-income housing located in New York City. Under legislation enacted in 2004, and applicable to exemption applications approved on or after September 28, 2004, the exemption will generally apply to property owned by an entity wholly controlled by a charitable or social welfare organization recognized as exempt under the U. S. Internal Revenue Code, where the property provides housing accommodations to persons and families of low income, participates in or has participated in the federal low-income housing tax credit program, and is subject to a regulatory agreement with the City's Department of Housing Preservation and Development. The exemption terminates upon the expiration or termination of the regulatory agreement. Applications approved prior to September 28, 2004 were subject to different ownership and certain other requirements.

The 421-g program was created as part of the Commercial Revitalization Program, and provides a real property tax exemption on the increase in assessed value due to conversion of non-residential buildings to residential use. The program also provides for an abatement of existing property taxes. To qualify for tax benefits, the building must be in the statutorily defined Lower Manhattan Abatement Zone and a permit for conversion must be issued between July 1, 1995 and June 30, 2006. (The deadline was moved from June 30, 2007 to June 30, 2006 as a result of legislation enacted in 2005.) If, after conversion, more than 12 percent of the building's aggregate floor area consists of commercial, community facility and accessory use space, the exemption and abatement will be reduced by the difference between the percentage of space so used and 12 percent. If more than 25 percent of the aggregate floor space is used for commercial, community facility or accessory use, the exemption and abatement will be revoked. Notwithstanding any other provision of State or local law relating to rent stabilization, the rents of dwelling units in an eligible building are subject to control while the building is receiving a tax exemption and/or abatement. The program provides a tax exemption for 12 years, including the first eight years at 100 percent. In the remaining four years, the exemption percentage declines at a rate of 20 percentage points in each year. The tax abatement granted for the first ten years is equal to the property's taxes in its first year of participation in the program. In years 11 through 14 of the abatement period, the abatement percentage is reduced by 20 percentage points each year. If the property has been designated as a landmark prior to completion of conversion, the exemption and abatement periods are increased by extending the 100 percent exemption period to nine years and the full abatement period to 11 years.

Question 4: Can you provide a breakdown of J-51 abatements and exemptions by the type of work being performed?
We currently have a request into the New York City Department of Housing Preservation and Development to provide this information. There is no timeline as to when this information will be received.

Question 5: How many properties in New York City currently have tax arrears?
We currently have a request into the Dept. of Finance to provide this information. We expect to have this information prior to June 23, but no definite timeline has been set. This information will be sent separately to Board members once it is received.

CONSUMER PRICE INDEX

The Board reviewed the Consumer Price Index. Table 7 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2002.

Table 7

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2002-2009 (For "All Urban Consumers")								
	2002	2003	2004	2005	2006	2007	2008	2009
1st Quarter Avg.[12]	2.5%	3.1%	3.2%	4.4%	2.7%	2.9%	3.8%	1.3%
Yearly Avg.	2.6%	3.1%	3.5%	3.9%	3.8%	2.8%	3.9%	--

Source: U.S. Bureau of Labor Statistics.

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.

Over the first two decades of rent stabilization, the change in the O&M to rent ratio contained in Table 8 (hereinafter, referred to as "Table 14" - its past designation) was updated each year to reflect the changes in operating costs as measured by the PIOC and changes in rents as measured by staff calculations derived from guideline increases. Over the years, some Board members and other housing experts have challenged the price index methodology and the soundness of the assumptions used in calculating the O&M to rent ratio in "Table 14". Several weaknesses in the table have been acknowledged for some time.

The first problem with "Table 14" is that the calculation does not account for the changes in the housing stock and market factors, both of which have certainly affected the relationship between rents and operating costs to some degree. Next, for the purpose of measuring the relationship between legal regulated rents and operating cost changes, the usefulness of "Table 14" is also limited. The rent index contained in the table does not adjust for administrative rent increases (MCI's and Apartment Improvement increases) and rents charged below established guidelines (preferential).

The operating cost index contained in the table is more troublesome. The .55 base contained in the table reflects an estimate concerning nearly all post-war units. The vast majority of stabilized units (about 7 out of 10) are now in pre-war buildings, which had higher O&M ratios in 1970. The cost index was adjusted (departing from the PIOC) in the 1970's in an attempt to accommodate for this influx of pre-war buildings into the stabilized sector. This attempt was misguided. The rent index reflects changes in rents initially in the post-war sector - so adjustments to the cost index to reflect the influx of pre-war units' results in a one-sided distortion of the changing relationship between costs and rents.

Staff's research suggests that the PIOC may have overstated actual cost increases from 1970 to 1982. Similarly, from 1990 to 2007, the I&E rose 107% and the adjusted PIOC rose 113%. What remains clear, however, is that "Table 14," in its current form, presents a highly misleading picture of the changing relationship of operating costs to rents over time.

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[12] 1st 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.

Table 8 (Formerly Table 14)[13]

Calculation of Operating and Maintenance Cost Ratio For Rent Stabilized Buildings from 1970 to 2009						
Period	Percent O&M[14] Increase	O&M Index	Period	Percent Rent[15] Increase	Rent Index	O&M/Rent Ratio
4/1/70-3/31/71	-	55	7/1/71-6/30/72	-	100	0.55
4/1/71-3/31/72	5.7	58.14	7/1/72-6/30/73	5.4	105.40	0.55
4/1/72-3/31/73	7.9	62.73	7/1/73-6/30/74	5.4	111.09	0.56
4/1/73-3/31/74	15.5	72.45	7/1/74-6/30/75	5.64	117.36	0.62
4/1/74-3/31/75	6.5	77.16	7/1/75-6/30/76	5.62	123.95	0.62
4/1/75-3/31/76	8.8	83.95	7/1/76-6/30/77	5.33	130.56	0.64
4/1/76-3/31/77	6.9	89.74	7/1/77-6/30/78	5.49	137.73	0.65
4/1/77-3/31/78	0.6	90.28	7/1/78-6/30/79	4.23	143.55	0.63
4/1/78-3/31/79	10.4	99.67	7/1/79-6/30/80	7.73	154.65	0.64
4/1/79-3/31/80	17.0	116.61	7/1/80-9/30/81	10.28	170.55	0.68
4/1/80-3/31/81	14.6	133.64	10/1/81-9/30/82	10.11	187.79	0.71
4/1/81-3/31/82	2.8	137.38	10/1/82-9/30/83	3.52	194.40	0.71
4/1/82-3/31/83	2.6	140.95	10/1/83-9/30/84	4.93	203.98	0.69
4/1/83-3/31/84	6.3	149.83	10/1/84-9/30/85	5.82	215.86	0.69
4/1/84-3/31/85	5.4	157.92	10/1/85-9/30/86	6.55	229.99	0.69
4/1/85-3/31/86	6.4	168.03	10/1/86-9/30/87	6.18	244.21	0.69
4/1/86-3/31/87	2.1	171.56	10/1/87-9/30/88	5.87	258.54	0.66
4/1/87-3/31/88	6.4	182.54	10/1/88-9/30/89	6.39	275.06	0.66
4/1/88-3/31/89	6.7	194.77	10/1/89-9/30/90	6.16	292.01	0.67
4/1/89-3/31/90	10.9	216.00	10/1/90-9/30/91	4.15	304.13	0.71
4/1/90-3/31/91	6.0	228.96	10/1/91-9/30/92	3.93	316.08	0.72
4/1/91-3/31/92	4.0	238.12	10/1/92-9/30/93	3.11	325.91	0.73
4/1/92-3/31/93	4.7	249.31	10/1/93-9/30/94	2.93	335.46	0.74
4/1/93-3/31/94	2.0	254.30	10/1/94-9/30/95	2.73	344.62	0.74
4/1/94-3/31/95	0.1	254.55	10/1/95-9/30/96	4.10	358.74	0.71

[13] Source: Price Index of Operating Costs 1970 – 2009, NYC Housing and Vacancy Surveys.

[14] Estimate of percentage increases are based on the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City for the relevant year and adjustments made by the Rent Guidelines Board; detailed explanations are available in the individual Explanatory Statements of the Board.

[15] For explanation of the derivation of individual percentage rent increases see the Explanatory Statements of the Board's previous Orders.

Table 8 (Formerly Table 14) Continued

Calculation of Operating and Maintenance Cost Ratio For Rent Stabilized Buildings from 1970 to 2009						
Period	Percent O&M Increase	O&M Index	Period	Percent Rent Increase	Rent Index	O&M/Rent Ratio
4/1/95-3/31/96	6.0	269.82	10/1/96-9/30/97	5.72	379.26	0.71
4/1/96-3/31/97	2.4	276.30	10/1/97-9/30/98	3.66	393.16	0.70
4/1/97-3/31/98	0.1	276.58	10/1/98-9/30/99	3.71	407.75	0.68
4/1/98-3/31/99	0.03	276.65	10/1/99-9/30/00	3.91	423.70	0.65
4/1/99-3/31/00	7.8	298.23	10/1/00-9/30/01	5.04	445.04	0.67
4/1/00-3/31/01	8.7	324.18	10/1/01-9/30/02	4.78	466.29	0.70
4/1/01-3/31/02	-1.6	318.99	10/1/02-9/30/03	3.61	483.10	0.66
4/1/02-3/31/03	16.9	372.90	10/1/03-9/30/04	5.72	510.72	0.73
4/1/03-3/31/04	6.9	398.63	10/1/04-9/30/05	4.75	534.96	0.75
4/1/04-3/31/05	5.8	421.91	10/1/05-9/30/06	4.22	557.54	0.76
4/1/05-3/31/06	7.8	454.86	10/1/06-9/30/07	4.38	581.92	0.78
4/1/06-3/31/07	5.1	477.83	10/1/07-9/30/08	3.57	602.68	0.79
4/1/07-3/31/08	7.8	515.10	10/1/08-9/30/09	8.00[16]	650.80	0.79
4/1/08-3/31/09	4.0	535.71	10/1/09-9/30/10	5.82[17]	688.78	0.78

For years the staff has expressed serious reservations about the usefulness and accuracy of "Table 14". With current longitudinal income and expense data staff has constructed a new and far more reliable index, using 1989 as a base year. Except for the most recent year and the coming year, this new index measures changes in building income and operating expenses as reported in annual income and expense statements. The second to last year 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. The proposed new index is in Table 9.

While we believe this to be a more reliable 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 the new table looks at the overall relationship between costs and income, it does not measure the specific impact of rent regulation on that relationship. This new table is listed as Table 9.

[16] The **8.00%** increase in rent roll estimated for leases signed during the period 10/1/08-9/30/09 under Order 40 reflects the following: (1) Renewal guidelines are estimated to contribute a **2.51%** and **4.44%** increase in the rent roll with 31.6% of all units experiencing a one-year lease signing (4.5% or $45, whichever is higher) and 58.5% of all units experiencing two-year lease signings (8.5% or $85, whichever is higher). These figures are derived from the 2005 Housing and Vacancy Survey (HVS), Table 58, which gives reported lease terms. "Less than one year" was assumed to be a one-year lease and "More than one year" and "More than two years" were assumed to be a two-year lease. These figures for renewal leases (35% of stabilized households have a one-year lease and 65% have two-year leases) were reduced by the turnover rate of 9.9%, derived from the average households who moved in the 2005 HVS (100,500 is the average number of stabilized households that moved annually 2002-2004) and taken as percentages of all stabilized lease signers (1,015,655); (2) the median vacancy increase of 10.69% found in the 2006 annual DHCR rent registration data for apartments is estimated to increase overall rent rolls by **1.06%** when multiplied by the HVS turnover rate (9.9%), which estimates the percentage of rent stabilized units that will enter into vacancy leases under Order 40.

[17] The **5.82%** increase in rent roll estimated for leases signed during the period 10/1/09-9/30/10 under Order 41 reflects the following: (1) Renewal guidelines are estimated to contribute a **1.75%** and **2.76%** increase in the rent roll with 34.8% of all units experiencing a one-year lease signing (3% or $30, whichever is higher) and 52.5% of all units experiencing two-year lease signings (6% or $60, whichever is higher). These figures are derived from the 2008 Housing and Vacancy Survey (HVS). "Less than one year" was assumed to be a one-year lease and "More than one year" and "More than two years" were assumed to be a two-year lease. These figures for renewal leases (39.8% of stabilized households have a one-year lease and 60.2% have two-year leases) were reduced by the turnover rate of 12.7%, derived from the average households who moved in the 2008 HVS (127,570 is the number of stabilized households that moved in 2007, the most recent full year for which HVS data is available) and taken as percentages of all stabilized lease signers (1,004,837); (2) the median vacancy increase of 11.13% found in the 2008 annual DHCR rent registration data for apartments is estimated to increase overall rent rolls by **1.32%** when multiplied by the HVS turnover rate (12.7%), which estimates the percentage of rent stabilized units that will enter into vacancy leases under Order 41.

Table 9

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2010			
	Average Monthly O & M Per d.u.[18]	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	$730 ($671)	$1052	.69 (.64)
2008[19]	$787 ($723)	$1,095	.72 (.66)
2009[20]	$819 ($752)	$1,154	.71 (.65)
2010[21]	$837 ($769)	$1,236	.68 (.62)

Source: RGB *Income and Expense Studies*, 1989-2009, *Price Index of Operating Costs* 1992 - 2009, RGB Rent Index for 1992 - 2010 (see Table 8).

CHANGES IN HOUSING AFFORDABILITY

For the first time in five years, New York City's economy did not generally improve as compared with the preceding year, with mixed economic indicators, including rising unemployment rates and stagnant Gross City Product, but rising employment levels and declining homeless levels. Citywide unemployment rates (on an annual basis) increased to 5.5% during 2008, after falling for the previous four years. And while the City's Gross City Product increased for the fifth consecutive year, the rate of growth annually fell to almost zero, and fell in the last three quarters of 2008. In addition, although cash assistance levels dropped,

[18] 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.

[19] Estimated expense figure includes 2007 expense estimate updated by the PIOC for the period from 4/1/07 through 3/31/08 (7.8%). Income includes the income estimate for 2007 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 4/1/07 through 3/31/08 (4.04% - i.e., the 10/1/06 to 9/30/07 rent projection (4.38) times (.583), plus the 10/1/07 to 9/30/08 rent projection (3.57) times (.417)).

[20] Estimated expense figure includes 2008 expense estimate updated by the PIOC for the period from 4/1/08 through 3/31/09 (4.0%). Income includes the income estimate for 2008 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 4/1/08 through 3/31/09 (5.41% - i.e., the 10/1/07 to 9/30/08 rent projection (3.57) times (.583), plus the 10/1/08 to 9/30/09 rent projection (8.00) times (.417)).

[21] Estimated expense figure includes 2009 expense estimate updated by the staff PIOC projection for the period from 4/1/09 through 3/31/10 (2.2%). Income includes the income estimate for 2009 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 4/1/09 through 3/31/10 (**7.09%** - i.e., the 10/1/08 to 9/30/09 rent projection (8.00) times (.583), plus the 10/1/09 to 9/30/10 rent projection (**5.82**) times (.417)).

applications rose for the third consecutive year, increasing by more than 8%. The number of food stamp recipients is also on the rise, with rates increasing each month since March, as compared to the previous month. And for the third straight year, the number of evictions grew, by 1.3% despite less housing court filings.

However, there were indicators tracked in the I&A Study that showed a positive trend during 2008. Homeless levels were down on average in 2008, with the total number of individuals decreasing by 2.2%, and families by 3.5%. Real wages (which have a long lag time in reporting) increased significantly between 2006 and 2007, rising 6.3%. Preliminary findings from the 2008 Housing and Vacancy Survey show that in real terms, the income of rent stabilized tenants increased 1.4% between 2004 and 2007, after dropping 8.6% between 2001 and 2004. In addition, cash assistance cases fell for the fourth year in a row, dropping more than 5% between 2007 and 2008. Average employment levels also rose during 2008, by 1.2%. In addition, housing court filings fell for the third consecutive year, falling by more than 2%.

On June 4, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2009 Income and Affordability Study*. The text of that memo follows:

Per discussions at the April 7, 2009 Income and Affordability Study presentation, Board members requested the most recently available Income and Affordability data before the final vote. Selected statistics are presented below.

Unemployment Rates, New York City and the U.S., 2007-April 2009

Month	New York City			United States		
	2007	2008	2009	2007	2008	2009
January	5.3%	5.3%	7.3%	5.0%	5.4%	8.5%
February	4.9%	4.5%	8.4%	4.9%	5.2%	8.9%
March	4.5%	4.6%	8.2%	4.5%	5.2%	9.0%
April	4.4%	4.4%	7.8%	4.3%	4.8%	8.6%
May	4.6%	4.8%		4.3%	5.2%	
June	5.0%	5.1%		4.7%	5.7%	
July	5.7%	5.7%		4.9%	6.0%	
August	5.1%	6.0%		4.6%	6.1%	
September	4.8%	5.9%		4.5%	6.0%	
October	4.9%	6.3%		4.4%	6.1%	
November	4.7%	6.6%		4.5%	6.5%	
December	4.8%	7.2%		4.8%	7.1%	
Annual Average	4.9%	5.5%		4.6%	5.8%	

Employment Levels, New York City, January-April 2008 and January-April 2009

Industry	January-April 2008	January-April 2009	% Change
Manufacturing	96.8	83.5	-13.7%
Construction, Natural Resources & Mining	129.2	116.6	-9.8%
Trade, Transport & Utilities	569.6	548.9	-3.6%
Leisure & Hospitality	300.8	295.3	-1.8%
Financial Activities	466.7	443.3	-5.0%
Information	165.6	164.4	-0.7%
Professional & Business Svcs.	600.2	581.4	-3.1%
Educational & Health Svcs.	719.9	735.5	2.2%
Other Services	159.5	162.6	1.9%
Total Private Sector	3,208.1	3,131.3	-2.4%
Government	561.4	559.3	-0.4%
Total	3,769.5	3,690.7	-2.1%

Gross City and National Products (in billions of real 2000 dollars), NYC and the U.S., 2007-2009

Quarter	New York City		United States	
	GCP	% change from previous quarter	U.S. GDP	% change from previous quarter
1st Quarter (2007)	456.1	4.00%	11,357.8	0.1%
2nd Quarter (2007)	460.2	3.70%	11,491.4	4.8%
3rd Quarter (2007)	463.6	3.00%	11,625.7	4.8%
4th Quarter (2007)	465.9	2.00%	11,620.7	-0.2%
1st Quarter (2008)	467	1.00%	11,646.0	0.9%
2nd Quarter (2008)	466.7	-0.30%	11,727.4	2.8%
3rd Quarter (2008)	464.8	-1.60%	11,712.4	-0.5%
4th Quarter (2008)	457.4	-6.20%	11,522.1	-6.3%
1st Quarter (2009)*	452.6	-4.10%	11,353.7	-5.7%

*Data for 1st Quarter 2009 is preliminary

Consumer Price Index (Inflation), New York Metro Area and the U.S., 2007-2009

Month	New York Metro Area			United States		
	2007	2008	2009	2007	2008	2009
January	2.7%	3.7%	1.5%	2.1%	4.3%	0.0%
February	3.1%	3.6%	1.6%	2.4%	4.0%	0.2%
March	2.9%	3.8%	0.8%	2.8%	4.0%	-0.4%
April	2.5%	3.6%	0.8%	2.6%	3.9%	-0.7%
May	2.5%	4.0%		2.7%	4.2%	
June	2.5%	4.5%		2.7%	5.0%	
July	2.5%	5.1%		2.4%	5.6%	
August	1.9%	5.4%		2.0%	5.4%	
September	2.4%	5.2%		2.8%	4.9%	
October	3.1%	4.3%		3.5%	3.7%	
November	3.9%	2.2%		4.3%	1.1%	
December	3.7%	1.6%		4.1%	0.1%	
Annual Average	2.8%	3.9%		2.8%	3.8%	

Housing Court Data, New York City, 2007-2009

Residential Non-Payment *Filings*

Quarter	2007 Non-Payment Filings	2008 Non-Payment Filings	2009 Non-Payment Filings	% change 2007-2008	% change 2008-2009
1st Quarter	58,505	54,917	62,777	-6.1%	14.3%
2nd Quarter	54,647	52,765		-3.4%	
3rd Quarter	57,256	54,977		-4.0%	
4th Quarter	80,982	83,488		3.1%	
Total	251,390	246,147		-2.1%	

Residential Non-Payment *Calendared (Noticed to Appear)*

Quarter	2007 Non-Payment Calendared	2008 Non-Payment Calendared	2009 Non-Payment Calendared	% change 2007-2008	% change 2008-2009
1st Quarter	27,538	27,114	31,572	-6.10%	16.4%
2nd Quarter	26,461	25,526		-3.40%	
3rd Quarter	26,522	25,735		-4.00%	
4th Quarter	41,272	42,045		3.10%	
Total	121,793	120,420		-1.1%	

Cash Assistance Recipients, New York City, 2007-2009

Month	2007			2008			2009		
	Recipients	% change (from previous month*)	% change (from previous year*)	Recipients	% change (from previous month*)	% change (from previous year*)	Recipients	% change (from previous month*)	% change (from previous year*)
January	377,896	-0.7%	-8.4%	347,681	-0.6%	-8.0%	339,452	-1.1%	-2.4%
February	369,601	-2.2%	-8.8%	347,014	-0.2%	-6.1%	342,010	0.8%	-1.4%
March	368,892	-0.2%	-8.3%	344,834	-0.6%	-6.5%	343,384	0.4%	-0.4%
April	363,392	-1.5%	-8.6%	346,740	0.6%	-4.6%	342,333	-0.3%	-1.3%
May	363,972	0.2%	-8.2%	344,594	-0.6%	-5.3%			
June	360,738	-0.9%	-8.4%	341,329	-0.9%	-5.4%			
July	359,285	-0.4%	-7.6%	338,886	-0.7%	-5.7%			
August	357,473	-0.5%	-8.2%	336,430	-0.7%	-5.9%			
September	349,936	-2.1%	-8.6%	334,329	-0.6%	-4.5%			
October	355,510	1.6%	-8.1%	339,936	1.7%	-4.4%			
November	352,846	-0.7%	-7.2%	336,765	-0.9%	-4.6%			
December	349,816	-0.9%	-8.1%	343,144	1.9%	-1.9%			
Annual Average	360,780	N/A	-8.2%	341,807	N/A	-1.9%			

*Percent change from previous month refers to the percentage change from the immediately preceding month.
Percent change from the previous year refers to the percentage change from the same month in the prior year.

Food Stamp Recipients, New York City, 2008-2009

Month	2008			2009		
	Recipients	% change (from previous month*)	% change (from previous year*)	Recipients	% change (from previous month*)	% change (from previous year*)
January	1,200,997	N/A	N/A	1,366,942	1.4%	13.8%
February	1,194,594	-0.5%	N/A	1,390,204	1.7%	16.4%
March	1,205,079	0.9%	N/A	1,415,907	1.8%	17.5%
April	1,216,106	0.9%	N/A	1,444,403	2.0%	18.8%
May	1,226,492	0.9%	N/A			
June	1,241,610	1.2%	N/A			
July	1,261,100	1.6%	N/A			
August	1,276,590	1.2%	N/A			
September	1,297,108	1.6%	N/A			
October	1,318,502	1.6%	N/A			
November	1,330,816	0.9%	N/A			
December	1,348,073	1.3%	N/A			
Annual Average	1,259,756	N/A	N/A			

*Percent change from previous month refers to the percentage change from the immediately preceding month.
Percent change from the previous year refers to the percentage change from the same month in the prior year.
Due to a methodology change, data from January 2008 cannot be compared to prior years.

Average Daily Homeless Shelter Population, New York City, 2007-2008

Month	2007	2008	% change (from previous year*)
January	34,799	35,239	1.3%
February	35,044	34,941	-0.3%
March	35,166	34,637	-1.5%
April	35,134	34,292	-2.4%
May	35,118	34,038	-3.1%
June	34,683	33,248	-4.1%
July	34,132	32,418	-5.0%
August	34,807	33,079	-5.0%
September	35,356	34,217	-3.2%
October	36,004	34,991	-2.8%
November	35,813	35,704	-0.3%
December	35,433	35,439	0.0%
Annual Average	35,124	34,354	-2.2%

*Percent change from the previous year refers to the percentage change from the same month in the prior year.
As of the publication of this memo, homeless data has not been updated past December 2008.

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 10). 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 made no distinction between guidelines for buildings with different fuel and utility arrangements under Order 41.

Table 10

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2008-09, and Commensurate Rent Adjustment		
Index Type	**2008-09 Price Index Change**	**One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .679**
All Dwelling Units	3.96%	2.69%
Pre 1947	3.42%	2.32%
Post 1946	3.88%	2.63%
Oil Used for Heating	2.04%	1.39%
Gas Used for Heating	6.95%	4.72%
Master Metered for Electricity	5.06%	3.44%

Note: The O&M to Income ratio is from the *2009 Income and Expense Study.*
Source: RGB's *2009 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.*

On June 4, 2009 the staff of the Rent Guidelines Board released a memo to Board members regarding an analysis of rent guideline adjustments. The text of this memo follows:

Analysis of Rent Guideline Adjustments:

Introduction

One of the tools that the Rent Guidelines Board has at its disposal is the Housing and Vacancy Survey (HVS). This survey, conducted every three years, asks households in New York City hundreds of questions, ranging from their rent and income levels, to the number and age of persons in the household. Staff details some of the most relevant statistics from this survey in their *Income and Affordability* and *Housing Supply Reports*, as well as in specific research requests from Board members. For the purposes of setting annual rent guidelines, two of the most heavily utilized statistics from this survey are rent and income levels, and the resulting combination of the two – the rent-to-income ratio – is generally seen as a measure of affordability (which HUD guidelines define as paying no more than 30% of income towards rent and the SCRIE program defines as no more than 33.3% of income).

At the request of Chairman Markus, on June 19, 2008, staff released a memo detailing contract rents and contract rent-to-income ratios for rent stabilized households. At that time, the most recent Housing and Vacancy Survey was three years old and of limited value due to its age. In an attempt to estimate present-day conditions, staff made a series of assumptions about rent levels and incomes in 2008. Those assumptions were outlined in detail in last year's memo. Added to these assumptions, we attempted to project rent levels and rent-to-income ratios based on a variety of proposed rent increases under Order #40. These proposals included two different sets of rent increases combined with minimum guideline increases for tenants in occupancy at least six, eight, or ten years. The main aim of that memo was to determine if long-term tenants could afford a minimum increase.

As a follow-up to last year's memo on the impact of minimum rent increases, staff used recently published 2008 Housing and Vacancy Survey (HVS) data to analyze reported 2008 rent levels and rent-to-income ratios, as well as estimated rent levels and rent-to-income ratios in the following year given guideline increases authorized in Order #40. Unlike last year's memo which projected 2008 rents from the 2005 Housing and Vacancy Survey using a set of assumptions about rent and income increases, this memo relies more strictly on published HVS data and includes very few assumptions.

Among the major findings:

- The 2008 HVS median contract rent-to-income ratio for rent stabilized tenants not receiving SCRIE was 28.4%. With increases authorized under Order #40, we estimate that those signing a one-year lease would see their rent-to-income ratio rise to 29.7% and under a two-year lease to 31.0%.
- The 2008 HVS median contract rent-to-income ratio for rent stabilized tenants who were subject to **minimum** rent increases under Order #40 was 27.5%. With increases authorized under Order #40, we estimate that those signing a one-year lease would see their rent-to-income ratio rise to 29.0% and under a two-year lease to 30.8%.

- The 2008 HVS median contract rent for rent stabilized tenants not receiving SCRIE was $930. With increases authorized under Order #40, we estimate that those signing a one-year lease would see their rent rise to $975 and under a two-year lease to $1,014.
- The 2008 HVS median contract rent for rent stabilized tenants who were subject to **minimum** rent increases under Order #40 was $713. With increases authorized under Order #40, we estimate that those signing a one-year lease would see their rent rise to $758 and under a two-year lease to $798.
- In general, staff overestimated the amount that rent rose between 2005 and 2008, but also overestimated income increases, especially for those households that are eligible to receive the minimum increases. (See Summary below for more details)
    - The net result was an estimated rent-to-income ratio for all households that was just 0.1 percentage point higher than actual levels, but a median rent-to-income ratio underestimated by 1.5 percentage points for households eligible for the minimum increases.
    - For all rent stabilized households, rents were underestimated by 2.9% ($28) and were underestimated by 5.4% ($41) for households eligible for minimum increases.
- Approximately 695,000 renewal leases will be signed under Order #40.
- If minimum increases are passed in the upcoming guideline year, approximately 143,000 households will have been subject to minimum increases in two consecutive years by virtue of living in their apartment six years or more, having rents less than $1,000, and having signed a one-year lease under both Orders #40 and #41.

The methodology used is outlined below. Also included is a summary of our findings and tables that contain the data used in our analysis.

Methodology

Baseline 2008 contract rent-to-income ratios are as reported in the 2008 HVS for rent stabilized tenants who do not receive SCRIE (as SCRIE tenants are exempt from rent increases). Rent-to-income ratios are reported in two ways – first for all rent stabilized tenants who do not receive SCRIE, and then for just those tenants who would be eligible for minimum rent increases (i.e. tenants in place six years or more whose rents are less than $1,000). To estimate 2009 rent-to-income ratios, estimated 2009 rent levels (as described in the following paragraph) were divided by estimated monthly income levels. As income reported in the 2008 HVS is for calendar year 2007, to calculate 2008 income levels staff needed to estimate the level of income increases between 2007 and 2008. Wage data, as reported by the NYS Dept. of Labor, is only available through the first three quarters of 2008, during which period wages remained flat, rising only 0.1% as compared to the first three quarters of 2007. However, Social Security income during 2008 increased by 5.8%. According to the 2008 HVS, 132,140 rent stabilized households (who do not receive SCRIE) have Social Security income. For these households, the Social Security portion of their income was increased by 5.8% to estimate 2008 income, while for all other households income was left unchanged from 2007. Note that for those households who elect to take a two-year lease, their rent will not rise in 2010, so barring any downward changes in income levels between 2008 and 2010, rent-to-income ratios in 2010 will be lower than those reported here.

Baseline 2008 rent levels are as reported in the 2008 HVS for rent stabilized tenants who do not receive SCRIE. As with rent-to-income ratios, rents are presented both for all rent stabilized tenants and then only for those eligible for minimum increases. Guideline increases for one- and two-year leases were added to reported 2008 rents to estimate 2009 rent levels. Tenants were given either a rent increase of 4.5% or $45 on one-year leases, and 8.5% or $85 on two-year leases.

Staten Island is not a part of the borough analysis of this memo because of the small sample size of the rent stabilized population there. However, Staten Island households are included in the citywide numbers. Also note that this analysis excludes those households who claimed to be receiving SCRIE as they would presumably not be impacted by any increase in rent. Per the 2008 HVS, 23,831 households receive SCRIE. Per City budget data, 45,500 households receive SCRIE, an underestimation in the HVS of 48%.

Summary

Contract Rent-to-Income Ratios

Section 1 focuses on contract rent-to-income ratios. Page 4 details reported 2008 HVS contract rent-to-income ratios, as well as estimated 2009 contract rent-to-income ratios (see Methodology section). Also included, for reference purposes only, are the 2008 estimates for each of these categories that the RGB made last year. As can be seen in the first of these tables, for all rent stabilized tenants not receiving SCRIE, the 2008 median contract rent-to-income ratio, Citywide, is 28.3%, and is estimated to rise to 29.7% for those tenants signing a one-year lease under Order #40, and 31.0% for those signing a two-year lease. The second table on Page 4 details rent-to-income ratios for just those tenants who are eligible for minimum rent increases of either $45 or $85 under the current order. Citywide, their median rent-to-income ratio is 27.5% and is projected to rise to 29.0% for those signing one-year leases and 30.8% for those signing two-year leases.

These tables also include estimates made last year about 2008 rent-to-income ratios. Citywide, the RGB estimated last year that the median contract rent-to-income ratio in 2008 would be 28.4%, but it was actually 28.3%. As can be seen in the borough breakdowns, the RGB overestimated the ratios in all but the Bronx, where the RGB underestimated by almost two percentage points. Contract rent-to-income ratios include two components – rents and incomes. As can be seen in the tables on Page 5, the RGB overestimated the amount of rent increase between 2005 and 2008, which should have lowered rent-to-income ratios. However, we also overestimated the amount of income increase between 2005 and 2008. While the RGB predicted that median income levels would go up 13.9%, they actually went up 11.0%. Average income was predicted to rise 14.5% and actually rose 13.0%. The combination of the overestimation of both rents and income resulted in an estimate of the 2008 contract rent-to-income ratio that was virtually identical to the actual ratio. However, in the second table on Page 4, we see that the estimates of the contract rent-to-income ratio for those tenants subject to the minimums (those in place for six years and more and paying less than $1,000 in rent) were underestimated by 1.5 percentage points Citywide, and were only overestimated in Manhattan. As the second table on Page 5 illustrates, while rents were overestimated for this group by $41 a month, median incomes for this group, which were projected to rise 15.0%, actually only rose 3.7% (average income levels actually rose more than estimated, by 15.2%, as opposed to a projected 14.2%).

Contract Rents

Section 2 focuses on contract rents. Page 5 details 2008 contract rents for all rent stabilized tenants not receiving SCRIE, as well as estimated 2009 rents (see Methodology section above). Also included, for reference purposes only, are the 2008 estimates for each of these categories that the RGB made last year. As seen in the first of these tables, the median contract rent was $930 in 2008, and is projected to rise to $975 for those signing a one-year lease and $1,014 for those signing a two-year lease under Order #40. The second table details contract rents for just those tenants who are eligible for minimum rent increases of either $45 or $85. Citywide, their median contract rent in 2008 was $713, and is projected to rise to $758 for those signing a one-year lease and $798 for those signing a two-year lease.

These tables also include estimates made last year about 2008 contract rents. In all cases the RGB overestimated rent increases between 2005 and 2008. For all rent stabilized tenants not receiving SCRIE, rents were projected to be $958 in 2008 and were actually $930. Estimates were less precise for those tenants eligible to receive minimum rent increases. The median contract rent for this group was projected to be $754 in 2008 and was actually $713.

Miscellaneous Notes

It is important to note that not everyone signs a lease every year, and 2009 estimates presented in this memo include tenants who are not going to receive a rent increase in 2009 because they are entering the second year of a two-year lease signed in 2008. Approximately 70.2% of tenants sign a lease in any given year, with approximately 40.5% of tenants signing a one-year lease, 29.8% signing a two-year lease, and 29.8% not signing a lease at all. Based on these percentages, approximately 695,000 renewal leases will be signed under Order #40. Of these, approximately 400,000 will be one-year leases, and 150,000 of these one-year leases will be subject to the minimum increases passed in Order #40. For the upcoming guideline year, were minimum increases to be passed again, 143,000 households would be subject to minimum increases in two consecutive years (7,000 households who received minimum increases under Order #40 will now have rents that exceed $1,000 for the first time).

Those who are not signing leases under Order #40 were not affected by guidelines passed last year, although they are included in this memo as though they had. Likewise, those signing a two-year renewal under Order #40 will not see a rent increase until October 1, 2010 at the earliest, so it can be assumed that barring income decreases, their rent-to-income ratios for most of 2010 will be lower than that presented here. For practical purposes, this memo must analyze the data as if every tenant signed a lease under Order #40, and all either signed a one-year lease or all signed a two-year lease. To get a better representation of the amount of households affected, discount the figures in the tables by approximately 29.8% (the approximate number of households who do not sign a lease in a given year) and then assume that the true figures lie somewhere in between the one- and two-year figures provided.

Section 1: Median Contract Rent-to-Income Ratios, Tenants Not Receiving SCRIE

Contract rent-to-income ratios are presented using 2008 data and then adjusted for 2009 based on actual guideline increases approved for leases beginning October 2008-September 2009. 2007 incomes (as reported in the HVS) are adjusted upwards only for those receiving Social Security (see Methodology on Page 2). We look first at rent-to-income ratios for all rent stabilized households not receiving SCRIE and then at only those households who will be subject to minimum increases (i.e. only those households with a tenancy of six years or more and paying a minimum of $45 for a one-year lease or $85 for a two year lease).

Median Contract Rent-to-Income Ratios for **All Tenants Not Receiving SCRIE**, with minimum rent increases for tenants in place six years or more (whose rents are less than $1,000) and either 4.5%/8.5% for all other tenants.

Borough	Number of Households (# valid and missing*)		present (2008) median contract rent-to-income ratios	2008 Estimated Contract Rent-to-Income Ratio by RGB Staff in June 19, 2008 memo ***(for comparison purposes only)***	**One-Year Lease** median contract rent-to-income ratio after minimum increase of ***$45*** (or guideline increases of 4.5%)	**Two-Year Lease** median contract rent-to-income ratio after minimum increase of ***$85*** (or guideline increases of 8.5%)
Bronx	Valid Missing* Total	192,171 22,292 214,463	32.9%	31.0%	34.4%	36.2%
Brooklyn	Valid Missing* Total	256,429 14,537 270,966	28.3%	29.4%	29.8%	31.0%
Manhattan	Valid Missing* Total	266,242 29,369 295,611	24.9%	25.7%	26.3%	27.4%
Queens	Valid Missing* Total	189,411 10,333 199,744	28.7%	29.3%	30.1%	31.4%
Citywide	**Valid Missing* Total**	**911,394 77,746 989,140**	**28.3%**	**28.4%**	**29.7%**	**31.0%**

* Missing refers to households whose contract rent-to-income ratio could not be calculated.

Median Contract Rent-to-Income Ratios for **Tenants with a Tenancy of *Six* Years or More Who Will be Eligible to Receive Minimum Increases of *$45* on a One-Year Lease or *$85* on a Two-Year Lease,** Not Receiving SCRIE

Borough	Number of Households (# valid and missing*)		present (2008) median contract rent-to-income ratios	2008 Estimated Contract Rent-to-Income Ratio by RGB Staff in June 19, 2008 memo ***(for comparison purposes only***	**One-Year Lease** median contract rent-to-income ratio after minimum increase of ***$45*** (or guideline increases of 4.5%)	**Two-Year Lease** median contract rent-to-income ratio after minimum increase of ***$85*** (or guideline increases of 8.5%)
Bronx	Valid Missing* Total	84,327 7,761 92,088	30.7%	28.5%	33.0%	35.0%
Brooklyn	Valid Missing* Total	105,061 5,499 110,560	27.7%	27.0%	29.0%	30.6%
Manhattan	Valid Missing* Total	95,824 8,037 103,861	22.6%	23.3%	24.2%	26.5%
Queens	Valid Missing* Total	60,383 3,023 63,406	28.4%	26.9%	29.7%	31.2%
Citywide	**Valid Missing* Total**	**347,481 24,740 372,221**	**27.5%**	**26.0%**	**29.0%**	**30.8%**

* Missing refers to households whose contract rent-to-income ratio could not be calculated.

Section 2: Median Contract Rent Levels, Tenants Not Receiving SCRIE

Contract rents are presented using 2008 data and then adjusted for 2009 based on actual guidelines increases approved for leases beginning October 2008-September 2009. We look first at rents for all rent stabilized households not receiving SCRIE and then at only those households who will be subject to minimum increases (i.e. only those households with a tenancy of six years or more and paying a minimum of $45 for a one-year lease or $85 for a two year lease).

Median Contract Rents for **All Tenants Not Receiving SCRIE**, with minimum rent increases for tenants in place six years or more (whose rents are less than $1,000) and either 4.5%/8.5% for all other tenants.

Borough	Number of Households (# valid and missing*)		present (2008) median rent	2008 Estimated Rent by RGB Staff in June 19, 2008 memo ***(for comparison purposes only)***	**One-Year Lease** median contract rent after minimum increase of ***$45*** (or guideline increases of 4.5%)	**Two-Year Lease** median contract rent after minimum increase of ***$85*** (or guideline increases of 8.5%)
Bronx	Valid Missing* Total	210,473 3,991 214,464	$840	$845	$884	$922
Brooklyn	Valid Missing* Total	269,580 1,386 270,966	$900	$922	$945	$985
Manhattan	Valid Missing* Total	289,121 6,490 295,611	$1,036	$1,104	$1,083	$1,124
Queens	Valid Missing* Total	198,611 1,133 199,744	$1,000	$1,014	$1,045	$1,085
Citywide	**Valid** **Missing*** **Total**	**975,969** **13,171** **989,140**	**$930**	**$958**	**$975**	**$1,014**

* Missing refers to households whose contract rents could not be calculated.

Median Contract Rents for **Tenants with a Tenancy of *Six* Years or More Who Will be Eligible to Receive Minimum Increases of *$45* on a One-Year Lease or *$85* on a Two-Year Lease,** Not Receiving SCRIE

Borough	Number of Households (# valid and missing*)		present (2008) median rent	2008 Estimated Rent by RGB Staff in June 19, 2008 memo ***(for comparison purposes only)***	**One-Year Lease** median contract rent after minimum increase of ***$45*** (or guideline increases of 4.5%)	**Two-Year Lease** median contract rent after minimum increase of ***$85*** (or guideline increases of 8.5%)
Bronx	Valid Missing* Total	92,088 0 92,088	$719	$744	$764	$804
Brooklyn	Valid Missing* Total	110,560 0 110,560	$718	$761	$763	$803
Manhattan	Valid Missing* Total	103,861 0 103,861	$660	$690	$705	$745
Queens	Valid Missing* Total	63,406 0 63,406	$799	$811	$844	$884
Citywide	**Valid** **Missing*** **Total**	**372,221** **0** **372,221**	**$713**	**$754**	**$758**	**$798**

*Missing refers to households whose contract rents could not be calculated.

On June 17, 2009 the staff of the Rent Guidelines Board released a memo to Board members with information concerning tax arrears data for Class 2 properties. The text of that memo follows:

At the June 4 meeting, staff was instructed to request current tax arrears data from the Department of Finance. Attached is fiscal year (July-June) data for Class 2 properties from FY 2001 through April 30, 2009. This data includes the number of parcels in arrears, the dollar amount delinquent and the delinquency rate (the amount delinquent as percent of the levy at the end of each fiscal year). This data for class 2 properties is broken out into five categories of buildings: walkups, elevator, coops, condominiums and residential multi use. Please note that this data represents all of the Class 2 properties, not just those that contain rent stabilized units. Although some rent stabilized units would be located in condominiums or coops, the large majority would be in the remaining three categories.

Tax delinquencies are defined as follows:

> *Property tax delinquencies reflect the amount of property tax that is due but not yet collected. Delinquencies may be attributable to tax amounts owed for the current fiscal year or prior fiscal years, and reflect the status of payments at a given point in time.*[22]

In FY 2009 (thru 4/30/09), 25,715 class 2 parcels were in tax arrears, 11,000 more than in the previous fiscal year and the highest total since FY 2003. In FY 2009 these parcels owed a total of $150,600,000 in back taxes compared to $84,900,000 in FY 2008. The percentage of the total levy for each category of Class 2 housing, which is the rate of delinquency, in FY 2009 ranged from 0.7% for cooperatives to 5.2% for residential multi use buildings. In FY 2008 delinquency rates ranged from 0.6% to 3.5%.

Delinquency Rate for Selected Property Types, FY 2001 - FY 2009
Amount delinquent in $ million
Rate is amount delinquent as percent of levy at the end of each fiscal year

	FY 2001			FY 2002			FY 2003		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	9,719	35.7	5.6%	7,841	32.1	4.7%	9,562	30.3	4.2%
Elevator	411	20.5	2.0%	549	18.0	1.6%	540	19.5	1.7%
Cooperatives	1,217	8.2	0.8%	1,043	9.8	0.9%	1,013	11.6	1.0%
Condominiums	10,098	9.7	3.1%	8,840	12.2	3.3%	15,688	19.0	4.6%
Res. Multi Use	2,144	5.3	5.3%	1,704	4.5	4.4%	2,215	4.6	4.3%
Total	23,589	79.3		19,977	76.6		29,018	85.0	

	FY 2004			FY 2005			FY 2006		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	8,472	33.6	3.8%	5,230	26.9	2.9%	5,433	30.0	3.0%
Elevator	386	25.6	1.7%	330	20.6	1.3%	476	18.1	1.1%
Cooperatives	810	8.4	0.6%	712	8.9	0.6%	747	9.8	0.6%
Condominiums	11,477	15.6	2.9%	6,047	14.3	2.5%	6,014	13.2	2.1%
Res. Multi Use	2,054	5.2	3.9%	1,185	4.6	3.3%	1,281	4.5	3.1%
Total	23,199	88.4		13,504	75.2		13,951	75.6	

	FY 2007			FY 2008			FY '09 (thru 4/30/09)		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	5,815	36.4	3.4%	4,748	31.2	2.8%	7,421	62.2	4.9%
Elevator	615	32.9	1.9%	882	21.1	1.2%	2,278	32.5	1.8%
Cooperatives	608	10.6	0.6%	663	9.8	0.6%	796	15.2	0.7%
Condominiums	6,855	17.0	2.4%	7,006	17.3	2.3%	13,354	30.8	3.3%
Res. Multi Use	1,370	6.3	4.1%	1,138	5.4	3.5%	1,866	9.9	5.2%
Total	15,263	103.2		14,437	84.9		25,715	150.6	

Sources: Property Tax Annual Report, FY01-08. http://www.nyc.gov/html/dof/html/pub/pub_reports_property.shtml
Totals may not equal sums due to rounding.

[22] *The NYC Property Tax FY 2008 Annual Report*, pg. 36 http://www.nyc.gov/html/dof/html/pdf/08pdf/nyc_property_tax_fy08.pdf

On June 18, 2009 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning tax arrears data for Class 2 properties. The text of that memo follows:

At the June 17 public hearing staff released a memo regarding tax arrears data for Class 2 properties, data that was received from the Department of Finance on June 16. Members requested that we present this data with just the three categories of property in which the large majority of rent stabilized units are located: walkups, elevator and residential multiple-use buildings. Coop and condominium units are predominately owner occupied while the other three categories of Class 2 properties contain units occupied by renters. Please note that the data in this memo represents **all** of the Class 2 walkups, elevator and residential multiple-use parcels that are in tax arrears, not just those that contain rent stabilized units. A request to Finance has been made to separate this data by borough and Community District for just those buildings containing rent stabilized buildings.

Tax delinquencies are defined as follows:

> *Property tax delinquencies reflect the amount of property tax that is due but not yet collected. Delinquencies may be attributable to tax amounts owed for the current fiscal year or prior fiscal years, and reflect the status of payments at a given point in time.*[23]

In FY 2009 (thru 4/30/09), 11,565 Class 2 walkup, elevator, and residential multi-use parcels were in tax arrears, 70% more than in FY 2008 (6,768) and the highest total since FY 2003. In FY 2009 these parcels owed a total of $104,600,000 in back taxes compared to $57,800,000 in FY 2008 and the largest amount in the last nine years. The percentage of the total levy (which is the rate of delinquency) for each category of Class 2 housing in FY 2009 ranged from 1.8% for elevator buildings to 5.2% for residential multi-use buildings. In FY 2008 delinquency rates ranged from 1.2% to 3.5%. See the tables on the following page for Class 2 tax arrears data from FY 2001 going forward.

[23] *The NYC Property Tax FY 2008 Annual Report*, pg. 36 http://www.nyc.gov/html/dof/html/pdf/08pdf/nyc_property_tax_fy08.pdf

Delinquency Rate for Selected Property Types, FY 2001 - FY 2009
Amount delinquent in $ million
Rate is amount delinquent as percent of levy at the end of each fiscal year

	FY 2001			FY 2002			FY 2003		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	9,719	$35.7	5.6%	7,841	$32.1	4.7%	9,562	$30.3	4.2%
Elevator	411	$20.5	2.0%	549	$18.0	1.6%	540	$19.5	1.7%
Res. Multi Use	2,144	$5.3	5.3%	1,704	$4.5	4.4%	2,215	$4.6	4.3%
Total	12,274	$61.4		10,094	$54.6		12,317	$54.4	

	FY 2004			FY 2005			FY 2006		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	8,472	$33.6	3.8%	5,230	$26.9	2.9%	5,433	$30.0	3.0%
Elevator	386	$25.6	1.7%	330	$20.6	1.3%	476	$18.1	1.1%
Res. Multi Use	2,054	$5.2	3.9%	1,185	$4.6	3.3%	1,281	$4.5	3.1%
Total	10,912	$64.4		6,745	$52.1		7,190	$52.6	

	FY 2007			FY 2008			FY '09 (thru 4/30/09)		
CLASS 2	Parcels	Amount	Rate	Parcels	Amount	Rate	Parcels	Amount	Rate
Walk-ups	5,815	$36.4	3.4%	4,748	$31.2	2.8%	7,421	$62.2	4.9%
Elevator	615	$32.9	1.9%	882	$21.1	1.2%	2,278	$32.5	1.8%
Res. Multi Use	1,370	$6.3	4.1%	1,138	$5.4	3.5%	1,866	$9.9	5.2%
Total	7,800	$75.6		6,768	$57.8		11,565	$104.6	

Sources: Property Tax Annual Report, FY01-08. http://www.nyc.gov/html/dof/html/pub/pub_reports_property.shtml
Totals may not equal sums due to rounding.

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 2.8%, 1.2 percentage points lower than the increase for apartments. This difference is explained by the fact that Attorney fees, which rose 1.7%, and Insurance Costs, which declined 2.9%, carry much more weight for lofts than for apartments. More weight put on these components placed more downward pressure on the Loft Index.

This year's guidelines for lofts are: **3%** for a one-year lease and **6%** for a two-year lease.

Table 11

Changes in the Price Index of Operating Costs for Lofts from 2008-09	
	Loft O & M Price Index Change
All Buildings	2.8%

Source: *2009 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) 50% 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 50% 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 82 of the Laws of 2003.

SUBLET ALLOWANCE

The increase landlords are allowed to charge under Order 41 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2009 and on or before September 30, 2010 shall be **10%**.

VOTES

The votes of the Board on the adopted motion pertaining to the provisions of Order #41 were as follows:

	Yes	No	Abstentions
Guidelines for Apartment Order #41	5	4	-

Dated: June 24, 2009
Filed with the City Clerk: June 29, 2009

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Marvin Markus, Chair
Rent Guidelines Board

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