

2007 Price Index of Operating Costs

April 24, 2007

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2007 Price Index Of Operating Costs

what's new

- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) increased 5.1% this year.
- ✓ Costs in pre-war buildings increased 4.7% and costs in post-war buildings rose 5.2%.
- ✓ The “core” PIOC, which excludes the erratic changes in fuel oil prices, natural gas, and electricity costs, is useful for analyzing inflationary trends. The core rose by 6.1% this year.
- ✓ Fuel oil costs increased 0.5%.
- ✓ Real estate taxes rose 5.8% due to a rise in assessments and tax rate for Class Two properties.
- ✓ Labor Costs rose 8.1%.
- ✓ The Utilities component increased by 6.3% due primarily to an increase in water and sewer costs.
- ✓ Insurance Costs grew by 1.9%.
- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 8.5% next year.

Introduction

The Price Index of Operating Costs (PIOC) measures the price change in a market basket of goods and services used in the operation and maintenance of rent stabilized apartment buildings in New York City. The goods and services which make up the market basket were originally selected on the basis of the findings of a study of 1969 expenditure patterns by owners of rent stabilized apartment buildings. Minor changes in the specification of some of these goods and services have been carried out over time to maintain the representativeness of the market basket. The relative importance of the various goods and services in the market basket was updated in 1983 by means of a study of expenditure patterns of owners of rent stabilized apartment buildings.

The Bureau of Labor Statistics (BLS) from 1970 to 1981 maintained the PIOC. From 1982 to 1990, private consulting firms prepared the PIOC. In 1991, the Rent Guidelines Board (RGB) staff's growing expertise and familiarity made it possible to move the PIOC “in house.”

The Price Index of Operating Costs for Rent Stabilized Apartment Buildings rose ...



The PIOC measures changes in the cost of purchasing a specified set of goods and services, which must remain constant both in terms of quantity and quality from one year to the

next. The need to exclude the effect of any alterations in the quality of services provided requires that very careful specifications of the goods and services priced must be developed and applied. The pricing specifications must permit the measurement of changes in prices paid for carefully defined pricing units with specific terms of sale, such as cash, volume or trade discounts. For certain items, such as real estate taxes, the price paid is determined administratively, through information collected from City records.

Changes in the overall PIOC result from changes in the prices of individual goods and services, each weighted by its relative importance as a percentage of total operating and maintenance (O&M) expenditures. Because the market basket is fixed in the sense that the quantities of goods and services of each kind remain constant, the relative importance of the various goods and services will change when their prices increase either more quickly or more slowly than average. Thus, the relative importance, or weight, attached to each good or service changes from year to year to reflect the different rates of price change among the various index items. The expenditure weights used in the construction of the 2007 Price Index are based upon the 1983 Expenditure Study and are revised on the basis of annually measured price changes from 1982-2006.

terms and definitions

Price Index - the measure of price change in a market basket of goods and services.

Component - categories of goods and services, such as Labor Costs or Taxes, that comprise the market basket of a price index.

Item - representative individual goods and services within a component, such as Pushbroom, Plumbing, Faucet or Roof Repair.

Price Relative - the ratio of current and prior year's prices.

Expenditure Weight - the relative importance of the change in costs of different goods and services.

Specification - defined pricing units with specific terms of sale, such as cash, volume or trade discounts.

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 2006-07 price changes in each index component are also presented in this appendix. The expenditure weights and the 2006-07 price changes are then combined to provide the overall change in the PIOC over the period from 2006-07.

The 1983 Expenditure Study provides a basis for calculating separate sets of expenditure weights for buildings constructed before 1947 and for buildings constructed in 1947 or later (post-1946). Typically, buildings constructed before 1947 incur a lower percentage of operating and maintenance costs for property taxes, but their fuel costs represent a significantly higher percentage of total operating and maintenance costs than do the fuel costs of the post-1946 buildings. The differences between the pre-1947 and post-1946 expenditure patterns for buildings are combined in the construction of the overall PIOC. It is nevertheless possible to develop separate price indices for the pre-1947 and post-1946 buildings. In addition, there are separate price indices for gas-heated, oil-heated and master-metered buildings. Although the expenditure weights for all rent stabilized buildings and for each of the five subcategories of buildings differ, the price changes are the same for each of the six indices. (See Appendices 2 and 3)

The PIOC consists of nine cost components, each designed to measure changes in a category of costs such as fuel, insurance, utilities, etc. The methodology for each component is described in the final section of this report.

Summary

This year, the PIOC for rent stabilized apartment buildings increased by 5.1%, 2.7 percentage points below the PIOC percentage change from the year before (7.8% in 2006). The PIOC was driven upward by increases in labor costs (8.1%), real estate taxes (5.8%), administrative costs (6.9%) and utility costs (6.3%). These increases were offset by more moderate growth in both insurance (1.9%) and fuel (0.5%) costs. Increases in the remaining three cost components ranged from 1.6% to 5.6%. See the adjacent table and Appendix 2 for changes in costs and prices for all rent stabilized apartment buildings from 2006-07.

The "core" PIOC, which excludes erratic changes in fuel oil, natural gas and electricity costs, is useful for analyzing long-term inflationary trends. The core PIOC rose by 6.1% this year, which was more than the growth in the Consumer Price Index (CPI) of 3.6%.¹

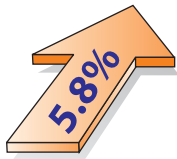
apartments

Change In Costs for Rent Stabilized Apartment Buildings, April 2006 to April 2007

Taxes	5.8%
Labor Costs	8.1%
Fuel	0.5%
Utilities	6.3%
Contractor Services	5.6%
Administrative Costs	6.9%
Insurance Costs	1.9%
Parts and Supplies	3.0%
Replacement Costs	1.6%
All Costs	5.1%

Price Index Components

Taxes



The Tax component of the PIOC is based entirely on real estate taxes. The change in tax cost is estimated by comparing aggregate taxes levied on rent stabilized apartment houses in Fiscal Year (FY) 2006 and FY 2007. The tax data was obtained from the New York City Department of Finance.

Real estate taxes rose this year by 5.8%, a smaller rise than the 7.8% increase seen last year. The change in taxes was due to a rise in assessments, an increase in the tax rate and a net expiration in exemptions. Abatements had little impact on taxes this year.

Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 4.6% from FY 2006 to FY 2007. The Class Two property levy

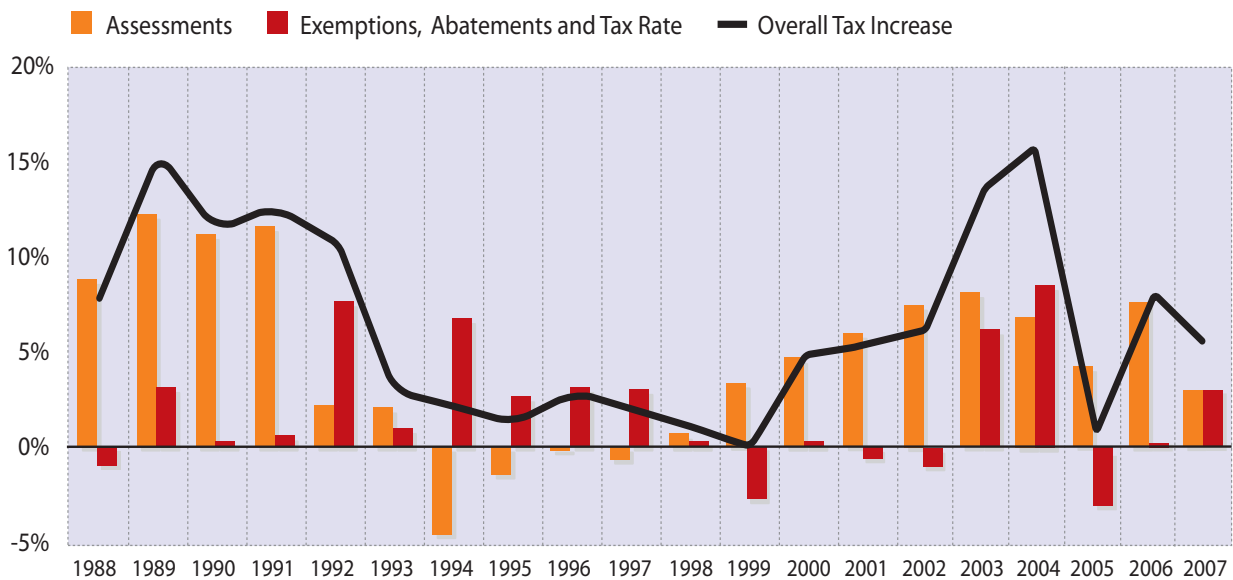
rose more than that of the City as a whole, at a rate of 7.8%. The distribution of the levy among property classes tends to shift from year to year. From FY 2006 to FY 2007, the levy share for Class Two properties increased, by 1.1 percentage points, from 35.4% to 36.5% of the total tax burden.

Tax Rate — The FY 2006 Class Two tax rate of 12.396 increased by 2.8%, resulting in a new annualized rate of 12.737 for FY 2007. This increase follows a 1.5% rise in the tax rate levied in FY 2006 and a decrease of 3.2% in FY 2005. Significant increases in the tax rate for Class Two properties were seen in FY 2004 and FY 2003 of 9.3% and 7.3% respectively.

Assessments — Assessed valuations of rent stabilized properties rose by 2.9% citywide in FY 2007. This rise in assessments was less than last year's increase (7.5%) and it is the smallest increase in assessments since FY 1998. Four out of the five boroughs showed increases in assessments. Assessments rose 4.4% in Manhattan,

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1988-2007

The Growth in Assessments is the Lowest since 1998



Source: New York City Department of Finance

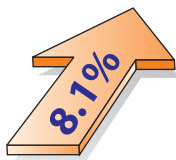
1.9% in Brooklyn, 0.8% in Queens, and 3.5% in Staten Island. Assessments declined in the Bronx by 2.0%.

The change in assessed valuations of rent stabilized buildings in New York City has fluctuated following the cycles in the real estate market. Assessments rose dramatically from the late 1980s through 1991, increasing 8% or more each year (see graph on the previous page). In FY 1992 and FY 1993, the increase in valuations for stabilized buildings slowed to 2% per year. The impact of the recession was finally reflected in tax bills the following two years — valuations dropped 4.7% in FY 1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years. From FY 1998 to 2003, assessments increased each year at a higher rate than the previous year. Increases in assessed valuations were not as high as the year before in both FY 2004 and FY 2005.

Abatements and Exemptions — This year, the number of rent stabilized buildings with abatements decreased by 1.6%. However, the average benefit value of the typical tax abatement increased, by 1.8%, from FY 2006 to FY 2007. The net impact of the decrease in the number of abatements and in the rise in the average abatement value was a negligible decrease in the tax liability for rent stabilized buildings of 0.01%.

In FY 2007, both the number of buildings receiving exemptions and the value of average tax exemptions decreased. Overall, 0.4% fewer rent stabilized buildings benefited from tax exemptions than the year before while the average value of exemptions declined by 0.25%. For all stabilized properties, the declining number of exemptions combined with the decrease in the value of tax exemptions increased owners' tax bills by 0.08%. (See Appendices 5 and 6)

Labor Costs

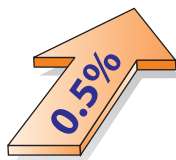


The Price Index measure of labor costs includes union and non-union salaries and benefits, in addition to Social Security and unemployment insurance. The cost of unionized labor makes up nearly two-thirds of the Labor Costs component. The entire Labor Costs component comprises roughly 14% of the overall Price Index.

Labor Costs rose 8.1%, a significantly higher increase than in last year's PIOC (2.5%), and the highest increase in this component since 1984. The rise in Labor Costs was primarily due to the escalating cost of employer healthcare and pension contributions. The large increase in union benefit contributions of 46% was offset by moderate increases in wages that comprise eighty percent of the Labor Costs component.²

For the past fourteen years the growth in non-union labor pay has outpaced union labor wages. Non-union pay increased by 3.2%, nearly the same increase as in 2006. Unionized wages as a group increased by 1.5%, 1.1 percentage points lower than last year's increase of 2.6%. Due to the dip in the New York City unemployment rate over the past twelve months, the cost of unemployment insurance declined 3.2%.

Fuel



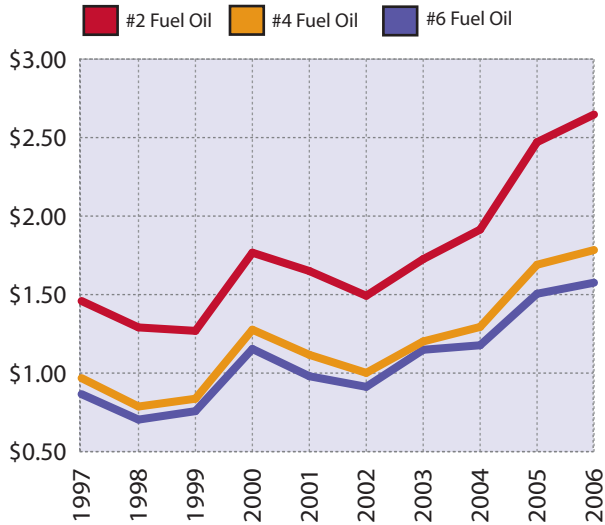
The Fuel component comprises roughly 13% of this year's Price Index. The change in cost measured in this component considers both the change in weather and the change in prices for the three types of heating oil used to heat multi-family buildings in New York City. First, the PIOC measures fuel prices from May to April and then compares them to the same months from the previous year. Over the past twelve months, fuel oil prices decreased by 3.0%. Decreases in prices for #4 and #6 fuel oil of 5.6% and 10.1% respectively were offset by an increase in prices for #2 fuel oil, which comprises more than half of this component, of 0.7%.

Second, along with measuring price, the PIOC also takes into account the effect of weather on the demand for fuel oil, especially during the heating season when the large majority of the fuel is burned. Since this year was colder than last year, weather increased the demand for fuel. The combination of the decline in heating oil prices, and the boost in demand, increased the cost owners incurred for heating their buildings with oil by 0.5%.³

Over the past six years, changes in the Fuel component have been the most variable of any component in the Price Index. Prior to this year's slight increase in fuel costs, there were two consecutive years, 2005 and 2006, in which fuel costs rose more than 20%.

Average Inflation Adjusted Fuel Oil Prices per Gallon, 1997-2006

Average Fuel Oil Prices Have Risen Over the Past Ten Years

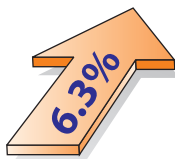


Note: Prices are in constant 2006 dollars
Source: Price Indices of Operating Costs, 1998-2007

In 2002 and 2004 fuel costs actually declined by 36.1% and 2.8% respectively, yet in 2003 costs rose 66.9%.

In addition, the average prices per gallon for all fuel grades, which are pure prices that do not factor in weather, have risen substantially over the past ten years. This is an annual rate of increase in the price of fuel of 6% above the general rate of inflation. The average price for #2 fuel oil, which is the most commonly used grade, was \$2.65 per gallon in 2006. Adjusted for inflation, the average price in 1997 was \$1.46. (See graph on this page)

Utilities



The Utilities component consists primarily of electricity, natural gas, and water and sewer charges. In fact, water and sewer costs account for nearly half of the Utilities component. Telephone and steam costs are a small part of the Utilities component. In the case of most Utilities items, changes in costs are measured using the PIOC specifications (i.e. the quantity of electricity, steam, etc. being purchased) and the changes in rate schedules. Water and sewer costs

are based on the rate established by the New York City Water Board.

This year Utilities increased 6.3%, which is lower than last year's increase of 7.9%. Gas costs, which account for roughly a third of the Utilities component, decreased 0.7%. The decrease in gas cost was offset by a significant increase in water and sewer costs of 9.4% and a rise in electricity cost of 15.4%.⁴ Steam costs decreased 0.9% and telephone costs increased 24.4%, each making up less than one percent of the entire Utilities component.

Contractor Services



The Contractor Services component rose 5.6%, 0.3 percentage points lower than last year's growth of 5.9%. This is the fifth consecutive year that the growth in this component has increased more than four percent. In contrast, Contract Services costs rose above four percent once from 1992 through 2002.

The most important items in this component by weight are repainting and plumbing rates, which comprise two-thirds of the Contractor Services component.

Painters' rates rose by 5.1%, down from last year's increase of 6.1%. Rates charged by plumbers increased by 5.5%, a full percentage point higher than last year's growth. Painters reported that increases in the cost of labor and materials were the primary factors that led to an increase in their rates. Similarly, plumbers indicated that the increase in their rate was due to rises in the cost of labor and materials, specifically the cost of faucets.

The other items in the Contractor Services component all experienced some rise in prices or rates for services. Roof Repair (10.0%) had the highest increase of any item in this component due to the continued increase in oil-based materials, the same factor that led to a significant increase in this item last year. The rise in steel costs resulted in an increase in Boiler Repair of 7.7%, the third consecutive year in which these items have increased more than seven percent. The cost for Floor Maintenance, which was flat in 2006, rose nearly six percent this year. All other items in this component had price relatives ranging from 1.5%-4.7%. (See Appendix 2)

Administrative Costs



The Administrative Costs rose 6.9%, the second consecutive year in which this component grew more than six percent and the highest increase since 1986. From 2001-2005, this component's cost rose each year between 4.0% and 5.4%. Increases in Administrative Costs did not exceed four percent from 1991 through 2000. Fees paid to management companies, accountants, and attorneys make up nearly this entire component.

A large portion of the growth in the Administrative Costs component can be attributed to a rise in management company fees (8.2%) that comprise over two-thirds of this component. Management fees are often tied to apartment buildings' rental income and are affected by changes in rents and vacancies. This year's growth is higher than last year's (7.9%), indicating that management companies raised their fees and/or rents increased at a higher rate than last year and there were fewer vacancies in the buildings they manage.

Accounting fees increased in this year's PIOC by 4.9%, 1.0 percentage point higher than last year's rise of 3.9%. Accountants reported that the rise in the cost of living led to higher rates. Attorney fees rose 2.2%, slightly higher than the prior year's increase of 2.0%.

Insurance Costs



Insurance Costs increased this year by 1.9%, 0.6 percentage points lower than last year's increase in costs of 2.5%. The increases seen in this component in the last two years are more moderate compared to the period between 2002-2005, when escalating insurance costs rose a cumulative 104%. Changes in this component in the fourteen-year period prior to 2002 fluctuated from a decrease of 1.5% to an increase of 5.2%.

This year, the RGB staff examined the change in insurance cost by building size. Buildings that contained less than 20 units saw the cost of insurance increase 3.5% while the cost of insuring a building with 20 or more units increased by 1.25%.

Roughly 7% of building owners responding in this year's survey reported a change in insurance carriers for

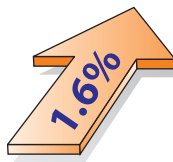
the surveyed building in the past year. This percentage is down from 9% in 2006. Owners who changed carriers experienced a decrease in costs of 5.5% compared to the overall increase for insurance of 1.9%. In contrast, those owners who changed the amount of coverage on their buildings, such as increasing the insured value, saw a 4.6% rise in costs.

Parts and Supplies



The Parts and Supplies component accounts for less than two percent of the entire Price Index. The overall increase in the Parts and Supplies component was 3.0%, 2.5 percentage points lower than last year's increase of 5.5% but the second highest rate of growth since 1991. The growth in this component was driven by an increase in price for faucets, which increased 9.3%, and items that contain chemicals, such as pine disinfectant, paint, detergent, and floor wax.

Replacement Costs



The Replacement Costs component has the lowest weight of any component, with its weight being less than 1/100th of the PIOC. This year Replacement Costs rose 1.6%, which is 2.9 percentage points lower than last year's increase and the lowest rise in this component since 2004.

Rent Stabilized Hotels

The Hotel Price Index includes separate indices for each of three categories of rent stabilized hotels (due to their dissimilar operating cost profiles) and a general index for all stabilized Hotels. The three categories of hotels are: 1) "traditional" hotels — a multiple dwelling which has amenities such as front desk, maid or linen service; 2) Rooming Houses — a multiple dwelling other than a hotel with thirty or fewer sleeping rooms; and 3) single room occupancy hotels (SROs) — a multiple dwelling in which one or two persons occupy a single room residing separately and independently of other occupants.

The Price Index for all stabilized Hotels increased 5.3% this year, 2.2 percentage points lower than the

7.5% increase found the year before. The Price Index for Hotels was just 0.2 percentage points higher overall than the increase in costs measured in the Apartment Price Index. Significant disparities between the Hotel Index and the Apartment Index were seen in the Utilities and Labor Costs components. The increase in Utilities for all types of Hotels was 11.2% overall versus 6.3% in apartment buildings. This difference was due to electricity costs, which witnessed double-digit increases, having more weight in the Hotel Index. Labor Costs rose 3.8%, about half as much as in the Apartment Index (8.1%). These disparities offset one another resulting in an index that was slightly higher than that for apartments.

Prices in all other components in the Hotel Index had similar changes in rates to the same components in the Apartment Index. Taxes increased in Hotels by 6.1%, 0.3 percentage points higher than for apartments. The rates for Contractor Services were similar, rising 5.5% in Hotels and 5.6% in apartments. Insurance costs increased at the same rate in both indices and Fuel costs were slightly higher in the Hotel Index. See the table on this page for changes in costs and prices for all rent stabilized hotels from 2006-07.

Among the different categories of Hotels, both the index for “traditional” hotels and SROs increased 4.1%, while the index for Rooming Houses increased 6.3%. The differences between these indices are primarily due to the increased weight placed on the Tax component for “traditional” hotels and the disparity among the three hotel types in the Fuel Costs component, with Rooming Houses showing the highest increase in the cost for fuel. (Appendices 4 and 7)

Rent Stabilized Lofts

The increase in the Loft Index this year was 4.4%, 0.7 percentage points lower than the increase for apartments. This difference is explained by the fact that Attorney fees, which rose 2.2%, are much more important for lofts than for apartments. In addition, fuel costs for lofts decreased 0.6% but increased 0.5% in the apartment Index. These two disparities placed more downward pressure on the Loft Index. See the table on this page and Appendix 8 for changes in costs and prices for all rent stabilized lofts from 2006-07.

The Core PIOC

The Core PIOC (see graph on the following page), which measures long-term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 6.1% in 2007. The rise in the 2007 Core was just 0.2 percentage points lower than last year’s Core PIOC projection of 6.3%. Higher than projected increases in Labor and Utilities components were off set by lower than projected increases in Taxes and Insurance Costs, resulting in two similar indices. The Labor and Utilities components, which account for roughly one-fifth of the entire 2007 Core, rose 4.9 and 3.7 percentage points higher than projected. Taxes rose 5.8% versus the 9.3% projection while Insurance Costs rose 1.9% versus the predicted rise of 7.5%. All of the remaining changes in the core components in the 2007 projected core and the 2007 actual core show agreement within 2.0 percentage points.

hotels

Change In Costs for Rent Stabilized Hotel Buildings, April 2006 to April 2007

Taxes	6.1%
Labor Costs	3.8%
Fuel	0.8%
Utilities	11.2%
Contractor Services	5.5%
Administrative Costs	6.7%
Insurance Costs	1.9%
Parts and Supplies	2.0%
Replacement Costs	2.2%

All Costs 5.3%

lofts

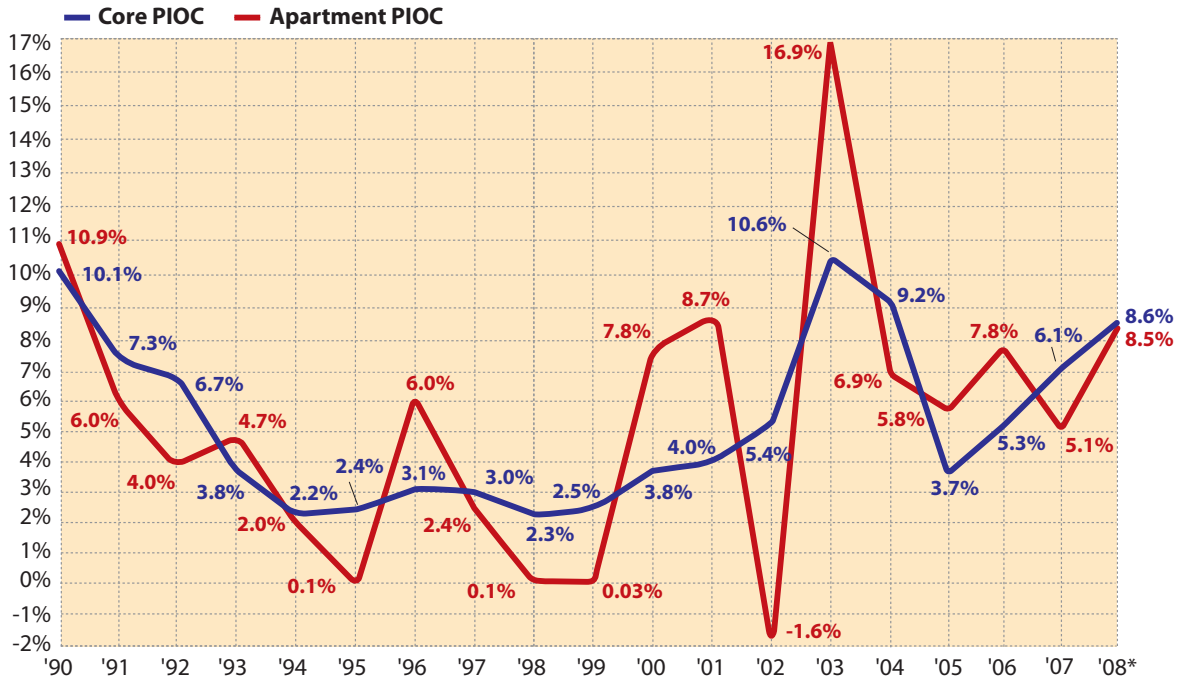
Change In Costs for Rent Stabilized Loft Buildings, April 2006 to April 2007

Taxes	5.8%
Labor Costs	7.5%
Fuel	-0.6%
Utilities	7.2%
Contractor Services	5.6%
Administrative Costs, Legal	2.2%
Administrative Costs, Other	7.6%
Insurance Costs	1.9%
Parts and Supplies	3.0%
Replacement Costs	1.6%

All Costs 4.4%

Percent Change in the Price Index of Operating Costs and the Core PIOC, 1990-2008

The "Core" PIOC Rose More than the Apartment Index in 2007



*Note: The percent change for 2008 is estimated.
 Source: Price Indices of Operating Costs, 1990-2007, PIOC projection for 2008

PIOC Projections for 2008

Section 26-510 of the Rent Stabilization Law requires the Board to consider the prevailing and projected operating and maintenance costs. Projections for the components of the PIOC are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to rise in the year following the current Price Index. The PIOC Projection is used in correlation with the old 'traditional' commensurate rent adjustment formula only. Before the new commensurate formulas were devised, the projection was used to assist the Board in setting guidelines for tenants choosing two- or three-year leases.

It is important to note that changes in costs and prices after April 2007, the last month covered by this study, will be measured in next year's Price Index. The PIOC Projection is not used in the calculation of the

'Net Revenue' and 'CPI-Adjusted NOI' commensurate formulas (see the "Commensurate Rent Adjustment" section on page 9), which calculate one- and two-year guidelines that will compensate owners for the most recent change in costs measured by the Price Index. The PIOC Projection should not be considered in combination with these newer formulas in establishing guidelines.

Projecting changes in the PIOC has become more challenging in recent years. Energy prices — which affect about one-fifth of the market basket of operating costs measured in the index — have become increasingly volatile. Unpredictable geo-political events and changing weather patterns are some of the forces behind large changes in fuel-related costs (heating fuel, electricity, gas and steam) that have in turn hindered the accuracy of the PIOC projections in recent studies. Insurance prices have also become increasingly volatile

in the past several years, making it harder to accurately project these costs.

This year, operating costs in rent stabilized apartment buildings increased by 5.1% versus last year's projected PIOC increase of 6.2%.

The components that showed the most variance between actual changes in costs versus projected changes were Labor Costs and Insurance Costs. Labor Costs were projected to rise 2.9%, but actually increased 8.1% due to large increases in employer benefit contribution costs. Insurance Costs rose 1.9%, compared to the projected increase of 7.5%. Fuel, a historically volatile component, increased by 0.5% in 2007 versus the expected increase of 3.7%, a difference of just 3.2 percentage points. The projected increase in Taxes (9.3%) was 3.5 percentage points higher than the actual tax increase for 2007. All other 2007 projected components of the PIOC were within 2.1 percentage points of the actual measured changes.

Overall, the PIOC is expected to grow by 8.5% from 2007 to 2008, with projected increases in every PIOC component. The three most volatile components, Fuel, Insurance Costs, and Utilities, are projected to rise 8.0%, 7.1%, and 10.0% respectively. Taxes are projected to increase 13.7% due to an increase in billable assessments for Class Two properties.⁵ Contractor Services are expected to rise 5.3%, Administrative Costs 5.8%, and Labor Costs are projected to increase by 3.7%. The table on this page shows predicted changes

in PIOC components for 2008. The core PIOC is projected to rise at a similar rate as the overall PIOC, by 8.6%. (See table on this page)

Commensurate Rent Adjustment

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

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

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

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both O&M and NOI constant. This is commonly called the "CPI-Adjusted NOI" formula. A guideline that would preserve NOI in the

2008 projections

*Projected Change In Costs for
Rent Stabilized Apartment
Buildings, April 2007
to April 2008*

Taxes	13.7%
Labor Costs	3.7%
Fuel	8.0%
Utilities	10.0%
Contractor Services	5.3%
Administrative Costs	5.8%
Insurance Costs	7.1%
Parts and Supplies	1.7%
Replacement Costs	1.3%
All Projected Costs	8.5%

commensurates

*"Net Revenue"
Commensurate Adjustment*

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.5%	7.5%

*"Net Revenue"
Commensurate Adjustment
with Vacancy Increase*

<u>1-Year Lease</u>	<u>2-Year Lease</u>
3.25%	5.75%

*"CPI-Adjusted NOI"
Commensurate Adjustment*

<u>1-Year Lease</u>	<u>2-Year Lease</u>
5.75%	9.75%

*"CPI-Adjusted NOI"
Commensurate Adjustment
with Vacancy Increase*

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.5%	8.0%

*"Traditional"
Commensurate Adjustment*

<u>1-Year Lease</u>	<u>2-Year Lease</u>
3.6%	6.8%

face of the 3.6% increase in the Consumer Price Index (see Endnote 1) and the 5.1% increase in the PIOC is 5.75% for a one-year lease and 9.75% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 4.5% for one-year leases and 8.0% for two-year leases.⁶

The original formula that has been in use since the inception of the Rent Guidelines Board is called the "traditional" commensurate adjustment. The "traditional" commensurate yields 3.6% for a one-year lease and 6.8% for a two-year lease, given the increase in operating costs of 5.1% found in the 2007 PIOC and the projection of a 8.5% increase next year.⁷

As a means of compensating for cost changes, this "traditional" commensurate rent adjustment has two major flaws. First, although the formula is supposed to keep landlords' current dollar income constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about three-fifths of leases are renewed in any given year, with a preponderance of leases having a two-year duration, the formula does not necessarily accurately estimate the amount of income needed to compensate landlords for operating and maintenance (O&M) cost changes.

A second flaw of the "traditional" commensurate formula is that it does not consider the erosion of landlords' income by inflation. By maintaining current dollar NOI at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the "traditional" commensurate formula.⁸

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

Finally, it is important to note that only the "traditional" commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the "Net Revenue" and "CPI-Adjusted NOI" formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The "Net Revenue" and the "CPI-Adjusted NOI" formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (5.1%). The traditional method differs from the other formulas in that it uses both the PIOC's actual change in costs as well as the projected change in costs (8.5%). If the change in projected costs, which may not be an accurate estimate of owner's costs, is added to the "Net Revenue" and "CPI-Adjusted NOI" formulas, the resulting guidelines will likely over- or under-compensate for the change in costs.

Each of these formulae may be best thought of as a starting point for deliberations. The other Rent Guidelines Board annual research reports (e.g.

the Mortgage Survey report and the Income and Expense Study) and testimony to the Board can be used to modify the various estimates depending on these other considerations.

Methodology

Owner Survey

The Owner Survey gathers information on management fees, insurance, and non-union labor from building managers and owners. Survey questionnaires, accompanied by a letter describing the purpose of the PIOC, were mailed to the owners or managing agents of stabilized buildings.

If the returned questionnaire was not complete, an interviewer contacted the owner/manager and the missing information was gathered. All of the price information given by the owner/managing agent was then confirmed by calling the relevant insurance and management companies and non-union employees.

The sample frame for the Owner Survey included 42,000 stabilized buildings registered with the New York State Division of Housing and Community Renewal (DHCR). A random sampling scheme was used to choose 5,100 addresses from this pool for the owner mailing. The number of buildings chosen in each borough was proportional to the share of stabilized buildings in that borough. The “multiple contact” method was used for the eighth consecutive year for the Owner Survey. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample.

Roughly 17.5% of the questionnaires mailed out were returned to the RGB, similar to last year’s return rate. A total of 682 returned surveys contained usable information, from which quotes of owners’ annual insurance costs (622), non-union labor quotes (172) and management fees (99) were validated. The number of verified prices in 2006 and 2007 for the Owner Survey is shown in Appendix 1.

Fuel Oil Vendor Survey

Fuel price information is gathered on a monthly basis via a telephone survey. A monthly survey makes it

possible to keep in touch with fuel vendors and to gather the data on a consistent basis (i.e. on the same day of the month for each vendor). Vendors are called each month to minimize the likelihood of misreporting and also to reduce the reporting burden for the companies that do not care to look up a year’s worth of prices. The number of fuel quotes gathered this year are the same as last year and are contained in Appendix 1.

To calculate changes in fuel oil costs, monthly price data is weighted using a degree-day formula to account for changes in the weather. The number of Heating Degree Days (see Endnote 3) is a measure of heating requirements.

Real Estate Tax Computations

The sample of buildings used to compute the 2007 tax price relative was drawn by providing a list of rent stabilized properties registered with DHCR to the Department of Finance. Finance “matched” this list against its records to provide data on assessed value, tax exemptions, and tax abatements for more than 37,000 buildings in FY 2006 and FY 2007.

The Department of Finance data was used to compute a tax bill for each stabilized building in FY 2006 and FY 2007. The change computed for the PIOC is simply the percentage increase in aggregate tax bills for these buildings from FY 2006 to FY 2007.

Vendor Survey

The Vendor Survey is used to gather price quotes for Contractor Services (e.g. painting), Administrative Costs (e.g. accountant and attorney fees), Parts and Supplies (e.g. mops), and Replacement Costs (e.g. refrigerators). As in prior years, the vendor database was updated by adding new vendors and by deleting those who no longer carry the products or perform the services outlined in the Vendor Survey item specifications. All vendor quotes were obtained over the telephone. The telephone interview procedures used for gathering price quotes were unchanged from prior years. A total of 659 recorded price quotes were gathered. For a description of the items priced and the number of price quotations obtained for each item, refer to Appendix 1.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC, including labor union contract and benefit information, Social Security rates, unemployment insurance rates, Heating Degree Days, and telephone and utility rate schedules. These items are used in computing some of the labor components, changes in utility costs for electricity, gas, steam, and telephone, and the cost-weighted change in fuel prices. Finally, to measure the change in water and sewer costs for rent stabilized buildings, staff used the Water Board FY 2007 increase of 9.4%.⁹

Price Index Projections

The PIOC Projections are estimated by using data from federal, state and local agencies; estimates from related industry experts and trend forecasting using three-year or long-term averages.

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2008 and the amended and restated City Council tax-fixing resolution to estimate (for Class Two properties) the change in class levy share and assessments, the tax rate and the impact of exemptions and abatements in the coming fiscal year. These estimates produce a projected tax cost for the owners of rental properties. Endnote 9 Labor costs are projected by analyzing labor contract terms supplied by apartment workers union Local 32-BJ and a ten-year geometric average of all other Labor items. Fuel costs are projected by using data and information from the U.S. Energy Information Administration's (EIA) current "Short-Term Energy Outlook" report, which includes assumptions about changes in usage according to a projected return to the average temperature over the last five years. Utility costs are projected by obtaining rate projections for the coming year from the New York City Water Board and EIA projections. Natural gas rate projections are combined with assumptions about usage if the coming year's weather had the five-year average number of Heating Degree Days.¹⁰

The other components — Administrative Costs, Contractor Services, Insurance Costs, Parts and Supplies,

and Replacement Costs — are projected by using three-year or fourteen-year geometric averages of the component price relatives.

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Endnotes

1. The average CPI-U for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2005 to February 2006 (214.0) compared to the average for the year from March 2006 to February 2007 (221.8) rose by 3.6%. 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 April, monthly cost-weighted figures from May to April, or the two most recent fiscal year bills.
2. The 2006 Apartment Building Agreement between the Realty Advisory Board on Labor Relations and the Service Employees International Union, Local 32BJ, was effective April 21, 2006. The current contract outlines a 10.6% rise in employer contributions to the Health Fund effective January 1, 2007. Furthermore, during the previous labor agreement, employer contributions to the Health Fund increased in 2005 and 2006, a total of 45%. These increases were separate from the amounts reflected in the contract and not captured in previous price indices. All three increases are included in this year's index resulting in a 52% rise in employer benefit contributions from last year's PIOC.
3. The May 2006 to April 2007 year was 4.6% warmer than the most recent 5-year average "normal" year, but 4.1% colder than the year before. "Normal" weather refers to the typical number of Heating Degree Days measured at Central Park, New York City, over a given period. A Heating Degree Day is defined as, for one day, the number of degrees that the average temperature for that day is below 65 degrees Fahrenheit. The most recent five-year average "normal" temperature refers to the total number of average annual Heating Degree Days from "PIOC" years, May 2002 to April 2007, measured in Central Park by the National Weather Service.
4. Note that the electricity items are calculated on a point-to-point basis. In this case, the electricity increase represents a comparison of the price for electricity in April 2006 to the price in April 2007. If we were to calculate electricity on a monthly basis, with cost weights for heating use, the change for the twelve-month period from May 2006 to April 2007 would be a 5.5% decrease.
5. This year, there was notable change to the assessment roll affecting Class 2 properties. The NYC Department of Finance Property Division established a new and more consistent method for valuing income-producing properties when owners did not provide legally required income and expense information with Finance. This change helped to contribute to tentative assessments rising in Class 2 properties by

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- 26.7%. Source: "Finance Department's FY08 Tentative Assessment Roll Shows Property Values Up By 19%", DOF Press Release, January 12, 2007.
6. The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 70.7% of the 2007 PIOC increase of 5.1%, or 3.6%. The 70.7% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the "CPI-Adjusted NOI" commensurate, the increase in revenue due to the impact of inflation on NOI is 29.3% times the latest 12-month increase in the CPI ending February 2007 (3.65%) or 1.1%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2005 Housing and Vacancy Survey; and (5) for the commensurate formulae, including a vacancy assumption, the 9.46% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2004 Apartment registration file from the Division of Housing and Community Renewal was used.
7. The collectability of legally authorized adjustments is assumed. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 8.5% PIOC projection for 2008 is used.
8. 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.
9. "Public Information Regarding Water and Wastewater Rates," New York City Water Board, April 2006.
10. Source: "Short-Term Energy Outlook," April 2007. U.S. Energy Information Administration, Department of Energy.

Appendices

1. PIOC Sample, Number of Price Quotes per Item, 2006 vs. 2007

Spec	Description	2006	2007	Spec	Description	2006	2007
211	Apartment Value	142	145	701	INSURANCE COSTS	660	622
212	Non-Union Super	116	121				
216	Non-Union Janitor/Porter	63	51	801	Light bulbs	8	7
	LABOR COSTS	321	317	802	Light Switch	7	7
301	Fuel Oil #2	27	27	803	Wet Mop	8	12
302	Fuel Oil #4	6	6	804	Floor Wax	11	11
303	Fuel Oil #6	6	6	805	Paint	11	12
	FUEL	39	39	806	Pushbroom	8	11
501	Repainting	119	125	807	Detergent	5	6
502	Plumbing, Faucet	32	33	808	Bucket	12	10
503	Plumbing, Stoppage	29	32	809	Washers	13	12
504	Elevator #1	15	14	810	Linens	10	10
505	Elevator #2	15	14	811	Pine Disinfectant	7	10
506	Elevator #3	14	14	812	Window/Glass Cleaner	11	10
507	Burner Repair	10	11	813	Switch Plate	9	7
508	Boiler Repair, Tube	11	11	814	Duplex Receptacle	9	7
509	Boiler Repair, Weld	7	6	815	Toilet Seat	18	15
510	Refrigerator Repair	8	9	816	Deck Faucet	13	11
511	Range Repair	10	10		PARTS & SUPPLIES	160	158
512	Roof Repair	23	25	901	Refrigerator #1	7	6
513	Air Conditioner Repair	8	6	902	Refrigerator #2	11	11
514	Floor Maint. #1	6	5	903	Air Conditioner #1	6	5
515	Floor Maint. #2	6	5	904	Air Conditioner #2	6	5
516	Floor Maint. #3	6	5	905	Floor Runner	6	7
518	Linen/Laundry Service	6	5	906	Dishwasher	7	7
	CONTRACTOR SERVICES	325	330	907	Range #1	6	7
601	Management Fees	105	99	908	Range #2	7	7
602	Accountant Fees	28	27	909	Carpet	10	10
603	Attorney Fees	21	21	910	Dresser	5	5
604	Newspaper Ads	19	21	911	Mattress & Box Spring	5	5
605	Agency Fees	3	5		REPLACEMENT COSTS	76	75
606	Lease Forms	9	6				
607	Bill Envelopes	10	9				
608	Ledger Paper	8	7				
	ADMINISTRATIVE COSTS	203	195		All Items	1,784	1,736

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2007

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2711	1.0579	5.79%	0.055	601	Management Fees	0.7133	1.0824	8.24%	0.9961
201	Payroll, Bronx, All	0.1118	1.0170	1.70%	0.0000	602	Accountant Fees	0.1372	1.0492	4.92%	1.4360
202	Payroll, Other, Union, Supts.	0.1127	1.0154	1.54%	0.0000	603	Attorney Fees	0.1134	1.0223	2.23%	1.0253
203	Payroll, Other, Union, Other	0.2798	1.0141	1.41%	0.0000	604	Newspaper Ads	0.0041	1.0520	5.20%	1.8492
204	Payroll, Other, Non-Union, All	0.3032	1.0319	3.19%	0.0000	605	Agency Fees	0.0057	1.0314	3.14%	3.0540
205	Social Security Insurance	0.0466	1.0214	2.14%	0.0000	606	Lease Forms	0.0095	1.0189	1.89%	1.3429
206	Unemployment Insurance	0.0077	0.9678	-3.22%	0.0000	607	Bill Envelopes	0.0090	1.0367	3.67%	1.8750
207	Private Health & Welfare	0.1381	1.4552	45.52%	0.0000	608	Ledger Paper	0.0078	1.0449	4.49%	3.3210
LABOR COSTS		0.1365	1.0809	8.09%	0.0000	ADMINISTRATIVE COSTS		0.0739	1.0693	6.93%	0.7474
301	Fuel Oil #2	0.5891	1.0436	4.36%	0.4502	701	INSURANCE COSTS	0.0895	1.0188	1.88%	0.8298
302	Fuel Oil #4	0.1524	0.9780	-2.20%	0.8651	801	Light Bulbs	0.0370	1.0091	0.91%	0.9922
303	Fuel Oil #6	0.2585	0.9313	-6.87%	0.9750	802	Light Switch	0.0451	1.0000	0.00%	0.0000
FUEL		0.1267	1.0046	0.46%	0.3889	803	Wet Mop	0.0400	1.0062	0.62%	0.6297
401	Electricity #1, 2,500 KWH	0.0090	1.1498	14.98%	0.0000	804	Floor Wax	0.0458	1.0491	4.91%	2.5901
402	Electricity #2, 15,000 KWH	0.1148	1.1546	15.46%	0.0000	805	Paint	0.2247	1.0337	3.37%	1.8331
403	Electricity #3, 82,000 KWH	0.0000	1.1828	18.28%	0.0000	806	Pushbroom	0.0340	1.0471	4.71%	3.2533
404	Gas #1, 12,000 therms	0.0054	1.0783	7.83%	0.0000	807	Detergent	0.0366	1.0302	3.02%	2.6497
405	Gas #2, 65,000 therms	0.0662	0.9922	-0.78%	0.0000	808	Bucket	0.0393	1.0036	0.36%	0.3643
406	Gas #3, 214,000 therms	0.2950	0.9914	-0.86%	0.0000	809	Washers	0.0975	1.0092	0.92%	0.6929
407	Steam #1, 1.2m lbs	0.0184	0.9914	-0.86%	0.0000	811	Pine Disinfectant	0.0548	1.0283	2.83%	2.1396
408	Steam #2, 2.6m lbs	0.0071	0.9904	-0.96%	0.0000	812	Window/Glass Cleaner	0.0517	1.0173	1.73%	1.1752
409	Telephone	0.0076	1.2442	24.42%	0.0000	813	Switch Plate	0.0475	1.0174	1.74%	1.7900
410	Water & Sewer	0.4766	1.0940	9.40%	0.0000	814	Duplex Receptacle	0.0329	1.0236	2.36%	2.2817
UTILITIES		0.1501	1.0629	6.29%	0.0000	815	Toilet Seat	0.0971	1.0138	1.38%	1.1090
501	Repainting	0.3889	1.0513	5.13%	1.1929	816	Deck Faucet	0.1163	1.0929	9.29%	3.5006
502	Plumbing, Faucet	0.1380	1.0708	7.08%	1.7267	PARTS AND SUPPLIES		0.0162	1.0303	3.03%	0.6478
503	Plumbing, Stoppage	0.1263	1.0371	3.71%	1.4754	901	Refrigerator #1	0.0963	0.9986	-0.14%	1.1751
504	Elevator #1, 6 fl., 1 e.	0.0564	1.0451	4.51%	0.8793	902	Refrigerator #2	0.4679	1.0178	1.78%	1.2403
505	Elevator #2, 13 fl., 2 e.	0.0368	1.0416	4.16%	0.9422	903	Air Conditioner #1	0.0170	1.0000	0.00%	0.0000
506	Elevator #3, 19 fl., 3 e.	0.0207	1.0418	4.18%	0.9746	904	Air Conditioner #2	0.0212	1.0000	0.00%	0.0000
507	Burner Repair	0.0388	1.0469	4.69%	2.0873	905	Floor Runner	0.0902	1.0797	7.97%	2.8220
508	Boiler Repair, Tube	0.0518	1.0824	8.24%	2.9299	906	Dishwasher	0.0476	1.0073	0.73%	0.7475
509	Boiler Repair, Weld	0.0446	1.0708	7.08%	3.9034	907	Range #1	0.0470	1.0047	0.47%	0.4698
510	Refrigerator Repair	0.0116	1.0356	3.56%	1.8154	908	Range #2	0.2129	1.0000	0.00%	0.0000
511	Range Repair	0.0117	1.0150	1.50%	1.5202	REPLACEMENT COSTS		0.0069	1.0160	1.60%	0.6450
512	Roof Repair	0.0611	1.0998	9.98%	2.0361	ALL ITEMS		1.0000	1.0514	5.14%	0.1335
513	Air Conditioner Repair	0.0083	1.0385	3.85%	2.4558						
514	Floor Maint. #1, Studio	0.0003	1.0475	4.75%	2.9487						
515	Floor Maint. #2, 1 Br.	0.0005	1.0596	5.96%	4.9345						
516	Floor Maint. #3, 2 Br.	0.0043	1.0598	5.98%	4.9446						
CONTRACTOR SERVICES		0.1291	1.0559	5.59%	0.6228						

3. Price Relative by Building Type, Apartments, 2007

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES, FEES, & PERMITS	1.0608	1.0536	1.0579	1.0579	1.0579
201-207	LABOR COSTS	1.0730	1.0901	1.0721	1.0816	1.0598
301-303	FUEL	1.0128	0.9717	1.0432	1.0033	1.0424
401-410	UTILITIES	1.0535	1.0632	1.0281	1.1021	1.0792
501-516	CONTRACTOR SERVICES	1.0566	1.0540	1.0543	1.0564	1.0548
601-608	ADMINISTRATIVE COSTS	1.0660	1.0734	1.0659	1.0698	1.0616
701	INSURANCE COSTS	1.0188	1.0188	1.0188	1.0188	1.0188
801-816	PARTS AND SUPPLIES	1.0307	1.0295	1.0309	1.0300	1.0251
901-908	REPLACEMENT COSTS	1.0154	1.0172	1.0119	1.0170	1.0264
ALL ITEMS		1.0473	1.0518	1.0459	1.0505	1.0580

4. Price Relative by Hotel Type, 2007

Spec #	Item Description	Hotel	Rooming House	SRO
101	TAXES, FEES, & PERMITS	1.0203	1.0774	1.0770
205-206, 208-216	LABOR COSTS	1.0395	1.0384	1.0343
301-302	FUEL	1.0130	1.0436	0.9675
401-407, 409-410	UTILITIES	1.1236	1.1113	1.0793
501-509, 511-516, 518	CONTRACTOR SERVICES	1.0559	1.0557	1.0528
601-608	ADMINISTRATIVE COSTS	1.0691	1.0601	1.0636
701	INSURANCE COSTS	1.0188	1.0188	1.0188
801-816	PARTS AND SUPPLIES	1.0154	1.0282	1.0297
901-904, 907-911	REPLACEMENT COSTS	1.0210	1.0244	1.0235
ALL ITEMS		1.0405	1.0630	1.0409

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2007

	% Change Due to Assessments	% Change Due to Exemptions	% Change Due to Abatements	% Change Due to Tax Rates	% Change Due to Interactions	Total % Change
APARTMENTS						
Manhattan	4.36%	0.13%	0.03%	2.71%	0.12%	7.34%
Bronx	-2.00%	0.27%	0.06%	2.19%	-0.05%	0.46%
Brooklyn	1.89%	-0.18%	0.09%	2.86%	0.05%	4.71%
Queens	0.81%	-0.06%	0.05%	2.82%	0.02%	3.64%
Staten Island	3.55%	0.31%	-0.47%	2.88%	0.11%	6.37%
All apts	2.86%	0.08%	-0.01%	2.78%	0.08%	5.79%
HOTELS						
Hotel	3.87%	-1.30%	0.00%	-0.57%	0.03%	2.03%
RH	5.07%	-0.04%	0.02%	2.57%	0.11%	7.74%
SRO	6.59%	-0.02%	0.10%	0.98%	0.05%	7.70%
All hotels	5.53%	-0.40%	0.06%	0.81%	0.06%	6.06%

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2007

Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative
Manhattan		13,023	7.34%	(Bronx cont.)	6	474	10.03%	(Bklyn. cont.)	17	650	4.66%
	1	62	-4.15%	7	922	-2.44%	18	73	1.90%		
	2	1,179	6.48%	8	349	0.15%	Queens	6,278	3.64%		
	3	1,630	10.63%	9	306	1.99%		1	1,782	8.29%	
	4	1,041	9.83%	10	191	-0.86%		2	829	5.93%	
	5	312	6.65%	11	305	-7.52%		3	375	4.22%	
	6	913	6.87%	12	388	-1.10%		4	375	3.04%	
	7	1,987	8.91%	Brooklyn	12,694	4.71%		5	1,233	5.68%	
	8	2,188	6.11%		1	1,512		7.60%	6	325	1.07%
	9	738	10.43%		2	661		7.54%	7	373	0.42%
	10	893	11.81%		3	862		4.36%	8	192	6.36%
	11	629	15.05%		4	1,310		4.10%	9	197	3.46%
	12	1,433	7.83%		5	377		8.92%	10	55	4.91%
Lower	8,783	7.03%	6		953	8.11%		11	114	3.92%	
Upper	4,240	9.76%	7		886	7.67%		12	158	5.96%	
Bronx	5,244	0.46%	8		957	6.02%		13	50	2.71%	
	1	312	9.27%		9	554	2.23%	14	98	7.42%	
	2	259	8.44%		10	786	5.09%	Staten Island	180	6.37%	
	3	303	-3.07%		11	722	3.60%		1	122	7.64%
	4	716	3.94%		12	631	3.86%		2	31	-1.76%
	5	665	6.79%	13	171	5.80%	3		24	8.18%	
			14	895	2.97%						
			15	379	3.84%						
			16	301	4.19%	Total	37,419	5.79%			

Note: No Community Board could be assigned to the following number of buildings for each borough: Manhattan (18), Bronx (54), Brooklyn (13), Queens (123), Staten Island (3). The number of buildings in the category "All" for each borough includes these buildings which could not be assigned a Community Board. Core and Upper Manhattan building totals are defined by block count and cannot be calculated by using Community Board numbers alone.

7. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 2007

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2847	1.0606	6.06%	0.6227	601	Management Fees	0.6472	1.0824	8.24%	0.9961
205	Social Security Insurance	0.0537	1.0214	2.14%	0.0000	602	Accountant Fees	0.0801	1.0492	4.92%	1.4360
206	Unemployment Insurance	0.0157	0.9678	-3.22%	0.0000	603	Attorney Fees	0.1189	1.0223	2.23%	1.0253
208	Hotel Private Health/Welfare	0.0404	1.1144	11.44%	0.0000	604	Newspaper Ads	0.0965	1.0520	5.20%	1.8492
209	Hotel Union Labor	0.3127	1.0400	4.00%	0.0000	605	Agency Fees	0.0252	1.0314	3.14%	3.0540
210	SRO Union Labor	0.0122	1.0400	4.00%	0.0000	606	Lease Forms	0.0108	1.0189	1.89%	1.3429
211	Apartment Value	0.1239	1.0505	5.05%	0.8135	607	Bill Envelopes	0.0123	1.0367	3.67%	1.8750
212	Non-Union Superintendent	0.3128	1.0322	3.22%	0.5507	608	Ledger Paper	0.0090	1.0449	4.49%	3.3210
213	Non-Union Maid	0.0000	0.0000	NA	0.0000		ADMINISTRATIVE COSTS	0.0817	1.0668	6.68%	0.6950
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000	701	INSURANCE COSTS	0.0499	1.0188	1.88%	0.8298
215	Non-Union Maintenance Worker	0.0000	0.0000	NA	0.0000	801	Light Bulbs	0.0154	1.0091	0.91%	0.9922
216	Non-Union Janitor/Porter	0.1285	1.0303	3.03%	0.0000	802	Light Switch	0.0171	1.0000	0.00%	0.0000
	LABOR COSTS	0.1607	1.0385	3.85%	0.1996	803	Wet Mop	0.0477	1.0062	0.62%	0.6297
301	Fuel Oil #2	0.6802	1.0436	4.36%	0.4502	804	Floor Wax	0.0575	1.0491	4.91%	2.5901
302	Fuel Oil #4	0.0155	0.9780	-2.20%	0.8651	805	Paint	0.1247	1.0337	3.37%	1.8331
303	Fuel Oil #6	0.3042	0.9313	-6.87%	0.9750	806	Pushbroom	0.0390	1.0471	4.71%	3.2533
	FUEL	0.1413	1.0084	0.84%	0.4266	807	Detergent	0.0495	1.0302	3.02%	2.6497
401	Electricity #1, 2,500 KWH	0.0644	1.1498	14.98%	0.0000	808	Bucket	0.0484	1.0036	0.36%	0.3643
402	Electricity #2, 15,000 KWH	0.0694	1.1546	15.46%	0.0000	809	Washers	0.0492	1.0092	0.92%	0.6929
403	Electricity #3, 82,000 KWH	0.2252	1.1828	18.28%	0.0000	810	Linens	0.3052	1.0000	0.00%	0.0000
404	Gas #1, 12,000 therms	0.0599	1.0783	7.83%	0.0000	811	Pine Disinfectant	0.0216	1.0283	2.83%	2.1396
405	Gas #2, 65,000 therms	0.0517	0.9922	-0.78%	0.0000	812	Window/Glass Cleaner	0.0202	1.0173	1.73%	1.1752
406	Gas #3, 214,000 therms	0.2378	0.9914	-0.86%	0.0000	813	Switch Plate	0.0568	1.0174	1.74%	1.7900
407	Steam #1, 1.2m lbs	0.0003	0.9914	-0.86%	0.0000	814	Duplex Receptacle	0.0401	1.0236	2.36%	2.2817
409	Telephone	0.1408	1.2442	24.42%	0.0000	815	Toilet Seat	0.0489	1.0138	1.38%	1.1090
410	Water & Sewer	0.1505	1.0940	9.40%	0.0000	816	Deck Faucet	0.0587	1.0929	9.29%	3.5006
	UTILITIES	0.1421	1.1123	11.23%	0.0000		PARTS AND SUPPLIES	0.0427	1.0204	2.04%	0.4206
501	Repainting	0.2172	1.0513	5.13%	1.1929	901	Refrigerator #1	0.0209	0.9986	-0.14%	1.1751
502	Plumbing, Faucet	0.0875	1.0708	7.08%	1.7267	902	Refrigerator #2	0.1005	1.0178	1.78%	1.2403
503	Plumbing, Stoppage	0.0848	1.0371	3.71%	1.4754	903	Air Conditioner #1	0.0612	1.0000	0.00%	0.0000
504	Elevator #1, 6 fl., 1 e.	0.0387	1.0451	4.51%	0.8793	904	Air Conditioner #2	0.0723	1.0000	0.00%	0.0000
505	Elevator #2, 13 fl., 2 e.	0.0348	1.0416	4.16%	0.9422	907	Range #1	0.0090	1.0047	0.47%	0.4698
506	Elevator #3, 19 fl., 3 e.	0.0320	1.0418	4.18%	0.9746	908	Range #2	0.0415	1.0000	0.00%	0.0000
507	Burner Repair	0.0285	1.0469	4.69%	2.0873	909	Carpet	0.3354	1.0472	4.72%	3.8692
508	Boiler Repair, Tube	0.0342	1.0824	8.24%	2.9299	910	Dresser	0.1904	1.0000	0.00%	0.0000
509	Boiler Repair, Weld	0.0348	1.0708	7.08%	1.8154	911	Mattress & Box Spring	0.1687	1.0258	2.58%	2.1752
511	Range Repair	0.1382	1.0150	1.50%	1.5202		REPLACEMENT COSTS	0.0173	1.0220	2.20%	1.3547
512	Roof Repair	0.0276	1.0998	9.98%	2.0361		ALL ITEMS	1.0000	1.0526	5.26%	0.2259
513	Air Conditioner Repair	0.0429	1.0385	3.85%	2.4558						
514	Floor Maint. #1, Studio	0.0008	1.0475	4.75%	2.9487						
515	Floor Maint. #2, 1 Br.	0.0018	1.0596	5.96%	4.9345						
516	Floor Maint. #3, 2 Br.	0.0164	1.0598	5.98%	4.9446						
518	Linen/Laundry Service	0.1796	1.0889	8.89%	6.1802						
	CONTRACTOR SERVICES	0.0796	1.0552	5.52%	1.1991						

8. Expenditure Weights and Price Relatives, Lofts, 2007

Spec #	Item Description	Weights	Price Relative	Spec #	Item Description	Weights	Price Relative
101	TAXES	0.2595	1.0579		ADMINISTRATIVE COSTS, LEGAL	0.0809	1.0223
201	Payroll, Bronx, All	0.0000	1.0170	601	Management Fees	0.8127	1.0824
202	Payroll, Other, Union, Supts.	0.2727	1.0154	602	Accountant Fees	0.1443	1.0492
203	Payroll, Other, Union, Other	0.0000	1.0141	604	Newspaper Ads	0.0049	1.0520
204	Payroll, Other, Non-Union, All	0.5588	1.0319	605	Agency Fees	0.0068	1.0314
205	Social Security Insurance	0.0446	1.0214	606	Lease Forms	0.0101	1.0189
206	Unemployment Insurance	0.0083	0.9678	607	Bill Envelopes	0.0114	1.0367
207	Private Health & Welfare	0.1156	1.4552	608	Ledger Paper	0.0097	1.0449
	LABOR COSTS	0.0890	1.0753		ADMINISTRATIVE COSTS - OTHER	0.0914	1.0756
301	Fuel Oil #2	0.3215	1.0436	701	INSURANCE COSTS	0.2169	1.0188
302	Fuel Oil #4	0.5645	0.9780	801	Light Bulbs	0.0370	1.0091
303	Fuel Oil #6	0.1140	0.9313	802	Light Switch	0.0450	1.0000
	FUEL	0.0890	0.9938	803	Wet Mop	0.0399	1.0062
401	Electricity #1, 2,500 KWH	0.0101	1.1498	804	Floor Wax	0.0458	1.0491
402	Electricity #2, 15,000 KWH	0.1294	1.1546	805	Paint	0.2247	1.0337
403	Electricity #3, 82,000 KWH	0.0000	1.1828	806	Pushbroom	0.0340	1.0471
404	Gas #1, 12,000 therms	0.0061	1.0783	807	Detergent	0.0366	1.0302
405	Gas #2, 65,000 therms	0.0740	0.9922	808	Bucket	0.0393	1.0036
406	Gas #3, 214,000 therms	0.2100	0.9914	809	Washers	0.0975	1.0092
407	Steam #1, 1.2m lbs	0.0205	0.9914	811	Pine Disinfectant	0.0547	1.0283
408	Steam #2, 2.6m lbs	0.0078	0.9904	812	Window/Glass Cleaner	0.0517	1.0173
409	Telephone	0.0085	1.2442	813	Switch Plate	0.0474	1.0174
410	Water & Sewer - Frontage	0.5335	1.0940	814	Duplex Receptacle	0.0330	1.0236
	UTILITIES	0.0739	1.0716	815	Toilet Seat	0.0971	1.0138
501	Repainting	0.3888	1.0513	816	Deck Faucet	0.1164	1.0929
502	Plumbing, Faucet	0.1381	1.0708		PARTS AND SUPPLIES	0.0169	1.0303
503	Plumbing, Stoppage	0.1263	1.0371	901	Refrigerator #1	0.0963	0.9986
504	Elevator #1, 6 fl., 1 e.	0.0563	1.0451	902	Refrigerator #2	0.4678	1.0178
505	Elevator #2, 13 fl., 2 e.	0.0368	1.0416	903	Air Conditioner #1	0.0170	1.0000
506	Elevator #3, 19 fl., 3 e.	0.0207	1.0418	904	Air Conditioner #2	0.0211	1.0000
507	Burner Repair	0.0388	1.0469	905	Floor Runner	0.0902	1.0797
508	Boiler Repair, Tube	0.0518	1.0824	906	Dishwasher	0.0477	1.0073
509	Boiler Repair, Weld	0.0447	1.0708	907	Range #1	0.0469	1.0047
510	Refrigerator Repair	0.0115	1.0356	908	Range #2	0.2130	1.0000
511	Range Repair	0.0117	1.0150		REPLACEMENT COSTS	0.0133	1.0160
512	Roof Repair	0.0610	1.0998				
513	Air Conditioner Repair	0.0083	1.0385				
514	Floor Maint. #1, Studio	0.0003	1.0475				
515	Floor Maint. #2, 1 Br.	0.0005	1.0596				
516	Floor Maint. #3, 2 Br.	0.0043	1.0598				
	CONTRACTOR SERVICES	0.0693	1.0559		ALL ITEMS	1.0000	1.0439