EXPLANATORY STATEMENT - APARTMENT ORDER #47

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2015-16 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law[1]

Summary of Order No. 47

The Rent Guidelines Board (RGB) by Order No. 47 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2015 and on or before September 30, 2016 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2015 and on or before September 30, 2016: 0.0%

For a two-year renewal lease commencing on or after October 1, 2015 and on or before September 30, 2016: 2.0%

Vacancy Allowance

The vacancy allowance is now determined by a formula set forth in the State Rent Regulation Reform Act of 1997 and the Rent Act of 2015, not by the Orders of the Rent Guidelines Board.

Sublet Allowance

The increase landlords are allowed to charge when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2015 and on or before September 30, 2016 shall be 10%.

Adjustments for Lofts

For Loft units to which these guidelines are applicable in accordance with Article 7-C of the Multiple Dwelling Law, the Board established the following maximum rent increases for increase periods commencing on or after October 1, 2015 and on or before September 30, 2016. No vacancy allowance is included for lofts.

1 Year	2 Years
0.0%	2.0%

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. 47.

[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 Guideline

Leases for units subject to rent control on September 30, 2015 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. 33% 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, 2015.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2015 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. 47

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. 47 was issued by the Board following **seven** public meetings, **four** public hearings, its review of written submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. Approximately 92 written submissions were received at the Board's offices from many individuals and organizations including public officials, tenants and tenant groups, and owners and owner groups. The Board members were provided with copies of public comments received by the **June 18, 2015** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 12, April 2, April 16, April 23, and May 28, 2015. On **April 29, 2015**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 8, June 11, June 15 and June 18, 2015** pursuant to Section 1043 of the New York City Charter and Section 26-510(h) of the New York City Administrative Code. Testimony on the proposed rent adjustments for rent-stabilized apartments and lofts was heard on June 8 from **2:00 p.m. to 7:25 p.m.,** June 11 from **5:00 p.m. to 9:05 p.m.,** June 15 from **5:00 p.m. to 7:45 p.m., and** June 18 from **5:15 p.m. to 9:15 p.m.** The hearings ended when all those who were in attendance who wished to testify did so and there were no additional speakers. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately** 190 apartment tenants and tenant representatives**,** 56 apartment owners and owner representatives**,** and 15 public officials. In addition, 14 speakers read into the record written testimony from various public officials. On **June 29, 2015** the guidelines set forth in Order No. 47 were adopted.

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

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

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

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

Meeting Date / Name	Affiliation
March 12, 2015:	Staff presentation, *2015 Income and Expense Study*
	NYC Department of Housing Preservation and Development (HPD)
1. Elyzabeth Gaumer	Acting Assistant Commissioner, Research and Evaluation
April 2, 2015:	Staff presentations *2015 Income and Affordability Study* *2015 Mortgage Survey Report*

April 16, 2015:		Staff presentation, *2015 Price Index of Operating Costs*
		Presentation by Dr. James F. Hudson and RGB Executive Director Andrew McLaughlin
		NYC Department of Housing Preservation and Development (HPD)
1. Daniel Hernandez		Deputy Commissioner for Neighborhood Strategies

April 23, 2015:	
	Apartment Tenants group testimony:
1. Tim Collins	Collins, Dobkins and Miller LLP
2. Barika Williams	Association for Neighborhood and Housing Development (ANHD)
3. Victor Bach	Community Service Society (CSS)
	Apartment Owners group testimony:
1. Mary Ann Rothman	New York Council of Cooperatives and Condominiums
2. Ali Ruth Davis	Real Estate Board of New York (REBNY)
3. Patrick Siconolfi	Community Housing Improvement Program (CHIP)
4. Jimmy Silber	Small Property Owners of New York (SPONY)
5. Jack Freund	Rent Stabilization Association (RSA)
	Hotel Tenants group testimony:
1. Larry Wood	Goddard Riverside Law Project and Family Council
2. Dan Evans	Goddard Riverside SRO Law Project
3. Brian Sullivan	SRO Law Project at MFY Legal Services, Inc.
May 28, 2015:	Staff presentations *2015 Housing Supply Report* *Changes to the Rent Stabilized Housing Stock in New York City in 2014*
	NYC Furman Center
1. Max Weselcouch	Director of the Moelis Institute for Affordable Housing Policy

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups[2]

Comments from owners and owner groups included:

"This year, we believe those necessary increases are 5% for a one-year lease and 9% for a two-year lease…Over the long term, rent increases granted by the RGB have, at best, amounted to two-thirds of the measured increase in operating costs. Even if the PIOC is now viewed as having over-measured operating costs, the rent increases granted by the RGB would still have been inadequate relative to the long-term increases in operating costs. Stated another way, RGB rent increases have averaged three percent per year, while operating costs have increased at roughly twice that rate."

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

"Although the Rent Guideline Board's 2015 Price Index of Operating Costs (PIOC) only shows an overall increase of 0.5% in operating costs this year, we believe that this figure greatly understates the actual costs incurred by property owners. When one takes into account how buildings contract to purchase their fuel and the heavy (and continually increasing) tax burden on rental properties, we believe that the true cost of operating a multi-family rental building has risen more in the past year than the PIOC would suggest."

"The City's tax practices remain a troubling aspect of housing policy. Taxes are the largest expense and the expense which is growing the quickest. The PIOC states that property taxes constitute 26% of the budget of a rent stabilized building. But, this is not the only cost paid to the City; water and sewer taxes are another 5%. Added to this is a vast array of fees to the City for filings, permits, certifications, permissions, tenant caused violations, restoration fees, franchise fees and others which constitute another 2% (and which the RGB does not measure). This totals 33%. So one-third of the expense of operating a rent stabilized building is just to pay the City."

"The RSA urges the RGB to enact guidelines at the top of the proposed range: 2% for a one-year lease and 3.5% for a two-year lease…In addition, the RSA urges the Board to consider a supplemental dollar allowance for low-rent apartments: an additional $50 for apartments renting for less than $500 per month and an additional $30 for apartments renting for less than $800 per month."

"We are asking the Board for a fair rental increase of 5% for a one-year lease and 9% for a two-year lease, and that there not be a rent freeze. If we do not receive fair rental increases then we will not be able to keep our building operating or be able to continue to provide a proper level of services to the families that live there."

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups[3]

Comments from tenants and tenant groups included:

"From 2011 to 2014, the median rent for rent-stabilized apartments rose by 11.9 percent, or 6.3 percent above inflation. Incomes rose by 5.0 percent, or 0.3 percent below inflation. This squeeze is also evident in the increased rent burden on the median stabilized tenant, who went from paying 31.9 percent of income as rent in 2011 to 33.1 percent in 2014. There was also in a sharp increase in overcrowding, possibly as a result of households doubling up or taking on additional members in order to meet the rising rents. The share of apartments with more than one person per room rose from 11.5 percent in 2011 to 12.2 percent in 2014."

"Between 2008 and 2013 the median rent paid by stabilized tenants jumped from 31.6% to 36.4% of household income - the highest rent burdens ever recorded. More than one in three stabilized households now devote more than half of their income to rent. The ranks of the City's homeless have risen by more than 50% over the same period and now exceed 54,000. That the previously described massive increase in owner income occurred at a time when tenant incomes were declining, housing affordability problems severely deepened and homelessness skyrocketed, was nothing less than a scandal - a scandal that was only partially ameliorated by last year's historically low guideline increases…All critical data points (both long and short term) overwhelmingly support a rent rollback in 2015."

"We are testifying today to urge the Board to roll back rent increases for one-year lease renewals by 1.5% and to freeze rent increases at 0% for two-year lease renewals. Rolling

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

back rents in 2015-16 would best serve the rent-stabilized tenants of NYC, so many of whom struggle to meet yearly rent increases. Poverty in New York is rampant, and the homeless population, including thousands and thousands of children, is at an all-time high."

"I am testifying tonight on behalf of District Council 37. DC 37 represents 122,000 members and another 50,000 retireees…While the median wage of a DC 37 member is $39,000, we have 10,000 members making less than $10 per hour and 300 members who are homeless and living in public shelters…Corrective action is needed, and it is needed now. DC 37 urges this Board to go beyond the proposed rent freeze and to approve guidelines that roll back rents and restore our member's economic health."

"More than one million households in NYC are increasingly rent-burdened, which means they are paying 30 percent or more of household income on rent and almost 50 percent of households in our community [Washington Heights & Inwood] are severely rent-burdened, which means they spend more than 50 percent of their income on rent."

Selected Excerpts from Oral and Written Testimony from Public Officials[4]

Comments from public officials included:

"While renters have continued to struggle, we have seen the disparity between renters' and owners' needs grow. For the most rent data from 2012-2013, Net Operating Income for stabilized building owners increased by 3.4% over the previous year, attributing to the ninth consecutive yearly increase in a row. I want to caution the Board from authorizing any increase that could make this disparity even worse."

"The countless unwarranted increases approved by the RGB under previous administrations continue to threaten the economic and cultural diversity of this City. Tenants need and deserve a rollback of rents to help undo years of damage already done to affordable housing in NYC. My district is home to tens of thousands of rent stabilized tenants, and this Board's decision each year is the primary factor in whether or not my constituents – and nearly two million tenants statewide – will be able to remain in their homes. More than half of all renters are rent burdened, paying more than 30 percent of their income toward rent. Many in my district have seen their rent stabilized rents exceed their fixed incomes and are quickly burning through what little savings they do have in a desperate attempt to avoid homelessness."

"The combination of rising rents and stagnant wages has led to rising rent-to-income ratios – one of the fundamental measures of housing affordability – for rents across the income spectrum, but particularly for the City's low-income households…At a moment when Albany debates the future of rent regulation and whether to continue programs offering billions of dollars in tax incentives for developers to construct affordable housing, it is critical to maintain the affordability that we already have. The only way to do that is by enacting a long overdue rent freeze that will provide relief for low-income New Yorkers."

"In the past, the Rent Guidelines Board gave far more attention to landlords' costs than to tenants' ability to pay. The Board overestimated landlords' fixed costs, and voted for rent increases that far outstripped the growth of the local economy. This year, striking a fair balance for tenants and landlords means voting for a rent rollback."

[4] Sources: Submissions by public officials.

“I am here tonight to urge the Rent Guidelines Board to support a rent freeze—a pause if you will—in the spiraling cost of housing. This will not only serve the immediate needs of the thousands of Bronx families that I represent, it would also reduce market pressures that threaten to undermine Mayor deBlasio’s ambitious plans to build and preserve 200,000 units of affordable housing.”

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. *2015 Income and Expense Study*, March 2015, (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);

2. *2015 Mortgage Survey Report*, April 2015, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

3. *2015 Income and Affordability Study*, April 2015, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);

4. *2015 Price Index of Operating Costs*, April 2015, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);

5. *2015 Housing Supply Report*, May 2015, (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 2014*, May 2015, (A report quantifying all the events that lead to additions to and subtractions from the rent stabilized housing stock).

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

2015 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City

The 2015 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 0.5% increase in costs for the period between March 2014 and March 2015.

This year, the PIOC for all rent stabilized apartment buildings increased by 0.5%. Increases occurred in all PIOC components except Fuel, which declined by 21.0%. The largest increase in any component was seen in Insurance Costs (7.2%). More moderate increases occurred in Taxes (4.2%), Administrative Costs (3.9%), Labor Costs (3.8%), Maintenance (3.0%) and Utilities (1.2%). The growth in the Consumer Price Index (CPI) during this same time period was higher than the PIOC, rising 1.0%.[5] See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2014-15.

The “core” PIOC, which excludes erratic changes in fuel oil, natural gas, and electricity costs used for heating buildings, is useful for analyzing long-term inflationary trends. The core PIOC rose by 3.6% this year and was higher than the overall PIOC due to the exclusion of the costs in the Fuel component, which declined 21.0%.

This year staff updated the expenditure patterns used in the Apartment PIOC with data from RPIE statements. This resulted in an overall PIOC of 0.5%. Had the PIOC not been reweighted to reflect current expenditure patterns, the PIOC would have been –1.1%, 1.6 percentage points lower, primarily because the cost of fuel oil went down 23.4% and it accounted for a larger share of overall expenses in the previous PIOC methodology.

Table 1

2014-15 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City[6]			
Item	Expenditure Weights	2014-15 Percentage Δ	2014-15 Weighted Percentage Δ
Taxes	26.15%	4.18%	1.09%
Labor Costs	16.01%	3.81%	0.61%
Fuel Oil	12.62%	-21.00%	–2.65%
Utilities	11.06%	1.17%	0.13%
Maintenance	16.26%	2.95%	0.48%
Administrative Costs	13.03%	3.90%	0.51%
Insurance Costs	4.88%	7.25%	0.35%
All Items	100%	-	0.52%

Source: *2015 Price Index of Operating Costs* for Rent Stabilized Apartment Houses in New York City.
Note: The Δ symbol means change.

[5] The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2013 to February 2014 (257.5) compared to the average for the year from March 2014 to February 2015 (260.1) rose by 1.0%. This is the latest available CPI data and is roughly analogous to the ‘PIOC year’, which for the majority of components compare the most recent point-to-point figures from April to March, monthly cost-weighted figures from April to March, or the two most recent fiscal year bills.

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

On April 23, 2015 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the *Price Index of Operating Costs (PIOC)*. The entire memo follows:

At the April 16, 2015 *Price Index of Operating Costs* (PIOC) presentation, three questions were asked for which an immediate answer could not be provided. Detailed answers follow.

Question 1: Can fuel costs from the Income & Expense Report *be provided historically?*

The table below presents both nominal and inflation-adjusted fuel costs by calendar year (1991-2013). Inflation-adjusted costs are in 2013 dollars. Note that data from 2003 was not able to be provided for any of the I&E components.

Year	Nominal Fuel Costs	Fuel Costs ($2013)	% of Total Operating Expenses
1991	$41	$73	10.7%
1992	$41	$70	10.4%
1993	$41	$68	10.1%
1994	$40	$65	9.7%
1995	$38	$60	9.0%
1996	$45	$69	10.2%
1997	$43	$65	9.5%
1998	$35	$52	7.6%
1999	$35	$51	7.5%
2000	$53	$74	10.5%
2001	$54	$74	10.2%
2002	$46	$62	8.1%
2003	--	--	
2004	$65	$82	9.9%
2005	$83	$100	12.2%
2006	$84	$98	12.1%
2007	$97	$110	13.2%
2008	$115	$125	14.6%
2009	$92	$100	11.8%
2010	$96	$102	12.2%
2011	$113	$117	13.9%
2012	$110	$112	12.5%
2013	$119	$119	12.8%

Source: RGB Income & Expense Studies

Question 2: How many buildings have been converted from fuel oil to natural gas since 2011?

We have requested this data from the NYC Department of Buildings but it had not been received at the time that this memo was released.

Question 3: Can you provide the formulas used to calculate the different Commensurate Rent Adjustments?

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 owners' current dollar NOI at a constant level. In other words, the formula provides a set of one- and two-year renewal rent increases (guidelines) that will compensate owners for the change in prices measured by the PIOC and keep net operating income "whole." Historically, it is important to note that when commensurate adjustments are calculated, the combined percentage increases in rent stay within a tenth of a percentage point of the total percentage increase required to keep owners' "whole."

There are a total of five commensurate rent formulas in the PIOC. Each formula attempts to compensate owners for the change in the expense portion of their revenue. But reflecting that there are other factors that can both raise or lower NOI, various formulas include other factors, such as the mix of lease terms, extra income upon vacancy lease signings, and adjustment of net operating income (NOI) by inflation. These factors are listed below:

- **Cost-to-Income Ratio** - This ratio is derived from the most current *Income and Expense Study*, which showed that the ratio of average operating costs to average income in stabilized buildings was 66.1%. In other words, owners spend 66.1% of their income, on average, for operating costs. All formulas use this figure.
- **Apartment PIOC** - Each formula adjusts the expense portion of the revenue dollar (66.1%, see above) by using the overall change in the PIOC of 0.523%. All formulas include the change in the PIOC.
- **Projected PIOC –** The 2016 PIOC projection is 4.204% and is used only in the "Traditional Commensurate Formula."
- **Mix Term of Lease Signers –** As derived from 2011 HVS data, the most current data available, during a guideline period, 60.8% of tenants sign renewal leases, 15.7% sign vacancy leases, and 23.5% of tenants do not sign a renewal lease because they are in the second year of a two-year lease. The 60.8% of tenants signing renewal leases is comprised of 37.3% signing one-year leases and 23.5% signing two-year leases. These figures are used in the "Net-Revenue" and "CPI-Adjusted NOI" formulas.
- **CPI-Adjusted NOI –** In order to take into account inflation, the NOI portion of the revenue dollar, which is 33.9% of each dollar earned, is adjusted by the rise in the CPI of 1.040% over the same time period as the PIOC. This figure is used in the "CPI-Adjusted NOI" formulas.
- **Median Vacancy Increase –** For all commensurate formulas that include a vacancy assumption, the 8.7% median increase in vacancy leases found in rent stabilized apartments that reported a vacancy lease (per the 2014 apartment registration file from the Division of Housing and Community Renewal) was used. This figure is used in the "Net-Revenue" and "CPI-Adjusted NOI" formulas that include a vacancy assumption.

Net-Revenue Formula

Per the *2015 PIOC*, the commensurates for the Net Revenue formula are 0.0% for a one-year lease and 1.5% for a two-year lease, without considering vacancy increases. Considering the impact of vacancy leases, the commensurates are -2.0% for a one-year lease and -1.0% for a two-year lease. The focus of the Net Revenue formula is compensating owners for the change in the PIOC. It also considers the mix of lease terms, while adjusting the O&M portion of the revenue dollar only. To determine how much rents would need to be increased for owners to be kept "whole" in the face of the 0.523% increase in the PIOC, this change in the PIOC is multiplied by the cost-to-income ratio

(66.1%) as reported in the *2015 I&E Study*. This results in adjustments to rents of 0.346%. The formula is as follows:

0.661 (cost-to-income ratio) x 0.523 (PIOC change) = 0.346 (percentage rents need to be increased)

Since the Board is obligated to set renewal lease adjustments for one- and two-year leases, percentage increases are calculated for these two types of lease renewals, that combined, will compensate owners the 0.346% rise necessary to keep them "whole". The Net-Revenue formulas take into account the mix of lease terms to calculate these adjustments. The formula is as follows:

	% of lease signers		Guideline Adjustment		% Adjustment in rents
One-Year Lease	37.3%	x	0%	=	0.0%
					+
Two-Year Lease	23.5%	x	1.5%	=	0.352%
				Total:	0.352%
				Target:	0.346%
				Difference:	0.006

As illustrated in the formulas above, assuming a guideline of 0% for a one-year lease and 1.5% for a two-year lease would provide a total increase of rents of 0.352%. This increase is close to the 0.346% that was previously calculated as being necessary to keep owners "whole," less than one-hundredths of a difference.

In order to calculate the Net Revenue formula with vacancy, we follow the same formula as above, but also need to consider the median increase upon vacancy of 8.7%. The formulas are as follows:

	% of lease signers		Guideline Adjustment		% Adjustment in rents
One-Year Lease	37.3%	x	-2.0%	=	-0.747%
					+
Two-Year Lease	23.5%	x	-1.0%	=	-0.235%
					+
Vacancy Increase	15.7%	x	8.7%	=	1.370%
				Total:	0.388%
				Target:	0.346%
				Difference:	0.042

Since the median vacancy increase is 8.7%, when multiplied by the percentage of vacancy leaseholders (15.7%), the result is a 1.37% increase in rents, which exceeds the 0.346% required. Therefore, negative guideline adjustments of -2.0% for a one-year lease and -1.0% for a two-year lease are needed in order for the combined adjustment of 0.388% to be close to what is required to keep owners "whole". There is just a four-hundredths of a percentage point difference between these two numbers.

CPI-Adjusted NOI Formulas

Per the *2015 PIOC*, the commensurates for the CPI-Adjusted NOI formula are 0.75% for a one-year lease and 2.0% for a two-year lease, without considering vacancy increases. Considering the impact of vacancy leases, the commensurates are -1.5% for a one-year lease and -0.5% for a two-year lease. The focus of the CPI-Adjusted NOI formula is not only compensating owners for the change in the PIOC, but also for the effect of inflation on NOI. Similar to the Net Revenue formulas, the CPI-Adjusted NOI formulas adjust the O&M portion of the revenue dollar by the PIOC (66.1% x 0.523%=0.346%). However, it also adjusts the NOI portion of the revenue dollar, which is 33.9%, by the 1.04% rise in the CPI during the same time period as the PIOC. The total percentage adjustments needed to keep owners "whole" is calculated by adding the results of these two formulas.

0.661 (cost-to-income ratio) x 0.523 (PIOC change)	=	0.346
		+
0.339 (percentage of NOI $) x 1.040 (CPI change)	=	0.353
Total		0.699 (% rents need to be increased)

As a result, rents would need to increase 0.699% to compensate owners for the rise in the PIOC and inflation. As with the Net Revenue formulas, the CPI-Adjusted NOI formulas take into account the mix of lease terms. The CPI-Adjusted NOI formula without vacancy considered is as follows:

	% of lease signers		Guideline Adjustment		% Adjustment in rents
One-Year Lease	37.3%	x	0.75%	=	0.280%
					+
Two-Year Lease	23.5%	x	2.0%	=	0.469%
				Total:	0.749%
				Target:	0.699%
				Difference:	0.050

As illustrated in the formulas above, the total percentage increase in rents of a guideline of 0.75% for a one-year lease and a 2.0% increase in a two-year lease is 0.749%. This increase is close to the 0.699% required to keep owners "whole," just five-hundredths of a difference.

In order to calculate the CPI-Adjusted NOI formula with vacancy we need to consider the median increase upon vacancy of 8.7%. The formulas are as follows:

	% of lease signers		Guideline Adjustment		% Adjustment in rents
One-Year Lease	37.3%	x	-1.5%	=	-0.560%
					+
Two-Year Lease	23.5%	x	-0.5%	=	-0.117%
					+
Vacancy Increase	15.7%	x	8.7%	=	1.370%
				Total:	0.692%
				Target:	0.699%
				Difference:	0.007

Since the median vacancy increase is 8.7%, when one multiplies it with the percentage of vacancy leaseholders (15.7%), the result is a 1.37% increase in rents, which exceeds the 0.699%. Therefore, negative guideline adjustments of -1.5% for a one-year lease and -0.5% for a two-year lease are needed in order for the combined adjustments of 0.692% to be close to the amount required to keep owners "whole."
It is important to note that the guideline adjustments in the Net Revenue and CPI-Adjusted NOI formulas are only illustrative — other combinations of one- and two-year guidelines could produce similar adjustments in revenue.

Traditional Commensurate Formula

Per the *2015 PIOC*, the commensurates for the "Traditional" formula are 0.3% for a one-year lease and 1.7% for a two-year lease. The Traditional commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board and reflects the increase in operating costs of 0.523% found in the *2015 PIOC* and the projection of a 4.204% increase next year. This formula does not consider the mix of one- and two-year lease renewals, nor does it consider the erosion of landlords' income by inflation.

Similar to the other commensurate formulas, the Traditional formula adjusts the O&M portion of the revenue dollar only. To determine how much rents would need to be increased for owners to be kept "whole" in the face of the 0.523% increase in the PIOC, this change in the PIOC is multiplied by the cost-to-income ratio (66.1%) as reported in the *2015 I&E Study*. This results in adjustments to rents of 0.346% (rounded down to 0.3% in the commensurates presented in the *2015 PIOC*). This is how the one-year guideline adjustment is calculated.

Unlike the other commensurates, the Traditional uses both the PIOC increase (0.523%) and the PIOC projection of 4.204% to calculate the two-year guidelines adjustment. For the first year of the two-year lease it compensates owners solely for the 0.346% increase needed to keep owners "whole." The second year of the lease it takes the PIOC projection and multiplies it by the cost-to-income ratio (0.661% x 1.04204), resulting in having to compensate owners for the second year of the 2-year lease by 3.138%. However, owners are not permitted to increase rents during the term of the lease. So instead of having two rent adjustments, this formula spreads the increase over the two years of the lease by adding the percentage increase to compensate owners from the first year with that of the second year, and dividing that number by two (0.346% + 3.138%/2).

The Traditional formula is as follows:

	% of adjustment in rents 2015		% of adjustment in rents 2016		Number of Years		Guideline Adjustment
1-Year Lease	0.346%		n/a	x	1	=	0.3%
2-Year Lease	0.346%	+	3.138%	/	2	=	1.7%

As illustrated in the formulas above, the suggested guideline increases using the Traditional commensurate formula yields 0.3% for a one-year lease and 1.7% increase for a two-year lease.

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

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes almost 14,600 properties containing over 660,000 units. This is the 23rd 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 2014 Real Property Income and Expense (RPIE) statements for the year 2013:

Table 2

2015 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	$856	$959	$884

Source: 2015 Income and Expense Study, from 2014 Real Property Income and Expense filings

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

If we assume that an audit of this year's I&E data would yield similar findings to the 1992 audit, one would expect the average O&M cost for stabilized buildings to be $812, rather than $884. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2013 Operating Cost to Rent/Income Ratio Adjusted to 1992 Audit					
	O&M Costs[7]	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	$812	$1,182	0.687	$1,337	0.607

Source: *2015 Income and Expense Study*, from 2014 Real Property Income and Expense filings for 2013, NYC Department of Finance.

Forecasts of Operating and Maintenance Price Increases for 2015-16

In order to decide upon the allowable rent increases for two-year leases, the RGB considers price changes for operating costs likely to occur over the next year. In making its forecasts the Board relies on expert assessments of likely price trends for the individual components, the history of changes in prices for the individual components and general economic trends. The Board's projections for 2015-16 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 2014-15 and Projected 2015-16		
	Price Index 2014-15	Projected Price Index 2015-16
Taxes	4.2%	7.7%
Labor Costs	3.8%	3.7%
Fuel Oil	-21.0%	0.0%
Utilities	1.2%	2.6%
Maintenance	3.0%	3.4%
Administrative Costs	3.9%	2.9%
Insurance Costs	7.2%	7.9%
Total (Weighted)	**0.5%**	**4.2%**

Source: 2015 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City, which includes the 2016 PIOC Projection.

Overall, the PIOC is expected to grow by 4.2% from 2015 to 2016. Costs are predicted to rise in each component except Fuel, where costs are anticipated to be flat. The largest growth, of 7.9%, is projected to be in Insurance Costs. Taxes, the component that carries the most weight in the Index, is projected to increase 7.7%. More moderate increases are projected in Labor Costs (3.7%), Maintenance (3.4%), Administrative Costs (2.9%) and Utilities (2.6%). The table on the previous page shows predicted changes in PIOC components for 2016. The core PIOC is projected to rise 4.8%, 0.6 percentage points more than the overall projected Apartment PIOC.

---

7 Overall O&M expenses were adjusted according to the findings of an income and expenses audit conducted by the Department of Finance in 1992. The unadjusted **O&M to Rent** ratio would be 0.748. The unadjusted **O&M to Income** ratio would be 0.661.

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 owners' 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 owners' 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 0.5% increase in the PIOC is 0% for a one-year lease and 1.5% for a two-year lease. Using this formula, and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover, result in guidelines of -2.0% for one-year leases and -1.0% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (O&M) costs and NOI constant. This is commonly called the "CPI-Adjusted NOI" formula. A guideline that would preserve NOI in the face of the 1.0% increase in the Consumer Price Index (see Endnote 3) and the 0.5% increase in the PIOC is 0.75% for a one-year lease and 2.0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are -1.5% for one-year leases and -0.5% for two-year leases.[8]

The "traditional" commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board. The "traditional" commensurate yields 0.3% for a one-year lease and 1.7% for a two- year lease. This reflects the increase in operating costs of 0.5% found in the 2015 PIOC and the projection of a 4.2% increase next year.[9]

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 owners' current dollar income constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about three-fifths of leases are renewed in any given year, with a

---

[8] The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 66.1% of the 2015 PIOC increase of 0.5%, or 0.3%. The 66.1% 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 33.9% times the latest 12-month increase in the CPI ending February 2015 (1.0%), or 0.35%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2011 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 8.7% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2014 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

[9] Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 4.2% PIOC projection for 2016 is used.

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

A second flaw of the "traditional" commensurate formula is that it does not consider the erosion of owners' 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.[10]

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 owners' income. The "Net Revenue" formula does not attempt to adjust NOI based on changes in interest rates or deflation of owner profits. The "CPI-Adjusted NOI" formula inflates the debt service portion of NOI, even though interest rates have been generally falling, rather than rising, over recent years. Including a consideration of the amount of income owners receive on vacancy assumes that turnover rates are constant across the City.

Finally, it is important to note that only the "traditional" commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the "Net Revenue" and "CPI- Adjusted NOI" formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The "Net Revenue" and the "CPI-Adjusted NOI" formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (0.5%). 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 (4.2%). If the change in projected costs, which may not be an accurate estimate of owner's costs, is added to the "Net Revenue" and "CPI-Adjusted NOI" formulas, the resulting guidelines will likely over- or under-compensate for the change in costs.

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

Consideration of Other Factors

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

Effective Rates of Interest

The Board took into account current mortgage interest rates and the availability of financing and refinancing. It reviewed the staff's 2015 Mortgage Survey Report of lending institutions. Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

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

Table 4

2015 Mortgage Survey[11] Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 2007-2015									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg. Rates	6.3%	5.9%	6.5%	6.3%	5.8%	4.6%	4.4%	4.9%	4.3%
Avg. Points	0.61	0.47	0.62	0.79	0.61	0.63	0.59	0.54	0.70
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg. Rates	6.2%	5.8%	6.5%	6.3%	5.7%	4.7%	4.4%	4.9%	-
Avg. Points	0.61	0.44	0.62	0.83	0.61	0.63	0.40	0.50	-

Source: 2007–2015 Annual *Mortgage Survey Reports*, RGB.
Note: As of the 2015 *Mortgage Survey Report*, respondents are no longer surveyed on refinancing rates and points.

Condition of the Rent Stabilized Housing Stock

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

[11] 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

Number of Cooperative / Condominium Plans[12] Accepted for Filing, 2006-2014									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
New Construction	644	573	454	335	235	185	121	151	210
Conversion Non-Eviction	53	66	50	29	20	20	25	18	20
Conversion Eviction	13	16	18	13	4	9	3	0	0
Rehabilitation	0	8	4	1	0	2	11	21	37
Total	710	663	526	378	259	216	160	190	267
Subtotal:									
HPD Sponsored Plans	13	16	18	13	4	9	3	0	0

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

Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2008.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2008-2015 (For "All Urban Consumers")								
	2008	2009	2010	2011	2012	2013	2014	2015
1st Quarter Avg.[13]	3.8%	0.8%	2.1%	2.3%	2.6%	1.9%	1.3%	-0.1%
Yearly Avg.	3.9%	0.4%	1.7%	2.8%	2.0%	1.7%	1.3%	--

Source: U.S. Bureau of Labor Statistics.

Calculating of the Current Operating and Maintenance Expense to Rent Ratio

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

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

[13] 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. Some numbers revised from prior years.

With current longitudinal income and expense data, staff has constructed an index, using 1989 as a base year. Except for the last three years, this index measures changes in building income and operating expenses as reported in annual income and expense statements. The second and third to last years in the table will reflect actual PIOC increases and projected rent changes. The last year in the table - projecting into the future - will include staff projections for both expenses and rents. This index is labeled as Table 7.

However, this index it is not without limitations. First, as noted, for the past and coming year the index will continue to rely upon the price index and staff rent and cost projections. Second, while this table looks at the overall relationship between costs and income, it does not measure the specific impact of rent regulation on that relationship.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2016			
Year[14]	Average Monthly O & M Per d.u.[15]	Average Monthly Income Per d.u.	Average O & M to Income Ratio
1989	$370 ($340)	$567	.65 (.60)
1990	$382 ($351)	$564	.68 (.62)
1991	$382 ($351)	$559	.68 (.63)
1992	$395 ($363)	$576	.69 (.63)
1993	$409 ($376)	$601	.68 (.63)
1994	$415 ($381)	$628	.66 (.61)
1995	$425 ($391)	$657	.65 (.59)
1996	$444 ($408)	$679	.65 (.60)
1997	$458 ($421)	$724	.63 (.58)
1998	$459 ($422)	$755	.61 (.56)
1999	$464 ($426)	$778	.60 (.55)
2000	$503 ($462)	$822	.61 (.56)
2001	$531 ($488)	$868	.61 (.56)
2002	$570 ($524)	$912	.63 (.57)
2003	$618 ($567)	$912	.68 (.62)
2004	$654 ($601)	$969	.67 (.62)
2005	$679 ($624)	$961	.71 (.65)
2006	$695 ($638)	$1,009	.69 (.63)
2007	$738 ($678)	$1,088	.68 (.62)
2008	$790 ($726)	$1,129	.70 (.64)
2009	$781 ($717)	$1,142	.68 (.63)
2010	$790 ($726)	$1,171	.67 (.62)
2011	$812 ($746)	$1,208	.68 (.63)
2012	$841 ($772)	$1,277	.66 (.60)
2013	$884 ($812)	$1,337	.66 (.61)
2014[16]	$930 ($854)	$1,394	.67 (.61)
2015[17]	$935 ($858)	$1,445	.65 (.59)
2016[18]	$974 ($895)	$1,475	.66 (.61)

Source: RGB Income and Expense Studies, 1989-2015, Price Index of Operating Costs 2014 - 2015, RGB Rent Index for 2012 - 2015.

[14] The O&M and income data from 2008 to 2011 has been revised from that reported in previous explanatory statements to reflect actual, rather than estimated, expense and income data.

[15] 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.

[16] Estimated expense figure includes 2013 expense updated by the I&E-weighted PIOC for the period from 3/1/13 through 2/28/14 (5.2%). Income includes the income estimate for 2013 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/13 through 2/28/14 (**4.23**% - i.e., the 10/1/12 to 9/30/13 rent projection (3.95%) times (.583), plus the 10/1/13 to 9/30/14 rent projection (4.62%) times (.417)).

[17] Estimated expense figure includes 2014 expense estimate updated by the PIOC for the period from from 3/1/14 through 2/28/15 (0.5%). Income includes the income estimate for 2014 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/14 through 2/28/15 (**3.69**% - i.e., the 10/1/13 to 9/30/14 rent projection (4.62%) times (.583), plus the 10/1/14 to 9/30/15 rent projection (2.39%) times (.417)).

[18] Estimated expense figure includes 2014 expense estimate updated by the staff PIOC projection for the period from 3/1/14 through 2/28/15 (4.2%). Income includes the income estimate for 2014 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/14 through 2/28/15 (2.06% - i.e., the 10/1/14 to 9/30/15 rent projection (2.39%) times (.583), plus the 10/1/15 to 9/30/16 rent projection (1.60%) times (.417)).

Changes in Housing Affordability

Looking at New York City's economy during 2014, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the fifth consecutive year, increasing 3.0% in 2014. The unemployment rate also fell, declining by 1.6 percentage points, to 7.2%. Gross City Product (GCP) also increased for the fifth consecutive year, rising in real terms by 3.1% in 2014. In addition, inflation-adjusted wages rose by 2.1% during the most recent 12-month period (the fourth quarter of 2013 through the third quarter of 2014), and inflation slowed slightly. The number of non-payment filings in Housing Court fell by 3.4%, while evictions fell by 6.9%. And public assistance caseloads fell for the first time since 2008, by 3.9%, while Supplemental Nutrition Assistance Program (SNAP) caseloads fell for the first time since 2002, by 5.6%.

Negative indicators include a 4.0% increase in the number of non- payment cases "calendared" in housing court, as well as the sixth consecutive year of increase in homeless levels, which rose to an average of more than 54,000 persons a night, an increase of 9.5% over 2013 levels.

The most recent numbers, from the fourth quarter of 2014 (as compared to the fourth quarter of 2013), show that homeless levels were up 10.8%, cash assistance levels were up 0.7%, and the number of calendared cases in Housing Court were up 2.7%.[19] However, most indicators were positive, with employment levels up 2.6%, the unemployment rate down 1.9 percentage points, non-payment housing court filings down 11.3%, and SNAP recipients down 5.6%. Fourth quarter GCP also rose, by 2.6% in real terms, and inflation was lower than that of the last quarter of 2013, rising by 0.8%, as compared to 1.3%.

On April 13, 2015 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2015 Income & Affordability Study*. The memo follows:

At the April 2, 2015 *Income & Affordability Study* (I&A) presentation, five questions were asked for which an immediate answer could not be provided. Detailed answers follow.

Question 1: Can historical poverty rates be provided?

Poverty rates are reported from the annual *American Community Survey*, conducted by the U.S. Census Bureau. The Census Bureau began this survey in 2005. Detailed data on poverty statistics were reported to the Board in a memo dated April 22, 2014. They are again reported here, updated to include 2013 data.

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

Overall Poverty Rate (Individuals)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	13.3%	13.3%	13.0%	13.2%	14.3%	15.3%	15.9%	15.9%	15.8%
NYC	19.1%	19.2%	18.5%	18.2%	18.7%	20.1%	20.9%	21.2%	20.9%
Bronx	29.2%	29.1%	27.1%	27.6%	28.5%	30.2%	30.4%	31.0%	30.9%
Brooklyn	22.4%	22.6%	21.9%	21.1%	21.8%	23.0%	23.6%	24.3%	23.3%
Manhattan	17.9%	18.3%	17.6%	16.9%	16.6%	16.4%	18.3%	17.8%	18.9%
Queens	11.9%	12.2%	12.0%	12.1%	12.6%	15.0%	15.8%	16.2%	15.3%
SI	11.0%	9.2%	9.8%	10.0%	11.2%	11.8%	11.7%	11.6%	12.8%

Overall Poverty Rate, Aged Under 18 (Individuals)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	18.5%	18.3%	18.0%	18.2%	20.0%	21.6%	22.5%	22.6%	22.2%
NYC	27.7%	28.2%	27.3%	26.5%	27.1%	30.0%	29.8%	31.4%	29.8%
Bronx	39.7%	41.3%	38.1%	39.7%	40.4%	43.0%	40.9%	44.5%	42.0%
Brooklyn	30.5%	32.3%	31.7%	30.4%	31.5%	34.0%	33.6%	34.9%	33.2%
Manhattan	29.6%	27.1%	27.5%	21.8%	24.5%	22.1%	25.6%	25.8%	25.6%
Queens	15.9%	17.0%	16.5%	16.4%	15.4%	21.8%	21.1%	23.2%	20.7%
SI	17.5%	11.8%	12.4%	14.8%	15.2%	17.1%	17.5%	14.6%	18.7%

Overall Poverty Rate, Aged 18-64 (Individuals)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	11.9%	12.0%	11.6%	11.9%	13.1%	14.2%	14.8%	14.8%	14.8%
NYC	15.6%	15.9%	15.4%	15.2%	16.0%	17.4%	18.4%	18.4%	18.5%
Bronx	24.5%	24.3%	23.0%	22.9%	24.5%	26.1%	26.9%	26.4%	27.6%
Brooklyn	18.3%	18.2%	17.7%	16.9%	17.8%	19.5%	20.0%	20.5%	19.8%
Manhattan	14.2%	15.8%	15.0%	15.0%	14.4%	15.1%	16.8%	16.0%	17.4%
Queens	10.4%	10.5%	10.3%	10.7%	11.7%	13.4%	14.3%	14.6%	14.0%
SI	8.7%	7.9%	8.5%	8.9%	10.0%	9.8%	10.2%	10.7%	11.5%

Overall Poverty Rate, Aged 65 and over (Individuals)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	9.9%	9.9%	9.5%	9.9%	9.5%	9.0%	9.3%	9.5%	9.6%
NYC	20.3%	19.0%	18.4%	18.6%	18.0%	17.2%	19.0%	19.1%	18.8%
Bronx	26.4%	22.6%	20.6%	21.6%	20.8%	22.5%	24.7%	24.8%	23.8%
Brooklyn	25.7%	24.2%	23.4%	23.8%	23.1%	20.6%	23.2%	24.4%	23.1%
Manhattan	21.7%	20.4%	18.9%	20.7%	18.6%	17.0%	17.8%	17.9%	19.4%
Queens	13.0%	12.5%	13.0%	12.8%	12.7%	12.3%	15.1%	13.3%	13.7%
SI	10.0%	11.0%	11.2%	6.4%	9.9%	11.8%	8.7%	11.1%	9.1%

Poverty Rate, All Families

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	10.2%	9.8%	9.5%	9.7%	10.5%	11.3%	11.7%	11.8%	11.6%
NYC	16.7%	16.3%	15.6%	15.3%	15.8%	17.0%	18.0%	18.2%	17.5%
Bronx	27.0%	26.5%	24.4%	25.4%	25.4%	27.6%	28.1%	28.8%	27.6%
Brooklyn	20.1%	19.3%	18.3%	17.7%	18.3%	19.7%	20.4%	20.8%	19.5%
Manhattan	15.1%	15.1%	15.1%	12.9%	13.3%	12.4%	14.9%	15.1%	14.8%
Queens	9.5%	9.9%	10.0%	9.9%	10.5%	12.1%	13.1%	12.9%	12.3%
SI	9.4%	7.0%	6.9%	8.1%	9.3%	9.6%	8.7%	9.4%	10.3%

Poverty Rate, Families With Related Children in Household

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	15.6%	15.0%	14.9%	15.0%	16.6%	17.9%	18.6%	18.8%	18.5%
NYC	23.3%	23.0%	22.3%	21.9%	22.3%	25.0%	24.8%	26.0%	24.6%
Bronx	34.5%	35.3%	31.9%	33.8%	34.1%	37.4%	36.2%	38.5%	36.2%
Brooklyn	25.8%	26.1%	25.9%	24.4%	25.5%	28.0%	27.6%	28.8%	26.7%
Manhattan	23.5%	22.1%	23.3%	19.3%	19.0%	18.8%	21.0%	21.1%	21.0%
Queens	13.9%	14.1%	13.7%	14.2%	14.0%	17.7%	17.9%	19.1%	17.2%
SI	13.6%	9.3%	10.3%	12.6%	13.5%	14.4%	12.9%	12.8%	16.1%

Poverty Rate, Married-Couple Families

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	5.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.8%	5.8%	5.8%
NYC	9.1%	9.2%	9.0%	8.9%	9.2%	10.1%	10.8%	11.1%	10.9%
Bronx	12.0%	10.7%	11.8%	12.8%	10.4%	12.8%	14.4%	14.1%	15.8%
Brooklyn	13.9%	12.8%	12.4%	12.2%	12.7%	14.3%	14.4%	15.2%	14.3%
Manhattan	6.8%	7.8%	7.2%	5.5%	6.7%	5.0%	7.7%	6.8%	7.2%
Queens	6.2%	7.6%	7.0%	7.3%	7.8%	9.0%	9.6%	10.0%	9.4%
SI	4.1%	4.2%	4.2%	4.2%	4.9%	5.6%	4.2%	4.2%	5.0%

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

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	29.4%	28.6%	28.2%	28.0%	29.4%	30.3%	31.4%	31.8%	30.9%
NYC	31.2%	30.4%	29.3%	28.8%	29.2%	30.7%	31.6%	32.2%	30.6%
Bronx	42.0%	41.4%	38.4%	38.7%	39.4%	41.8%	41.3%	42.9%	39.5%
Brooklyn	31.0%	31.1%	30.2%	29.0%	28.7%	30.7%	31.2%	31.1%	29.7%
Manhattan	32.6%	31.8%	32.1%	28.6%	29.8%	27.8%	30.6%	33.1%	31.9%
Queens	18.5%	17.8%	18.2%	18.1%	17.9%	20.6%	22.8%	21.4%	21.1%
SI	31.5%	16.9%	16.2%	23.4%	26.0%	23.5%	25.9%	27.8%	26.9%

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

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
US	13.8%	13.2%	12.8%	13.6%	15.8%	16.9%	17.6%	17.7%	17.1%
NYC	14.6%	14.3%	13.9%	12.2%	15.4%	15.8%	17.4%	18.7%	16.4%
Bronx	20.9%	23.4%	16.5%	15.6%	18.7%	21.1%	22.2%	23.4%	21.0%
Brooklyn	16.3%	16.8%	13.9%	14.4%	19.7%	15.5%	21.2%	22.9%	18.1%
Manhattan	17.2%	13.7%	17.1%	12.0%	12.6%	16.3%	15.5%	18.9%	16.4%
Queens	8.1%	7.1%	10.7%	8.4%	10.5%	12.3%	12.5%	12.1%	11.1%
SI	2.8%	10.4%	12.9%	7.6%	11.1%	17.4%	9.6%	10.9%	16.6%

Question 2: Can rent burdens for rent stabilized tenants be provided for the last ten years, as well as the proportion of rent stabilized tenants paying at least 50% of their income towards rent?

The only source of this data is the triennial *Housing and Vacancy Survey*. The raw data from the 2014 survey has not been released as of the time of this memo, and only limited information is currently available. See below for statistics from previous studies.

HVS Year	Median Gross Rent-to-Income Ratio (Rent Stabilized)	Proportion of Tenants Paying 50% or More of Income Towards Gross Rent (Rent Stabilized)
2014	36.4%	Statistic Not Yet Available
2011	34.8%	34.8%
2008	31.4%	30.9%
2005	31.6%	30.6%
2002	28.0%	26.6%

Question 3: Can you provide rent-to-income ratios for rent stabilized tenants, excluding Section 8 tenants, over time?

The only source of this data is the triennial *Housing and Vacancy Survey (HVS)*. The raw data from the 2014 survey has not been released as of the time of this memo. Data from previous surveys follows.

The contract rent to-income ratio does not include the cost of utilities. The gross rent-to-income ratio is the cost of contract rent, plus utilities. Out-of-pocket rent is the rent that people report they pay themselves, excluding any subsidies from government sources. All data presented below is derived from raw data from the *HVS*, as released by the Census Bureau. Because of privacy issues, the Census Bureau “top codes” certain data, such as very high incomes or very high rent levels. Because of this, certain statistics that are calculated by the Census Bureau (as released via tables on their website, which are not top coded), are sometimes slightly different (see table in Question 2) than statistics run from the raw data. However, because all data below is run from raw data, they can be compared to each other.

HVS Year	2011	2008	2005
Median RS Contract Rent-to-Income Ratio	32.0%	28.4%	29.3%
Median RS Gross Rent-to-Income Ratio	35.2%	31.4%	31.9%
Number of RS Units Containing Section 8 Tenants	*82,688*	*58,395*	*67,727*
Median RS Contract Rent-to-Income Ratio (w/o Section 8)	30.0%	27.3%	28.0%
Median RS Gross Rent-to-Income Ratio (w/o Section 8)	32.7%	30.3%	30.4%
Median RS Out of Pocket Rent-to-Income Ratio (Contract)*	27.0%	25.5%	25.7%
Median RS Out of Pocket Rent-to-Income Ratio (Gross)*	31.0%	29.1%	29.1%

*Out of pocket rent-to-income ratios are not provided by the Census Bureau in raw HVS data. This statistic was derived from raw data regarding out of pocket rents, utility costs, and income levels.

Question 4: Can the vacancy rate, by rent level, be provided for rent stabilized households?

The only source of this data is the triennial *Housing and Vacancy Survey*. The raw data from the 2014 survey has not been released as of the time of this memo. This request will be fulfilled when the data is released.

Question 5: Can you provide household income by rent level and where people live?

The only source of this data is the triennial *Housing and Vacancy Survey*. The raw data from the 2014 survey has not been released as of the time of this memo. This request will be fulfilled when the data is released.

On May 22, 2015 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2015 Income & Affordability Study*. The memo follows:

At the April 2, 2015 *Income & Affordability Study* (I&A) presentation, five questions were asked for which an immediate answer could not be provided. Some of these questions were answered in a memo dated April 13, 2015, with a follow-up memo containing additional information released on May 22, 2015. Some questions were still outstanding at the time of the last memo because data from the *2014 NYC Housing and Vacancy Survey (HVS)* had not yet been released to the public. Detailed answers to all outstanding questions follow.

Question 1: Can rent burdens for rent stabilized tenants be provided for the last ten years, as well as the proportion of rent stabilized tenants paying at least 50% of their income towards rent?

Updated figures for 2014 are provided below, derived directly from published tables on the *2014 HVS* website. HPD cautions against comparing 2014 data with previous years because of a change in the way rent stabilized buildings are classified.

HVS Year	Median Gross Rent-to-Income Ratio (Rent Stabilized)	Proportion of Tenants Paying 50% or More of Income Towards Gross Rent (Rent Stabilized)
2014	36.2%*	35.7%*
2011	34.8%	34.8%
2008	31.4%	30.9%
2005	31.6%	30.6%
2002	28.0%	26.6%

Source: 2002-2014 NYC Housing and Vacancy Survey
*Data directly from tables provided on the 2014 HVS website

Question 2: Can you provide rent-to-income ratios for rent stabilized tenants, excluding Section 8 tenants, over time?

Updated figures for 2014 are provided below, derived from raw HVS data as calculated by HPD and the RGB. HPD cautions against comparing 2014 data with previous years because of a change in the way rent stabilized buildings are classified.

The contract rent-to-income ratio does not include the cost of utilities. The gross rent-to-income ratio is the cost of contract rent, plus utilities. Out-of-pocket rent is the rent that people report they pay themselves, excluding any subsidies from government sources. All data presented below is derived from raw data from the *HVS*, as released by the U.S. Census Bureau. Because of privacy issues, the Census Bureau "top codes" certain data, such as very high incomes or very high rent levels. Because of this, certain statistics that are calculated by the Census Bureau (as released via tables on their website, which are not top coded), are sometimes slightly different (see table in Question 2) than statistics run from the raw data. However, because all data below is run from raw data, they can be compared to each other.

HVS Year	2014	2011	2008	2005
Median RS Contract Rent-to-Income Ratio	33.1%	32.0%	28.4%	29.3%
Median RS Gross Rent-to-Income Ratio	36.4%	35.2%	31.4%	31.9%
Number of RS Units Containing Section 8 Tenants	*87,352*	*82,688*	*58,395*	*67,727*
Median RS Contract Rent-to-Income Ratio (w/o Section 8)	30.7%	30.0%	27.3%	28.0%
Median RS Gross Rent-to-Income Ratio (w/o Section 8)	33.5%	32.7%	30.3%	30.4%
Median RS Out of Pocket Rent-to-Income Ratio (Contract)*	28.5%	27.0%	25.5%	25.7%
Median RS Out of Pocket Rent-to-Income Ratio (Gross)*	32.2%	31.0%	29.1%	29.1%

Source: 2005-2014 NYC Housing and Vacancy Survey
*Out of pocket rent-to-income ratios are not provided by the Census Bureau in raw HVS data. This statistic was derived from raw data regarding out of pocket rents, utility costs, and income levels.

Question 4: Can the vacancy rate, by rent level, be provided for rent stabilized households?

See table below for data from the *2014 HVS*, as calculated by HPD.

Rent Level	Vacancy Rate (Rent Stabilized Only)
All Rent Stabilized Units	2.12%
Less than $800	1.14%
$800 to $999	2.35%
$1000-$1,249	2.23%
$1,250-1,499	2.35%
$1,500-$1,999	2.02%
$2,000-$2,499	2.71%
$2,500+	2.60%

Source: *2014 NYC Housing and Vacancy Survey*

Question 5: Can you provide household income by rent level and where people live?

See tables below for data from the *2014 HVS*, as calculated by HPD, for rent stabilized households. We have also included the median contract and gross rents, by neighborhood, in Table 5b. Note that all data at the sub-borough level should be interpreted with caution, as the survey sample is small. Those sub-boroughs highlighted in red (in Queens and Staten Island) should be interpreted with extreme caution as the results are most likely less accurate that those of the other sub-boroughs.

Table 5a: Rent Stabilized Median Household Income, by Rent Level

Rent Level	Median Household Income (Rent Stabilized Only)
All Rent Stabilized Units	$40,600
Less than $800	$20,568
$800 to $999	$32,800
$1000-$1,249	$35,000
$1,250-1,499	$44,000
$1,500-$1,999	$68,000
$2,000-$2,499	$90,000
$2,500+	$110,000

Source: *2014 NYC Housing and Vacancy Survey*

Table 5b: Rent Stabilized Median Household Income, Median Contract Rent, and Median Gross Rent, by Borough and Sub-borough

Borough/Sub-borough[20]	Median Household Income (RS Only)	Median Contract Rent (RS Only)	Median Gross Rent (RS Only)
Bronx			
Mott Haven/Hunts Point	$24,000	$1,000	$1,145
Morrisania/East Tremont	$21,928	$1,050	$1,175
Highbridge/ S. Concourse	$25,000	$975	$1,115
University Heights/ Fordham	$22,068	$1,050	$1,210
Kingsbridge Heights/Mosholu	$28,656	$1,050	$1,200
Riverdale/Kingsbridge	$30,480	$1,075	$1,180
Soundview/Parkchester	$35,000	$1,030	$1,155
Throgs Neck/Co-op City	$54,000	$1,200	$1,290
Pelham Parkway	$35,016	$1,100	$1,200
Williamsbridge/Baychester	$23,196	$1,150	$1,300
Boroughwide	*$27,400*	*$1,050*	*$1,190*

[20] All data at the sub-borough level should be interpreted with caution, as the survey sample is small. Those sub-boroughs highlighted in red should be interpreted with extreme caution as the results are most likely less accurate that those of the other sub-boroughs.

Borough/Sub-borough	Median Household Income (RS Only)	Median Contract Rent (RS Only)	Median Gross Rent (RS Only)
Brooklyn			
Williamsburg/Greenpoint	$66,000	$1,479	$1,590
Brooklyn Heights/Fort Greene	$80,000	$1,600	$1,655
Bedford Stuyvesant	$33,976	$1,200	$1,260
Bushwick	$40,000	$1,157	$1,268
East New York/Starrett City	$30,000	$1,100	$1,236
Park Slope/Carroll Gardens	$72,000	$1,600	$1,812
Sunset Park	$33,356	$1,100	$1,280
North Crown Heights/Prospect Heights	$38,000	$1,020	$1,150
South Crown Heights	$43,000	$1,100	$1,200
Bay Ridge	$46,000	$1,152	$1,255
Bensonhurst	$38,350	$1,100	$1,190
Borough Park	$35,000	$1,200	$1,330
Coney Island	$28,000	$1,200	$1,285
Flatbush	$50,000	$1,200	$1,316
Sheepshead Bay/Gravesend	$44,000	$1,155	$1,290
Brownsville/Ocean Hill	$26,000	$1,050	$1,185
East Flatbush	$41,400	$1,000	$1,105
Flatlands/Canarsie	$33,000	$1,100	$1,208
Boroughwide	*$40,000*	*$1,148*	*$1,250*
Manhattan			
Greenwich Village/Financial District	$90,000	$1,976	$2,060
Lower East Side/Chinatown	$55,000	$1,500	$1,600
Chelsea/Clinton/Midtown	$49,000	$1,795	$1,865
Stuyvesant Town/Turtle-Bay	$80,000	$1,650	$1,700
Upper West Side	$66,004	$1,800	$1,930
Upper East Side	$70,000	$1,775	$1,843
Morningside Heights/Hamilton Heights	$35,480	$1,221	$1,304
Central Harlem	$50,000	$1,100	$1,200
East Harlem	$40,600	$1,125	$1,223
Washington Heights/Inwood	$41,940	$1,200	$1,280
Boroughwide	*$57,000*	*$1,500*	*$1,555*

Borough/Sub-borough	Median Household Income (RS Only)	Median Contract Rent (RS Only)	Median Gross Rent (RS Only)
Queens			
Astoria	$60,000	$1,350	$1,460
Sunnyside/Woodside	$50,926	$1,300	$1,400
Jackson Heights	$41,600	$1,250	$1,380
Elmhurst/Corona	$45,000	$1,250	$1,345
Middle Village/Ridgewood	$37,000	$1,200	$1,275
Rego Park/Forest Hills	$57,000	$1,360	$1,460
Flushing/Whitestone	$34,000	$1,200	$1,338
Hillcrest/Fresh Meadows	$49,000	$1,350	$1,440
Kew Gardens/Woodhaven	$42,000	$1,215	$1,320
South Ozone Park/Howard Beach	$33,000	$1,025	$1,093
Bayside/Little Neck	$75,000	$1,200	$1,470
Jamaica	$44,000	$1,200	$1,310
Bellerose/Rosedale	$50,590	$1,500	$1,600
Rockaways	$40,000	$1,081	$1,200
Boroughwide	*$47,000*	*$1,270*	*$1,370*
Staten Island			
North Shore	$30,000	$1,195	$1,239
Mid-Island	$40,000	$975	$975
South Shore	$31,600	$900	$1,217
Boroughwide	*$30,000*	*$1,000*	*$1,192*
Citywide	**$40,600**	**$1,200**	**$1,300**

Source: 2014 NYC Housing and Vacancy Survey

Buildings with Different Fuel and Utility Arrangements

The Board was also informed of the circumstances of buildings with different fuel and utility arrangements including buildings that are master-metered for electricity and that are heated with gas versus oil (see Table 8). Under some of the Board's Orders in the past, separate adjustments have been established for buildings in certain of these categories where there were indications of drastically different changes in costs in comparison to the generally prevailing fuel and utility arrangements. This year the Board did not make a distinction between guidelines for buildings with different fuel and utility arrangements under Order 47.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2014-15, and Commensurate Rent Adjustment		
Index Type	2014-15 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .661
All Dwelling Units	0.5%	0.33%
Pre 1947	-0.1%	-0.07%
Post 1946	1.2%	0.79%
Oil Used for Heating	-0.4%	-0.26%
Gas Used for Heating	1.7%	1.12%

Note: The O&M to Income ratio is from the *2015 Income and Expense Study*.
Source: RGB's 2015 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

On April 27, 2015 the staff of the Rent Guidelines Board released a memo regarding heat and hot water complaints. Below is the memo in its entirety:

This memo is in response to the request for the number of heat and hot water complaints over recent years:

Heat and Hot Water Complaints	
FY05	124,645
FY06	124,297
FY07	123,168
FY08	111,642
FY09	128,708
FY10	114,009
FY11	115,629
FY12	99,409
FY13	108,853
FY14	120,106

Source: Mayor's Management Report (MMR), FY 2005-2014
Note: Beginning with Fiscal Year (FY) 2014 MMR, figure reports the number of complaints that were closed during the 2014 FY. Prior MMR FY figures are the number of complaints filed during each FY.

On May 22, 2015 the staff of the Rent Guidelines Board released a memo regarding Hotel/SRO/Rooming House registration data. Below is the memo in its entirety:

This memo is an update to staff memos released June 4, 2007, June 4, 2009, June 12, 2012, and June 4, 2013, which analyzed hotel registration data filed with the NYS Division of Housing and Community Renewal (DHCR) in 2005, 2008, 2011, and 2012, respectively. Staff members recently analyzed the 2014 DHCR registration database for data related to hotels, SROs, and rooming houses (hereafter referred to only as “hotels”).

In 2014, 529 buildings identified by owners as hotels registered units with DHCR, eight more than in 2012.[21] Within these 529 buildings, 14,554 individual apartment registrations were filed (1,709 less than in 2012). Owners identified a total of 9,080 of the registered units as being "rent stabilized" (1,381 less than in 2012) and the balance (5,474 units) were identified as being either "permanently exempt," "temporarily exempt," or "vacant." Of these 529 buildings, 52 (9.8% of the total) consisted entirely of exempt and/or vacant units. In addition, 214 buildings (40.5% of the total buildings) contain less than 85% permanently stabilized units. These 214 buildings contain 1,662 rent stabilized units, 18.3% of the total stabilized units.

Building owners/managers were asked to identify which of their units were temporarily or permanently exempt from rent stabilization laws. In 2014, 112 units were reported as being permanently exempt (0.8% of the total number of registered hotel units). Among permanently exempt units, 59 (52.6% of these units) were reported as being deregulated due to High Rent/Vacancy or High Rent/High Income Decontrol, with the rest reported as being deregulated due to substantial rehabilitation and a few other isolated reasons. There were also 3,772 units reported as temporarily exempt (25.9% of the total number of registered hotel units). The most commonly reported reason for being temporarily exempt is "Hotel/SRO (Transient)" status, as was the classification given to 2,533 (67.2%) of the temporarily exempt units. Less common was "Not Prime Residence" (837 units, or 22.5%, a sharp increase from 6.5% in 2012) and "Owner Occupancy/Employee," "Other," and "Commercial/Professional." In general, units that are temporarily exempt are either rented at what the market will bear, for as little as one night, or rented to government agencies, not-for-profit organizations, or universities as temporary housing. In addition, 1,590 units (10.9% of total units) were registered with DHCR as "Vacant."

The analysis starts by looking at the reported legal rents of those units identified as "rent stabilized" by building owners. The legal rents are the maximum amount that a landlord is able to charge to tenants (or government agencies subsidizing tenants), but do not necessarily reflect what a tenant is actually paying. Owners can choose to charge tenants a lower rent than legally allowed (known as a "preferential rent") and owners are also asked to provide DHCR with data for subsidized tenants, whose "actual" rents are the rents actually paid out of pocket by tenants, with the balance being made up by various government agencies and programs. As noted in Footnote #1, all data is owner-reported and cannot be verified for accuracy.

See the tables below for detailed information on legal, preferential, and actual rents paid by rent stabilized hotel tenants.

Table 1 shows the number of rent stabilized units and buildings that registered legal rents with DHCR in 2014. It also provides the median and mean legal rents for these units, by borough, and Citywide. These rents reflect the maximum amount that owners could charge for their units, as of April 2014.

[21] All data in this memo is based on owner-reported information as reported to DHCR in their 2014 registration database.

Table 1: 2014 Median and Mean "Legal" Rents for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	*# of Stabilized Units*	*# of Stabilized Buildings*	***Median** Legal Rent*	***Mean** Legal Rent*
Bronx	859	52	$1,109	$1,135
Brooklyn	1,393	132	$1,161	$1,153
Manhattan[22]	5,881	225	$1,037	$1,281
Queens	865	63	$1,250	$1,312
Staten Island	82	5	$796	$847
Citywide	**9,080**	**477**	**$1,106**	**$1,246**

Source: 2014 DHCR Building and Apartment Registration filings

Table 2 illustrates the median and mean "preferential" rents for the over one-quarter (29.0%) of *rent stabilized* units that reported charging one. Also shown is the percentage difference from the median and mean legal rents of *just those units with reported preferential rents*. The median Citywide *legal* rent for these units is $1,386 and the mean *legal* rent is $1,545.

Table 2: 2014 Median and Mean "Preferential" [23] Rents for Units Identified as Rent Stabilized (excludes exempt and vacant units)*

Borough	*# of Stabilized Units*	***Median***		***Mean***	
		Preferential Rent	*% Difference from Legal Rent***	*Preferential Rent*	*% Difference from Legal Rent***
Bronx	276	$1,004	-28%	$942	-33%
Brooklyn	616	$1,183	-12%	$1,048	-25%
Manhattan	1,549	$872	-37%	$772	-52%
Queens	184	$1,191	-31%	$1,248	-30%
Staten Island	8	$623	-14%	$726	-26%
Citywide	**2,633**	**$906**	**-35%**	**$888**	**-43%**

Source: 2014 DHCR Building and Apartment Registration filings
*Only for those units reporting a preferential rent.
**Refers to the legal rents of just those units that reported preferential rents.

[22] In the 2013 version of this memo, Manhattan figures included a hotel in Manhattan with close to 200 rent stabilized units, almost all with legal rents in excess of $4,000 (which skewed the median and mean legal rents upwards). An endnote (Endnote #3 of the June 4, 2013 memo) was included in that memo explaining that this particular hotel had not registered units in the prior year, so data should be compared between the two years with caution. This particular hotel registered no hotel units in 2014. This may be the case for other buildings as well, but data was not analyzed with regards to this.

[23] Upon a close examination of the DHCR apartment registration file, 180 units in three buildings (two in Brooklyn, and one in Queens) were found to have erroneously registered all the "preferential" rents in their buildings as "actual" rents. In these 180 cases, the "actual" rent that they registered was either $1,191, or $1,183 (which were the HUD Fair Market Rent levels for studio apartments in FY 2012 and 2014, respectively). These building owners identified their tenants as receiving subsidies from a variety of government programs, including principally Shelter Plus and Section 8. By knowing that these tenants were part of government subsidy programs, we can infer that they actually paid significantly less than the HUD Fair Market Rent a month (although the owner did receive this amount through a combination of payments from the tenant and the government). As such, the records of these 180 units were altered to make the relevant HUD FMR the "preferential" rent, while the "actual" rent field was modified to be blank, as we do not know the true out-of-pocket rents for these tenants. Absent these modifications, the means and medians reported in Tables 2-4 would be somewhat different. Note that the balance of units in the DHCR registration files may or may not have been registered correctly. DHCR registration files are submitted by owners, and staff cannot verify the accuracy of every record. For the purposes of this memo, we are assuming that all other registrations were accurate.

Table 3 shows the median and mean “actual” rents paid by a reported 33.2% of *rent stabilized* hotel tenants. These are the rents that are paid by tenants out of pocket, with the balance being paid by government programs such as Section 8, Shelter Plus or SCRIE. Also shown is the percentage difference from the median and mean legal rents of *just those units with reported actual rents*. Theoretically, the owners of the 3,018 units reporting actual rents can receive the difference between the actual and legal rents from government programs, and in fact, 70% of these units do not report any “preferential” rents, implying that in most cases owners do receive the full legal rent for these units. The median Citywide *legal* rent for these units is $1,240 and the mean *legal* rent is $1,507. Not reported here are detailed statistics for the 892 units that report both actual and preferential rents (which would indicate that the owners of these units *do not* receive the full legal rent). The Citywide median *preferential* rent for these 892 units is $962 and the mean *preferential* rent is $1,005.

Table 3: 2014 Median and Mean “Actual” [24] Rents for Units Identified as Rent Stabilized (excludes exempt and vacant units)*

Borough	*# of Stabilized Units**	***Median****		***Mean****	
		Actual Rent Paid	*Legal Rent***	*Actual Rent Paid*	*Legal Rent***
Bronx	379	$233	-83%	$377	-74%
Brooklyn	304	$294	-72%	$443	-60%
Manhattan	2,224	$235	-80%	$419	-73%
Queens	84	$594	-59%	$730	-51%
Staten Island	27	$229	-73%	$239	-72%
Citywide	**3,018**	**$239**	**-81%**	**$424**	**-72%**

Source: 2014 DHCR Building and Apartment Registration filings
* Excludes units where the “actual” rent reported is equal to, or more than, the reported “legal” rent, and only includes those units reporting an “actual” rent.
**Refers to the legal rents of just those units that reported actual rents.

To show rents that landlords are actually receiving for rent stabilized hotel units, Table 4 shows median and mean “rent received,” which uses a combination of preferential and legal rents to identify the rent actually being collected. For the purposes of this table, “rent received” is defined as the legal rent, unless a preferential rent is registered, in which case the preferential rent is used.

[24] See footnote #22.

Table 4: 2014 Median and Mean "Rent Received" [25] for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	*# of Stabilized Units*	***Median** "Rent Received"**	***Mean** "Rent Received"**
Bronx	859	$943	$987
Brooklyn	1,393	$1,050	$1,026
Manhattan	5,881	$850	$1,061
Queens	865	$1,238	$1,248
Staten Island	82	$796	$821
Citywide	**9,080**	**$894**	**$1,064**

Source: 2014 DHCR Building and Apartment Registration filings

*"Rent Received" refers to the preferential rent (if one is provided), or the legal rent (if a preferential rent is not provided)

An analysis was also done on a smaller sample of units that could be matched between the 2012 and 2014 DHCR registration databases. Of the 9,080 rent stabilized units in the 2014 registration database, 6,093 (67%) could be matched with 2012 data. For these units, the median and mean legal, preferential, actual, and "rent received" rents are reported in Table 5a, 5b, 5c, and 5d, for both 2012 and 2014. Due to the small number of units in some of the categories, interpret with caution.

Table 5a: Longitudinal Sample of 2012 and 2014 Median and Mean "Legal" Rents for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	***# of Stabilized Units***		***Median Legal Rent***		***Mean Legal Rent***	
	2012	*2014*	*2012*	*2014*	*2012*	*2014*
Bronx	652	652	$1,080	$1,161	$1,077	$1,147
Brooklyn	582	582	$935	$1,053	$1,031	$1,096
Manhattan	4,289	4,289	$962	$1,105	$1,308	$1,391
Queens	508	508	$1,250	$1,323	$1,241	$1,333
Staten Island	62	62	$808	$866	$833	$917
Citywide	**6,093**	**6,093**	**$1,015**	**$1,127**	**$1,247**	**$1,327**

Source: 2012 and 2014 DHCR Building and Apartment Registration filings

[25] See footnote #22

Table 5b: Longitudinal Sample of 2012 and 2014 Median and Mean "Preferential" Rents[26] for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	*# of Stabilized Units*		***Median** Preferential Rent*		***Mean** Preferential Rent*	
	2012	*2014*	*2012*	*2014*	*2012*	*2014*
Bronx	276	247	$988	$1,150	$929	$945
Brooklyn	251	268	$1,100	$1,073	$963	$944
Manhattan	1,181	1,259	$800	$875	$831	$771
Queens	108	120	$1,156	$1,191	$1,200	$1,245
Staten Island*	--	--	--	--	--	--
Citywide[27]	**1,818**	**1,902**	**$866**	**$906**	**$886**	**$848**

Source: 2012 and 2014 DHCR Building and Apartment Registration filings
*Too few records

Table 5c: Longitudinal Sample of 2012 and 2014 Median and Mean "Actual" Rents[28] for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	*# of Stabilized Units*		***Median** Actual Rent*		***Mean** Actual Rent*	
	2012	*2014*	*2012*	*2014*	*2012*	*2014*
Bronx	204	244	$232	$235	$372	$364
Brooklyn	101	112	$227	$235	$496	$419
Manhattan	1,920	2,088	$250	$237	$465	$436
Queens	67	69	$557	$557	$631	$684
Staten Island*	--	--	--	--	--	--
Citywide[29]	**2,295**	**2,541**	**$250**	**$239**	**$463**	**$433**

Source: 2012 and 2014 DHCR Building and Apartment Registration filings
*Too few records

Table 5d: Longitudinal Sample of 2012 and 2014 Median and Mean "Rent Received" Rents[30] for Units Identified as Rent Stabilized (excludes exempt and vacant units)

Borough	*# of Stabilized Units*		***Median** "Rent Received"**		***Mean** "Rent Received"**	
	2012	*2014*	*2012*	*2014*	*2012*	*2014*
Bronx	652	652	$843	$937	$827	$967
Brooklyn	582	582	$900	$952	$925	$946
Manhattan	4,289	4,289	$875	$872	$1,133	$1,130
Queens	508	508	$1,166	$1,191	$1,149	$1,221
Staten Island*	62	62	$808	$866	$815	$883
Citywide	**6,093**	**6,093**	**$888**	**$910**	**$1,078**	**$1,100**

Source: 2012 and 2014 DHCR Building and Apartment Registration filings
*"Rent Received" refers to the preferential rent (if one is provided), or the legal rent (if a preferential rent is not provided)

---

26 See footnote #22.

27 Because some units did not report "preferential" rents in both 2012 and 2014, the median and mean rents presented are based on different sample sizes. For the 1,452 units Citywide that reported a "preferential" rent in both 2012 and 2014, the median "preferential" rent in 2012 was $896 and was $893 in 2014. The mean "preferential" rent for these units in 2012 was $907, and was $848 in 2014.

28 See footnote #22.

29 Because some units did not report "actual" rents in both 2012 and 2014, the median and mean rents presented are based on different sample sizes. For the 2,092 units Citywide that reported an "actual" rent in both 2012 and 2014, the median "actual" rent in 2012 was $237 and was $239 in 2014. The mean "actual" rent for these units in 2012 was $444, and was $453 in 2014.

30 See footnote #22.

On May 27, 2015 the staff of the Rent Guidelines Board released a memo answering boardmember questions. Below is the memo in its entirety:

On May 18, the owner and tenant members emailed the RGB staff the following questions. Detailed answers are below.

1) How many rent stabilized buildings receive J-51, 421-a or 40-year tax abatements? When owners fill out the RPIE, do they record that they receive one of the above or do you have to cross HCR data with Department of Finance data?

The staff does not currently have this data. A request was made to the NYC Department of Finance (DOF) for the number of rental buildings containing rent stabilized units that receive J-51, 420c and 421- a tax abatements or exemptions, as well as nonprofits that receive a 40-year tax abatement under the Private Housing Finance Law (Section 577). We asked for this data by borough and Citywide. As of today, we are in the process of obtaining this data.

2) How many rent stabilized buildings have at least 70% of their units at rent stabilized? How many have at least 80% of their units rent stabilized?

The only source of a count of rent stabilized units, by building, are the annual registration files from the NYS Division of Housing and Community Renewal (DHCR). Owners register their rent stabilized units, as of April 1, with that agency each year. However, this database does not provide a count of all the units in each building, only those that are rent stabilized. To determine the proportion of units in each building that are rent stabilized, an outside data source is required. Using tax data from the NYC Dept. of Finance (DOF), which provides a count of residential units, and matching it based on Borough, Block, and Lot (BBL) to the same fields found in the DHCR data file, staff was able to determine the number of buildings that are at least 70% and 80% rent stabilized.

Note that of the 41,279 buildings registered in the 2014 DHCR building registration file, 32,871 were used for this analysis. Those buildings which self-identified as either a SRO/hotel/rooming house or a co- op/condo were removed from this analysis, as was any building which could not be matched to the DOF file. In addition, a certain number of buildings in the DHCR file had identical BBLs. This is because there were multiple buildings on the same lot, each registered separately in the DHCR file, but treated as a single property in the DOF file. Buildings with the same BBL were combined into one record for the purposes of this analysis, reducing the number of buildings with duplicated BBLs from approximately 3,500 to 874.

The table below details the number of buildings in each borough, and Citywide, that contain at least 70%/80% of units that are rent stabilized, as of April 1 of 2014. The data is based on owner registration forms with DHCR, and unit counts from DOF, and is only as accurate as those two sources.

Borough	Total # of Buildings	70% or more Units Rent Stabilized		80% or more Units Rent Stabilized	
		# of Buildings	% of Buildings	# of Buildings	% of Buildings
Manhattan	11,017	4,501	41%	3,933	36%
Bronx	5,122	4,914	96%	4,791	94%
Brooklyn	10,899	8,939	82%	8,602	79%
Queens	5,699	4,825	85%	4,638	81%
Staten Island	134	119	89%	115	86%
Citywide	32,871	23,298	71%	22,079	67%

Source: 2014 DHCR Building Registration File and 2015 DOF Tax Rolls for Rent Stabilized Apartments

3) Multiple people on the board agree that it would be useful if RPIE data could be collected sooner and disseminated to RGB earlier so that the RGB's data was from the previous year. What would it take to (a) change the deadline for RPIE from June 1 to April 1 and (b) distribute raw data to the RGB staff for its calculation prior to the preliminary vote? Would this require a change in the Local Law or is it and administrative decision?

Each year, owners of income-producing properties with an actual assessed value of more than $40,000 are required to file Real Property Income and Expense statements (RPIE) with the NYC Department of Finance. The submission deadline for all RPIE filings is June 1 of each year.

Local Law 63 of 1986 amended the Administrative Code of the City of New York by adding Subdivision A of Section 11-208.1, mandating that owner's of income-producing property "submit a statement of all income derived from and all expenses attributable to the operation of such property" to the City. Initially owners were required to submit these statements by September 1 of each year. In 2013, the City Council amended the Administrative Code to require owners to file by June 1. In order to move the date to April 1, the City Council would again need to amend the Administrative Code.

The RPIE data is privacy protected. The RGB staff does not receive the "raw" data, but instead receives summary data of rent, income and expenses per unit Citywide, by borough, building age and size. This past year, the first year when owners were required to file by June 1, the staff received this data in December. When the filing date was September 1, we normally received the data in February. If the date was changed to April 1, it is highly unlikely that we would receive the summary data prior to the preliminary vote, which is generally around May 1.

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 0.4%, 5.3 percentage points lower than the 5.7% increase in 2014. Increases in costs were seen in seven of the eight components that make up this index. Insurance Costs witnessed the highest rise, increasing 7.2%. More moderate increases were seen in Taxes (4.2%), Utilities (2.4%) and Maintenance (2.7%). Labor Costs and Administrative Costs-Legal both increased by 4.0% and Administrative Costs-Other by 3.9%. These increases were offset by a decline in the Fuel component of 23.5%.

This year's guidelines for lofts are: 0.0% for a one-year lease and 2.0% for a two-year lease.

Table 9

Changes in the Price Index of Operating Costs for Lofts from 2014-2015	
	Loft O & M Price Index Change
All Buildings	0.4%

Source: 2015 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. 33% 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 33% above the maximum base rent was a desirable minimum increase. Notably, the HUD guidelines differentiate minimum rents on the basis of bedroom count.

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

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

This Order does not prohibit the inclusion of the lease provision for an annual or other periodic rent increase over the initial rent at an average rate of not more than 2.2 per cent per annum where the dwelling unit is receiving partial tax exemption pursuant to Section 421-A of the Real Property Tax Law. The cumulative but not compound charge of up to 2.2 per cent per annum as provided by Section 421-A or the rate provided by Section 423 is in addition to the amount permitted by this Order.

Vacancy Allowance

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

Sublet Allowance

The increase landlords are allowed to charge under Order #47 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2015 and on or before September 30, 2016 shall be 10%.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #47 were as follows:

	Yes	No	Abstentions
Guidelines for Apartment Order #47	7	2	-

Dated: June 30, 2015
Filed with the City Clerk: July 1, 2015

____
Rachel D. Godsil
Chair
NYC Rent Guidelines Board

BIBLIOGRAPHY

The City of New York Rent Stabilization Law of 1969 Section 26 - 501 et, seq.
Chapter 576 of the Laws of 1974 (The Emergency Tenant Protection Act).
Resolution Number 276 of 1974 of the New York City Council.
Chapter 203 of the Laws of 1977.
Chapter 933 of the Laws of 1977 (Open Meetings Law).
Local Laws of the City of New York for the year 1979, No. 25.
Chapter 234 of the Laws of 1980.
Chapter 383 of the Laws of 1981.
Local Laws of the City of New York for the Year 1982, No. 18.
Chapter 403 of the Laws of 1983.
Chapter 248 of the Laws of 1985.
Chapter 45 of the New York City Charter.
Chapter 65 of the Laws of 1987.
Chapter 144 of the Laws of 1989.
Chapter 167 of the Laws of 1991.
Chapter 253 of the Laws of 1993.
Rent Regulation Reform Act of 1997.
Chapter 82 of the Laws of 2003.
Chapter 97 of the Laws of 2011.
Rent Act of 2015
Written submissions by tenants, tenant organizations, owners, and owner organizations.
RGB Staff, *2015 Price Index of Operating Costs.*
RGB Staff, *2015 Mortgage Survey Report.*
RGB Staff, *2015 Income and Expense Study.*
RGB Staff, *2015 Income and Affordability Study.*
RGB Staff, *2015 Housing Supply Report.*
RGB Staff, *Changes to the Rent Stabilized Housing Stock in New York City in 2014.*
U.S. Bureau of the Census, *New York City Housing and Vacancy Surveys*, 1970-2014.