

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

Oral Argument
Requested

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RENT STABILIZATION ASSOCIATION OF NYC, :
INC., BENSON REALTY LLC, DANIELLE :
REALTY, L.L.C., MILAGROS C. HUERTAS and :
MARILYN PERCY, :

Index No. _____/2016

Plaintiffs-Petitioners, :

**VERIFIED ARTICLE 78
AND DECLARATORY
JUDGMENT PETITION**

For a Judgment Pursuant to Articles 78 and 30
of the Civil Practice Law and Rules, :

-against- :

NEW YORK CITY RENT GUIDELINES BOARD, :

Defendant-Respondent. :

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Plaintiffs-petitioners, Rent Stabilization Association of NYC, Inc., Benson Realty LLC,
Danielle Realty, L.L.C., Milagros C. Huertas and Marilyn Percy, by their attorneys, Rosenberg
& Estis, P.C., respectfully allege:

PARTIES

1. Plaintiff-petitioner Rent Stabilization Association of NYC, Inc. (“RSA”) is a trade association representing 25,000 property owners and/or managing agents who own and/or manage approximately one million apartments in New York City, most of which are rent stabilized.

2. Many of RSA’s members own buildings in New York County, and have offered and/or have entered into, numerous rent stabilized leases that are subject to Rent Guidelines Board Order No. 48 (“Order No. 48”), promulgated by defendant-respondent New York City Rent Guidelines Board (“RGB”) on June 27, 2016. Many of RSA’s members are directly and adversely affected by RGB’s promulgation of Order No. 48.

3. Plaintiff-petitioner Benson Realty LLC (“Benson”) owns the building known as and located at 2126 Benson Avenue, in Kings County. Said building contains approximately 62 rent stabilized apartments. Benson has offered, and will be required to offer and enter into in the future numerous leases for rent stabilized apartments in said building, which leases are subject to Order No. 48. Benson is directly and adversely affected by RGB’s promulgation of Order No. 48.

4. Plaintiff-petitioner Danielle Realty, L.L.C. (“Danielle”) owns the building known as and located at 55 92nd Street, in Kings County. Said building contains approximately 37 rent stabilized apartments. Danielle will be required to offer and enter into in the future numerous leases for rent stabilized apartments in said building, which leases will be subject to Order No. 48. Danielle is directly and adversely affected by RGB’s promulgation of Order No. 48.

5. Plaintiffs-petitioners Milagros C. Huertas and Marilyn Percy own the building known as and located at 401 45th Street, in Kings County. Said building contains six rent stabilized apartments. Huertas and Percy will be required to offer and enter into in the future leases for rent stabilized apartments in said building, which leases will be subject to Order No. 48. Huertas and Percy are directly and adversely affected by RGB’s promulgation of Order No. 48.

6. Defendant-respondent RGB is an administrative agency of the City of New York authorized by Section 26-510 of the Rent Stabilization Law (“RSL”) to perform the quasi-legislative function of establishing, *inter alia*, annual guidelines for rent adjustments for rent stabilized apartments in New York City.

VENUE

7. This proceeding is brought in New York County pursuant to CPLR 506(b) on the grounds that RGB made the determination complained of in New York County and its principal office is located in New York County.

RELIEF SOUGHT

8. RSL § 26-510(a) establishes a rent guidelines board for New York City -- defendant-respondent RGB -- consisting of nine members: two tenant representatives, two owner representatives, and five members representing the public.

9. RSL § 26-510(b) provides that RGB shall:

“... establish annually guidelines for rent adjustments, and in determining whether rents for housing accommodations subject to the emergency tenant protection act of nineteen seventy-four or this law shall be adjusted shall 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 water and sewer rates, (ii) gross operating 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) over-all supply of housing accommodations and over-all 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.”

10. In Order No. 48, RGB determined, *inter alia*, that owners of New York City rent stabilized apartments shall be limited to rent increases of 0% and 2% for one- and two-year renewal leases, respectively, that commence between October 1, 2016 and September 30, 2017, inclusive. A copy of Order No. 48 is annexed hereto as Exhibit “A.” A copy of RGB’s “Explanatory Statement for Order No. 48” is annexed hereto as Exhibit “B.”

11. The Explanatory Statement makes clear that RGB, in establishing the 0% and 2% increases, took into account “tenant affordability,” *i.e.*, the ability of New York City tenants to

pay rent increases irrespective of the cost that owners must pay to provide and operate rent stabilized apartments.

12. By this Article 78 proceeding/declaratory judgment action, plaintiffs-petitioners seek, *inter alia*, (a) to annul Order No. 48 on the ground that it is arbitrary and capricious and contrary to law, and (b) a declaration that by enacting Order No. 48, RGB violated the United States and New York State Constitutions.

13. By taking “tenant affordability” into account when promulgating Order No. 48, RGB violated RSL § 26-510(b), which does not authorize RGB to consider tenant affordability when establishing levels of fair rents.

14. In addition, by construing RSL § 26-510(b) as authorizing RGB to take tenant affordability into account when promulgating Order No. 48, RGB has violated the separation of powers doctrine by engaging in policy-making reserved exclusively for the Legislature.

15. Also, by construing RSL § 26-510(b) as authorizing RGB to take tenant affordability into account when promulgating Order No. 48, RGB has violated the Fifth and Fourteenth Amendments to the U.S. Constitution, and Article I, § 7 of the New York State Constitution, by compelling owners to pay for a public burden that should be borne by the public at large.

16. Notably, the RSL itself does not mention tenant affordability. The rent stabilization scheme is not income-based; there is no minimum income level that a tenant must meet to lease a stabilized apartment, or maximum income level that a tenant must fall below. Rent stabilization covers apartments renting from several hundred to tens of thousands of dollars per month, there being no minimum or maximum rent levels. Traditionally, the issue of tenant affordability has been addressed by governmental programs geared to tenant needs on a tenant-

by-tenant basis, such as the NYC Rent Increase Program for Seniors (SCRIE), the Disability Rent Increase Exemption (DRIE), and the Section 8 Program.

FACTS

A. RGB's Established Methodology

17. RGB annually issues various reports in advance of the final RGB Order, including:

- a. Price Index of Operating Costs;
- b. Income and Expense Study; and
- c. Income and Affordability Study.

Copies of these 2016 reports are annexed hereto as Exhibits "C," "D," and "E," respectively.

1. The PIOC Report

18. In the introductory section of the 2016 Price Index of Operating Costs report (the "PIOC Report"), RGB explained:

"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. 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 Price Index measures changes in the cost of purchasing a specified set of good and services, which must remain constant both in terms of quantity and quality from one year to the next.

* * *

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 quantities of goods and services of each kind remain

constant, the relative importance of various goods and services will change when their prices increase even 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 changes among the various index items.”

See, Exhibit “C” at p. 3.

19. Thus, as required by RSL § 26-510(b), the PIOC aims to measure “the economic condition of the residential real estate industry.”

2. **The Income and Expense Study**

20. In the introductory section of the 2016 Income and Expense Study, RGB wrote:

“As required by the Rent Stabilization Law, the Rent Guidelines Board (RGB) has analyzed the cost of operating and maintaining rental housing in New York City since 1969, as part of the process of establishing rent adjustments for stabilized apartments. Historically, the Board’s primary instrument for measuring changes in prices and costs has been the Price Index of Operating Costs (PIOC), a survey of prices and costs for various goods and services required to operate and maintain rent stabilized apartment buildings.

In 1990, the RGB acquired a new data source that enabled researchers to compare PIOC-measured prices and costs with those reported by owners: Real Property Income and Expense (RPIE) statements from rent stabilized buildings collected by the NYC Department of Finance. These Income and Expense (I&E) statements filed annually by property owners, provide detailed information on the revenues and costs of income-producing properties.”

See, Exhibit “D” at p. 3.

21. Thus, as required by RSL § 26-510(b) the initial Income and Expense Study also seeks to measure “the economic condition of the residential real estate industry.”

3. **The Income and Affordability Study**

22. In the introductory section of the 2016 Income and Affordability Study, the RGB

wrote:

“Section 26-510(b) of the Rent Stabilization Law requires the Rent Guidelines Board (RGB) to consider ‘relevant data from the current and projected cost of living indices’ and permits consideration of other measures of housing affordability in its deliberations. To assist the Board in meeting this obligation, the RGB research staff produces an annual *Income and Affordability Study*, which reports on housing affordability and tenant income in New York City’s rental market. This study highlights year-to-year changes in many of the major economic factors affecting New York City’s tenant population and takes into consideration a broad range of market forces and public policies affecting housing affordability.

* * *

Looking at New York City’s economy during 2015, it showed many strengths as compared with the preceding year. Positive indicators included growing employment levels, which rose for the sixth consecutive year, increasing 2.9% in 2015. The unemployment rate also fell, declining by 1.5 percentage points to 5.7%. Gross City Product (GCP) also increased for the sixth consecutive year, rising in real terms by 3.4% in 2015. In addition, inflation adjusted wages rose by 1.6% during the most recent 12-month period (the fourth quarter of 2014 through the third quarter of 2015), and inflation slowed to just 0.1%. The number of non-payment filings in Housing Court fell by 2.4%, ‘calendared’ cases fell 12.5%, and evictions fell by 18.1%. In addition, Supplemental Nutrition Assistance Program (SNAP) caseloads fell for the second consecutive year, by 3.2%.

Negative indicators include the seventh consecutive year of increase in homeless levels, which rose to an average of more than 57,000 persons a night, an increase of 5.6% over 2014 levels. Public assistance caseloads also rose by 5.7% over 2014 levels” (italics in original).

See, Exhibit “E,” at p. 3.

23. Thus, RGB has (a) interpreted the command in RSL § 26-510(b)(2) to consider “current and projected cost of living indices” as authorizing RGB to take into account tenant affordability; and (b) determined that “current and projected cost of living indices” shall be

interpreted as including such obvious non-cost of living measurements as employment levels, unemployment rates, wages, non-payment filings, evictions, SNAP caseloads, homeless levels, and public assistance caseloads.

B. The Mayor's Repeated Calls for RGB to Implement a Rent Freeze

24. The long history of Mayor de Blasio's repeated calls -- both before and since he became Mayor -- for rents to be frozen, and the experience of 2014 and 2015, when a near-freeze and an actual freeze were adopted by RGB, set the stage for 2016. The fact that RGB adopted a rent freeze in 2016 should not be a surprise to anyone.

4. RGB Order No. 45

25. In May of 2013, while still Public Advocate, Bill de Blasio called for a rent freeze in advance of RGB's deliberations with respect to what would become Order No. 45, which was issued on June 20, 2013.

26. Mr. de Blasio's demand for a rent freeze was based on the criterion of tenant affordability. His statement read:

"At a time when nearly half of our city's residents are living in or near poverty, we cannot continue to put additional financial burdens on poor and working New Yorkers.

* * *

The Rent Guidelines Board must freeze rent increases when it meets next month."

See, Exhibit "F."

27. On June 13, 2013, Mr. de Blasio testified before RGB as part of the public hearings held prior to issuance of Order No. 45. Again, Mr. de Blasio called for a rent freeze, citing tenant affordability. His testimony read in relevant part:

"We live in one of the worst economic times since the Great Depression. Unemployment is above 8 percent, wages are stagnant, the cost of living keeps increasing and middle- and low-income families are struggling to make ends meet.

We cannot deepen this inequality any further.

Economic inequality is the challenge of our time, and it is a problem this Board can help alleviate through its decisions.

Last month, the Board proposed increases of 3 to 6.25 percent for one-year leases, and 5 to 9.5 percent for two-year leases. These latest proposals follow four consecutive years of rent hikes during this economic crisis. This must end. Heaping another \$500, \$1,000 or more in rent each year - the equivalent of a week's wages for many families - is absolutely unacceptable in these hard times.

These repeated increases cut into the foundation of our city, forcing working people out of their homes, and pushing the middle class out of entire neighborhoods.

We need a rent freeze that acknowledges these stark realities. This is the only acceptable outcome for tenants at this time."

See, Exhibit "G."

28. As a Public Advocate, who had no ability to appoint members to RGB, Mr. de Blasio was powerless to stop RGB from authorizing 4% and 7.75% rent increases for 1- and 2-year renewal leases pursuant to Order No. 45.

5. **Order No. 46**

29. By October of 2013, Mr. de Blasio was actively campaigning for Mayor, with a rent freeze as one of his campaign promises. An October 9, 2013 article in *NY Real Estate Residential* reported as follows:

"The next mayor will have significant leverage over the Rent Board when he takes office on Jan. 1, with power to appoint four new members. Mr. de Blasio has said he will select what he described as pro-tenant, pro-stabilization Board Members.

A spokesman said Mr. de Blasio would push the Board not to increase rent in June, when it votes annually. The rent-freeze would then start in October for one-year leases and two-year leases being renewed. 'In the short term, with wages stagnant and tenants struggling to pay the rent, Bill de Blasio has called for one-year rent freeze for people living in rent-stabilized apartments,' DeBlasio spokesman Dan Levitan said: 'I think the rent freeze speaks for itself'" (italics supplied).

See, Exhibit "H."

30. In an October 10, 2013 article, *Curbed* reported:

"Bill de Blasio says that if he is elected, he will push hard for a rent freeze on stabilized apartments. According to the [Wall Street] Journal, he also pledged to appoint new pro-tenant members to the Rent Guidelines Board, which convenes every June to vote on rent increases. De Blasio's stance should come as no surprise considering that during this year's meeting, he, along with former mayoral hopefuls Christine Quinn and John Liu, advocated for a rent freeze" (material in brackets and italics supplied).

See, Exhibit "I."

31. Thus, eight months before Order No. 46 would be issued, and many months before RGB had the opportunity to consider the economic criteria set forth in RSL § 26-510(b), Mr. de Blasio was blindly advocating for a rent freeze.

32. On March 9, 2014, the *New York Times* reported that Mayor de Blasio, having just appointed five of the nine RGB members (including all four "public members"), was seeking to make good on his campaign promise for a rent freeze. See, Exhibit "J."

33. On June 23, 2014, RGB enacted Order No. 46, which authorized 1% and 2.75% rent increases for one-year and two-year renewal leases, respectively. A June 24, 2014 article in the *New York Observer* noted that Mayor De Blasio was disappointed that RGB had not voted for a rent freeze. See, Exhibit "K."

6. Order No. 47

34. By 2015, Mayor de Blasio had appointed all nine members of RGB. Now firmly in control, Mayor de Blasio got his wish. In Order No. 47, RGB approved a 0% increase for one-year renewal leases and a 2% increase for two-year renewal leases.

35. In a press release dated June 29, 2015, Mayor de Blasio stated:

“We know tenants have been forced to make painful choices that pitted ever-rising rent against necessities like groceries, childcare and medical bills. Today’s decision means relief.”

See, June 29, 2015 Press Release, annexed hereto as Exhibit “L.”

C. RGB Order No. 48

36. On June 27, 2016, RGB issued Order No. 48, which called for a 0% increase for one-year renewal leases, and a 2% increase for two-year renewal leases. *See*, Exhibit “A.”

37. The Explanatory Statement that accompanied Order No. 48, annexed hereto as Exhibit “B,” contained an introductory section captioned “Background of Order No. 48.” In that section, RGB discussed its obligations pursuant to RSL § 26-510(b):

“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”* (italics supplied)

See, Exhibit “B,” at p. 2.

38. Notably, RGB did not assert that RSL § 26-510(b) authorized RGB to look at tenant affordability, and instead conceded that it was directed to look at “relevant information concerning the state of the residential real estate industry.”

39. Notwithstanding, the Explanatory Statement cites and quotes from the 2016 Income and Affordability Study (*see*, Exhibit “B,” at pp. 31-33), thereby confirming that RGB took tenant affordability into account when issuing Order No. 48.

40. Just before RGB voted on June 27, 2016, RGB Chairwoman Kathleen E. Roberts issued a written statement in support of the proposal that RGB ultimately adopted, *i.e.*, the 0% and 2% increases. Chairwoman Roberts made clear in her statement that tenant affordability was a key factor, if not the overriding factor, in RGB’s ultimate decision. Chairwoman Ms. Roberts stated:

“These data provide ample support for a 0% increase for one-year leases. I note that the Board was urged by many elected officials, as well as tenants, to vote to roll back rent in light of the data this year. While I understand those arguments, I think it is inappropriate to base an unprecedented rollback on a single aberrational cost factor. It is also important to consider how different owners are situated – especially for small owners, a rollback would challenge their ability to maintain their buildings – a factor we must consider as well as affordability.”

See, June 27, 2016 Statement, annexed hereto as Exhibit “M,” at p. 2.

41. Thus, according to Chairwoman Roberts, the ability of owners “to maintain their buildings” - - the sole factor that the Legislature authorized RGB to consider in RSL § 26-510(b) - - is merely something RGB “must consider as well as affordability.”

42. Chairwoman Roberts went on to say:

“I considered, but rejected, proposing a larger increase in light of the historic trend of substantial increases in NOI, and because a larger increase raises significant affordability concerns. It is established that the Board can consider tenants’ ability to pay rent

as a factor in setting renewal lease adjustments. Data from the 2014 Housing and Vacancy Survey shows that the median gross rent-to-income ratio for tenants living in rent stabilized apartments is 36.4%, an increase from the *2011 Housing and Vacancy Survey* when the ratio was 34.8%. This means that half of rent stabilized tenants were paying 36.4% of their income in rent and are considered to be rent burdened. Generally, housing is considered affordable when a tenant pays no more than 30% of their income in rent” (italics in original).

Id. at p. 3.

43. It is, in fact, *not* established that RGB can consider tenant affordability; certainly, RSL § 26-510(b) does not say so.

44. On the day that RGB promulgated Order No. 48, Mayor de Blasio issued a press release praising RGB’s actions and once again stressing the primacy of “tenant affordability:”

“This year, the facts demanded a rent freeze. More than a million people will now have more security and a better shot at making ends meet.

* * *

We are fighting displacement and protecting affordable housing on every front from putting shovels in the ground for more affordable housing than any time in 40 years to increasing free legal services for tenants 10-fold, to this rent freeze, we are turning the tide to keep this a city for everyone.”

See, June 27, 2016 Press Release, annexed hereto as Exhibit “N.”

45. In a June 28, 2016 interview with Pat Kiernan of NY1, Mayor De Blasio celebrated the rent freeze as a victory for tenant affordability:

“...when you look at the last three years in total, Pat, you know for a one-year lease one percent then zero and now zero again – that’s very, very fair to our tenants. That’s going to allow people to make ends meet, and be able to afford this city better.

“So, you know, I think the Rent Guidelines Board was really smart, really careful in their decision. And, again, you never see anything like this. Rent Guidelines Board has been around almost half a century – there’s never been a time when they were so respectful of the needs of tenants...”

See, Transcript annexed hereto as Exhibit “O”).

FIRST CAUSE OF ACTION

Request for Relief under CPLR Article 78

ORDER NO. 48 IS *ULTRA VIRES* RSL § 26-510(b) BECAUSE THE STATUTE DOES NOT PERMIT RGB TO CONSIDER TENANT AFFORDABILITY

46. Plaintiffs-petitioners repeat and re-allege the allegations fully set forth in paragraphs 1 through 45 of this petition as if fully set forth herein.

47. RSL § 26-510(b) limits what RGB can consider when issuing annual guideline increases for rent stabilized apartments. The section is divided into three parts, with the first part (§ 26-510[b][1]) stating that RGB “shall consider:”

“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 maintenance costs (including insurance rates, governmental fees, cost of fuel and labor costs); (iii) cost and availability of financing (including effective rates of interest); (iv) over-all supply of housing accommodations and over-all vacancy rates...”

48. All of these factors reflect the actual cost of supplying housing to New York City rent stabilized tenants. They concern the condition of the “residential real estate industry,” and have nothing to do with tenant affordability.

49. RSL § 26-510(b)(2) states that RGB “shall consider:”

“relevant data from the current and projected cost of living indices for the affected area...”

50. These factors, like those in RSL § 26-510(b)(1), relate to the actual cost of supplying housing, and how these costs have changed in the past or might change in the future; put another way, “projected cost of living indices” concern price changes affecting “the residential real estate industry,” not tenants. The Legislature’s concern with future price trends reflects the fact that annual RGB increases, which are calculated in late June, apply to leases

entered into during the subsequent period between October 1 and September 30, *i.e.*, the period three to 15 months thereafter. Notably, a two-year renewal lease entered into on September 1, 2017 will not expire until August 31, 2019, more than 26 months after the RGB issued Order No. 48. Thus, RSL § 26-510(b)(2) correctly directs RGB to measure and account for future changes to the price of supplying housing.

51. As established at paragraph 23, *supra*, the 2016 Income and Affordability Study establishes that RGB has interpreted RSL § 26-510(b)(2) as authorizing RGB to take into account tenant affordability, including such factors as employment levels, the unemployment rate, wages, non-payment filings, evictions, SNAP caseloads, homeless levels, and public assistance caseloads.

52. In fact, RSL § 26-510(b)(2) says nothing about tenant affordability, and the natural meaning of the otherwise undefined phrase “current and projected cost of living indices” does not logically encompass eviction rates, public assistance caseloads, and the like.

53. Moreover, if the Legislature intended to authorize RGB to consider tenant affordability by virtue of RSL § 26-510(b)(2), it would have said so. Notably, it did not, despite having amended the RSL many times since 1969, most recently in 2003, 2011 and 2015. *See*, L. 2003, ch 82; L. 2011, ch 97, pt. B; L. 2015, ch 20 pt. A.

54. RGB’s broad interpretation of RSL § 26-510(b)(2) is counter to other provisions of the RSL. RSL § 26-501, which constitutes the Legislature’s findings and declaration of authority, states that rent regulation is needed “to prevent speculative, unwarranted and abnormal increases in rent,” and to “prevent exactions of unjust, unreasonable and oppressive rents and rental agreements.” RGB fulfills that function by authorizing rent increases in accordance with RSL § 26-510(b), such that rents accurately reflect the actual cost of providing housing, plus a non-confiscatory return on investment. These rents are not “unjust, unreasonable and

oppressive”, because RGB rents do not reflect increases that owners could collect as a result of a housing shortage, *i.e.*, rent increases that would be “speculative, unwarranted and abnormal.” RGB’s statutory mandate is to ensure “reasonable” rents even if those rents may not be “affordable” to certain tenants.

55. RSL § 26-510(b)(3) states that RGB “shall consider:”

“such other data as may be made available to it.”

56. Section § 26-510(b)(3) does not give RGB license to consider tenant affordability.

Where a statute enumerates several classes of things, and immediately following and classed with such enumeration the statute embraces “other” things, the word “other” will generally be read as “other such like,” so that things therein comprised may be read as the same kind with, and not a quality superior to or different from, those specifically enumerated. It is simply not the case that the Legislature intended the phrase “such other data” to encompass the wholly separate concept of tenant affordability.

57. Quite simply, the economic factors set forth in RSL § 26-510(b)(1) and (2) all relate to costs -- past, present, and projected -- that owners must pay to supply housing to tenants. Section 26-510(b)(3) -- which allows RGB to consider “such other data as may be made available” -- can only relate to “other such” economic factors relating to owner costs. The tenant affordability factors that RGB admittedly looked at herein -- such as tenant income, eviction proceedings, and the unemployment rate -- are of a different kind and class, such that the phrase “such other” in RSL § 26-510(b)(3) cannot be read to refer to them.

58. At most, RSL § 26-510(b)(3) can be read to allow RGB to consider other relevant economic data relating to the cost of supplying housing.

59. Where an administrative agency violates the governing statute when engaging in quasi-legislative rate-making, its actions will be struck down as arbitrary and capricious. *See*,

Prometheus Realty Corp. v. New York City Water Board, Sup. Ct. N.Y. Co. Index No. 653003/16.

60. Accordingly, pursuant to CPLR 7803(3), judgment should issue declaring Order No. 48 void and unenforceable as contrary to RSL § 26-510(b).

SECOND CAUSE OF ACTION

Request for Declaratory Relief under CPLR Article 30

61. Plaintiffs-petitioners repeat and re-allege the allegations set forth in paragraphs 1 through 60 of this petition as if fully set forth herein.

62. Because RSL § 26-510(b) does not authorize RGB to consider tenant affordability, RGB's interpretation of the statute as allowing RGB to consider tenant affordability data violates the separation of powers doctrine. The legislative branch of government cannot cede its fundamental policy-making responsibility to an administrative agency, or, more properly, an administrative agency cannot usurp the Legislature's fundamental role of making policy. Only the Legislature has the policy-making authority to determine that tenant affordability may factor into the computation of rent increases.

63. There is nothing in RSL § 26-510(b), or in its legislative history, to suggest that the Legislature has made the affirmative (and constitutionally dubious) policy decision that RGB may factor in tenant affordability when calculating reasonable rent increases.

64. Accordingly, plaintiffs-petitioners are entitled to a declaration that Order No. 48 violates the doctrine of separation of powers and is void and unenforceable.

THIRD CAUSE OF ACTION

Request for Declaratory Relief under CPLR Article 30

65. Plaintiffs-petitioners repeat and re-allege the allegations set forth in paragraphs 1 through 64 of this petition as if fully set forth herein.

66. Assuming *arguendo* that RGB's promulgation of Order No. 48 does not violate the separation of powers doctrine, RGB's interpretation of RSL § 26-510(b), as manifested in Order No. 48, results in a regulatory taking.

67. The fact that tenants may be unable to afford even reasonably priced housing, *i.e.*, rents that reflect the cost of providing housing services, plus a constitutionally mandated return on investment, is not a problem that is caused or exploited by owners. The inability of tenants to pay reasonable rents is a problem caused by society at large, and must be borne by the public as a whole, not by a group of owners who are charging reasonable rents.

68. Accordingly, plaintiffs-petitioners are entitled to a declaration that Order No. 48 violates the 5th and 14th Amendments of the U.S. Constitution, and Article I, § 7 of the New York State Constitution, by taking private property for public use without just compensation.

FOURTH CAUSE OF ACTION

Request for Relief under CPLR Articles 78 and 30

69. Because RGB had no statutory, policy-making, or constitutional authority to take tenant affordability into account when promulgating Order No. 48, this Court should direct RGB to promulgate a New Order No. 48 in accordance with applicable law.

PRIOR APPLICATION

70. No prior application has been made for the relief requested herein.

RELIEF REQUESTED

WHEREFORE, plaintiffs-petitioners respectfully request that this Court issue an order, judgment, and declaration:

- a. Annulling Order No. 48 as arbitrary and capricious on the ground that in violation of RSL § 26-510(b), RGB took into account tenant affordability when calculating reasonable rent increases;

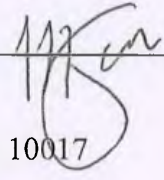
- b. Declaring that Order No. 48 is unconstitutional on the ground that RGB's determination to take into account tenant affordability violates the separation of powers doctrine;
- c. Declaring that Order No. 48 is unconstitutional on the ground that once RGB has established a level of reasonable rents, reducing such rents based on the perceived inability of tenants to pay reasonable rents enacts a taking of property without just compensation;
- d. Directing RGB to promulgate a new Order No. 48 in accordance with applicable law;
- e. Awarding plaintiffs-petitioners costs and disbursements against RGB pursuant to CPLR 8101; and
- f. Granting plaintiffs-petitioners such other and further relief as to this Court seems just and proper.

Dated: New York, New York
July 6, 2016

ROSENBERG & ESTIS, P.C.

By: _____

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New York, New York 10017
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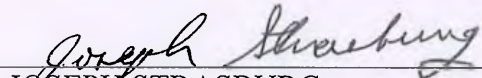
VERIFICATION

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

JOSEPH STRASBURG, being duly sworn, deposes and says:

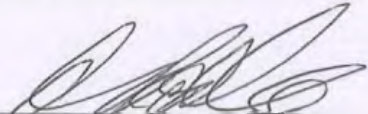
1. I am the President of plaintiff-petitioner Rent Stabilization Association of NYC, Inc. herein.

2. I have read the foregoing petition and know the contents thereof; and the same is true to my own knowledge, except as to those matters therein stated to be alleged upon information and belief, and as to those matters I believe them to be true.



JOSEPH STRASBURG

Sworn to before me this
6th day of July, 2016



NOTARY PUBLIC

MITCHELL L. POSILKIN
Notary Public, State of New York
No. 02P05074814
Qualified in Bronx County
Commission Expires 3/24, 2017

EXHIBIT A

NEW YORK CITY RENT GUIDELINES BOARD

2016 Apartment & Loft Order #48

June 27, 2016

Order Number 48 - Apartments and Lofts, rent levels for leases commencing **October 1, 2016** through **September 30, 2017**.

NOTICE IS HEREBY GIVEN PURSUANT TO THE AUTHORITY VESTED IN THE NEW YORK CITY RENT GUIDELINES BOARD BY THE RENT STABILIZATION LAW OF 1969, as amended, and the Emergency Tenant Protection Act of 1974, as amended, and as implemented by Resolution No 276 of 1974 of the New York City Council, and in accordance with the requirements of Section 1043 of the New York City Charter, that the Rent Guidelines Board (RGB) hereby **adopts** the following levels of fair rent increases over lawful rents charged and paid on **September 30, 2016**. These rent adjustments will apply to rent stabilized apartments with leases commencing on or after **October 1, 2016** and through **September 30, 2017**. Rent guidelines for loft units subject to Section 286 subdivision 7 of the Multiple Dwelling Law are also included in this order.

ADJUSTMENT FOR RENEWAL LEASES (APARTMENTS)

Together with such further adjustments as may be authorized by law, the annual adjustment for renewal leases for apartments shall be:

For a **one**-year renewal lease commencing on or after **October 1, 2016** and on or before **September 30, 2017**: **0%**

For a **two**-year renewal lease commencing on or after **October 1, 2016** and on or before **September 30, 2017**: **2%**

These adjustments shall also apply to dwelling units in a structure subject to the partial tax exemption program under Section 421a of the Real Property Tax Law, or in a structure subject to Section 423 of the Real Property Tax Law as a Redevelopment Project.

VACANCY ALLOWANCE FOR APARTMENTS

No vacancy allowance is permitted except as provided by the Rent Regulation Reform Act of 1997 and the Rent Act of 2015.

ADDITIONAL ADJUSTMENT FOR RENT STABILIZED APARTMENTS SUBLET UNDER SECTION 2525.6 OF THE RENT STABILIZATION CODE

In the event of a sublease governed by subdivision (e) of section 2525.6 of the Rent Stabilization Code, the allowance authorized by such subdivision shall be **10%**.

ADJUSTMENTS FOR LOFTS (UNITS IN THE CATEGORY OF BUILDINGS COVERED BY ARTICLE 7-C OF THE MULTIPLE DWELLING LAW)

The Rent Guidelines Board **adopts** the following levels of rent increase above the "base rent," as defined in Section 286, subdivision 4, of the Multiple Dwelling Law, for units to which these guidelines are applicable in accordance with Article 7-C of the Multiple Dwelling Law:

For **one-year** increase periods commencing on or after **October 1, 2016** and on or before **September 30, 2017**: **0%**

For **two-year** increase periods commencing on or after **October 1, 2016** and on or before **September 30, 2017**: **2%**

VACANT LOFT UNITS

No Vacancy Allowance is permitted under this Order. Therefore, except as otherwise provided in Section 286, subdivision 6, of the Multiple Dwelling Law, the rent charged to any tenant for a vacancy tenancy commencing on or after **October 1, 2016** and on or before **September 30, 2017** may not exceed the "base rent" referenced above plus the level of adjustment permitted above for increase periods.

FRACTIONAL TERMS

For the purposes of these guidelines any lease or tenancy for a period up to and including one year shall be deemed a one-year lease or tenancy, and any lease or tenancy for a period of over one year and up to and including two years shall be deemed a two-year lease or tenancy.

ESCALATOR CLAUSES

Where a lease for a dwelling unit in effect on May 31, 1968 or where a lease in effect on June 30, 1974 for a dwelling unit which became subject to the Rent Stabilization Law of 1969, by virtue of the Emergency Tenant Protection Act of 1974 and Resolution Number 276 of the New York City Council, contained an escalator clause for the increased costs of operation and such clause is still in effect, the lawful rent on **September 30, 2016** over which the fair rent under this Order is computed shall include the increased rental, if any, due under such clause except those charges which accrued within one year of the commencement of the renewal lease. Moreover, where a lease contained an escalator clause that the owner may validly renew under the Code, unless the owner elects or has elected in writing to delete such clause, effective no later than **October 1, 2016** from the existing lease and all subsequent leases for such dwelling unit, the increased rental, if any, due under such escalator clause shall be offset against the amount of increase authorized under this Order.

SPECIAL ADJUSTMENTS UNDER PRIOR ORDERS

All rent adjustments lawfully implemented and maintained under previous apartment orders and included in the base rent in effect on **September 30, 2016** shall continue to be included in the base rent for the purpose of computing subsequent rents adjusted pursuant to this Order.

SPECIAL GUIDELINE

Under Section 26-513(b)(1) of the New York City Administrative Code, and Section 9(e) of the Emergency Tenant Protection Act of 1974, the Rent Guidelines Board is obligated to promulgate special guidelines to aid the State Division of Housing and Community Renewal in its determination of initial legal regulated rents for housing accommodations previously subject to the City Rent and Rehabilitation Law which are the subject of a tenant application for adjustment. The Rent Guidelines Board hereby **adopts** the following Special Guidelines:

For dwelling units subject to the Rent and Rehabilitation Law on **September 30, 2016**, which become vacant after **September 30, 2016**, the special guideline shall be **33%** above the maximum base rent.

DECONTROLLED UNITS

The permissible increase for decontrolled units as referenced in Order 3a, which become decontrolled after **September 30, 2016**, shall be **33%** above the maximum base rent.

CREDITS

Rentals charged and paid in excess of the levels of rent increase established by this Order shall be fully credited against the next month's rent.

STATEMENT OF BASIS AND PURPOSE

The Rent Guidelines Board is authorized to promulgate rent guidelines governing apartment units subject to the Rent Stabilization Law of 1969, as amended, and the Emergency Tenant Protection Act of 1974, as amended. The purpose of these guidelines is to implement the public policy set forth in Findings and Declaration of Emergency of the Rent Stabilization Law of 1969 (§26-501 of the N.Y.C. Administrative Code) and in the Legislative Finding contained in the Emergency Tenant Protection Act of 1974 (L.1974 c. 576, §4 [§2]).

The Rent Guidelines Board is also authorized to promulgate rent guidelines for loft units subject to Section 286 subdivision 7 of the Multiple Dwelling Law. The purpose of the loft guidelines is to implement the public policy set forth in the Legislative Findings of Article 7-C of the Multiple Dwelling Law (Section 280).

Dated: June 27, 2016

Hon. Kathleen A. Roberts (Ret.), Chair
New York City Rent Guidelines Board

EXHIBIT B

EXPLANATORY STATEMENT - APARTMENT ORDER #48

Explanatory Statement and Findings of the Rent Guidelines Board In Relation to 2016-17 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law¹

Summary of Order No. 48

The Rent Guidelines Board (RGB) by Order No. 48 has set the following maximum rent increases for leases subject to renewal on or after October 1, 2016 and on or before September 30, 2017 for apartments under its jurisdiction:

For a one-year renewal lease commencing on or after October 1, 2016 and on or before September 30, 2017: 0%

For a two-year renewal lease commencing on or after October 1, 2016 and on or before September 30, 2017: 2%

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, 2016 and on or before September 30, 2017 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, 2016 and on or before September 30, 2017. No vacancy allowance is included for lofts.

<u>1 Year</u>	<u>2 Years</u>
0%	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. 48.

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, 2016 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 New York 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 33% above the maximum base rent.

All rent adjustments lawfully implemented and maintained under previous apartment Orders and included in the base rent in effect on September 30, 2016 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. 48

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. 48 was issued by the Board following **six** public meetings, **five** 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 **89** 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 21, 2016** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on April 7, April 14, April 21, and May 26, 2016. On **May 3, 2016**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held on **June 9, June 13, June 16, June 20, and June 21, 2016** 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 9 from **6:30 p.m. to 8:55 p.m.**, June 13 from **5:15 p.m. to 9:20 p.m.**, June 16 from **5:20 p.m. to 9:30 p.m.**, June 20 from **2:15 p.m. to 8:00 p.m.**, and June 21 from **5:15 p.m. to 8:45 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 235** apartment tenants and tenant representatives, **37** apartment owners and owner representatives, and **15** public officials. In addition, **7** speakers read into the record written testimony from various public officials. On **June 27, 2016** the guidelines set forth in Order No. 48 were adopted.

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

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

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

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

<u>Meeting Date / Name</u>	<u>Affiliation</u>
April 7, 2016:	<u>Staff presentations</u> <i>2016 Income and Expense Study</i> <i>2016 Income and Affordability Study</i>
April 14, 2016:	<u>Staff presentations</u> <i>2016 Price Index of Operating Costs</i> <i>2016 Mortgage Survey Report</i>
April 21, 2016:	<u>Apartment Owners group testimony:</u>
1. Patrick Siconolfi	Community Housing Improvement Program (CHIP)
2. Jimmy Silber	Small Property Owners of New York (SPONY)
3. Chris Athineos	Small Property Owners of New York (SPONY)
4. Alan Epstein	Epstein Engineering
5. Mark Balsam	Redocs
6. Josh Sarett	ALC Environmental
7. Mike Slattery	Real Estate Board of New York (REBNY)
8. Mary Ann Rothman	New York Council of Cooperatives and Condominiums
9. Jack Freund	Rent Stabilization Association (RSA)

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|--------------------|---|
| | <u>Apartment Tenants group testimony:</u> |
| 1. Barika Williams | Association for Neighborhood and Housing Development (ANHD) |
| 2. Tom Waters | Community Service Society (CSS) |
| 3. Jenny Laurie | Housing Court Answers |
| 4. Tim Collins | Collins, Dobkins and Miller LLP |

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|----------------------|---|
| | <u>Hotel Tenants group testimony:</u> |
| 1. Brian J. Sullivan | SRO Law Project at MFY Legal Services, Inc. |
| 2. Dan Evans | Goddard Riverside Law Project |
| 3. Larry Wood | Goddard Riverside Law Project |

May 26, 2016: Staff presentations
2016 Housing Supply Report
Changes to the Rent Stabilized Housing Stock in New York City in 2015

- | | |
|---------------------|---|
| | <u>NYC Department of Housing Preservation and Development (HPD)</u> |
| 1. Leila Borzog | Chief of Staff |
| 2. Elyzabeth Gaumer | Assistant Commissioner, Research and Evaluation |

- | | |
|---------------------|---------------------------------|
| | <u>NYC Furman Center</u> |
| 1. Stephanie Rosoff | Data Manager & Research Analyst |

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups²

Comments from tenants and tenant groups included:

“Rent-regulated tenants are concentrated in the lower 80 percent of the income distribution, and regulated apartments are still the largest source of housing for New York’s more than one million low-income households with incomes below twice the federal poverty threshold...Tenants remain in a dire situation, while this year’s Price Index of Operating Costs forecasts a decrease in operating costs, indicating that landlords are likely to see an increase in net operating income this year even without rent increases on lease renewals. This makes it easy to justify a rent freeze or rollback, even considering the good that the most recent guidelines have already done.”

“When we look at the landlords’ numbers, they are enjoying record profits at the obscene level of almost 40% of every rent dollar. Open the *2016 Income & Expense Study* to the first page and there’s a box at the top labeled “What’s New.” The answer: Net Operating Income is up for the tenth straight year. That’s only “new” because last year it had only gone up for the ninth straight year. Yet they plead poverty and demand even greater profits.”

“Yet another client who lives right here in Jamaica, who is originally from Bangladesh. He has seen his rent increase due to the preferential rent he was given and that lasted only the first year. When he received his next renewal lease his rent jumped an additional \$400. This gentleman is the only breadwinner with two children under 10 years of age, and he does not know where to turn or where to go. His new rent is absolutely unaffordable...According to a report by the Pratt Center for Community Development, immigrants have the highest rent burden in NYC, often paying more than a third of their income towards rent.”

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

“Rent regulated tenants not only need but deserve a rent roll back. Over the past several decades we have seen the loss of several hundred thousand units of rent regulated housing, quite often due to legally questionable actions by building owners. Such actions ranged from phony construction projects, harassment from management workers, overcharges, the refusal to register apartments and vacancy deregulation. The few stabilized units that remain are increasingly out of reach for most working people. In 2009 my wife and I were forced to leave our UWS rental after the building began operating as an illegal hotel. We found a stabilized apartment in Washington Heights with a preferential rent higher than what we were being charged. When the RGB voted for a 0% increase last year, our rent still went up \$60.”

“Rent regulation law favors landlords: MCI’s in perpetuity, IAI improvements, vacancy bonuses, preferential rents that can jump to the legal rent at the next renewal rather than staying preferential throughout a tenant’s occupancy as used to be, high-rent decontrol...Last year, some balance was finally restored with a rent freeze. Landlord’s operating costs have gone down this past year. Another opportunity to strike a balance is before you. Rent-burdened tenants need relief. A rent rollback is called for.”

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups³

Comments from owners and owner groups included:

“I want to emphasize that small buildings are not captured in your expense study. Logically, small buildings cost more to maintain. We don't have large scale buying power...I hope this Board considers the effect and the message it sends to small owners with low or no increases. It tells us we don't appreciate what you do. It tells us we don't care about the old pipes you change or the flying tiles from your roofs. Too bad. Just deal with it. I am here to tell you small owners are fed up and you risk losing the very dedicated, caring people possible the only ones who actually care about the housing stock and the tenants- our customers who live in those buildings.”

“It is a mystery why this Administration thinks that it can get affordable housing for free simply by enacting zero guidelines for stabilized apartments. We ask the RGB not to be gulled into complicity in a politically motivated scheme to get something for nothing-a scheme that tramples the right of property owners to conduct their business in a reasonable manner and which threatens the very constituency it seeks to assist. In light of the considerations above, we ask the RGB to enact rent guidelines this year that are in line with the long term average increase in operating costs of 4.5% and the core PIOC of 4.2%: 4% for a one-year lease and 7% for a two-year lease.”

“We are a small company that owns one 48-unit multifamily property. We are no longer able to provide the required services without any rent increase. All costs related to managing our building in New York City have risen. How will we meet these rising costs without an annual rent increase? Our only option is to decrease services or go out of business after 25 years.”

“The Price Index does not reflect actual changes in my operating expenses. While the cost of gas heat was about the same this winter as last, the boiler maintenance contract increased 6%; utilities, 5%; water and sewer fees, 2%; the super’s fee, 12%. I spent more than \$10,000 to replace the building’s extension’s roof and gutter and for repointing walls with leaks...I beg you to understand that historically low rent increases have way under-

³ Sources: Submissions by owner groups and testimony by owners

compensated owners like me with few apartments and a large share of regulated units. I ask that you consider a 4% increase for a 1-year lease and 7% for a 2-year lease.”

“As this board’s deliberations reveal, there is an overriding concern for the lack of affordable housing options for low- to moderate-income households (as defined by the mayor’s housing plan). CHIP shares this concern. However, we believe that rent stabilization was not intended to be an affordable housing program whereby the board discounts rent increases necessary to cover objectively determined cost increases because of concerns about tenant affordability and the rent burden.”

Selected Excerpts from Oral and Written Testimony from Public Officials⁴

Comments from public officials included:

“As the Majority Leader of the City Council, I am calling for a rent roll-back for tenants. NYC is facing an affordability crisis. We have a responsibility to ensure that families can afford to live in the city. For many years prior to 2014, tenants faced high yearly increases. At the same time, landlords in Queens received an average of \$430 per month after expenses for every rent stabilized apartment they own. It’s time to pass those savings back to renters. Tenants are getting squeezed. Almost half of all 221,000 evictions in 2015 came from rent stabilized apartments. We have a moral imperative to step up. We can’t leave hundreds of thousands of families on the edge of homelessness. If the RGB rolls back rents, we can keep families safe in their homes.”

“This is the year for a rent rollback, because landlord costs have gone down, even by the PIOC’s slanted measurement, which came out at negative 1.2%, while net operating income rose by 4.9%, the 10th straight annual increase. It is time to consider the needs of our tenants, and now is when landlords can afford to correct for years of high rent increases and subsequent burden on tenants.”

“I am here today to call for a rent freeze...The difficulties my constituents face paying rent takes on added significance when we consider that they cannot simply relocate to other NYC neighborhoods. Affordability is an issue across this city. The reality is that it does not have to be this way. The rent burden does not have to be so large a portion of incomes in order for landlords to realize reasonable profits.”

“There is no question that thousands of tenants continue to struggle to make ends meet. What is questionable is if landlords are suffering. The facts show that this year has been the best time in the last decade to be a landlord in NYC...In fact, every statistic, from rising net operating income to the number of preferential leases, points to a record-breaking year of performance for landlords. With landlords enjoying the benefits of a robust real estate market along with declining operational costs, I believe it is time for a rent rollback to ease the burden on tenants.”

“The RGB has historically looked to its PIOC, which gauges changes in the operating and maintenance costs of stabilized buildings for landlords, to determine an appropriate rent increase. The RGB found that the Index for all rent stabilized apartments decreased by 1.2%—meaning that the cost to operate rent stabilized buildings went down—while landlords’ incomes went up. According to the Board’s *Income & Expense Study*, rental income increased by 4.8% and landlords’ net operating incomes increased by 3.5%. This figure marks the tenth consecutive year that landlords’ net operating income has increased,

⁴ Sources: Submissions by public officials.

and makes it decisively clear that landlords continue to enjoy significant margins of profitability and that they can afford—and will still profit—in the context of a rent rollback, just as they did during last year's rent freeze."

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. *2016 Income and Expense Study*, April 2016, (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. *2016 Mortgage Survey Report*, April 2016, (An evaluation of recent underwriting practices, financial availability and terms, and lending criteria);
3. *2016 Income and Affordability Study*, April 2016, (Includes employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2016 Price Index of Operating Costs*, April 2016, (Measures the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized buildings);
5. *2016 Housing Supply Report*, May 2016, (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 2015*, May 2016, (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, One Centre St., Suite 2210, New York, NY 10007 upon request.

2016 Price Index of Operating Costs For Rent Stabilized Apartment Houses in New York City

The 2016 Price Index of Operating Costs for rent stabilized apartment houses in New York City found a 1.2% decrease in costs for the period between March 2015 and March 2016.

This year, the PIOC for all rent stabilized apartment buildings decreased by 1.2%. Increases occurred in all PIOC components except Fuel and Utilities, which declined by 41.2% and 0.3%, respectively. The largest increase in any component was seen in Insurance Costs (8.2%), followed by Taxes (7.5%). More moderate increases occurred in Labor Costs (3.2%), Maintenance (2.8%), and Administrative Costs (2.7%). The growth in the Consumer Price

Index (CPI) during this same time period was higher than the PIOC, rising 0.3%.⁵ See Table 1 for changes in costs and prices for all rent stabilized apartment buildings from 2015-16.

The “core” PIOC, which excludes 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 4.2% this year and was higher than the overall PIOC due to the exclusion of the costs in the Fuel component, which declined 41.2%.

Table 1

2015-16 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City ⁶			
Item	Expenditure Weights	2015-16 Percentage Δ	2015-16 Weighted Percentage Δ
Taxes	26.65%	7.49%	2.00%
Labor Costs	16.21%	3.18%	0.52%
Fuel Oil	11.98%	-41.15%	-4.93%
Utilities	10.87%	-0.30%	-0.03%
Maintenance	16.67%	2.78%	0.46%
Administrative Costs	12.72%	2.66%	0.34%
Insurance Costs	4.89%	8.22%	0.40%
All Items	100%	-	-1.25%

Source: 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

Note: The Δ symbol means change.

On April 21, 2016 the staff of the Rent Guidelines Board released a memo to Board members with information relating to the *Price Index of Operating Costs (PIOC)* and the *Income & Expense Fuel Component*. The entire memo follows:

⁵ The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2014 to February 2015 (260.1) compared to the average for the year from March 2015 to February 2016 (260.9) rose by 0.3%. 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.

The Fuel component comprises 12% of the Price Index of Operating Costs (PIOC), but is historically one of the most volatile components in the survey, experiencing both large increases and decreases from year to year. Historically, various heating items in the PIOC were contained in two separate components of the PIOC, Fuel Oil and Utilities. The Fuel Oil component contained only the cost of #2, #4, and #6 fuel oil, while the Utilities component included steam and natural gas costs (used for heating) as well as other gas, electricity, water/sewer, and telephone costs (used for reasons other than heating). In 2015, a decision was made by staff to switch weighting in the PIOC to weights found in the annual Income & Expense Studies (I&E), which rely on owner-reported expenses from Real Property Income and Expense (RPIE) statements. To correspond with the weights of the I&E, the PIOC now calculates a Fuel Component that includes not just the cost of fuel oil, but also gas and steam costs that are used for heating. This change allows us to more easily compare the cost changes found in the I&E with those found in the PIOC.

One challenge of comparing I&E and PIOC expenses is that generally speaking, the PIOC captures price changes, and the I&E captures cost changes (which take into account financial decisions by owners to reduce consumption or to switch to more economical alternatives, when possible). The PIOC and I&E also rely on different time periods, with the I&E based on a calendar year, and the PIOC based on an April-March year.

The one component of the PIOC that has traditionally been based on an estimate of consumption is Fuel. By gathering Heating Degree Days staff is able to estimate the effect of weather on consumption. Therefore, changes in the Fuel component are based not just on price changes, but also on weather relative to the prior year.

While the PIOC does attempt to compensate for consumption patterns by relying on weather data, there is no way to estimate how owners act in the real world. If owners do not use more heat when it's colder, or less heat when it's warmer, the PIOC will not capture this. In addition, while certain fuel items (like natural gas and steam) are purchased and used in the same month, fuel oil may be purchased months ahead of use, or owners may be locked into contracts that set the price either higher or lower than prevailing market rates. Fuel and utility bills may also be paid in a different calendar year than when they are consumed. And because different fuel items are priced differently, if the weight is not correctly distributed within the PIOC component, this can lead to errors in the overall price change.

To compare the cost of fuel between the I&E and the PIOC, staff calculated price and weather changes on a calendar year, as opposed to the traditional PIOC "year." Note that both the figures from the PIOC and the I&E compare the same items – fuel oil, natural gas, and steam used for heating (as per the PIOC methodology from 2015 forward), and PIOC prices are from the same time period as the I&E. However, the weights used within the component comprise three-quarters of one PIOC "year" and one-quarter of another, which is the only method available to align the weights due to the different time periods of the PIOC and the I&E.

As the table shows, in some years the PIOC overestimated cost changes as compared to the I&E, and in some years underestimated them. The estimated cost changes in both 2000 and 2011 were more than 20 percentage points higher in the PIOC than in the I&E. But in some years the PIOC was lower than reported I&E cost changes, such as 2001 when the PIOC was almost 14 percentage points lower than the I&E, and 2010, when it was eight percentage points lower. Over the 15-year period studied here (2000-2014), the cumulative change in the Fuel component of the PIOC was 292.7% and was 228.6% in the I&E. In the years in the which the PIOC showed increases in the cost of fuel (a total of nine years, ranging from cost increases of 0.8% through 70.5%), the PIOC showed a annualized average increase of 25.6% a year, and the I&E showed a an increase of 19.0% a year, a difference of 6.6 percentage points. In the years when the PIOC showed a decrease in fuel costs (a total of six years, ranging from cost decreases of -16.4% to -3.7%), the PIOC showed an annualized average decrease of 10.8% a year, and the I&E showed a decrease of 6.1% a year, a difference of 4.7 percentage points. Therefore, generally speaking, when comparing the PIOC to owner-reported data in the I&E, the PIOC both overestimates cost increases, as well as cost decreases. When looking at data from the years 2012-2014 (when a survey conducted by the Rent Guidelines Board showed a shift away from oil and towards natural gas), the cumulative increase in the PIOC was 3.1% and the cumulative increase in the I&E was 1.8%.

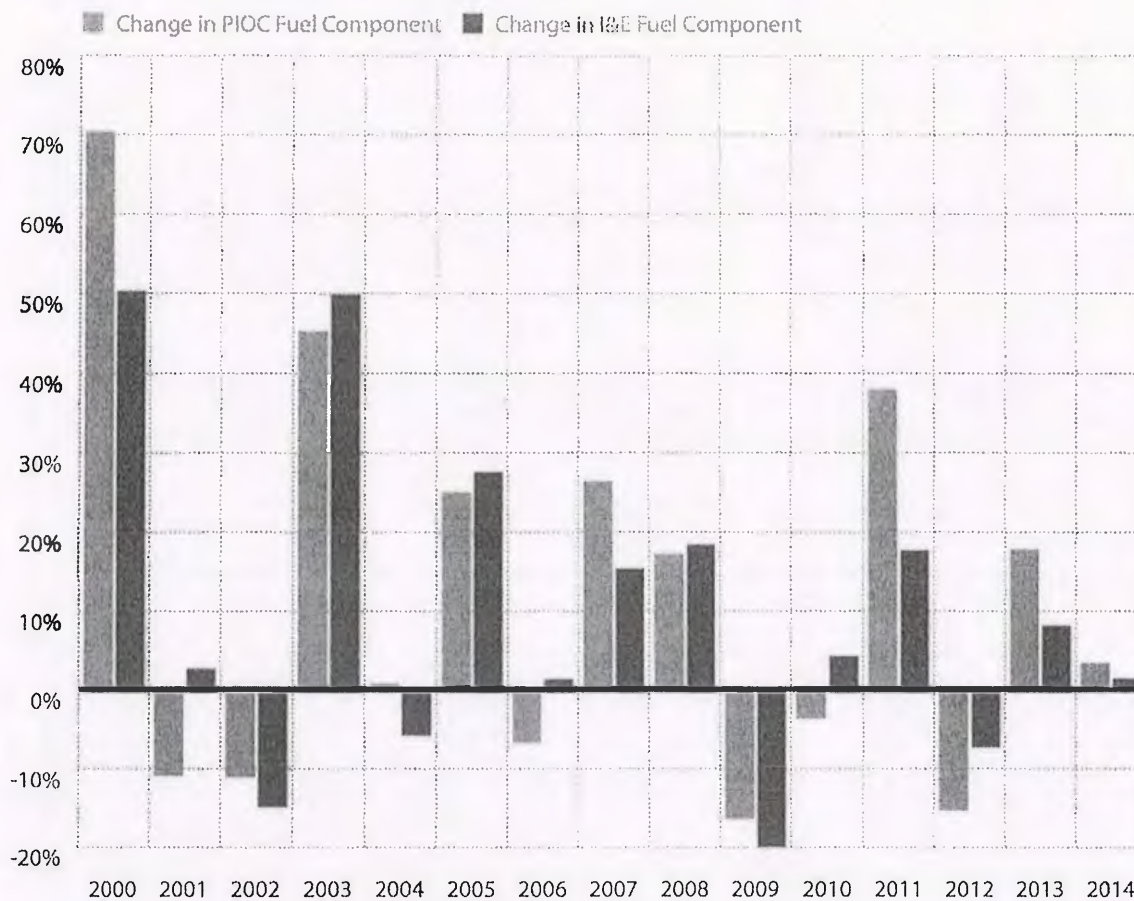
A table of the annual change in the Fuel component from each of the indices follows below, and a graph of this data is on the following page.

Table 1: Annual Change in Fuel Component

Year	PIOC Fuel Component	I&E Fuel Component	Difference
2000	70.5%	50.4%	20.1%
2001	-10.9%	2.7%	-13.6%
2002	-11.1%	-14.9%	3.8%
2003	45.3%	50.0%	-4.7%
2004	0.8%	-5.8%	6.6%
2005	25.1%	27.7%	-2.6%
2006	-6.7%	1.4%	-8.1%
2007	26.5%	15.4%	11.1%
2008	17.2%	18.4%	-1.2%
2009	-16.4%	-20.0%	3.6%
2010	-3.7%	4.3%	-8.0%
2011	38.1%	17.7%	20.4%
2012	-15.3%	-7.3%	-8.0%
2013	17.8%	8.2%	9.7%
2014	3.4%	1.5%	1.8%
Cumulative Change 2000-2014	292.7%	228.6%	64.1%

Source: 1999-2015 Price Index of Operating Costs and 2002-2016 Income & Expense Studies

Graph 1: Annual Change in Fuel Component



Source: 1999-2015 Price Index of Operating Costs and 2002-2016 Income & Expense Studies

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study includes over 15,500 properties containing about 698,800 units. This is the 24th 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 2015 Real Property Income and Expense (RPIE) statements for the year 2014:

Table 2

2016 Income and Expense Study Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '47	Post '46	All Stabilized
Total	\$907	\$1,047	\$946

Source: 2016 Income and Expense Study, from 2015 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 \$869, rather than \$946. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2014 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	\$869	\$1,265	0.687	\$1,434	0.606

Source: 2016 Income and Expense Study, from 2015 Real Property Income and Expense filings for 2014, NYC Department of Finance.

Forecasts of Operating and Maintenance Price Increases for 2016-17

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 2016-17 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 2015-16 and Projected 2016-17		
	Price Index 2015-16	Projected Price Index 2016-17
Taxes	7.5%	6.1%
Labor Costs	3.2%	2.5%
Fuel Oil	-41.2%	16.2%
Utilities	-0.3%	2.1%
Maintenance	2.8%	2.3%
Administrative Costs	2.7%	4.9%
Insurance Costs	8.2%	5.0%
Total (Weighted)	-1.2%	5.5%

Source: 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City, which includes the 2017 PIOC Projection.

Overall, the PIOC is expected to grow by 5.5% from 2016 to 2017. Costs are predicted to rise in each component, with the largest growth, of 16.2%, projected to be in Fuel Costs. Taxes, which is the component that carries the most weight in the Index, is projected to increase 6.1%. Other projected increases include Insurance (5.0%), Labor Costs (2.5%),

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 0.659.

Maintenance (2.3%), Administrative Costs (4.9%) and Utilities (2.1%). The table on the previous page shows predicted changes in PIOC components for 2017. The core PIOC is projected to rise 4.0%, 1.5 percentage points lower than the overall projected Apartment PIOC.

On June 8, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2017 PIOC Projection. The memo is as follows:

Section 26-510 of the Rent Stabilization Law requires the Board to consider prevailing and projected operating and maintenance costs for buildings containing rent stabilized apartments. Projections for components of the Price Index of Operating Costs (PIOC) are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to change in the year following the current Price Index. One of these projected components is real estate taxes. Since the PIOC is released in the spring, usually in April, staff uses data from the NYC Department of Finance’s tentative assessment roll to calculate this projection. At the April 14, 2016 presentation of the 2016 PIOC, members of the Board requested that the Tax component of the 2017 PIOC projection be recalculated using the 2016/17 final assessment roll. The final assessment roll was released on May 26.

The increase in Taxes in the projected 2017 PIOC was originally 6.1%. Using the final assessment roll, the change is now calculated as 7.7%. With the revision of the tax component, the overall PIOC is now projected to rise 5.9%, 0.4 percentage points higher than the initial calculated projection of 5.5%. In addition, the projected Core PIOC for 2017 also increased from what was originally reported, rising from 4.0% to 4.5%. Please note that all other projected changes in cost for the remaining six components are the same as reported in the original report. See table below for the projected change in 2017 PIOC and each individual component.

2017 PIOC Projection Using the 2016/17 Final Real Estate Tax Assessment Roll	
Taxes	7.7%
Labor Costs	2.5%
Fuel	16.2%
Utilities	2.1%
Maintenance	2.3%
Administrative Costs	4.9%
Insurance Costs	5.0%
All Projected Costs	5.9%

The PIOC report includes commensurate rent adjustments to help determine annual rent guidelines for rent stabilized apartments. This “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 PIOC includes several variations of this rent commensurate, but only the “traditional” commensurate formula used the PIOC projection to calculate one- and two-

year lease renewal adjustments. Using the initial PIOC projection of 5.5%, this calculation resulted in a one-year renewal of -0.8% and a two-year renewal adjustment of 1%. Using the updated 5.9% PIOC projection, the two-year adjustment increased to 1.1%. The one-year lease renewal for the “traditional” commensurate is not impacted because the PIOC projection is not used to calculate the one-year adjustment. It remains at -0.8%.

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 1.2% decrease in the PIOC is -1.9% for a one-year lease and 0% 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 -4.0% for one-year leases and -2.0% 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 0.3% increase in the Consumer Price Index and the 1.2% decrease in the PIOC is -1.7% for a one-year lease and 0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are -3.75% for one-year leases and -2.0% 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 -0.8% for a one-year lease and 1.0% for a two-year lease. This reflects the decrease in operating costs of 1.2% found in the 2016 PIOC and the projection of a 5.5% increase next year.⁹

⁸ The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 66.0% of the 2016 PIOC decrease of -1.2%, or -0.8%. The 66.0% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.0% times the latest 12-month increase in the CPI ending February 2015 (0.3%), or 0.1%; (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 2014 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 10.0% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2015 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

⁹ The “traditional” commensurate adjustment for two-year lease renewals has been revised since the initial release of this report on April 14, 2016. In the initial report, the 2017 PIOC projection of 4.5%, which was used in calculating the

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 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 (-1.2%). 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 (5.5%). 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 *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.

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 *2016 Mortgage Survey Report* of lending institutions.

“traditional” commensurate, was calculated incorrectly. The corrected projection is 5.5% and it is used to calculate the “traditional” commensurate in this report. This has resulted in raising the “traditional” commensurate two-year lease renewal from 0.7% to 1.0%. The one-year lease renewal for the “traditional” commensurate was not impacted by this revision because the PIOC projection is not used to calculate the one-year adjustment. It remains at -0.8%. The collectability of legally authorized adjustments is assumed.

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 gives the reported rate and points for the past nine years as reported by the mortgage survey.

Table 4

2016 Mortgage Survey ¹¹									
Average Interest Rates and Points for New and Refinanced Permanent Mortgage Loans 2008-2016									
New Financing of Permanent Mortgage Loans, Interest Rate and Points									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Avg. Rates	5.9%	6.5%	6.3%	5.8%	4.6%	4.4%	4.9%	4.3%	4.0%
Avg. Points	0.47	0.62	0.79	0.61	0.63	0.59	0.54	0.70	0.42
Refinancing of Permanent Mortgage Loans, Interest Rate and Points									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Avg. Rates	5.8%	6.5%	6.3%	5.7%	4.7%	4.4%	4.9%	-	-
Avg. Points	0.44	0.62	0.83	0.61	0.63	0.40	0.50	-	-

Source: 2008–2016 Annual *Mortgage Survey Reports*, RGB.

Note: As of the 2015 *Mortgage Survey Report*, respondents are no longer surveyed on refinancing rates and points.

On April 20, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2016 Mortgage Survey Report. The memo follows:

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.

At the April 14, 2016 meeting of the RGB, board members asked for additional data from the *2016 Mortgage Survey Report*.

Per the request, the following is a calculation of:

1. the average sales price per unit of rent stabilized buildings; and
2. the median sales price, based on the average price per unit per building.

Each is analyzed both citywide and by borough, for 2014 and 2015, showing the change between the two years:

Average Sales Price - Per Total Units			
	Calendar Year		Change from 2014 to 2015
	2014	2015	
Citywide	\$305,100	\$351,161	15%
Manhattan	\$442,488	\$485,663	10%
Brooklyn	\$217,822	\$271,313	25%
Bronx	\$118,186	\$148,954	26%
Queens	\$226,207	\$250,039	11%
Median Sales Price - Average Units Per Building			
	Calendar Year		Change from 2014 to 2015
	2014	2015	
Citywide	\$175,000	\$222,333	27%
Manhattan	\$357,143	\$433,333	21%
Brooklyn	\$179,474	\$220,000	23%
Bronx	\$109,688	\$126,781	16%
Queens	\$172,734	\$216,667	25%

Source: NYC Dept. of Finance

Note: Staten Island buildings are excluded due to the small number of buildings sold.

Condition of the Rent Stabilized Housing Stock

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

Table 5

Number of Cooperative / Condominium Plans ¹² Accepted for Filing, 2007-2015									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Construction	573	454	335	235	185	121	151	210	342
Conversion Non-Eviction	66	50	29	20	20	25	18	20	37
Conversion Eviction	16	18	13	4	9	3	0	0	1
Rehabilitation	8	4	1	0	2	11	21	37	59
Total	663	526	378	259	216	160	190	267	439
Subtotal:									
HPD Sponsored Plans	16	18	13	4	9	3	0	0	2

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

On June 3, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2016 Housing Supply Report*. The memo follows:

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.

At the May 26, 2016 *Income & Affordability Study (I&A)* presentation, one question was asked for which an immediate answer could not be provided. This answer follows.

Question 1: Can you provide the number of tax lien sales historically?

Data below is based on reports of tax lien sales from the NYC Department of Finance for calendar years 2013-2015. Data is for multifamily buildings (3-family or higher, based on the provided building class), as well as for a smaller subset of buildings that could be identified as rent stabilized based on information provided by the NYS Division of Housing and Community Renewal. Data is also provided for the number of liens that solely involve a water and sewer debt.

Table 1: Total Number of Liens for Multi-Family Housing (3-Family or Greater)

Year	2013		2014		2015	
	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only
Bronx	271	142	318	102	211	82
Brooklyn	792	325	838	235	632	156
Manhattan	250	58	191	15	152	18
Queens	280	115	275	108	234	89
Staten Island	110	14	130	13	157	10
Citywide	1,703	654	1,752	473	1,386	355

Table 2: Total Number of Liens for Rent Stabilized Housing

Year	2013		2014		2015	
	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only	Number of Liens	# of Liens with Water Debt Only
Bronx	29	9	19	3	6	2
Brooklyn	65	24	58	9	40	13
Manhattan	32	12	17	4	18	3
Queens	13	5	13	3	9	1
Staten Island	2	2	3	0	2	1
Citywide	141	52	110	19	75	20

Table 3: Total Number of Units* in Rent Stabilized Housing with Liens

Year	2013		2014		2015	
	Number of Units*	# of Units* with Water Debt Liens Only	Number of Units*	# of Units* with Water Debt Liens Only	Number of Units*	# of Units* with Water Debt Liens Only
Bronx	573	166	406	49	44	12
Brooklyn	665	178	637	74	441	139
Manhattan	712	278	346	50	375	75
Queens	272	90	142	64	64	16
Staten Island	46	46	54	0	32	24
Citywide	2,268	758	1,585	237	956	266

*Units provided are the total number of units in the building, regardless of rent stabilization status.

While not specifically asked for, a related statistic is the number of properties with a property tax delinquency. The NYC Department of Finance issues an annual report that provides the number of Class Two properties (walkup, elevator, and residential mixed use) that have outstanding property tax bills as of June 30th of each year. Data for Fiscal Years 1999 through 2014 follow in the table on the next page, as well as in graph form on the following page. Note that there is no way to isolate rent stabilized housing from this data.

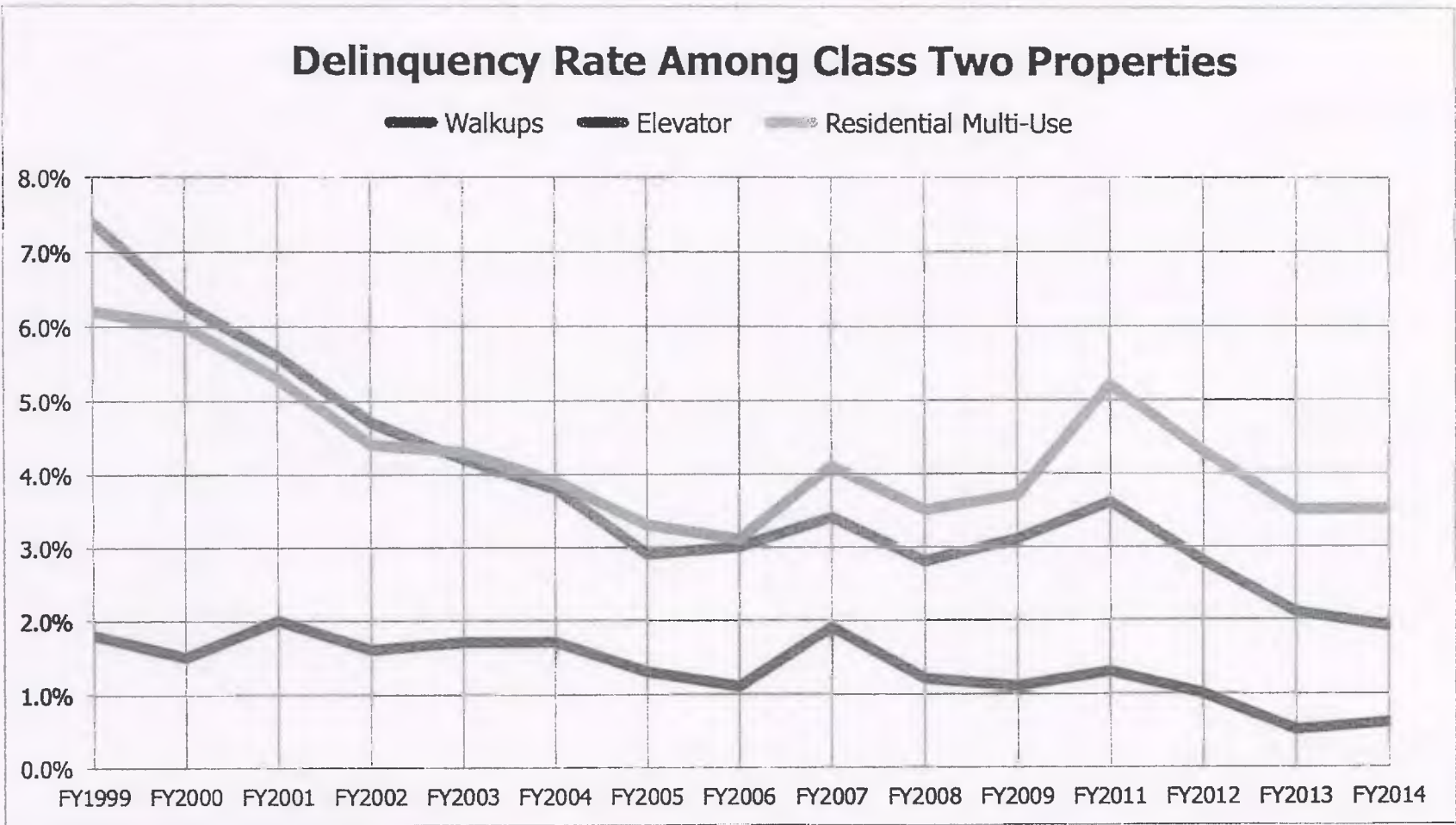
Table 4: Class Two Property Tax Delinquencies (FY 1999-FY 2014)

Fiscal Year	Class Two Properties (Total)		Class Two Properties								
	Number of Parcels	Delinquency Amount (\$ millions*)	Walkups			Elevator			Residential Multi-Use		
			Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate	Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate	Number of Parcels	Delinquency Amount (\$ millions*)	Delinquency Rate
FY1999	23,704	77.8	11,441	43.2	7.4%	433	15.5	1.8%	2,416	5.6	6.2%
FY2000	26,130	79.9	11,528	38.9	6.3%	342	18.8	1.5%	2,609	5.7	6.0%
FY2001	23,590	79.3	9,719	35.7	5.6%	411	20.5	2.0%	2,144	5.3	5.3%
FY2002	19,978	76.6	7,841	32.1	4.7%	549	18.0	1.6%	1,704	4.5	4.4%
FY2003	29,019	85.0	9,562	30.3	4.2%	540	19.5	1.7%	2,215	4.6	4.3%
FY2004	23,199	88.4	8,472	33.6	3.8%	386	25.6	1.7%	2,054	5.2	3.9%
FY2005	13,505	75.3	5,230	26.9	2.9%	330	20.6	1.3%	1,185	4.6	3.3%
FY2006	13,951	75.6	5,433	30.0	3.0%	476	18.1	1.1%	1,281	4.5	3.1%
FY2007	15,266	103.3	5,815	36.4	3.4%	615	32.9	1.9%	1,370	6.3	4.1%
FY2008	14,439	84.9	4,748	31.2	2.8%	882	21.1	1.2%	1,138	5.4	3.5%
FY2009	18,250	101.0	5,254	40.1	3.1%	1,676	19.9	1.1%	1,311	7.0	3.7%
FY2010	17,544	119.4	5,173	46.2	3.4%	674	27.8	1.4%	1,355	8.0	4.3%
FY2011	20,437	139.0	5,534	51.3	3.6%	1,458	26.6	1.3%	1,535	10.4	5.2%
FY2012	19,082	120.8	4,802	42.2	2.8%	783	21.7	1.0%	1,414	8.8	4.3%
FY2013	15,657	96.7	3,922	32.3	2.1%	294	12.3	0.5%	1,171	7.4	3.5%
FY2014	15,570	95.2	3,909	29.7	1.9%	431	14.3	0.6%	1,181	7.7	3.5%

*nominal

Source: FY200-FY2015 Annual Property Tax Report, NYC Dept. of Finance

Graph 1: Class Two Property Tax Delinquency Rate (FY 1999-FY 2014)



Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2009.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2009-2016 (For "All Urban Consumers")								
	2009	2010	2011	2012	2013	2014	2015	2016
1st Quarter Avg. ¹³	0.8%	2.1%	2.3%	2.6%	1.9%	1.3%	-0.1%	0.7%
Yearly Avg.	0.4%	1.7%	2.8%	2.0%	1.7%	1.3%	0.1%	--

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.

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.

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.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2017			
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	\$946 (\$869)	\$1,434	.66 (.61)
2015 ¹⁶	\$951 (\$873)	\$1,487	.64 (.59)
2016 ¹⁷	\$939 (\$863)	\$1,518	.62 (.57)
2017 ¹⁸	\$995 (\$914)	\$1,543	.64 (.59)

Source: RGB Income and Expense Studies, 1989-2016, Price Index of Operating Costs 2015 - 2016, RGB Rent Index for 2015 - 2017.

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 2014 expense updated by the PIOC for the period from 3/1/14 through 2/28/15 (0.5%). Income includes the income 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)).

¹⁷ Estimated expense figure includes 2015 expense estimate updated by the PIOC for the period from 3/1/15 through 2/28/16 (-1.2%). Income includes the income estimate for 2015 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/15 through 2/28/16 (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)).

¹⁸ Estimated expense figure includes 2016 expense estimate updated by the revised staff 2017 PIOC projection (released on June 8, 2016) for the period from 3/1/16 through 2/28/17 (5.9%). Income includes the income estimate for 2016 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/16 through 2/28/17 (1.68% - i.e., the 10/1/15 to 9/30/16 rent projection (1.60%) times (.583), plus the 10/1/16 to 9/30/17 rent projection (1.78%) times (.417)).

On April 20, 2016 the staff of the Rent Guidelines Board released two memos to Board members with additional information concerning the *2016 Income & Expense Study*. The first memo follows:

At the April 7, 2016 meeting of the RGB, board members asked for additional data from the *2016 Income and Expense Study*.

The following is a compilation of the change in average rent and net operating income (NOI), by Community District, for each two-year period analyzed in the longitudinal data, between 2005 and 2014, the earliest and latest years for which this data is available:

Longitudinal Income Expense Study, Change in Rent by Community District, 2005-2014

CD	NEIGHBORHOOD	Average Rent % Change								
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manhattan										
101	Financial District	-	-	-	-	-	-	-	-	-
102	Greenwich Village	6.3%	8.8%	7.7%	-0.2%	0.0%	9.3%	6.3%	5.5%	6.3%
103	Lower East Side/Chinatown	8.0%	8.3%	6.1%	-0.5%	-0.6%	7.6%	6.6%	5.5%	6.8%
104	Chelsea/Clinton	7.1%	11.5%	3.6%	-0.4%	-4.8%	13.5%	7.7%	5.2%	5.9%
105	Midtown	5.7%	7.9%	9.1%	0.1%	1.5%	6.0%	5.3%	6.4%	2.4%
106	Stuyvesant Town/Turtle Bay	6.5%	7.9%	6.7%	-2.2%	-2.4%	7.6%	9.5%	2.2%	5.6%
107	Upper West Side	6.7%	6.8%	7.0%	1.3%	0.7%	7.8%	6.3%	5.3%	4.8%
108	Upper East Side	6.5%	6.9%	5.0%	-2.4%	-1.2%	8.6%	5.9%	4.9%	3.7%
109	Morningside Hts./Hamilton Hts.	6.1%	7.2%	6.6%	-0.8%	0.9%	10.8%	5.2%	5.0%	7.2%
110	Central Harlem	7.2%	7.4%	0.1%	0.3%	2.8%	4.6%	9.5%	4.7%	5.6%
111	East Harlem	6.7%	7.0%	6.4%	-2.5%	1.1%	5.9%	6.2%	5.1%	7.4%
112	Washington Hts./Inwood	5.6%	5.4%	5.4%	1.2%	0.3%	8.6%	4.9%	4.5%	4.0%
Bronx										
201	Mott Haven/Port Morris	3.7%	5.5%	11.2%	3.3%	2.6%	4.0%	2.6%	9.3%	5.7%
202	Hunts Point/Longwood	5.6%	4.4%	4.8%	5.3%	3.2%	4.0%	3.8%	5.9%	5.7%
203	Morrisania/Melrose/Claremont	4.6%	5.0%	7.9%	5.9%	3.9%	1.7%	5.9%	5.0%	3.8%
204	Highbridge/S. Concourse	4.2%	3.3%	6.3%	6.4%	0.5%	2.3%	3.9%	4.7%	4.8%
205	University Heights/Fordham	3.3%	4.5%	4.8%	5.0%	2.0%	2.9%	3.5%	4.2%	6.1%
206	E. Tremont/Belmont	3.5%	5.0%	6.8%	3.5%	4.1%	4.3%	2.0%	4.7%	5.2%
207	Kingsbridge Hts./Mosholu/Norwood	2.6%	6.1%	5.0%	4.3%	1.9%	3.4%	4.3%	4.2%	4.4%
208	Riverdale/Kingsbridge	5.2%	6.0%	5.7%	2.8%	1.8%	4.1%	3.9%	2.0%	4.1%
209	Soundview/Parkchester	1.6%	6.3%	6.0%	4.9%	-0.4%	2.5%	3.6%	5.2%	5.5%
210	Throgs Neck/Co-op City	4.2%	6.1%	5.8%	2.0%	2.0%	4.5%	4.8%	4.1%	4.0%
211	Pelham Parkway	3.3%	7.3%	4.4%	2.9%	2.6%	0.7%	3.6%	3.9%	3.6%
212	Williamsbridge/Baychester	6.3%	5.5%	4.2%	1.8%	-3.7%	3.5%	4.8%	2.8%	5.6%
Brooklyn										
301	Williamsburg/Greenpoint	5.7%	9.3%	8.8%	4.0%	1.6%	9.1%	5.4%	6.2%	6.2%
302	Brooklyn Hts./Fort Greene	4.5%	6.9%	7.2%	2.1%	2.0%	6.1%	5.9%	5.1%	5.6%
303	Bedford Stuyvesant	0.9%	6.0%	9.4%	2.7%	3.6%	4.6%	3.3%	3.2%	5.5%
304	Bushwick	-	-	-	3.0%	-0.9%	-	-	-	-
305	East New York/Starett City	-	6.3%	8.0%	3.1%	2.9%	2.8%	6.2%	1.7%	4.9%
306	Park Slope/Carroll Gardens	9.1%	5.0%	7.2%	1.9%	0.3%	6.2%	6.2%	4.4%	5.5%
307	Sunset Park	26.5%	5.6%	-3.8%	2.7%	2.7%	3.9%	3.5%	4.0%	5.6%
308	North Crown Hts./Prospect Hts.	5.7%	6.3%	6.0%	5.4%	2.0%	6.3%	6.4%	5.6%	7.1%
309	South Crown Hts.	5.7%	8.2%	3.9%	3.9%	3.1%	6.2%	4.8%	6.2%	4.5%
310	Bay Ridge	5.3%	6.0%	5.6%	2.4%	1.8%	3.1%	4.9%	3.1%	4.3%
311	Bensonhurst	4.6%	4.8%	4.0%	2.5%	4.1%	4.8%	3.8%	3.2%	4.5%
312	Borough Park	6.2%	5.8%	3.7%	3.0%	2.3%	4.8%	3.5%	4.1%	4.6%
313	Coney Island	3.8%	2.6%	5.6%	1.3%	4.3%	5.8%	4.1%	4.0%	2.7%
314	Flatbush	6.9%	7.1%	3.5%	3.0%	3.2%	4.4%	3.9%	5.0%	5.5%
315	Sheepshead Bay/Gravesend	4.5%	5.4%	3.3%	4.5%	3.3%	4.4%	5.6%	3.6%	2.9%
316	Brownsville/Ocean Hill	3.1%	3.1%	1.3%	8.1%	2.5%	-0.7%	12.1%	4.1%	6.9%
317	East Flatbush	4.2%	6.8%	6.4%	3.2%	4.4%	5.0%	3.3%	5.3%	4.3%
318	Flatlands/Canarsie	-	-	-	1.4%	-1.1%	2.1%	2.5%	6.2%	-

Longitudinal Income Expense Study, Change in Rent by Community District, 2005-2014

CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Queens										
401	Astoria	6.8%	8.3%	6.0%	1.5%	2.8%	4.9%	4.8%	5.8%	5.0%
402	Sunnyside/Woodside	6.8%	7.6%	6.5%	3.4%	1.3%	6.2%	5.0%	4.8%	4.3%
403	Jackson Hts.	4.3%	7.2%	6.4%	3.1%	2.0%	6.3%	5.5%	3.5%	5.7%
404	Elmhurst/Corona	4.7%	6.1%	4.6%	2.9%	2.1%	3.2%	4.5%	3.4%	3.2%
405	Middle Village/Ridgewood		5.2%	3.3%	2.2%	-3.9%	5.8%	4.1%	3.7%	6.5%
406	Forest Hills/Rego Park	4.5%	5.5%	3.6%	3.4%	0.7%	4.3%	3.0%	4.3%	4.0%
407	Flushing/Whitestone	5.3%	4.9%	4.6%	3.1%	1.1%	4.7%	2.6%	3.8%	3.2%
408	Hillcrest/Fresh Meadows	5.4%	2.9%	4.4%	3.2%	2.1%	5.1%	2.5%	3.3%	4.5%
409	Kew Gardens/Woodhaven	5.2%	4.2%	5.8%	2.5%	1.2%	2.4%	3.3%	3.1%	4.4%
410	Howard Beach/S. Ozone Park	-	-	-	-	-	-	-	-	-
411	Bayside/Little Neck	-	-0.2%	-	2.6%	-	6.9%	-	-	4.1%
412	Jamaica	1.2%	8.4%	6.1%	5.5%	4.3%	2.4%	3.8%	2.2%	7.4%
413	Bellerose/Rosedale	-	-	-	-	-	-	-	-	-
414	Rockaways	-	-	-	4.6%	-	3.9%	0.5%	1.8%	8.5%
Staten Island										
501	North Shore	4.3%	0.9%	2.5%	1.7%	3.2%	0.5%	3.9%	1.7%	3.8%
502	Mid-Island	-	-	-	-	-	-	-	-	-
503	South Shore	-	-	-	-	-	-	-	-	-

Source: NYC Dept. of Finance, RPIE Filings, Longitudinal Data.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

Longitudinal Income Expense Study, Change in NOI by Community District, 2005-2014

CD	NEIGHBORHOOD	Average NOI % Change								
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manhattan										
101	Financial District	-	-	-	-	-	-	-	-	-
102	Greenwich Village	8.7%	13.0%	6.1%	-3.7%	-6.3%	16.7%	6.6%	6.7%	4.1%
103	Lower East Side/Chinatown	13.6%	8.3%	3.4%	-2.9%	1.1%	10.0%	6.4%	5.6%	7.2%
104	Chelsea/Clinton	8.6%	15.5%	3.0%	-1.7%	-7.2%	19.1%	7.7%	5.0%	5.2%
105	Midtown	9.4%	9.1%	11.1%	-10.1%	4.2%	7.7%	6.7%	1.9%	5.0%
106	Stuyvesant Town/Turtle Bay	7.9%	10.9%	6.1%	-6.2%	-3.5%	8.2%	9.1%	0.9%	6.1%
107	Upper West Side	9.7%	10.3%	7.3%	0.6%	-2.6%	9.7%	6.8%	4.4%	6.3%
108	Upper East Side	10.3%	10.8%	2.8%	-10.1%	-6.5%	15.6%	5.4%	5.2%	2.9%
109	Morningside Hts./Hamilton Hts.	-1.9%	7.5%	23.0%	15.5%	7.3%	21.2%	5.4%	-3.2%	9.2%
110	Central Harlem	11.8%	14.4%	11.9%	31.1%	10.9%	15.7%	9.9%	4.6%	-1.5%
111	East Harlem	2.1%	9.3%	16.5%	-8.8%	-0.9%	0.6%	4.8%	0.2%	13.6%
112	Washington Hts./Inwood	7.5%	6.5%	-5.0%	25.2%	1.9%	9.0%	5.6%	-0.3%	4.4%
Bronx										
201	Mott Haven/Port Morris	-6.3%	5.4%	33.1%	26.4%	48.6%	14.0%	4.1%	15.3%	2.0%
202	Hunts Point/Longwood	39.3%	-14.4%	1.2%	88.8%	3.7%	-0.6%	7.8%	11.7%	21.3%
203	Morrisania/Melrose/Claremont	55.1%	-10.2%	23.1%	63.8%	42.6%	1.7%	5.6%	9.1%	2.4%
204	Highbridge/S. Concourse	6.3%	1.2%	4.2%	60.6%	9.6%	-5.0%	4.0%	3.8%	5.2%
205	University Heights/Fordham	4.0%	-0.7%	-1.5%	47.8%	8.9%	-7.2%	3.1%	4.6%	4.0%
206	E. Tremont/Belmont	30.0%	-3.4%	14.6%	54.5%	22.0%	-5.7%	3.1%	19.9%	9.5%
207	Kingsbridge Hts./Moshulu/Norwood	12.3%	8.3%	0.6%	25.1%	8.4%	-8.0%	4.1%	2.4%	2.0%
208	Riverdale/Kingsbridge	1.4%	4.9%	9.3%	12.8%	8.8%	-3.6%	4.9%	0.3%	-0.6%
209	Soundview/Parkchester	-3.2%	11.0%	8.9%	24.2%	5.9%	-8.1%	3.5%	7.2%	6.3%
210	Throgs Neck/Co-op City	11.9%	25.4%	-3.9%	8.8%	-3.8%	4.7%	5.1%	-2.2%	6.7%
211	Pelham Parkway	-4.4%	21.0%	3.9%	17.6%	4.3%	-7.0%	3.4%	-4.0%	0.8%
212	Williamsbridge/Baychester	20.9%	-4.2%	9.0%	15.2%	-4.5%	-8.4%	4.7%	-1.5%	4.4%
Brooklyn										
301	Williamsburg/Greenpoint	15.0%	13.5%	-2.6%	9.5%	19.2%	15.6%	5.7%	10.5%	5.6%
302	Brooklyn Hts./Fort Greene	3.3%	7.7%	3.4%	1.6%	6.7%	9.2%	6.1%	4.5%	4.2%
303	Bedford Stuyvesant	-17.6%	50.0%	41.1%	37.1%	53.2%	8.5%	2.4%	1.6%	3.7%
304	Bushwick	-	-	-	32.6%	59.9%	-13.3%	-	-	-
305	East New York/Starett City	-	-4.4%	3.8%	47.1%	82.6%	-2.3%	4.2%	3.1%	7.5%
306	Park Slope/Carroll Gardens	12.0%	6.6%	3.8%	1.6%	2.3%	11.3%	5.9%	0.6%	7.8%
307	Sunset Park	6.5%	7.9%	-3.3%	29.4%	15.8%	2.1%	4.4%	1.8%	11.8%
308	North Crown Hts./Prospect Hts.	7.3%	9.7%	-3.0%	31.9%	11.7%	13.3%	7.0%	5.9%	8.9%
309	South Crown Hts.	14.1%	17.2%	-2.6%	22.2%	13.9%	13.3%	4.5%	7.6%	2.6%
310	Bay Ridge	7.3%	5.0%	5.7%	8.1%	8.5%	2.2%	4.4%	-0.3%	3.3%
311	Bensonhurst	2.0%	8.5%	3.3%	9.3%	20.5%	8.0%	3.8%	4.6%	-0.3%
312	Borough Park	13.2%	4.9%	-2.0%	28.6%	11.2%	5.0%	3.6%	5.6%	3.4%
313	Coney Island	10.2%	7.6%	5.2%	9.7%	5.1%	6.6%	2.7%	6.0%	8.7%
314	Flatbush	10.1%	8.6%	12.7%	14.7%	7.0%	8.3%	4.1%	2.9%	2.3%
315	Sheepshead Bay/Gravesend	8.2%	6.7%	7.2%	20.9%	12.1%	6.0%	5.5%	0.0%	3.7%
316	Brownsville/Ocean Hill	11.2%	-6.9%	1.9%	58.8%	15.8%	-3.9%	11.3%	-3.1%	8.9%
317	East Flatbush	13.1%	14.5%	19.0%	24.6%	8.3%	14.1%	3.2%	9.8%	2.5%
318	Flatlands/Canarsie	-	-	-	1.6%	0.7%	-4.7%	2.0%	6.4%	-

Longitudinal Income Expense Study, Change in NOI by Community District, 2005-2014

CD	NEIGHBORHOOD	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Queens										
401	Astoria	12.7%	10.8%	3.8%	5.4%	11.4%	3.0%	4.9%	7.3%	4.8%
402	Sunnyside/Woodside	7.1%	15.4%	5.3%	8.9%	10.6%	10.2%	5.3%	5.0%	4.6%
403	Jackson Hts.	-8.6%	17.1%	15.4%	4.4%	15.2%	9.3%	5.1%	0.5%	8.9%
404	Elmhurst/Corona	4.5%	14.2%	3.1%	18.5%	1.8%	4.6%	3.8%	-3.1%	0.5%
405	Middle Village/Ridgewood		5.1%	3.2%	-5.7%	9.8%	8.7%	3.6%	1.7%	6.3%
406	Forest Hills/Rego Park	2.1%	12.9%	-1.4%	9.0%	-2.2%	2.9%	3.7%	8.8%	0.6%
407	Flushing/Whitestone	3.2%	7.7%	3.6%	8.4%	-1.7%	5.5%	2.8%	-0.3%	4.0%
408	Hillcrest/Fresh Meadows	27.5%	0.0%	5.0%	0.3%	4.4%	6.4%	3.2%	1.4%	-1.7%
409	Kew Gardens/Woodhaven	13.0%	-2.3%	-0.4%	6.3%	14.1%	-1.7%	3.6%	-0.8%	0.3%
410	Howard Beach/S. Ozone Park	-	-	-	-	-	20.9%	-	-	-
411	Bayside/Little Neck	-	1.0%	-	10.8%	-	7.3%	-	-	-2.8%
412	Jamaica	-11.1%	30.7%	5.6%	28.9%	5.4%	0.0%	3.5%	-9.9%	17.2%
413	Bellerose/Rosedale	-	-	-	-	-	12.0%	-	-	-
414	Rockaways	-	-	-	25.4%	-	10.1%	0.3%	1.4%	13.4%
Staten Island										
501	North Shore	3.5%	-5.1%	-7.4%	10.3%	30.8%	-9.5%	4.3%	-4.6%	4.5%
502	Mid-Island	-	-	-	-	-	-	-	-	-
503	South Shore	-	-	-	-	-	-	-	-	-

Source: NYC Dept. of Finance, RPIE Filings.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

On April 20, 2016 the staff of the Rent Guidelines Board released two memos to Board members with additional information concerning the 2016 Income & Expense Study. The second memo follows:

At the April 7, 2016 meeting of the RGB, board members asked for additional data from the *2016 Income and Expense Study*.

The following are cost-to-income ratios, by community district, for 2013 and 2014, as well as the change between the two years. It is derived from Longitudinal Data filed by owners in both 2013 and 2014. The ratios represent the share of income an average rent stabilized building owner spends on expenses each year. The difference represents the change from 2013 to 2014. A decline in the ratio means an owner is spending less of their income on expenses, compared to the prior year. Conversely, an increase in the ratio means a higher proportion is spent.

For instance, if one looks at Community District 206, E. Tremont/Belmont, in the Bronx (highlighted in green on the following table), an average owner spent 0.735 (73.5%) of every dollar earned in income in 2014 on expenses. This represented a 0.013 (1.3 percentage) point decline from 2013, when 0.748 (74.8%) of each dollar earned went towards expenses.

Cost-to-Income Ratios, 2013 & 2014				
CD	NEIGHBORHOOD	2013	2014	Difference
Manhattan				
101	Financial District	-	-	-
102	Greenwich Village	0.560	0.565	0.005
103	Lower East Side/Chinatown	0.632	0.628	-0.003
104	Chelsea/Clinton	0.592	0.593	0.001
105	Midtown	0.614	0.612	-0.002
106	Stuyvesant Town/Turtle Bay	0.601	0.599	-0.002
107	Upper West Side	0.628	0.626	-0.003
108	Upper East Side	0.596	0.602	0.005
109	Morningside Hts./Hamilton Hts.	0.736	0.730	-0.006
110	Central Harlem	0.683	0.709	0.026
111	East Harlem	0.711	0.698	-0.013
112	Washington Hts./Inwood	0.730	0.732	0.002
Bronx				
201	Mott Haven/Port Morris	0.734	0.743	0.009
202	Hunts Point/Longwood	0.756	0.729	-0.028
203	Morrisania/Melrose/Claremont	0.770	0.771	0.002
204	Highbridge/S. Concourse	0.740	0.737	-0.003
205	University Heights/Fordham	0.766	0.768	0.002
206	E. Tremont/Belmont	0.748	0.735	-0.013
207	Kingsbridge Hts./Mosholu/Norwood	0.746	0.751	0.005
208	Riverdale/Kingsbridge	0.694	0.709	0.015
209	Soundview/Parkchester	0.760	0.759	-0.001
210	Throgs Neck/Co-op City	0.727	0.721	-0.007
211	Pelham Parkway	0.734	0.742	0.008
212	Williamsbridge/Baychester	0.739	0.741	0.002
Brooklyn				
301	Williamsburg/Greenpoint	0.623	0.624	0.001
302	Brooklyn Hts./Fort Greene	0.608	0.612	0.004
303	Bedford Stuyvesant	0.709	0.714	0.005
304	Bushwick	-	-	-
305	East New York/Starett City	0.698	0.688	-0.010
306	Park Slope/Carroll Gardens	0.595	0.585	-0.010
307	Sunset Park	0.694	0.677	-0.017
308	North Crown Hts./Prospect Hts.	0.661	0.656	-0.006
309	South Crown Hts.	0.645	0.652	0.006
310	Bay Ridge	0.661	0.663	0.002
311	Bensonhurst	0.645	0.659	0.014
312	Borough Park	0.652	0.656	0.005
313	Coney Island	0.633	0.616	-0.017

CD	NEIGHBORHOOD	2013	2014	Difference
314	Flatbush	0.663	0.673	0.010
315	Sheepshead Bay/Gravesend	0.661	0.658	-0.002
316	Brownsville/Ocean Hill	0.674	0.665	-0.010
317	East Flatbush	0.675	0.681	0.006
318	Flatlands/Canarsie	-	-	-
Queens				
401	Astoria	0.654	0.654	0.000
402	Sunnyside/Woodside	0.619	0.618	0.000
403	Jackson Hts.	0.667	0.657	-0.010
404	Elmhurst/Corona	0.649	0.660	0.010
405	Middle Village/Ridgewood	0.662	0.662	0.000
406	Forest Hills/Rego Park	0.653	0.664	0.011
407	Flushing/Whitestone	0.682	0.681	-0.001
408	Hillcrest/Fresh Meadows	0.684	0.700	0.016
409	Kew Gardens/Woodhaven	0.668	0.681	0.013
410	Howard Beach/S. Ozone Park	-	-	-
411	Bayside/Little Neck	0.629	0.655	0.026
412	Jamaica	0.716	0.691	-0.026
413	Bellerose/Rosedale	-	-	-
414	Rockaways	0.751	0.740	-0.012
Staten Island				
501	North Shore	0.680	0.680	-0.001
502	Mid-Island	-	-	-
503	South Shore	-	-	-

Source: NYC Dept. of Finance, RPIE Filings, Longitudinal Data.

Note: Community Districts with too few buildings in a given year of analysis are excluded.

Changes in Housing Affordability

Looking at New York City's economy during 2015, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the sixth consecutive year, increasing 2.9% in 2015. The unemployment rate also fell, declining by 1.5 percentage points, to 5.7%. Gross City Product (GCP) also increased for the sixth consecutive year, rising in real terms by 3.4% in 2015. In addition, inflation-adjusted wages rose by 1.6% during the most recent 12-month period (the fourth quarter of 2014 through the third quarter of 2015), and inflation slowed to just 0.1%. The number of non-payment filings in Housing Court fell by 2.4%, "calendared" cases fell 12.5%, and evictions fell by 18.1%. In addition, Supplemental Nutrition Assistance Program (SNAP) caseloads fell for second consecutive year, by 3.2%

Negative indicators include the seventh consecutive year of increase in homeless levels, which rose to an average of more than 57,000 persons a night, an increase of 5.6% over 2014 levels. Public assistance caseloads also rose, by 5.7% over 2014 levels.

The most recent numbers, from the fourth quarter of 2015 (as compared to the fourth quarter of 2014), show that homeless levels were up 2.1%, cash assistance levels were up 5.7%, and the number of filings in housing court were up 7.1%.¹⁹

However, most fourth quarter indicators were positive, with employment levels up 2.2%, the unemployment rate down 1.3 percentage points, the number of calendared cases

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.

in Housing Court down 17.1%, and SNAP recipients down 2.8%. Fourth quarter GCP also rose, by 2.1% in real terms, and inflation was lower than that of the last quarter of 2014, rising by 0.6%, as compared to 0.8% in the fourth quarter of 2014.

On April 20, 2016 the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2016 Income & Affordability Study*. The memo follows:

At the April 7, 2016 *Income & Affordability Study* (I&A) presentation, four questions were asked for which an immediate answer could not be provided. Answers to all outstanding questions follow.

Question 1: Do you know the number of non-payment filings for rent stabilized tenants? Is it possible to provide the number of evictions for cases that are not calendared? Can the proportion of evictions to filings (versus evictions to calendared cases) be provided?

A representative from the Civil Court of the City of New York (Housing Court) confirms that while a petitioner is required to state whether the premises is "rent regulated" or not, this information is not captured in their database and therefore cannot be provided.

They are also not able to provide the number of evictions for cases that are not calendared. Eviction data is obtained from the NYC Dept. of Investigation and non-payment filings data is from Housing Court. However, Housing Court is able to provide data on the number of filings that resulted in a "failure to answer." In 2015, 203,119 non-payment filings were made against New York City tenants. A total of 37,607 of these non-payment filings resulted in a "failure to answer," a proportion of 18.5%. Note that not all of the "failure of answer" judgments lead to an eviction. A total of 111,409 of the non-payment filings were calendared, a proportion of 54.8%.

As reported in the *2016 Income and Affordability Study*, the proportion of evictions (21,988) to non-payment calendared cases in 2015 was 19.7%. The proportion of evictions to non-payment filings was 10.8%. Note that we are not provided with a reason for the eviction.

Question 2: Can the Department of Homeless Services provide the number of people in shelter who previously vacated a rent stabilized apartment?

A representative from the Dept. of Homeless Services confirms that they do not request this information from clients entering shelter.

Question 3: Can the household income of rent stabilized tenants be correlated to employment figures?

The only source of rent stabilized income data is the triennial *NYC Housing and Vacancy Survey*. The most recent income figures from that survey are from 2013. Employment figures reported in annual *Income and Affordability Studies* constitute those employed in New York City, regardless of where the person lives. These two data sets are presented below from 2001-2013. Also reported is the number of New York City residents employed during those years, regardless of where their job is located.

Year	Rent Stabilized Household Income (HVS)	Jobs in NYC	# of NYC Employed Residents
2001	\$32,000	3,687,900	3,459,200
2002		3,579,600	3,405,600
2003		3,529,300	3,376,000
2004	\$32,000	3,547,500	3,478,200
2005		3,600,600	3,581,700
2006		3,664,700	3,626,600
2007	\$36,000	3,742,000	3,664,300
2008		3,791,900	3,705,500
2009		3,691,200	3,591,500
2010	\$38,172	3,709,300	3,573,600
2011		3,796,200	3,602,700
2012		3,881,600	3,655,900
2013	\$40,600	3,974,900	3,728,100

Question 4: Can employment figures be broken out by whether the employee is working full-time or part-time?

That information is not provided as part of Current Employment Statistics survey, which is the source of employment data in the *I&A Study*. However, as part of this survey employers are asked for the average number of hours their employees are working per week. Between 2014 and 2015 there was no change in the average number of hours worked per week for NYC employees (34.3 hours). Between 2007 (the first year data is available for) and 2015, average weekly hours have ranged from a high of 35.5 in 2008 to a low of 34.3 in both 2014 and 2015. Note that the average hourly wage in these years fell only once, in 2009, and rose by the second greatest proportion in 2015, rising 3.1%.

On June 3, 2016 the staff of the Rent Guidelines Board released a memo about rent stabilized HVS sub-borough figures. The memo follows:

Following a presentation by Stephanie Rosoff, of the NYU Furman Center, at the May 26, 2016 meeting of the Board, additional data was requested regarding a historical count of rent stabilized units at the sub-borough (roughly Community District) level. Following is data from triennial Housing and Vacancy Surveys (HVS) from 1993-2014 that provides an estimate of the number of rent stabilized units per sub-borough.

Analyzing data at the sub-borough level is always challenging because of the small number of units that are actually surveyed in any given year. In addition, as each decennial Census is released, the sample used to survey for the HVS is updated, making comparisons between certain years problematic. Furthermore, we cannot identify through the HVS why a unit has either left or entered rent stabilization, and the addition or subtraction of just a single development can have a disproportionate effect on the estimate of the number of units in the sub-borough as a whole.

The spreadsheets following provide both the total number of rent stabilized units in the given years, as well as the proportion of units within each sub-borough that are rent stabilized. Those neighborhoods that were identified as "gentrifying" by the Furman Center are highlighted in yellow.

All data should be interpreted with caution given the small sample sizes involved. Sub-boroughs with especially small sample sizes were omitted from the data, but are included in borough-wide figures.

Number of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Bronx		1993	1996	1999	2002	2005	2008	2011	2014
1	Mott Haven/Hunts Point	13,318	12,849	12,249	17,604	16,740	17,623	18,608	19,251
2	Morrisania/East Tremont	14,932	15,247	17,278	20,774	22,178	21,511	21,487	22,778
3	Highbridge/ S. Concourse	23,350	25,877	25,527	31,696	30,895	31,977	36,640	35,175
4	University Heights/ Fordham	20,488	19,365	21,774	33,675	33,763	35,530	30,658	31,562
5	Kingsbridge Heights/Mosholu	31,351	35,278	34,272	34,991	36,567	34,314	37,584	41,589
6	Riverdale/Kingsbridge	26,329	28,780	25,866	23,966	25,153	19,807	19,303	18,028
7	Soundview/Parkchester	18,138	17,533	19,808	15,561	20,487	22,087	21,188	22,816
8	Throgs Neck/Co-op City	3,825	3,465	4,024	3,279	--	4,279	6,848	6,253
9	Pelham Parkway	16,192	15,751	15,712	13,968	15,888	14,605	17,320	17,220
10	Williamsbridge/Baychester	9,415	10,005	10,417	9,325	12,492	13,403	12,950	13,860
	Total Bronx	177,338	184,150	186,928	204,839	217,048	215,137	222,586	228,534

Brooklyn		1993	1996	1999	2002	2005	2008	2011	2014
1	Williamsburg/Greenpoint	18,818	19,829	22,377	19,815	22,678	20,318	22,562	22,433
2	Brooklyn Heights/Fort Greene	9,240	9,994	10,867	12,235	12,555	11,979	10,678	10,083
3	Bedford Stuyvesant	6,164	5,580	6,419	7,297	7,962	7,580	13,286	19,158
4	Bushwick	15,468	15,606	16,469	13,262	11,949	11,496	12,175	12,651
5	East New York/Starrett City	3,761	3,523	3,527	6,867	5,978	7,085	7,215	5,923
6	Park Slope/Carroll Gardens	14,055	16,968	19,813	9,932	7,999	10,983	10,458	9,339
7	Sunset Park	13,625	14,457	15,376	10,697	11,929	11,262	14,712	14,987
8	North Crown Heights/Prospect Heights	17,562	16,927	18,335	19,377	20,536	18,650	19,685	21,627
9	South Crown Heights	21,568	23,904	23,943	26,113	26,568	27,234	29,483	30,547
10	Bay Ridge	14,910	17,148	12,466	14,790	15,106	13,314	17,160	17,736
11	Bensonhurst	18,767	20,038	19,635	18,124	19,297	19,448	21,223	20,265
12	Borough Park	8,765	9,699	8,644	15,039	15,865	16,138	13,609	16,101
13	Coney Island	13,033	13,906	12,934	13,347	10,191	12,340	14,471	12,212
14	Flatbush	32,474	35,312	35,306	32,855	33,815	35,999	31,292	30,807
15	Sheepshead Bay/Gravesend	18,152	17,368	17,722	18,163	20,400	17,881	16,753	15,304
16	Brownsville/Ocean Hill	8,310	8,352	7,622	7,995	9,635	9,437	12,762	14,836
17	East Flatbush	15,469	13,503	13,897	16,658	14,537	15,968	16,771	17,119
18	Flatlands/Canarsie	4,600	5,352	4,943	--*	3,109	--*	4,272	4,428
	Total Brooklyn	254,743	267,466	270,294	265,208	270,110	269,905	288,569	295,557

* Number too low to report accurately

Number of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Manhattan		1993	1996	1999	2002	2005	2008	2011	2014
1	Greenwich Village/Financial District	25,404	28,275	28,760	23,476	20,261	22,797	15,996	18,884
2	Lower East Side/Chinatown	29,732	29,131	24,026	31,966	26,790	22,244	28,461	28,696
3	Chelsea/Clinton/Midtown	33,815	34,815	33,061	29,285	32,745	28,368	25,368	27,878
4	Stuyvesant Town/Turtle Bay	49,568	49,243	43,962	36,892	35,122	28,067	22,853	25,908
5	Upper West Side	51,553	57,639	52,538	43,178	45,722	37,116	25,601	31,931
6	Upper East Side	61,875	65,288	59,500	46,015	43,141	38,032	33,371	36,348
7	Morningside Heights/Hamilton Heights	18,419	20,386	22,338	28,510	25,123	26,408	20,000	21,761
8	Central Harlem	18,256	17,550	20,893	22,693	27,526	22,922	22,811	23,492
9	East Harlem	12,006	11,561	11,324	10,911	13,524	14,075	13,181	15,421
10	Washington Heights/Inwood	54,682	54,467	58,194	55,649	54,795	51,988	52,505	53,587
	Total Manhattan	355,310	368,355	354,595	328,574	324,749	292,017	260,148	283,907

Queens		1993	1996	1999	2002	2005	2008	2011	2014
1	Astoria	22,645	23,084	25,092	31,046	31,636	31,827	31,547	31,811
2	Sunnyside/Woodside	16,222	17,121	17,799	20,765	23,405	23,888	20,820	20,937
3	Jackson Heights	12,935	15,386	15,325	14,010	12,917	17,145	17,926	18,745
4	Elmhurst/Corona	18,474	18,046	19,263	18,953	18,481	19,986	19,808	19,137
5	Middle Village/Ridgewood	9,954	13,051	12,409	9,337	9,169	11,509	12,892	14,286
6	Rego Park/Forest Hills	28,570	28,695	28,562	19,090	23,188	20,006	16,908	17,936
7	Flushing/Whitestone	25,141	23,777	28,269	18,761	22,672	23,196	20,090	23,427
8	Hillcrest/Fresh Meadows	13,944	14,787	17,551	18,970	18,795	15,709	13,897	13,582
9	Kew Gardens/Woodhaven	9,912	9,192	9,346	9,166	8,749	7,574	8,923	7,658
10	South Ozone Park/Howard Beach	--*	--*	--*	--*	--*	--*	--*	--*
11	Bayside/Little Neck	3,977	3,790	4,805	--*	--*	--*	--*	--*
12	Jamaica	10,336	9,891	8,593	8,339	10,246	11,258	10,226	9,751
13	Bellerose/Rosedale	4,157	2,465	3,061	--*	4,250	3,546	--*	--*
14	Rockaways	5,579	5,113	7,608	4,947	8,113	7,192	3,973	7,110
	Total Queens	182,180	184,398	198,244	181,068	195,351	196,304	182,213	189,343

Staten Island		1993	1996	1999	2002	2005	2008	2011	2014
1	North Shore	6,200	5,643	7,186	5,795	5,483	5,320	5,165	7,371
2	Mid-Island	--*	--*	--*	--*	--*	--*	--*	--*
3	South Shore	--*	--*	--*	--*	--*	--*	--*	--*
	Total Staten Island	9,455	5,643	10,526	8,705	8,397	8,372	7,354	10,756

* Number too low to report accurately

Proportion of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Bronx		1993	1996	1999	2002	2005	2008	2011	2014
1	Mott Haven/Hunts Point	36.2%	36.6%	36.4%	44.7%	40.5%	39.7%	42.0%	44.1%
2	Morrisania/East Tremont	40.3%	43.0%	46.6%	50.9%	50.1%	50.8%	46.8%	47.6%
3	Highbridge/ S. Concourse	71.2%	76.0%	78.6%	80.1%	79.0%	77.3%	82.1%	84.1%
4	University Heights/ Fordham	60.9%	62.1%	63.0%	82.0%	81.1%	81.5%	75.9%	79.3%
5	Kingsbridge Heights/Mosholu	83.6%	88.6%	88.0%	87.6%	88.8%	84.9%	91.2%	91.5%
6	Riverdale/Kingsbridge	86.2%	81.2%	77.4%	71.4%	77.6%	61.4%	68.3%	69.9%
7	Soundview/Parkchester	39.1%	37.8%	42.3%	31.4%	43.0%	44.5%	46.1%	45.8%
8	Throgs Neck/Co-op City	29.0%	22.9%	27.1%	21.5%	--*	26.3%	34.7%	34.7%
9	Pelham Parkway	54.4%	54.1%	54.2%	52.2%	53.1%	50.2%	49.9%	55.4%
10	Williamsbridge/Baychester	34.1%	38.0%	39.0%	28.3%	37.2%	39.4%	42.9%	37.6%
	Total Bronx	54.5%	56.2%	57.1%	57.1%	59.0%	57.6%	59.3%	60.1%

Brooklyn		1993	1996	1999	2002	2005	2008	2011	2014
1	Williamsburg/Greenpoint	51.6%	52.5%	54.7%	46.6%	52.6%	45.1%	49.9%	46.9%
2	Brooklyn Heights/Fort Greene	28.2%	31.3%	35.5%	38.3%	39.2%	33.5%	29.6%	30.6%
3	Bedford Stuyvesant	18.4%	17.9%	21.4%	20.1%	23.0%	20.5%	32.5%	46.4%
4	Bushwick	51.0%	49.4%	54.9%	41.2%	37.2%	35.5%	31.2%	33.5%
5	East New York/Starrett City	11.4%	11.4%	10.8%	19.1%	16.4%	19.8%	18.4%	15.6%
6	Park Slope/Carroll Gardens	43.6%	49.1%	55.9%	32.3%	25.7%	32.6%	31.0%	31.2%
7	Sunset Park	47.5%	48.4%	48.8%	34.0%	38.0%	32.2%	44.4%	47.6%
8	North Crown Heights/Prospect Heights	49.6%	50.5%	53.9%	51.9%	52.6%	47.6%	49.7%	51.7%
9	South Crown Heights	67.3%	70.6%	69.6%	76.6%	80.1%	73.4%	78.3%	77.6%
10	Bay Ridge	47.4%	52.2%	45.3%	48.9%	47.2%	39.3%	50.8%	54.6%
11	Bensonhurst	43.2%	46.2%	47.8%	39.8%	43.6%	45.2%	44.8%	42.0%
12	Borough Park	30.9%	35.1%	31.9%	43.6%	49.1%	46.5%	42.6%	46.4%
13	Coney Island	42.6%	41.5%	42.2%	42.8%	33.3%	36.7%	41.7%	38.7%
14	Flatbush	79.0%	83.1%	82.9%	74.6%	77.6%	82.5%	74.7%	73.9%
15	Sheepshead Bay/Gravesend	48.4%	50.7%	53.3%	53.0%	55.5%	49.4%	51.1%	50.1%
16	Brownsville/Ocean Hill	26.9%	30.2%	26.7%	23.9%	30.8%	28.1%	32.8%	41.6%
17	East Flatbush	50.9%	46.7%	48.2%	49.4%	45.1%	46.9%	52.7%	50.9%
18	Flatlands/Canarsie	16.0%	20.5%	17.4%	--*	12.2%	--*	12.1%	13.5%
	Total Brooklyn	42.7%	45.2%	46.0%	42.3%	43.5%	41.6%	42.9%	44.7%

* Number too low to report accurately

Proportion of Occupied Rent Stabilized Units (Neighborhoods Identified by Furman Center as "Gentrifying" Highlighted in Yellow)

Manhattan		1993	1996	1999	2002	2005	2008	2011	2014
1	Greenwich Village/Financial District	54.4%	63.6%	61.3%	50.2%	43.4%	44.0%	28.4%	32.4%
2	Lower East Side/Chinatown	51.6%	52.2%	52.6%	54.5%	44.7%	35.4%	45.5%	47.4%
3	Chelsea/Clinton/Midtown	61.5%	66.9%	63.8%	58.3%	58.0%	47.7%	39.6%	43.8%
4	Stuyvesant Town/Turtle Bay	74.9%	77.0%	71.6%	61.8%	58.3%	46.4%	37.5%	44.0%
5	Upper West Side	60.9%	67.2%	62.9%	55.9%	61.4%	52.0%	37.4%	45.2%
6	Upper East Side	71.5%	75.9%	66.3%	57.8%	54.7%	47.6%	43.8%	48.7%
7	Morningside Heights/Hamilton Heights	47.8%	52.9%	57.2%	63.8%	59.0%	58.9%	55.4%	60.0%
8	Central Harlem	46.5%	50.9%	56.9%	61.4%	67.6%	51.9%	54.5%	54.4%
9	East Harlem	31.8%	33.3%	30.4%	29.5%	34.3%	33.9%	32.1%	35.8%
10	Washington Heights/Inwood	76.7%	83.3%	83.7%	83.5%	85.4%	83.4%	82.6%	85.1%
Total Manhattan		60.9%	65.6%	63.1%	58.9%	57.6%	50.5%	45.6%	49.6%

Queens		1993	1996	1999	2002	2005	2008	2011	2014
1	Astoria	40.0%	40.6%	43.4%	51.9%	50.8%	49.8%	50.6%	50.4%
2	Sunnyside/Woodside	53.2%	58.5%	61.6%	60.1%	64.8%	62.2%	55.4%	56.1%
3	Jackson Heights	42.2%	47.2%	46.1%	41.1%	37.8%	50.6%	47.8%	51.0%
4	Elmhurst/Corona	61.8%	60.2%	56.5%	59.5%	52.9%	55.9%	54.4%	51.1%
5	Middle Village/Ridgewood	32.5%	38.2%	35.1%	26.0%	26.8%	33.2%	36.3%	39.7%
6	Rego Park/Forest Hills	75.1%	73.2%	74.8%	64.1%	79.3%	71.6%	67.5%	73.1%
7	Flushing/Whitestone	53.7%	51.0%	58.4%	41.2%	51.3%	50.2%	42.1%	48.2%
8	Hillcrest/Fresh Meadows	47.6%	47.5%	49.1%	65.7%	68.3%	56.9%	48.6%	45.4%
9	Kew Gardens/Woodhaven	42.4%	39.3%	40.5%	34.4%	34.2%	29.1%	35.8%	32.5%
10	South Ozone Park/Howard Beach	--*	--*	--*	--*	--*	--*	--*	--*
11	Bayside/Little Neck	32.1%	32.2%	34.0%	--*	--*	--*	--*	--*
12	Jamaica	27.9%	36.1%	35.2%	28.3%	35.6%	33.5%	34.1%	30.1%
13	Bellerose/Rosedale	21.0%	15.8%	19.5%	--*	23.4%	25.8%	--*	--*
14	Rockaways	24.6%	22.7%	33.0%	22.5%	39.3%	33.1%	17.8%	27.4%
Total Queens		43.4%	44.7%	46.8%	42.8%	46.3%	45.7%	42.2%	43.3%

Staten Island		1993	1996	1999	2002	2005	2008	2011	2014
1	North Shore	24.0%	21.2%	26.4%	24.2%	23.3%	21.8%	21.2%	24.9%
2	Mid-Island	--*	--*	--*	--*	--*	--*	--*	--*
3	South Shore	--*	--*	--*	--*	--*	--*	--*	--*
Total Staten Island		18.6%	10.7%	19.8%	15.4%	15.9%	16.0%	13.8%	18.6%

* Number too low to report accurately

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 48.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2015-16, and Commensurate Rent Adjustment		
Index Type	2015-16 Price Index Change	One-Year Rent Adjustment Commensurate With O&M to Income Ratio of .659
All Dwelling Units	-1.2%	-0.79%
Pre 1947	-2.2%	-1.45%
Post 1946	0.2%	0.13%
Oil Used for Heating	-2.8%	-1.85%
Gas Used for Heating	0.5%	0.33%

Note: The O&M to Income ratio is from the 2016 *Income and Expense Study*.

Source: RGB's 2016 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City.

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 decrease in the Loft Index this year was 0.3%, 0.7 percentage points lower than the 0.4% increase in 2015. Increases in costs were seen in seven of the eight components that make up this index. Insurance Costs witnessed the highest rise, increasing 8.2%, followed by increases in Taxes of 7.5%. More moderate increases were seen in Utilities (1.6%) and Maintenance (2.7%). Labor Costs increased by 3.7%, Administrative Costs-Legal by 2.4%, and Administrative Costs-Other by 3.3%. These increases were offset by a decline in the Fuel component of 46.3%.

This year's guidelines for lofts are: 0% for a one-year lease and 2% for a two-year lease.

Table 9

Changes in the Price Index of Operating Costs for Lofts from 2015-2016	
	Loft O & M Price Index Change
All Buildings	-0.3%

Source: 2016 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 33% above the Maximum Base Rent.

The Board concluded that for units formerly subject to rent control, 33% above the maximum base rent was a desirable minimum increase.

**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

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 under Order #48 when a rent stabilized apartment is sublet by the primary tenant to another tenant on or after October 1, 2016 and on or before September 30, 2017 shall be 10%.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #48 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #48	7	-	2

Dated: June 28, 2016
Filed with the City Clerk: June 30, 2016

Hon. Kathleen A. Roberts (Ret.)
Chair
NYC Rent Guidelines Board

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EXHIBIT C

2016 Price Index of Operating Costs

April 14, 2016

Revised April 19, 2016

Board Members

Chair:

Hon. Kathleen A. Roberts (Ret.)

Public Members:

Steven Flax

Cecilia Joza

K. Sabeel Rahman

Helen Schaub

Owner Members:

Mary Serafy

Scott Walsh

Tenant Members:

Harvey Epstein

Sheila Garcia

Staff Members

Executive Director:

Andrew McLaughlin

Research Director:

Brian Hoberman

Sr. Research Associate:

Danielle Burger

Office Manager:

Charmaine Superville

2016 Price Index Of Operating Costs

What's New

- ✓ The Price Index of Operating Costs (PIOC) for Rent Stabilized Apartment Buildings decreased 1.2% this year.
- ✓ All costs in natural-gas heated buildings increased 0.5% and all costs in fuel-oil heated buildings declined 2.8%.
- ✓ The "core" PIOC, which excludes the changes in fuel oil prices, natural gas, and electricity costs, is useful for analyzing inflationary trends. The core rose by 4.2% this year.
- ✓ Fuel costs decreased 41.2%.
- ✓ Real estate taxes increased 7.5%, primarily due to a rise in assessments for Class Two properties.
- ✓ The Utilities component decreased by 0.3%, due to steep declines in electric and natural gas costs, but offset by an increase in water and sewer rates.
- ✓ Insurance Costs increased by 8.2%.
- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 5.5% 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 that 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. 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. In the most notable change to the PIOC, in 2015, expenditure weights were switched to those found in the annual *Income and Expense (I&E) Study*, which allows for the annual updating of expenditure patterns based on what owners report to the Department of Finance as their actual costs.

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



In addition an annual survey, part of the Owner Survey sent to the owners of 5,100 randomly selected buildings each year, allows for an update of the individual items within the components.¹

The Price Index 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. As already noted, the expenditure weights used in the construction of the 2016 Price Index are based upon expenditure patterns reported in the I&E study.

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.

Apartments

*Change In Costs for
Rent Stabilized Apartment
Buildings, March 2015
to March 2016*

Taxes	7.5%
Labor Costs	3.2%
Fuel	-41.2%
Utilities	-0.3%
Maintenance	2.8%
Administrative Costs	2.7%
Insurance Costs	8.2%
All Costs	-1.2%

In turn, those weights are based on an analysis of expenses as reported by owners in Real Property Income and Expense (RPIE) statements (as required by Local Law 63, enacted in 1986). These statements are submitted annually to the NYC Department of Finance and represent reported expenses by building owners with stabilized units, based on the most recent complete calendar year at the time of filing.² Note that only the Apartment PIOC is weighted with data from RPIE reports. The Hotel and Loft PIOC continue to use the pre-2015 methodology.

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 2015-16 price changes in each index component are also presented in Appendix 2. The expenditure weights and the 2015-16 price changes are then combined to provide the overall change in the PIOC over the period from 2015-16.

The PIOC consists of seven cost components, each designed to measure changes in a category of costs such as fuel, insurance and utilities. The methodology for each component is described in the final section of this report. For a full description of the methodological changes to the weights used in the current PIOC, please refer to the *2015 Price Index of Operating Costs* report.

Overview

This year, the PIOC for all rent stabilized apartment buildings decreased by 1.2%. Increases occurred in all PIOC components except Fuel and Utilities, which declined by 41.2% and 0.3%, respectively. The largest increase in any component was seen in Insurance Costs (8.2%), followed by Taxes (7.5%). More moderate increases occurred in Labor Costs (3.2%), Maintenance (2.8%), and Administrative Costs (2.7%). The growth in the Consumer Price Index (CPI) during this same time period was higher than the PIOC, rising 0.3%.³ See the adjacent table and Appendix 2 for changes in costs and prices for all rent stabilized apartment buildings from 2015-16.

The "core" PIOC, which excludes 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 4.2% this year and was higher than the overall PIOC due to the exclusion of the costs in the Fuel component, which declined 41.2%.

Price Index Components

Taxes



The Taxes component of the PIOC is based entirely on real estate taxes and accounts for over one-quarter of the overall price index. The change in tax cost is estimated by comparing aggregate taxes levied on rent stabilized apartment buildings in Fiscal Year (FY) 2015 and FY 2016.

Aggregate real estate taxes rose this year by 7.5%. The growth in taxes was due to a 8.0% rise in assessments and a slight rise in the Class 2 tax rate of 0.2%. The rise in assessments and tax rate was offset by a rise in the total value of exemptions, which had the effect of lowering the total rise in taxes by 0.8%.

Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 6.9% from FY 2015 to FY 2016. The total Class Two property levy rose at a faster pace than that of the City as a whole, at a rate of 8.0%. The distribution of the levy among property classes tends to shift from year to year. From FY 2015 to FY 2016, the levy share for Class Two properties increased by 0.3 percentage points, from 36.2% to 36.5% of the total tax burden. Although the Class Two levy share declined, it is still significantly higher than the 26.3% share that was established at the inception of the four-class tax system in 1983.

Tax Rate — The average annual FY 2015 Class Two tax rate of 12.855 increased by 0.2%, resulting in a new annualized rate of 12.883 for FY 2016. This is the first

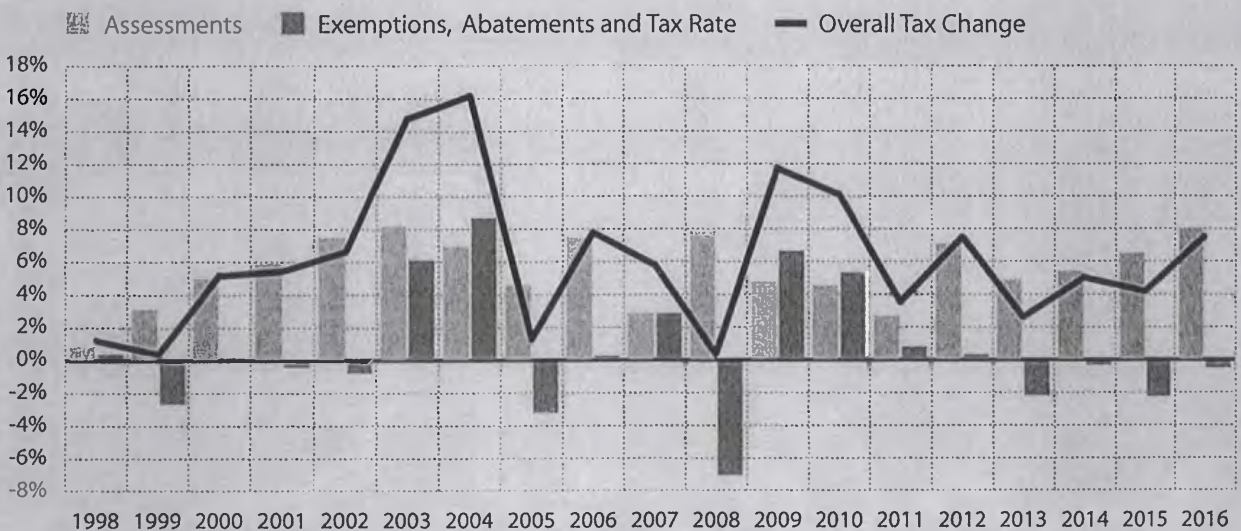
time in four years that the Class Two tax rate increased. For a historical perspective of changes in the tax rate, abatements, and exemptions, see the green bars on the graph on this page.

Assessments — Assessed valuations of properties containing rent stabilized units rose by 8.0% citywide in FY 2016. Assessments rose in all five boroughs, with Brooklyn witnessing the highest growth at 10.3%, followed by Queens and the Bronx at 8.6%, Manhattan at 7.4% and Staten Island at 6.0%. Buildings in Manhattan generally drive much of the change in assessed value Citywide. This was true in FY 2016, with 63% of all valuations emanating from this borough. For a historical perspective of changes in tax assessments, see the orange bars on the graph on this page.

Abatements and Exemptions — This year, the number of rent stabilized buildings receiving tax abatements declined by nearly 50% from the previous fiscal year. However, the average benefit value of the typical tax abatement increased, by 21.7%, from FY 2015 to FY 2016. The net impact of the decrease in the number of

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1998-2016

Assessments Continue to Rise in 2016



Source: New York City Department of Finance

abatements and the increase in the average abatement value was a negligible increase in the tax liability for rent stabilized buildings of 0.03%.

In FY 2016, 0.3% more rent stabilized buildings benefited from tax exemptions. In addition, the value of the average tax exemption increased by 4.5%. This combination of an increase in the average value of tax exemptions and the number of buildings receiving exemptions resulted in owners' tax bills decreasing by 0.8%. (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 two-thirds of the Labor Costs component. The entire Labor Costs component comprises 16.2% of the overall Price Index.

Labor Costs rose 3.2%, compared to 3.8% in the previous year. The rise in Labor Costs was due to increases in union and non-union wages, as well as rises in healthcare and pension contributions.

Wages comprise three-quarters of the Labor Costs component. Non-union pay increased by 5.8%, 1.8 percentage points higher than the increase seen in the 2015 PIOC (4.0%). Unionized wages also rose, rising by 3.0%, a 0.3 percentage point increase from last year. A moderate (0.7%) increase in health and welfare benefits, which comprises more than 21% of the component, kept the overall increase from being higher.

Fuel



The Fuel component comprises 12.0% 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 heating multifamily buildings by fuel oil, natural gas, steam, and electricity.⁴

This year the Fuel component declined 41.2%,

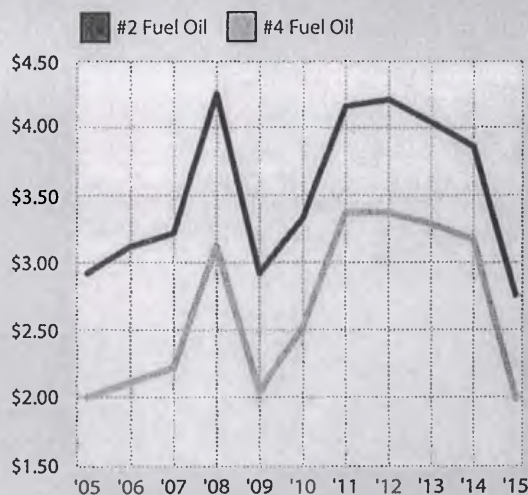
following a 21.0% decrease in the prior year. The cost for heating buildings by fuel oil makes up over two-thirds of this component. Fuel oil costs declined 45.5%. Natural gas costs, which account for 29% of this component, also declined, falling 31.6%. Steam costs fell 31.2%, but these costs only account for roughly three percent of the Fuel component.

As stated above, the fuel oil cost items carry the most weight in the Fuel component. The PIOC measured fuel oil prices from April to March and then compared them to the same months from the previous year. Over the past 12 months, fuel oil prices, which do not take weather into account, decreased by 30.9%. The price for #2 oil, which comprises about half of this component, fell by 27.4%. Prices for #4 heating oil, comprising 22% of this component, also declined, falling 38.6%. The cost of #6 oil, which has been phased out in New York City, was not calculated (see Methodology for more information).

The graph on this page demonstrates that inflation-adjusted fuel prices have both risen and fallen

Average Inflation-Adjusted Fuel Oil Prices per Gallon, 2005-2015

Average Fuel Oil Prices Have Fluctuated Over the Past Ten Years



Note: Prices are in constant 2015 dollars.
Source: NYC RGB Price Indices of Operating Costs, 2005-2016

Fuel Oil Cost Relatives vs. Change in Fuel Prices, 2007-2016

<i>PIOC Year</i>	<i>Fuel Oil Cost Relative*</i>	<i>Change in Fuel Oil Price**</i>
2016	-45.5%	-30.9%
2015	-23.4%	-22.5%
2014	7.8%	0.3%
2013	20.0%	2.9%
2012	1.6%	20.8%
2011	23.1%	20.3%
2010	0.5%	6.7%
2009	-10.1%	-16.9%
2008	37.4%	38.4%
2007	0.5%	-3.0%

* The Fuel Oil Cost Relative factors in the effect of weather on total fuel oil consumption. In months that are colder than the same month in the prior year, the weather factor will put upward pressure on the fuel oil relative. In months that are warmer than the same month in the prior year, downward pressure is placed on the Fuel Oil component.

** Weighted change in #2, #4 and #6 fuel oil prices. From 2016 forward, weighted change in #2 and #4 fuel only prices only.

Source: NYC RGB Price Indices of Operating Costs, 2007-2016

drastically over the past 10 years. Between calendar years 2014 and 2015, prices for #2 oil fell 28.5% in real terms, and prices for #4 oil fell 37.1%. The average price for all grades of fuel oil in calendar year 2015 was \$2.57 a gallon, which is a pure price that does not factor in weather. Adjusted for inflation, the average price in 2005 was \$2.75 a gallon. Prices for both #2 and #4 oil are at their lowest level in the past 10 years, with prices for all fuel grades 6.6% lower than 2005, and 36.2% lower than the 10-year high of \$4.03 in 2008.

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 fuel is burned. Since the weather this year was much warmer than last year, the decline in fuel oil costs was pushed lower than the drop in fuel oil prices, with prices falling 30.9%, but costs falling 45.5%. In years where the weather does not vary much from the prior year, the change in the cost of fuel oil is roughly equal to that of the change in price, such as in 2015. See the table on this page for a

comparison of the past ten years of fuel oil cost relatives to fuel oil prices.

Utilities



The Utilities component consists of non-heating natural gas and electricity costs, as well as water and sewer charges, and it comprises 11% of this year's Price Index. In the case of the gas and electricity items, changes in costs are measured using the PIOC specifications (e.g., the quantity of electricity and gas being purchased) and the changes in rate schedules. Water and sewer costs are based on rate adjustments set by the NYC Water Board and they account for over 70% of the Utilities component.

This year Utilities decreased 0.3%, compared to a 1.2% rise in the previous year. The decline in this component was driven by decreases in the cost of electricity and natural gas. Electricity costs, which account for more than 28% of the weight in this component, declined by 8.2%, while gas costs, which account for less than one percent of the Utilities component, fell 11.6%. But water and sewer charges, which account for more than 70% of the weight in the component, rose, by 3.0%.

Maintenance



The Maintenance component accounts for 16.7% of this year's Price Index. The Maintenance component rose 2.8%, slightly lower than last year's rise of 3.0%. Of the 39 expense items contained in this component, just three items account for more than half of its expenditure weight: Repainting, Plumbing (faucet), and Plumbing (stoppage). This year, painters' rates rose 3.4%. Combined plumbing rates increased at a slower pace, rising 1.6%. Painters and plumbers reported that increases in the cost of labor and materials were the primary factors that led to an increase in their rates.

Other price increases of note were boiler repairs (-0.3%), elevator contracts (6.7%) and roof repair (5.9%), which represent a total of six expense items

and account for 23% of this component. See Appendix 2 for the price relatives and expenditure weights for all Maintenance items.

Administrative Costs



Fees paid to management companies, accountants, and attorneys make up nearly this entire component. Following an expense survey in 2015, two new items, copy paper and post office boxes, were added to the component this year. This year, Administrative Costs rose 2.7%, lower than last year's rise of 3.9%. Administrative Costs comprise 12.7% of the PIOC.

A large portion of the growth in the Administrative Costs component can be attributed to a rise in management company fees (3.6%) that comprise just over half of this component (see Methodology for changes in the weighting of Administrative Costs items in 2016). Management fees are often tied to apartment rental income and are affected by changes in rents and vacancies. This year's growth is lower than last year's (4.2%), indicating that management companies decreased their fees and/or rents increased at a slower pace than last year. This smaller rise in management fees may also indicate that vacancies and/or collection losses in the buildings they manage increased compared to the previous year.

Accounting fees increased in this year's PIOC by 2.3%, lower than last year's rise of 3.1%. Attorney fees rose 2.4%, 1.6 percentage points lower than last year's growth of 4.0%.

Communications, which accounts for just over 6% of the Administrative Costs component, decreased 1.2%. The two new items, copy paper and P.O. boxes rose by 1.7% and 2.5%, respectively. (See Appendix 2.)

Insurance Costs



For the fifth consecutive year there was an increase in the Insurance Costs component, rising 8.2%, compared to last year's increase of 7.2%. Insurance Costs account for 4.9% of the PIOC.

Changes in insurance costs for owners varied by the amount of the policy. Policies that cost more than \$5,513, which represent half of all verified insurance quotes, saw an average increase in cost of 8.5% upon renewal. Meanwhile, buildings with policies of \$5,513 or less saw an increase of 6.8%.

PIOC by Building Type

The 1983 Expenditure Study provided a basis for calculating separate sets of expenditure weights for different types of buildings that contain rent stabilized units. In addition to the price index for apartments, the PIOC includes separate indices for buildings constructed before 1947 (pre-1947) and for buildings constructed in 1947 or later (post-1946), as well as gas-heated and oil-heated buildings. Although the expenditure weights for all rent stabilized buildings and for each of the four subcategories of buildings differ, the price changes are the same for each of the five indices. (See Appendices 2 and 3.)

Typically, buildings constructed before 1947 incur a lower percentage of operating and maintenance costs for property taxes and labor costs than post-1946 buildings, which rose 7.5% and 3.2%, respectively. However, their fuel costs for heating, which decreased by 41.2%, represent a significantly higher percentage of total operating and maintenance costs. As a result, costs in Pre-1947 buildings fell, with a PIOC of -2.2%, while cost rose in Post-1946 buildings, by 0.2%.

Indices were also calculated for different types of heating systems. These heating system indices differ from the price index for apartments because the expenditure weight for the Fuel component differs from index to index. Buildings heated with fuel oil witnessed a decline in overall costs, resulting in an Oil-Heated PIOC of -2.8%, primarily because cost of fuel oil dropped 45.5%. Similarly, Gas-heated buildings witnessed a significant decrease in natural gas costs of 31.6%, but the Fuel component carries less weight in the Gas-Heated index (10.1%) than the Oil-Heated index (14.2%). As a result the price index for Gas-Heated buildings witnessed a moderate increase of 0.5%.

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 that has amenities such as a front desk, maid or linen services; 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 reside separately and independently of other occupants in a single room.

The Price Index for all stabilized Hotels declined 3.8% this year, a 3.6 percentage point drop from the 0.2% fall in 2015. It is important to note that the Hotel PIOC was not re-weighted using the RPIE data. However, in order to maintain symmetry between indices, the expense items were aligned to the seven components now used in the Apartments PIOC. The realignment of the hotel expenditure items had no impact on the change in the overall PIOC, and would have still been -3.8% if the old components were used.

This year, the Hotel Fuel component declined 39.1%, due to significant declines in the cost of fuel oil and natural gas costs used for heating hotel buildings in NYC. The Fuel component accounts for nearly 20% of the entire Hotel Index. Five of the remaining six components witnessed cost increases, with Insurance having the highest rise of 8.2%, followed by Taxes at 7.3%. More moderate increases were seen in Labor Costs (4.3%), Maintenance (0.9%), and Administrative Costs (2.2%). Costs fell in the Utilities component, by 2.0%. See the table on this page for changes in costs and prices for all rent stabilized hotels from 2015-2016.

Among the different categories of Hotels, the index for "traditional" hotels decreased 1.1%, Rooming Houses fell 4.7%, and SROs fell by the greatest proportion, 11.7%. (See Appendices 4 and 7.)

Rent Stabilized Lofts

Similar to the Hotel Index, the Loft PIOC expenditure component weights were not reweighted using the RPIE data. However, the Loft expenditure items were placed into the seven components used in the Apartment PIOC, except for the Attorney Fees expense item, which has traditionally been its own, separate expense component. Therefore, the Loft Index has eight components. Because these items were not reweighted, just moved, the overall change in the Loft PIOC can be compared historically to past indices.

The decrease in the Loft Index this year was 0.3%, 0.7 percentage points lower than the 0.4% increase in 2015. Increases in costs were seen in seven of the eight components that make up this index. Insurance Costs witnessed the highest rise, increasing 8.2%, followed by increases in Taxes

Hotels

Change In Costs for Rent Stabilized Hotel Buildings, March 2015 to March 2016

Taxes	7.3%
Labor Costs	4.3%
Fuel	-39.1%
Utilities	-2.0%
Maintenance	0.9%
Administrative Costs	2.2%
Insurance Costs	8.2%
All Costs	-3.8%

Lofts

Change In Costs for Rent Stabilized Loft Buildings, March 2015 to March 2016

Taxes	7.5%
Labor Costs	3.7%
Fuel	-46.3%
Utilities	1.6%
Maintenance	2.7%
Admin Costs-Legal	2.4%
Admin Costs-Other	3.3%
Insurance Costs	8.2%
All Costs	-0.3%

of 7.5%. More moderate increases were seen in Utilities (1.6%) and Maintenance (2.7%). Labor Costs increased by 3.7%, Administrative Costs-Legal by 2.4%, and Administrative Costs-Other by 3.3%. These increases were offset by a decline in the Fuel component of 46.3%. See the table on the previous page and Appendix 8 for changes in costs and prices for all rent stabilized lofts from 2015-16.

The Core PIOC

The Core PIOC, which measures long-term local trends by factoring out shifts in fuel costs for heating rent stabilized buildings in NYC, rose 4.2% in 2016. The rise in the 2016 Core was 5.4 percentage points higher than the Apartment Index (-1.2%), and 0.6 percentage points higher than last year's core (3.6%). The Core PIOC rose at a higher pace than the overall PIOC because fuel costs, which were not used to calculate the Core, declined 41%.

PIOC Projections for 2017

Section 26-510 of the Rent Stabilization Law requires the Board to consider prevailing and projected operating and maintenance costs for buildings containing rent stabilized apartments. Projections for 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 March 2016, 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 Adjustments" section on the next page), 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

2017 Projections

Projected Change In Costs for Rent Stabilized Apartment Buildings, March 2016 to March 2017

Taxes	6.1%
Labor Costs	2.5%
Fuel	16.2%
Utilities	2.1%
Maintenance	2.3%
Administrative Costs	4.9%
Insurance Costs	5.0%

All Projected Costs 5.5%*

*See Endnote 5

in combination with these newer formulas in establishing guidelines.

Projecting changes in the PIOC has become more challenging in recent years. Energy prices — which represent about one-eighth of the market basket of operating costs measured in the index — have become increasingly volatile. Unpredictable geo-political events, recession and changing weather patterns are some of the forces behind large changes in fuel-related costs (heating fuel oil, electricity, gas and steam) that have in turn hindered the accuracy of the PIOC projections in recent studies. The tax component, which accounts for roughly a quarter of the entire Price Index, has also become harder to project due to changes in tax policy, such as tax rate reductions and changes to the City's tentative assessment roll, after the period covered in this Price Index.

This year, operating costs in rent stabilized apartment buildings decreased by 1.25%, versus last year's projected PIOC increase of 4.20%, a difference of 5.5 percentage points. The components that had the most impact in the disparity between actual changes in costs versus projected changes were Fuel and Utilities. Fuel prices were expected to be flat (0.0%), but actually fell 41.2% in 2016. Utilities, which were projected to rise by 2.6%, fell instead by 0.3%, a difference of 2.9 percentage points. The remaining 2016 projected components of the PIOC were all within 0.6 percentage points of the actual measured changes.

Overall, the PIOC is expected to grow by 5.5% from 2016 to 2017. Costs are predicted to rise in each component, with the largest growth, of 16.2%, projected to be in Fuel Costs. Taxes, which is the component that carries the most weight in the Index, is projected to increase 6.1%. Other projected increases include Insurance (5.0%), Labor Costs (2.5%), Maintenance (2.3%), Administrative Costs (4.9%) and Utilities (2.1%). The table on the previous page shows predicted changes in PIOC components for 2017. The core PIOC is projected to rise 4.0%, 1.5 percentage points lower than the overall projected Apartment PIOC.⁵

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 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 1.2% decrease in the PIOC is -1.9% for a one-year lease and 0% 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 -4.0% for one-year leases and -2.0% 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 0.3% increase in the Consumer Price Index (see Endnote 3) and the 1.2% decrease in the PIOC is -1.7% for a one-year lease and 0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are -3.75% for one-year leases and -2.0% for two-year leases.⁶

The “traditional” commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board. The “traditional” commensurate yields -0.8% for a one-year lease and 1.0% for a two-year lease. This reflects the decrease in operating costs of 1.2% found in the 2016 PIOC and the projection of a 5.5% 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 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 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.⁸

All of these methods have their limitations. The “traditional” commensurate formula is artificial and

Commensurates

"Net Revenue"
Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
-1.9%	0.0%

"Net Revenue"
Commensurate Adjustment
with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
-4.0%	-2.0%

"CPI-Adjusted NOI"
Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
-1.7%	0.0%

"CPI-Adjusted NOI"
Commensurate Adjustment
with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
-3.75%	-2.0%

"Traditional"
Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
-0.8%	1.0%

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 (-1.2%). 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 (5.5%). 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 *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.

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 gathered the missing information. Owners could complete the survey online. 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.⁹

The sample frame for the Owner Survey included over 40,000 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 nearly proportional

to the share of stabilized buildings in that borough. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample.

Roughly 10.4% of the questionnaires mailed out received a response, a higher rate than last year (8.9%). A total of 485 returned surveys contained usable information, from which quotes of owners' annual insurance costs (412), non-union labor quotes (147) and management fees (60) were validated. The number of verified prices in 2015 and 2016 for the Owner Survey is shown in Appendix 1.

Taxes

The buildings used to compute the 2016 tax price relative was developed by providing a list of rent stabilized properties registered with DHCR to the NYC Department of Finance. Finance "matched" this list against its records to provide data on assessed value, tax exemptions, and tax abatements for almost 39,000 buildings in FY 2015 and FY 2016. This data was used to compute a tax bill for each stabilized building in each of these fiscal years. The change computed for the PIOC is simply the percentage difference in aggregate tax bills for these buildings from FY 2015 to FY 2016.

Labor Costs

Approximately two-thirds of the Labor Costs component consists of the cost of unionized labor. Rate increases for unionized labor, including wage increases and health benefits, come directly from the contracts of unions that represent workers in rent stabilized apartment buildings and hotels. The cost of Social Security and unemployment insurance is obtained from the NYS Department of Labor and the Internal Revenue Service (IRS). Wage increases for non-union labor are obtained from the Owner Survey (see methodology above).

Fuel

The Fuel component consists of all types of fuel used for heating buildings, including oil, natural gas, electricity and steam.

Over two-thirds of this component is the cost of fuel oil. Fuel oil price information is gathered on a monthly basis via a telephone survey. A monthly survey makes it possible to keep in touch with fuel oil 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 oil quotes gathered this year for #2 and #4 oil is similar to last year and is contained in Appendix 1. Legislation passed in 2010 (Local Law 43) required building owners to phase out their use of #6 oil in favor of the relatively cleaner #2 and #4 oil, or natural gas, by June 30, 2015. As such, prices for #6 oil, although collected, were not used by staff and the weight of this item was redistributed to the other heating items (including gas and steam). 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 4) is a measure of heating requirements.

The Fuel component includes not only the cost of fuel oil, but also the cost to heat buildings with natural gas, electricity and steam. For these items, RGB staff calculates a hypothetical monthly bill for utilities based in part on supply rates, fuel adjustments, delivery charges, taxes, and other surcharges and fees. Bills are calculated based on typical usage in a multi-family building in New York City, an amount that remains constant from year to year. Because these items represent prices to heat buildings, monthly price data is adjusted to account for changes in weather. The price relatives for all items in the Fuel component were calculated by comparing the most recent 12-month period from April-March with the prior April-March period.

Utilities

The Utilities component consists of costs for non-heating electricity and natural gas, as well as water and sewer charges. RGB staff calculates a hypothetical monthly bill for electricity and natural gas based in part on supply rates, fuel adjustments, delivery charges,

taxes, and other surcharges and fees. Bills are calculated based on typical usage in a multi-family building in New York City, an amount that remains constant from year to year. The price relatives for electricity and natural gas items in the Utilities component were calculated by comparing the most recent 12-month period from April-March with the prior April-March period.

Water and sewer price changes are based on annual rate adjustments set by the NYC Water Board.

Maintenance

All prices for items in this component are obtained via a vendor survey. This survey is used to gather price quotes for items such as painting and other services performed by contractors; hardware and cleaning items (e.g., mops and floor polish); and appliances that need periodic replacement (e.g., refrigerators and stoves). Each year the vendor database is 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. Vendor quotes were obtained over the telephone and for non-service based items from both the telephone and websites that carry items in the PIOC's market basket of goods. A total of 595 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.

Administrative Costs

Management fees are obtained directly from building owners and managers, via the Owner Survey (see methodology above). Other expense items, such as accountant and attorney fees, are obtained via the Vendor Survey (see "Maintenance" section, above). For communications costs, because there are so many variations in types of plans for internet and phone service, staff relied on the national Consumer Price Index to obtain price changes for these items. Monthly price changes were obtained from the Bureau of Labor Statistics website and were calculated by comparing the most recent 12-month period from March-February with the prior March-February period. For a list of all

the expense items contained in the Administrative Costs component, see Appendix 1.

In 2015, as part of the Owner Survey sent to owners and management companies, respondents were asked for detailed information on their administrative costs. Respondents noted how much they spent in 2014 for items such as management, accounting, and attorney fees, as well as office supplies, equipment costs, communication services, and advertising. Based on the results of this survey, individual items within the Administrative Costs component were reweighted, the item of "Leases" was removed from the component, and two new Administrative items, copy paper and P.O. Boxes were added. See Appendix 2 for the 2016 weights for each of these items.

Insurance Costs

The Owner Survey (discussed above) asks owners to provide information about their current and prior year's insurance policies. Temporary workers call the relevant insurance agents/brokers to verify this information. Only verified insurance costs are included in the PIOC.

Price Index Projections

The PIOC Projections are estimated by using data from federal, state and local agencies; estimates from industry experts; and trend forecasting using three-year or long-term averages. This year projections are based on the time period from April 2016 to March 2017.

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2017 along with estimates of how the final PIOC tax index has compared to the change in the tentative assessment roll over the last decade. These estimates produce a projected tax cost for the owners of rental properties. Labor costs are projected by calculating the average wage increase of the most recent labor contracts for apartment workers union Local 32-BJ and a ten-year geometric average of all other Labor items. Fuel oil 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 as if the coming year’s weather had the five-year average number of Heating Degree Days.¹⁰

The other components — Administrative Costs, Insurance Costs, and Maintenance — are projected by using three-year geometric averages of the component price relatives.

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Endnotes

1. The I&E data provide a more current estimate of changes in O&M costs for all stabilized units than the PIOC data, with the PIOC diverging more from the I&E data over time. Evidence suggests that a major cause is old baseline data on expenditures. For a complete analysis, see *Comparing the Price Index of Operating Costs (PIOC) and the RGB Income and Expense Study* by Dr. James F. Hudson, dated March 21, 2014 under Special Reports and Briefs at <http://nycrgb.org/html/research/cresearch.html>
2. As with any data collection effort, there are some concerns with data quality and accuracy. However, these reported expenses are close to the actual O&M costs for the reporting buildings, and are more representative of owner expenditure patterns than the pattern used in the previous PIOC, which were based on a survey conducted in 1983. In general, the I&E data is representative of actual expense changes from 2014, at least for the buildings with 11 or more units which must submit full RPIE reports annually.
3. The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2014 to February 2015 (260.1) compared to the average for the year from March 2015 to February 2016 (260.9) rose by 0.3%. 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.
4. The cost-weight relatives are calculated on an April to March time period. The April 2015 to March 2016 time period was 22.1%

warmer than the previous April to March period. “Normal” weather refers to the typical number of Heating Degree Days measured at Central Park, New York City, over the 30-year period from 1981-2010. 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.

5. The initial release of this report, on April 14, 2016, reported a 2017 PIOC Projection of 4.5%. This projection has since been updated, to 5.5%. The discrepancy was due to an incorrect projection of the tax component of the PIOC, which was originally projected to rise 2.6%, but is now projected to rise 6.1%. The initial calculation of this component did not include taxable assessed valuations from Class 2 buildings in Brooklyn, which resulted in an artificially low projection. The incorrect projection of the tax component, which carries a quarter of the weight on the entire PIOC, resulted in an overall projection of costs that was one percentage point lower than the revised projection. In addition, the projected Core PIOC for 2017 also increased from what was originally reported, rising from 2.9% to 4.0%. Please note that all other projected change in costs for the remaining six components are the same as reported in the original report.
6. The following assumptions were used in the computation of the commensurates: (1) the required change in owner revenue is 66.0% of the 2016 PIOC decrease of -1.2%, or -0.8%. The 66.0% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.0% times the latest 12-month increase in the CPI ending February 2015 (0.3%), or 0.1%; (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 2014 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 10.0% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2015 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.
7. The “traditional” commensurate adjustment for two-year lease renewals has been revised since the initial release of this report on April 14, 2016. In the initial report, the 2017 PIOC projection of 4.5%, which was used in calculating the “traditional” commensurate, was calculated incorrectly. The corrected projection is 5.5% and it is used to calculate the “traditional” commensurate in this report. This has resulted in raising the “traditional” commensurate two-year lease renewal from 0.7% to 1.0%. The one-year lease renewal for the “traditional” commensurate was not impacted by this revision because the PIOC projection is not used to calculate the one-year adjustment. It remains at -0.8%. The collectability of legally authorized adjustments is assumed.
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. In an attempt to update the PIOC, this year an expenditure survey for Fuel Costs was included in the Owner Survey. The results of this survey were not used to reweight the expense items in the Fuel Costs this year but should be incorporated in next year’s PIOC. Each year staff will try to update a different PIOC expense component via the Owner Survey.
10. Source: “Short-Term Energy Outlook,” March 2016. U.S. Energy Information Administration, Department of Energy.

Appendices

1. PIOC Sample, Number of Price Quotes per Item, 2015 vs. 2016

Spec	Description	2015	2016	Spec	Description	2015	2016
211	Apartment Value	87	110	810	Linens	11	11
212	Non-Union Super	82	93	811	Pine Disinfectant	9	10
216	Non-Union Janitor/Porter	39	54	812	Window/Glass Cleaner	8	10
	LABOR COSTS	208	257	813	Switch Plate	7	13
301	Fuel Oil #2	31	31	814	Duplex Receptacle	8	9
302	Fuel Oil #4	10	10	815	Toilet Seat	12	12
303	Fuel Oil #6	9	N/A	816	Deck Faucet	11	14
	FUEL OIL	50	41	901	Refrigerator #1	9	13
501	Repainting	123	121	902	Refrigerator #2	10	12
502	Plumbing, Faucet	34	34	903	Air Conditioner #1	5	9
503	Plumbing, Stoppage	31	32	904	Air Conditioner #2	7	9
504	Elevator #1, 6 fl., 1 e.	11	10	905	Floor Runner	10	6
505	Elevator #2, 13 fl., 2 e.	11	10	906	Dishwasher	7	12
506	Elevator #3, 19 fl., 3 e.	11	10	907	Range #1	10	12
507	Burner Repair	10	10	908	Range #2	9	11
508	Boiler Repair, Tube	8	11	909	Carpet	8	10
509	Boiler Repair, Weld	6	9	910	Dresser	5	5
510	Refrigerator Repair	8	8	911	Mattress & Box Spring	5	6
511	Range Repair	10	10		MAINTENANCE	553	595
512	Roof Repair	24	22	601	Management Fees	71	60
513	Air Conditioner Repair	6	7	602	Accountant Fees	25	25
514	Floor Maint. #1, Studio	8	8	603	Attorney Fees	21	21
515	Floor Maint. #2, 1 Br.	8	8	604	Newspaper Ads	18	18
516	Floor Maint. #3, 2 Br.	8	8	607	Bill Envelopes	10	12
518	Linen/Laundry Service	5	6	608	P.O. Box	--	10
801	Light Bulbs	7	6	609	Copy Paper	--	12
802	Light Switch	6	7		ADMINISTRATIVE COSTS	150	158
803	Wet Mop	10	10	701	INSURANCE COSTS	328	412
804	Floor Wax	7	10		ALL ITEMS	1,289	1,463
805	Paint	11	11				
806	Pushbroom	10	11				
807	Detergent	7	8				
808	Bucket	12	11				
809	Washers	10	13				

(CONTINUED, TOP RIGHT)

NOTE: Specs 608 and 609 are newly added for 2016. Specs 303 (Fuel Oil #6) and 606 (Leases) were removed.

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2016

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.2665	1.0749	7.49%	0.0409	801	Light Bulbs	0.0038	0.9967	-0.33%	1.3089
201	Payroll, Bronx, All (Union)	0.0954	1.0394	3.94%	0.0000	802	Light Switch	0.0044	1.0965	9.65%	5.9324
202	Payroll, Other, Union, Supts.	0.0996	1.0233	2.33%	0.0000	803	Wet Mop	0.0036	1.0389	3.89%	3.1668
203	Payroll, Other, Union, Other	0.2482	1.0299	2.99%	0.0000	804	Floor Wax	0.0041	0.9681	-3.19%	1.6332
204	Payroll, Other, Non-Union, All	0.2913	1.0580	5.80%	0.0000	805	Paint	0.0266	1.0149	1.49%	0.9367
205	Social Security Insurance	0.0424	1.0337	3.37%	0.0000	806	Pushbroom	0.0032	1.0551	5.51%	4.2417
206	Unemployment Insurance	0.0068	0.7728	-22.72%	0.0000	807	Detergent	0.0034	1.0301	3.01%	4.4189
207	Private Health & Welfare	0.2164	1.0072	0.72%	0.0000	808	Bucket	0.0046	1.0693	6.93%	6.4439
	LABOR COSTS	0.1621	1.0318	3.18%	0.0000	809	Washers	0.0088	0.8674	-13.26%	12.7604
301	Fuel Oil #2	0.4707	0.5712	-42.88%	0.7680	811	Pine Disinfectant	0.0059	1.2131	21.31%	9.1976
302	Fuel Oil #4	0.2171	0.4876	-51.24%	1.1254	812	Window/Glass Cleaner	0.0054	0.9902	-0.98%	0.9584
403	Electricity #3, 82,000 KWH	0.0000	0.6850	-31.50%	0.0000	813	Switch Plate	0.0048	1.0023	0.23%	1.0406
405	Gas #2, 65,000 therms	0.0544	0.6904	-30.96%	0.0000	814	Duplex Receptacle	0.0031	0.9916	-0.84%	1.2358
406	Gas #3, 214,000 therms	0.2324	0.6830	-31.70%	0.0000	815	Toilet Seat	0.0109	1.0042	0.42%	2.1406
407	Steam #1, 1.2m lbs	0.0193	0.6933	-30.67%	0.0000	816	Deck Faucet	0.0133	0.9880	-1.20%	1.1178
408	Steam #2, 2.6m lbs	0.0060	0.6706	-32.94%	0.0000	901	Refrigerator #1	0.0041	1.0044	0.44%	2.0567
	FUEL	0.1198	0.5885	-41.15%	0.4363	902	Refrigerator #2	0.0192	1.0663	6.63%	3.4357
401	Electricity #1, 2,500 KWH	0.0243	0.8904	-10.96%	0.0000	903	Air Conditioner #1	0.0007	1.0608	6.08%	2.6842
402	Electricity #2, 15,000 KWH	0.2592	0.9208	-7.92%	0.0000	904	Air Conditioner #2	0.0009	1.0000	0.00%	0.0000
404	Gas #1, 12,000 therms	0.0076	0.8842	-11.58%	0.0000	905	Floor Runner	0.0037	1.0197	1.97%	2.4283
410	Water & Sewer	0.7089	1.0297	2.97%	0.0000	906	Dishwasher	0.0021	1.0210	2.10%	1.5368
	UTILITIES	0.1087	0.9970	-0.30%	0.0000	907	Range #1	0.0021	0.9929	-0.71%	1.0476
501	Repainting	0.3323	1.0339	3.39%	0.7321	908	Range #2	0.0089	0.9975	-0.25%	0.8651
502	Plumbing, Faucet	0.1180	1.0152	1.52%	0.6925		MAINTENANCE	0.1667	1.0278	2.78%	0.3887
503	Plumbing, Stoppage	0.1044	1.0168	1.68%	0.7062	601	Management Fees	0.5209	1.0355	3.55%	0.9242
504	Elevator #1, 6 fl., 1 e.	0.0446	1.0821	8.21%	4.2661	602	Accountant Fees	0.1254	1.0232	2.32%	0.8441
505	Elevator #2, 13 fl., 2 e.	0.0284	1.0552	5.52%	2.6896	603	Attorney Fees	0.2154	1.0242	2.42%	1.6326
506	Elevator #3, 19 fl., 3 e.	0.0160	1.0460	4.60%	2.7769	604	Newspaper Ads	0.0110	1.0142	1.42%	1.1865
507	Burner Repair	0.0334	1.0072	0.72%	0.7497	607	Bill Envelopes	0.0224	0.9843	-1.57%	2.0842
508	Boiler Repair, Tube	0.0424	0.9885	-1.15%	1.5324	608	P.O. Box	0.0224	1.0249	2.49%	0.7584
509	Boiler Repair, Weld	0.0366	1.0079	0.79%	0.7564	609	Copy Paper	0.0224	1.0166	1.66%	4.3845
510	Refrigerator Repair	0.0109	1.0305	3.05%	2.0303	409	Communications*	0.0603	0.9882	-1.18%	0.0000
511	Range Repair	0.0100	1.0169	1.69%	1.1437		ADMINISTRATIVE COSTS	0.1272	1.0266	2.66%	0.6155
512	Roof Repair	0.0650	1.0589	5.89%	1.9380	701	INSURANCE COSTS	0.0489	1.0822	8.22%	2.1017
513	Air Conditioner Repair	0.0068	1.0025	0.25%	0.2471		ALL ITEMS	1.0000	0.98754	-1.25%	0.1541
514	Floor Maint. #1, Studio	0.0002	1.0000	0.00%	0.0000						
515	Floor Maint. #2, 1 Br.	0.0004	1.0000	0.00%	0.0000						
516	Floor Maint. #3, 2 Br.	0.0033	1.0000	0.00%	0.0000						

*Spec 409, "Communications," was labeled as "Telephone" in PIOC's prior to 2015, and included only the cost of landline telephone service. It now includes the cost of internet, cell, and landline phone service.

NOTE: Specs 608 and 609 are newly added for 2016. Specs 303 (Fuel Oil #6) and 606 (Leases) were removed.

3. Price Relative by Building Type, Apartments, 2016

Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated
TAXES	7.6%	7.3%	7.5%	7.5%
LABOR COSTS	3.6%	2.7%	3.3%	3.2%
FUEL	-41.8%	-38.5%	-32.9%	-44.6%
UTILITIES	0.1%	-1.1%	-0.5%	-0.3%
MAINTENANCE	2.8%	2.9%	2.7%	2.8%
ADMINISTRATIVE COSTS	2.6%	2.8%	2.7%	2.7%
INSURANCE COSTS	8.2%	8.2%	8.2%	8.2%
ALL ITEMS	-2.2%	0.2%	0.5%	-2.8%

4. Price Relative by Hotel Type, 2016

Item Description	Hotel	Rooming House	SRO
TAXES	7.8%	6.6%	7.0%
LABOR COSTS	4.1%	4.2%	4.6%
FUEL	-38.6%	-42.9%	-38.3%
UTILITIES	0.5%	-5.5%	-1.7%
MAINTENANCE	0.6%	1.0%	1.1%
ADMINISTRATIVE COSTS	2.0%	2.7%	2.7%
INSURANCE COSTS	8.2%	8.2%	8.2%
ALL ITEMS	-1.1%	-4.7%	-11.7%

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2016

	% 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	7.39%	-0.57%	-0.01%	0.21%	0.01%	7.03%
Bronx	8.62%	-2.22%	-0.15%	0.23%	0.01%	6.50%
Brooklyn	10.33%	-1.33%	0.06%	0.22%	0.02%	9.30%
Queens	8.63%	-0.44%	0.04%	0.22%	0.02%	8.47%
SI	5.99%	-1.02%	-0.26%	0.22%	0.01%	4.94%
All Apartments	8.01%	-0.78%	0.03%	0.21%	0.02%	7.49%
HOTELS						
Hotel	9.36%	-1.45%	0.00%	-0.15%	-0.01%	7.75%
Rooming House	6.38%	-0.01%	0.00%	0.23%	0.00%	6.60%
SRO	7.15%	-0.42%	0.16%	0.06%	0.01%	6.96%
All Hotels	8.21%	-0.90%	0.05%	-0.03%	0.00%	7.33%

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2016

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		12,365	7.03%		7	979	6.94%		17	623	11.43%
					8	348	6.78%		18	88	11.62%
	1	81	12.87%		9	325	4.92%	Queens			
	2	1,101	8.12%		10	215	6.05%			6,909	8.47%
	3	1,582	7.33%		11	325	8.32%		1	1,981	8.62%
	4	944	5.11%		12	491	7.87%		2	887	8.82%
	5	273	8.57%						3	473	9.24%
	6	821	5.97%	Brooklyn		13,082	9.30%	4	447	8.99%	
	7	1,709	7.56%		1	1,631	8.00%	5	1,202	6.46%	
	8	1,916	6.29%		2	623	10.42%	6	321	7.68%	
	9	752	8.51%		3	1,021	7.35%	7	463	9.67%	
	10	1,005	6.00%		4	1,368	3.39%	8	228	8.68%	
	11	712	6.56%		5	429	3.82%	9	224	9.08%	
12	1,462	8.72%	6		921	8.75%	10	51	5.85%		
Lower	7,966	6.83%	7		893	9.44%	11	126	9.41%		
Upper	4,399	8.26%	8		999	7.47%	12	190	9.09%		
Bronx		5,878	6.50%		9	569	11.36%	13	58	3.52%	
	1	433	4.53%		10	792	7.87%	14	185	8.38%	
	2	286	-5.15%		11	700	9.55%	Staten Island		173	4.94%
	3	395	1.36%	12	614	8.48%	1		121	2.05%	
	4	757	6.90%	13	168	8.80%	2		25	11.76%	
	5	724	6.83%	14	888	10.55%	3		23	14.04%	
	6	575	7.99%	15	370	8.61%	ALL		38,407	7.49%	
			16	374	11.71%						

Note: No Community Board (CB) could be assigned to the following number of buildings for each borough: Manhattan (7), Bronx (25), Brooklyn (11), Queens (73), Staten Island (4). The number of buildings in the category "ALL" for each borough includes the buildings that could not be assigned a Community Board. In addition, one building in Manhattan is a part of Community Board 8 in the Bronx. This building is not included in the total for CB 8 in the Bronx, but is represented in the Manhattan total and the total for "ALL" buildings. 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, 2016

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.3673	1.0733	7.33%	0.5251	518	Linen/Laundry Service	0.1172	1.0167	1.67%	1.7274
205	Social Security Insurance	0.0496	1.0337	3.37%	0.0000	801	Light Bulbs	0.0047	1.0313	3.13%	3.1789
206	Unemployment Insurance	0.0141	0.7728	-22.72%	0.0000	802	Light Switch	0.0050	0.9967	-0.33%	1.3089
208	Hotel Private Health/Welfare	0.0551	1.0560	5.60%	0.0000	803	Wet Mop	0.0128	1.0965	9.65%	5.9324
209	Hotel Union Labor	0.3194	1.0400	4.00%	0.0000	804	Floor Wax	0.0155	1.0389	3.89%	3.1668
210	SRO Union Labor	0.0125	1.0400	4.00%	0.0000	805	Paint	0.0443	0.9681	-3.19%	1.6332
211	Apartment Value	0.1185	1.0282	2.82%	0.5009	806	Pushbroom	0.0109	1.0149	1.49%	0.9367
212	Non-Union Superintendent	0.3045	1.0631	6.31%	1.2326	807	Detergent	0.0138	1.0551	5.51%	4.2417
213	Non-Union Maid	0.0000	0.0000	NA	0.0000	808	Bucket	0.0170	1.0301	3.01%	4.4189
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000	809	Washers	0.0134	1.0693	6.93%	6.4439
215	Non-Union Maintenance Worker	0.0000	0.0000	NA	0.0000	810	Linens	0.0675	0.8674	-13.26%	12.7604
216	Non-Union Janitor/Porter	0.1264	1.0470	4.70%	0.0000	811	Pine Disinfectant	0.0070	1.1057	10.57%	7.3402
	LABOR COSTS	0.1403	1.0433	4.33%	0.3800	812	Window/Glass Cleaner	0.0064	1.2131	21.31%	9.1976
301	Fuel Oil #2	0.6433	0.5712	-42.88%	0.7680	813	Switch Plate	0.0171	0.9902	-0.98%	0.9584
302	Fuel Oil #4	0.0162	0.4876	-51.24%	1.1254	814	Duplex Receptacle	0.0114	1.0023	0.23%	1.0406
403	Electricity #3, 82,000 KWH	0.2080	0.6850	-31.50%	0.0000	815	Toilet Seat	0.0164	0.9916	-0.84%	1.2358
405	Gas #2, 65,000 therms	0.0244	0.6904	-30.96%	0.0000	816	Deck Faucet	0.0202	1.0042	0.42%	2.1406
406	Gas #3, 214,000 therms	0.1077	0.6830	-31.70%	0.0000	901	Refrigerator #1	0.0025	0.9880	-1.20%	1.1178
407	Steam #1, 1.2m lbs	0.0003	0.6933	-30.67%	0.0000	902	Refrigerator #2	0.0119	1.0044	0.44%	2.0567
	FUEL	0.1946	0.6085	-39.15%	0.4944	903	Air Conditioner #1	0.0069	1.0663	6.63%	3.4357
401	Electricity #1, 2,500 KWH	0.1615	0.8904	-10.96%	0.0000	904	Air Conditioner #2	0.0085	1.0608	6.08%	2.6842
402	Electricity #2, 15,000 KWH	0.1457	0.9208	-7.92%	0.0000	907	Range #1	0.0012	1.0210	2.10%	1.5368
404	Gas #1, 12,000 therms	0.0780	0.8842	-11.58%	0.0000	908	Range #2	0.0050	0.9929	-0.71%	1.0476
410	Water & Sewer	0.6148	1.0297	2.97%	0.0000	909	Carpet	0.0402	0.9975	-0.25%	0.8651
	UTILITIES	0.0499	0.9800	-2.00%	0.0000	910	Dresser	0.0191	1.0113	1.13%	2.9477
501	Repainting	0.1305	1.0339	3.39%	0.7321	911	Mattress & Box Spring	0.0190	0.8648	-13.52%	7.4831
502	Plumbing, Faucet	0.0526	1.0152	1.52%	0.6925		MAINTENANCE	0.1157	1.0087	0.87%	0.1619
503	Plumbing, Stoppage	0.0493	1.0168	1.68%	0.7062	601	Management Fees	0.5434	1.0355	3.55%	0.9242
504	Elevator #1, 6 fl., 1 e.	0.0215	1.0821	8.21%	4.2661	602	Accountant Fees	0.0602	1.0232	2.32%	0.8441
505	Elevator #2, 13 fl., 2 e.	0.0189	1.0552	5.52%	2.6896	603	Attorney Fees	0.0859	1.0242	2.42%	1.6326
506	Elevator #3, 19 fl., 3 e.	0.0174	1.0460	4.60%	2.7769	604	Newspaper Ads	0.0865	1.0142	1.42%	1.1865
507	Burner Repair	0.0172	1.0072	0.72%	0.7497	607	Bill Envelopes	0.0057	0.9843	-1.57%	2.0842
508	Boiler Repair, Tube	0.0197	0.9885	-1.15%	1.5324	608	P.O. Box	0.0057	1.0249	2.49%	0.7584
509	Boiler Repair, Weld	0.0201	1.0079	0.79%	2.0303	609	Copy Paper	0.0057	1.0166	1.66%	4.3845
511	Range Repair	0.0826	1.0169	1.69%	1.1437	409	Communications*	0.2069	0.9882	-1.18%	0.0000
512	Roof Repair	0.0207	1.0589	5.89%	1.9380		ADMINISTRATIVE COSTS	0.0916	1.0217	2.17%	0.5346
513	Air Conditioner Repair	0.0246	1.0025	0.25%	0.2471	701	INSURANCE COSTS	0.0407	1.0822	8.22%	2.1017
514	Floor Maint. #1, Studio	0.0005	1.0000	0.00%	0.0000		ALL ITEMS	1.0000	0.9622	-3.78%	0.2662
515	Floor Maint. #2, 1 Br.	0.0010	1.0000	0.00%	0.0000						
516	Floor Maint. #3, 2 Br.	0.0088	1.0000	0.00%	0.0000						

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*Spec 409, "Communications," was labeled as "Telephone" in PIOC's prior to 2015, and included only the cost of landline telephone service. It now includes the cost of internet, cell, and landline phone service.

NOTE: Specs 608 and 609 are newly added for 2016. Specs 303 (Fuel Oil #6) and 606 (Leases) were removed.

8. Expenditure Weights and Price Relatives, Lofts, 2016

Spec #	Item Description	Weights	Price Relative	Spec #	Item Description	Weights	Price Relative
101	TAXES	0.2942	7.49%	801	Light Bulbs	0.0061	-0.33%
201	Payroll, Bronx, All	0.0000	3.94%	802	Light Switch	0.0070	9.65%
202	Payroll, Other, Union, Supts.	0.2394	2.33%	803	Wet Mop	0.0058	3.89%
203	Payroll, Other, Union, Other	0.0000	2.99%	804	Floor Wax	0.0066	-3.19%
204	Payroll, Other, Non-Union, All	0.5332	5.80%	805	Paint	0.0428	1.49%
205	Social Security Insurance	0.0403	3.37%	806	Pushbroom	0.0051	5.51%
206	Unemployment Insurance	0.0073	-22.72%	807	Detergent	0.0055	3.01%
207	Private Health & Welfare	0.1798	0.72%	808	Bucket	0.0074	6.93%
	LABOR COSTS	0.0861	3.7%	809	Washers	0.0142	-13.26%
301	Fuel Oil #2	0.2980	-42.88%	811	Pine Disinfectant	0.0094	21.31%
302	Fuel Oil #4	0.5782	-51.24%	812	Window/Glass Cleaner	0.0087	-0.98%
403	Electricity #3, 82,000 KWH	0.0000	-31.50%	813	Switch Plate	0.0076	0.23%
405	Gas #2, 65,000 therms	0.0281	-30.96%	814	Duplex Receptacle	0.0050	-0.84%
406	Gas #3, 214,000 therms	0.0765	-31.70%	815	Toilet Seat	0.0174	0.42%
407	Steam #1, 1.2m lbs	0.0146	-30.67%	816	Deck Faucet	0.0214	-1.20%
408	Steam #2, 2.6m lbs	0.0045	-32.94%	901	Refrigerator #1	0.0121	0.44%
	FUEL	0.1120	-46.3%	902	Refrigerator #2	0.0575	6.63%
401	Electricity #1, 2,500 KWH	0.0102	-10.96%	903	Air Conditioner #1	0.0020	6.08%
402	Electricity #2, 15,000 KWH	0.1093	-7.92%	904	Air Conditioner #2	0.0026	0.00%
404	Gas #1, 12,000 therms	0.0032	-11.58%	905	Floor Runner	0.0111	1.97%
410	Water & Sewer - Frontage	0.8773	2.97%	906	Dishwasher	0.0062	2.10%
	UTILITIES	0.0699	1.59%	907	Range #1	0.0063	-0.71%
501	Repainting	0.2749	3.39%	908	Range #2	0.0267	-0.25%
502	Plumbing, Faucet	0.0977	1.52%		MAINTENANCE	0.0929	2.72%
503	Plumbing, Stoppage	0.0864	1.68%		ADMINISTRATIVE COSTS - LEGAL	0.0618	2.42%
504	Elevator #1, 6 fl., 1 e.	0.0369	8.21%	601	Management Fees	0.8315	3.55%
505	Elevator #2, 13 fl., 2 e.	0.0235	5.52%	602	Accountant Fees	0.1321	2.32%
506	Elevator #3, 19 fl., 3 e.	0.0132	4.60%	604	Newspaper Ads	0.0098	1.42%
507	Burner Repair	0.0276	0.72%	607	Bill Envelopes	0.0065	-1.57%
508	Boiler Repair, Tube	0.0350	-1.15%	608	P.O. Box	0.0065	2.49%
509	Boiler Repair, Weld	0.0304	0.79%	609	Copy Paper	0.0065	1.66%
510	Refrigerator Repair	0.0090	3.05%	409	Communications*	0.0070	-1.18%
511	Range Repair	0.0083	1.69%		ADMINISTRATIVE COSTS - OTHER	0.0913	3.28%
512	Roof Repair	0.0537	5.89%	701	INSURANCE COSTS	0.1919	8.22%
513	Air Conditioner Repair	0.0056	0.25%		ALL ITEMS	1.0000	-0.27%
514	Floor Maint. #1, Studio	0.0002	0.00%				
515	Floor Maint. #2, 1 Br.	0.0003	0.00%				
516	Floor Maint. #3, 2 Br.	0.0027	0.00%				

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*Spec 409, "Communications," was labeled as "Telephone" in PIOC's prior to 2015, and included only the cost of landline telephone service. It now includes the cost of internet, cell, and landline phone service.

NOTE: Specs 608 and 609 are newly added for 2016. Specs 303 (Fuel Oil #6) and 606 (Leases) were removed.

EXHIBIT D

2016 Income and Expense Study

April 7, 2016

Board Members

Chair:

Hon. Kathleen A. Roberts (Ret.)

Public Members:

Steven Flax

Cecilia Joza

K. Sabeel Rahman

Helen Schaub

Owner Members:

Mary Serafy

Scott Walsh

Tenant Members:

Harvey Epstein

Sheila Garcia

Staff Members

Executive Director:

Andrew McLaughlin

Research Director:

Brian Hoberman

Sr. Research Associate:

Danielle Burger

Office Manager:

Charmaine Superville

2016 Income and Expense Study

What's New

From 2013 to 2014, Net Operating Income (revenue remaining after operating expenses are paid) grew 3.5%. This is the **tenth** consecutive year that net operating income has increased.

On average, in stabilized buildings, from 2013-2014:

- ✓ Rental income increased by 4.8%.
- ✓ Total income rose by 4.9%.
- ✓ Operating costs increased by 5.6%.
- ✓ Net operating income (NOI) grew by 3.5%.

Introduction

As required by the Rent Stabilization Law, the Rent Guidelines Board (RGB) has analyzed the cost of operating and maintaining rental housing in New York City since 1969, as part of the process of establishing rent adjustments for stabilized apartments. Historically, the Board's primary instrument for measuring changes in prices and costs has been the Price Index of Operating Costs (PIOC), a survey of prices and costs for various goods and services required to operate and maintain rent stabilized apartment buildings.

In 1990, the RGB acquired a new data source that enabled researchers to compare PIOC-measured prices and costs with those reported by owners: Real Property Income and Expense (RPIE) statements from rent stabilized buildings collected by the NYC Department of Finance. These Income and Expense (I&E) statements, filed annually by property owners, provide detailed information on the revenues and costs of income-producing properties. The addition of I&E statements has greatly expanded the information base used in the rent setting process. I&E statements not only describe conditions in rent stabilized housing in a given year, but also depict changes in conditions over a two-year period. Most importantly, I&E data encompasses both revenue and expenses, allowing the Board to more accurately gauge the overall economic condition of New York City's rent stabilized housing stock.

These findings examine the conditions that existed in New York's rent stabilized housing market in 2014, the year for which the most recent data is available, and also the extent by which these conditions changed from 2013.

Local Law 63

The income and expense data for stabilized properties originates from Local Law 63, enacted in 1986. This statute requires owners of apartment buildings and other properties to file RPIE statements with the NYC Department of Finance annually. While certain types of properties are exempt from filing RPIE forms (cooperatives, condominiums, most residential-only buildings with fewer than 11 units or with an assessed value under \$40,000), the mandate produces detailed financial records on thousands of rent stabilized buildings. Although information on individual properties is strictly confidential, the NYC Department of Finance is allowed to release summary statistics of the data to the RGB.

Since 1990, the RGB has received data on samples of rent stabilized properties that file RPIE forms. Samples in the first two studies (data for 1988 and 1989) were limited to 500 buildings, because RPIE files were not automated. Upon computerization of I&E filings in 1992 (for cross-sectional data from 1990 and longitudinal data from 1989-90), the size of the samples used in RGB I&E studies has grown and this year includes 15,525 properties containing 698,801 units.

Cross-Sectional Study

Rents and Income¹

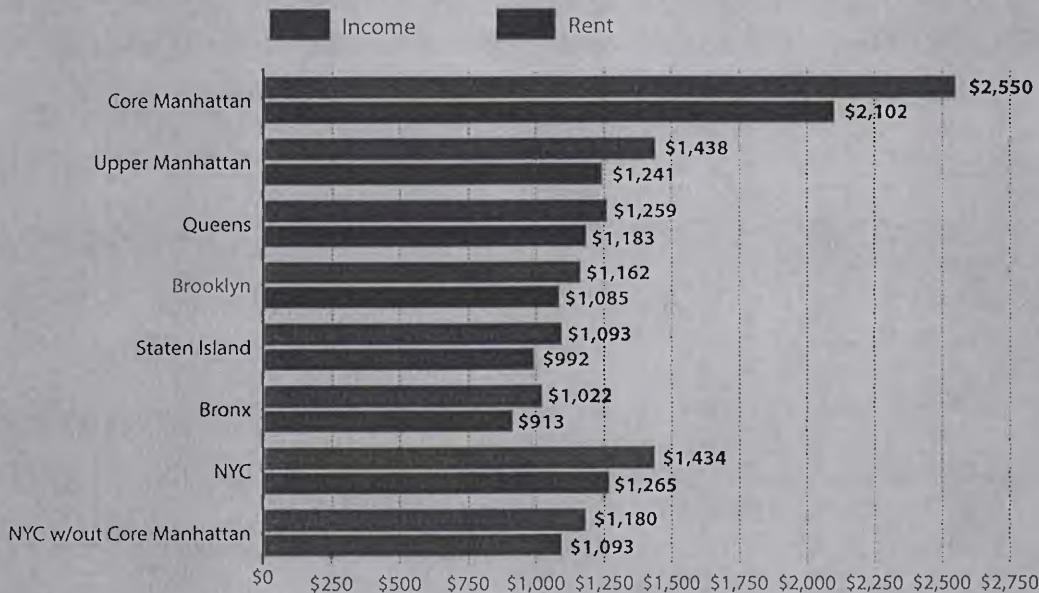
In 2014, rent stabilized property owners collected monthly rent averaging \$1,265 per unit. Similar to prior years, units in pre-war buildings rented for less on average (\$1,186 per month) than those in post-war buildings (\$1,474 per month).² At the borough level, the average monthly rents in stabilized buildings were \$1,758 in Manhattan (\$2,102 in Core Manhattan and \$1,241 in Upper Manhattan); \$1,183 in Queens; \$1,085 in Brooklyn; \$992 in Staten Island; and \$913 in the Bronx. Average monthly rent per unit in the City, excluding Core Manhattan, was \$1,093.

Looking at *median* figures, the median rent Citywide was \$1,090. At the borough level, median monthly rent was \$1,492 in Manhattan; \$1,143 in Queens; \$1,014 in Brooklyn; \$958 in Staten Island; and \$899 in the Bronx.

Many owners of stabilized buildings augment income from their apartment rents by selling services to their tenants as well as by renting commercial space. Current RPIE filings show an average monthly gross income of \$1,434 per unit in 2014, with pre-war buildings earning \$1,347 per unit and those in post-war properties earning \$1,663 per unit. Gross income was highest in Core Manhattan, at \$2,550 per unit per month, and lowest in the Bronx, at \$1,022. Monthly income per unit in the City, excluding Core Manhattan, was \$1,180. These gross income figures encompass rent from stabilized apartments as well as the sale of services (e.g., laundry, parking) and commercial income (e.g., retail, cell towers, billboards). Such proceeds accounted for an 11.8% share of the total income earned by building owners in 2014, up from 11.6% the prior year. By borough, income earned from the sale of services was 16.5% in Manhattan (17.6% in Core Manhattan and 13.7% in Upper Manhattan); 10.7% in the Bronx; 9.2% in Staten Island; 6.7% in

Average Monthly Collected Rent/Income per Dwelling Unit by Borough*

Rent and Income Were Highest in Manhattan in 2014



* See endnote 1

Note: Core Manhattan represents the area south of W 110th and E 96th Streets.

Upper Manhattan is the remainder of the borough.

Source: NYC Department of Finance, 2014 RPIE Data

Brooklyn; and 6.1% in Queens. The graph on the previous page shows the average rent and income collected in 2014 by borough, and for the City as a whole.

Median Citywide income for owners in 2014 was \$1,186. At the borough level, Manhattan had the highest median income, at \$1,733; followed by Queens at \$1,179; Staten Island at \$1,058; Brooklyn at \$1,063; and the Bronx at \$983. (For rent and income averages and medians by borough and building age and size, see Appendices 3 and 4.)

Comparing Rent Measurements

Two independent data sources, the triennial NYC Housing and Vacancy Survey (HVS) and the NYS Division of Housing and Community Renewal (DHCR) annual registration data, provide important comparative rent data to the collected rents stated in NYC Department of Finance (RPIE) filings. A comparison of the collected RPIE rents to the HVS and DHCR rents is a good indicator of the overall rental market and reflects both how well owners are able to collect the rent roll and the prevalence of vacancies.

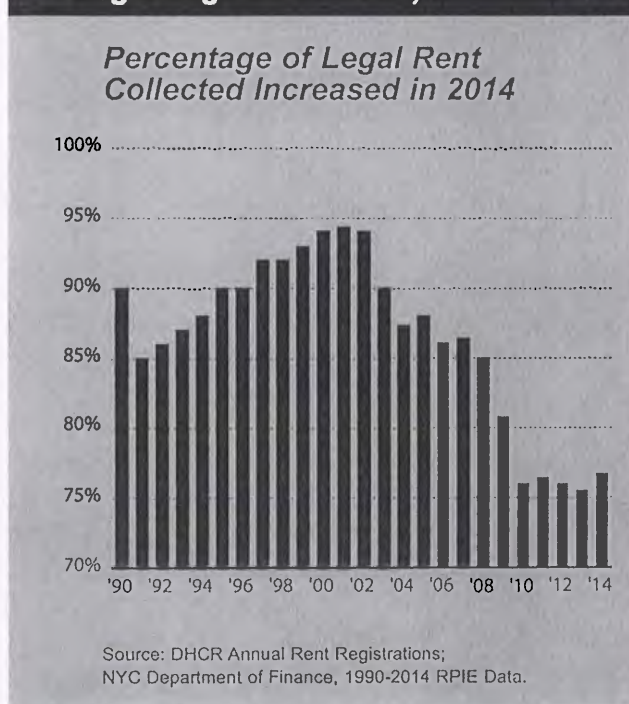
Rents included in RPIE filings are different than HVS and DHCR figures primarily because of differences in how average rents are computed. RPIE data reflects actual rent collections that account for vacancies or non-payment of rent. HVS data consists of contract rent (the amounts stated on leases, which includes both legal and preferential rents) while DHCR data consists of legal rents registered annually with the agency. Because HVS and DHCR rent data do not include vacancy and collection losses, in most years these rents are generally higher than RPIE rent collections data. Furthermore, RPIE information reflects rents collected over a 12-month period; DHCR data reflects rents registered on April 1, 2014; and 2014 HVS figures are contract rents in effect during the first four months of 2014. Because 2014 was the most recent year in which the HVS was conducted, it is possible to compare rent data from all three sources. In sum, despite the anomalies between the three rent indicators, the difference between RPIE rents and HVS or DHCR rents is a good estimate of vacancy and collection losses incurred by

building owners, and the relative change in the gap is one way of estimating the change in such losses from year to year.

The latest RPIE and HVS data (2014) shows that the HVS average contract rent of \$1,317 for all rent stabilized apartments was 4.1% greater than the RPIE average collected rent of \$1,265 among buildings containing rent stabilized buildings.³ In most years where the HVS and RPIE average rent figures could be compared, the HVS figure has generally exceeded the RPIE average. For instance, in 2011, the HVS average for all rent stabilized apartments was 6% greater than the RPIE average; in 2005, also 6%; in 1999, 2%; in 1996, 9%; in 1993, 6%; and in 1991, 4%. The only years when the average rent computed by the HVS did not exceed the RPIE average collected rent was in 2008, where they were virtually equal, and in 2002, when the RPIE rent exceeded the HVS rent by 5%.

HVS and RPIE data can also be analyzed by the age of the building. The 2014 HVS average contract rent in older, pre-war apartments was \$1,246, which was 5.1% higher than the RPIE average collected rent

Average Monthly Citywide Collected Rents as a Share of Average Monthly DHCR Legal Registered Rents, 1990-2014



of \$1,186. And the HVS average rent for units built after 1946, \$1,522, was 3.3% higher than the 2014 RPIE average rent of \$1,474.

In comparing annual RPIE and DHCR average rents from 1991 to 2001, the gap between the two contracted steadily during that time period. In fact, from 1991- 2001, the difference between RPIE and DHCR rents decreased by almost two-thirds, from a difference of 15% between the two in 1991 to a difference of 5.6% in 2001. By contrast, from 2002 until 2013, the gap grew almost every year. However, in 2014, the gap declined from 24.5% in 2013 to the

current 23.3%, as indicated by the average I&E rent of \$1,265 and DHCR's average stabilized rent of \$1,648.³ The decrease in the gap between collected and legal rent indicates that building owners are collecting a higher proportion of their legal rent rolls in 2014 (see graph on the previous page).

At the borough level, the gap between collected and legal rent varies widely. In 2014, Manhattan property owners collected an average rent (\$1,758) that was 22.9% below DHCR's average legal rent for the borough (\$2,281), while owners in the other boroughs collected average rents that were 22.1% lower than legal rents in Queens; 23.7% lower in Brooklyn; 26.1% lower in the Bronx; and 31.9% lower in Staten Island. At least part of this differential in the boroughs is due to preferential rents, usually offered when the legal stabilized rent exceeds the market rate for the area.⁴

Another benchmark that can help place RPIE rent data in context is the RGB Rent Index, which measures the overall effect of the Board's annual rent increases on contract rents each year. As the table on this page shows, average RPIE rent growth was higher than the renewal lease increases allowed by the RGB's guidelines for a fourth consecutive year. RPIE rent growth, up 4.8%, was greater than the increase in the RGB rent index, which was up 4.1%, between 2013 and 2014 (adjusted to a calendar year).⁵ There are a number of ways in which rents may be raised beyond the RGB's guidelines, including the deregulation of apartment units; raising preferential rents; and through individual apartment and building-wide improvements.

An extended view of the three indices illustrates that overall, DHCR legal rents have grown faster than both collected rents and RGB rent guidelines from 1990 to 2014. During that period, DHCR adjusted legal rents increased 191.8%; RPIE collected rents increased 170.3%; and the RGB Rent Index increased 161.9% (these figures are not adjusted for inflation).⁶

Rent Comparisons, 1990-2014

2013-14 DHCR Legal Rents Grew Faster Than RPIE Collected Rents and RGB Rent Index

	RPIE Rent Growth	DHCR Rent Growth (Adjusted)§	RGB Rent Index (Adjusted)∅
90-91	3.4%	4.1%	4.1%
91-92	3.5%	3.0%	3.7%
92-93	3.8%	3.0%	3.1%
93-94	4.5%	2.4%	2.9%
94-95	4.3%	3.1%	3.1%
95-96	4.1%	4.1%	4.5%
96-97	5.4%	4.6%	5.2%
97-98	5.5%	3.3%	3.7%
98-99	5.5%	3.7%	3.8%
99-00	6.2%	4.4%	4.2%
00-01	4.9%	5.3%	5.0%
01-02	4.0%	4.4%	4.5%
02-03	3.6%	6.9%	4.1%
03-04‡	-	1.6%	5.5%
04-05	4.6%	5.8%	4.6%
05-06	5.6%	7.2%	4.3%
06-07	6.5%	6.0%	4.2%
07-08	5.8%	5.9%	4.7%
08-09	1.2%	5.4%	7.5%
09-10	0.7%	5.4%	5.2%
10-11	4.4%	5.7%	3.7%
11-12	5.0%	5.8%	4.4%
12-13	4.5%	5.4%	4.1%
13-14	4.8%	5.1%	4.1%
1990 to 2014*‡	170.3%	191.8%	161.9%

* Not adjusted for inflation

§ See endnote 3 ∅ See endnote 5

‡ See endnote 6

Sources: NYS DHCR Annual Rent Registrations; NYC Department of Finance, 1990-2014 RPIE Data

Operating Costs

Rent stabilized apartment buildings regularly incur several types of expenses. RPIE filings include data on eight categories of operating and maintenance (O&M) costs: taxes; labor; utilities; fuel; insurance;

maintenance; administrative; and miscellaneous costs. Costs do not include debt service. However, in contrast to revenues, this data does not distinguish between expenses for commercial space and those for apartments, making the calculation of “pure” residential operating and maintenance costs impossible, except in a smaller sample of residential-only buildings. Thus, the operating costs reported are comparatively high because they include maintenance costs for commercial space.

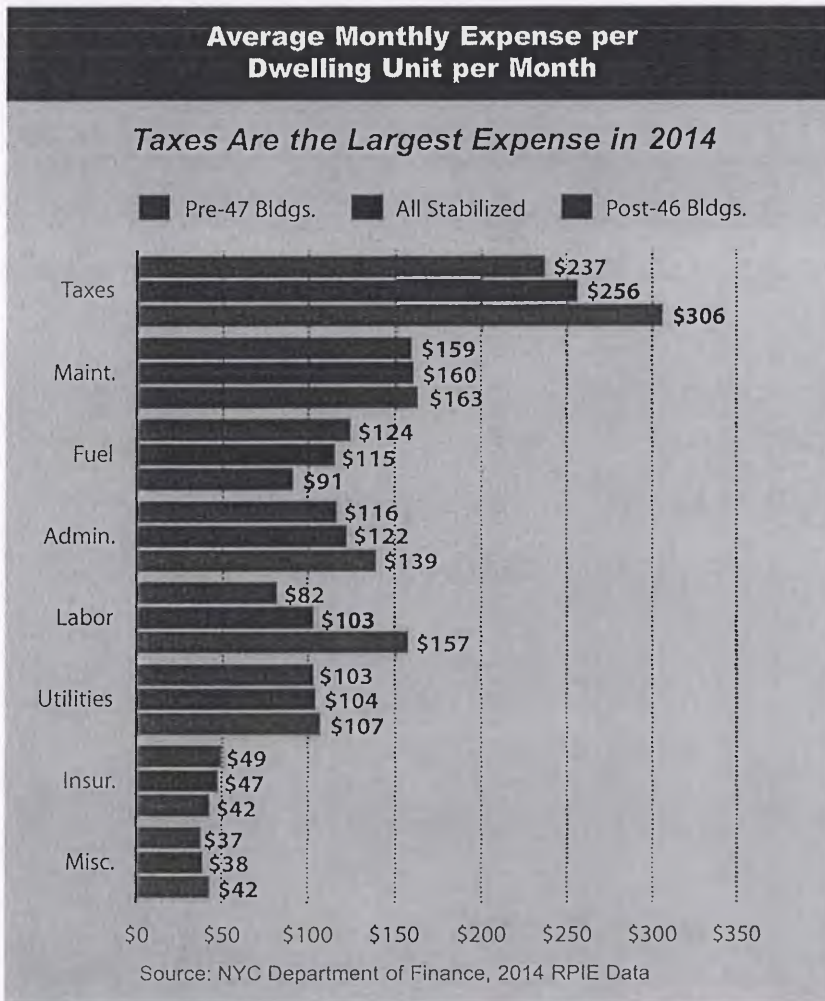
The average monthly operating cost for units in stabilized buildings was \$946 in 2014. Costs were lower in units in pre-war structures (\$907), and higher among post-war buildings (\$1,047). Geographically, average costs were lowest in Staten Island (\$749); Bronx (\$753); Brooklyn (\$756); and Queens (\$829); and highest in Manhattan (\$1,333). Looking more

closely at Manhattan buildings, costs for units located in Core Manhattan averaged \$1,545 a month, while the costs in Upper Manhattan were \$1,013. The average monthly operating costs for stabilized building owners in New York City, excluding Core Manhattan, reduces the City average to \$794. The graph on this page details average monthly expenses by cost category and building age for 2014. As the graph illustrates, taxes make up the largest share of expenses, averaging 27.1% of all costs.

Median Citywide expenses in 2014 were \$826. By borough, Manhattan had the highest median costs, at \$1,108; followed by Queens at \$773; the Bronx at \$732; Brooklyn at \$699; and Staten Island at \$681. (Appendices 1, 2 and 3 break down average costs by borough and building age; Appendix 4 details median costs; and Appendix 6 details distribution of costs.)

In 1992, the NYC Department of Finance and RGB staff tested RPIE expense data for accuracy. Initial examinations found that most “miscellaneous” costs were actually administrative or maintenance costs, while 15% were not valid business expenses. Further audits on the revenues and expenses of 46 rent stabilized properties discovered that O&M costs stated in RPIE filings were generally inflated by about 8%. Costs tended to be less accurate in small (11-19 units) properties and more precise for large (100+ units) buildings. However, these results are somewhat inconclusive since several owners of large stabilized properties refused to cooperate with the NYC Dept. of Finance’s assessors. Adjustment of the 2014 RPIE O&M cost (\$946) by the results of the 1992 audit results in an average monthly O&M cost of \$869 Citywide.

Just as buildings without commercial space typically generate



less revenue than stabilized properties with commercial space, operating expenses in these buildings tend to be lower on average than in buildings with a mixture of uses. In 2014, unaudited average O&M costs for “residential-only” buildings were \$869 per month and average audited O&M costs for these buildings were \$798 per month.

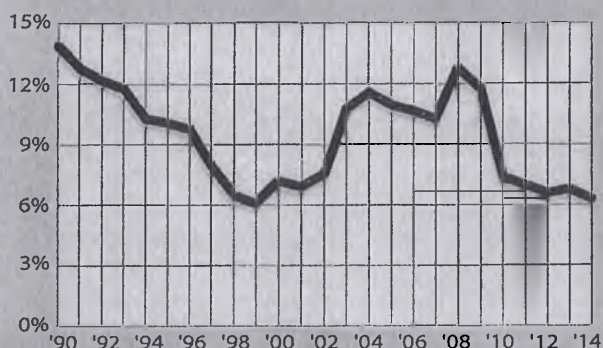
"Distressed" Buildings

For the purposes of this study, buildings that have operating and maintenance costs greater than gross income are considered distressed. Among the properties that filed RPIEs for 2014, 982 buildings, or 6.3% of the cross-sectional sample, had O&M costs in excess of gross income, a half percentage point decline from the prior year's 6.8%. Since 1990, when 13.9% of the sample of stabilized properties were considered distressed, the proportion of distressed buildings declined each year until 1999, reaching a low of 6.1%. From 1999 until 2004, the proportion generally increased, but has declined for eight of the last ten years, and this year reached its lowest level in 15 years (see graph on this page).

Most distressed stabilized properties (61%) are mid-sized buildings, containing 20 to 99 units. In addition, the vast majority (93%) are pre-war buildings.

Percent of Distressed Properties in Cross-Sectional Samples 1990-2014

Share of Distressed Properties Decrease in 2014



Source: NYC Department of Finance, 1990-2014 RPIE Data

Geographically, almost half (49%) of the buildings are located in Manhattan; while virtually all the remaining are in the Bronx (25%); Brooklyn (18%) and Queens (7%). (See Appendix 7 for a complete breakdown of distressed buildings by borough, building size and building age.)

Net Operating Income

Revenues exceed operating costs in most stabilized buildings, yielding funds that can be used for mortgage payments, improvements and/or pre-tax profit. The amount of income remaining after operating and maintenance (O&M) expenses are paid is typically referred to as Net Operating Income (NOI). While financing costs, income taxes and appreciation determine the ultimate value of a property, NOI is a good indicator of its basic financial condition. Moreover, changes in NOI are easier to track on an aggregated basis than changes in profitability, which require an individualized examination of return on capital placed at risk.

On average, apartments in rent stabilized buildings generated \$488 of net income per month in 2014, with units in post-war buildings earning more (\$616 per month) than those in pre-war buildings (\$440 per month). Average monthly NOI tended to be greater for stabilized properties in Manhattan (\$774) than for those in the other boroughs: \$430 in Queens; \$406 in Brooklyn; \$344 in Staten Island; and \$269 per unit per month in the Bronx. There was a sizable difference when looking at NOI on a sub-borough level in Manhattan. Core Manhattan properties earned on average \$1,005 per unit per month in NOI, while properties in Upper Manhattan yielded an NOI of \$424. The monthly NOI average calculated Citywide, excluding Core Manhattan, was \$386. Looking at the NOI using audited expense figures, the Citywide NOI in 2014 was \$565.

Average monthly unaudited NOI in “residential-only” properties Citywide was \$437 per unit in 2014, 10.4% lower than the average for all stabilized buildings.

NOI reflects the revenue available after payment of operating costs; that is, the amount of money owners have for financing their buildings; making

improvements; and for pre-income tax profits. While NOI should not be the only criteria to determine the ultimate profitability of a particular property, it is a useful exercise to calculate the annual NOI for a hypothetical “average stabilized building” with 11 units or more. Multiplying the average unaudited monthly NOI of \$488 per unit by the typical size of buildings in this year’s cross-sectional sample (an average of 45.0 units) yields an estimated average annual NOI of about \$264,000 in 2014. By contrast, examining the City, *excluding Core Manhattan*, the monthly NOI of \$386 per unit multiplied by the typical size of buildings in this year’s cross-sectional sample (an average of 45.4 units for this group) yields an estimated average annual Net Operating Income of about \$210,000.

Operating Cost Ratios

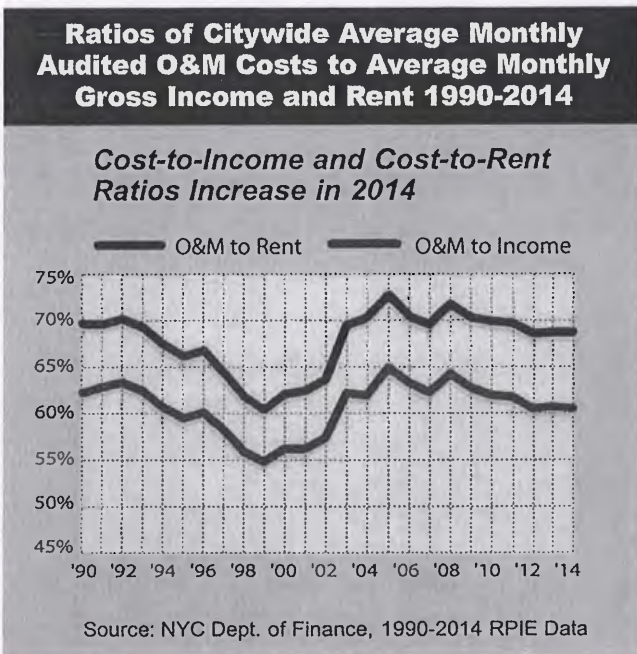
Another way to evaluate the profitability of New York City’s rent stabilized housing is by measuring the ratio of expenses to revenues. Traditionally, the RGB has used O&M Cost-to-Income and O&M Cost-to-Rent ratios to assess the overall health of the stabilized housing stock, presuming that buildings are better off by spending a lower percentage of revenue on

expenses. The graph on this page shows how over the period from 1990 to 2014, the proportion of total income and rent collections spent on audited operating costs has fluctuated. The audited Cost-to-Income ratio in 2014 was 60.6%, down 0.1 percentage point from the prior year’s 60.7%. This means that on average, owners of rent stabilized properties spent roughly 60.6 cents out of every dollar of revenue on operating and maintenance costs in 2014. Looking at unaudited expenses, the cost-to-income ratio in 2014 was 65.9%. The unaudited *median* cost-to-income ratio was 67% in 2014.

Examining the ratio of costs to rent collections, audited operating costs in 2014 were 68.7% of revenues from rent, unchanged from the prior year. Using unaudited expenses, the cost-to-rent ratio in 2014 was 74.8%. Looking at the unaudited *median* cost-to-rent ratio, it was 74% in 2014.

Rents, income, and costs per unit were on average highest in Core Manhattan in 2014 (see map and graphs on next page). When looking at the City with Core Manhattan excluded, the average revenue and costs figures are generally lower, resulting in expense to revenue ratios that are different. The audited Cost-to-Income Ratio for the rest of the City was 61.8%, higher than the Cost-to-Income Ratio for stabilized buildings in Manhattan’s Core (55.6%). These figures indicate that on average, owners of stabilized properties outside of Core Manhattan spend roughly six cents more of every dollar of revenue on expenses, as compared to their counterparts in Core Manhattan.

In an analysis of the distribution of operating costs in relation to total income in buildings by decile, it may be useful to examine the percentage of buildings with cost-to-income ratios at or below certain levels. The Department of Finance calculated decile levels, revealing that half of all rent stabilized buildings Citywide have unaudited cost-to-income ratios of 0.67 or less. This means that half the building owners spent no more than 67 cents out of every dollar of revenue on operating and maintenance costs in 2014. Looking at the 70% decile level Citywide, 70% of buildings pay no more than 76 cents of every dollar of revenue on operating and maintenance costs, and 30% pay more. The complete table of all ten decile levels Citywide and by borough can be found in Appendix 8.



Average Monthly Rent, Income, Operating Costs and Net Operating Income per Dwelling Unit and Cost-to-Income Ratios, Core Manhattan and the Rest of the City, 2014

Cost-to-Income Ratio Lower in Core Manhattan in 2014



*Note: Ratios use audited costs.
Source: NYC Department of Finance, 2014 RPIE Data

Net Operating Income After Inflation

The amount of net operating income is a function of the level of expense and the level of revenue in a given year (revenues minus operating expenses equals net operating income). Adjusting NOI as well as rent, income and costs figures for inflation (in constant 2014 dollars) and comparing different base years to the latest data available is a useful way to assess the health of the stabilized housing stock and how well revenues have been meeting or exceeding expenses without erosion by inflation.

Point-to-point comparisons of average figures show that, from 1990 to 2014, *after* adjusting for inflation, NOI (the surrogate measure for profit) has increased 42.8% (see graph on next page). This indicates that revenues have outpaced expenses to the extent that average monthly NOI was worth 42.8% more in 2014

than it was in 1990, after adjusting for inflation. A different point-to-point comparison shows that between 2001 (NOI's second highest year since 1990) and 2014, NOI rose 4.4%, after adjusting for inflation.

Another way to look at how rent, income and costs, as well as NOI, have changed absent the effect of inflation is to graph inflation-adjusted monthly figures for each of the four components measured in the I&E studies. During the 1990 to 2014 period, inflation-adjusted rent increased a cumulative 33.6%, income by 35.3%, and costs by 31.8%, resulting in the aforementioned increase in NOI of 42.8%.

Examining the ratio of NOI to income, since 1990, the ratio has varied. From 1990-96, the ratio of NOI/income averaged 33%; from 1997-2002, 39%; from 2003-2008, 31%; and since 2009, the average ratio of NOI/income was about 33%. This means that on average, over the past six years, 33

cents of every dollar earned is net operating income for the owner.

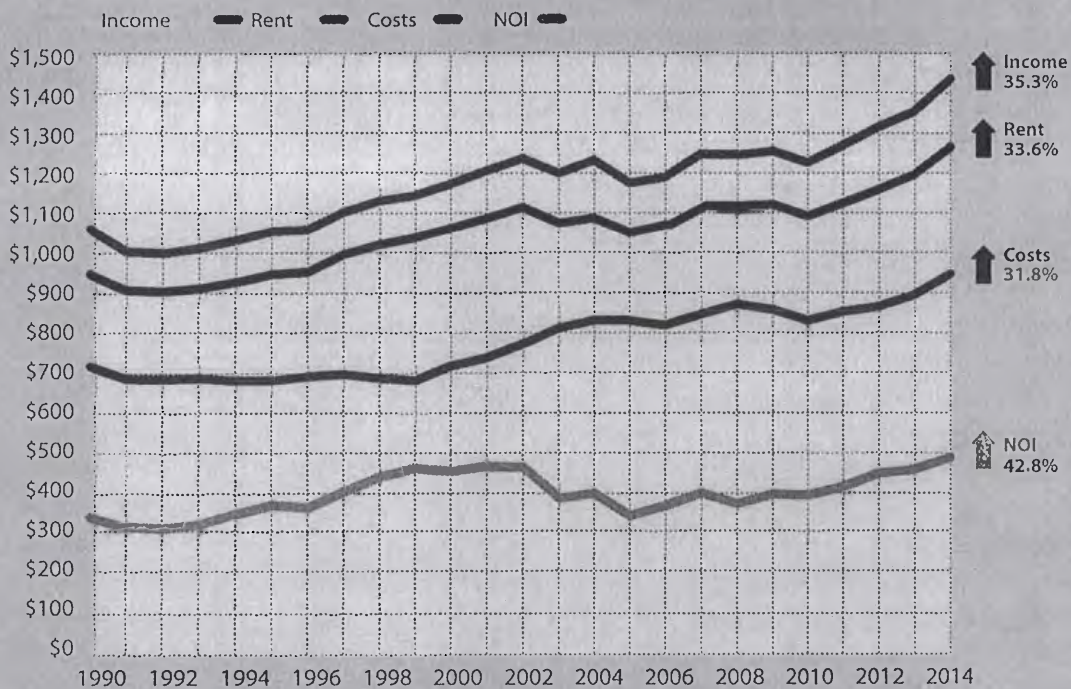
While the Citywide graph of inflation-adjusted revenue, expense and NOI figures is useful for demonstrating the overall stabilized rental housing market, disaggregating the same figures by borough shows how the market can differ from area to area (see

graphs on next page). Looking at each of the boroughs individually, from 1990 to 2014, all boroughs saw sizable increases in their net income, with Brooklyn seeing the most significant increase, up 86%; followed by Queens, up 57%; Manhattan, up 44%; and the Bronx, up 33%.

Citywide Income, Rent, Costs and NOI After Inflation, 1990-2014

Inflation-Adjusted Net Operating Income Up 42.8% Since 1990

(Average Monthly Income, Rent, Operating Costs and NOI per Dwelling Unit in Constant 2014 Dollars)

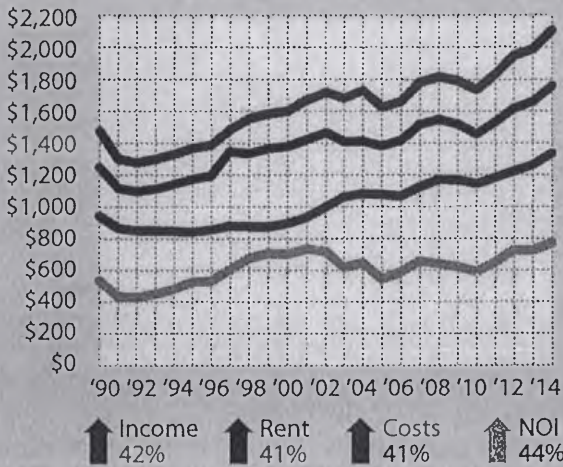


Note: Percent changes are point-to-point measurements and should not be considered cumulatively.
Sources: NYC Rent Guidelines Board *Income and Expense Studies*, 1992-2016.
NYC Department of Finance, 1990-2014 RPIE Data.

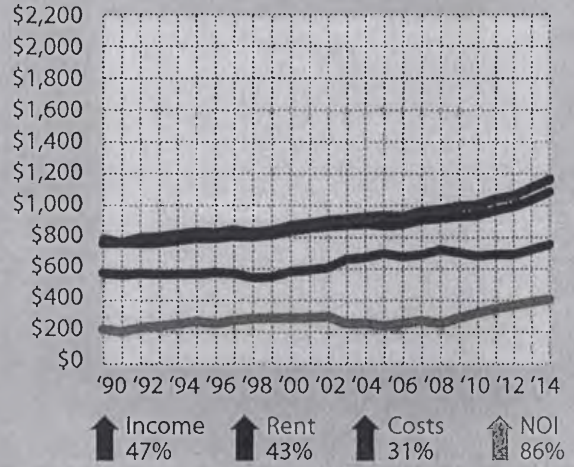
Income, Rent, Costs and NOI After Inflation per Borough, 1990-2014

Since 1990, Inflation-Adjusted NOI Rises Citywide and in Each Borough
(Average Monthly Income, Rent, Operating Costs and Net Operating Income per Dwelling Unit in Constant 2014 Dollars)

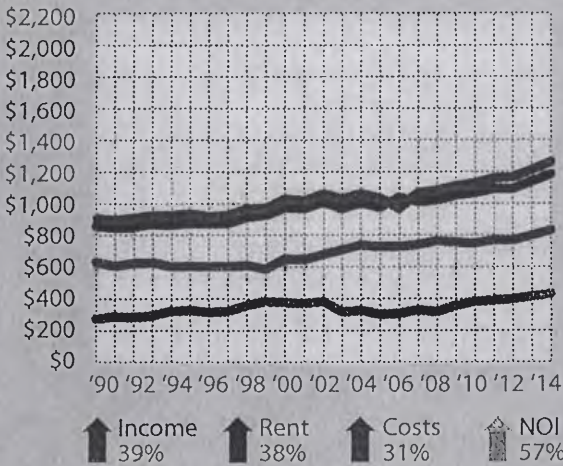
Manhattan 1990-2014



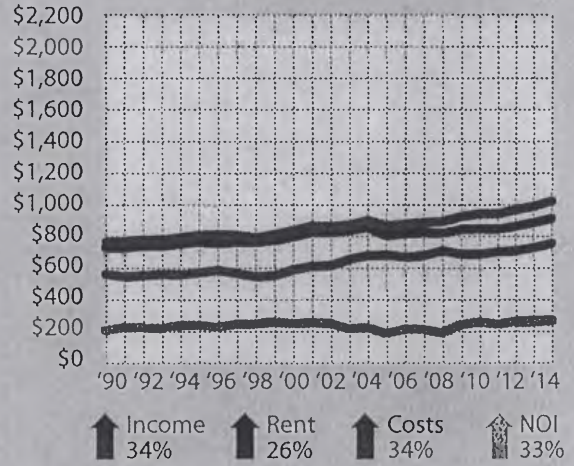
Brooklyn 1990-2014



Queens 1990-2014



Bronx 1990-2014



Note: Percent changes are point-to-point measurements and should not be considered cumulatively.
Staten Island is excluded due to insufficient data from prior years.
Sources: NYC Rent Guidelines Board *Income and Expense Studies*, 1992-2016.
NYC Department of Finance, 1990-2014 RPIE Data.

Longitudinal Study

The longitudinal section of this study measures changes in rent, income, costs, operating cost ratios, and net operating income that occurred in the same set of 12,973 buildings from 2013 to 2014.

Rents and Income

Rent collections increase for a number of reasons, including increases allowed under RGB renewal guidelines; vacancy allowances of at least 16-20% allowed under the Rent Regulation Reform Act of 1997; termination of preferential rents; individual apartments improvements; and building-wide improvements (MCIs).

Average rent collections in stabilized buildings rose by 4.8% in 2014. Rent collections in pre-war buildings grew at a higher rate, up 5.0%, than in post-war buildings, which increased by 4.3%. Rent collections increased the greatest among smaller, 11-19 unit buildings, up 5.7%; while rents rose 5.0% among mid-sized, 20-99 unit buildings; and the least

among large, 100+ unit buildings, up 3.9%. Examining rent collections by borough, Brooklyn saw the largest increase, up 5.2%; followed by the Bronx, up 4.8%; Manhattan, up 4.7%; Queens, up 4.3%; and Staten Island, up 1.6%. Within Manhattan, Upper Manhattan rents grew 4.9%, greater than the 4.6% increase in rents in Core Manhattan. Rent collections in the City, excluding Core Manhattan, rose 4.8%. The growth in *median* rent Citywide was 4.8%.

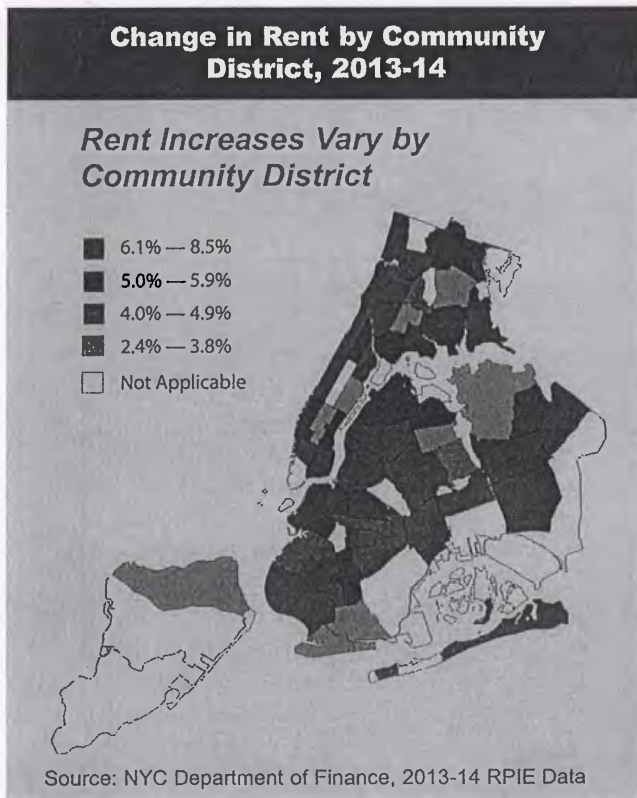
Looking at rent collections throughout New York City, every community district saw increases in average rent from 2013 to 2014.⁷

At the neighborhood level, the greatest rent growth was found in the Rockaways, Queens, rising 8.5%; Jamaica, Queens and East Harlem, Manhattan, both up 7.4%; and Morningside Heights/Hamilton Heights, Manhattan up 7.2%. Also among the largest rent increases were two Brooklyn neighborhoods: North Crown Heights/Prospect Heights, up 7.1%, and Brownsville, Ocean Hill, up 6.9%. The Bronx neighborhood seeing the largest increase was University Heights/Fordham, up 6.1%. See map on this page and Appendix 13 for a breakdown of rent increases by community district throughout NYC.

The average total income collected in rent stabilized buildings, comprising apartment rents, commercial rents and sales of services, increased by 4.9% from 2013 to 2014. Revenues rose faster in pre-war buildings, up 5.2%, than in post-war buildings, up 4.2%. Brooklyn saw the highest growth in income, rising 5.2%; followed by Manhattan, up 5.0%; the Bronx, up 4.6%; Queens, up 4.4%; and Staten Island, up 2.3%. Within Manhattan, Upper Manhattan income rose 6.0%; while Core Manhattan income rose 4.7%. Total income in the City, excluding Core Manhattan, rose 4.9%. The *median* growth in income Citywide was 5.0%.

Operating Costs

Average expenses in stabilized buildings Citywide increased 5.6% from 2013 to 2014. However, the change in operating costs varied by building age and by borough. Pre-war buildings saw expenses increase 5.3%, while newer, post-war buildings saw expenses increase 6.1%. Breaking down the change in costs by



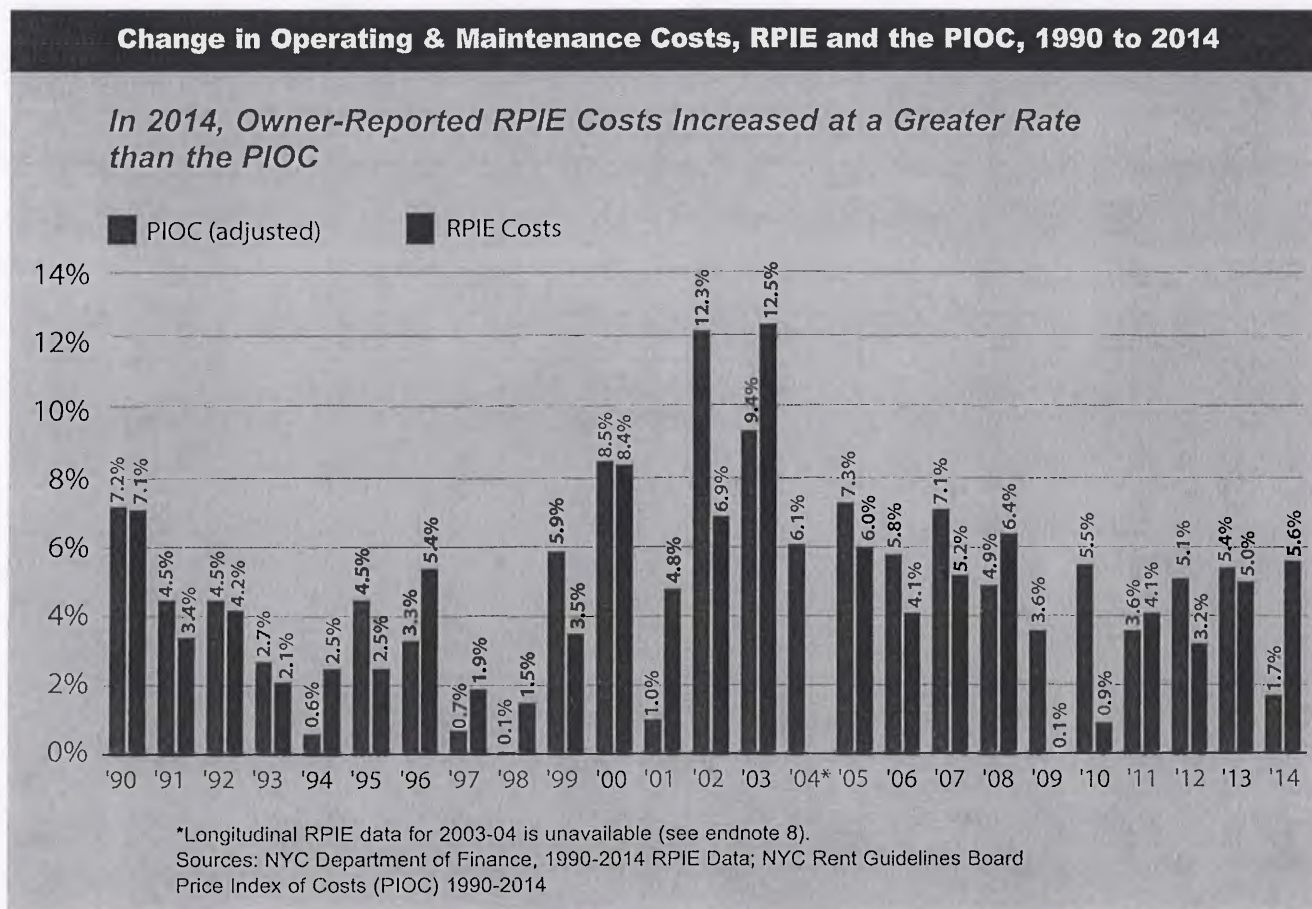
borough, costs rose the most in Brooklyn, up 5.9%; while costs rose 5.7% in both Manhattan and Staten Island; 5.6% in Queens; and 4.9% in the Bronx. Within Manhattan, Upper Manhattan costs rose 5.9%; while Core Manhattan costs rose 5.7%. Operating costs in the City, excluding Core Manhattan, rose 5.5%. Citywide, *median* expenses rose 4.8%. For a detailed breakdown of the changes in rent, income and costs by building size, age and location, see Appendices 10 and 11.

RPIE Expenses and the PIOC

Data from the RPIE and the RGB’s long-running survey, the Price Index of Operating Costs (PIOC), each provide a form of independent verification for the expense findings in the other. However, comparison of I&E and PIOC data is somewhat distorted due to differences in the way each instrument defines costs and time periods. For example, there is a difference

between when expenses are incurred and actually paid by owners as reported in the RPIE, versus the price quotes obtained from vendors for specific periods as surveyed in the PIOC. In addition, the PIOC primarily measures prices on a March to March basis, while most RPIE statements filed by landlords are based on the calendar year. (See endnote 3.) To compare the two, weighted averages of each must be calculated, which may cause a loss in accuracy. Finally, the PIOC measures a hybrid of costs, cost-weighted prices and pure prices, whereas the RPIE provides unaudited owner-reported costs. The PIOC rose 1.7% from 2013 to 2014, the same period as the 5.6% increase in I&E costs, a 3.9 percentage point difference. (See graph on this page.)

From 1990-91 to 2013-14, cumulative growth in owners’ costs as measured by the two indices varied. Overall nominal costs measured in the PIOC increased at a greater rate, 184.6%, compared to RPIE data, which grew 164.6% over this period.⁸



Operating Cost Ratios

Between 2013 and 2014, the proportion of gross income spent on audited expenses (the O&M Cost-to-Income ratio) increased, rising by 0.4 percentage points. The proportion of rental income used for audited expenses (the O&M Cost-to-Rent ratio) similarly rose, increasing by 0.5 percentage points.

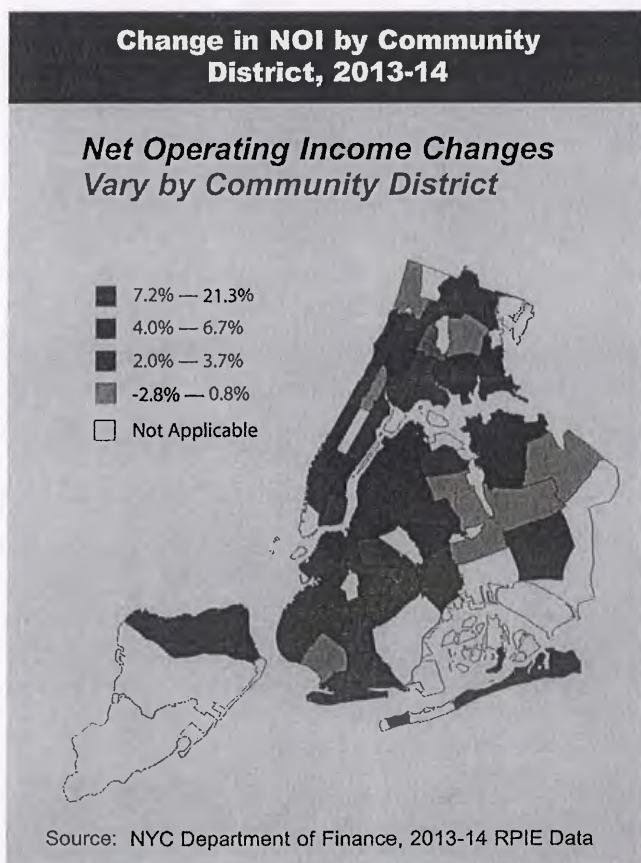
Net Operating Income

Net Operating Income (NOI) refers to the earnings that remain after operating and maintenance (O&M) expenses are paid, but before payments of income tax and debt service. Since average actual collected income grew more than operating costs, Citywide net operating income in rent stabilized buildings increased by 3.5% in 2014, the tenth consecutive year that NOI has increased.

The average change in NOI from 2013 to 2014 differed throughout the City. Every borough except Staten Island saw NOI increase, with Manhattan

seeing the largest increase, up 3.9%; while NOI rose 3.8% in Brooklyn; 3.6% in the Bronx; and 2.1% in Queens. By contrast, NOI declined 4.3% in Staten Island. Within Manhattan, Upper Manhattan NOI increased 6.2%, while it rose 3.3% in Core Manhattan. Monthly NOI in the City excluding Core Manhattan rose 3.7%. See Appendix 12 for a breakdown of NOI by borough, building age and building size.

At the Community District level, change in NOI varied widely, with 90% of neighborhoods experiencing increases in NOI. Hunts Point/Longwood in the Bronx saw the largest growth in NOI, rising 21.3%; followed by Jamaica, Queens, up 17.2%; East Harlem, Manhattan, up 13.6%; the Rockaways, Queens, up 13.4%; and Sunset Park, Brooklyn, up 11.8%. By contrast, five neighborhoods saw NOI decline from 2013 to 2014. The largest decline was in Bayside/Little Neck, Queens, down 2.8%. The map on this page and Appendix 13 shows how change in NOI varied in each neighborhood. (See endnote 7.)



Summary

RPIE filings, from over 15,500 rent stabilized buildings containing about 698,800 units in the cross-sectional sample and from almost 13,000 buildings containing about 595,600 units in the longitudinal sample, were analyzed in this year's *Income and Expense Study*. Citywide, average rent rose 4.8%, revenue collections rose 4.9%; and expenses rose by 5.6%. Despite the greater rate of increase in expenses, Net Operating Income (NOI) Citywide increased by 3.5%, the tenth consecutive year that NOI has increased. In addition, the proportion of distressed properties Citywide declined 0.5 percentage points, and the audited cost-to-income ratio was 60.6%, down 0.1 percentage point from the prior year.

Methodology

The information in this report was generated by analyzing data derived from RPIE forms filed with the NYC Department of Finance in 2015 by owners of apartment buildings with primarily eleven or more dwelling units. The data in these forms, which reflects

financial conditions in stabilized buildings for the year 2014, was made available to NYC Rent Guidelines Board research staff in December, 2015 for analysis. Unit averages contained in this analysis were computed by the NYC Department of Finance. The averages were then weighted by the RGB using data

from the 2014 NYC Housing and Vacancy Survey, the most recent comprehensive data available, to calculate averages that are representative of the population of residential buildings in New York City. In addition, medians were calculated and included in this report. The medians derived from the sample were also

Changes in Average Monthly Rents, Income, Operating Costs and Net Operating Income per Dwelling Unit, 1990-2014

*Net Operating Income (NOI) Increased from 2013 to 2014,
10th Consecutive Yearly Increase in NOI*

	<i>Avg. Rent Growth</i>	<i>Avg. Income Growth</i>	<i>Avg. Cost Growth</i>	<i>Avg. NOI Growth</i>
90-91	3.4%	3.2%	3.4%	2.8%
91-92	3.5%	3.1%	4.2%	1.2%
92-93	3.8%	3.4%	2.1%	6.3%
93-94	4.5%	4.7%	2.5%	9.3%
94-95	4.3%	4.4%	2.5%	8.0%
95-96	4.1%	4.3%	5.4%	2.3%
96-97	5.4%	5.2%	1.9%	11.4%
97-98	5.5%	5.3%	1.5%	11.8%
98-99	5.5%	5.5%	3.5%	8.7%
99-00	6.2%	6.5%	8.4%	3.5%
00-01	4.9%	5.2%	4.8%	5.9%
01-02	4.0%	4.1%	6.9%	-0.1%
02-03	3.6%	4.5%	12.5%	-8.7%
03-04	-	-	-	-
04-05	4.6%	4.7%	6.0%	1.6%
05-06	5.6%	5.5%	4.1%	8.8%
06-07	6.5%	6.5%	5.2%	9.3%
07-08	5.8%	6.2%	6.4%	5.8%
08-09	1.4%	1.8%	0.1%	5.8%
09-10	0.7%	1.2%	0.9%	1.8%
10-11	4.4%	4.5%	4.1%	5.6%
11-12	5.0%	5.3%	3.2%	9.6%
12-13	4.5%	4.5%	5.0%	3.4%
13-14	4.8%	4.9%	5.6%	3.5%

Source: NYC Department of Finance, 1990-2014 RPIE Data
Note: Longitudinal data from 2003-04 is unavailable.

produced by the NYC Department of Finance and are unweighted.

Two types of summarized data, cross-sectional and longitudinal, were obtained for stabilized buildings. Cross-sectional data, which provides a “snapshot” or “moment-in-time” view, comes from properties that filed RPIE forms in 2015, or alternatively, TCIE (Tax Commission Income & Expense) forms.⁹ Data from the forms was used to compute average and median rents, operating costs, etc., that were typical of the year 2014. Longitudinal data, which provides a direct comparison of identical elements over time, encompasses properties that filed RPIE/TCIE forms for the years 2013 and 2014. The longitudinal data describes changing conditions in average rents, operating costs, etc., by comparing forms from the same buildings over two years. Thus, cross-sectional data in this report measures conditions in effect throughout 2014, while longitudinal data measures changes in conditions that occurred from 2013 to 2014.

This year, 15,525 buildings containing rent stabilized units were analyzed in the cross-sectional study and 12,973 buildings were examined in the longitudinal study. The sample of buildings was created by matching a list of properties registered with DHCR against building data found in 2015 RPIE or TCIE statements (or 2014 and 2015 statements for the longitudinal sample). A building is considered rent stabilized if it contains at least one rent stabilized unit.¹⁰

Once the two samples were drawn, properties that met the following criteria were not included:

- Buildings containing fewer than 11 units. Owners of buildings with fewer than 11 apartments (without commercial units) are not required to file RPIE forms;
- Owners who did not file an RPIE or TCIE form in 2015 for the cross-sectional study, or an RPIE or TCIE form in both 2014 and 2015 for the longitudinal study;
- No unit count could be found in RPIE/TCIE records; and
- No apartment rent or income figures were recorded on the RPIE or TCIE forms. In these cases, forms were improperly completed or the building was vacant.

Three additional methods were used to screen the samples so properties with inaccurate building information could be removed to protect the integrity of the samples:

- In early I&E studies, the NYC Department of Finance used the total number of units from their Real Property Assessment Data (RPAD) files to classify buildings by size and location. RGB researchers found that sometimes the unit counts on RPIE forms were different than those on the RPAD file, and consequently deemed the residential counts from the RPIE form more reliable;
- Average monthly rents for each building were compared to rent intervals for each borough to improve data quality. Properties with average rents outside of the borough rent ranges were removed from all samples. Such screening for outliers is critical since such deviations may reflect data entry errors and thus could skew the analysis; and
- Buildings in which operating costs exceeded income by more than 300% as well as buildings above the 99th percentile or below the 1st percentile were excluded from both samples.

As in prior studies, after compiling both samples, the NYC Department of Finance categorized sample data reflecting particular types of buildings throughout the five boroughs (e.g., structures with 20-99 units). □

Endnotes

1. RPIE rent figures include money collected for apartments, owner-occupied or related space and government subsidies. Income encompasses all revenue from rents, sales of services, such as laundry, parking, and vending, and all other operating income.
2. Pre-war buildings refer to those built before 1947; post-war buildings refer to those built after 1946.
3. According to the NYC Department of Finance, over 90% of owners filing RPIE's report income and expense data by calendar year. In earlier reports, adjusted DHCR data was calculated on a July-to-June fiscal year. Beginning with the 2008 *Income and Expense Study*, adjustment of DHCR Citywide data was calculated on the January-to-December calendar year, so figures may differ from data reported in prior years.
4. Preferential rents refer to actual rent paid, which is lower than the "legal rent," or the maximum amount the owner is entitled to charge. Owners can offer preferential rents when the current market cannot bear the legal rent. According to DHCR, 28% of all 2014 apartment registrations filed indicate a preferential rent.
5. Since the 2008 *Income and Expense Study*, adjustment of the RGB Rent Index has been calculated on a January-to-December calendar year. Also see Endnote 3.
6. RPIE longitudinal data from 2003-04 is excluded from this study because no longitudinal sample was available for 2003-04. Therefore, the growth in RPIE collected rents, 164.6%, is understated. To make a more valid comparison between the three indices, cumulative increases in both the RGB Rent Index and DHCR contract rent calculations exclude 2003-04 data as well.
7. Seven Community Districts were excluded from this analysis because they contained too few buildings for the data to be reliable. Unlike Citywide and borough level rent and expense data, average CD rents and expenses are unweighted and do not necessarily represent the population of buildings in these Community Districts. All averages were computed by the NYC Department of Finance.
8. Due to the unavailability of RPIE longitudinal data for 2003-04, PIOC data from 2003-04 is also excluded from this comparison.
9. TCIE (Tax Commission Income & Expense) forms are used by the NYC Department of Finance when RPIE forms are not filed by owners.
10. Beginning with the 2014 RPIE, filers with buildings of an assessed value of \$250,000 or less had an option to complete a simpler Short Form. Just one building that contains rent stabilized units, registered with DHCR, and was required to file an RPIE in 2015, utilized the Short Form option.

Appendices

1. Cross-Sectional Income and Expense Study, Estimated Average Operating & Maintenance Cost (2014) per Apartment per Month by Building Size and Location, Structures Built Before 1947

	Taxes	Labor	Fuel	Water/Sewer	Light & Power	Maint.	Admin.	Insurance	Misc.	Total
Citywide	\$237	\$82	\$124	\$75	\$28	\$159	\$116	\$49	\$37	\$907
11-19 units	\$293	\$78	\$127	\$78	\$32	\$171	\$129	\$53	\$45	\$1,007
20-99 units	\$209	\$71	\$126	\$76	\$26	\$154	\$111	\$49	\$35	\$857
100+ units	\$397	\$194	\$101	\$65	\$37	\$180	\$140	\$43	\$38	\$1,194
Bronx	\$121	\$67	\$146	\$82	\$27	\$141	\$96	\$53	\$22	\$755
11-19 units	\$120	\$79	\$153	\$86	\$36	\$145	\$103	\$55	\$27	\$802
20-99 units	\$121	\$65	\$146	\$82	\$27	\$141	\$96	\$53	\$22	\$752
100+ units	\$125	\$87	\$133	\$78	\$22	\$153	\$98	\$48	\$9	\$753
Brooklyn	\$167	\$60	\$92	\$75	\$23	\$144	\$94	\$46	\$33	\$734
11-19 units	\$191	\$62	\$101	\$76	\$24	\$164	\$101	\$49	\$33	\$801
20-99 units	\$161	\$56	\$92	\$75	\$23	\$141	\$92	\$46	\$33	\$718
100+ units	\$187	\$94	\$77	\$68	\$24	\$137	\$103	\$41	\$28	\$759
Manhattan	\$404	\$118	\$133	\$73	\$34	\$193	\$161	\$51	\$54	\$1,220
11-19 units	\$439	\$96	\$137	\$81	\$39	\$196	\$176	\$59	\$64	\$1,288
20-99 units	\$354	\$92	\$136	\$73	\$29	\$187	\$153	\$50	\$53	\$1,127
100+ units	\$630	\$299	\$105	\$58	\$52	\$217	\$185	\$43	\$43	\$1,632
Queens	\$212	\$71	\$116	\$68	\$24	\$140	\$87	\$42	\$35	\$794
11-19 units	\$198	\$57	\$129	\$66	\$21	\$135	\$67	\$43	\$26	\$741
20-99 units	\$211	\$67	\$116	\$68	\$24	\$139	\$91	\$41	\$33	\$791
100+ units	\$237	\$117	\$91	\$69	\$22	\$152	\$92	\$41	\$63	\$886
Core Man	\$556	\$142	\$112	\$64	\$37	\$203	\$182	\$51	\$51	\$1,398
11-19 units	\$540	\$90	\$127	\$75	\$38	\$202	\$185	\$60	\$52	\$1,369
20-99 units	\$514	\$102	\$110	\$63	\$31	\$194	\$176	\$49	\$56	\$1,294
100+ units	\$699	\$325	\$101	\$55	\$56	\$228	\$194	\$43	\$37	\$1,738
Upper Man	\$227	\$90	\$156	\$82	\$30	\$180	\$137	\$51	\$57	\$1,009
11-19 units	\$236	\$107	\$158	\$92	\$41	\$183	\$156	\$57	\$89	\$1,119
20-99 units	\$224	\$83	\$157	\$81	\$28	\$181	\$133	\$50	\$51	\$989
100+ units	\$272	\$164	\$126	\$69	\$32	\$156	\$138	\$40	\$71	\$1,068
City w/o Core	\$169	\$69	\$126	\$78	\$26	\$149	\$102	\$48	\$34	\$801
11-19 units	\$190	\$73	\$127	\$79	\$29	\$158	\$105	\$50	\$42	\$853
20-99 units	\$163	\$66	\$128	\$78	\$25	\$148	\$101	\$49	\$32	\$791
100+ units	\$198	\$108	\$99	\$71	\$24	\$147	\$103	\$42	\$39	\$830

Notes: The sum of the lines may not equal the total due to rounding. Totals in this table may not match those in Appendix Table 3 due to rounding. Data in this table is NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The category "Utilities" used in the I&E Study is the sum of "Water & Sewer" and "Light & Power." The number of Pre-47 rent stabilized buildings in Staten Island was too small to calculate reliable statistics. Owners are not required to report tax expenses; therefore, tax figures used in this report were calculated by the NYC Dept. of Finance.

Source: NYC Department of Finance, RPIE Filings.

2. Cross-Sectional Income and Expense Study, Estimated Average Operating & Maintenance Cost (2014) per Apartment per Month by Building Size and Location, Structures Built After 1946

	Taxes	Labor	Fuel	Water/Sewer	Light & Power	Maint.	Admin.	Insurance	Misc.	Total
Citywide	\$306	\$157	\$91	\$66	\$42	\$163	\$139	\$42	\$42	\$1,047
11-19 units	\$156	\$94	\$84	\$75	\$46	\$167	\$141	\$46	\$16	\$825
20-99 units	\$210	\$94	\$89	\$68	\$36	\$151	\$117	\$43	\$37	\$844
100+ units	\$407	\$220	\$93	\$62	\$46	\$173	\$158	\$40	\$50	\$1,248
Bronx	\$116	\$87	\$113	\$76	\$43	\$131	\$116	\$43	\$20	\$745
11-19 units	-	-	-	-	-	-	-	-	-	-
20-99 units	\$116	\$77	\$113	\$75	\$41	\$128	\$105	\$46	\$20	\$722
100+ units	\$115	\$108	\$111	\$77	\$47	\$130	\$136	\$37	\$19	\$781
Brooklyn	\$176	\$105	\$71	\$68	\$37	\$158	\$121	\$45	\$38	\$818
11-19 units	-	-	-	-	-	-	-	-	-	-
20-99 units	\$178	\$88	\$72	\$69	\$35	\$162	\$122	\$46	\$36	\$809
100+ units	\$182	\$138	\$68	\$64	\$38	\$138	\$105	\$41	\$48	\$823
Manhattan	\$669	\$304	\$103	\$54	\$58	\$219	\$217	\$44	\$55	\$1,724
11-19 units	\$295	\$112	\$107	\$67	\$66	\$214	\$191	\$55	\$6	\$1,114
20-99 units	\$453	\$135	\$95	\$53	\$44	\$201	\$171	\$42	\$68	\$1,261
100+ units	\$730	\$353	\$104	\$54	\$62	\$224	\$229	\$44	\$51	\$1,852
Queens	\$230	\$120	\$85	\$68	\$32	\$137	\$106	\$36	\$49	\$864
11-19 units	\$175	\$90	\$89	\$80	\$44	\$137	\$120	\$41	\$15	\$790
20-99 units	\$223	\$98	\$89	\$68	\$31	\$136	\$99	\$38	\$39	\$821
100+ units	\$243	\$144	\$82	\$66	\$31	\$138	\$110	\$34	\$62	\$910
St. Island	\$177	\$118	\$80	\$51	\$25	\$163	\$83	\$36	\$13	\$745
11-19 units	-	-	-	-	-	-	-	-	-	-
20-99 units	\$141	\$63	\$49	\$51	\$31	\$155	\$97	\$43	\$11	\$641
100+ units	-	-	-	-	-	-	-	-	-	-
Core Man	\$773	\$333	\$102	\$53	\$59	\$229	\$226	\$46	\$62	\$1,883
11-19 units	\$564	\$110	\$99	\$77	\$61	\$277	\$201	\$59	\$13	\$1,460
20-99 units	\$562	\$146	\$86	\$48	\$41	\$215	\$182	\$43	\$66	\$1,388
100+ units	\$822	\$378	\$105	\$54	\$63	\$232	\$236	\$46	\$61	\$1,998
Upper Man	\$234	\$182	\$105	\$59	\$54	\$176	\$174	\$38	\$25	\$1,049
11-19 units	-	-	-	-	-	-	-	-	-	-
20-99 units	\$185	\$105	\$113	\$64	\$49	\$164	\$140	\$40	\$73	\$933
100+ units	-	-	-	-	-	-	-	-	-	-
City w/o Core	\$189	\$112	\$88	\$68	\$37	\$145	\$116	\$40	\$37	\$833
11-19 units	\$151	\$94	\$84	\$75	\$46	\$165	\$140	\$46	\$16	\$816
20-99 units	\$178	\$89	\$89	\$70	\$36	\$145	\$111	\$43	\$34	\$795
100+ units	\$208	\$144	\$86	\$66	\$37	\$143	\$119	\$36	\$44	\$882

Notes: The sum of the lines may not equal the total due to rounding. Totals in this table may not match those in Appendix Table 3 due to rounding. Data in this table is NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The category "Utilities" used in the I&E Study is the sum of "Water & Sewer" and "Light & Power." The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island and Upper Manhattan; as well as 100+ unit buildings on Staten Island and Upper Manhattan, was too small to calculate reliable statistics. Owners are not required to report tax expenses; therefore, tax figures used in this report were calculated by the NYC Dept. of Finance.

Source: NYC Department of Finance, RPIE Filings.

3. Cross-Sectional Income and Expense Study, Estimated Average Rent, Income and Costs (2014) per Apartment per Month by Building Size and Location

	Post-46			Pre-47			All		
	Rent	Income	Costs	Rent	Income	Costs	Rent	Income	Costs
Citywide	\$1,474	\$1,663	\$1,047	\$1,186	\$1,347	\$907	\$1,265	\$1,434	\$946
11-19 units	\$1,327	\$1,473	\$825	\$1,265	\$1,532	\$1,007	\$1,272	\$1,526	\$987
20-99 units	\$1,201	\$1,309	\$844	\$1,128	\$1,259	\$857	\$1,141	\$1,268	\$855
100+ units	\$1,732	\$1,997	\$1,248	\$1,577	\$1,843	\$1,194	\$1,683	\$1,949	\$1,231
Bronx	\$1,000	\$1,107	\$745	\$894	\$1,004	\$755	\$913	\$1,022	\$753
11-19 units	-	-	-	\$862	\$1,014	\$802	\$868	\$1,023	\$804
20-99 units	\$998	\$1,068	\$722	\$892	\$1,000	\$752	\$903	\$1,007	\$749
100+ units	\$1,002	\$1,170	\$781	\$991	\$1,081	\$753	\$996	\$1,124	\$766
Brooklyn	\$1,180	\$1,287	\$818	\$1,051	\$1,118	\$734	\$1,085	\$1,162	\$756
11-19 units	-	-	-	\$1,092	\$1,192	\$801	\$1,104	\$1,204	\$803
20-99 units	\$1,150	\$1,247	\$809	\$1,029	\$1,089	\$718	\$1,041	\$1,105	\$727
100+ units	\$1,163	\$1,284	\$823	\$1,185	\$1,261	\$759	\$1,172	\$1,276	\$798
Manhattan	\$2,431	\$2,876	\$1,724	\$1,564	\$1,884	\$1,220	\$1,758	\$2,106	\$1,333
11-19 units	\$1,534	\$1,806	\$1,114	\$1,559	\$2,038	\$1,288	\$1,558	\$2,037	\$1,286
20-99 units	\$1,842	\$2,136	\$1,261	\$1,479	\$1,729	\$1,127	\$1,508	\$1,762	\$1,137
100+ units	\$2,594	\$3,081	\$1,852	\$2,037	\$2,509	\$1,632	\$2,395	\$2,876	\$1,773
Queens	\$1,221	\$1,318	\$864	\$1,143	\$1,200	\$794	\$1,183	\$1,259	\$829
11-19 units	\$1,254	\$1,392	\$790	\$1,049	\$1,108	\$741	\$1,069	\$1,136	\$746
20-99 units	\$1,169	\$1,250	\$821	\$1,146	\$1,198	\$791	\$1,152	\$1,212	\$799
100+ units	\$1,261	\$1,366	\$910	\$1,261	\$1,338	\$886	\$1,261	\$1,359	\$903
St. Island	\$993	\$1,108	\$745	-	-	-	\$992	\$1,093	\$749
11-19 units	-	-	-	-	-	-	-	-	-
20-99 units	\$966	\$1,026	\$641	-	-	-	\$980	\$1,037	\$675
100+ units	-	-	-	-	-	-	-	-	-
Core Man	\$2,650	\$3,149	\$1,883	\$1,864	\$2,291	\$1,398	\$2,102	\$2,550	\$1,545
11-19 units	\$1,795	\$2,271	\$1,460	\$1,688	\$2,270	\$1,369	\$1,690	\$2,270	\$1,372
20-99 units	\$2,047	\$2,366	\$1,388	\$1,829	\$2,161	\$1,294	\$1,843	\$2,174	\$1,301
100+ units	\$2,792	\$3,332	\$1,998	\$2,170	\$2,694	\$1,738	\$2,539	\$3,073	\$1,893
Upper Man	\$1,496	\$1,715	\$1,049	\$1,210	\$1,404	\$1,009	\$1,241	\$1,438	\$1,013
11-19 units	-	-	-	\$1,290	\$1,558	\$1,119	\$1,291	\$1,554	\$1,111
20-99 units	\$1,312	\$1,540	\$933	\$1,191	\$1,374	\$989	\$1,195	\$1,379	\$987
100+ units	-	-	-	\$1,332	\$1,526	\$1,068	\$1,423	\$1,625	\$1,082
City w/o Core	\$1,173	\$1,282	\$833	\$1,063	\$1,142	\$779	\$1,093	\$1,180	\$794
11-19 units	\$1,320	\$1,461	\$816	\$1,042	\$1,128	\$771	\$1,083	\$1,177	\$777
20-99 units	\$1,123	\$1,212	\$795	\$1,039	\$1,113	\$761	\$1,055	\$1,132	\$767
100+ units	\$1,214	\$1,345	\$882	\$1,197	\$1,285	\$842	\$1,209	\$1,328	\$871

Notes: City, borough totals and building size categories are weighted. Cost figures in this table are NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island and Upper Manhattan; as well as 100+ unit buildings on Staten Island and Upper Manhattan, was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings of all sizes in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

4. Cross-Sectional Income and Expense Study, Estimated Median Rent, Income and Costs (2014) per Apartment per Month by Building Size and Location

	Post-46			Pre-47			All		
	Rent	Income	Costs	Rent	Income	Costs	Rent	Income	Costs
Citywide	\$1,173	\$1,269	\$839	\$1,076	\$1,174	\$824	\$1,090	\$1,186	\$826
11-19 units	\$1,231	\$1,378	\$865	\$1,187	\$1,357	\$941	\$1,188	\$1,360	\$939
20-99 units	\$1,112	\$1,175	\$782	\$1,050	\$1,130	\$793	\$1,056	\$1,136	\$792
100+ units	\$1,299	\$1,420	\$998	\$1,210	\$1,318	\$882	\$1,279	\$1,395	\$958
Bronx	\$987	\$1,042	\$688	\$891	\$976	\$736	\$899	\$983	\$732
11-19 units	-	-	-	\$842	\$960	\$775	\$851	\$962	\$774
20-99 units	\$985	\$1,025	\$685	\$892	\$974	\$732	\$899	\$980	\$728
100+ units	\$1,014	\$1,115	\$708	\$982	\$1,092	\$751	\$1,004	\$1,107	\$745
Brooklyn	\$1,097	\$1,187	\$756	\$1,003	\$1,054	\$694	\$1,014	\$1,063	\$699
11-19 units	-	-	-	\$1,024	\$1,080	\$732	\$1,030	\$1,085	\$734
20-99 units	\$1,082	\$1,141	\$734	\$993	\$1,044	\$680	\$999	\$1,052	\$683
100+ units	\$1,135	\$1,240	\$798	\$1,099	\$1,182	\$674	\$1,129	\$1,233	\$760
Manhattan	\$2,033	\$2,400	\$1,446	\$1,463	\$1,698	\$1,090	\$1,492	\$1,733	\$1,108
11-19 units	\$1,616	\$1,942	\$1,186	\$1,524	\$1,893	\$1,191	\$1,527	\$1,893	\$1,190
20-99 units	\$1,779	\$1,965	\$1,152	\$1,414	\$1,578	\$1,030	\$1,434	\$1,598	\$1,038
100+ units	\$2,673	\$3,095	\$1,742	\$1,871	\$2,226	\$1,450	\$2,393	\$2,812	\$1,659
Queens	\$1,190	\$1,265	\$830	\$1,121	\$1,153	\$747	\$1,143	\$1,179	\$773
11-19 units	\$1,158	\$1,326	\$729	\$1,052	\$1,083	\$699	\$1,059	\$1,088	\$705
20-99 units	\$1,169	\$1,237	\$806	\$1,142	\$1,171	\$758	\$1,147	\$1,180	\$771
100+ units	\$1,243	\$1,334	\$898	\$1,224	\$1,286	\$842	\$1,243	\$1,320	\$885
St. Island	\$956	\$1,057	\$649	-	-	-	\$958	\$1,058	\$681
11-19 units	-	-	-	-	-	-	-	-	-
20-99 units	\$961	\$1,029	\$612	-	-	-	\$968	\$1,031	\$681
100+ units	-	-	-	-	-	-	-	-	-
Core Man	\$2,328	\$2,727	\$1,589	\$1,701	\$2,007	\$1,202	\$1,732	\$2,039	\$1,229
11-19 units	\$1,674	\$2,058	\$1,355	\$1,631	\$2,053	\$1,255	\$1,633	\$2,053	\$1,257
20-99 units	\$1,942	\$2,151	\$1,250	\$1,731	\$1,938	\$1,147	\$1,745	\$1,958	\$1,153
100+ units	\$2,837	\$3,193	\$1,823	\$2,109	\$2,654	\$1,657	\$2,590	\$3,067	\$1,777
Upper Man	\$1,290	\$1,424	\$887	\$1,102	\$1,244	\$907	\$1,107	\$1,254	\$907
11-19 units	-	-	-	\$1,133	\$1,340	\$987	\$1,133	\$1,343	\$976
20-99 units	\$1,200	\$1,329	\$860	\$1,096	\$1,227	\$893	\$1,098	\$1,233	\$893
100+ units	-	-	-	\$1,175	\$1,296	\$925	\$1,289	\$1,424	\$990
City w/o Core	\$1,105	\$1,178	\$773	\$991	\$1,065	\$749	\$1,005	\$1,079	\$752
11-19 units	\$1,107	\$1,318	\$734	\$1,008	\$1,091	\$769	\$1,011	\$1,095	\$765
20-99 units	\$1,072	\$1,136	\$745	\$983	\$1,056	\$745	\$993	\$1,062	\$745
100+ units	\$1,167	\$1,265	\$854	\$1,112	\$1,187	\$776	\$1,150	\$1,235	\$821

Notes: Cost figures in this table are NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island and Upper Manhattan; as well as 100+ unit buildings on Staten Island and Upper Manhattan, was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings of all sizes in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

5. Cross-Sectional Income and Expense Study, Average Net Operating Income in 2014 per Apartment per Month by Building Size and Location

	Post-46	Pre-47	All		Post-46	Pre-47	All
Citywide	\$616	\$440	\$488	Core Man	\$1,266	\$892	\$1,005
11-19 units	\$647	\$526	\$539	11-19 units	\$811	\$901	\$898
20-99 units	\$465	\$401	\$413	20-99 units	\$978	\$867	\$873
100+ units	\$749	\$649	\$717	100+ units	\$1,334	\$956	\$1,180
Bronx	\$362	\$249	\$269	Upper Man	\$666	\$395	\$424
11-19 units	-	\$212	\$219	11-19 units	-	\$439	\$443
20-99 units	\$346	\$248	\$258	20-99 units	\$607	\$385	\$392
100+ units	\$389	\$328	\$358	100+ units	-	\$458	\$543
Brooklyn	\$468	\$384	\$406	City w/o Core	\$450	\$363	\$386
11-19 units	-	\$391	\$401	11-19 units	\$645	\$357	\$400
20-99 units	\$438	\$371	\$378	20-99 units	\$418	\$352	\$365
100+ units	\$461	\$502	\$478	100+ units	\$463	\$443	\$457
Manhattan	\$1,152	\$664	\$774				
11-19 units	\$692	\$751	\$750				
20-99 units	\$875	\$602	\$624				
100+ units	\$1,229	\$877	\$1,103				
Queens	\$454	\$406	\$430				
11-19 units	\$602	\$367	\$390				
20-99 units	\$429	\$407	\$413				
100+ units	\$456	\$452	\$456				
St. Island	\$363	-	\$344				
11-19 units	-	-	-				
20-99 units	\$385	-	\$362				
100+ units	-	-	-				

Notes: City, borough totals and building size categories are weighted. Cost figures in this table are NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island and Upper Manhattan; as well as 100+ unit buildings on Staten Island and Upper Manhattan, was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings of all sizes in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

6. Cross-Sectional Distribution of Operating Costs in 2014, by Building Size and Age

	Taxes	Maint.	Labor	Admin.	Utilities	Fuel	Misc.	Insurance	Total
Pre-47	26.1%	17.5%	9.1%	12.8%	11.4%	13.7%	4.1%	5.4%	100.0%
11-19 units	29.1%	17.0%	7.8%	12.8%	10.9%	12.6%	4.5%	5.3%	100.0%
20-99 units	24.4%	18.0%	8.3%	12.9%	11.9%	14.7%	4.1%	5.7%	100.0%
100+ units	33.2%	15.1%	16.3%	11.7%	8.5%	8.4%	3.2%	3.6%	100.0%
Post-46	29.2%	15.6%	15.0%	13.2%	10.3%	8.7%	4.0%	4.0%	100.0%
11-19 units	18.9%	20.2%	11.4%	17.1%	14.6%	10.2%	1.9%	5.6%	100.0%
20-99 units	24.8%	17.9%	11.1%	13.8%	12.3%	10.5%	4.4%	5.1%	100.0%
100+ units	32.6%	13.8%	17.7%	12.6%	8.7%	7.4%	4.0%	3.2%	100.0%
All Bldgs	27.1%	16.9%	10.9%	12.9%	11.0%	12.2%	4.1%	5.0%	100.0%
11-19 units	28.1%	17.3%	8.1%	13.2%	11.2%	12.4%	4.2%	5.3%	100.0%
20-99 units	24.5%	18.0%	8.8%	13.1%	12.0%	13.9%	4.2%	5.6%	100.0%
100+ units	32.8%	14.2%	17.2%	12.3%	8.6%	7.7%	3.7%	3.3%	100.0%

Source: NYC Department of Finance, RPIE Filings.

7. Cross-Sectional Number of “Distressed” Buildings, 2014 RPIE Data

	Citywide	Bronx	Brooklyn	Manhattan	Queens	St. Island	Core Man	Upper Man
Pre-47								
11-19 units	348	63	68	193	22	2	115	78
20-99 units	553	165	92	263	32	1	89	174
100+ units	12	1	0	11	0	0	7	4
All	913	229	160	467	54	3	211	256
Post-46								
11-19 units	4	2	0	2	-	0	2	0
20-99 units	49	12	13	9	15	0	6	3
100+ units	16	4	1	7	3	1	7	0
All	69	18	14	18	18	1	15	3
All Bldgs.								
11-19 units	352	65	68	195	22	2	117	78
20-99 units	602	177	105	272	47	1	95	177
100+ units	28	5	1	18	3	1	14	4
All	982	247	174	485	72	4	226	259

Source: NYC Department of Finance, RPIE Filings.

8. Operating Cost-to-Income Ratios by Decile, 2014 RPIE Data

	# of Bldgs	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Citywide	15,525	0.49	0.54	0.59	0.63	0.67	0.71	0.76	0.82	0.93	5.48
Manhattan	6,488	0.47	0.52	0.56	0.59	0.64	0.68	0.74	0.81	0.95	5.48
Bronx	3,342	0.56	0.63	0.67	0.71	0.75	0.79	0.83	0.89	0.97	2.65
Brooklyn	3,588	0.50	0.55	0.59	0.63	0.66	0.69	0.73	0.79	0.89	2.47
Queens	2,024	0.50	0.55	0.59	0.62	0.65	0.69	0.74	0.79	0.87	2.27
St. Island	83	0.50	0.54	0.57	0.62	0.65	0.68	0.72	0.77	0.84	1.29

Source: NYC Department of Finance, RPIE Filings.

9. Cross-Sectional Sample, 2014 RPIE Data

	Post-46		Pre-47		All	
	Bldgs.	DU's	Bldgs.	DU's	Bldgs.	DU's
Citywide	1,854	192,759	13,671	506,042	15,525	698,801
11-19 units	144	2,135	3,652	55,255	3,796	57,390
20-99 units	1,130	64,445	9,634	381,376	10,764	445,821
100+ units	580	126,179	385	69,411	965	195,590
Bronx	373	29,729	2,969	127,189	3,342	156,918
11-19 units	15	229	353	5,387	368	5,616
20-99 units	288	16,761	2,542	111,634	2,830	128,395
100+ units	70	12,739	74	10,168	144	22,907
Brooklyn	371	34,707	3,217	116,021	3,588	150,728
11-19 units	23	351	887	13,318	910	13,669
20-99 units	250	15,280	2,269	95,310	2,519	110,590
100+ units	98	19,076	61	7,393	159	26,469
Manhattan	487	69,848	6,001	204,229	6,488	274,077
11-19 units	56	843	2,006	30,237	2,062	31,080
20-99 units	207	10,690	3,814	132,481	4,021	143,171
100+ units	224	58,315	181	41,511	405	99,826
Queens	565	54,219	1,459	57,345	2,024	111,564
11-19 units	43	613	396	6,157	439	6,770
20-99 units	349	20,300	998	41,495	1,347	61,795
100+ units	173	33,306	65	9,693	238	42,999
St. Island	58	4,256	25	1,258	83	5,514
11-19 units	7	99	10	156	17	255
20-99 units	36	1,414	11	456	47	1,870
100+ units	15	2,743	4	646	19	3,389
Core Man	387	59,376	3,759	123,238	4,146	182,614
11-19 units	42	637	1,516	22,865	1,558	23,502
20-99 units	147	7,500	2,108	65,693	2,255	73,193
100+ units	198	51,239	135	34,680	333	85,919
Upper Man	100	10,472	2,242	80,991	2,342	91,463
11-19 units	14	206	490	7,372	504	7,578
20-99 units	60	3,190	1,706	66,788	1,766	69,978
100+ units	26	7,076	46	6,831	72	13,907

Source: NYC Department of Finance, RPIE Filings.

DU = Dwelling Unit

10. Longitudinal Income and Expense Study, Estimated Average Rent, Income and Costs Changes (2013-2014) by Building Size and Location

	Post-46			Pre-47			All		
	Rent	Income	Costs	Rent	Income	Costs	Rent	Income	Costs
Citywide	4.3%	4.2%	6.1%	5.0%	5.2%	5.3%	4.8%	4.9%	5.6%
11-19 units	8.3%	8.4%	9.9%	5.3%	5.3%	5.0%	5.7%	5.6%	5.4%
20-99 units	4.4%	4.6%	6.9%	5.1%	5.3%	5.4%	5.0%	5.1%	5.6%
100+ units	4.0%	3.8%	5.5%	3.7%	4.5%	5.6%	3.9%	4.0%	5.5%
Bronx	4.4%	4.0%	6.1%	4.9%	4.7%	4.7%	4.8%	4.6%	4.9%
11-19 units	-	-	-	4.2%	4.3%	4.0%	5.9%	5.2%	4.9%
20-99 units	4.4%	3.8%	4.3%	5.1%	4.8%	4.7%	5.0%	4.7%	4.7%
100+ units	3.3%	3.9%	8.8%	3.0%	2.9%	4.3%	3.2%	3.5%	7.1%
Brooklyn	5.3%	5.3%	6.8%	5.2%	5.1%	5.6%	5.2%	5.2%	5.9%
11-19 units	-	-	-	5.3%	5.5%	5.0%	6.5%	6.7%	5.5%
20-99 units	4.8%	4.6%	8.2%	4.9%	4.8%	5.6%	4.8%	4.7%	6.2%
100+ units	4.6%	4.7%	3.4%	7.6%	7.2%	6.9%	5.9%	5.8%	4.8%
Manhattan	4.1%	4.0%	5.4%	5.0%	5.5%	5.9%	4.7%	5.0%	5.7%
11-19 units	14.9%	12.7%	4.9%	5.6%	5.4%	5.3%	5.7%	5.5%	5.3%
20-99 units	3.5%	4.7%	7.2%	5.3%	5.8%	6.1%	5.1%	5.7%	6.2%
100+ units	4.1%	3.8%	5.1%	3.1%	4.5%	5.6%	3.8%	4.0%	5.3%
Queens	3.9%	4.0%	6.8%	4.7%	4.7%	4.3%	4.3%	4.4%	5.6%
11-19 units	-	4.1%	11.5%	4.6%	4.8%	4.2%	4.1%	4.6%	6.2%
20-99 units	4.4%	4.9%	7.0%	5.3%	5.4%	4.2%	5.0%	5.2%	5.3%
100+ units	3.7%	3.4%	6.1%	1.6%	1.5%	4.6%	3.3%	3.0%	5.8%
Staten Island	1.8%	2.7%	7.0%	-	-	-	1.6%	2.3%	5.7%
11-19 units	-	-	-	-	-	-	-	-	-
20-99 units	-	-	-	-	-	-	2.6%	2.8%	0.5%
100+ units	-	-	-	-	-	-	-	-	-
Core Manhattan	4.4%	3.9%	6.0%	4.8%	5.2%	5.5%	4.6%	4.7%	5.7%
11-19 units	12.2%	11.1%	8.2%	5.9%	5.4%	4.8%	6.0%	5.5%	4.8%
20-99 units	4.3%	5.0%	7.4%	5.1%	5.3%	5.9%	5.0%	5.3%	6.1%
100+ units	4.4%	3.8%	5.7%	3.1%	4.6%	5.3%	4.0%	4.0%	5.6%
Upper Manhattan	1.9%	4.1%	1.3%	5.4%	6.2%	6.5%	4.9%	6.0%	5.9%
11-19 units	-	-	-	4.8%	5.5%	6.7%	5.0%	5.6%	6.6%
20-99 units	0.2%	3.2%	6.4%	5.6%	6.5%	6.3%	5.3%	6.4%	6.3%
100+ units	-	-	-	3.5%	3.8%	8.4%	2.7%	4.1%	2.4%
All City w/o Core	4.2%	4.4%	6.2%	5.1%	5.2%	5.3%	4.8%	4.9%	5.5%
11-19 units	8.2%	8.4%	10.0%	4.9%	5.2%	5.2%	5.5%	5.7%	5.8%
20-99 units	4.4%	4.5%	6.8%	5.1%	5.2%	5.2%	5.0%	5.1%	5.5%
100+ units	3.5%	3.8%	5.2%	4.4%	4.3%	6.0%	3.8%	3.9%	5.4%

Notes: City, borough totals and building size categories are weighted. Cost figures in this table are NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island, Queens and Upper Manhattan, as well as 20-99 and 100+ unit buildings on Staten Island and 100+ units buildings in Upper Manhattan was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings in all categories in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

11. Longitudinal Income and Expense Study, Estimated Median Rent, Income and Costs Changes (2013-2014) by Building Size and Location

	Post-46			Pre-47			All		
	Rent	Income	Costs	Rent	Income	Costs	Rent	Income	Costs
Citywide									
11-19 units	4.2%	4.9%	6.4%	4.8%	5.1%	4.5%	4.8%	5.0%	4.8%
20-99 units	4.8%	4.5%	14.2%	6.1%	5.3%	5.2%	6.0%	5.2%	5.4%
100+ units	4.4%	4.3%	6.2%	5.0%	5.0%	4.3%	4.7%	4.8%	4.5%
100+ units	4.0%	4.0%	5.2%	3.0%	3.0%	6.2%	4.2%	4.1%	5.0%
Bronx									
11-19 units	3.8%	2.9%	2.8%	4.3%	4.0%	4.4%	4.5%	3.8%	4.3%
20-99 units	-	-	-	3.2%	3.6%	4.9%	3.6%	3.1%	5.9%
100+ units	3.4%	3.0%	2.4%	4.4%	3.9%	4.4%	4.6%	3.9%	3.9%
100+ units	4.7%	4.9%	0.7%	4.2%	3.9%	5.0%	3.5%	3.9%	6.9%
Brooklyn									
11-19 units	5.0%	4.9%	4.9%	4.9%	4.5%	4.8%	5.1%	4.7%	4.8%
20-99 units	-	-	-	5.6%	4.9%	3.7%	5.3%	5.0%	3.7%
100+ units	3.3%	2.9%	6.9%	4.8%	4.8%	5.1%	4.7%	4.4%	4.9%
100+ units	4.2%	3.4%	3.2%	4.8%	4.0%	-0.6%	5.6%	4.4%	5.3%
Manhattan									
11-19 units	3.8%	4.6%	7.4%	5.9%	6.3%	5.6%	5.9%	6.0%	6.1%
20-99 units	6.4%	21.1%	2.0%	6.9%	6.8%	6.4%	6.9%	7.1%	6.3%
100+ units	6.0%	3.1%	6.9%	6.2%	6.2%	6.8%	6.0%	6.6%	6.5%
100+ units	4.1%	2.9%	2.1%	1.2%	3.2%	4.8%	4.1%	2.5%	4.4%
Queens									
11-19 units	4.0%	4.8%	7.8%	5.0%	4.9%	3.9%	4.7%	4.8%	5.2%
20-99 units	-	-	-	5.7%	4.4%	2.3%	5.4%	4.8%	2.8%
100+ units	4.5%	6.7%	8.0%	4.9%	4.9%	4.4%	4.6%	4.7%	5.3%
100+ units	5.0%	5.1%	5.3%	1.5%	-1.3%	1.7%	4.9%	3.6%	5.5%
Staten Island									
11-19 units	-0.8%	3.9%	3.6%	-	-	-	-0.2%	2.6%	7.9%
20-99 units	-	-	-	-	-	-	-	-	-
100+ units	-	-	-	-	-	-	4.0%	6.4%	2.8%
100+ units	-	-	-	-	-	-	-	-	-
Core Manhattan									
11-19 units	5.1%	5.6%	6.9%	5.8%	6.4%	6.0%	5.2%	5.1%	6.0%
20-99 units	7.1%	9.3%	7.8%	5.6%	6.0%	6.1%	5.6%	6.2%	6.3%
100+ units	2.0%	3.6%	7.4%	5.3%	5.3%	4.9%	5.2%	5.4%	5.2%
100+ units	3.9%	2.6%	5.3%	0.5%	3.8%	4.7%	3.1%	4.0%	4.1%
Upper Manhattan									
11-19 units	2.6%	3.9%	4.2%	6.0%	6.4%	6.0%	5.9%	6.5%	6.0%
20-99 units	-	-	-	7.1%	7.9%	3.9%	7.1%	7.8%	3.3%
100+ units	1.7%	3.8%	8.6%	6.3%	6.4%	6.0%	6.0%	6.9%	6.0%
100+ units	-	-	-	4.3%	7.1%	4.0%	5.9%	8.1%	-0.6%
All City w/o Core									
11-19 units	4.3%	4.0%	6.1%	4.5%	4.7%	4.7%	4.7%	4.6%	4.9%
20-99 units	8.7%	5.2%	8.6%	4.5%	4.8%	3.5%	4.4%	4.8%	3.6%
100+ units	3.9%	4.5%	5.2%	5.0%	4.6%	4.9%	4.7%	4.6%	4.9%
100+ units	2.7%	4.8%	5.2%	4.0%	4.3%	7.0%	3.8%	3.8%	5.2%

Notes: Cost figures in this table are NOT adjusted for the results of the 1992 NYC Dept. of Finance audit on I&E reported operating costs. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island, Queens and Upper Manhattan, as well as 20-99 and 100+ unit buildings on Staten Island and 100+ units buildings in Upper Manhattan was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings in all categories in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

12. Longitudinal Income and Expense Study, Avg. Net Operating Income Changes (2013-2014) by Bldg. Size & Location

	Post-46	Pre-47	All		Post-46	Pre-47	All
Citywide	1.1%	4.8%	3.5%	Core Manhattan	1.0%	4.6%	3.3%
11-19 units	6.5%	5.9%	6.0%	11-19 units	16.7%	6.4%	6.5%
20-99 units	0.6%	5.0%	4.1%	20-99 units	1.9%	4.4%	4.1%
100+ units	1.0%	2.5%	1.4%	100+ units	0.8%	3.4%	1.6%
Bronx	0.0%	4.8%	3.6%	Upper Manhattan	9.4%	5.6%	6.2%
11-19 units	-	5.7%	6.2%	11-19 units	-	2.4%	3.0%
20-99 units	2.7%	5.1%	4.6%	20-99 units	-2.2%	7.0%	6.4%
100+ units	-4.6%	-0.3%	-3.3%	100+ units	-	-5.2%	7.6%
Brooklyn	2.9%	4.2%	3.8%	All City w/o Core	1.2%	4.9%	3.7%
11-19 units	-	6.5%	9.1%	11-19 units	6.4%	5.3%	5.6%
20-99 units	-1.6%	3.3%	2.0%	20-99 units	0.3%	5.2%	4.1%
100+ units	7.2%	7.5%	7.4%	100+ units	1.2%	1.2%	1.2%
Manhattan	1.8%	4.9%	3.9%				
11-19 units	29.7%	5.7%	5.8%				
20-99 units	1.1%	5.3%	4.8%				
100+ units	1.9%	2.6%	2.1%				
Queens	-0.8%	5.7%	2.1%				
11-19 units	-	6.0%	1.7%				
20-99 units	1.2%	7.7%	5.0%				
100+ units	-1.8%	-4.1%	-2.2%				
St. Island	-5.0%	-	-4.3%				
11-19 units	-	-	-				
20-99 units	-	-	8.2%				
100+ units	-	-	-				

Notes: City, borough totals and building size categories are weighted. The number of Post-46 rent stabilized buildings with 11-19 units in the Bronx, Brooklyn, Staten Island, Queens and Upper Manhattan, as well as 20-99 and 100+ unit buildings on Staten Island and 100+ units buildings in Upper Manhattan was too small to calculate reliable statistics. In addition, the number of Pre-47 rent stabilized buildings in all categories in Staten Island was too small to calculate reliable statistics.

Source: NYC Department of Finance, RPIE Filings.

13. Longitudinal Income and Expense Study, Change in Rent and Net Operating Income by Community District (2013-2014)

CD	Neighborhood	Rent Change	NOI Change
Manhattan			
102	Greenwich Village	6.3%	4.1%
103	Lower East Side/Chinatown	6.8%	7.2%
104	Chelsea/Clinton	5.9%	5.2%
105	Midtown	2.4%	5.0%
106	Stuyvesant Town/Turtle Bay	5.6%	6.1%
107	Upper West Side	4.8%	6.3%
108	Upper East Side	3.7%	2.9%
109	Morningside Hts./Hamilton Hts.	7.2%	9.2%
110	Central Harlem	5.6%	-1.5%
111	East Harlem	7.4%	13.6%
112	Washington Hts./Inwood	4.0%	4.4%
Bronx			
201	Mott Haven/Port Morris	5.7%	2.0%
202	Hunts Point/Longwood	5.7%	21.3%
203	Morrisania/Melrose/Claremont	3.8%	2.4%
204	Highbridge/S. Concourse	4.8%	5.2%
205	University Heights/Fordham	6.1%	4.0%
206	E. Tremont/Belmont	5.2%	9.5%
207	Kingsbridge Hts./Mosholu/Norwood	4.4%	2.0%
208	Riverdale/Kingsbridge	4.1%	-0.6%
209	Soundview/Parkchester	5.5%	6.3%
210	Throgs Neck/Co-op City	4.0%	6.7%
211	Pelham Parkway	3.6%	0.8%
212	Williamsbridge/Baychester	5.6%	4.4%
Brooklyn			
301	Williamsburg/Greenpoint	6.2%	5.6%
302	Brooklyn Hts./Fort Greene	5.6%	4.2%
303	Bedford Stuyvesant	5.5%	3.7%
305	East New York/Starett City	4.9%	7.5%
306	Park Slope/Carroll Gardens	5.5%	7.8%
307	Sunset Park	5.6%	11.8%
308	North Crown Hts./Prospect Hts.	7.1%	8.9%
309	South Crown Hts.	4.5%	2.6%
310	Bay Ridge	4.3%	3.3%
311	Bensonhurst	4.5%	-0.3%
312	Borough Park	4.6%	3.4%
313	Coney Island	2.7%	8.7%
314	Flatbush	5.5%	2.3%
315	Sheepshead Bay/Gravesend	2.9%	3.7%
316	Brownsville/Ocean Hill	6.9%	8.9%
317	East Flatbush	4.3%	2.5%
Queens			
401	Astoria	5.0%	4.8%
402	Sunnyside/Woodside	4.3%	4.6%
403	Jackson Hts.	5.7%	8.9%
404	Elmhurst/Corona	3.2%	0.5%
405	Middle Village/Ridgewood	6.5%	6.3%
406	Forest Hills/Rego Park	4.0%	0.6%
407	Flushing/Whitestone	3.2%	4.0%
408	Hillcrest/Fresh Meadows	4.5%	-1.7%
409	Kew Gardens/Woodhaven	4.4%	0.3%
411	Bayside/Little Neck	4.1%	-2.8%
412	Jamaica	7.4%	17.2%
414	Rockaways	8.5%	13.4%
Staten Isl.			
501	North Shore	3.8%	4.5%

Note: Seven Community Districts (CDs) contained too few buildings to be included in the analysis.

Source: NYC Department of Finance, RPIE Filings.

14. Longitudinal Sample, 2013 & 2014 RPIE Data

	Post-46		Pre-47		All	
	Bldgs.	DU's	Bldgs.	DU's	Bldgs.	DU's
Citywide	1,555	165,016	11,418	430,547	12,973	595,563
11-19 units	113	1,658	2,943	44,625	3,056	46,283
20-99 units	944	54,625	8,138	323,981	9,082	378,606
100+ units	498	108,733	337	61,941	835	170,674
Bronx	315	25,547	2,468	106,381	2,783	131,928
11-19 units	12	178	288	4,370	300	4,548
20-99 units	242	14,278	2,116	93,147	2,358	107,425
100+ units	61	11,091	64	8,864	125	19,955
Brooklyn	297	29,529	2,626	96,888	2,923	126,417
11-19 units	15	227	693	10,420	708	10,647
20-99 units	195	12,237	1,882	80,303	2,077	92,540
100+ units	87	17,065	51	6,165	138	23,230
Manhattan	414	58,113	5,068	176,151	5,482	234,264
11-19 units	50	747	1,637	24,751	1,687	25,498
20-99 units	182	9,477	3,271	113,960	3,453	123,437
100+ units	182	47,889	160	37,440	342	85,329
Queens	487	48,172	1,237	50,063	1,724	98,235
11-19 units	32	454	319	4,990	351	5,444
20-99 units	301	17,609	859	36,140	1,160	53,749
100+ units	154	30,109	59	8,933	213	39,042
St. Island	42	3,655	19	1,064	61	4,719
11-19 units	4	52	6	94	10	146
20-99 units	24	1,024	10	431	34	1,455
100+ units	14	2,579	3	539	17	3,118
Core Manhattan	335	49,247	3,257	110,259	3,592	159,506
11-19 units	39	590	1,273	19,261	1,312	19,851
20-99 units	136	6,977	1,860	58,341	1,996	65,318
100+ units	160	41,680	124	32,657	284	74,337
Upper Manhattan	79	8,866	1,811	65,892	1,890	74,758
11-19 units	11	157	364	5,490	375	5,647
20-99 units	46	2,500	1,411	55,619	1,457	58,119
100+ units	22	6,209	36	4,783	58	10,992

Source: NYC Department of Finance, RPIE Filings.

DU = Dwelling Unit

EXHIBIT E

2016 Income and Affordability Study

April 7, 2016

Board Members

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Hon. Kathleen A. Roberts (Ret.)

Public Members:

Steven Flax

Cecilia Joza

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Helen Schaub

Owner Members:

Mary Serafy

Scott Walsh

Tenant Members:

Harvey Epstein

Sheila Garcia

Staff Members

Executive Director:

Andrew McLaughlin

Research Director:

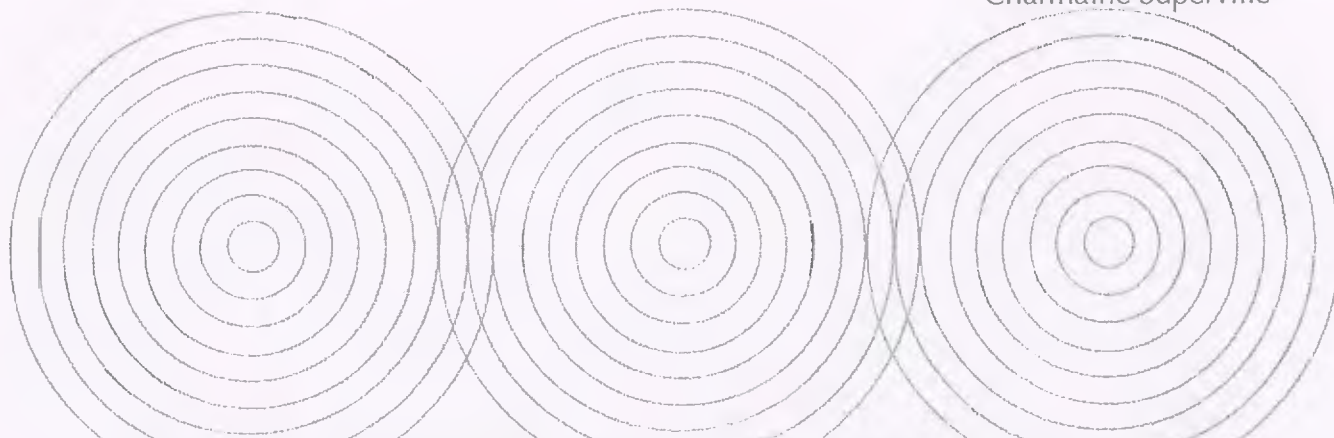
Brian Hoberman

Sr. Research Associate:

Danielle Burger

Office Manager:

Charmaine Superville



2016 Income and Affordability Study

What's New

- ✓ Results from the 2014 *American Community Survey* show that median renter income is \$41,210, median gross rent is \$1,276, and the median gross rent-to-income ratio is 32.7%.
- ✓ New York City's economy grew by 3.4% in 2015, compared to a 2.1% increase during 2014.
- ✓ The City gained 119,000 jobs in 2015, resulting in a 2.9% increase from 2014 in total employment levels.
- ✓ The unemployment rate fell in 2015, to an average of 5.7%, down from 7.2% in 2014.
- ✓ In 2015, an average of 57,158 people were staying in Dept. of Homeless Services shelters each night, up 5.6% from 2014.
- ✓ The number of non-payment filings decreased 2.4% in 2015, while those actually heard in Housing Court decreased 12.5%, and the number of evictions fell 18.1%.
- ✓ Cash assistance caseloads increased 5.7% during 2015, while SNAP caseloads fell 3.2%, Medicaid enrollees fell by 15.5%, and job placements among cash assistance recipients fell 2.1%.

Introduction

Section 26-510(b) of the Rent Stabilization Law requires the Rent Guidelines Board (RGB) to consider “relevant data from the current and projected cost of living indices” and permits consideration of other measures of housing affordability in its deliberations. To assist the Board in meeting this obligation, the RGB research staff produces an annual *Income and Affordability Study*, which reports on housing affordability and tenant income in New York City's rental market. The study highlights year-to-year changes in many of the major economic factors affecting New York City's tenant population and takes into consideration a broad range of market forces and public policies affecting housing affordability. Such factors include New York City's overall economic condition — unemployment rate, wages, Consumer Price Index and Gross City Product — as well as the number of eviction proceedings and the impact of welfare reform and federal housing policies on rents and incomes.

Overview

Looking at New York City's economy during 2015, it showed many strengths as compared with the preceding year. Positive indicators include growing employment levels, which rose for the sixth consecutive year, increasing 2.9% in 2015. The unemployment rate also fell, declining by 1.5 percentage points, to 5.7%. Gross City Product (GCP) also increased for the sixth consecutive year, rising in real terms by 3.4% in 2015. In addition, inflation-adjusted wages rose by 1.6% during the most recent 12-month period (the fourth quarter of 2014 through the third quarter of 2015), and inflation slowed to just 0.1%. The number of non-payment filings in Housing Court fell by 2.4%, “calendared” cases fell 12.5%, and evictions fell by 18.1%. In addition, Supplemental Nutrition Assistance Program (SNAP) caseloads fell for second consecutive year, by 3.2%

Negative indicators include the seventh consecutive year of increase in homeless levels, which rose to an average of more than 57,000 persons a night, an increase of 5.6% over 2014 levels. Public assistance caseloads also rose, by 5.7% over 2014 levels.

The most recent numbers, from the fourth quarter of 2015 (as compared to the fourth quarter of 2014), show that homeless levels were up 2.1%, cash assistance levels were up 5.7%, and the number of filings in housing court were up 7.1%.¹

However, most fourth quarter indicators were positive, with employment levels up 2.2%, the unemployment rate down 1.3 percentage points, the number of calendared cases in Housing Court down 17.1%, and SNAP recipients down 2.8%. Fourth quarter GCP also rose, by 2.1% in real terms, and inflation was lower than that of the last quarter of 2014,

rising by 0.6%, as compared to 0.8% in the fourth quarter of 2014.

Economic Conditions

Economic Output and Consumer Prices

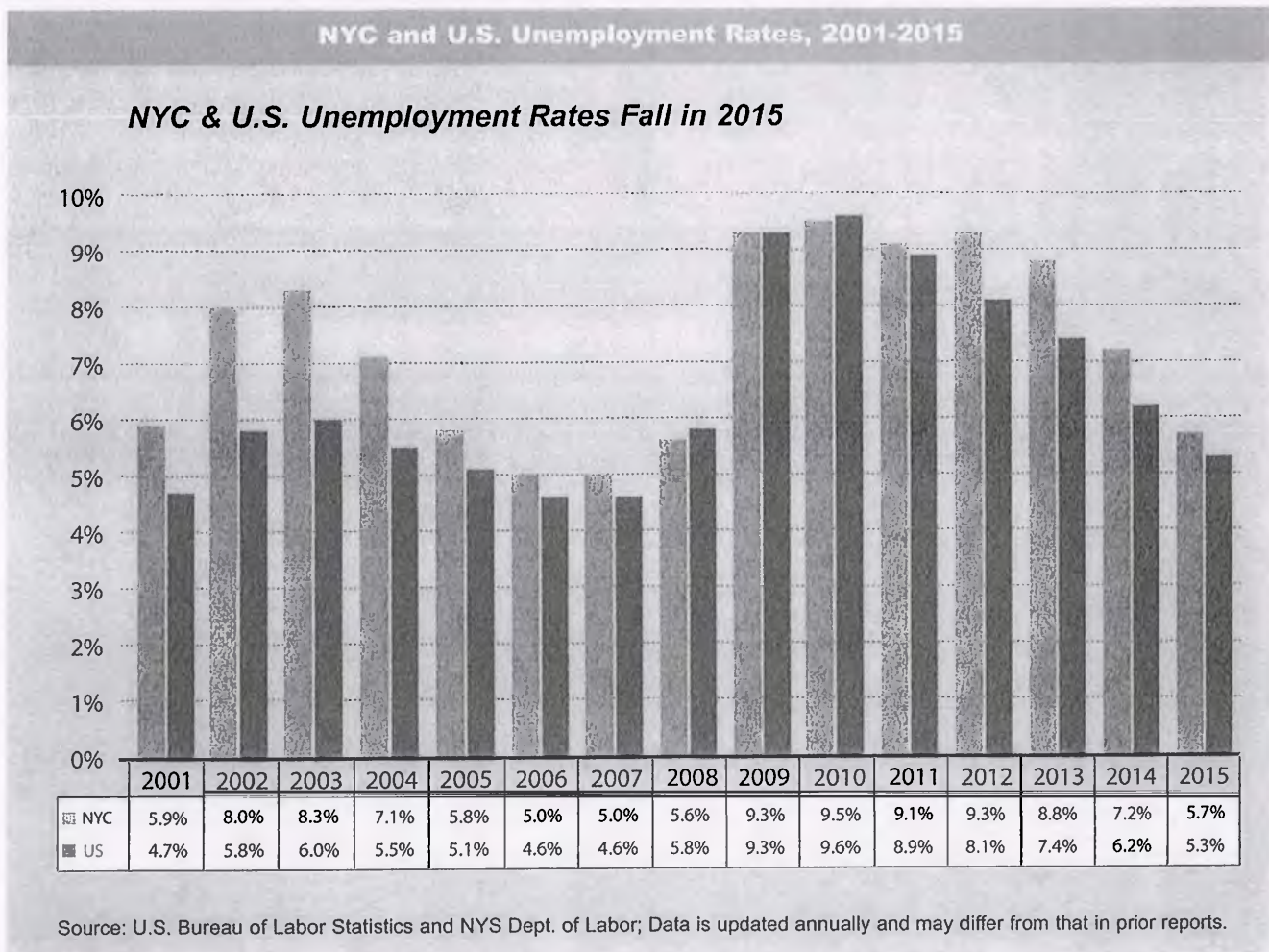
New York City's economy expanded during 2015, rising for the sixth consecutive year. New York City's Gross City Product (GCP), which measures the total value of goods and services produced, increased by 3.4% during 2015, following an increase of 2.1% in 2014.² There has been positive economic growth in all but one quarter since the first of 2009. During 2015, the greatest growth was during the first quarter, a 4.3% rise. For comparison, GCP increased by an annualized average of 1.6% per year between 2000

and 2009 and 4.2% in the 1990s. The analogous national number, United States Gross Domestic Product (GDP), increased 2.4% during 2015, equal to the increase during 2014.³

The Consumer Price Index (CPI), which measures the change in the cost of typical household goods, increased 0.1% in the NYC metropolitan area during 2015, a lower rate of inflation than seen in the previous year, when prices rose on average 1.3%.⁴ Inflation was equal to that for urban consumers in the U.S. as a whole, with rates also rising 0.1%, following an increase of 1.6% during 2014.

Unemployment Statistics

Following a 1.6 percentage point decrease in 2014, NYC's unemployment rate fell again in 2015, declining 1.5 percentage points, to 5.7%.⁵ This is the lowest



unemployment rate since 2008, when it was 5.6%. The U.S. unemployment rate declined by a smaller proportion, falling from 6.2% in 2014 to 5.3% in 2015, a 0.9 percentage point drop.⁶ (See graph on previous page and Appendix 1.)

In both January and February of 2016, the most recently available data, the unemployment rate for New York City was 5.9%. These rates are 1.0 percentage points lower than the previous January and 0.8 percentage points lower than the previous February. The analogous national figure was 5.3% in January of 2016 and 5.2% in February, 0.8 percentage points lower than January of 2015 and 0.6 percentage points lower than the previous February.

For all of 2015, Manhattan had the lowest unemployment rate of the boroughs, 4.8%, with Queens' rate at 5.0%, Staten Island's at 5.8%, Brooklyn at 5.9%, and the Bronx, consistently the borough with the highest unemployment rate, averaging 7.7%. Unemployment rates fell in every borough during 2015, from between 1.3 percentage points in Manhattan and Queens, to as much as 2.0 percentage points in the Bronx, the borough with the highest unemployment rate.

Employment Statistics

For the sixth consecutive year, the number of people employed in New York City increased, following gains in all but one year since 2003 (see graph on next page). Overall, among both city residents as well as those commuting into the city, New York City gained 119,000 jobs in 2015, a 2.9% increase from 2014.⁷

Employment levels rose in every industry, rising by the greatest proportion in the Construction sector, which grew by 7.0% (9,100 jobs) during 2015. The Professional and Business Services sector also grew, rising by 4.7% (31,300 jobs) during 2015, and the Leisure and Hospitality sector grew by 4.2% (17,200 jobs). In the Manufacturing sector, which has declined in all but five years since 1990 (the first year for which data is available), employment grew by 1.8% (1,400 jobs, but is still down more than 70% as compared with 1990). All other sectors rose from between 0.8% and 3.4%. (See Appendix 2 for more detailed employment information.)

During the first two months of 2016, total employment levels were up as compared to the same months of 2015, with levels 2.7% higher in January 2016 and 2.6% higher in February, as compared with the same months of the prior year. Employment levels in both January and February were up in every sector.

Two other employment indices are tracked in the *I&A Study*. The New York City labor force participation rate measures the proportion of all non-institutionalized people, age 16 and older, who are employed or actively looking for work. This ratio increased slightly in 2015, to 61.1%, up from 60.8% in 2014.⁸ This remained lower than the U.S. rate, which decreased to 62.7% from 62.9% in 2014.⁹ A related statistic, the New York City employment/population ratio, measures the proportion of those who are actually employed as a ratio of all non-institutionalized people age 16 or older. After remaining virtually unchanged between 2009 and 2012, the rate rose for the fourth consecutive year, up 1.3 percentage points in 2015, from 56.4% in 2014 to 57.7% in 2015. The U.S. employment/population ratio also rose in 2015, rising 0.3 percentage points from 2014 to reach 59.3%.

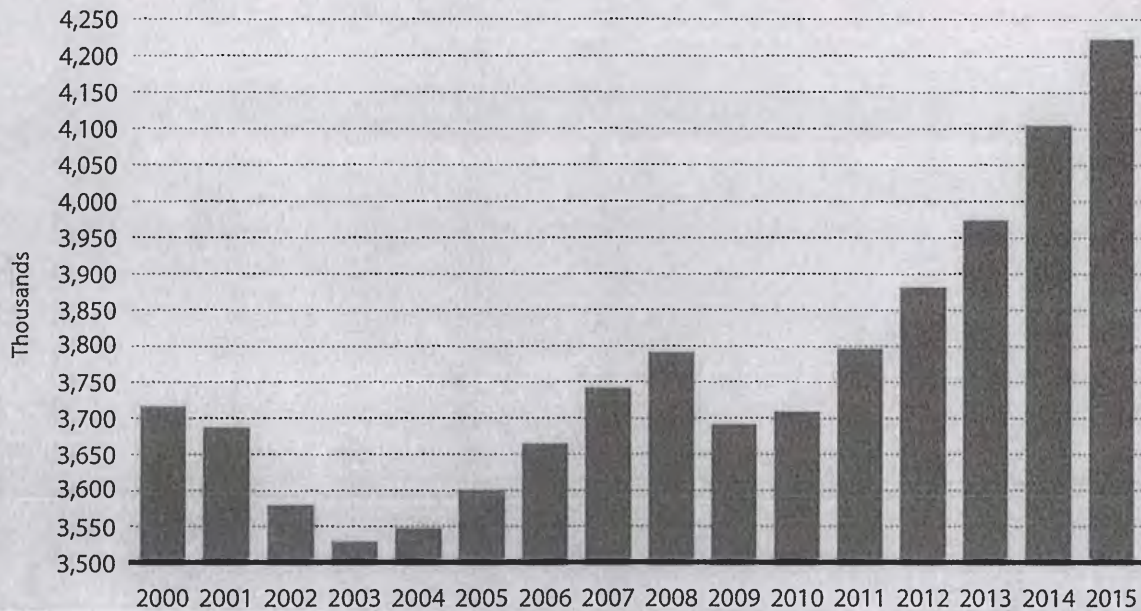
Wage Data

This report also examines wage data of employees working in New York City (regardless of where they live), though the analysis is limited by the fact that there is a significant lag time in the reporting of income data. Based on data derived from the Quarterly Census of Employment and Wages (QCEW), the most recent annual numbers cover the 2014 calendar year. The data for this time period, which is still preliminary, shows an increase in both nominal wages and "real" wages (wages adjusted for inflation). Real wages increased by 3.9% in 2014, following a decrease of 1.8% in the prior year. Real wages rose from \$81,523 (in 2014 dollars) to \$84,742, with wages rising in all but one sector.¹⁰ Nominal wages (wages in current dollars) increased by 5.3% over the same time period, following a 0.1% decrease in the prior year.

Due to the six-month lag time in reporting of wage data, in order to present the most recent statistics possible, staff has formulated a "year" that comprises the

Average Annual Payroll Employment, NYC, 2000-2015

NYC Employment Levels Rise for Sixth Consecutive Year



Source: NYS Dept. of Labor

most recent 12-month period (in this case, the fourth quarter of 2014 through the third quarter of 2015). This “year” was then compared with the equivalent period of the preceding “year,” which in this most recent time period showed that overall wages increased by 1.6% in real terms and by 1.8% in nominal terms (note that data is preliminary). This compares to increases in the preceding 12-month period of 2.1% in real terms and 3.6% in nominal terms. (See Appendices 3 and 4, and graph on next page.)

Real wages in the Finance and Insurance sector, which accounts for more than a quarter of all wages in New York City (and therefore carries more weight than any other single sector), rose by a real 0.1% during the most recent 12-month time period, the smallest proportional rise of any sector (of those that rose). This compares to a rise of 5.6% and 6.4% in the prior two 12-month periods. The sector with the second greatest weight, Administrative, Waste, Educational, and Health Services (accounting for almost 16% of all wages), rose by a real 2.4% during this time period. Professional

and Technical Services (accounting for 13% of all wages) rose by a real 2.9%. The Government sector, with 10% of all wages, also rose, by 3.1% in real terms. Three sectors, all with relatively low weight, saw decreases in real wages during 2015, including Management of Companies, which fell 0.7%.

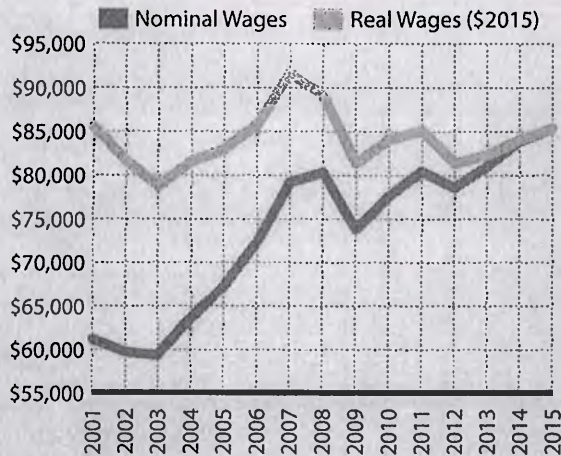
Looking at 2015 wage data on a quarterly basis, real wages fell by 0.9% in the first quarter as compared to the same quarter of 2014, and rose 2.8% in the second quarter, and 2.2% in the third quarter. “Yearly” wage growth was bolstered by the impact of the fourth quarter of 2014, when wages rose 3.0% in real terms.

The “annual” rise in wages was impacted most by the relatively weak growth of the Finance and Insurance sector, which helped pull overall wages lower than they would have grown otherwise. If the Finance and Insurance sector were left out of the analysis, wages would have grown by 2.4% in real terms, compared to the already noted growth of 1.6% overall.

The U.S. Bureau of Labor Statistics also tracks wage data, as part of their Current Employment Statistics

Real and Nominal Wages, 2001-2015

Both Real and Nominal Wages Increase in 2015



Source: NYS Dept. of Labor

Note: Each "year" consists of the first three quarters of that year, and the fourth quarter of the preceding year.

(CES) survey.¹¹ Unlike the QCEW, this data cannot be analyzed for specific industries, and while more current than that of the QCEW, is based on a much smaller sample size. In addition, this data does not include certain monetary compensations that are included in the QCEW, such as bonuses and sums received when exercising stock options, so is therefore less variable on a month-to-month basis than data from the QCEW. Per this survey, weekly wages rose by a nominal 3.1% in New York City during calendar year 2015, higher than the rate of growth during 2014 (1.4%), and also higher than that of the nation as a whole (2.3%). In real dollars, weekly wages rose by 3.0% in NYC and 2.2% for the nation as a whole between 2014 and 2015. On a quarterly basis, the CES data shows that NYC weekly wages (in real terms) rose in each quarter of 2015, by the most in the first quarter (4.6%) and by the least in the fourth quarter (1.3%).

Bankruptcy Statistics

Staff also examined bankruptcy filings for New York City residents from 2000-2015. Between 20,000 and

30,000 persons filed for personal bankruptcy annually between 2000 and 2004, before surging to 42,852 in 2005 as bankruptcy laws were set to change. In the following year, with new laws in place making it more difficult to file for bankruptcy, only 7,961 persons filed for personal bankruptcy, an 81.4% decline. Filings then increased every year through 2010, reaching a high of 17,685. For the fifth consecutive year, rates dropped in 2015 for both New York City as well as the nation as a whole, by 8.0% (to 8,676) and 9.9%, respectively.¹²

Poverty Statistics

The most recently available data from the Census Bureau reports that the New York City poverty rate for all individuals was 20.9% in 2014, equal to the rate in 2013. This compares to 15.5% for the nation as a whole, a decline from 15.8% in 2013.¹³ Poverty rates vary widely depending on borough. Rates range from a low of 14.5% in Staten Island, to 15.2% in Queens, 17.6% in Manhattan, 23.4% in Brooklyn, and 31.6% in the Bronx, consistently the highest rate of the boroughs. As compared to the prior year, rates rose in both the Bronx and Staten Island and declined or remained relatively constant in the other boroughs. (See Appendix 8.)

Also reported are poverty rates by age. The poverty rate for persons under the age of 18 in New York City was 29.6% in 2014. The rate was 18.4% for individuals 18 to 64 and 19.3% for persons 65 years and over. Furthermore, 17.6% of all families were living under the poverty line in 2014. For families containing related children under the age of 18, the figure is higher than that of all families, 25.0%. For married-couple families, the overall poverty rate was 10.7% in 2014, while for female- and male-headed families (i.e., no spouse present) it was 31.6% and 16.2%, respectively. None of these statistics fell by a significant amount as compared to 2013, but rates for female-headed households, individuals 65 years and over, and families with related children all rose from between 0.4 and 1.0 percentage points as compared to the prior year.

For comparison, overall rates were as high as 26.4% in the mid-nineties.¹⁴ The Census Bureau has also begun work on a "Supplemental Poverty

Measure,” an additional measure of poverty that will include more factors in estimating income resources.¹⁵ Using a similar methodology, the NYC Center for Economic Opportunity (CEO) calculated household poverty rates for New York City residents from 2005-2013 and found poverty rates higher than those officially released by the Census Bureau.¹⁶ For instance, the official household poverty rate in 2013 was 19.9% and the CEO estimate was 21.5%. The gap between official and CEO estimates has been as high as 3.0 percentage points over the nine years studied by this City agency.

2014 Housing & Vacancy Survey

Vacancy Rates

Results from the 2014 *Housing and Vacancy Survey* (HVS) were first reported in the 2015 *Income & Affordability Study*, and they revealed the continuation of a very tight New York City housing market.¹⁷ This triennial survey of the housing and demographic characteristics of the City’s residents found that the Citywide vacancy rate was 3.45% in

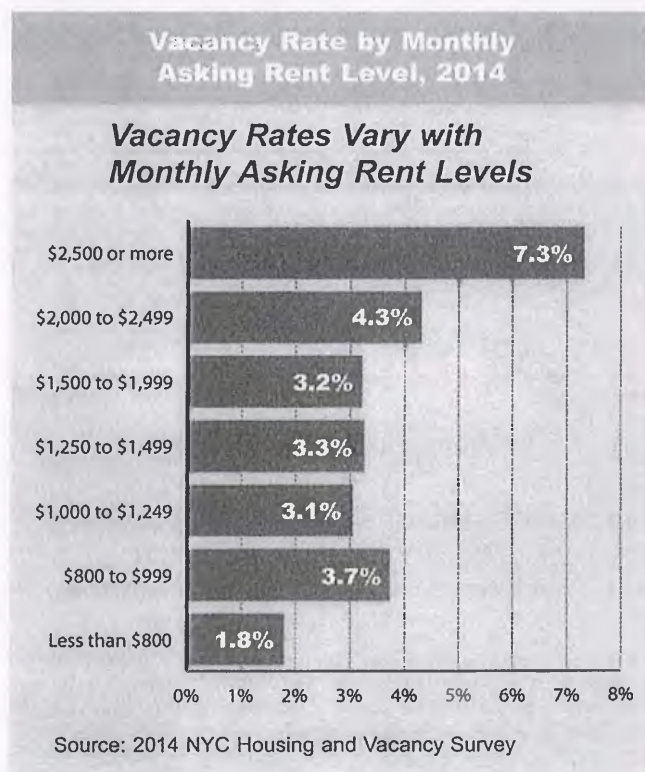
2014, well below the 5% threshold required for rent regulation to continue under State law, but higher than that found during the last HVS, 3.12%.¹⁸ Queens had the lowest vacancy rate in the city, at 2.69%, translating into the availability of just 12,070 rentals in a borough with 449,274 rental apartments. Manhattan, by contrast, had the highest vacancy rate in 2014, at 4.07%. Of the remaining boroughs, the Bronx had a vacancy rate of 3.77%, Brooklyn was at 3.06%, and the small sample size in Staten Island made the rate too inaccurate to report.

The HVS found vacancy rates varying significantly among different asking rents. As might be expected, apartments renting for the least had the lowest vacancy rates, while those apartments renting at the high end had substantially higher vacancy rates. Apartments with an asking rent of less than \$800 had a vacancy rate of just 1.8%, while those renting for at least \$2,500 had a vacancy rate of 7.3%. (See graph on this page for a further breakdown.)

Income

According to the 2014 HVS, which reflects household income for 2013, the median income for rental households was \$41,500, an inflation-adjusted (“real”) increase of 1.1% from 2010.¹⁹ Owner households earned substantially higher income, which in 2013 was a median of \$80,000, almost double the income of renters.

The 2014 HVS found different income levels among those living in units that were rent controlled, rent stabilized, unregulated, or part of some other regulation program (such as public housing or Mitchell-Lama). The lowest median income was found among those tenants in “other” regulated units, which at \$18,296 was a real decrease of 3.1% from 2010. Those in rent control units had a median household income of \$29,000 in 2013, a real decrease of 3.6%. Tenants living in stabilized buildings built prior to 1947 (“pre-war”) had a median income of \$40,000, and post-46 (“post-war”) tenants earned a median income level of \$46,000, real increases of 2.3% and 0.3%, respectively. Stabilized tenants on the whole had a median income of \$40,600 (a real decrease of 0.3%), while those tenants



in unregulated²⁰ apartments earned a median of \$58,000 in 2013 (a real increase of 7.7%).

Rent

The HVS also examines rent levels, and it revealed that in 2014, the median monthly contract rent, which excludes any additional tenant payments for fuel and utilities, for all rental units was \$1,200. Rent stabilized tenants on the whole paid this same amount (\$1,200) in median contract rent, including \$1,153 for pre-war rent stabilized apartments, and \$1,300 for post-war rent stabilized apartments. These are inflation-adjusted increases from 2011 of 6.3% for rent stabilized units as a whole, and 4.4% and 9.2% for pre- and post-war units, respectively. Among the other categories of rental units, rent controlled tenants paid a median of \$900 (a 6.6% real increase), tenants living in private, nonregulated rentals paid a median of \$1,500 (a real increase of 5.3%), and tenants living in “other” regulated units (such as public housing and Mitchell-Lama) paid the least in median contract rent, \$583 (a real decrease of 6.4%).

Median gross rent, which includes fuel and utility payments, was \$1,325 for all renters, a real increase of

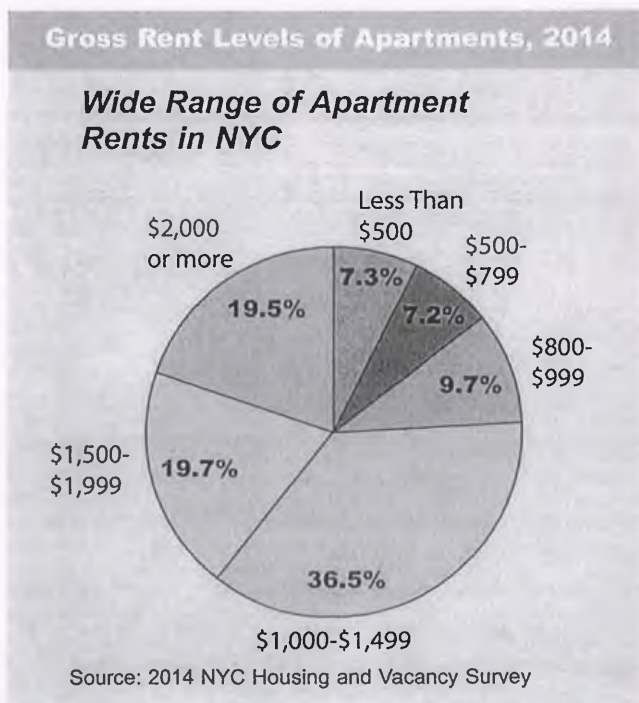
4.3%. Rent stabilized tenants on the whole paid a median gross rent of \$1,300 in 2014, including \$1,266 for pre-war rent stabilized apartments, and \$1,413 for post-war rent stabilized apartments. Adjusting for inflation, that is an increase from 2011 of 5.3% for all rent stabilized units over the three-year period, and increases of 3.9% and 9.4%, respectively, for pre- and post-war rent stabilized units. Rent controlled tenants paid less than the average rent stabilized tenant, with a median gross rent of \$1,020 in 2014 (a real increase of 8.1%), while those in unregulated units paid the most, a median of \$1,625 (a real increase of 2.7%), and those in “other” regulated units paid the least, a median of \$595 in gross rent (a real decrease of 6.0%).

The HVS also breaks down the distribution of renter occupied housing by gross rent level. Of the more than two million rental units in New York City that report cash rent, 7.3% rent for less than \$500, and 16.9% rent for between \$500-\$999. More than three-quarters of rental units (75.7%) rent for over \$1,000, including 19.5% that rent for more than \$2,000.²¹ (See graph on this page for a further breakdown.)

Affordability of Rental Housing

Examining affordability of rental housing, the 2014 HVS reported that the median gross rent-to-income ratio for all renters was 33.8%, meaning that half of all households residing in rental housing pay more than 33.8% of their income in gross rent, and half pay less. While equal to the highest ratio in the history of the HVS, it is unchanged from 2011, when the ratio was also found to be 33.8%. Furthermore, a third (33.5%) of rental households pay more than 50% of their household income in gross rent (up from 33.1% in 2011). Generally, housing is considered affordable when a household pays no more than 30% of their income in rent.²² The contract rent-to-income ratio was 31.2% for all renters in 2014, up 0.3 percentage points from 2011, and the highest ratio ever reported by the HVS.

Rent stabilized tenants are the tenants facing the highest financial burden, with a median gross rent-to-income ratio of 36.4%, meaning a majority of rent stabilized tenants are not able to afford their apartments, based on the HUD benchmark for housing



affordability. Looking at these figures more closely, rent stabilized tenants in pre-war apartments are facing a median rent burden of 37.0%, while tenants in post-war units had a median ratio of 34.7% in 2014. All of these figures increased from 2011, including increases of 1.6 percentage points for all rent stabilized tenants, 1.5 percentage points for tenants in pre-war units, and 0.9 percentage points in post-war units.

It is important to note that an analysis done by RGB staff of the last four triennial *HVS* surveys found that officially reported rent-to-income ratios were somewhat high due to an anomaly in the way rents for tenants receiving Section 8 are recorded by the *HVS*. While generally paying no more than 30% of their income towards rent, tens of thousands of rent stabilized tenants receiving Section 8 are recorded with gross rent-to-income ratios in excess of 100%. The RGB analysis of 2014 *HVS* data found that the gross rent-to-income ratio for rent stabilized tenants not receiving Section 8 was 33.5%, a difference of 2.9 percentage points from overall rent stabilized rates. Similarly, rates were lower by 1.5 percentage points in 2005, 1.1 percentage points in 2008, and 2.5 percentage points in 2011. The estimated “out of pocket” rent-to-income ratio for rent stabilized tenants in 2014 was 33.2%.

Rent controlled tenants had the second highest median gross rent-to-income ratio, 35.5% (a 3.8 percentage point rise), unregulated tenants paid a median of 33.0% in 2014 (a decrease of 0.7 percentage points), and tenants in “other” regulated units paid a median of 30.3% (a decrease of 0.6 percentage points).

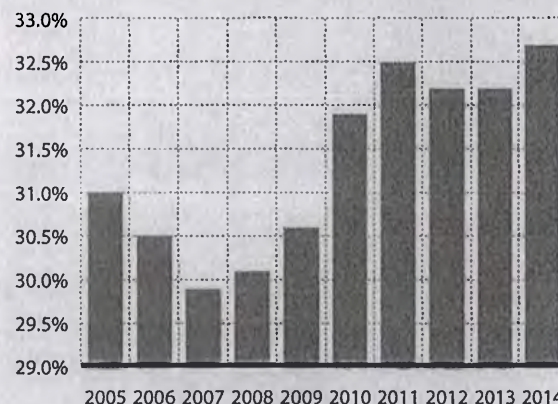
Other Measures of Affordability

American Community Survey

Per data from the Census Bureau’s annual nationwide 2014 *American Community Survey (ACS)*, despite ongoing efforts by a number of government agencies and non-profit groups, housing affordability remains an issue in a city ranked 27th highest among 81 big cities (those with populations with of at least 250,000) of gross rent-to-income ratios.²³ At 32.7%, the median gross rent-to-income ratio in New York City rose half a

Gross Rent-to-Income Ratio, 2005-2014

Gross Rent-to-Income Ratio Rises



Source: American Community Survey, 2005-2014

percentage point from 2013 levels (see graph on this page). By borough, rates ranged from a low of 28.4% in Manhattan, to 33.8% in Brooklyn, 34.4% in Queens, 34.7% in Staten Island, and 36.3% in the Bronx. The only borough to fall as compared to the prior year was Manhattan, which declined by 0.3 percentage points. Rates rose by 1.7 percentage points in Staten Island, the greatest increase among the boroughs.

Rent in Constant 2014 Dollars, 2005-2014

Inflation-Adjusted Contract and Gross Rents Climb Annually



Source: American Community Survey, 2005-2014

The proportion of households Citywide paying 50% or more of their income towards gross rent rose as compared to 2013, increasing from 29.6% to 30.2%. At the borough level, rates ranged from a low of 22.0% paying at least 50% of their income towards gross rent in Manhattan, to a high of 36.0% in Staten Island.

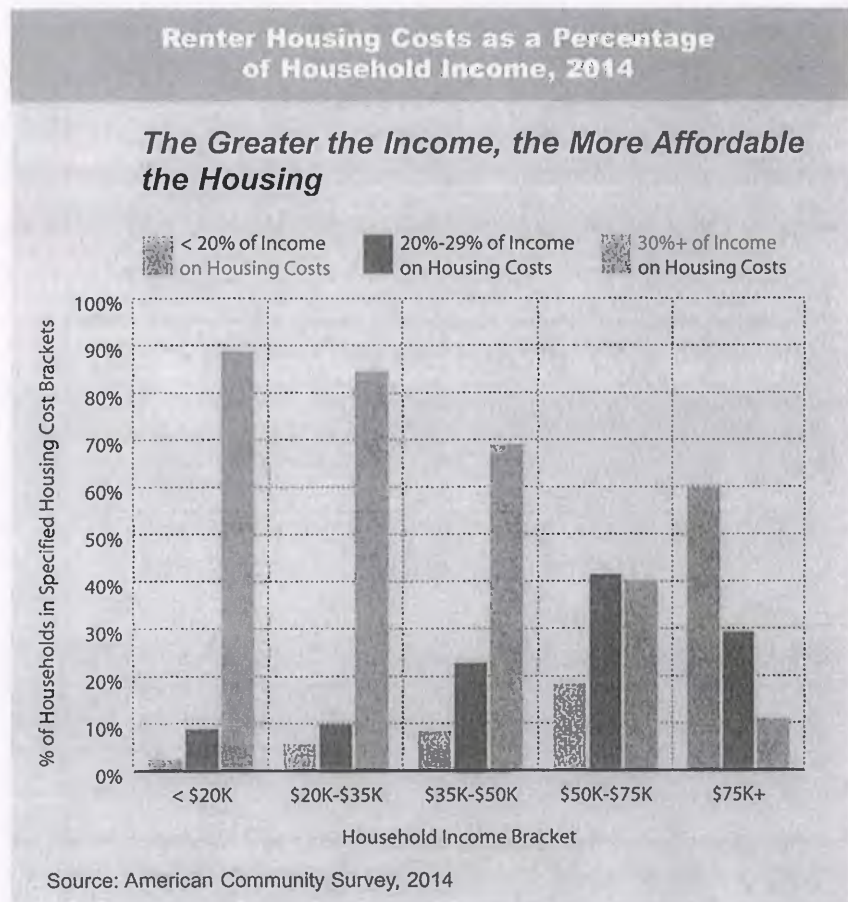
This survey also reports that the median contract rent in New York City was \$1,160 in 2014, and the median gross rent was \$1,276 (see graph on previous page). Between 2013 and 2014, median monthly contract rents for all apartments in New York City increased an inflation-adjusted (“real”) 1.8% and median gross rents increased by 2.6%. In nominal terms the increases were 3.1% and 3.9%, respectively. Inflation-adjusted gross rents rose by 0.7% in the Bronx, 1.4% in Manhattan, 2.6% in Queens, and 3.2% in Brooklyn. They fell 2.3% in Staten Island.

During 2014, median household income rose both nominally and in real terms, by 1.5% and 0.2% respectively, to \$52,996. However, median household income for renters, while rising a nominal 0.7%, fell in real terms, by 0.6%. Owner income rose for the second consecutive year, by 1.8% in nominal terms and 0.5% in real terms. Since the inception of this survey in 2005, renter income has fluctuated in real 2014 dollars from a low of \$39,805 in 2011 to a high of \$43,509 in 2008. It was \$41,210 in 2014.

The survey also provides mean household income for cities in quintiles. In New York City the top quintile (i.e., the top 20%) in mean household income makes 27.02 times more than the lowest quintile (i.e., the lowest 20%), the sixth highest ratio among big cities, and an increase from 26.28 in 2013. While New York’s income disparity ratio does rank near the top nationwide, it lags behind New Orleans, with a ratio of 35.64, the highest disparity among big cities. Other major cities, such as Los

Angeles (22.11), Chicago (22.78), Houston (19.92), and Philadelphia (22.11), all have smaller differentials between income levels than New York City. Among the cities ranking higher than New York City are Boston (34.42) and Washington, DC (30.23). The smallest disparity among big cities is in Santa Ana, California, with a ratio of 9.28. While the ratio between the upper and lower quintiles was 27.02 for all of New York City, it was 42.96 in Manhattan, where the top quintile makes an average of more than \$407,000 more annually than the lowest quintile.

Also reported is the percentage of income spent on monthly housing costs for different household income categories. Approximately 95% of all renters both pay rent and report an income, and among those renters, 26% make less than \$20,000 a year. For this lowest household income category, 88.7% spend at least 30% of their household income on housing costs and 2.5% spend less than 20%. As income levels increase, the proportion of renters who spend at least 30% of their



household income on housing costs decreases, while the proportion paying less than 20% increases (see graph on the previous page). At the highest income category provided by the ACS, those households earning \$75,000 or more (29% of all renters), 10.9% spend at least 30% of their income on housing costs, while 59.8% spend less than 20%.

Consumer Price Index

One of the many prices tracked in the federal Consumer Price Index (CPI) is the cost of rental housing. While not specific to New York City (the local CPI area extends into the suburbs of New York City), the CPI can provide a useful comparison of the rise of housing costs to those of other components of the price index.²⁴ For the 47-year period since the inception of rent stabilization (from 1968 to 2015) the cost of rental housing in the New York area rose 750% and overall prices rose more slowly, at 622%. This is the converse of nationwide averages, where the cost of rental housing rose at a slower pace than overall costs (561% and 581%, respectively).

Between 2014 and 2015, rental costs rose 3.1% in the NYC area, versus an overall increase in prices of 0.1%. This is slightly higher than the 2014 rent increase of 3.0%. While the rate of inflation of rents did increase during 2015, it was still lower than many other recent years, including rates of 4.5% in 2007, 5.1% in 2008, and 3.9% in 2009.

In the U.S. as a whole, rental costs rose at a faster pace than the New York City area, rising by 3.6% in 2015. Rental costs in the NYC metropolitan area rose more slowly than five of the seven cities selected for comparison, including the metropolitan areas of Boston, Chicago, Los Angeles, San Francisco, and Atlanta, which rose at rates of between 3.2% to 6.1% in 2015. But rental rates in the NYC metropolitan area did rise faster than those in Philadelphia, which saw rents rise 2.7%, and was equal to that of Washington, DC, which also rose by 3.1%.

Section 8 Housing Availability

Following increased funding in 2007 to the Section 8 housing voucher program (which allows recipients to

live in privately owned housing, paying 30% of their income towards rent), the New York City Housing Authority (NYCHA) opened the waiting list for the first time since 1994.²⁵ These expanded funding levels led to significant increases in the number of Section 8 occupied units funded by NYCHA (which increased from 82,801 in FY 2007 to a recent high of 100,570 in FY 2010, a 21.5% increase), as well as significant increases in the number of people placed through Section 8 vouchers during those years. The number of Section 8 apartments has since fallen, to 86,402 units.²⁶ NYCHA also tracks the number of applicants newly placed through the Section 8 program. After falling sharply between FY 2013 and FY 2014, placements rose from 384 to 892 between FY 2014 and FY 2015. And placements rose again in the first four months of FY 2016 as compared to the first four months of FY 2015, from 147 to 501. There are approximately 120,000 persons currently on the NYCHA Section 8 waiting list, 3,000 persons less than last year.

The NYC Dept. of Housing Preservation and Development (HPD) also maintains a Section 8 program, although as opposed to NYCHA, applicants must fall within specific HPD preference categories or special admission programs, and applications are not accepted from the general public.²⁷ As of February of 2016, HPD was funding 38,822 Section 8 vouchers, approximately the same number as the previous year. Notably, 45% of HPD's Section 8 vouchers are utilized by tenants with disabilities. And among all HPD Section 8 rentals, the average tenant share of rent is \$405, with an average income level of \$16,080.²⁸

Non-Government Sources of Affordability Data

Staff also calculated electricity costs for a typical rental household. Assuming usage of 300 kWh and supply via Con Edison, the average renter's bill would have decreased by 8.2% during 2015, following a 6.0% increase during 2014. During the most recent 12-month period (April of 2015 through March of 2016), due to double-digit price decreases in six of the 12 months of the year, costs fell 9.2% as compared to the prior "year." For comparison, during the previous 12-

month period, costs decreased 2.1%.²⁹ In addition, New Yorkers pay some of the highest electricity bills in the nation, with the average cost per kWh in 2014 2.3 times that of the nation as a whole.³⁰ Con Edison has proposed a residential rate hike as of January 2017 that would raise rates an average of 5.2% a month, the first rate increase for delivery services since April of 2012. Tenants who use gas for cooking would see an average increase of 14.4% in the gas portion of their ConEd bill.³¹

Another measure of affordability is the Council for Community and Economic Research's Cost of Living Index (COLI), which tracks the cost of living in almost 300 urban areas, including Manhattan and Brooklyn (the Bronx, Queens, and Staten Island were not included in this survey). Based on 60 different items, the survey collects more than 90,000 prices for housing, utilities, groceries, transportation, health care, and miscellaneous goods and services. In each of the first three quarters of 2015, Manhattan and Brooklyn ranked as numbers one and three/four respectively on the list of most expensive urban areas.³² The study calculated that Manhattan was approximately 2.2 times as expensive to live in as the national average, while Brooklyn was approximately 1.7 times more expensive.

This same study found that someone moving from Boston who makes \$56,902 a year (the 2014 median household income in Boston) would need to make \$90,101 to achieve the same standard of living in Manhattan, while paying 18% more for groceries, 17% more for transportation, and 140% more for housing (including 79% more for renters).³³ Moving to Brooklyn would be somewhat more economical, requiring a salary of \$69,192 to achieve the same standard of living. As with Manhattan, the most inflated component in Brooklyn is housing, which is approximately 54% more expensive than in Boston (with rental apartments 4% more expensive).

While the study found that significantly more income is required to live in New York City with the same standard of living as in Boston (see prior paragraph), actual incomes fell short of what the study determined was required in Manhattan and Brooklyn. Actual 2014 median household incomes were \$76,089 in Manhattan and \$47,966 in Brooklyn, a difference of 15.6% and 30.7%, respectively.³⁴

Per this survey, overall housing costs rose in Boston, Manhattan, and Brooklyn during 2015, by 9.6%, 4.7%, and 1.0%, respectively. And the subcategory of apartment rents also rose in all three areas, by 14.3% in Boston, 3.0% in Manhattan, and 4.2% in Brooklyn.

Another quarterly index, the Housing Opportunity Index (HOI), showed that during the fourth quarter of 2015 the New York metropolitan area was the ninth least affordable area to buy a home. This follows eighteen straight quarters between 2008 and 2012 when the New York area ranked as least affordable. The survey found that 22.0% of owner-occupied housing in the metropolitan area was affordable to households earning the median income. Although it was one of the least affordable buyer's markets, substantially more homes were affordable than in recent years, such as in the fourth quarter of 2006, when only 5.1% of homes were considered affordable, and is comparable to the same quarter of the previous year, when 24.7% of homes were considered affordable.³⁵

Every year the National Low Income Housing Coalition (NLIHC) issues a study to determine whether rents are affordable to the lowest wage earners. The 2016 study has not been released as of the publication of this report, but per their methodology,³⁶ in order to afford a two-bedroom apartment at the City's Fair Market Rent, (\$1,571 a month, as determined by the U.S. Department of Housing and Urban Development³⁷) a full-time worker must earn \$30.21 per hour, or \$62,840 a year. Alternately, those who earn minimum wage would have to work 134 hours a week (or two persons would each have to work 67 hours a week) to be able to afford a two-bedroom unit priced at Fair Market Rent. Because the Fair Market Rent rose by \$90, but the minimum wage increased by \$0.25 an hour in 2016, the amount of annual wages necessary to afford this apartment went up by 6.1%, but the number of hours working at minimum wage in order to afford this apartment went up by a smaller amount, 3.1%.

The New York Times and Siena College conducted a poll of New Yorkers in early November, 2015.³⁸ When asked how they were managing financially, 20% of respondents Citywide said they were "living comfortably," 29% said they were "doing alright," 33% said they were "just getting by," 12% said they were

“finding it difficult,” and 6% said they were “finding it very difficult.” When asked if there have been times in the past 12 months that the respondent did not have enough money for food, 21% replied “yes.” When asked if there have been times in the last 12 months that the respondent did not have enough money to provide adequate shelter for themselves or their family, 17% said “yes.”

The Community Service Society’s “The Unheard Third 2015” interviewed 1,052 low-income residents (those making under 200% of the federal poverty level) and 653 moderate- and higher-income residents (those making 200% or more of the federal poverty level) in the summer of 2015.³⁹ Among their findings, they found that 24% of low-income residents had fallen behind on their rent or mortgage in the past year, and 10% had been threatened with foreclosure or eviction. This compares to 11% of the higher income residents who had fallen behind on their rent or mortgage, and 5% who had been threatened with eviction or foreclosure.

In addition, 20% of the lower-income residents reported losing their job, 16% reported having their hours, wages, or tips reduced, 14% moved in with other people due to financial problems, and 14% had a utility turned off. This compares to 11% of higher-income residents who reported losing their job, 12% who reported having their hours, wages, or tips reduced, 6% who reported moving in with others due to financial reasons, and 4% who had a utility turned off.

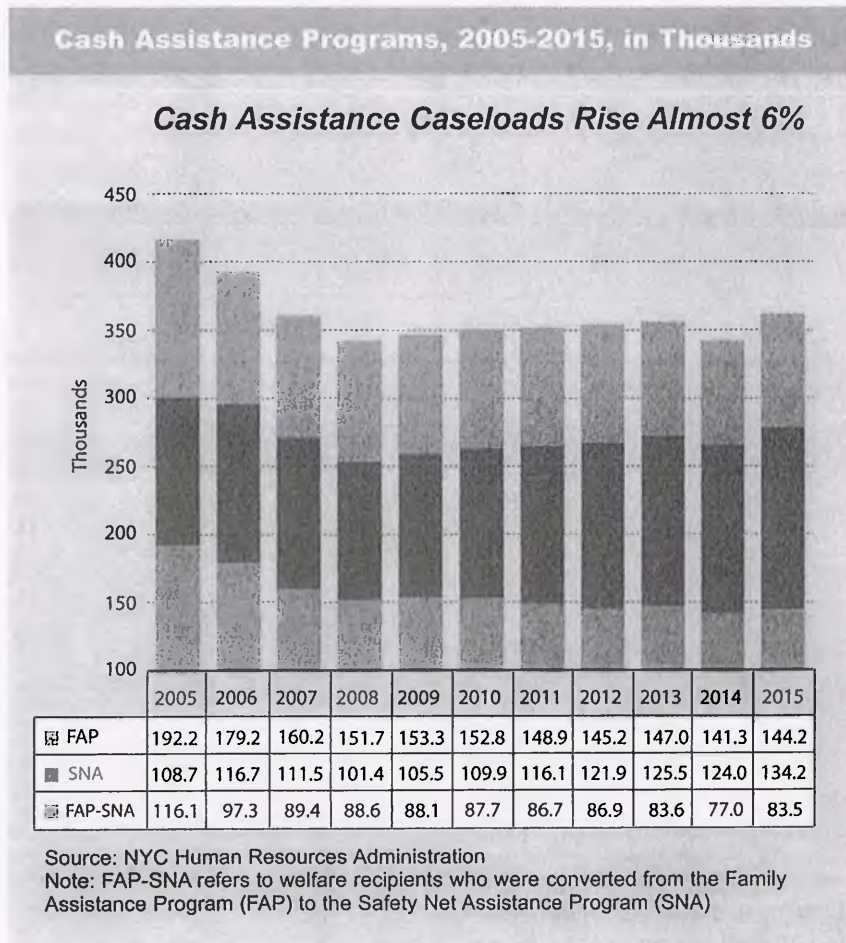
Real Property Tax Credit

For the second consecutive year, a tax credit for New York City renters, the “Enhanced Real Property Tax Credit for Homeowners and Renters,” offers a maximum rebate of \$500 to New York City residents with household incomes of less than

\$200,000 a year.⁴⁰ The amount of this credit depends on both your income level and the amount of rent that you pay. For instance, a tenant with a household income of \$50,000 a year, who pays \$1,250 in rent (30% of their income), would receive a tax credit of \$16.31. But a tenant making \$50,000 a year and paying \$2,083 in rent (50% of their income), would receive a credit of \$87.19. A higher income household, earning \$100,000 a year, would need a rent in excess of \$2,646 (31.7% of their income) before they could receive any tax credit.⁴¹

Cash Assistance Programs

Following declines in 2014 (the first since 2008), the average number of cash assistance cases in New York City increased in 2015, rising by 5.7%.⁴² This follows a decrease of 3.9% in the prior year (see graph on this page). Also reported by the Human Resources



Administration is the total, unduplicated, number of recipients of cash assistance during 2015. While the average monthly caseload in 2015 was 361,913 persons, a total of 597,347 persons received a cash assistance payment over course of the year. This was an increase of 1.1% over 2014 levels, a slower growth rate than the rise in average caseloads. This may indicate that the increase in average caseloads is more related to receiving aid for longer time periods, rather than more people applying for, and receiving, aid.⁴³ And despite generally increasing in the past few years, over the last 20 years the number of cash assistance recipients has dropped significantly, falling 68.1% since March 1995, when the City's welfare reform initiative began and 1,161,000 recipients were on the rolls.

While the number of cash assistance cases rose in 2015, the number of applications for cash assistance fell, decreasing 16.2% over 2014 levels, including a decrease of 21.2% in denied applications, and 12.6% in approved applications.⁴⁴ At the same time, the number of reported job placements among cash assistance recipients decreased during 2015, falling by 2.1%, or 990 jobs.⁴⁵

The number of Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) recipients decreased for the second consecutive year. After falling for the first time in twelve years in 2014, the number of recipients decreased again, by 3.2% in 2015, to an average of 1.70 million. Despite this drop, SNAP levels have more than doubled in recent years, rising from an average of just over 800,000 in the early 2000s, to just over 1.7 million today.⁴⁶ The number of Medicaid enrollees also fell, decreasing 15.5% during 2015, to 2.4 million recipients.⁴⁷

Housing Policy

New York City receives funding for a variety of housing programs from the U.S. Department of Housing and Urban Development (HUD). Data on funding levels for these programs from Fiscal Year 2015 is delayed, and is expected to be available in mid-May 2016. Data from FY 2014 is reported below. New York City received \$750.0 million from federally funded programs in FY 2014.⁴⁸ These programs included \$218.5 million in a Community Development Block

Grant (CDBG) which funds housing and community development programs; \$58.7 million for the HOME Investment Partnership Program, which helps preserve existing housing stock; \$12.6 million for the Emergency Shelter Grant (ESG) program, which is used for homeless programs; and \$48.5 million for Housing Opportunities for Persons with AIDS (HOPWA). NYCHA also received \$296.2 million for its capital modernization program.

As compared to Fiscal Year 2013, federal funding in 2014 increased by 4.2% in nominal terms and 3.7% in inflation-adjusted terms. While there was an overall increase in funding, three programs had their funding cut in FY 2014, including the CDBG program, which fell by 1.7% in real terms, and HOPWA, which fell by 5.7% in real terms. The smallest funding source, HUD Fair Housing and Housing Counseling, was defunded in FY 2014, while the ESG rose by the greatest proportion, 15.3% in real terms. The largest program, the NYCHA Capital Fund (accounting for 40% of federal funding), which funds rehabilitation at public housing developments, also rose substantially, by 13.9% in real terms.

Homelessness & Evictions

Homelessness

Homelessness in the City, based on data from the Dept. of Homeless Services (DHS), increased for the seventh consecutive year during 2015, rising by 5.6%.⁴⁹ Each night, an average of 57,158 persons stayed in DHS shelters during 2015, up 3,036 persons from a year earlier, and up considerably from the average of 20,000-25,000 found in the 1990s (see graph on next page and Appendix 7). While levels rose on the whole, so did the subcategory of the number of families sheltered each day, by an average of 5.4%.⁵⁰ The figure for families includes the number of families with children sheltered each night, which rose 4.8% during 2015 (to reach an average of 11,883), and the number of adult families sheltered each night, which increased 8.8% over the year (to an average of 2,154). The number of single adults sheltered also rose during 2015, increasing 13.4%, to an average of 12,014 persons.

While overall homeless rates increased 5.6%

during 2015, looking at the data on a quarterly level shows that rates generally increased at a slower pace as the year went on. Rates rose by 11.4%, 6.7%, 2.7%, and 2.1% in the first, second, third and fourth quarters respectively, as compared to the same quarters of the previous year. On a monthly basis, the greatest increase was seen in January of 2015, when 7,058 more persons stayed in City shelters than the previous January, an increase of 13.7%.

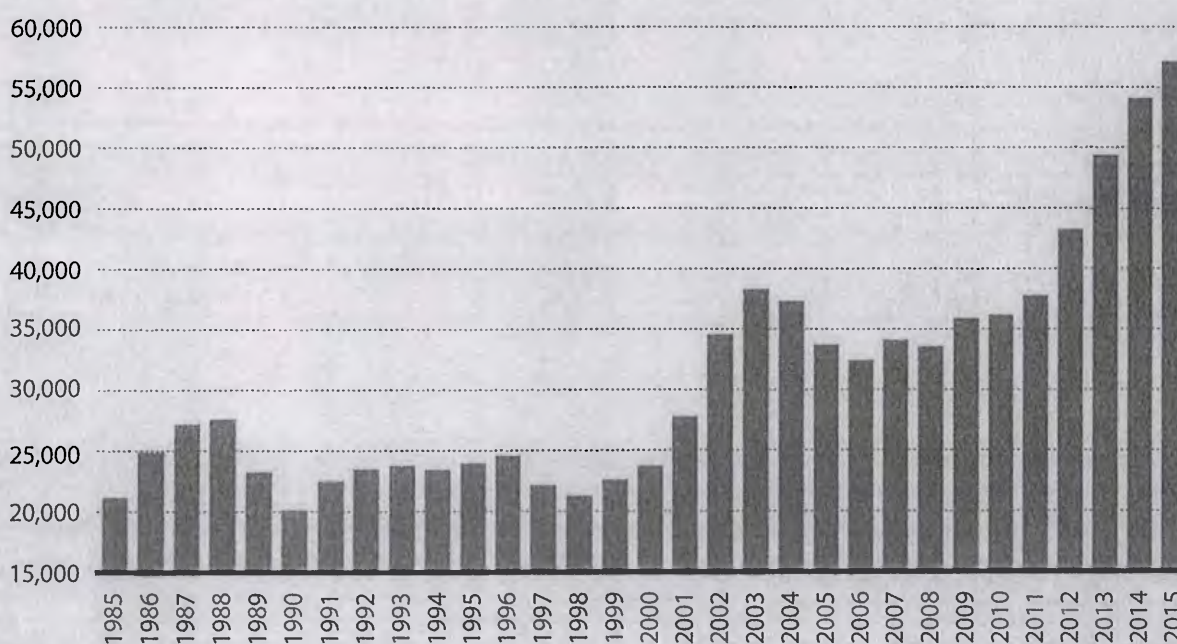
While more people were staying in homeless shelters during 2015, more families were also being relocated to permanent housing during the year. Permanent housing placements for families with children and adult families rose over 2014 figures, while they dropped for single adults. For families with children, placements rose by 16.9%, to 8,352 placements. For adult families, rates rose by 1.5%, to 668 placements. But following double digit increases during 2013, single adults placements fell for the second consecutive year, by 9.8% during 2015, to 8,525 placements.

More than 21% of permanent housing placements for families with children in 2015 were via the relatively new LINC (Living in Communities) Program. LINC is subdivided into six sub-programs that focus on working families, families with multiple shelter stays, and domestic violence survivors (among others), each with their own requirements for how much participants pay towards rent and how long the subsidy lasts. An equal number of placements were made in 2015 by reuniting shelter residents with family members already living in permanent housing, both in and outside of New York City. Other major sources of placements during 2015 were to NYCHA housing, Section 8, a return to independent living, and the CityFEPS program. For adult families, the greatest source of permanent housing placements were reunification with family members, LINC, independent living, and Section 8.

Other homeless indicators include the average amount of time spent in temporary housing, which increased among all categories for the fifth consecutive

Average Homeless Shelter Census, NYC, 1985-2015

NYC Homeless Levels Rise for Seventh Consecutive Year



Source: NYC Dept. of Homeless Services

year, rising by 3 days for families with children (to 435 days), by 24 days for adult families (to 551 days), and by 26 days for single adults (to 342 days). While homeless individuals were spending more time in temporary housing during 2015, those placed in permanent housing were returning to the system in stable or lower numbers, with 14.5% of families with children returning to DHS within one year (equal to the prior year), and 11.5% of adult families returning to DHS within one year (down from 14.7% in the prior year). In addition, the number of single adults and adult families who have never before utilized a City shelter increased during 2015, rising 3.7% and 5.2%, respectively. But the number of families with children who have never before utilized a City shelter decreased, by 7.3%. An average of 905 new single adult entrants, 115 adult families, and 1,010 families with children utilized DHS shelters for the first time in each month of 2015.

Data from the U.S. Department of Housing and Urban Development, which asks municipalities to submit homeless counts on a single day in January of each year, shows that New York City has the largest number of homeless people of any city in the nation. NYC reported a total of 75,323 sheltered and unsheltered persons in January of 2015 followed by Los Angeles, with 41,174 persons, and Seattle, with 10,122. In New York City, rates rose 11.1% between January 2014 and January 2015, and at the national level, homeless rates declined by 2.0%.⁵¹

In March, Mayor de Blasio's office announced that since January of 2014, 10,242 households were helped from the rental assistance programs LINC and CityFEPS; more than 100,000 households were given emergency rental assistance (of an average of \$3,400 each); 10,000 households were provided with free legal services; and more than 100,000 people have been served by DHS' HomeBase program.⁵²

The NYC Independent Budget Office (IBO) reports that funding for shelter beds is slated to be cut in the City's Preliminary FY 2017 budget. Despite an extra \$170 million being spent in FY 2016 for unanticipated shelter costs, the preliminary budget calls for a cut of almost \$200 million from actual FY 2016 levels. The savings are expected to be reaped from two Mayoral initiatives – the creation of 15,000 units of supportive

housing over the next 10 years and additional cash assistance for HIV-positive New Yorkers. The administration estimates that this will reduce the shelter census by 1,400 households by 2020. The IBO estimates that an additional \$131 million will be needed to fund City shelters in FY 2017, in part because of the slower-than-anticipated placements through the LINC rental assistance program, and the 10-year timeline for building supportive housing.⁵³

In November of 2014, the IBO released a study of DHS shelter data for fiscal years 2002-2012.⁵⁴ The reports focuses on families with children, asking them their reason for needing emergency shelter and then geocoding this data to find out which applicants were previously living in buildings containing rent stabilized units. Of the addresses that could be successfully geocoded, 43% were found to be in buildings containing rent regulated units (generally rent stabilized buildings, which may contain units that have been deregulated, as well as Mitchell-Lama buildings). Among those tenants coming from buildings containing rent regulated units, 32% cited eviction as the reason for eligibility, while 24% cited overcrowding, and 21% cited domestic violence. The remaining 23% cited other reasons, such as discord and unlivable conditions. These proportions were very similar to those from unregulated housing. For more information on the results of this study, please see the *2015 Income & Affordability Study*.

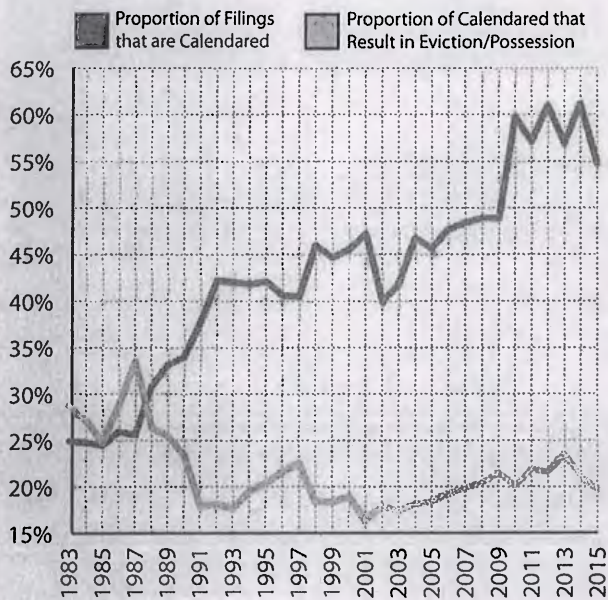
Housing Court

Another useful way to assess the impact of economic conditions on New York City's renters is to examine housing court data. Specifically, Housing Court actions are reviewed to determine the proportion of tenants who are unable to meet their rental payments. To measure the number of households experiencing the most severe affordability problems, evictions are also tracked.

For the fourth consecutive year, non-payment filings in Housing Court decreased, falling 2.4%, to 203,119.⁵⁵ At the same time, the number of cases resulting in an actual court appearance ("calendared") also declined, by 12.5%, so the proportion of cases which resulted in an appearance decreased by 6.3 percentage points. At

Housing Court Statistics, 1983-2015

Proportion of Non-Payment Cases Calendared and Proportion of Evictions Both Fall



Source: Civil Court of NYC and NYC Dept. of Investigations

54.8%, this proportion is the lowest level seen since 2009 (see graph on this page and Appendix 6). During the mid-to-late 1980s, an average of 27.1% of non-payment filings were calendared.

More than 18% of non-payment filings are against tenants of public housing (NYCHA). If these cases were taken out of the analysis, filings would have gone down 2.5%, and calendared cases would have fallen by 10.7%. And the overall percentage of calendared cases to non-payment filings would have been higher, at 56.2%, 1.3 percentage points higher than the overall proportion.

Evictions also fell during 2015, by 18.1%.⁵⁶ The proportion of non-payment proceedings Citywide that resulted in an eviction/possession ruling in 2015 decreased by 1.4 percentage points, falling from 21.1% to 19.7%. This translates to 21,988 court decisions ruled for the tenant's eviction from a total of 111,409 non-payment proceedings calendared. The

proportion of evictions to calendared cases is now at its lowest level since 2006 (see graph on this page).

The City now provides two free legal services for tenants. Anti-eviction legal services will serve 19,000 households a year when fully implemented, and anti-harassment tenant protection will serve 13,700 households when fully implemented.⁵⁷

Conclusion

In 2015, economic indicators for New York City were almost entirely positive, including rising employment levels, declining unemployment, increased Gross City Product, a slowing of non-payment housing court filings and "calendared" cases, and rising wages. However, homelessness continues to increase, as do public assistance caseloads.

Looking forward, various City agencies have made predictions about the future health of the New York City economy. Among their predictions, they estimate that in 2016 the City will gain anywhere between 61,000 and 68,000 jobs, unemployment will fall to 5.2%, GCP growth will potentially grow anywhere from 1.4% to 2.6%, and wages will rise from 1.8% to 2.7%. They also see the economy as strong, but slowing, during the next few years, with slightly increasing unemployment rates (to as high as 5.6% in 2018-2020), more moderate job gains, and stable GCP growth, but rising wage rate growth.⁵⁸ □

Endnotes

1. 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.
2. Data from the NYC Comptroller's Office as of March, 2016. GCP figures are adjusted annually by the New York City Comptroller's Office. The figures in this report are the latest available estimate from that office, based on inflation adjusted 2009 chained dollars.
3. US Bureau of Economic Analysis. <http://www.bea.gov/national/index.htm#gdp>; Data accessed March, 2016.

4. US Bureau of Labor Statistics; <http://www.bls.gov>; Data accessed February, 2016.
5. NYS Dept. of Labor; <http://www.labor.state.ny.us>; Data accessed March 2016. Data is revised annually and may not match data reported in prior years.
6. US Bureau of Labor Statistics; <http://www.bls.gov>; Data accessed March, 2016.
7. New York State Dept. of Labor; <http://www.labor.state.ny.us>; Data accessed March 2016. Data is revised annually and may not match data reported in prior years.
8. The NYC labor force participation rate and employment/population ratio are derived from unpublished data from the U.S. Bureau of Labor Statistics, obtained from the NYC Comptroller's Office. Note that prior years' data are annually revised, and may differ from figures reported in prior years' *Income and Affordability Studies*.
9. Bureau of Labor Statistics; <http://www.bls.gov>; Data accessed March, 2016.
10. New York State Dept. of Labor; <http://www.labor.state.ny.us>; Data accessed March 2016.
11. Bureau of Labor Statistics; <http://www.bls.gov>; Data accessed March, 2016.
12. Data obtained from The Administrative Office of the U.S. Courts in March of 2016. <http://www.uscourts.gov/Statistics/BankruptcyStatistics.aspx>
13. Poverty statistics were researched on the US Census Bureau's Factfinder Site: <http://factfinder2.census.gov> in February of 2016.
14. Data is from prior reports of the Community Service Society of New York, which uses Census Data to compute their own poverty statistics. Studies average two consecutive years of census data in calculating poverty rates.
15. <https://www.census.gov/hhes/povmeas/methodology/supplemental/overview.html>
16. "The CEO Poverty Measure, 2005-2013." April, 2015. New York City Center for Economic Opportunity. Note that the CEO poverty rates are adjusted periodically and may not match figures found in prior reports.
17. The *New York City Housing and Vacancy Survey (HVS)* is sponsored by the NYC Department of Housing Preservation and Development (HPD) and conducted by the U.S. Census Bureau. All HVS data reported herein is from "Selected Initial Findings of the 2014 New York City Housing and Vacancy Survey," prepared by Elyzabeth Gaumer and Sheree West of HPD. Data from the 2011 HVS presented in the "Selected Initial Findings" includes the reclassification of additional units as rent stabilized (data not available to the public), making a direct comparison of raw data from the 2011 and 2014 HVS problematic.
18. State law requires the City to formally extend rent stabilization every three years, after publication of vacancy rates from the triennial *Housing and Vacancy Survey*. Introductory Number 685 extends rent stabilization until April 1, 2018.
19. Total household income in the HVS includes wages, salaries, and tips; self-employment income; interest dividends; pensions; and other transfers and in-kind payments.
20. Private non-regulated units consist of units which were never rent controlled or rent stabilized, units which were decontrolled, and unregulated rentals in cooperatives or condominium buildings.
21. There were 53,391 units which did not report a cash rent because they were being occupied rent-free.
22. The HUD benchmark for housing affordability is a 30% rent-to-income ratio. Source: Basic Laws on Housing and Community Development, Subcommittee on Housing and Community Development of the Committee on Banking Finance and Urban Affairs, revised through December 31, 1994, Section 3.(a)(2).
23. 2014 American Community Survey, U.S. Census Bureau. <http://factfinder2.census.gov>
24. US Bureau of Labor Statistics; <http://www.bls.gov>; Data accessed February, 2016.
25. Press Release, Mayor's Office. "Mayor Bloomberg and NYCHA Chairman Hernandez Announce that Section 8 Voucher List Will Open For First Time in Twelve Years," January 29, 2007.
26. Preliminary FY 2016 Mayor's Management Report, NYC Housing Authority section.
27. Eligibility guidelines per the NYC Housing Preservation and Development website: <http://www1.nyc.gov/site/hpd/section-8/applicants.page>.
28. DTR Section 8 General Program Indicators, HPD website: <http://www1.nyc.gov/assets/hpd/downloads/pdf/hpd-section-8-program-statistics.pdf> (dated 2/18/2016).
29. A typical bill was calculated using rate schedules published on the Con Edison website at <http://www.coned.com/rates>. The rates used were for Service Classification #1, Residential and Religious, at a usage rate of 300kWh, per averages stated by a representative from ConEd.
30. U.S. Energy Information Administration: Electric Sales, Revenue, and Average Price (2014 Tables T6 and T5.a). http://www.eia.gov/electricity/sales_revenue_price/.
31. Con Edison Press Release. "Con Edison Files Electric & Gas Rate Proposals for 2017." January 29, 2016.
32. ACCRA Cost of Living Index Press Releases. First, Second, and Third Quarters of 2015. The Council for Community and Economic Research. <http://www.coli.org/PressClippings.asp>
33. ACCRA cost of living report. The Council for Community and Economic Research. <https://www.coli.org/compare.asp>
34. 2014 American Community Survey, U.S. Census Bureau. <http://factfinder2.census.gov>. American Community Service data does not specifically identify rent stabilized units.
35. National Association of Home Builders. Various tables on website: <http://www.nahb.org/en/research/housing-economics/housing-indexes/housing-opportunity-index.aspx>; Affordability defined as no more than 28% of gross income spent on housing costs. Data accessed March 2016.
36. The methodology that the National Low Income Housing Coalition uses is at: http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf
37. Fair Market Rents are published annually by the U.S. Dept. of Housing and Urban Development. <http://www.huduser.org/datasets/fmr.html>
38. *The New York Times* and Siena College poll, October 29-November 11, 2015. <http://www.nytimes.com/interactive/2015/11/18/nyregion/new-yorkers-and-quality-of-life-poll.html>

39. "Getting Ahead: An Upward Mobility Agenda for New Yorkers in 2016." The Unheard Third 2015. Community Service Society, January 2016.
40. New York State Dept. of Taxation and Finance Form NYC-208 (2015).
41. Calculations based on New York State Department of Taxation and Finance Form NYC-208 (2015).
42. New York City Human Resources Administration. HRA Charts (Cash Assistance Recipients):
<http://www1.nyc.gov/site/hra/about/facts.page#charts>
43. New York City Human Resources Administration. HRA Monthly Fact Sheets (December 2015):
<http://www1.nyc.gov/site/hra/about/facts.page#caseloads>
44. Data directly from the NYS Office of Temporary and Disability Assistance, February, 2016.
45. New York City Human Resources Administration. HRA Charts (Assisted Entries to Employment):
<http://www1.nyc.gov/site/hra/about/facts.page#charts>
46. New York City Human Resources Administration. HRA Charts (SNAP Recipients):
<http://www1.nyc.gov/site/hra/about/facts.page#charts>
47. New York City Human Resources Administration. HRA Charts (HRA Administered Medicaid Enrollees):
<http://www1.nyc.gov/site/hra/about/facts.page#charts>
48. 2014 Consolidated Plan Annual Performance Report. NYC Dept. of City Planning. August 31, 2015.
49. Data from the Policy & Planning Office of the NYC Dept. of Homeless Services (DHS), DHS daily reports, and monthly Citywide Performance Reporting reports. Note that the NYC Department of Housing Preservation and Development, the NYC Department of Youth and Community Development, and the NYC Human Resources Administration also operate emergency shelters, which house approximately 5,000 persons per night.
50. The Dept. of Homeless Services (DHS) now splits families into two groups – families with children and adult families (generally spouses and domestic partners). Approximately 85% of "families" are families with children.
51. "The 2015 Annual Homeless Assessment Report (AHAR) to Congress: Part 1, Point-in-Time Estimates of Homelessness." U.S. Department of Housing and Urban Development, November 2015.
52. Press Release, Mayor's Office. "Mayor de Blasio Announces Over 30,000 New Yorkers Exited or Avoided Shelter and Moved to Permanent Housing Through City's Newly Created Rental Assistance Programs," March 8, 2016.
53. "Homeless Shelter Spending Increased to Record High This Year, Yet Next Year Remains Underfunded," New York City Independent Budget Office, March, 2016.
54. Fiscal Brief: "The Rising Number of Homeless Families in NYC, 2002-2012," New York City Independent Budget Office. November 2014.
55. Civil Court of the City of New York data.
56. Eviction data from the NYC Department of Investigation, Bureau of Auditors data.
57. Press Release, Mayor's Office. "De Blasio Administration to Help Prevent Homelessness by Adding Resources to Keep New Yorkers in Their Homes," September 28, 2015.
58. "Comments on New York City's Preliminary Budget for FY 2017 and Financial Plan for Fiscal Years 2016-2020." NYC Comptroller's Office, March 1, 2016.

Appendices

1. Average Annual Employment Statistics by Area, 2004-2015

Unemployment Rate	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bronx	9.2%	7.6%	6.7%	6.8%	7.6%	12.0%	12.0%	11.9%	12.4%	11.7%	9.7%	7.7%
Brooklyn	7.6%	6.2%	5.4%	5.4%	6.0%	9.9%	9.9%	9.6%	9.8%	9.3%	7.6%	5.9%
Manhattan	6.2%	5.1%	4.3%	4.3%	4.9%	8.4%	8.6%	7.8%	8.0%	7.5%	6.1%	4.8%
Queens	6.3%	5.2%	4.5%	4.5%	5.0%	8.4%	8.6%	8.1%	8.3%	7.7%	6.3%	5.0%
Staten Island	6.4%	5.3%	4.5%	4.6%	5.1%	8.2%	9.4%	9.2%	9.4%	8.9%	7.4%	5.8%
NYC	7.1%	5.8%	5.0%	5.0%	5.6%	9.3%	9.5%	9.1%	9.3%	8.8%	7.2%	5.7%
U.S.	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%
Labor Force Participation Rate												
NYC Δ	58.8%	59.2%	59.0%	59.1%	59.8%	59.9%	60.0%	59.7%	60.1%	60.4%	60.8%	61.1%
U.S.	66.0%	66.0%	66.2%	66.0%	66.0%	65.4%	64.7%	64.1%	63.7%	63.2%	62.9%	62.7%
Employment-Population Ratio												
NYC Δ	54.6%	55.8%	56.1%	56.1%	56.4%	54.3%	54.3%	54.3%	54.5%	55.1%	56.4%	57.7%
U.S.	62.3%	62.7%	63.1%	63.0%	62.2%	59.3%	58.5%	58.4%	58.6%	58.6%	59.0%	59.3%
Gross City Product (NYC)												
(billions, in 2009 \$)	544.2	565.8	590.3	614.4	601.7	588.4	613.9	629.2	641.8	661.6	675.6	698.7
% Change	2.46%	3.98%	4.33%	4.08%	-2.07%	-2.21%	4.34%	2.49%	2.01%	3.08%	2.11%	3.42%
Gross Domestic Product (U.S.)												
(billions, in 2009 \$)	13,773.5	14,234.2	14,613.8	14,873.7	14,830.4	14,418.7	14,783.8	15,020.6	15,354.6	15,583.3	15,961.7	16,345.0
% Change	3.79%	3.34%	2.67%	1.78%	-0.29%	-2.78%	2.53%	1.60%	2.22%	1.49%	2.43%	2.40%

Notes: The New York City Comptroller's Office revises the Gross City Product periodically. The GCP & GDP figures presented here may not be the same as those reported in prior years. Note that GCP and GDP figures are preliminary. The NYS Dept. of Labor also periodically revises unemployment rates, and rates reflected here might not match those figures reported in prior years.

Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis, U.S. Dept. of Commerce; NYS Dept. of Labor; NYC Comptroller's Office.

Δ Unpublished data from the Bureau of Labor Statistics. These figures are revised periodically.

2. Average Payroll Employment by Industry for NYC, 2006-2015 (in thousands)

Industry Employment	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015 Change
Manufacturing	106.1	101.0	95.6	81.6	76.3	75.7	76.3	76.4	76.6	78.0	1.8%
Construction, Natural Resources & Mining	118.5	127.3	132.7	120.8	112.5	112.3	116.1	122.2	129.2	138.3	7.0%
Trade, Transport & Utilities	559.0	570.6	574.6	552.7	559.7	575.6	590.5	605.0	620.6	629.0	1.4%
Leisure & Hospitality	284.9	297.8	310.2	308.5	322.2	342.2	365.7	385.4	408.5	425.7	4.2%
Financial Activities	458.3	467.6	465.0	434.2	428.6	439.5	439.1	437.9	449.6	459.7	2.2%
Information	164.9	166.9	169.5	165.3	166.0	170.9	175.8	179.6	185.6	189.1	1.9%
Professional & Business Svcs.	571.9	592.2	603.3	569.1	575.2	597.4	619.2	642.5	668.5	699.8	4.7%
Educational & Health Svcs.	691.6	702.0	716.1	731.8	750.2	766.8	782.3	806.6	840.6	869.4	3.4%
Other Services	154.3	157.7	160.8	160.3	160.6	165.2	170.4	174.9	180.2	184.8	2.6%
Total Private Sector	3,109.5	3,183.0	3,227.8	3,124.2	3,151.3	3,245.6	3,335.5	3,430.5	3,559.2	3,673.9	3.2%
Government ‡	555.2	559.0	564.1	567.0	558.0	550.6	546.1	544.4	545.4	549.9	0.8%
City of New York	450.4	453.9	458.5	462.1	451.4	451.7	450.0	450.1	452.9	457.2	0.9%
Total	3,664.7	3,742.0	3,791.9	3,691.2	3,709.3	3,796.2	3,881.6	3,974.9	4,104.7	4,223.7	2.9%

Notes: Totals may not add up due to rounding. Figures may have been revised from prior years by the NYS Department of Labor. Total excludes farm employment but includes unclassified jobs.

‡ Government includes federal, state, and local (City of New York) jobs located in New York City. Local government figures have been revised from prior years to include those employed by the City of New York as well as city-based public corporations such as the HHC (Health and Hospitals Corporation) and the MTA.

Source: NYS Department of Labor

3. Average Real Wage Rates by Industry for NYC, 2007-2015 (2015 dollars)

Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-15 % Change
Construction	\$73,248	\$74,859	\$75,775	\$76,134	\$75,631	\$73,756	\$73,610	\$73,385	\$75,081	2.3%
Manufacturing	\$59,533	\$58,579	\$57,176	\$56,570	\$57,430	\$54,473	\$52,448	\$53,683	\$55,533	3.4%
Transportation	\$53,785	\$51,308	\$51,550	\$52,077	\$52,161	\$51,344	\$51,275	\$53,787	\$52,870	-1.7%
Trade*	\$55,738	\$53,735	\$51,459	\$51,202	\$52,108	\$51,716	\$52,850	\$51,999	\$52,691	1.3%
Finance and Insurance	\$328,103	\$311,895	\$251,313	\$284,054	\$286,426	\$259,787	\$276,477	\$292,046	\$292,307	0.1%
Real Estate	\$70,721	\$68,697	\$64,680	\$64,835	\$66,335	\$66,693	\$68,555	\$70,573	\$74,575	5.7%
Admin/Waste/Edu/Health**	\$51,819	\$51,775	\$52,094	\$52,550	\$52,107	\$51,337	\$51,395	\$51,494	\$52,737	2.4%
Arts, Entertainment & Rec	\$72,814	\$68,460	\$67,799	\$69,506	\$69,040	\$65,363	\$63,914	\$64,961	\$69,012	6.2%
Accomm & Food Svcs.	\$32,315	\$32,066	\$30,702	\$30,865	\$30,976	\$30,690	\$30,570	\$31,126	\$31,753	2.0%
Other Svcs.	\$46,179	\$46,939	\$46,722	\$48,110	\$47,627	\$44,748	\$44,393	\$44,838	\$46,161	3.0%
Professional & Tech Svcs.	\$117,269	\$119,018	\$116,330	\$116,359	\$120,135	\$117,433	\$117,868	\$120,271	\$123,779	2.9%
Management of Companies	\$212,574	\$198,907	\$171,273	\$198,094	\$203,022	\$192,694	\$191,468	\$192,220	\$190,861	-0.7%
Information	\$117,993	\$117,041	\$112,185	\$115,013	\$117,147	\$118,072	\$122,676	\$128,164	\$131,931	2.9%
Utilities	\$108,147	\$103,759	\$98,705	\$103,329	\$104,961	\$115,638	--Δ	--Δ	--Δ	--Δ
Unclassified/Agri/Mining***	\$42,857	\$42,694	\$37,435	\$42,010	\$42,805	\$40,998	\$40,057	\$42,320	\$40,516	-4.3%
Private Sector	\$96,925	\$94,302	\$85,007	\$88,184	\$89,088	\$84,820	\$85,948	\$87,678	\$88,814	1.3%
Government	\$61,615	\$60,321	\$61,179	\$61,585	\$61,968	\$60,468	\$59,945	\$60,971	\$62,862	3.1%
Total Industries	\$91,599	\$89,225	\$81,366	\$84,096	\$85,111	\$81,351	\$82,318	\$84,066	\$85,386	1.6%

Note: Each year refers to the first three quarters of that year, and the fourth quarter of the prior year. The New York State Department of Labor revises the statistics annually. Real wages reflect 2015 dollars and differ from those found in this table in prior years.

*The Wholesale Trade and Retail Trade sectors have been combined into one category. **The Administrative and Waste Service, Educational Services, and Health Care and Social Assistance Service have been combined into one category. ***The Unclassified; Agriculture, Forestry, Fishing Hunting; and Mining sectors have been combined into one category.

Δ Wages for the this industry were not reported by the NYS Dept. of Labor during this time period due to the small number of respondents, and corresponding privacy concerns.

Source: New York State Department of Labor, Research and Statistics Division.

4. Average Nominal Wage Rates by Industry for NYC, 2007-2015

Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-15 % Change
Construction	\$63,337	\$67,396	\$68,738	\$70,232	\$71,478	\$71,262	\$72,436	\$73,252	\$75,081	2.5%
Manufacturing	\$51,478	\$52,739	\$51,866	\$52,184	\$54,277	\$52,631	\$51,611	\$53,586	\$55,533	3.6%
Transportation	\$46,508	\$46,193	\$46,762	\$48,040	\$49,296	\$49,608	\$50,457	\$53,690	\$52,870	-1.5%
Trade*	\$48,196	\$48,378	\$46,680	\$47,232	\$49,247	\$49,967	\$52,007	\$51,905	\$52,691	1.5%
Finance and Insurance	\$283,707	\$280,801	\$227,972	\$262,032	\$270,698	\$251,002	\$272,067	\$291,515	\$292,307	0.3%
Real Estate	\$61,152	\$61,848	\$58,673	\$59,809	\$62,692	\$64,438	\$67,462	\$70,445	\$74,575	5.9%
Admin/Waste/Edu/Health**	\$44,807	\$46,614	\$47,256	\$48,476	\$49,246	\$49,601	\$50,575	\$51,401	\$52,737	2.6%
Arts, Entertainment & Rec	\$62,961	\$61,635	\$61,502	\$64,117	\$65,249	\$63,153	\$62,894	\$64,843	\$69,012	6.4%
Accomm & Food Svcs.	\$27,942	\$28,869	\$27,850	\$28,472	\$29,275	\$29,652	\$30,082	\$31,070	\$31,753	2.2%
Other Svcs.	\$39,930	\$42,260	\$42,383	\$44,380	\$45,012	\$43,235	\$43,685	\$44,756	\$46,161	3.1%
Professional & Tech Svcs.	\$101,401	\$107,153	\$105,526	\$107,338	\$113,538	\$113,462	\$115,987	\$120,053	\$123,779	3.1%
Management of Companies	\$183,811	\$179,076	\$155,367	\$182,736	\$191,873	\$186,178	\$188,413	\$191,870	\$190,861	-0.5%
Information	\$102,027	\$105,373	\$101,766	\$106,097	\$110,714	\$114,080	\$120,719	\$127,931	\$131,931	3.1%
Utilities	\$93,514	\$93,415	\$89,538	\$95,318	\$99,197	\$111,728	--Δ	--Δ	--Δ	--Δ
Unclassified/Agri/Mining***	\$37,058	\$38,438	\$33,959	\$38,753	\$40,454	\$39,612	\$39,418	\$42,243	\$40,516	-4.1%
Private Sector	\$83,810	\$84,900	\$77,112	\$81,347	\$84,196	\$81,952	\$84,577	\$87,518	\$88,814	1.5%
Government	\$53,278	\$54,308	\$55,497	\$56,811	\$58,566	\$58,423	\$58,989	\$60,860	\$62,862	3.3%
Total Industries	\$79,205	\$80,329	\$73,809	\$77,577	\$80,437	\$78,600	\$81,005	\$83,914	\$85,386	1.8%

Note: Each year refers to the first three quarters of that year, and the fourth quarter of the prior year. The NYS Department of Labor revises the statistics annually.

*The Wholesale Trade and Retail Trade sectors have been combined into one category. **The Administrative and Waste Service, Educational Services, and Health Care and Social Assistance Service have been combined into one category. ***The Unclassified; Agriculture, Forestry, Fishing Hunting; and Mining sectors have been combined into one category.

Δ Wages for the this industry were not reported by the NYS Dept. of Labor during this time period due to the small number of respondents, and corresponding privacy concerns.

Source: New York State Department of Labor, Research and Statistics Division.

5. Consumer Price Index for All Urban Consumers, NY-Northeastern NJ, 2005-2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
March	212.4	218.2	224.6	233.1	235.1	240.1	245.6	251.9	256.6	260.0	259.6
June	210.7	222.6	228.3	238.6	237.2	240.8	248.5	252.4	256.9	261.4	261.5
September	215.8	222.9	228.3	240.1	238.6	241.5	250.6	254.6	258.5	261.1	261.9
December	214.2	221.3	229.4	233.0	238.4	241.9	248.3	253.6	257.3	258.1	259.9
Quarterly Average	213.3	221.3	227.6	236.2	237.3	241.1	248.2	253.1	257.3	260.1	260.7
Yearly Average	212.7	220.7	226.9	235.8	236.8	240.9	247.7	252.6	256.8	260.2	260.6

12-month percentage change in the CPI

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
March	4.42%	2.73%	2.91%	3.82%	0.83%	2.14%	2.30%	2.55%	1.87%	1.32%	-0.12%
June	2.28%	5.65%	2.54%	4.52%	-0.59%	1.54%	3.19%	1.57%	1.78%	1.73%	0.06%
September	4.81%	3.29%	2.43%	5.16%	-0.63%	1.22%	3.76%	1.59%	1.55%	0.99%	0.31%
December	3.58%	3.31%	3.66%	1.58%	2.32%	1.45%	2.66%	2.11%	1.47%	0.31%	0.72%
Quarterly Average	3.77%	3.74%	2.88%	3.77%	0.47%	1.58%	2.98%	1.96%	1.67%	1.09%	0.24%
Yearly Average	3.86%	3.76%	2.83%	3.90%	0.44%	1.71%	2.85%	1.97%	1.68%	1.32%	0.13%

Source: U.S. Bureau of Labor Statistics; Base Period: 1982-1984=100

6. Housing Court Actions, 1983-2015

Year	Filings	Calendared	Evictions & Possessions	Year	Filings	Calendared	Evictions & Possessions
1983	373,000	93,000	26,665	2000	276,159	125,787	23,830
1984	343,000	85,000	23,058	2001	277,440	130,897	21,369*
1985	335,000	82,000	20,283	2002	331,309	132,148	23,697
1986	312,000	81,000	23,318	2003	318,077	133,074	23,236
1987	301,000	77,000	25,761	2004	261,085	121,999	22,010
1988	299,000	92,000	24,230	2005	261,457	119,265	21,945
1989	299,000	99,000	25,188	2006	256,747	122,379	23,491
1990	297,000	101,000	23,578	2007	251,390	121,793	24,171
1991	302,000	114,000	20,432	2008	246,147	120,420	24,600
1992	289,000	122,000	22,098	2009	251,871	123,149	26,449
1993	295,000	124,000	21,937	2010	213,066**	127,396	25,655
1994	294,000	123,000	23,970	2011	221,182	126,315	27,636
1995	266,000	112,000	22,806	2012	217,914	132,860	28,743
1996	278,000	113,000	24,370	2013	215,497	122,463	28,849
1997	274,000	111,000	24,995	2014	208,158	127,334	26,857
1998	278,156	127,851	23,454	2015	203,119	111,409	21,988
1999	276,142	123,399	22,676				

Note: "Filings" reflect non-payment proceedings initiated by rental property owners, while "Calendared" reflect those non-payment proceedings resulting in a court appearance. "Filings" and "Calendared" figures prior to 1998 were rounded to the nearest thousand.

*Note: 2001 Evictions and Possessions data is incomplete as it excludes the work of one city marshal who died in May 2001 and whose statistics are unavailable.

**Due to an administrative change at NYCHA relating to their handling of late rent payments, the number of non-payment filings decreased dramatically. If not for this change, the drop in non-payment filings between 2009 and 2010 would have been significantly less, or nonexistent.

Sources: NYC Civil Court, First Deputy Chief Clerk for Housing; NYC Department of Investigations, Bureau of City Marshals.

7. Homeless Statistics, 1982-2015

Year	Single Adults	Children	Families (inc. children)	Total Individuals
1982	3,786	2,507	1,005	7,584
1983	5,061	4,887	1,960	12,468
1984	6,228	7,432	2,981	17,491
1985	7,217	9,196	3,688	21,154
1986	8,890	10,493	4,286	24,896
1987	9,628	11,163	4,986	27,225
1988	9,675	11,401	5,091	27,646
1989	9,342	8,614	4,105	23,254
1990	8,535	6,966	3,591	20,131
1991	7,689	8,867	4,581	22,498
1992	6,922	9,607	5,270	23,494
1993	6,413	9,760	5,626	23,748
1994	6,235	9,610	5,629	23,431
1995	6,532	9,927	5,627	23,950
1996	7,020	9,945	5,692	24,554
1997	7,090	8,437	4,793	22,145
1998	6,875	8,054	4,558	21,277
1999	6,778	8,826	4,965	22,575
2000	6,934	9,290	5,192	23,712
2001	7,479	11,427	6,154	27,799
2002	7,750	14,952	8,071	34,576
2003	8,199	16,705	9,203	38,310
2004	8,612	15,705	8,922	37,319
2005	8,174	13,534	8,194	33,687
2006	7,662	12,597	8,339	32,430
2007	6,942	14,060	9,075	34,109
2008	6,530	14,327	8,856	33,554
2009	6,764	15,326	9,719	35,915
2010	7,825	14,788	9,635	36,175
2011	8,543	15,501	9,573	37,765
2012	9,047	18,068	10,705	43,295
2013	9,862	21,163	12,062	49,408
2014	10,591	23,511	13,317	54,122
2015	12,014	23,658	14,037	57,158

Note: Data presented are the annual averages of the Dept. of Homeless Services shelter population. Street homelessness is not quantified in this data.

Source: New York City Department of Homeless Services

8. Poverty Rates, 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S.	13.3%	13.3%	13.0%	13.2%	14.3%	15.3%	15.9%	15.9%	15.8%	15.5%
New York City	19.1%	19.2%	18.5%	18.2%	18.7%	20.1%	20.9%	21.2%	20.9%	20.9%
Bronx	29.2%	29.1%	27.1%	27.6%	28.5%	30.2%	30.4%	31.0%	30.9%	31.6%
Brooklyn	22.4%	22.6%	21.9%	21.1%	21.8%	23.0%	23.6%	24.3%	23.3%	23.4%
Manhattan	17.9%	18.3%	17.6%	16.9%	16.6%	16.4%	18.3%	17.8%	18.9%	17.6%
Queens	11.9%	12.2%	12.0%	12.1%	12.6%	15.0%	15.8%	16.2%	15.3%	15.2%
Staten Island	11.0%	9.2%	9.8%	10.0%	11.2%	11.8%	11.7%	11.6%	12.8%	14.5%

Source: 2005-2014 American Community Survey

EXHIBIT F



Bill de Blasio

Public Advocate for the City of New York

Stay Connected

Statement by Public Advocate Bill de Blasio on Rent Guidelines Board Proposed Rent Increase

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To visit the website of Letitia James, current New York City Public Advocate, please visit advocate.nyc.gov (<http://advocate.nyc.gov>).

Posted on 5/28/2013

"At a time when nearly half of our city's residents are living in or near poverty, we cannot continue to put additional financial burdens on poor and working New Yorkers. The Rent Guidelines Board must freeze rent increases when it meets next month. And I renew my call for the RGB to hold hearings in the five boroughs, instead of its one planned meeting in Manhattan. If the RGB's members could hear directly from the people, as I have, they would know we cannot place additional hardships on renters in New York."

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EXHIBIT G



Bill de Blasio
Public Advocate for the City of New York



Stay Connected

Video: De Blasio Demands Rent Freeze at Rent Guidelines Board Hearing

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Posted on 6/13/2013

At today's hearing of the Rent Guidelines Board, Public Advocate Bill de Blasio renewed his call for a rent freeze and slammed the Board for forgoing public hearings in the outer boroughs this year. In his testimony, de Blasio warned that consecutive rent increases had deepened economic inequality and severely worsened New York City's affordable housing crisis.

Read de Blasio's full testimony:

RENT GUIDELINE BOARD
PUBLIC HEARING

Testimony of Bill de Blasio, Public Advocate for New York City
June 13, 2013

Good morning, Chairman Kimmel and members of the Rent Guidelines Board. I want to thank you for giving me the opportunity to testify at this public hearing today.

New York City is becoming a Tale of Two Cities. Wall Street is hitting record highs, the number of millionaires and multi-million dollar penthouses has soared over the last decade, and has continued to spike despite the recession.

Working people face a very different story. Nearly half of the city is living at, or dangerously close, to poverty. A third of New Yorkers spend at least half of their income on rent and, even as the economy has deteriorated for working people, affordable housing has become scarcer. Approximately 120,000 rent-stabilized apartments have been lost since 2004, virtually erasing any gains we've made building new affordable homes.

We live in one of the worst economic times since the Great Depression. Unemployment is above 8 percent, wages are stagnant, the cost of living keeps increasing and middle- and low-income families are struggling to make ends meet.

We cannot deepen this inequality any further.

Economic inequality is the challenge of our time, and it is a problem this Board can help alleviate through its decisions.

Last month, the Board proposed increases of 3 to 6.25 percent for one-year leases, and 5 to 9.5 percent for two-year leases. These latest proposals follow four consecutive years of rent hikes during this economic crisis. This must end. Heaping another \$500, \$1,000 or more in rent each year—the equivalent of a week's wages for many families—is absolutely unacceptable in these hard times.

These repeated increases cut into the foundation of our city, forcing working people out of their homes and pushing the middle class out of entire neighborhoods.

We need a rent freeze that acknowledges these stark realities. This is the only acceptable outcome for tenants at this time.

This needs to be the start of a new outlook that centers housing policy on what working families need to get by. Through my "NYC's Worst Landlords Watch List" – our pilot program to provide free legal aid to tenants in housing court – and the passage of a new law increasing penalties on landlords who repeatedly deny tenants heat, my office has been fighting for that agenda these last four years. It's time this Board heed those same priorities.

It is deeply regrettable the Board has coupled its proposed rent hike with a complete failure to engage the people most affected by its decision. By not holding a single hearing in the outer boroughs, the Board has marginalized the voices of more than 700,000 renters who face the prospect of higher rents. The Board's solitary hearing in lower Manhattan is not just an inconvenience—it's an outright failure of democracy.

I urge members of this Board to take into consideration the factors I have discussed today and freeze the rents of hundreds of thousands of working families that simply cannot afford another hike.

Put the interests and welfare of the renters first and vote NO to an increase and YES to a freeze.

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NY REAL ESTATE RESIDENTIAL

Rent-Freeze Pledge Chills Landlords

De Blasio Proposal Would Affect More Than One Million in Stabilized Apartments

By JOHN SURICO

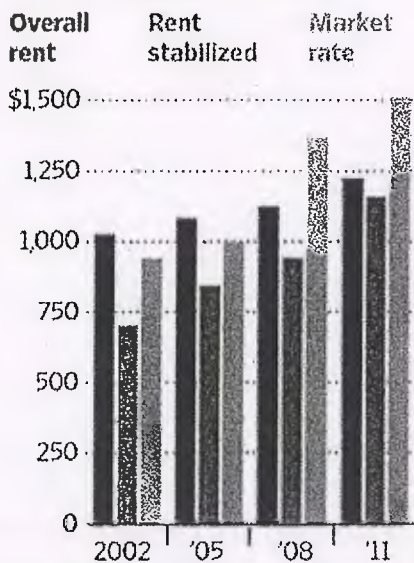
Oct. 9, 2013 10:39 p.m. ET

Among the policy proposals pushed by Democratic mayoral nominee Bill de Blasio to make New York City more affordable is one that would affect more than one million residents: a moratorium on rent increases in rent-stabilized apartments.

A so-called rent freeze hasn't happened in the 44-year history of the Rent Guidelines Board, a body of nine mayoral appointees that sets monthly rates for a million apartments. The idea is opposed by Republican nominee Joe Lhota and the city's real-estate community, with which Mr. de Blasio is friendly.

Paying to Stay

New York City median rent



Source: NYC Housing & Vacancy Survey
The Wall Street Journal

The next mayor will have significant leverage over the rent board when he takes office on Jan. 1, with power to appoint four new members. Mr. de Blasio has said he would select what he described as pro-tenant, pro-stabilization board members.

A spokesman said Mr. de Blasio would push the board to not increase rent in June, when it votes annually. The rent-freeze would then start in October for one-year leases and two-year leases being renewed.

"In the short term, with wages stagnant and tenants struggling to pay the rent, Bill de Blasio has called for a one-year rent freeze for people living in rent-stabilized apartments," De Blasio spokesman Dan Levitan said. "I think the rent freeze speaks for itself."

A spokesman for the Rent Guidelines Board declined to comment.

Landlords said they would fight a rent freeze. Jack Freund, vice president of the Rent Stabilization

Association, an organization that represents thousands of city landlords, said a rent freeze should be accompanied by a freeze on municipal sewer and water charges and no increases in

property taxes. (Messrs. de Blasio and Lhota have pledged to not raise property taxes.)

"Bill is not too smart backing this," Mr. Freund said. "I'm not sure if this is campaign rhetoric but he will recognize the reality if and when he takes office.

In an interview, Mr. Lhota also said a rent freeze is hard to imagine with rising utility costs and property taxes.

"There's no equity there. If you're telling me that that's going to be controlled, sure, I'd be for a rent freeze," Mr. Lhota said. "But if that's not proven, I can't agree to a freeze because it's not fair."

Mr. Lhota said he would work to control rents by reducing property taxes and what the city charges landlords for utilities such as water and sewage.

"This is how mayors can get directly involved," Mr. Lhota said.

Messrs. Lhota and de Blasio have also both advocated for the power to change rent regulations to return to City Hall. The rent-stabilization laws are currently set by the state Legislature and the governor in Albany.

The mayoral campaign is taking place after a nine-year period during which rent-stabilized rents went up faster than market-rate rents.

From 2002 to 2011, the median gross rent of a rent-stabilized apartment went up 66%—from \$703 to \$1,160—under increases approved by the Rent Guidelines Board, according to the New York City Housing and Vacancy Survey. At the same time, the median gross rent of market-rate apartments went up 60%, from \$942 to \$1,510, according to the survey.

This year, the Rent Guidelines Board voted to increase rent by 4% for one-year leases and 7.75% for two-year leases. The increases went into effect Oct. 1.

Manhattan and Brooklyn have been deemed the two most expensive places to live in the country, as New Yorkers doled out nearly 33% of their incomes in 2011 to pay to live in these parts of the city.

Neither Mr. de Blasio nor Mr. Lhota have revealed whom they would appoint to the Rent Guidelines Board.

Tenant advocacy groups have long called for a rent freeze but have never found themselves with an advocate such as Mr. de Blasio, who has made reducing income inequality a central theme of his campaign.

City Council Speaker Christine Quinn and Comptroller John Liu, two of Mr. de Blasio's opponents in the Democratic primary, also supported a moratorium. Mr. de Blasio hasn't spoken much about the rent-stabilization issue since he moved on to the general election.

"[A rent freeze] would bring a great deal of relief to renters in rent-stabilized apartments, while

having negligible impact on landlords," said Michael McKee of the Tenants PAC, a group that advocates for renters.


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NEW YORK



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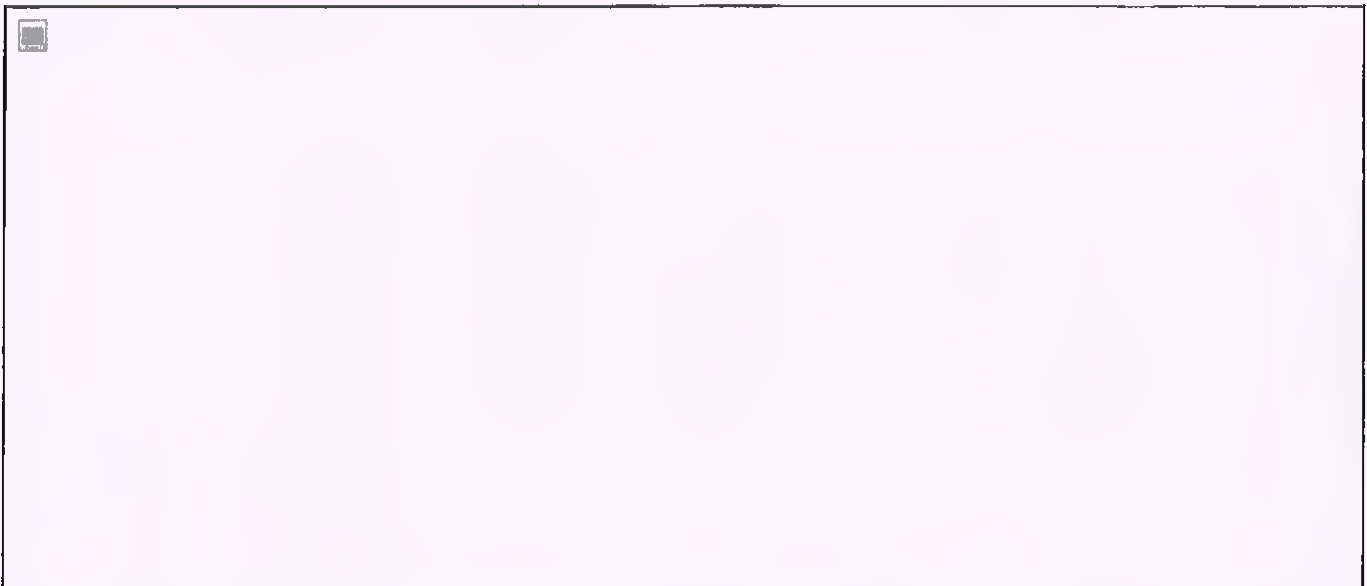
NYC RENT STABILIZATION BILL DE BLASIO

Mayoral Candidate Bill de Blasio Wants A Rent Freeze

83 

BY JESSICA DAILEY · @JLDAILEY618 · OCT 10, 2013, 11:20A

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In keeping with his pro-tenant, pro-affordable housing policies, Democratic mayoral candidate **Bill de Blasio** says that if he's elected, he will push hard for **a rent freeze** on stabilized apartments. According to the *Journal*, he also pledged to appoint new pro-tenant members to the Rent Guidelines Board, which convenes every June to vote on rent increases. De Blasio's stance should come as no surprise considering that during this year's *city council* meeting, he, along with former mayoral hopefuls Christine Quinn and John Liu, advocated for a freeze.

Landlords, obviously, think de Blasio is crazy for this plan. Republican candidate **Joe Lhota** is against a freeze. He thinks a freeze would be unfair to landlords unless property taxes and **utility costs** were controlled as well. Both candidates pledged to not raise property taxes, but Lhota also promised to reduce how much the city charges landlords for water and sewage. The next mayor gets to appoint four new members to the nine-person Rent Guidelines Board, but neither candidate has revealed who they would select.

EXHIBIT J

The New York Times | <http://nyti.ms/PhQ3NA>

N.Y. / REGION

Renters Hope for Promised Freeze as de Blasio Prepares to Fill Guidelines Board

By MIREYA NAVARRO MARCH 9, 2014

For years, tenants have complained that the city board that sets rents for about one million New York apartments has favored landlords.

Now those tenants are counting on the new mayor to make good on a campaign promise: the board's first rent freeze. As mayor, Bill de Blasio appoints the nine members of the Rent Guidelines Board, which decides each year how much regulated rents will increase.

With rent laws in the hands of the governor and the state legislators, the rent board is one of the few levers the mayor has to directly influence the rental market in the city. It is a priority for Mr. de Blasio, who has made housing a centerpiece of his effort to ease the economic strains facing so many poor and working-class New Yorkers.

Mr. de Blasio can fill five of the board's nine seats now and the remaining four in December, and his first picks could come as early as this month as the board prepares for its annual decision on rent increases.

The board's first scheduled meeting is March 27 and the vote on rents usually comes in June. The meetings leading up to the vote are typically raucous, with

tenants and their advocates letting board members know exactly how they feel with jeers, boos, chants and plastic whistles. But this year could be different, tenant groups said.

“This is a real possibility, and Mayor de Blasio is the one to make it happen,” Jaron Benjamin, executive director of the Metropolitan Council on Housing, a tenants’ rights group, said of a rent freeze. “He understands that there are so many stabilized tenants that would be past the breaking point if there’s another increase.”

Since his days as a city councilman, Mr. de Blasio has been a vocal proponent of freezing increases for tenants of apartments subject to rent regulation. During the mayoral primary campaign last year, he renewed his call for no rent increases, as did his Democratic rivals, saying that “at a time when nearly half of our city’s residents are living in or near poverty, we cannot continue to put additional financial burdens on poor and working New Yorkers.”

Wiley Norvell, a spokesman for the mayor’s office, said administration officials were reviewing the rent board’s appointees and “seeking balanced candidates who understand the needs of low- and moderate-income tenants.”

“We plan to undertake an ambitious agenda that confronts the affordability crisis facing the city’s tenants,” he said in a statement.

The Rent Guidelines Board, established in 1969, has never forgone a rent increase. Last year, it allowed increases of up to 4 percent for one-year lease renewals and up to 7.75 percent for two-year leases.

But the board manages to make no one happy. Landlords complain that rent increases cover less than half of the actual cost of operating their units, which includes property taxes, utilities, labor and insurance.

Jack Freund, executive vice president of the Rent Stabilization Association, a landlord trade group, said landlords were hopeful that Mr. de Blasio did not mean what he has said.

“We hope it was campaign rhetoric,” he said. “I’d expect him to appoint people who are knowledgeable and, if they are knowledgeable, I don’t think you’d get a

zero-rent guideline.”

The board’s composition is meant to strike a middle ground. It is made up of two tenant representatives, two landlord representatives and five members from the general public with at least five years of experience in housing, finance or economics. They serve two- to four-year terms, except the chairman, who serves at the pleasure of the mayor.

Board members are supposed to consider both landlords’ costs and tenants’ ability to pay. But there is enough wiggle room for an appointee’s bent to make a difference.

Tenant groups argue that the board has overestimated landlords’ costs by using a price index that some years outpaces the actual expense statements provided by the property owners. A coalition of 13 advocacy groups said in a letter to Mr. de Blasio last month that the board “has for too long become a mechanism for rent increases, no matter the data, no matter the economic climate.”

Owners counter that the index does not take into account all maintenance costs or new city mandates like a recent requirement for devices to prevent backflow from contaminating water systems.

A shift in the board’s dynamics would come at a time when poorer rent-stabilized tenants in particular are struggling to pay their rents. Research by the board’s staff members shows that half of stabilized households pay more than 35 percent of their income in rent and utilities, or above the federal affordability standard of 30 percent. But Mr. Freund argued that rents cannot be based on affordability.

“The problem of affordability is not that rents are too high, but that the incomes are too low,” he said. The median gross rent for stabilized apartments was \$1,160 in 2011.

Harvey Epstein, a tenant representative on the board and an associate director of the Urban Justice Center, which litigates on behalf of tenants, said he was asked by administration officials in late February if he would like to be reappointed and he

said yes.

Mr. Epstein, whose term expired in December, noted other areas in the state, like Westchester County and Nassau County on Long Island, have passed rent freezes in recent years and now there was an opportunity to do the same in New York City.

Still, serving on the board may remain a thankless task.

“It’s a tough position to fill,” Mr. Freund said. “It’s not fun to be yelled at by everybody.”

A version of this article appears in print on March 10, 2014, on page A17 of the New York edition with the headline: Renters Hope for Promised Freeze as de Blasio Prepares to Fill Guidelines Board.


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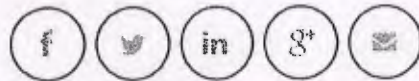


REAL ESTATE

AFFORDABLE HOUSING OR LACK THEREOF

What Does a 1% Rent Increase Do? (Other Than Irritate Virtually Everyone)

By [Kim Velsey](#) • 06/24/14 6:15am



Skellig2008/flickr.

It was widely speculated that the evening of June 23 might be the night of a historic freeze—the first time that the Rent Guidelines Board voted for a zero percent rent increase on stabilized units in its 45 year history. With six of the board’s nine members appointed by Mayor Bill de Blasio, who called for a freeze, it had seemed quite possible that if any year were to be the year, this

would be it. Instead, the Board backed a strange compromise—a one-percent increase for one-year leases and 2.75 percent increase for two-year leases—a bump so miniscule that it would appear to have little beyond symbolic import to either tenants or landlords.

The symbolism of such a small increase, however, seemed to irk both groups—suggesting as it did the Board’s stubborn dedication to inhabiting some kind of middle ground, no matter how meaningless the position. A one-percent increase for rent-stabilized units, though the smallest in the city’s history (last year saw a four-percent increase), sufficed neither as a statement about the importance of maintaining affordable housing amidst stagnant wages, nor will it mean very much in practical terms for landlords. For example, the rent on a \$1,500 a month apartment will rise a mere \$15 a month.

As one landlord told *The New York Times*, “The difference between zero and 1 percent is negligible. Real estate taxes went up 2.8 percent this year. Who’s going to hurt is the small-property owner who’s on the fringe.”

As a candidate, Mayor Bill de Blasio called for a one-year rent freeze on rent-stabilized apartments, citing the many

tenants struggling to pay their current rents. Given that the mayor has appointed six of the board's nine members, it had seemed that a rent freeze might finally come to pass. However, days before the vote, Capital New York reported that Mr. de Blasio seemed to be backing away from his position, urging only that the Board "look at a lot of information and decide what makes sense first and foremost based on the actual facts, the actual numbers."

As *The Times* reported, two de Blasio's appointees voted in favor of the rent increase: Sara Williams Willard, a senior project manager at the Hudson Companies and Steven Flax, vice president for community reinvestment at M & T Bank in New York.

Indeed, according to *The Times*, Mr. Flax was the board member who proposed the one-percent increase, as it "costs money to run buildings," though he later told the paper that "I have to say this moment is a nightmare."

Members of the liberal establishment also expressed dissatisfaction with the compromise; immediately after the vote, state Assemblyman Brian Kavanagh tweeted that the increases were "Disappointing in a year when 0%

seemed both justified and within reach.”

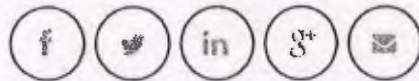
City council speaker Melissa Mark-Viverito also expressed her disappointment, writing in a statement that “while we appreciate that the increase was kept to a minimum, as our city’s housing crisis comes to a head, it’s crucial that we utilize every opportunity to fight for and preserve affordability for the New Yorkers who call this city home.”

At issue is the question of how the Board should weigh landlords’ expenses against the financial challenges faced by tenants and the need to preserve affordable housing. Based on last night’s vote it seems that the Board still believes that rather than looking at affordable housing more broadly, its task is to determine a number between the zero percent increase demanded by tenants year after year and the amount by which landlords claim their expenses have gone up.

Though at least Michael Barbolla, the COO of Charles Rutenberg Realty, thinks that the one-percent increase is a good way to avoid alienating landlords while keeping rent increases at levels that even lower-income tenants should be able to afford, he told the *Observer* on Monday night.

“You’re never going to have an opportunity for it to be too pleasing,” Mr. Barbolla said. “This is a happy medium.”

So okay, we guess that not everyone hates the Rent Guidelines Board.



FILED UNDER: MAYOR BILL DE BLASIO, RENT FREEZE, RENT GUIDELINES BOARD, RENT REGULATION, RENT STABILIZATION

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Statement by Mayor Bill de Blasio on Rent Guidelines Board Decision

June 29, 2015

Tonight, the Rent Guidelines Board voted for a zero percent increase on one-year, rent-stabilized leases, and a two-percent increase on two-year leases. More than 1.2 million New Yorkers live in rent-regulated apartments the leases of which expire this year.

"This was the right call. For the first time in the history of the Rent Guidelines Board, more than a million hardworking and hard-pressed tenants will see no increase in their rent. I applaud the Rent Guidelines Board for making tonight's decision based on hard data, including the unprecedented 21 percent drop in fuel costs over this past year. We know tenants have been forced to make painful choices that pitted ever-rising rent against necessities like groceries, childcare and medical bills. Today's decision means relief. Our administration will continue to work on all fronts to help protect tenants against harassment and displacement. We are equally committed to working with building owners to help modernize their properties to lower their costs, and to ensuring our city's affordable housing remains in good financial health."

pressoffice@cityhall.nyc.gov

(212) 788-2958

EXHIBIT M



New York City Rent Guidelines Board

1 Centre Street, Suite 2210 • New York, NY 10007 • (212) 669-7480

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Chair

Hon. Kathleen A. Roberts (Ret.)

Executive Director

Andrew McLaughlin

Statement by Hon. Kathleen A. Roberts (Ret.), Chair of the New York City Rent Guidelines Board at the June 27, 2016 Public Meeting of the Board

Before I make my proposal, I would like to make a few brief comments on this process.

First, as I said earlier this evening, I would like to thank the hundreds of New Yorkers--tenants, owners, members of advocacy groups and public officials, including all of you here tonight, and especially those who testified to their personal experiences at our five public hearings, for participating in the process of determining rent adjustments for New York's one million rent-stabilized apartments. We recognize and deeply appreciate your critical contribution to the public conversation about affordable housing and to our decision-making process.

Second, I would like to recognize and thank the staff members of the RGB for their exceptional research and analysis and coordination of our public hearings. Their professionalism and objectivity is essential to ensuring that the Board's decisions are fully and accurately informed.

Third I would like to recognize and thank my fellow Board Members for their support, public service, and dedication to a difficult task. Although we may not agree on specific rent adjustments, every member of this Board is committed to the goal of creating and maintaining affordable housing in New York City.

The work of this Board is governed by the Rent Stabilization Act of 1969 and the Emergency Tenant Protection Act of 1974. The purpose of the law and the role of the RGB are to protect tenants from excessively high rents resulting from chronic shortages of rental housing, while also ensuring that owners can pay for necessary costs and receive a fair return on their investment. Under the law, the ultimate goal is for New York City to transition to "a normal market of free bargaining between landlord and tenant"; however, the RGB remains in operation as long as the present competitive market exists. Data from the 2014 Housing and Vacancy Survey (HVS) prepared by the US Census Bureau, shows vacancy levels of 3.45% city-wide for all rentals and 2.12% for rent stabilized units.

There is no easily applied formula or algorithm for determining a fair rent adjustment. By law the Board is required to review and consider (1) economic condition of the residential real estate industry including such factors as the prevailing and projected (i) real estate taxes and sewer and water rates, (ii) gross operating maintenance costs, (iii) cost and availability of financing costs and interest rates (iv) supply of housing and vacancy rates, (2) relevant data from the current and projected cost of living indices for New York City, and (3) such other data as has been made available to us.

The public hearings we held in the Bronx, Brooklyn, Queens and Manhattan (including here at Cooper Union and in Harlem), provided the RGB with an opportunity to hear from significant numbers of owners and tenants, as well as advocacy groups and public officials. From tenants we heard hundreds of deeply moving accounts of the impact of steeply rising rents and harassment, caused primarily by factors governed by state legislation, over which this Board has no control, such as multiple increases for major capital improvements and individual apartment improvements, dramatic increases in preferential rents, and the up to 20% vacancy increase. At the same time, we heard from dozens of owners of small buildings who are struggling to maintain their apartments and their livelihoods in the face of significantly increased operating costs, especially real estate taxes. This testimony reflects the extraordinary complexity of the housing landscape in which we must determine fair rent adjustments.

The public testimony and the voluminous data made available to us leads me to propose a 0% increase for one-year leases and a 2% for two-year leases, which is the same adjustment adopted by the Board last year.

Before I call for a vote on this proposal, I would like to briefly state why I believe these are appropriate adjustments.

The RGB's *2016 Price Index of Operating Costs (PIOC)* gathers prices for a market basket of goods and services used in the operation and maintenance of rent stabilized buildings in NYC and uses these prices to estimate cost/price changes from one year to the next. This year, prices for all types of owner expenses increased, with the exception of a dramatic 41% drop in the cost of fuel to heat multi-family buildings, which alone caused the overall PIOC for rent stabilized apartment buildings to decrease by 1.2%--more than offsetting increases in other expenses.

The RGB's *2016 Income and Expense Study* examines summary data from owner submitted Real Property Income and Expense (RPIE) statements. During 2014, the most current data available, owners of buildings containing rent stabilized units witnessed a rise in income of 4.9%, while expenses rose 5.6%. Even though the percentage growth in expenses slightly outpaced growth in income, because the underlying income is higher than the underlying expenses, the owners' net operating income (NOI), (its income remaining after costs) increased by 3.5%, which is the tenth consecutive annual increase in NOI.

Furthermore, the RGB's *2016 Mortgage Survive Report* found a decrease in both interest rates and service fees, to the lowest levels recorded in this report's 36-year history.

These data provide ample support for a 0% increase for one-year leases. I note that the Board was urged by many elected officials, as well as tenants, to vote to roll back rent in light of the data this year. While I understand those arguments, I think it is inappropriate to base an unprecedented rollback on a single aberrational cost factor. It is also important to consider how different owners are situated – especially for small owners, a rollback would challenge their ability to maintain their buildings—a factor we must consider as well as affordability. It is because of this aberrational cost factor that the one-year adjustment that I am proposing falls outside the range of adjustments calculated by the commensurate rent formulas presented as part of the RGB's *2016 PIOC* report.

According to the PIOC Report, prices are projected to increase 5.9% next year (including a projected 16% increase in fuel prices), or 3.9% if the price of fuel remains at current levels. This projection amply supports a 2% increase for two-year leases.

It is because of an aberrational decline in heating costs over the past year and a significant projected rise in owner's costs for next year, that the one- and two-year adjustments that I am proposing fall outside the range of adjustments calculated by the commensurate rent formulas presented as part of the RGB's 2016 PIOC report.

I considered, but rejected, proposing a larger increase in light of the historic trend of substantial increases in NOI, and because a larger increase raises significant affordability concerns. It is established that the Board can consider tenants' ability to pay rent as a factor in setting renewal lease adjustments. Data from the 2014 Housing and Vacancy Survey shows that the median gross rent-to-income ratio for tenants living in rent stabilized apartments is 36.4%, an increase from the 2011 *Housing and Vacancy Survey* when the ratio was 34.8%. This means that half of rent stabilized tenants are paying 36.4% of their income in rent and are considered to be rent burdened. Generally, housing is considered affordable when a household pays no more than 30% of their income in rent. The rise in gross rent-to-income ratios can be linked directly to stagnant wages and rising rents. According to the 2014 HVS, which reflects household income for 2013, the median income for rental households was \$41,500, an inflation-adjusted ("real") increase of only 1.1% from 2010. Meanwhile, rent stabilized tenants on the whole paid a median gross rent of \$1,300 in 2014. Adjusting for inflation, this is an increase from 2011 of 5.3% for all rent stabilized units over the three-year period.

Increasing rent burdens faced by tenants throughout NYC have led to increasing numbers of people who are unable to stay in their units. Homelessness in the City, based on data from the Department of Homeless Services (DHS), increased for the seventh consecutive year during 2015, rising by 5.6%.

Finally, beyond any guideline increase issued by this Board, owners have several other sources of additional revenue, including general vacancy allowances (up to 20% above current rent) and longevity increases, individual apartment improvements, major capital improvements, and potential increases in instances in which owners have granted "preferential" rents.

Based upon all of these factors, I move to adopt the final language of Proposal 1 of Apartment and Loft Order #48 that was circulated to the members of the Board and posted on the RGB website on June 23. And I further move to adopt the Explanatory Statement and Findings for Apartment and Loft Order #48 substantially in the form submitted by staff to the Board as of June 24, 2016, and to be modified by the RGB staff after this meeting to reflect the adopted rental adjustments. A summary of Proposal 1 is as follows:

APARTMENTS:

One-year renewal lease: 0%
Two-year renewal lease: 2%

Sublet allowance of **10%**.

No vacancy allowance is permitted except as provided by sections 19 and 20 of the Rent Regulation Reform Act of 1997.

LOFTS:

One-year increase period: **0%**

Two-year increase period: **2%**

No Vacancy Allowance is permitted under this Order.

SPECIAL GUIDELINE

33% above the maximum base rent

EXHIBIT N



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Statement From Mayor de Blasio on Rent Guidelines Board Decision

June 27, 2016

Tonight, the Rent Guidelines Board voted for a zero percent increase on one-year, rent-stabilized leases, and a two-percent increase on two-year leases. Approximately 1.6 million New Yorkers live in rent stabilized apartments that have leases coming up for renewal during the term affected by these guidelines.

"This year, the facts demanded a rent freeze. More than a million people will now have more security and a better shot at making ends meet. And the financial health of our buildings will remain protected because declining fuel costs have offset other expenses. In short, tonight's decision by the Rent Guidelines Board reflects what's actually happening in our neighborhoods.

"We are fighting displacement and protecting affordable housing on every front. From putting shovels in the ground for more affordable housing than any time in 40 years, to increasing free legal services for tenants ten-fold, to this rent freeze, we are turning the tide to keep this a city for everyone."

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EXHIBIT O



OverviewNewsMayor's BioOfficials

Transcript: Mayor de Blasio Appears on NY1 to Discuss the Rent Guidelines Board Vote

June 28, 2016

Pat Kiernan: Mayor de Blasio is with us now on the telephone with his reaction to this vote. Mayor de Blasio, you said in your statement last night that the facts demanded a rent-freeze this year.

Mayor Bill de Blasio: That's right, Pat. The Rent Guidelines Board did the right thing. You know, for over a million-and-a-half New Yorkers who live in rent-stabilized apartments this is very good news. And the Rent Guidelines Board went by the numbers – and what the numbers showed was, you know, the price of fuel had been way down over the last year. There was not a reason for a rent increase for a one-year lease. So, they did a pure freeze – zero for a one-year lease, two percent for two-year lease.

And I want to let your audience know that – really take a close look if you're a rent-stabilized tenant – take a close look at that option of a two percent for a two-year lease because that locks in a lot of stability for you.

But this was about being fair to tenants and going by the facts, going by the numbers. They did the right thing.

Kiernan: Although – I mean if you look back at the last three years, you would have been better off doing a one-year lease renewals and taking advantages of these freezes. But you still say at least consider that two-year option.

Mayor: Yes because it is by the numbers. And so, everyone knows that the price of oil and gas went down in a very unusual way over the last few years, and that's what the Rent Guidelines Board keyed off of. That's obviously a big percentage of what landlords pay in expenses. Those expenses went down.

We've tried to be very fair about the equation. I don't think in the past it always was handled so fairly. I don't think in past Rent Guidelines Boards, before we got here, I think they often times didn't pay enough attention to the numbers and to the needs of the tenants as well.

So, when you really look at the numbers the last few years, the rent-freeze was justified. But you don't know what's going to happen in the future because it is all about the larger economic context. That's why if you lock in, you know, two years at two percent, you have a guarantee.

Kiernan: Can I read between the lines and say that you would say it would be tough for the Board to hold a freeze for three years in a row?

Mayor: I think it comes down to the numbers, and I think no one should predict. This is, again, we've been really clear this is a case-by-case, year-by-year decision. So, it was one-percent two years ago, and it's been zero for the last two decisions since then. But it can change depending on the economic reality. That's why, again, locking in two years at a rate as low as two percent – there's a lot to recommend that.

Kiernan: Mayor de Blasio, I want to play one soundbite from a woman – a tenant who was at the meeting last night. And she said a rent-freeze isn't enough.

[...]

Mr. Mayor, is that realistic? There seems to be a feeling on the part of some tenants that they should be subsidized by landlords.

Mayor: I think the Rent Guidelines Board did the right thing because you got to look at all the factors, and you also have to look at the uncertainties out there. You know, as I said, the price of oil and gas was low before but we started to see it come back up a bit. We got to balance all the pieces of the equation. But when you look at the last three years in total, Pat, you know for a one-year lease it was one percent then zero and now zero again – that's very, very fair to our tenants. That's going to allow people to make ends meet, and be able to afford this city better.

So, you know, I think the Rent Guidelines Board was really smart, really careful in their decision. And, again, you never see anything like this. Rent Guidelines Board has been around almost half a century – there's never been a time where they were so respectful of the needs of tenants and so objective about the numbers, as this. I never blame activists for pushing hard but I think for the vast majority of over a million-and-a-half New Yorkers affected, they are waking up this morning knowing that they're not going to have a rent increase. I think they are feeling pretty happy.

Kiernan: The groups that represent landlords are among other things this morning saying that you don't allow this board to act independently.

Mayor: That's ridiculous – this board is built to have different constituencies and that's how its charter mandate goes. Its different forces represented. There's a very intense debate and public process. And the mandate we gave our Rent Guidelines Board is follow the numbers. If the numbers justify a larger increase in the future, we'll do that. So it really down comes to it – but again, I am not the one who is telling you that oil and gas prices went down intensely for the last few years. That's common knowledge and that's what we feed off of. We are going to be fair each and every year, but I tell you Pat, in the past, even when increases were not

justified, it was a given that landlords would get an increase. And we've changed that. We've said if the numbers don't justify it why on Earth should tenants have to pay more?

Kiernan: So the one argument that the landlords make is that yes, the fuel costs are down – that is a big factor and you come up with this index. But they say look at the last two years, can you tell me that within those two years, we didn't have a boiler break down. We didn't have to replace a roof. They feel that there should be something. What do you say not to a big company but a guy who owns one building with six rent stabilized apartments in it, what do they do in this situation?

Mayor: Very fair question, but I think a lot of times when this debate happens the bigger facts are not looked at. If you own a building in New York City, first of all your investment is paying off big time because everyone knows what's going on with the price of real estate in New York City. So anyone who owns a building almost anywhere in the City has seen the value of that building go up a lot. That has real ramifications for them. For the future, if they don't want to keep it obviously they can borrow money off it. But on top of that there is a provision in the state law that if you make a capital improvement, you get a new boiler, you fix up apartments and all, you can pass that cost onto the tenants. That's a whole separate thing from what we do with the Rent Guidelines Board.

Now, a lot of us believe that in fact that formula has been very, very generous to landlords that make a capital improvement – you know the MCI, the capital improvements that they can make and they can pass onto tenants in perpetuity. So basically, charge tenants well beyond what the actual cost of the capital improvement was – that's state law. And landlords know that so they have plenty of ways to make sure – either they can get loans off of the value of the building. They can do those capital improvements and pass on the cost to tenants. They have plenty of ways to keep their building up. But if their expenses actually didn't go up, why on Earth should tenants have to have a rent increase? That's the core logic here.

Kiernan: Okay – Mayor de Blasio reacting to the Rent Guidelines Board decision last night to freeze rents on one-year lease renewals. Mr. Mayor, thank you for joining us this morning.

Mayor: Pat you're very welcome and any New Yorker who is in a rent stabilized apartment and wants to know more about what this decision means for them, they can call 3-1-1 and get all the facts.

Kiernan: All right there. Straight from the Mayor – thank you Mayor.

Mayor: Take care, bye.

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