EXPLANATORY STATEMENT - APARTMENT ORDER #39

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2007-08 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law[1]

Summary of Order No. 39

The Rent Guidelines Board (RGB) by Order No. 39 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2007 and on or before September 30, 2008 for **apartments** under its jurisdiction:

<u>LEASE RENEWALS</u>

1 Year	2 Years
3.0%	**5.75%**

<u>VACANCY ALLOWANCE</u>

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.

<u>SUPPLEMENTAL ADJUSTMENT</u>

There shall be **no supplemental adjustment** for apartments renting below any specified amount for renewal leases.

There shall be **no equalization allowance** for apartments continuously occupied for a specified period of time for renewal leases.

<u>SUBLET ALLOWANCE</u>

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, 2007 and on or before September 30, 2008 shall be **10%**.

<u>ADJUSTMENTS FOR LOFTS</u>

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, 2007 and on or before September 30, 2008. No vacancy allowance or low rent allowance is included for lofts.

1 Year	2 Years
2.5%	**5.25%**

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. 39.

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[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.

SPECIAL GUIDELINES

Leases for units subject to rent control on September 30, 2007 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, 2007.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2007 shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

Background of Order No. 39

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. 39 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 70 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 19, 2007** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 27, April 12, April 24, April 27, and June 5, 2007. On **May 7, 2007**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 12, 2007** and **June 19, 2007** 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 10 a.m. to 6:45 p.m. on June 12, 2007 and from 4 p.m. to 9:30 p.m. on June 19, 2007. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from approximately 82 apartment tenants and tenant representatives, 27 apartment owners and owner representatives, and 6 public officials. In addition 6 speakers read into the record written testimony from various public officials. On **June 26, 2007** the guidelines set forth in Order No. 39 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 27, 2007:	Staff presentation, *2007 Mortgage Survey*
	Guest Speakers
1. Joseph Rosenberg	Deputy Commissioner, Intergovernmental Affairs, NYC Department of Housing Preservation and Development
April 12, 2007:	Staff presentation, *2007 Income and Affordability Study*
April 24, 2007:	Staff presentations, *2007 Price Index of Operating Costs* and the *2007 Income & Expense Study*
April 27, 2007:	Staff presentation,
	Apartment Owners group testimony:
1. James Wacht	Sierra Realty Corp.
2. Joe Zitolo	Lemle and Wolff, Inc.
3. Christopher Athineos	Athineos Enterprises, Inc. and Small Property Owners of NY (SPONY)
4. Jack Freund	Executive Vice President - Rent Stabilization Association (RSA)
5. Alan Salzberg	Quantitative Analysis, Inc.

	<u>Apartment Tenants group testimony:</u>
1. Patrick Markee	Senior Policy Analyst, Coalition for the Homeless
2. Louise Seeley	Executive Director, City-Wide Task Force on Housing Court
3. Tom Waters	Housing Policy Analyst, Community Service Society
4. Benjamin Dulchin	Deputy Director, Association for Neighborhood and Housing Development
5. Richardo Gotla	Tenant Organizer, Office of City Council Member Annabel Palma
	<u>Hotel Tenants group testimony:</u>
1. Yarrow Willman-Cole	Tenant Organizer, West Side S.R.O. Law Project
2. Chris Schwartz	Attorney, MFY/East Side SRO Law Project
3. Larry Wood	Community Organizer, Goddard Riverside Community Center
June 5, 2007:	<u>Staff presentations</u>
	2007 Housing Supply Report
	Changes to the Rent Stabilized Housing Stock in NYC in 2006
	Memo: *Analysis of Hotel/SRO/Rooming House Registration Data*
	<u>NYS Division of Housing and Community Renewal (DHCR) testimony</u>
1. Leslie Torres	Deputy Commissioner for Office of Rent Administration
2. David Cabrera	Deputy Commissioner for Housing Operations
3. Michael Rosenblatt	Deputy General Counsel

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

Comments from tenants and tenant groups included:

"I want to point out that each year, the RGB is voting for rent increases on fewer and fewer apartments, the reason being that deregulation is removing tens of thousands of units from your jurisdiction. Landlords are deregulating apartments through a variety of practices, both legal and illegal. On the Lower East Side, many of our neighbors are facing an onslaught of displacement pressures, from phony demolition filings to personal use evictions, and from aggressive litigation followed by buyout offers. These tactics have certainly been effective, removing thousands of units from rent stabilization in the past few years. These landlords are making huge profits on the deregulated apartments. You should take this into account when you vote on the new annual rent increases."

"Homelessness in New York City has reached record numbers, the number of vacant apartments remains exceptionally low, and affordable housing is disappearing because of a flourishing real estate market and a significant decline in government funding for tenants. While tenants struggle to find and maintain affordable housing, landlords have continued to profit. Low income tenants in rent stabilized apartments have had to shoulder the greatest burden of the decline in affordability in the New York City rental market, and the situation is likely to worsen given the current economic outlook. The Rent Guidelines Board must not contribute to the increasingly dire situation facing low- and moderate-income tenants by raising rents for rent stabilized apartments."

"Decisions made by the Rent Guidelines Board have tremendous ramifications, not just for rent stabilized and controlled tenants, but for the vitality and continued viability of New York City. In February 2007, family homelessness in New York City reached modern day record levels – 9,287 homeless families, according to the Coalition for the Homeless. Last year, the total number of homeless New Yorkers in shelters increased by 11.1 percent. Sharply escalating rents are contributing to this surge in homelessness. Two out of every five New York City households earn $32,000 or less. In that group are police officers, firefighters, home health aides, nursing aides, child care workers, teachers and nurses. All of these people, and countless others not mentioned, are vital to the lifeblood of New York City."

"I remind this board of their obligation to actually investigate the claims being made by landlords when they assert insufficient 'profit' and/or actual 'loss' to demand excessive rent increases and attempt to legitimize lack of repair and maintenance of buildings. At a minimum this requires asking anyone making this claim whether they have applied for a hardship increase and opened their account books for review."

"In deciding rent increases for more than one million rent stabilized apartments I understand that it is the board's responsibility to take into consideration both tenant hardship and landlord costs. In fact, the rent stabilization laws were originally put in place to lessen the 'severe hardship to tenants' posed by a housing market with a chronic scarcity of affordable housing, preventing instability and the uprooting of long time city residents from their communities."

"I appeal to the Board to stop rewarding landlords with continued increases. Landlords with HPD violations and harassment patterns do not deserve a dime. I appeal to the Board to freeze rents (owners are receiving a 7% tax cut this year). Buildings with 50% or more market rate units should not be subject to rent increases. I urge the board to start looking at actual evidence of real landlord hardship and financial struggle. In contrast, evidence of rising hardship and homelessness amongst tenants is overwhelming."

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups[3]

Comments from owners and owner groups included:

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

“I am here to request that rent increases be commensurate with never ending escalating costs to rent stabilized property owners. New York City is facing a crisis of affordable housing units – yet it is the small rent stabilized landlord who is providing affordable housing to longtime NYC residents. My costs continually escalate – many of these costs are thrust upon the small landlord by the city itself – rising real estate taxes – rising water costs – fees imposed upon the rent stabilized landlord for the privilege of owning rent stabilized units – which because they are rent stabilized – do not allow the landlord to engage in the free market system which is the backbone of our nation and allows for the very vitality of the NYC economy.”

“We ask the Rent Guidelines Board to recognize that building operating costs have skyrocketed dramatically in recent years. In order to preserve the City’s substantial stock of affordable housing, it is critical that the RGB provide rent increases commensurate with the increase in operating costs. No one can deny that, over the past few years, the cost of heating oil has tripled, real estate taxes have increased precipitously and insurance costs have doubled. Overall, building operating costs have increased by more than 50% in this decade. Rent increases authorized by this Board have covered less than half of these increased costs.”

“With constant escalations in operating costs, there is no way for a small building like mine to survive with low rents. I ask you for a low rent adjustment and a surcharge on the rents of long-term tenants until they cover a fair share of operating costs. I ask you to vote for a 5 percent increase for one-year leases and a 10 percent increase for 2-year leases. Owners should not have to bear huge operating cost increases alone. I ask you to be fair.”

“As a result of inadequate rent increases, the Board has clear evidence that the profitability of affordable housing outside core Manhattan is declining. Increasingly owners are forced to choose between equally important maintenance and improvement projects. Even worse, they must decide whether to try and maintain their affordable rental properties, or sell to those who will necessarily need to maximize rental income and minimize building operating costs.”

“While building operating costs have been soaring at historically high rates, rent increases granted by the RGB have fallen far behind. In recent years, the one-year rent guideline increase has amounted to only half of the increase in building costs. Specifically, the average increase in the one-year guideline since 2000 has been 3.57% compared to a 7.16% annual increase in the PIOC.”

“According to the most recent RGB Income and Expense Report, inflation-adjusted net operating income was down 12.3% for the period 1989 to 1995. The absolute dollar value of net operating income is critical to sustaining affordable housing. While net operating income in core Manhattan averages $447 per month per apartment, NOI in the Bronx averages only $195 per month. Such a small amount of net operating income, especially in smaller buildings, makes it extremely difficult to finance debt for improvements or pay for extraordinary repair costs when they occur.”

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

Comments from public officials included:

“Something is wrong when a system of rent regulation designed to protect tenants from being forced out of their homes, fails to account for the fact that incomes are not keeping pace with rent increases, forcing people to make impossible choices in order to make their monthly rent payments.”

“Year after year, the Rent Guidelines Board has determined in favor of landlords, granting them higher and higher rents on stabilized apartments. No one denies that operating costs for landlords have risen, and these are important to take into account when determining whether or not a rent increase is justified. However, its 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 is ignored.”

[4] Sources: Submissions by public officials.

"Any straightforward analysis of landlord and tenant incomes would make the case for much lower rent increases. According to the most recent Housing and Vacancy Survey (2005), the median income for rent stabilized households is in decline. Rent stabilized households earned an average of $32,000 a year in 2004 – an eight and one half percent decline from 2001 when it was $35,000 a year. These households pay a third of their pre-tax income in rent. Over a quarter of rent stabilized tenants pay at least half of their income in rent. Large rent increases amount to a citywide redistribution of wealth from more than a million mostly low-to-moderate income tenants to about 25,000 landlords, who include some of the wealthiest New Yorkers. The Board has a duty to consider the fairness of this equation, and reflect on whether landlords or tenants can better afford to pay the costs."

"I strongly encourage the board to reconsider its preliminary vote and to enact significantly lower guidelines. Such a decision would be entirely consistent with the legislative mandate and jurisdiction of the Rent Guidelines Board, which was established in 1969 to set rent guidelines that counteract the effects of an acute housing shortage. Free market conditions and the rules of supply and demand do not apply to the NYC rental market. This shortage still exists – according to the 2005 Housing and Vacancy Survey, the vacancy rate is 3.09%. A vacancy rate of less than 5% creates abnormal market conditions. The RGB's mission is to construct or stimulate 'normal' or 'fair' rent levels in a market driven by chronic scarcity and instability."

"A dangerous pattern has emerged in which high annual rent increases are par for the course, while New York City's need for affordable housing becomes ever more critical. Vacancy rates throughout the City remain dangerously low and are predicted to fall even farther. The number of families living in overcrowded situations has nearly doubled with 10.2 percent of rental housing considered overcrowded. The average number of families receiving temporary shelter each night has increased."

"To continue to allow New York City and Queens to serve as a home to middle income and lower income families the Rent Guidelines Board must not allow an increase in a one-year renewal lease of more than 2% or more than 4% for two year leases. The proposed renewal adjustments leave too much room for a disproportionate and unaffordable increase in rents and I must urge the board to only consider the lower threshold."

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) *2007 Mortgage Survey Report*, March 2007, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

(2) *2007 Income and Expense Study*, April 2007, (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) *2007 Tenant Income and Affordability Study,* April 2007, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);

(4) *2007 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City,* April 2007, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);

(5) *2007 Housing Supply Report*, June 2007, (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 2006,* June 2007, (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.

2007 PRICE INDEX OF OPERATING COSTS FOR RENT STABILIZED APARTMENT HOUSES IN NEW YORK CITY

The *2007 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City* found a 5.1% increase in costs for the period between April 2006 and April 2007.

This year, the PIOC for rent stabilized apartment buildings increased by 5.1%, 2.7 percentage points below the PIOC percentage change from the year before (7.8% in 2006). The PIOC was driven upward by increases in labor costs (8.1%), real estate taxes (5.8%), administrative costs (6.9%) and utility costs (6.3%). These increases were offset by more moderate growth in both insurance (1.9%) and fuel (0.5%) costs. Increases in the remaining three cost components ranged from 1.6% to 5.6%. See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2006-07.

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 6.1% this year, which was more than the growth in the Consumer Price Index (CPI) of 3.6%.

Table 1

2006-07 Percentage Changes in Components of *the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City*[5]

Item	Expenditure Weights	2006-07 Percentage Δ	2006-07 Weighted Percentage Δ
Taxes	27.11%	5.79%	1.57%
Labor Costs	13.65%	8.09%	1.10
Fuel Costs	12.67%	0.50%	0.06
Utility Costs	15.01%	6.29%	0.94
Contractor Services	12.91%	5.59%	0.72
Administrative Costs	7.39%	6.93%	0.51
Insurance Costs	8.95%	1.88%	0.17
Parts & Supplies	1.62%	3.03%	0.05
Replacement Costs	0.69%	1.60%	0.01
All Items	**100.00**	**-**	**5.13**

Source: *2007 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.*
Note: The Δ symbol means change.

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

LOCAL LAW 63/ INCOME & EXPENSE REVIEW

The sample size for the I&E study includes over 11,500 buildings containing over half a million units. This is the fifteenth 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 2006 Real Property Income and Expense (RPIE) statements for the year 2005:

Table 2

2007 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit[6]			
	Pre '47	Post '46	All Stabilized
Total[7]	$653	$738	$679

Source: *2007 Income and Expense Study*, from 2006 Real Property Income and Expense filings for 2005, 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 $624, rather than $679. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2005 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs[8]	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	$624	$859	0.73	$961	0.65
Stabilized Pre'47	$600	$815	0.74	$916	0.66
Stabilized Post'46	$678	$960	0.71	$1,062	0.64

Source: *2007 Income and Expense Study*, from 2006 Real Property Income and Expense filings for 2005, NYC Department of Finance.

On June 11, 2007 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:

As a follow-up to the *2007 Income and Expense Study*, the RGB staff recently received Community District data from the NYC Department of Finance. As has been done in prior years, we examine in brief the highlights from the data. In this memo, we look specifically at changes in rent collections and Net Operating Income between 2004 and 2005, the same period as was examined in the *I&E Study* prepared earlier this year. Nine Community Districts were excluded from this analysis because they contained too few buildings for the data to be reliable. Also, unlike data in the original *I&E Study*, this data is unweighted and does not necessarily represent the population of buildings in these Community Districts. All averages were computed by the Dept. of Finance.

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6 Totals may not add due to weighting and rounding.

7 Individual categories of operating and maintenance costs were not reported in the *2007 Income and Expense Study*.

8 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 0.79 (All), 0.80 (Pre-47), and 0.77 (Post-46), respectively. The unadjusted **O&M to Income** ratios would be 0.71 (All), 0.71 (Pre-47), and 0.69 (Post-46).

Looking at rent collections, all but five of New York City's community districts (CDs) saw gains in rent collections from 2004-05. Manhattan and Queens were the only boroughs that saw increases in rent among all CDs. The largest increase in rent occurred in Central Harlem, seeing an 8.2% increase. All other Manhattan CDs had rent increases of between 3.7% (in Morningside/Hamilton Heights) and 7.2% (in Greenwich Village), while Queens had increases of between 1.2% (in Jamaica) and 4.6% (in Forest Hills/Rego Park). Of the five CDs seeing drops in rent, two were in the Bronx, two were in Brooklyn, and one was on Staten Island. The Bronx had rent changes between -3.2% (in E. Tremont/Belmont) and 5.2% (in Throgs Neck/Co-op City) and Brooklyn saw rent changes of between -3.4% (in Sunset Park) and 7.4% (in Williamsburg/Greenpoint).

Examining changes in Net Operating Income (the amount of income remaining after all expenses are paid) at the community district level, roughly half of the city's Community Districts saw increases in NOI. Examining each of the boroughs, in Manhattan, all but two CDs had increases in NOI, with the highest increase, 12.0%, in Chelsea/Clinton, and the greatest decrease, 7.3%, in East Harlem. In the Bronx, all but three CDs had decreases in NOI, with the greatest decrease, 14.6%, in Morrisania/Melrose/Claremont, and the greatest increase, 22.8%, in Mott Haven/Port Morris. In Brooklyn, six CDs saw increases while eight saw declines in NOI. The greatest increase, 20.7%, was in Sunset Park, and the greatest decrease, 30.4%, was in Bed Stuy. In Queens, half saw increases, with the greatest increase, 3.9%, in Kew Gardens/Woodhaven, and the greatest decrease, 10.9%, in Hillcrest/Fresh Meadows.

On the following page is a table of the city's Community Districts and their corresponding change in rent and NOI from 2004-05.

Change in Rent and NOI by Community District, 2004 to 2005

Community District	# of Units	2004-05 Rent Change	2004-05 NOI Change
CORE MANHATTAN			
Greenwich Village	13,389	7.2%	8.0%
Lower East Side/Chinatown	11,768	6.1%	9.4%
Chelsea/Clinton	14,612	6.7%	12.0%
Midtown	6,991	5.6%	4.1%
Stuyvesant Town/Turtle Bay	32,784	6.9%	7.2%
Upper West Side	22,177	6.3%	4.7%
Upper East Side	37,384	6.8%	5.6%
UPPER MANHATTAN			
Morningside Hts./Hamilton Hts.	7,262	3.7%	-3.6%
Central Harlem	6,031	8.2%	2.5%
East Harlem	3,263	3.8%	-7.3%
Washington Hts./Inwood	31,218	6.9%	2.7%
BRONX			
Mott Haven/Port Morris	1,693	4.4%	22.8%
Hunts Point/Longwood	3,007	0.8%	-2.9%
Morrisania/Melrose/Claremont	1,882	-0.8%	-14.6%
Highbridge/S. Concourse	15,627	2.4%	-7.8%
University Heights/Fordham	14,548	2.2%	-5.9%
E. Tremont/Belmont	3,356	-3.2%	-14.0%
Kingsbridge Hts./Mosholu/Norwood	17,810	2.0%	-7.1%
Riverdale/Kingsbridge	9,162	4.4%	6.4%
Soundview/Parkchester	5,580	1.1%	-13.3%
Throgs Neck/Co-op City	3,256	5.2%	-4.5%
Pelham Parkway	7,055	3.6%	5.7%
Williamsbridge/Baychester	3,594	3.1%	-10.5%
BROOKLYN			
Williamsburg/Greenpoint	1,604	7.4%	-2.4%
Brooklyn Hts./Fort Greene	3,430	3.4%	6.3%
Bedford Stuyvesant	1,699	-0.1%	-30.4%

Park Slope/Carroll Gardens	1,430	3.6%	1.1%
Sunset Park	2,030	-3.4%	20.7%
North Crown Hts./Prospect Hts.	4,444	0.9%	-3.6%
South Crown Hts.	11,228	0.5%	-12.2%
Bay Ridge	6,738	6.6%	1.3%
Bensonhurst	6,853	4.4%	-7.1%
Borough Park	8,367	3.8%	1.1%
Coney Island	2,805	6.7%	3.2%
Flatbush	19,271	4.9%	0.0%
Sheepshead Bay/Gravesend	7,034	3.3%	-4.5%
Brownsville/Ocean Hill	817	1.3%	-11.3%
East Flatbush	5,989	0.2%	-9.6%
QUEENS			
Astoria	9,788	4.2%	-4.2%
Sunnyside/Woodside	9,697	3.6%	0.0%
Jackson Hts.	7,279	3.6%	1.4%
Elmhurst/Corona	6,980	4.4%	-5.5%
Forest Hills/Rego Park	8,648	4.6%	0.3%
Flushing/Whitestone	10,609	1.6%	0.4%
Hillcrest/Fresh Meadows	7,917	4.6%	-10.9%
Kew Gardens/Woodhaven	4,153	2.1%	3.9%
Jamaica	4,161	1.2%	-2.9%
STATEN ISLAND			
North Shore	2263	-0.8%	-7.1%

Source: 2006 Department of Finance RPIE Filings

FORECASTS OF OPERATING AND MAINTENANCE PRICE INCREASES FOR 2007-08

In order to decide upon the allowable rent increases for two-year leases, the Rent Guidelines Board 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 2007-08 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 2006-07 and Projected 2007-08

	Price Index 2006-07	Projected Price Index 2007-08
Taxes	5.8%	13.7%
Labor Costs	8.1%	3.7%
Fuel Costs	0.5%	8.0%
Utility Costs	6.3%	10.0%
Contractor Services	5.6%	5.3%
Administrative Costs	6.9%	5.8%
Insurance Costs	1.9%	7.1%
Parts & Supplies	3.0%	1.7%
Replacement Costs	1.6%	1.3%
Total (Weighted)	**5.1%**	**8.5%**

Source: *2007 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City*, which includes the 2008 PIOC Projection.

Overall, the PIOC is expected to grow by 8.5% from 2007 to 2008, with projected increases in every PIOC component. The three most volatile components, Fuel, Insurance Costs, and Utilities, are projected to rise 8.0%, 7.1%, and 10.0% respectively. Taxes are projected to increase 13.7% due to an increase in billable assessments for Class Two properties. Contractor Services are expected to rise 5.3%, Administrative Costs 5.8% and Labor Costs are projected to increase by 3.7%. The table above shows predicted changes in PIOC components for 2008. The core PIOC is projected to rise at a similar rate as the overall PIOC, by 8.6%.

COMMENSURATE RENT ADJUSTMENT

Throughout its history, the Rent Guidelines Board has used a formula, known as the commensurate rent adjustment, to help determine annual rent guidelines for rent stabilized apartments. In essence, the "commensurate" combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to change for net operating income (NOI) in stabilized buildings to remain constant. The different types of "commensurate" adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

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

The first commensurate method is called the "Net Revenue" approach. While this formula takes into consideration the types of leases actually signed by tenants, it does not adjust landlords' NOI for inflation. The "Net Revenue" formula is presented in two ways, first adjusting for the mix of lease terms and second, adding an assumption for stabilized apartment turnover and the impact of revenue from vacancy increases. Under the "Net Revenue" formula, a guideline that would preserve NOI in the face of this year's 5.1% increase in the PIOC is 4.5% for a one-year lease and 7.5% 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 3.25% for one-year leases and 5.75% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both 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 3.6% increase in the Consumer Price Index and the 5.1% increase in the PIOC is 5.75% for a one-year lease and 9.75% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 4.5% for one-year leases and 8.0% for two-year leases.[9]

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 3.6% for a one-year lease and 6.8% for a two-year lease, given the increase in operating costs of 5.1% found in the 2007 PIOC and the projection of a 8.5% increase next year.[10]

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

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9 The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 70.7% of the 2007 PIOC increase of 5.1%, or 3.6%. The 70.7% 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 29.3% times the latest 12-month increase in the CPI ending February 2007 (3.65%) 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 2005 Housing and Vacancy Survey; and (5) for the commensurate formulae, including a vacancy assumption, the 9.46% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2004 Apartment registration file from the Division of Housing and Community Renewal was used.

10 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 8.5% PIOC projection for 2008 is used.

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 operating and maintenance (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.[11]

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 both that vacancy increases are charged and collected, and that turnover rates are constant across the City.

Finally, it is important to note that only the "traditional" commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the "Net Revenue" and "CPI-Adjusted NOI" formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The "Net Revenue" and the "CPI-Adjusted NOI" formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (5.1%). 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 (8.5%). 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 *2007 Mortgage Survey* of lending institutions. Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

[11] 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), changes in tax law and interest rates.

Table 4

2007 Mortgage Survey[12] Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 1999-2007									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Avg. Rates	7.8%	8.7%	8.4%	7.4%	6.2%	5.8%	5.5%	6.3%	6.3%
Avg. Points	1.01	0.99	0.99	0.79	0.81	0.67	0.56	0.44	0.61
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Avg. Rates	7.2%	8.6%	8.0%	7.4%	6.2%	5.7%	5.5%	6.3%	6.2%
Avg. Points	0.92	1.01	1.06	0.83	0.78	0.60	0.56	0.44	0.61

Source: 1999–2007 *Annual Mortgage Surveys*, RGB.

On April 10, 2007, the staff of the Rent Guidelines Board prepared a memo for Board members addressing comments and queries regarding the *2007 Mortgage Survey*. The following is the text from that memo:

In response to queries about the 2007 Mortgage Survey:

1. The weighted interest rate was 6.13% for new originations, lower than the overall average interest rate of 6.27%. The weighted interest rate takes loan volume into account, so the interest rates of larger lenders count more than those lenders with fewer loans. Further to the request for calculating the weighted average interest on new mortgages, a member of the Board requested we recalculate these interest rates eliminating the 65 government agency loans, which had a 2% interest rate. This resulted in an overall interest rate of 6.50% and a 6.35% weighted interest rate on new originations.

2. In response to the query about the citywide distribution of buildings receiving loans by borough, the most recent year that we queried lenders was in 2002. In that year, new mortgages were widely distributed around the city, with 25.8% in Brooklyn; 22.9% in Core Manhattan; 20.7% in Queens; 17.8% in Upper Manhattan; 11.4% in the Bronx; and 1.5% in Staten Island.

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.

[12] 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.

Table 5

City-Owned Properties in Central Management Occupied and Vacant Building Counts, Fiscal Years 1999-2006								
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Occupied Bldgs.	1,905	1,730	1,203	919	610	373	235	175
Vacant Bldgs.	869	805	633	524	367	275	221	155

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

Table 6

Number of Cooperative / Condominium Plans[13] Accepted for Filing, 1998-2006									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
New Construction	69	50	87	145	136	190	268	361	644
Conversion Non-Eviction	40	12	9	12	14	10	16	24	53
Conversion Eviction	0	27	9	2	15	0	15	18	13
Rehabilitation	48	30	15	13	20	18	18	6	0
Total	**157**	**119**	**120**	**172**	**185**	**218**	**317**	**409**	**710**
Subtotal:									
HPD Sponsored Plans	24	26	8	2	15	0	15	18	13

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

CONSUMER PRICE INDEX

The Board reviewed the Consumer Price Index. Table 7 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2000.

Table 7

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2000-2007 (For "All Urban Consumers")								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
1st Quarter Avg.[14]	3.0%	2.8%	2.3%	3.2%	2.8%	4.1%	3.4%	2.9%
Yearly Avg.	3.1%	2.5%	2.6%	3.1%	3.5%	3.9%	3.8%	--

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

[13] 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.

[14] 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.

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. However, from 1989-90 to 2002-03, the I&E rose 91% and the adjusted PIOC also rose 91%. The PIOC rose 6.3% from 2004 to 2005, the same period as the 6.0% increase in I&E costs, a 0.3 percentage point difference. 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.

Table 8 (Formerly Table 14)[15]

Calculation of Operating and Maintenance Cost Ratio For Rent Stabilized Buildings from 1970 to 2007						
Period	Percent O&M[16] Increase	O&M Index	Period	Percent Rent[17] 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

[15] Source: Price Index of Operating Costs 1970 – 2007, NYC Housing and Vacancy Surveys.

[16] 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.

[17] 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 2007						
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[18]	581.92	0.78
4/1/06-3/31/07	5.1	477.83	10/1/07-9/30/08	3.57[19]	602.68	0.79

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.

[18] The **4.38%** increase in rent roll estimated for leases signed during the period 10/1/06-9/30/07 under Order 38 reflects the following: (1) Renewal guidelines are estimated to contribute a **1.277%** and **2.186%** increase in the rent roll with 30.1% of all units experiencing a one-year lease signing (4.25%) and 30.2% of all units experiencing two-year lease signings (7.25%). These figures are derived from the 2002 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 (33% of stabilized households have a one-year lease and 67% have two-year leases) were reduced by the turnover rate of 9.6%, derived from the average households who moved in the 2002 HVS (95,239 is the average number of stabilized households that moved annually1999-2001) and taken as percentages of all stabilized lease signers (988,393); (2) the median vacancy increase of 9.46% found in the 2004 annual DHCR rent registration data for apartments is estimated to increase overall rent rolls by **0.912%** when multiplied by the HVS turnover rate (9.6%), which estimates the percentage of rent stabilized units that will enter into vacancy leases under Order 38.

[19] The **3.57%** increase in rent roll estimated for leases signed during the period 10/1/07-9/30/08 under Order 39 reflects the following: (1) Renewal guidelines are estimated to contribute a **0.948%** and **1.682%** increase in the rent roll with 31.6% of all units experiencing a one-year lease signing (3.0%) and 58.5% of all units experiencing two-year lease signings (5.75%). 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 9.46% found in the 2004 annual DHCR rent registration data for apartments is estimated to increase overall rent rolls by **0.936%** 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 39.

Table 9

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2008			
	Average Monthly O & M Per d.u.[20]	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[21]	$732 ($672)	$1,005	.73 (.67)
2007[22]	$769 ($707)	$1,048	.73 (.67)
2008[23]	$835 ($767)	$1,090	.77 (.70)

Source: RGB *Income and Expense Studies*, 1989-2007, *Price Index of Operating Costs* 1992 - 2007, RGB Rent Index for 1992 - 2008 (see Table 8).

CHANGES IN HOUSING AFFORDABILITY

For the third year in a row, New York City's economy generally improved as compared with the preceding year, with declining unemployment rates, rising wages and employment levels, and Gross City Product growing steadily from the last quarter of 2003 through the third quarter of 2006 (fourth quarter data for 2006 was not yet released as of publication). Unemployment rates decreased for the third year in a row, falling 0.8 percentage points to 4.9%, the lowest citywide level in at least the past 30 years (the RGB only has access to employment data dating from 1976). Total employment levels in the City increased 1.4%, and the City's Gross City Product increased by 3.7% during the four quarters from the fall of 2005 through the summer of 2006, with positive growth expected during the fourth quarter of 2006. Real wages also increased by 0.8% between 2004 and 2005 (the most recent year for which there are statistics). In addition, homelessness levels fell close to 4% between 2005 and 2006. And public assistance cases fell for the second year in a row, dropping more than 5% between fiscal years 2005 and 2006.

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[20] 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.

[21] Estimated expense figure includes 2005 expense estimate updated by the PIOC for the period from 4/1/05 through 3/31/06 (7.8%). Income includes the income estimate for 2005 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 4/1/05 through 3/31/06 (4.53% - i.e., the 10/1/04 to 9/30/05 rent projection (4.75) times (.583), plus the 10/1/05 to 9/30/06 rent projection (4.22) times (.417)).

[22] Estimated expense figure includes 2006 expense estimate updated by the staff PIOC for the period from 4/1/06 through 3/31/07 (5.1%). Income includes the income estimate for 2006 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 4/1/06 through 3/31/07 (4.28% - i.e., the 10/1/05 to 9/30/06 rent projection (4.22) times (.583), plus the 10/1/06 to 9/30/07 rent projection (4.38) times (.417)).

[23] Estimated expense figure includes 2007 expense estimate updated by the staff PIOC projection for the period from 4/1/07 through 3/31/08 (8.5%). 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)).

However, there were indicators tracked in the *I&A Study* that showed a downward trend during 2006. HVS data released last year showed that household income for rent stabilized tenants declined in real terms by 8.6% between 2001 and 2004, remaining at a nominal $32,000 for both years. And while employment levels inmost tracked sectors increased, there was a significant decline in the manufacturing sector, falling 6.6% from 2005 levels. In addition, evictions and possessions rose almost 8% in 2006, as well as an increase in the proportion of calendared cases that resulted in eviction, the highest level in nine years. There was also an 8.5% decline in the number of homeless families moved to permanent housing, and a 9.2% drop in public assistance job placements.

On April 12, 2007 the staff of the Rent Guidelines Board released a memo to Board members concerning the *2007 Income and Affordability Study*. The following is the text from that memo:

At the April 12, 2007 *Income and Affordability Study* presentation, eleven questions were asked of RBG staff for which answers were not immediately available. Detailed answers are provided in this memo. Also included in this memo are answers to questions raised at the April 27, 2007 invited group testimony meeting.

APRIL 12, 2007 QUESTIONS

Question 1: What is the definition of the unemployment rate?

Per the NYS Department of Labor:

Labor force, employment and unemployment data are based on the same concepts and definitions as those used for the official national estimates obtained from the Current Population Survey (CPS), a sample survey of households that is conducted for the U.S. Bureau of Labor Statistics by the U.S. Bureau of the Census. Definitions of these concepts follow:

Civilian Labor Force is the sum of civilian employment and civilian unemployment. These individuals are civilians (not members of the Armed Services) who are age 16 years or older, and are not in institutions such as prisons, mental hospitals, or nursing homes.

Civilian Employment includes all individuals who worked at least one hour for a wage or salary, or were self-employed, or were working at least 15 unpaid hours in a family business or on a family farm, during the week including the 12th of the month. Those who were on vacation, other kinds of leave, or involved in a labor dispute, were also counted as employed.

Civilian Unemployment includes those individuals who were not working but were able, available, and actively looking for work during the week including the 12th of the month. Individuals who were waiting to be recalled from a layoff, and individuals waiting to report to a new job within 30 days were also considered to be unemployed.

Unemployment Rate is the number of unemployed as a percentage of the labor force.

Question 2: What is the "Hidden Unemployment Index"?

Internet research revealed that this was a formula created by the National Urban League to incorporate "discouraged" workers into the unemployment rate. It does not appear that the Urban League still produces this statistic.

Question 3: What are employment levels during the beginning part of 2007?

The average employment in January, February, and March of 2007 (the most recently available data) was compared to both the average January, February, and March of the prior year (the first column), and well as the 2006 annual average (the second column).

Industry Employment	% Change Jan/Feb/Mar '06-'07	% Change annual '06 to Jan/Feb/Mar '07
Manufacturing	-6.6%	-6.2%
Construction, Natural Resources & Mining	4.5%	-1.5%
Trade, Transport & Utilities	1.2%	-0.2%
Leisure & Hospitality	2.4%	-2.0%
Financial Activities	2.7%	0.6%
Information	0.1%	-1.5%
Management of Companies	-0.6%	-0.6%
Professional & Business Services	2.8%	0.6%
Educational & Health Services	2.4%	1.9%
Other Services	1.6%	0.1%
Total Private	1.9%	0.1%
Government	-0.3%	-0.9%
City of NY	-0.3%	-0.9%
Total Employment	**1.6%**	**-0.1%**

Question 4: What type of housing do people receiving public assistance live in?

Using 2005 HVS data, type of housing was broken out according to whether the tenant was receiving assistance from either the Family Assistance Program or Safety Net Assistance Program (the two programs we report on in the *I&A Study*), as well as by households receiving either Family Assistance, Safety Net, and/or SSI disability income:

	FAP/Safety Net		**FAP/Safety Net/SSI**	
Type of Housing	***# of Units***	***Percent***	***# of Units***	***Percent***
Owner Occupied	3,497	3.2%	35,257	10.9%
Rent Stabilized	57,789	52.4%	133,917	41.4%
Rent Controlled	0	0.0%	4,063	1.3%
Mitchell Lama	2,121	1.9%	10,961	3.4%
Public Housing	21,176	19.2%	66,743	20.6%
Other Regulated	5,566	5.0%	26,844	8.3%
Non Regulated	20,136	18.3%	46,000	14.2%
Total	**110,284**	**100.0%**	**323,787**	**100%**

Question 5: What type of housing do tenants paying more than 50% of income towards gross rent live in?

According to the 2005 HVS:

Type of Housing	***# of Units***	***Percent***
Rent Stabilized	293,450	53.8%
Rent Controlled	12,794	2.3%
Mitchell Lama	18,128	3.3%
Public Housing	28,192	5.2%
Other Regulated	23,357	4.3%
Non Regulated	169,442	31.1%
Total	**545,362**	**100.0%**

Question 6: What are the income levels of tenants paying more than 50% of income towards gross rent?

According to the 2005 HVS:

Tenants paying more than 50% of income towards rent	**All Apartments**		**Rent Stabilized Apartments**		**Market Rate Apartments**	
Household Income	***# of Units***	***Percent***	***# of Units***	***Percent***	***# of Units***	***Percent***
Less Than $5K	62,538	11.5%	30,640	10.4%	14,310	8.4%
$5,000-$9,999	142,221	26.1%	78,979	26.9%	29,212	17.2%
$10,000-$14,999	122,791	22.5%	72,694	24.8%	32,634	19.3%
$15,000-$19,999	94,665	17.4%	54,409	18.5%	31,855	18.8%
$20,000-$24,999	53,147	9.7%	30,276	10.3%	21,319	12.6%
$25,000-$29,999	24,625	4.5%	10,192	3.5%	12,912	7.6%
$30,000-$34,999	18,344	3.4%	6,527	2.2%	10,711	6.3%
$35,000-$39,999	9,735	1.8%	3,878	1.3%	5,449	3.2%
$40,000-$49,999	9,832	1.8%	4,843	1.7%	4,792	2.8%
$50,000-$59,999	4,738	0.9%	823	0.3%	3,915	2.3%
$60,000-$69,999	1,971	0.4%	188	0.1%	1,577	0.9%
$70,000-$79,999	756	0.1%	0	0.0%	756	0.4%
Total	**545,362**	**100%**	**293,450**	**100%**	**169,442**	**100%**

Question 7: What was the percentage change in income between the 2002 and 2005 HVS's, by income level (for renters only)?

Using the 2002 and 2005 HVS files, nominal median income levels in each year were organized into five percentiles and then the equivalent percentiles in each year were compared to each other. For instance, in 2002 the lowest 20% of household incomes (percentile #1) ranged from $0 per year to $11,500 per year. But in 2005, the lowest percentile ranged from $0 per year to $12,000 per year.

In addition, the same percentiles were used to calculate the change in gross rent-to-income ratios between 2002 and 2005.

	Median Nominal Income (All Apartments)			Median Nominal Income (Rent Stabilized Apts)			Median Nominal Income (Market Rate Apts)		
Household Income	***2001***	***2004***	***% Change***	***2001***	***2004***	***% Change***	***2001***	***2004***	***% Change***
Percentile #1	$6,800	$7,200	5.9%	$7,056	$7,540	6.9%	$9,000	$9,000	0.0%
Percentile #2	$16,300	$16,640	2.1%	$17,616	$18,984	7.8%	$25,000	$26,000	4.0%
Percentile #3	$30,400	$30,000	-1.3%	$32,000	$32,000	0.0%	$40,000	$40,500	1.3%
Percentile #4	$50,000	$49,700	-0.6%	$50,000	$50,200	0.4%	$60,000	$59,000	-1.7%
Percentile #5	$92,600	$90,000	-2.8%	$90,000	$92,600	2.9%	$108,500	$99,000	-8.8%
Total	**$31,000**	**$32,000**	**3.20%**	**$32,000**	**$32,000**	**0.00%**	**$40,000**	**$42,000**	**5.00%**

	Median Rent Ratios (All Apartments)			Median Rent Ratios (Rent Stabilized Apts)			Median Rent Ratios (Market Rate Apts)		
Household Income	***2002***	***2005***	***Percentile Point Change***	***2002***	***2005***	***Percentile Point Change***	***2002***	***2005***	***Percentile Point Change***
Percentile #1	76.6%	101.0%*	24.4	90.8%	101.0%*	10.2	82.6%	101.0%*	18.4
Percentile #2	48.7%	54.1%	5.4	48.7%	54.0%	5.3	42.6%	50.0%	7.4
Percentile #3	29.8%	33.5%	3.7	28.5%	32.7%	4.2	27.6%	32.4%	4.8
Percentile #4	20.4%	23.0%	2.6	19.2%	22.3%	3.1	19.7%	22.5%	2.8
Percentile #5	12.9%	14.2%	1.3	12.6%	13.7%	1.1	12.8%	14.4%	1.6
Total	**28.6%**	**31.2%**	**2.6**	**28.4%**	**31.9%**	**3.5**	**28.6%**	**31.9%**	**3.3**

* Gross Rent-to-Income ratios above 100% are "topcoded" by the Census Bureau to a figure of 101%. Therefore the exact median gross- rent-to-income ratio cannot be determined, but it is, at a minimum, more than 100%.

Question 8: What was the percentage change in income between the 2002 and 2005 HVS's, by contract rent level (for renters only)?

Using the 2002 and 2005 HVS files, contract rent levels in each year were organized into five percentiles and then the equivalent percentiles in each year were compared to each other. For instance, in 2002 the lowest 20% of contract rents (percentile #1) ranged from $11 per month to $531 per month. But in 2005, due to rent increases between 2002 and 2005, the lowest percentile ranged from $49 per month to $600 a month. For this analysis, those tenants who paid no cash rent were not analyzed.
In addition, the same percentiles were used to calculate the change in gross rent-to-incomes ratios between 2002 and 2005.

	Median Nominal Income (All Apartments)			Median Nominal Income (Rent Stabilized Apts)			Median Nominal Income (Market Rate Apts)		
Contract Rent Level	***2002***	***2005***	***% Change***	***2002***	***2005***	***% Change***	***2002***	***2005***	***% Change***
Percentile #1	$13,000	$15,000	15.4%	$18,000	$20,000	11.1%	$26,000	$27,240	4.8%
Percentile #2	$25,400	$28,544	12.4%	$26,000	$28,450	9.4%	$31,400	$36,800	17.2%
Percentile #3	$31,000	$32,440	4.6%	$30,000	$31,000	3.3%	$39,000	$40,000	2.6%
Percentile #4	$40,000	$38,160	-4.6%	$37,000	$38,000	2.7%	$46,000	$50,000	8.7%
Percentile #5	$64,000	$62,000	-3.1%	$63,000	$56,000	-11.1%	$75,000	$86,000	14.7%
Total	**$31,000**	**$32,000**	**3.20%**	**$32,000**	**$32,000**	**0.00%**	**$40,000**	**$42,000**	**5.00%**

	Median Rent Ratios (All Apartments)			Median Rent Ratios (Rent Stabilized Apts)			Median Rent Ratios (Market Rate Apts)		
Contract Rent Level	***2002***	***2005***	***Percentile Point Change***	***2002***	***2005***	***Percentile Point Change***	***2002***	***2005***	***Percentile Point Change***
Percentile #1	27.1%	27.6%	0.5	25.9%	29.0%	3.1	23.6%	27.5%	3.9
Percentile #2	26.5%	30.0%	3.5	27.1%	31.5%	4.4	27.9%	29.6%	1.7
Percentile #3	28.0%	33.0%	5.0	28.5%	34.5%	6.0	27.9%	33.5%	5.6
Percentile #4	27.6%	34.7%	7.1	27.4%	32.2%	4.8	28.4%	35.1%	6.7
Percentile #5	26.7%	33.6%	6.9	25.5%	32.6%	7.1	26.2%	34.4%	8.2
Total	**28.6%**	**31.2%**	**2.6**	**28.4%**	**31.9%**	**3.5**	**28.6%**	**31.9%**	**3.3**

Question 9: How much are vacant apartments being offered for, by borough?

Data from the 2005 HVS is organized into two separate files – one with all occupied units, and one with vacant units. To determine how much vacant apartments are being rented for, both files were utilized. As with all surveys, the HVS samples a small number of respondents and extrapolates this data for the City as a whole. The larger the sample size, the more accurate the data will be. For instance, the sample size of household income for all renters in New York City is a large number and would be a much more accurate representation than, for instance, the household income of people living in 7-storey buildings in Brooklyn, which would be a much smaller sample size. Similarly, the sample size of vacant apartments is very small, with approximately 330 vacant units available for rent that were sampled in both 2002 and 2005. This extrapolates to approximately 60,00-65,000 units of housing across all five boroughs. Because of questions about the reliability of the data, we decided to present data for the "asking rent" of vacant apartments only on a Citywide level.

However, using the occupied data file, contract and gross rent levels from the 2005 HVS were analyzed according to the year the tenant moved in to see how much more recent movers are paying to rent apartments. Rent levels from 2005 are organized into groups according to the tenant's move in date – by tenants who moved between 2004 and 2005, and tenants who moved each year between 2000 and 2003. The median rent levels of the individual years were then compared to the median rent levels of those tenants who moved between 2004 and 2005. For instance, citywide, rent stabilized tenants who moved into their present apartments in 2003 are paying 5.0% less in contract rent than rent stabilized tenants who moved into their apartments between 2004 and 2005. Because the sample sizes of this grouping are much larger, data can be presented both by borough and for the whole City.

Asking Rent (vacant apts.)	**All Apartments**			**Rent Stabilized Apartments**			**Market Rate Apartments**		
	2002 Median Asking Rent	***2005 Median Asking Rent***	***% Increase***	***2002 Median Asking Rent***	***2005 Median Asking Rent***	***% Increase***	***2002 Median Asking Rent***	***2005 Median Asking Rent***	***% Increase***
Citywide	**$900**	**$980**	**8.9%**	**$850**	**$925**	**8.8%**	**$1,100**	**$1,300**	**18.2%**

Year Moved: 2004-2005

Rent by Move In Date	**All Apartments**				**Rent Stabilized Apartments**				**Market Rate Apartment**			
	Median Rents		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***	
Borough	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***
Bronx	$850	$905	---	---	$850	$900	---	---	$1,100	$1,175	---	---
Brooklyn	$950	$1,025	---	---	$910	$985	---	---	$1,050	$1,165	---	---
Manhattan	$1,675	$1,725	---	---	$1,370	$1,449	---	---	$2,260	$2,320	---	---

Queens	$1,050	$1,110	---	---	$1,000	$1,075	---	---	$1,100	$1,200	---	---
Staten Island	$850	$950	---	---	$920	$1,050	---	---	$850	$970	---	---
Citywide	**$1,050**	**$1,130**	**---**	**---**	**$1,000**	**$1,065**	**---**	**---**	**$1,200**	**$1,320**	**---**	**---**

Year Moved: 2003

Rent by Move In Date	**All Apartments**				**Rent Stabilized Apartments**				**Market Rate Apartment**			
	Median Rents		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***	
Borough	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***
Bronx	$825	$900	-2.9%	-0.6%	$800	$895	-5.9%	-0.6%	$875	$1,025	-20.5%	-12.8%
Brooklyn	$940	$1,020	-1.1%	-0.5%	$900	$1,010	-1.1%	2.5%	$1,000	$1,075	-4.8%	-7.7%
Manhattan	$1,450	$1,500	-13.4%	-13.0%	$1,200	$1,251	-12.4%	-13.7%	$2,150	$2,160	-4.9%	-6.9%
Queens	$1,000	$1,100	-4.8%	-0.9%	$997	$1,060	-0.3%	-1.4%	$1,100	$1,200	0.0%	0.0%
Staten Island	$950	$1,080	11.8%	13.7%	*	*	*	*	$950	$1,260	11.8%	29.9%
Citywide	**$1,000**	**$1,075**	**-4.8%**	**-4.9%**	**$950**	**$1,035**	**-5.0%**	**-2.8%**	**$1,200**	**$1,291**	**0.0%**	**-2.2%**

* Categories with small sample sizes were not analyzed due to possible inaccuracies.

Year Moved: 2002

Rent by Move In Date	**All Apartments**				**Rent Stabilized Apartments**				**Market Rate Apartment**			
	Median Rents		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***	
Borough	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***
Bronx	$850	$910	0.0%	0.6%	$820	$900	-3.5%	0.0%	$1,100	$1,209	0.0%	2.9%
Brooklyn	$900	$985	-5.3%	-3.9%	$915	$1,000	0.5%	1.5%	$960	$1,060	-8.6%	-9.0%
Manhattan	$1,500	$1,500	-10.4%	-13.0%	$1,200	$1,240	-12.4%	-14.4%	$2,200	$2,250	-2.7%	-3.0%
Queens	$1,000	$1,080	-4.8%	-2.7%	$975	$1,065	-2.5%	-0.9%	$1,100	$1,200	0.0%	0.0%
Staten Island	$779	$906	-8.4%	-4.6%	*	*	*	*	*	*	*	*
Citywide	**$950**	**$1,035**	**-9.5%**	**-8.4%**	**$920**	**$1,005**	**-8.0%**	**-5.6%**	**$1,100**	**$1,215**	**-8.3%**	**-8.0%**

* Categories with small sample sizes were not analyzed due to possible inaccuracies.

Year Moved: 2001

Rent by Move In Date	**All Apartments**				**Rent Stabilized Apartments**				**Market Rate Apartment**			
	Median Rents		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***	
Borough	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***
Bronx	$747	$815	-12.1%	-9.9%	$768	$848	-9.6%	-5.8%	*	*	*	*
Brooklyn	$850	$930	-10.5%	-9.3%	$843	$930	-7.4%	-5.6%	$900	$1,018	-14.3%	-12.6%
Manhattan	$1,317	$1,400	-21.4%	-18.8%	$1,045	$1,100	-23.7%	-24.1%	$2,500	$2,585	10.6%	11.4%
Queens	$960	$1,030	-8.6%	-7.2%	$960	$1,010	-4.0%	-6.0%	$1,000	$1,110	-9.1%	-7.5%
Staten Island	*	*	*	*	*	*	-100.0%	-100.0%	*	*	*	*
Citywide	**$879**	**$950**	**-16.3%**	**-15.9%**	**$867**	**$932**	**-13.3%**	**-12.5%**	**$1,000**	**$1,104**	**-16.7%**	**-16.4%**

* Categories with small sample sizes were not analyzed due to possible inaccuracies.

Year Moved: 2000

Rent by Move In Date	**All Apartments**				**Rent Stabilized Apartments**				**Market Rate Apartment**			
	Median Rents		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***		*Median Rents*		***% Change from 2004-2005 Rents***	
Borough	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***	***2005 Contract Rent***	***2005 Gross Rent***
Bronx	$735	$805	-13.5%	-11.0%	$733	$799	-13.8%	-11.2%	$1,200	$1,260	9.1%	7.2%
Brooklyn	$850	$932	-10.5%	-9.1%	$850	$924	-6.6%	-6.2%	$950	$1,000	-9.5%	-14.2%
Manhattan	$1,000	$1,105	-40.3%	-35.9%	$929	$1,009	-32.2%	-30.4%	$2,200	$2,280	-2.7%	-1.7%
Queens	$910	$1,003	-13.3%	-9.6%	$900	$988	-10.0%	-8.1%	$950	$1,050	-13.6%	-12.5%
Staten Island	*	*	*	*	*	*	*	*	*	*	*	*
Citywide	**$850**	**$945**	**-19.0%**	**-16.4%**	**$814**	**$900**	**-18.6%**	**-15.5%**	**$1,000**	**$1,098**	**-16.7%**	**-16.8%**

* Categories with small sample sizes were not analyzed due to possible inaccuracies.

Question 10: What are median gross rent-to-income ratios, by contract rent levels?

From the 2005 HVS:

	All Apartments		**Rent Stabilized Apartments**		**Market Rate Apartments**	
Contract Rent	***# of Units***	***Median Gross Rent-to-Income Ratio***	***# of Units***	***Median Gross Rent-to-Income Ratio***	***# of Units***	***Median Gross Rent-to-Income Ratio***
<$100	5,154	16.0%	1,591	38.7%	374	4.0%
$100-$199	81,085	27.3%	11,111	24.0%	3,191	27.8%
$200-$299	58,302	29.1%	15,672	26.9%	3,873	27.5%
$300-$399	60,483	29.7%	16,713	23.5%	6,126	28.2%
$400-$499	93,282	25.8%	37,895	27.3%	14,149	22.0%
$500-$599	129,726	30.0%	83,138	33.0%	20,947	26.4%
$600-$699	190,216	29.4%	123,130	29.7%	39,971	29.8%
$700-$799	202,792	32.2%	124,059	32.9%	56,053	29.2%
$800-$899	224,732	32.0%	138,502	34.5%	69,507	27.5%
$900-$999	183,411	33.3%	107,404	33.6%	63,249	32.2%
$1000-$1249	291,515	34.6%	143,397	33.4%	133,635	33.9%
$1250-$1499	129,310	32.1%	66,444	29.9%	57,942	34.6%
$1500-$1749	85,725	32.8%	41,957	30.0%	40,133	36.0%
$1750 and up	133,333	36.6%	35,407	42.2%	93,532	34.4%
All Rent	**1,869,066**	**31.20%**	**946,420**	**31.90%**	**602,682**	**31.90%**

Question 11: What are median gross rent-to-income ratios, by household income levels?

From the 2005 HVS:

	All Apartments		**Rent Stabilized Apartments**		**Market Rate Apartments**	
Household Income	***# of Units***	***Median Gross Rent-to-Income Ratio***	***# of Units***	***Median Gross Rent-to-Income Ratio***	***# of Units***	***Median Gross Rent-to-Income Ratio t***
Less Than $5K	67,491	101.0%*	31,539	101.0%*	14,310	101.0%*
$5,000-$9,999	203,177	94.7%	86,977	101.0%*	32,708	101.0%*
$10,000-$14,999	167,588	73.8%	84,825	80.4%	36,658	86.4%
$15,000-$19,999	150,337	56.8%	78,455	57.9%	39,898	69.6%
$20,000-$24,999	134,841	44.8%	72,455	47.1%	36,774	53.3%
$25,000-$29,999	114,552	38.3%	60,087	38.3%	35,644	44.3%
$30,000-$34,999	126,281	34.0%	68,605	33.9%	37,886	40.4%
$35,000-$39,999	103,407	30.8%	52,690	29.7%	35,906	36.7%
$40,000-$49,999	187,806	26.2%	103,513	25.9%	67,222	28.3%
$50,000-$59,999	143,436	22.7%	70,846	21.6%	59,792	25.8%
$60,000-$69,999	111,925	19.7%	54,052	18.4%	47,575	21.8%

$70,000-$79,999	82,780	17.5%	45,729	16.5%	33,259	20.3%
$80,000-$89,999	70,019	16.0%	37,129	15.3%	29,456	18.8%
$90,000-$99,999	44,945	15.6%	23,368	14.2%	18,707	17.9%
$100,000-$124,999	72,887	14.4%	34,274	12.8%	35,099	17.3%
$125,000-$149,999	36,554	12.2%	17,987	10.6%	16,988	15.2%
$150,000-$174,999	24,133	12.2%	10,134	10.2%	12,597	15.8%
$175,000 or more	26,908	10.3%	13,756	8.7%	12,201	12.3%
All Household Incomes	**1,869,066**	**31.20%**	**946,420**	**31.90%**	**602,682**	**31.90%**

* Gross Rent-to-Income ratios above 100% are "topcoded" by the Census Bureau to a figure of 101%. Therefore the exact median gross- rent-to-income ratio cannot be determined, but it is, at a minimum, more than 100%.

APRIL 27, 2007 QUESTIONS

Question 1: On Page 5 of the "2005 NYCHVS Survey Results: Stabilized Rents and Incomes" by Quantitative Analysis, it is reported that the out-of-pocket rent to income ratio is 25.7% for all rent stabilized tenants, 22.3% for higher-income tenants (those households making more than 125% of federal poverty guidelines) and 57.4% for low-income tenants (those making less than 125% of federal poverty guidelines). What would the comparable numbers be if very high-income tenants were removed, rather than low-income ones?

To analyze this information, first staff started by determining the methodology used to compute the numbers presented on Page 5 of the "2005 NYCHVS Survey Results: Stabilized Rents and Incomes" by Quantitative Analysis. We were able to virtually duplicate Quantitative Analysis' results, but have chosen to use a slightly different methodology to calculate the answer to the question asked at the meeting. When income figures in the HVS are reported in the data file, a code of "9999999" is used to denote "no household income." When the Census Bureau, in their published tables, analyze income data, they convert "9999999" into zero, as does the RGB. Quantitative Analysis instead chose to leave all instances of "9999999" (i.e. "no income") out of their calculations. What this means is that the sample that Quantitative Analysis uses to compute the various statistics for "low income" tenants does not include anyone who reported a household income of zero. This difference of methodologies primarily affects their reporting of "median income" for low-income tenants, which they report at $9,778 and we calculated as $8,500. This also affects the median income for all renters, which is reported at $34,000 by Quantitative Analysis, and is actually $32,000 (as reported by the Census Bureau). Again, the methodology used by the RGB is the same as that of the Census Bureau.

To analyze what these statistics would be with high-income tenants removed from the equation, incomes were divided into four percentiles, with the first percentile representing the lowest 25% of incomes and roughly equal to the 27% of incomes that Quantitative Analysis report as "low income." The fourth percentile would represent the top 25% of incomes and are, for the purposes of this analysis, what we will call "high income." Note that as explained above, households reporting no income are included in this analysis and will be reflected in the "low income" statistics. All statistics are for rent stabilized households only.

	Median Income	Median Contract Rent	Median Out of Pocket Rent	Median Contract Rent as a Percentage of Income	Median Out of Pocket Rent as a Percentage of Income	Total Units
Excluding "High Income*"	$23,178	$800	$780	38.0%	32.0%	761,762
"High Income*"	$84,000	$1,000	$1,000	13.5%	13.4%	253,893
Total	$32,000	$844	$768	29.3%	25.7%	1,015,655

* "High Income" refers to those rent stabilized households in the top 25% of household incomes.

Question 2: What is the proportion, by borough, of preferential rents, as reported to DHCR?

Analyzing the instances of owners who reported a preferential rent as of April 1, 2005 as the reason the actual reported rent was lower than the legal rent reveals the following breakdown:

Borough	***Preferential Rents***	***Total Units***	***Percentage***
Bronx	22,541	185,537	12.1%
Brooklyn	31,665	225,252	14.1%
Manhattan	48,981	295,581	16.6%
Queens	28,536	155,903	18.3%
S.I.	1,765	8,142	21.7%
Total	**133,488**	**870,415**	**15.3%**

Question 3: Could you provide more information on the reasons rent stabilized tenants moved between 2002 and 2005?

The following table presents all the reasons *present* rent stabilized tenants who moved between 2002 and 2005 gave for their move. This table separates the categories of Quantitative Analysis into their individual elements, as reported to the Census Bureau, and also indicates what category each individual element was placed in by Quantitative Analysis. Note that for reasons that can't be explained by RGB staff, our sample of rent stabilized households who moved is approximately 5,400 units higher than Quantitative Analysis'. Also note that more than a quarter of the sample did not indicate a reason for their move, and had those units been eliminated from the analysis the ratio of each category would be pushed upward.

Reason for Move	Units	%	QA Category
Not Reported	96,745	27.84%	Other or no reason given
Needed larger house or apartment	31,415	9.04%	Desire a larger or better quality residence
Job transfer/new job	21,009	6.04%	Job Reasons
Wanted this neighborhood/better neighborhood services	18,966	5.46%	Desire a different Neighborhood
Other housing reason	17,713	5.10%	Desire a different Neighborhood
Wanted better quality residence	17,091	4.92%	Desire a larger or better quality residence
Wanted less expensive residence/difficulty paying rent or mortgage	16,494	4.75%	Financial burden is too high
Wanted to establish separate household	14,544	4.18%	Family Reason
Commuting reasons	11,834	3.40%	Job Reasons
Any other reasons	9,860	2.84%	Other or no reason given
Wanted to rent residence	9,570	2.75%	Other or no reason given
Other financial/employment reason	8,846	2.55%	Other or no reason given
Moved to be with or closer to relatives	8,701	2.50%	Family Reason
Other family reason	6,453	1.86%	Family Reason
Other neighborhood reason	6,233	1.79%	Desire a different Neighborhood
To attend school	6,186	1.78%	Other or no reason given
Newly married	5,762	1.66%	Family Reason
Wanted to own residence	5,755	1.66%	Other or no reason given
Separated/divorced	5,390	1.55%	Family Reason
Looking for work	4,585	1.32%	Job Reasons
Poor building condition/services	4,494	1.29%	Poor building condition or svcs
Evicted	3,707	1.07%	Evicted
Crime or safety concerns	3,162	0.91%	Desire a different Neighborhood
Displaced by private action (other than eviction)	3,008	0.87%	Other or no reason given
Schools	2,583	0.74%	Desire a different Neighborhood
Change in racial or ethnic composition of neighborhood	2,212	0.64%	Desire a different Neighborhood
Harassment by landlord	1,402	0.40%	Harassment by Landlord
Displaced by urban renewal, highway construction or other public activity	1,370	0.39%	Other or no reason given
Family decreased (except widowed/separated/divorced)	1,074	0.31%	Family Reason
Natural disaster/fire	599	0.17%	Other or no reason given
Needed housing accessible for persons with mobility impairments	584	0.17%	Other or no reason given
Retirement	213	0.06%	Job Reasons
Total	***347,560***	***100%***	

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 39.

Table 10

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2006-07, and Commensurate Rent Adjustment

Index Type	2006-07 Price Index Change	One-Year Rent Adjustment Commensurate With Adjusted O&M to Income Ratio of .765
All Dwelling Units	5.14%	3.93%
Pre 1947	4.73	3.62
Post 1946	5.18	3.96
Oil Used for Heating	5.05	3.86
Gas Used for Heating	4.59	3.51
Master Metered for Electricity	5.80	4.44

Note: The O&M to Income ratio is from the *2007 Income and Expense Study.*
Source: RGB's *2007 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.*

On June 11, 2007 the staff of the Rent Guidelines Board released a memo to Board members concerning the *Housing Supply Report*. The following is the text from that memo:

At the June 5, 2007 *Housing Supply Report* presentation, two questions were asked of RBG staff for which answers were not immediately available. Detailed answers are provided in this memo.

Of the condo conversion plans accepted in 2006, how many were for rent stabilized buildings?

The Attorney General's Office accepted 53 conversion/non-eviction plans in 2006 for privately owned buildings, while HPD plans to convert an additional 13 buildings through conversion/eviction. None of the 13 HPD buildings are rent stabilized. Of the 53 privately owned buildings being converted, a check against the 2005 DHCR database matches 32 buildings as being rent stabilized.

The number of units in these buildings can be analyzed in more than one way. First, there is the number of units reported to the Attorney General's office as part of the co-op or condo plan. Then there is the number of units registered in the building with HPD, and then there are the number of units reported to DHCR as being rent stabilized in 2005. In total, these 32 buildings will contain a reported 4,429 units of co-op or condo housing (as reported to the Attorney General). Because the converted building may have more or less units than the present rental building, these buildings were analyzed using the HPD building registration database to determine how many units are presently in place in these rental buildings. Registrations with HPD show a total of 4,153 units. Finally, DHCR records show a total of 1,335 rent stabilized units within these 32 buildings.

Of the buildings demolished in 2006, how many were residential?

The Department of Buildings does not keep track of which buildings being demolished are specifically residential, nor do they track how many units are in buildings being demolished. They do code each building with either a “1,” indicating that the building is a one-, two-, or three-family structure, or a “2,” indicating that the building is anything else, including commercial and any residential building greater than three units.

Each spring, the RGB asks DOB to provide the total number of buildings applying for demolition permits in the preceding year, broken out by borough. This was done in April of this year. However, the DOB also uploads each month to their website a listing of all permits applied for, including demolitions. This list is not as accurate as the one being used to provide the demolition data we report because it is not as current and does not reflect changes that occur after the posting date of the files to the website. However, it is almost wholly accurate and can be used to provide more detailed data than that provided directly from DOB. Using these files, there were 3,652 demolitions in 2006 (compared to the 3,568 reported in the Housing Supply Report). Of these 3,652 demolitions, 235 are one-, two-, or three-family residential structures, and the bulk are "everything else." This list was also used to compare the Borough, Block, and Lots of the demolished buildings to the 2005 DHCR database of stabilized buildings, matching 14 buildings with a total of 137 units.

On June 4, 2007 the staff of the Rent Guidelines Board released a memo to Board members concerning the use of the MBR and MCR in relation to the Special Guideline. The following is the text from that memo:

In response to a query at the preliminary vote on May 7 concerning the use of the MBR and MCR in relation to the Special Guideline, this memo seeks to explain the MBR and MCR and discuss the history of the Special Guideline. It also addresses the query for average MBR and MCR figures.

The MBR and MCR are defined as:

Maximum Base Rent Program (MBR): The Maximum Base Rent Program is the mechanism for authorizing rent increases for New York City apartments subject to rent control so as to ensure adequate income for their operation and maintenance. New York City Local Law 30 (1970) stipulates that MBR's be established for rent controlled apartments according to a formula calculated to reflect real estate taxes, water and sewer charges, operating and maintenance expenses, return on capital value and vacancy and collection loss allowance. The MBR is updated every two years by a factor that incorporates changes in these operating costs.

Maximum Collectible Rent (MCR): The rent that rent controlled tenants actually pay or are obligated to pay to the owner. In any one calendar year, the collectible rent shall be increased by no more than 7.5% until the MBR is reached. Other increases not associated with the MBR system are possible in the same year, in addition to the 7.5%, such as fuel cost adjustments and approved increases for individual apartment improvements and/or major capital improvements. The MCR generally is less than the MBR. For example, if a tenant's rent (MCR) on 12/31/05 was $600, and the MBR was $700, then on 01/01/06 (effective date of MBR) the rent (MCR) would rise 7.5% to $645 and the MBR ceiling would rise by 8.2% (the 2006-07 MBR factor) to $757.40. On 01/01/07, the MBR would remain the same (since MBR's cover a two-year period), but the MCR would rise by another 7.5% to $693.38.

Section 26-513 of the Rent Stabilization Law authorizes the Rent Guidelines Board to promulgate guidelines for the determination of fair market rents for housing accommodations newly subject to rent stabilization after leaving rent control.

The history of the Special Guideline, as explained in *An Introduction to the Rent Guidelines Board*:

> In establishing the special guidelines, at one time the Board's policy was generally to close the gap between rent controlled rents and rent stabilized rents, the latter often being much higher. From 1974 through 1986 the Board adopted special guidelines which ranged between 15% to 20% above the maximum base rent ("MBR") established under the rent control system. In 1987 the Board took notice of information provided by the most recent Housing and Vacancy Survey which indicated that median rent stabilized rents in pre-47 buildings were approximately 35% above median rent controlled rents. Consequently, the Board increased the special guideline to 35% above the MBR in its 1987 rent orders. The following year tenant representatives argued that since the Board's stated aim for the special guideline was to close the gap between rent controlled and rent stabilized rents, and since the gap reflected in the HVS figures is really a gap between Maximum Collectible Rents and stabilized rents, the special guideline should be added to the MCR and not the MBR. Acknowledging some value in retaining the MBR as the minimally desired rent, the Board's 1988 and 1989 special guidelines consisted of a 45% increase above the MCR or a 25% increase above the MBR - whichever increase was greater. In 1990 the Board moved to a fixed increase of 35% above the MCR. In 1991, responding to arguments that the MBR is a minimally sufficient rent to run a building, the Board returned to the MBR as an appropriate base from which to calculate adjustments by simply adding 15% to the MBR. This approach was continued in 1992. In 1993 the Board once again returned to the "closing the gap" approach by adding 40% to the MCR.
>
> In later years the Board added a minimum increase above both the MBR and the MCR. Thus, in 1995 the special guideline consisted of the greater of 35% above the MBR or 45% above the MCR. In 1996 and 1997 the numbers were 40% and 50% respectively. In 1998 the Board increased the special guideline to the greater of 80% above the MBR or a minimum of $650. [In 1999, 2000 and 2001], the Board adopted a complex special guideline consisting of the greater of 150% above the MBR plus the fuel cost adjustment, or the Fair Market Rent for existing housing established by the U.S. Department of Housing and Urban Development. [Since 2001, the Board has adopted a special guideline consisting of the greater of 50% above the MBR, or the Fair Market Rent for existing housing established by the U.S. Department of Housing and Urban Development.]

According to the *Housing and Vacancy Survey*, in 2005, the average rent controlled rent was $721, 21% lower than the average rent stabilized rent of $908.

Lastly, in relation to the query requesting average MBR and MCR figures, DHCR has informed us that they do not input these figures into their system. DHCR authorizes owners to calculate MBR and MCR figures themselves; they are not calculated by DHCR. Owners then file master building rent schedules at the end of the MBR process but historically only the dates that they are filed are entered and not the rent data. Therefore, it is not possible to provide average MBR and MCR figures. However, DHCR is currently conducting a project that would allow owners to file master building rent schedules online which would enter MBR's directly into the system.

On June 1, 2007 the staff of the Rent Guidelines Board released a memo to Board members concerning proposed apartment provisos from the May 7 preliminary vote. The following is the text from that memo:

Below are apartment provisos that were presented by tenant members at the preliminary vote on May 7. These provisos were presented as items that the board should consider and discuss prior to the final vote on June 26. They were not considered as parts of any proposed preliminary guidelines that were voted on. These provisos are on the agenda for the June 5 meeting at which time members can address these issues.

1. Deregulation
"If an owner has deregulated a majority of the units in his building, the now market rent apartments should produce a return on the original investment that is more than adequate. As a result such buildings should not receive annual rent increases due to their demonstrated financial stability and their contribution to the erosion of the affordable housing stock. We should consider this factor."

2. Building conditions
"Buildings with immediately hazardous conditions as documented by HPD are both in violation of the rent stabilization law and the NYC housing maintenance code. The State Division of Housing and Community Renewal also recognizes that when landlords are clearly not upholding their responsibility to provide repairs and required services, tenants should not be required to provide full compensation and issue rent impairing violations to this end. Clearly, buildings with uniformly poor conditions, the increases being granted each year by this board to cover operating costs are not being used for their defined purpose and therefore should be withheld until such time that HPD can verify through its own inspection that the violations have been corrected."

3. Owner registration of units and buildings
"The Omnibus Housing Act requires that all units stabilized after 1984 are registered with the State in order to track rent levels and deregulation. Owners are required to register annually and provide tenants with copies of the registration papers each year. However, anecdotal information seems to indicate that a number of units and buildings throughout the five boroughs remain unregistered and therefore unaccounted for by the state agency. The law expressively states that the failure to recertify each year can lead to denial of annual rent increases each year, a provision that should be adopted."

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 4.4%, 0.7 percentage points lower than the increase for apartments. This difference is explained by the fact that Attorney fees, which rose 2.2%, are much more important for lofts than for apartments. In addition, fuel costs for lofts decreased 0.6% but increased 0.5% in the apartment Index. These two disparities placed more downward pressure on the Loft Index.

This year's guidelines for lofts are: **2.5%** for a one-year lease and **5.25%** for a two-year lease.

Table 11

Changes in the Price Index of Operating Costs for Lofts from 2006-07	
	Loft O & M Price Index Change
All Buildings	4.4%

Source: *2007 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.

SUPPLEMENTAL ADJUSTMENT

There shall be **no supplemental adjustment** for apartments renting below any specified amount for renewal leases.

There shall be **no equalization allowance** for apartments continuously occupied for a specified period of time for renewal leases.

SUBLET ALLOWANCE

The increase landlords are allowed to charge under Order 39 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2007 and on or before September 30, 2008 shall be **10%**.

VOTES

The votes of the Board on the adopted motion pertaining to the provisions of Order #39 were as follows:

	Yes	No	Abstentions
Guidelines for Apartment Order #39	5	4	-

Dated: June 27, 2007
Filed with the City Clerk: June 29, 2007

Marvin Markus, Chair
Rent Guidelines Board

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