

NEW YORK CITY RENT GUIDELINES BOARD

2023 Apartment & Loft Order #55

June 21, 2023

Order Number 55 - Apartments and Lofts, rent levels for leases commencing **October 1, 2023** through **September 30, 2024**.

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 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, 2023**. These rent adjustments will apply to rent stabilized apartments with leases commencing on or after **October 1, 2023** and through **September 30, 2024**. Rent guidelines for loft units subject to Section 286 subdivision 7 of the Multiple Dwelling Law are also included in this order.

ADJUSTMENT FOR LEASES (APARTMENTS)

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

For a **one**-year lease commencing on or after **October 1, 2023** and on or before **September 30, 2024**: **3%**

For a **two**-year lease commencing on or after **October 1, 2023** and on or before **September 30, 2024**:

For the first year of the lease, **2.75%**; and

For the second year of the lease, **3.20%** of the amount lawfully charged in the first year, excluding any increases other than the first-year guideline increase.

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

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, 2023** and on or before **September 30, 2024**: **3%**

For **two**-year increase periods commencing on or after **October 1, 2023** and on or before **September 30, 2024**:

For the first year, **2.75%**; and

For the second year, **3.20%** of the amount lawfully charged in the first year, excluding any increases other than the first-year guideline increase.

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, 2023** 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, 2023** 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, 2023** 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, 2023**, which become vacant after **September 30, 2023**, the special guideline shall be **27%** above the maximum base rent.

DECONTROLLED UNITS

The permissible increase for decontrolled units as referenced in Order 3a, which become decontrolled after **September 30, 2023**, shall be **27%** 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 21, 2023

Nestor Davidson, Chair
New York City Rent Guidelines Board

EXPLANATORY STATEMENT - APARTMENT ORDER #55

Explanatory Statement and Findings of the Rent Guidelines Board in Relation to 2023-24 Lease Increase Allowances for Apartments and Lofts under the Jurisdiction of the Rent Stabilization Law¹

Summary of Order No. 55

The Rent Guidelines Board (RGB) by Order No. 55 has set the following maximum rent increases for leases effective on or after October 1, 2023 and on or before September 30, 2024 for apartments under its jurisdiction:

For a one-year lease commencing on or after October 1, 2023 and on or before September 30, 2024: **3%**

For a two-year lease commencing on or after October 1, 2023 and on or before September 30, 2024:

For the first year of the lease, **2.75%**; and

For the second year of the lease, **3.20%** of the amount lawfully charged in the first year, excluding any increases other than the first-year guideline increase.

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, 2023 and on or before September 30, 2024.

For one-year increase periods commencing on or after October 1, 2023 and on or before September 30, 2024: **3%**

For two-year increase periods commencing on or after October 1, 2023 and on or before September 30, 2024:

For the first year, **2.75%**; and

For the second year, **3.20%** of the amount lawfully charged in the first year, excluding any increases other than the first-year guideline increase.

These guidelines apply to all leases and increase periods. Therefore, consistent with guidance from New York State Homes and Community Renewal (HCR), the guidelines apply to vacant apartment and loft units that become occupied during the term of the Order, as well as to renewal leases or periods. No more than one guideline adjustment may be added during the guideline year governed by Order No. 55.

The guidelines do not apply to hotel, rooming house, and single room occupancy units that are covered by separate Hotel Orders.

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, 2023 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 HCR. In order to aid HCR in this review, the Rent Guidelines Board has set a special guideline of 27% 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, 2023 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. 55

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; and
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. 55 was issued following **seven** in-person public meetings, **one** virtual public hearing, **three** in-person public hearings, the Board's review of written, oral, and video submissions provided by the public, and a review of research and memoranda prepared by the Board's staff. Approximately **265** written, oral, and video submissions were received by the Board 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 15, 2023** deadline. All of the above listed documents were available for public inspection.

Open meetings of the Board were held following public notice on March 30, April 13, April 20, April 27, and May 25, 2023. On **May 2, 2023**, the Board adopted proposed rent guidelines for apartments, lofts, and hotels.

Public hearings were held in-person on **June 5, June 12 and June 15, 2023**, and a public hearing was held virtually **June 13, 2023**². The public hearings were held 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 5 from 5:15 p.m. to 10:45 p.m., June 12 from 5:20 p.m. to 8:05 p.m., June 13 from 5:05 p.m. to 8:05 p.m. and June 15 from 5:20 p.m. to 10:02 p.m. Testimony from members of the public speaking at these hearings was added to the public record. The Board heard testimony from **approximately 238** apartment tenants and tenant representatives, **18** apartment owners and owner representatives, and **21** public officials. In addition, **two** speakers read into the record written testimony from a public official.

On **June 21, 2023** the guidelines set forth in Order No. 55 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 owner and tenant representatives, housing experts and by various articles and reports gathered from professional publications.

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

<u>Meeting Date / Name</u>	<u>Affiliation</u>
March 30, 2023:	<u>Staff presentations</u> <i>2023 Income and Expense Study</i>
April 13, 2023:	<u>Staff presentations</u> <i>2023 Income and Affordability Study</i>
1. Mike Edelman	<u>M&T Realty Capital Corporation</u> Group Vice President
April 20, 2023:	<u>Staff presentations</u> <i>2023 Price Index of Operating Costs</i> <i>2023 Mortgage Survey Report</i>
1. Lucy Joffe	<u>NYC Department of Housing Preservation and Development (HPD)</u> Assistant Commissioner
2. Robert Riggs	<u>Community Preservation Corporation (CDC)</u> Senior Vice President

² The City of New York was under a state of emergency to address the threat and impacts of COVID-19 declared in Emergency Executive Order No. 98, dated March 12, 2020, and most recently extended for an additional 30 days by Emergency Executive Order No. 411, dated May 20, 2023. Pursuant to the Open Meetings Law, public bodies are authorized to meet remotely during a state of emergency that affects the Board's ability to meet in person, provided that the public has the ability to view such proceeding and that such meetings are recorded. Pursuant to that authority, the Board's June 13 public hearing was held virtually.

April 27, 2023:

1. Leah Goodridge
2. Sam Stein
3. Delsenia Glover
5. Chen Ren Ping
6. Bleys La Pierre
7. Brian J. Sullivan

Tenant group testimony:

Mobilization for Justice (MFJ)
Community Service Society of New York (CSSNY)
Tenants & Neighbors & Lenox Terrace Concerned Tenants Association
CAAAY: Organizing Asian Communities
Goddard Riverside Law Project
MYF Legal Services

1. Michael Tobman
2. Kelly Farrell
3. Joseph Condon
4. Basha Gerhards
5. Ann Korchak

Owner group testimony:

Rent Stabilization Association (RSA)
Rent Stabilization Association (RSA)
Community Housing Improvement Program (CHIP)
Real Estate Board of New York (REBNY)
Small Property Owners of New York (SPONY)

May 25, 2023:

Staff presentations

2023 Housing Supply Report
Changes to the Rent Stabilized Housing Stock in New York City in 2022
2023 Hotel Report

1. Woody Pascal

NYS Homes and Community Renewal (HCR)

Deputy Commissioner

Selected Excerpts from Oral and Written Testimony from Tenants and Tenant Groups³

Comments from tenants and tenant groups included:

“According to the most recent staff report (which covers income and expense data through 2021), because total rent collections have grown, owners have benefitted from a 49.9% rise in the value of net operating income since 1990 - after adjusting for inflation. Most of that increase can be attributed to various forms of deregulation from 1993 to 2019 – matters which were outside the RGB’s jurisdiction (as are any recent income losses due to the HSTPA of 2019). Still, much of the increase in income can be directly traced to rent guidelines adopted over a decade ago which exceeded amounts needed to protect owner incomes from the effects of inflation. As detailed in my prior submission, the RGB could have protected owner operating incomes from inflation by raising rents 203% since 1990. Instead, cumulative increases (including vacancy allowances) reached 220%. Those excesses are still included in base rents today.”

“I am writing to express my opposition to the proposed rent increases on rent stabilized apartments. As a resident of New York City, I have seen firsthand the impact that rising rental costs have on families and individuals, particularly those in low-income communities. Many residents in rent stabilized apartments are already struggling to make ends meet. On top of rising costs of living and stagnant wages, a rent increase would cause undue financial burden and stress for these families. It would also likely increase the number of residents who are forced to move out of their homes, disrupting communities and promoting gentrification.

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

Furthermore, it is important for the Rent Guidelines Board to consider the current economic climate...I urge the Rent Guidelines Board to prioritize affordable housing and the needs of low- and moderate-income residents. Rather than imposing a rent increase, I encourage the Board to consider measures such as rent freezes or decreases that would provide much-needed relief to tenants.”

“Over half of rent-stabilized tenants pay more than 30% of their income in rent. This leads to nearly a quarter of rent-regulated tenants skipping medical care and meals, according to the Community Service Society’s 2022 Unheard Third Survey. The city’s Housing and Vacancy Survey shows that low-cost apartments are disappearing while more high-price units are being created. Between 2017 and 2021, the city lost 96,000 units with rents less than \$1,500. Median rent-stabilized household income was \$47,000, compared to \$62,960 for market-rate tenants. Community Service Society data show that 15% of all tenants (including 17% of low-income tenants and 23% of tenants with children under the age of 18) had been threatened with eviction in 2022. This was the highest level in the past 11 years. Following the end of the COVID eviction moratorium, non-payment eviction cases rose 167.8% to 88,510 cases in 2022. Homeless shelter population rose by 8%, the first rise after four years of decline.”

“Rent stabilized housing has been profitable for years; if it was so unprofitable, no prospective landlord in the market would choose to own it and those who own it would sell. Many rent stabilized tenants are already paying a large proportion (30% or more) of their income on rent: do you want to continue to drive the city (and Manhattan in particular) to become one where only the wealthy can afford to live? Last year's rent increase was already large, and another large increase would be devastating to many families who are struggling to make ends meet.”

“The Board’s own data indicates that owners are doing well. The Income and Expense Study shows that owner net operating incomes are 49.9 percent higher than they were in 1990. On average, landlords of rent-stabilized buildings retained a monthly average of \$576 per rent-stabilized unit as pre-tax profit or for use in financing the building and improvements, equivalent to an estimated annual mean of \$322,300 per building. By contrast, over a third of all rent stabilized households pay more than 50 percent of their income toward rent. Simply put, tenants need relief. This year, the Board should freeze rents.”

Selected Excerpts from Oral and Written Testimony from Owners and Owner Groups⁴

Comments from owners and owner groups included:

“Yet again, we look at the Rent Guidelines data which grows more ominous each year. And each year, the Board ignores the economic data and continues to erode housing provider income. There is some magical thinking going on that refuses to connect rising costs to deteriorating housing stocks. The Board hears a lot from tenants how inflation is impacting them, yet ignores the impact of inflation on housing providers and their ability to remain stable and viable. We hear about how chronic under investment in NYCHA housing has resulted in a maintenance crisis, yet ignore those same forces and their impact on small property owners. At some point, both of these will collapse. If you are listening to tenants who complain about the impact of rising costs, why won't you listen to small property owners who are subject to the same economic forces? We can survive one-time hits, but years of low/no increase well below PIOC data is pushing small property owners into a death spiral.”

“Since the passing of the Housing Stability Tenant Protection Act of 2019 and during the Covid-19 pandemic times and now, small property owners are individual small business owners that also need help to keep their buildings afloat and in good condition. Many insist that property owners should bear the

⁴ Sources: Submissions by owner groups and testimony by owners

significant brunt of the economic downside and the current inflation climate. Small property owners are hurting because the rent stabilized rents are too low and do not cover the cost of maintaining those regulated apartments. Low rents do not pay for the ever-increasing building expenses which means property owners must subsidize tenants. Despite the low rents, owners are still required to pay the bills to maintain their properties.”

“Owners of stabilized buildings and apartments are the private providers of a public benefit. They are the largest segment of New York City’s affordable housing. RGB increases are the only remaining viable mechanism for maintaining the economic life of this largest segment of New York City’s affordable housing. As indicated by the RGB’s own data, the preliminary increase ranges voted on by this body are insufficient to maintain the majority of New York City’s aging stabilized building stock. Having said that, RSA’s diverse membership respectfully insists that increases at the top of the decided upon ranges are absolutely necessary to preserve and maintain apartments and buildings that are nearing, and many past, one hundred years old.”

“I have been a small landlord in Little Italy in Manhattan for over 20 years. The rent laws passed in June 2019 decimated my business and income. My buildings are over 80% rent stabilized with many rents below \$500 a month. There is no upside in any of these units anymore and they cost more to run on a monthly basis than we take in, but somehow my real estate taxes go up 10% a year (the same for insurance). Income capped and expenses rising year after year is a bad recipe for building owners and tax receipts for the city.”

“On the expense side, property taxes continue to be the top expense for owners, while fuel and insurance rates are the top drivers for expense growth. Fuel costs have continued to increase into 2022 and have risen on average 40% since 2019. Fuel costs are higher on a per unit basis for buildings with 11-19 units, which have seen costs rise 59%. Insurance costs continue to increase into 2022, rising on average 53% since 2019. Buildings with 11-19 units had the highest increase in insurance costs with a 78% increase, followed by buildings with 20-99 units that had insurance costs increase 71%. The increases in insurance reflect the risk in operating and maintaining rental housing in New York City, inclusive of unpaid rental arrears, the cost of regulatory compliance, and financing and debt risk.”

Selected Excerpts from Oral and Written Testimony from Public Officials⁵

Comments from public officials included:

“In 2023, tenants are facing the largest proposed rent-hikes in almost a decade. More than a third of rent-stabilized tenants are already categorized as “severely rent-burdened” under federal guidelines, meaning they pay over 50% of their income on rent. While the median rent in Manhattan has surpassed \$4,100, the median income for rent-stabilized tenants has stagnated at \$47,000. As a result, Manhattan renters are some of the most vulnerable to soaring housing costs.”

“As members of the Rent Guidelines Board, you are contemplating rent increases of 4% for one-year renewals and 7% for two-year renewals. But I urge you to recognize that these increases are not manageable for working class tenants as we continue to recover from the pandemic's economic impact and the current inflation rates. I represent the District in the Bronx with the second highest eviction filing rate in the state since the COVID-19 eviction moratorium expired and the emergency rent assistance program closed. Increases as high as 7% will devastate families who are already struggling with rent as their largest expenditure and put many more at risk of eviction and homelessness. Landlords are charging

⁵ Sources: Submissions by public officials.

record high rents and continue to profit from their tenants while most of them pay more than a third of their income towards rent and oftentimes more than half... The decisions that you make will impact the affordability of homes for rent-regulated tenants and further impacting tenants and market rate units who are being pushed out due to rising prices. Bottom line is as members of this Board, you have the power to ensure that millions of New York families are able to stay in their homes and hit the brakes on a worsening housing crisis by voting against these proposed rent increases.”

“As the representatives of our boroughs, we write jointly to oppose the proposed rent hikes that you are considering. Access to safe, quality, and affordable housing is a fundamental right. The rent stabilization system is one of the cornerstones of affordable housing in our city. It has proven to be a lifeline to help working- and middle-class families remain in their homes and in their neighborhoods. Over the past year, our city has faced multiple challenges relating to housing and helping our fellow New Yorkers stay in their homes. With the end of the COVID-19 emergency, we have seen the resumption of evictions through housing court. Evictions devastate families, and most evictions in our city stem from high housing costs and an inability to pay rent. The rent increases the Board is reviewing would result in more evictions – many New Yorkers will simply be unable to afford to pay these higher rents.”

“As an elected official and former housing attorney representing low-income tenants, I strongly urge you to vote against any proposed rent increases for rent-stabilized tenants. Last year, this board imposed the highest increase in a decade on tenants that already could not afford the rents. Inflation continues to put a strain on New Yorkers economically, especially for lower income tenants. It would be unconscionable for the Rent Guidelines Board (RGB) to approve rent increases as high as 7% in such economically difficult times. In addition, the RGB relies on data from 2021, which should not be grounds to raise rents on today’s rent stabilized tenants. As I mentioned previously, inflation has persisted in the interceding two years, and more updated economic information is available. Even further, according to RGB’s own Affordability study from this year, most New Yorkers are rent-burdened.”

“Even if the rent increases ultimately approved are at the low end of the proposed ranges, I have serious concerns about what this decision would mean for the more than 1 million low-, moderate, and middle-income rent-stabilized tenants in New York City who already are facing unprecedented rent burdens. Over the past three decades, the Rent Guidelines Board (RGB) has approved rent increases that dramatically outpaced both building owners’ expenses and tenants’ incomes. I fear that a drastic increase will lead to further hardships, and evictions, for tens of thousands of households who are already having great difficulty paying their current rents.”

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. *2023 Income and Expense Study*, March 2023 (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. *2023 Mortgage Survey Report*, April 2023 (an evaluation of recent underwriting practices, financial availability and terms, and lending criteria);

3. *2023 Income and Affordability Study*, April 2023 (including employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
4. *2023 Price Index of Operating Costs*, April 2023 (measuring the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized hotels);
5. *2023 Housing Supply Report*, May 2023 (including information 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 2022*, May 2023 (quantifying 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, nyc.gov/rgb, and are also available at the RGB offices, One Centre St., Suite 2210, New York, NY 10007 upon request.

2023 Price Index of Operating Costs for Rent Stabilized Apartment Units in New York City

This year, the PIOC for all rent stabilized apartments increased by 8.1%. Increases occurred in all seven of the PIOC components. Taxes, which carries the highest weight in this year’s Index, increased 7.7%. The largest proportional increase was seen in Fuel (19.9%), followed by Insurance (12.9%), Maintenance (9.4%), and Utilities (8.8%). More moderate increases were seen in Administrative Costs (3.3%) and Labor Costs (2.9%). The growth in the Consumer Price Index (CPI), which measures inflation in a wide range of consumer goods and services was lower than the PIOC, rising 6.2% during this same time period.⁶ See the table on this page for changes in costs and prices for buildings that contain rent stabilized apartments from 2022-2023.

The “Core” PIOC, which excludes changes in fuel oil, natural gas and steam costs used for heating buildings, is useful for analyzing long-term inflationary trends. The Core PIOC rose by 7.2% this year and was lower than the overall PIOC due to the exclusion of costs in the Fuel component, which rose 19.9%. The PIOC for hotels increased 8.3%, while apartments heated by gas increased by 8.0%, and those heated by oil increased by 9.0%. In a methodological change, the PIOC now examines change in costs by building age based on those constructed prior to 1974, or on or after January 1, 1974, rather than pre-1947 and post-1946. The PIOC for Pre-1974 and Post-1973 buildings were nearly the same rising 8.2% and 8.1% respectively.

Table 1

2022-23 Percentage Changes in Components of the Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City⁷			
Component	Expenditure Weights	2022-23 Percentage Change	2022-23 Weighted Percentage Change
Taxes	29.57%	7.69%	2.27%
Labor Costs	12.78%	2.89%	0.37%

⁶ The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2022 to February 2023 (313.2) compared to the average for the year from March 2021 to February 2022 (294.7) rose by 6.2%. This is the latest available CPI data and is roughly analogous to the ‘PIOC year.’

⁷ Totals may not add due to weighting and rounding.

Fuel Oil	7.03%	19.86%	1.40%
Utilities	10.82%	8.80%	0.95%
Maintenance	18.40%	9.44%	1.74%
Administrative Costs	14.38%	3.29%	0.47%
Insurance Costs	7.02%	12.92%	0.91%
All Items	100%	-	8.11%

Source: 2023 Price Index of Operating Costs.

Local Law 63/Income & Expense Review

The sample size for the Income and Expense (I&E) Study is 14,904 properties containing 695,098 units. This is the 31st 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 2022 Real Property Income and Expense (RPIE) statements for the year 2021:

Table 2

2021 Average Monthly Operating and Maintenance Costs Per Unit			
	Pre '74	Post '73	All Stabilized
Total	\$1,059	\$1,228	\$1,091

Source: 2023 Income and Expense Study, from 2022 Real Property Income and Expense filings for 2021, NYC Department of Finance.

In 1992, the NYC Department of Finance (DOF) and RGB staff tested RPIE expense data for accuracy. Initial examinations found that most “miscellaneous” costs were administrative or maintenance costs, while 15% were not valid business expenses. Further audits on the revenues and expenses of 46 rent stabilized properties revealed that O&M costs stated in RPIE filings were generally inflated by about 8%.

The annual *I&E Study* has always reported both unaudited O&M expenses, and well as audited expenses (with O&M costs adjusted downwards as based on the results of the 1992 audit). However, since the original audit was conducted over thirty years ago and included a limited number of properties, staff will now begin using an alternate methodology to adjust O&M expenses. The RPIE data provided to the RGB by DOF includes records that have had income and expenses adjusted by DOF when they consider these figures to be outside of what is reasonable as part of their assessment valuations, including adjustments to expense ratios and vacancy rates. For the first time, staff also requested the subset of his data that includes only those properties where no adjustments have been deemed necessary. To calculate an adjustment in costs, staff calculated the difference between the weighted average operating costs among buildings that did not have any DOF assessment adjustments and compared it to the weighted average operating costs found in the main data set. While not a perfect replacement for an updated audit, RGB staff believes it is a more accurate adjustment because it uses current expense data. Average costs among the main data set were 4.94 percentage points larger than among the non-adjusted building data set. Therefore, this year’s new cost adjustment reduces expenses by 4.94%. Adjustment of the 2021 RPIE O&M cost (\$1,091) by the results of this year’s cost adjustment results in an average monthly O&M cost of \$1,037. As a result, the following relationship between operating costs and residential rental income was suggested by the Local Law 63 data:

Table 2(a)

2021 Operating Cost to Rent/Income Ratio with Adjusted Costs					
	Adjusted O&M Costs ⁸	Rent	O&M to Rent Ratio	Income	O&M to Income Ratio
All stabilized	\$1,037	\$1,495	0.694	\$1,667	0.622

Source: 2023 *Income and Expense Study*, from 2022 Real Property Income and Expense filings for 2021, NYC Department of Finance.

On April 25, 2023, the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2023 *Income and Expense Study*. The memo follows:

[START OF MEMO]

Board members asked RGB staff to prepare data that details the change in rent, income, costs, and NOI from 2020 to 2021 based on the proportion of stabilized units in a building as well as whether the building was constructed before 1974 or after 1973. Table 1 examines Pre-1974 buildings, and Table 2 examines Post-1973 buildings. Each table also breaks down data based on building location.

**Table 1
Average Change in Rent, Income, Costs and NOI by Proportion of a
Building's Stabilized Units, 2020-21
Pre-1974 Buildings**

	Avg. Rent Change	Avg. Income Change	Avg. Cost Change	Avg. NOI Change
Citywide*	-0.6%	0.2%	5.2%	-10.1%
50%+ Stabilized	0.2%	1.1%	5.6%	-8.1%
80%+ Stabilized	0.8%	1.6%	5.2%	-5.9%
100% Stabilized	1.7%	2.2%	5.3%	-4.4%
Manhattan*	-4.6%	-3.2%	4.9%	-20.7%
50%+ Stabilized	-3.3%	-1.7%	6.3%	-18.1%
80%+ Stabilized	-3.2%	-1.4%	5.4%	-15.2%
100% Stabilized	-0.8%	-0.2%	6.2%	-13.1%
Bronx*	2.9%	3.7%	6.1%	-1.7%
50%+ Stabilized	2.6%	3.5%	5.9%	-1.7%
80%+ Stabilized	2.6%	3.5%	5.9%	-1.7%
100% Stabilized	2.8%	3.4%	5.8%	-2.0%
Brooklyn*	0.8%	1.3%	4.6%	-5.0%
50%+ Stabilized	1.0%	1.5%	4.6%	-4.5%
80%+ Stabilized	1.1%	1.5%	4.3%	-3.9%
100% Stabilized	1.4%	1.6%	4.2%	-3.3%
Queens*	0.4%	1.0%	5.4%	-7.5%
50%+ Stabilized	0.3%	0.7%	5.4%	-8.5%
80%+ Stabilized	0.7%	1.3%	5.3%	-6.8%

⁸ Overall O&M expenses were adjusted as described above. The unadjusted **O&M to Rent** ratio would be 0.730. The unadjusted **O&M to Income** ratio would be 0.654.

100% Stabilized	1.4%	1.9%	5.3%	-4.8%
Staten Island*	3.0%	3.8%	2.6%	35.5%
50%+ Stabilized	0.8%	1.6%	4.4%	-4.0%
80%+ Stabilized	0.9%	1.8%	4.0%	-2.8%
Core Manhattan*	-5.6%	-4.5%	4.1%	-23.3%
50%+ Stabilized	-4.6%	-3.8%	6.3%	-23.7%
80%+ Stabilized	-5.1%	-4.9%	4.0%	-21.3%
100% Stabilized	-0.2%	-2.7%	4.7%	-16.7%
Upper Manhattan*	-3.0%	-1.1%	6.1%	-16.5%
50%+ Stabilized	-2.3%	-0.1%	6.3%	-13.7%
80%+ Stabilized	-2.5%	-0.1%	6.0%	-12.8%
100% Stabilized	-1.0%	0.7%	6.7%	-11.9%
City w/o Core Manhattan*	0.7%	1.5%	5.5%	-6.6%
50%+ Stabilized	0.8%	1.7%	5.5%	-6.1%
80%+ Stabilized	1.0%	1.9%	5.3%	-5.1%
100% Stabilized	1.8%	2.4%	5.3%	-3.9%

Source: NYC Department of Finance, RPIE Filings

*All buildings that contain at least one rent stabilized unit in row.

Note: There were too few 100% stabilized Pre-1974 buildings on Staten Island.

Table 2
Average Change in Rent, Income, Costs and NOI by Proportion of a
Building's Stabilized Units, 2020-21
Post-1973 Buildings

	Avg. Rent Change	Avg. Income Change	Avg. Cost Change	Avg. NOI Change
Citywide*	-2.6%	-1.3%	5.5%	-7.5%
50%+ Stabilized	-3.2%	-2.0%	7.4%	-9.3%
80%+ Stabilized	-3.0%	-1.6%	7.6%	-8.7%
100% Stabilized	-0.1%	1.1%	6.6%	-3.1%
Manhattan*	-5.9%	-4.1%	6.2%	-16.8%
50%+ Stabilized	-7.5%	-5.7%	10.0%	-20.0%
80%+ Stabilized	-7.7%	-5.7%	10.7%	-20.3%
100% Stabilized	-3.0%	-2.6%	6.8%	-13.8%
Bronx*	-0.1%	0.5%	3.8%	-2.4%
50%+ Stabilized	-0.2%	0.4%	3.7%	-2.5%
80%+ Stabilized	-0.1%	0.5%	3.8%	-2.4%
100% Stabilized	1.0%	1.6%	5.0%	-1.4%
Brooklyn*	1.2%	2.6%	7.8%	-0.4%
50%+ Stabilized	1.0%	2.6%	8.8%	-1.0%
80%+ Stabilized	0.9%	2.5%	8.8%	-1.1%
100% Stabilized	0.2%	2.3%	7.3%	-0.6%
Queens*	-2.7%	-2.0%	-0.5%	-3.3%
50%+ Stabilized	-3.6%	-3.1%	0.0%	-5.5%

80%+ Stabilized	-3.3%	-2.8%	0.8%	-5.5%
100% Stabilized	-0.6%	0.5%	8.4%	-5.3%
Core Manhattan*	-6.6%	-5.4%	4.6%	-18.5%
50%+ Stabilized	-7.4%	-6.6%	8.2%	-20.5%
80%+ Stabilized	-7.6%	-6.8%	8.0%	-20.7%
100% Stabilized	-2.5%	-3.0%	7.3%	-16.8%
Upper Manhattan*	-1.6%	2.6%	16.3%	-9.8%
50%+ Stabilized	-7.8%	-2.2%	18.7%	-18.1%
80%+ Stabilized	-8.1%	-2.4%	19.6%	-19.1%
100% Stabilized	-4.6%	-1.0%	4.6%	-5.8%
City w/o Core Manhattan*	-0.2%	1.3%	6.3%	-2.2%
50%+ Stabilized	-1.2%	0.4%	6.9%	-4.2%
80%+ Stabilized	-1.2%	0.5%	7.5%	-4.4%
100% Stabilized	0.2%	1.7%	6.4%	-1.6%

Source: NYC Department of Finance, RPIE Filings

*All buildings that contain at least one rent stabilized unit in row.

Note: There were too few Post-1973 buildings on Staten Island.

[END OF MEMO]

On June 1, 2023, the staff of the Rent Guidelines Board released a second memo to Board members with additional information concerning the 2023 Income and Expense Study. The memo follows:

[START OF MEMO]

Last year, RGB staff distributed a memo analyzing data from the NYC Department of Finance of buildings constructed before 1974. This year's I&E Study added comparisons between pre-1974 and post-1973 buildings, and this memo further compares additional select pre-1974 data. To simplify the comparison, buildings are grouped into these four categories:

- Buildings that contain at least one stabilized unit (all years and pre-1974 only)
- Buildings where 50% or more of residential units are stabilized (pre-1974 only)
- Buildings where 80% or more of residential units are stabilized (pre-1974 only)
- Buildings where 100% of residential units are stabilized (all years and pre-1974 only)

These groupings are also broken down by location as well.

A further discussion of income and expense statistics accompany each of the five tables that follow.

Location of Buildings by Stabilized Proportion

Table 1 illustrates the proportion of buildings of any age that are entirely rent stabilized (100% stabilized); pre-1974 50% or more stabilized; pre-1974 80% or more stabilized; and pre-1974 100% stabilized. Only Core Manhattan and Staten Island see a difference of more than one percentage point between proportions of 100% stabilized buildings of any age and those 100% stabilized buildings constructed before 1974.

Table 1

	100% Stabilized (All Years)	50% Stabilized (Pre-1974 Buildings Only)	80% Stabilized (Pre-1974 Buildings Only)	100% Stabilized (Pre-1974 Buildings Only)
Percentage of Buildings, by Stabilized Proportion				
Citywide	53%	65%	57%	49%
<i>Manhattan</i>	28%	46%	34%	27%
<i>Bronx</i>	76%	83%	81%	76%
<i>Brooklyn</i>	66%	77%	72%	65%
<i>Queens</i>	50%	77%	66%	49%
<i>Staten Island*</i>	52%	65%	61%	46%
<i>Core Manhattan</i>	16%	32%	18%	1%
<i>Upper Manhattan</i>	51%	76%	65%	50%
<i>City w/o Core Manhattan</i>	68%	78%	72%	67%

Source: NYC Department of Finance, RPIE Filings

Note that there are only 83 buildings of any year, and only 69 pre-1974 buildings, that contain at least one rent stabilized unit in Staten Island. Core Manhattan represents the area south of W 110th and E 96th Streets. Upper Manhattan is the remainder of the borough.

Average Rent, Income, and Costs: Citywide and by Borough

Table 2 examines average rent, income, costs, and NOI in 2021 per unit per month by location among buildings of any age and compares them to pre-1974 buildings. Looking at 100% stabilized buildings in Core Manhattan, NOI is \$537 in pre-74 buildings, compared to \$693 among buildings of all ages, a \$156 difference. By comparison, among 100% stabilized buildings in the rest of the City, NOI is \$378 in pre-74 buildings, compared to \$456 among buildings of all ages, a \$78 difference.

Table 2

	Rent	Income	Costs	NOI
Citywide All Years*	\$1,495	\$1,667	\$1,091	\$576
Pre-74*	\$1,343	\$1,495	\$1,059	\$436
50% Stabilized Pre-74	\$1,263	\$1,403	\$983	\$419
80% Stabilized Pre-74	\$1,214	\$1,339	\$931	\$408
100% Stabilized All Years	\$1,240	\$1,370	\$899	\$470
100% Stabilized Pre-74	\$1,168	\$1,290	\$900	\$390
Manhattan All Years*	\$1,913	\$2,245	\$1,560	\$685
Pre-74*	\$1,664	\$1,957	\$1,448	\$509
50% Stabilized Pre-74	\$1,423	\$1,687	\$1,227	\$460
80% Stabilized Pre-74	\$1,290	\$1,526	\$1,091	\$435
100% Stabilized All Years	\$1,377	\$1,636	\$1,133	\$503
100% Stabilized Pre-74	\$1,261	\$1,505	\$1,077	\$429
Bronx All Years*	\$1,495	\$1,667	\$1,091	\$413
Pre-74*	\$1,100	\$1,222	\$865	\$357
50% Stabilized Pre-74	\$1,100	\$1,234	\$867	\$367
80% Stabilized Pre-74	\$1,093	\$1,226	\$863	\$363
100% Stabilized All Years	\$1,097	\$1,232	837	\$395
100% Stabilized Pre-74	\$1,078	\$1,212	\$858	\$355
Brooklyn All Years*	\$1,495	\$1,667	\$1,091	\$663
Pre-74*	\$1,278	\$1,362	\$925	\$436
50% Stabilized Pre-74	\$1,266	\$1,351	\$914	\$437
80% Stabilized Pre-74	\$1,247	\$1,329	\$896	\$432
100% Stabilized All Years	\$1,380	\$1,473	\$899	\$575

100% Stabilized Pre-74	\$1,232	\$1,312	\$887	\$425
Queens All Years*	\$1,439	\$1,537	\$996	\$541
Pre-74*	\$1,360	\$1,453	\$1,001	\$452
50% Stabilized Pre-74	\$1,357	\$1,444	\$1,006	\$437
80% Stabilized Pre-74	\$1,332	\$1,416	\$984	\$432
100% Stabilized All Years	\$1,380	\$1,473	\$899	\$575
100% Stabilized Pre-74	\$1,262	\$1,334	\$931	\$403
Staten Island All Years*	\$1,041	\$1,173	\$774	\$399
Pre-74*	\$1,180	\$1,341	\$896	\$445
50% Stabilized Pre-74	\$1,130	\$1,297	\$895	\$402
80% Stabilized Pre-74	\$1,110	\$1,279	\$883	\$396
100% Stabilized All Years	\$931	\$946	\$654	\$293
100% Stabilized Pre-74	\$1,067	\$1,083	\$760	\$323
Core Manhattan All Years*	\$2,356	\$2,746	\$1,918	\$828
Pre-74*	\$2,048	\$2,428	\$1,818	\$610
50% Stabilized Pre-74	\$1,750	\$2,089	\$1,529	\$560
80% Stabilized Pre-74	\$1,582	\$1,868	\$1,325	\$544
100% Stabilized All Years	\$1,789	\$2,119	\$1,427	\$693
100% Stabilized Pre-74	\$1,525	\$1,820	\$1,283	\$537
Upper Manhattan All Years*	\$1,358	\$1,617	\$1,112	\$505
Pre-74*	\$1,297	\$1,507	\$1,096	\$412
50% Stabilized Pre-74	\$1,257	\$1,482	\$1,073	\$409
80% Stabilized Pre-74	\$1,213	\$1,436	\$1,030	\$407
100% Stabilized All Years	\$1,227	\$1,461	\$1,027	\$434
100% Stabilized Pre-74	\$1,195	\$1,427	\$1,025	\$402
City w/o Core Man All Years*	\$1,337	\$1,463	\$940	\$523
Pre-74*	\$1,238	\$1,349	\$948	\$401
50% Stabilized Pre-74	\$1,228	\$1,343	\$941	\$402
80% Stabilized Pre-74	\$1,200	\$1,317	\$918	\$398
100% Stabilized All Years	\$1,224	\$1,338	\$882	\$456
100% Stabilized Pre-74	\$1,161	\$1,269	\$891	\$378

Source: NYC Department of Finance, RPIE Filings

*All buildings that contain at least one rent stabilized unit in row.

Note: There are only 83 buildings of any year, and only 69 pre-1974 buildings, that contain at least one rent stabilized unit in Staten Island.

Cost-to-Income Ratios: Core Manhattan vs. City w/o Core

Table 3 breaks down the adjusted and unadjusted cost-to-income ratios in 2021 by Citywide, Core Manhattan, and the City excluding Core Manhattan among buildings containing stabilized units of all ages and compares them to pre-1974 buildings.

Examining all pre-74 buildings containing at least one stabilized unit vs. 100% stabilized pre-74 buildings, there is a greater difference in Core Manhattan compared to the rest of the City. For example, in Core Manhattan, the adjusted cost-to-income ratio is 71.2% among all pre-74 buildings and 67.0% among 100% stabilized pre-74 buildings, a 4.2 percentage point difference. Meanwhile, in the rest of the City, the adjusted cost-to-income ratio is 66.8% among all pre-1974 buildings and 66.7% among 100% stabilized pre-74 buildings, a minimal 0.1 percentage point difference.

Table 3

	All Buildings Containing Stabilized Units	All Buildings Containing Stabilized Units	50% Stabilized (Pre-1974 Buildings Only)	80% Stabilized (Pre-1974 Buildings Only)	100% Stabilized	100% Stabilized (Pre-1974 Buildings Only)
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		(Pre-1974 Buildings Only)				
Adjusted Cost-to-Income Ratios						
Citywide	62.2%	67.4%	66.6%	66.1%	62.4%	66.3%
Core Manhattan	66.4%	71.2%	69.6%	67.4%	64.0%	67.0%
City w/o Core Manhattan	61.1%	66.8%	66.6%	66.3%	62.7%	66.7%
Unadjusted Cost-to-Income Ratios						
Citywide	65.4%	70.9%	70.1%	69.5%	65.7%	69.8%
Core Manhattan	69.8%	74.9%	73.2%	70.9%	67.3%	70.5%
City w/o Core Manhattan	64.3%	70.3%	70.1%	69.8%	65.9%	70.2%

Source: NYC Department of Finance, RPIE Filings

Average Growth in Rent, Income, Costs, and NOI: Citywide and by Borough

Table 4 breaks down average longitudinal rent, income, costs, and NOI changes from 2020 to 2021 per unit per month, by location among buildings of any age and compares them to pre-1974 buildings. Among all pre-74 vs 100% stabilized pre-74 buildings, there was a greater difference in the change in NOI among Core Manhattan buildings, compared to the rest of the City. In all pre-74 Core Manhattan buildings, NOI fell 23.3%, while among 100% pre-74 stabilized buildings, it fell 16.7%, a 6.6 percentage point difference. Meanwhile, in the City excluding Core Manhattan, NOI fell 6.6% among all pre-74 buildings and 3.9% among 100% pre-74 stabilized buildings, a 2.7 percentage point difference.

Table 4

	Avg. Rent Change	Avg. Income	Avg. Cost Change	Avg. NOI Change
Citywide All Years*	-1.2%	-0.2%	5.2%	-9.1%
Pre-74*	-0.6%	0.2%	5.2%	-10.1%
50% Stabilized Pre-74	0.2%	1.1%	5.6%	-8.1%
80% Stabilized Pre-74	0.8%	1.6%	5.2%	-5.9%
100% Stabilized Pre-74	1.7%	2.2%	5.3%	-4.4%
100% Stabilized All Years	1.4%	2.0%	5.5%	-4.0%
Manhattan All Years*	-5.0%	-3.5%	5.3%	-19.1%
Pre-74*	-4.6%	-3.2%	4.9%	-20.7%
50% Stabilized Pre-74	-3.3%	-1.7%	6.3%	-18.1%
80% Stabilized Pre-74	-3.2%	-1.4%	5.4%	-15.2%
100% Stabilized Pre-74	-0.8%	-0.2%	6.2%	-13.1%
100% Stabilized All Years	-1.3%	-0.6%	6.3%	-13.3%
Bronx All Years*	2.4%	3.1%	5.8%	-1.9%
Pre-74*	2.9%	3.7%	6.1%	-1.7%
50% Stabilized Pre-74	2.6%	3.5%	5.9%	-1.7%
80% Stabilized Pre-74	2.6%	3.5%	5.9%	-1.7%
100% Stabilized Pre-74	2.8%	3.4%	5.8%	-2.0%
100% Stabilized All Years	2.6%	3.2%	5.8%	-1.9%
Brooklyn All Years*	1.0%	1.7%	5.3%	-2.8%
Pre-74*	0.8%	1.3%	4.6%	-5.0%
50% Stabilized Pre-74	1.0%	1.5%	4.6%	-4.5%
80% Stabilized Pre-74	1.1%	1.5%	4.3%	-3.9%
100% Stabilized Pre-74	1.4%	1.6%	4.2%	-3.3%
100% Stabilized All Years	1.2%	1.8%	4.7%	-2.4%

Queens All Years*	-0.2%	0.4%	4.5%	-6.3%
Pre-74*	0.4%	1.0%	5.4%	-7.5%
50% Stabilized Pre-74	0.3%	0.7%	5.4%	-8.5%
80% Stabilized Pre-74	0.7%	1.3%	5.3%	-6.8%
100% Stabilized Pre-74	1.4%	1.9%	5.3%	-4.8%
100% Stabilized All Years	1.1%	1.7%	5.6%	-5.0%
Staten Island All Years*	3.1%	3.7%	1.6%	8.1%
Pre-74*	3.0%	3.8%	2.6%	35.5%
50% Stabilized Pre-74	0.8%	1.6%	4.4%	-4.0%
80% Stabilized Pre-74	0.9%	1.8%	4.0%	-2.8%
100% Stabilized Pre-74	Too few buildings			
100% Stabilized All Years	3.3%	3.3%	2.6%	4.8%
Core Manhattan All Years*	-6.0%	-4.9%	4.3%	-21.0%
Pre-74*	-5.6%	-4.5%	4.1%	-23.3%
50% Stabilized Pre-74	-4.6%	-3.8%	6.3%	-23.7%
80% Stabilized Pre-74	-5.1%	-4.9%	4.0%	-21.3%
100% Stabilized Pre-74	-0.2%	-2.7%	4.7%	-16.7%
100% Stabilized All Years	-1.2%	-2.9%	5.7%	-16.7%
Upper Manhattan All Years*	-2.8%	-0.4%	7.4%	-14.8%
Pre-74*	-3.0%	-1.1%	6.1%	-16.5%
50% Stabilized Pre-74	-2.3%	-0.1%	6.3%	-13.7%
80% Stabilized Pre-74	-2.5%	-0.1%	6.0%	-12.8%
100% Stabilized Pre-74	-1.0%	0.7%	6.7%	-11.9%
100% Stabilized All Years	-1.3%	0.6%	6.6%	-11.2%
City w/o Core Man All Years*	0.5%	1.5%	5.6%	-5.1%
Pre-74*	0.7%	1.5%	5.5%	-6.6%
50% Stabilized Pre-74	0.8%	1.7%	5.5%	-6.1%
80% Stabilized Pre-74	1.0%	1.9%	5.3%	-5.1%
100% Stabilized Pre-74	1.8%	2.4%	5.3%	-3.9%
100% Stabilized All Years	1.5%	2.3%	5.4%	-3.3%

Source: NYC Department of Finance, RPIE Filings

*All buildings that contain at least one rent stabilized unit in row.

Note: Note that in the longitudinal analysis, there are only 77 buildings of any year, and only 30 pre-1974 buildings, that contain at least one rent stabilized unit in Staten Island.

Rate of Distressed Properties: Core Manhattan vs. City w/o Core

Buildings that have operating and maintenance costs that exceed gross income are considered distressed. Table 5 breaks down the proportion of distressed properties in 2021 among buildings of any age containing stabilized units and compares them to pre-1974 buildings in three areas: Citywide; in Core Manhattan; and in the City excluding Core Manhattan. Distressed rates are a great deal higher among Core Manhattan buildings than elsewhere in the City. Looking at pre-74 buildings in Core Manhattan, the proportion of distressed properties is 3.0 percentage points higher among 100% stabilized buildings (16.6%) compared to all pre-74 buildings (13.6%). By contrast, in the rest of the City, the proportion of distressed properties is 1.2 percentage points lower among 100% pre-74 stabilized buildings (6.2%) than among all pre-74 buildings (7.4%).

Table 5

	All Buildings Containing Stabilized Units	All Buildings Containing Stabilized Units (Pre-1974 Buildings Only)	50% Stabilized (Pre-1974 Buildings Only)	80% Stabilized (Pre-1974 Buildings Only)	100% Stabilized	100% Stabilized (Pre-1974 Buildings Only)
Distressed Proportion (Proportion of Buildings)						
Citywide	8.8%	9.1%	7.7%	7.3%	6.9%	7.1%

<i>Core Manhattan</i>	13.4%	13.6%	16.5%	17.8%	15.9%	16.6%
<i>City w/o Core Manhattan</i>	7.1%	7.4%	6.4%	6.3%	6.1%	6.2%
Distressed Proportion (Actual Building Counts)						
Citywide	1,313	1,273	704	584	520	489
<i>Core Manhattan</i>	534	520	199	125	104	97
<i>City w/o Core Manhattan</i>	779	753	505	459	416	392

Source: NYC Department of Finance, RPIE Filings

[END OF MEMO]

Forecasts of Operating and Maintenance Price Increases for 2023-24

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 2023-24 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 2022-23 and Projected 2023-24		
	Price Index 2022-23	Projected Price Index 2023-24
Taxes	7.7%	2.9%
Labor Costs	2.9%	3.9%
Fuel Oil	19.9%	-8.1%
Utilities	8.8%	1.1%
Maintenance	9.4%	7.2%
Administrative Costs	3.3%	3.0%
Insurance Costs	12.9%	14.2%
Total (Weighted)	8.1%	3.7%

Source: 2023 Price Index of Operating Costs.

Overall, the PIOC is expected to grow by 3.7% from 2023 to 2024. Costs are predicted to rise in each component except Fuel, with the largest growth (14.2%) projected to be in Insurance Costs. Other projected increases include Maintenance (7.2%), Labor Costs (3.9%), Administrative Costs (3.0%), and Utilities (1.1%). Taxes, the component that carries the most weight in the Index, is projected to increase 2.9%, while Fuel is projected to decrease 8.1%. The table on this page shows projected changes in PIOC components for 2024. The Core PIOC is projected to rise 4.6%, 0.9 percentage points higher than the overall projected PIOC for rent stabilized apartments.

Commensurate Rent Adjustment

Commensurate rent adjustments are a series of formulas which combine various data concerning operating costs, revenues, and inflation into a single measure that determines how much rents would have to change for the net operating income (NOI, or the amount of income remaining after operating and maintenance expenses are paid) of rent stabilized apartments to remain constant.⁹ The commensurate formulas provide a set of illustrative one- and two-year renewal rent adjustments that would hypothetically compensate owners for the change in prices measured by the PIOC (in addition to other relevant metrics), while keeping NOI constant.

⁹ The commensurate rent adjustments were first introduced before deregulation was widespread. At their inception, with little to no deregulation, these formulas largely reflected the rent stabilized stock at large, despite being designed to keep NOI constant in only those units subject to rent stabilization. Note that with deregulation permitted under state law from 1993 through 2019, thousands of buildings now contain both rent stabilized and deregulated units. Because the commensurates were not designed to keep NOI constant in deregulated units (where annual adjustments in rents are subject to changes in the real estate rental market), these formulas will not necessarily keep NOI constant for buildings that contain both rent stabilized and deregulated units.

Note that the commensurate adjustments described below do not constitute staff or Board recommendations for guideline adjustments. The various data points presented in this, and other, Rent Guidelines Board annual research reports (e.g., the Income and Affordability Study and the Income and Expense Study), supplementary data sources, in addition to public testimony, can all be considered to determine appropriate rent adjustments.

The first commensurate method is called the “Net Revenue” approach, designed to consider the change in the PIOC, and revenue received by owners based on an estimate of tenants who sign either one- or two-year lease renewals. The “Net Revenue” formula is presented in two ways: first, by adjusting for the mix of lease terms; and second, by adding an assumption for rent stabilized apartment turnover and the subsequent impact on revenue from vacancy leases.¹⁰ Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 8.1% increase in the PIOC is 6.0% for a one-year lease and 11.5% for a two-year lease. Using this formula, and adding assumptions for the impact of vacancy leases on revenues when apartments experience turnover, results in guidelines of 5.75% for one-year leases and 11.0% for two-year leases.

The second commensurate method, the “CPI-Adjusted NOI” formula, considers the change in the PIOC, the mix of lease terms, and the effect of inflation on NOI. A guideline that would preserve NOI in the face of the 6.2% increase in the Consumer Price Index and the 8.1% increase in the PIOC is 8.5% for a one-year lease and 16.0% for a two-year lease. Using this formula, and adding assumptions for the impact of vacancy leases on revenues when apartments experience turnover, results in guidelines of 8.25% for one-year leases and 15.75% for two-year leases.¹¹

The third commensurate method, the “traditional” commensurate adjustment, is the formula that has been in use since the inception of the Rent Guidelines Board and is the only method that relies on both the current PIOC change as well as the PIOC projection for the following year. Note that this commensurate does not account for the mix of lease terms or the effect of inflation on NOI. The “traditional” commensurate yields 5.3% for a one-year lease and 6.6% for a two-year lease. This reflects the increase in operating costs of 8.1% found in the 2023 PIOC and the projection of a 3.7% increase next year.¹²

All of these commensurate methods have limitations. The “Net Revenue” formula does not attempt to adjust NOI by the effect of inflation. The “CPI-Adjusted NOI” formula does not consider that while inflation may change, the debt service portion of NOI may stay constant. For both of these commensurate methods, including a consideration of the amount of income owners receive on vacancy (when there is such income) assumes that turnover rates are constant across the City.

¹⁰ From 1997 through 2019, vacancy allowance increases of up to 20% were permitted under state law. In 2019, with the passage of the Housing Stability and Tenant Protection Act, vacancy allowance increases were no longer permitted, but increases on vacancy leases equal to renewal lease guidelines were permitted. In addition, any vacant unit where the previous tenant was charged a preferential rent can charge up to the higher legal rent to the incoming tenant. Therefore, while vacancy allowance increases are no longer permitted under state law, increases upon vacancy are possible.

¹¹ The following assumptions were used in the computation of the “Net Revenue” and “CPI Adjusted NOI” commensurates: (1) the required change in owner revenue is 65.4% of the 2023 PIOC increase of 8.1%, or 5.3%. The 65.4% figure is the most recent ratio of average operating costs to average income in buildings that contain rent stabilized units; (2) for only the “CPI-Adjusted NOI” commensurate, the increase in revenue due to the impact of inflation on NOI is 34.6% times the latest 12-month increase in the CPI ending February 2023 (6.2%), or 2.2%; (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 2021 NYC Housing and Vacancy Survey data; (5) for the commensurate formulas, including the impact on revenue from vacancy leases, a 1.55% increase in vacancy leases was applied to the estimated 9.26% of rent stabilized units that turn over each year (as based on 2021 NYC Housing and Vacancy Survey data). This increase was derived from rent data from the 2021 and 2022 Homes and Community Renewal (HCR) owner registration files for leases in 2022 where the owner noted the change in rent was due to vacancy; and (6) the collectability of these commensurate adjustments are assumed.

¹² The “traditional” formula adjusts only owner expenses, not NOI. Expenses are adjusted based on the current PIOC change for the one-year lease commensurate, and by both the current PIOC and the PIOC projection for the two-year lease commensurate.

As a means of compensating for cost changes, the “traditional” commensurate rent adjustment has two major flaws. First, although the formula is designed to keep owners’ current dollar NOI constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about two-thirds of leases are renewed in any given year, with a majority of leases being renewed 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 (as well as the “Net Revenue” 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 NOI to decline over time. However, such degradation is not an inevitable consequence of using the “traditional” commensurate formula.¹³

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 (8.1%). The traditional method differs from the other formulas in that it uses both the PIOC’s actual change in costs as well as the projected change in costs (3.7%).

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 *2023 Mortgage Survey Report* of lending institutions. Table 4 gives the reported rate and points for the past nine years as reported by the mortgage survey.

Table 4

2023 Mortgage Survey ¹⁴									
Average Interest Rates and Points for									
New Financing of Permanent Mortgage Loans 2015-2023									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Avg. Rates	4.3%	4.0%	4.3%	4.8%	4.7%	4.0%	3.8%	3.9%	6.0%
Avg. Points	0.70	0.42	0.44	0.44	0.38	0.22	0.38	0.32	0.29

On April 25, 2023, the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the *2023 Mortgage Survey Report*. The memo follows:

¹³ 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.

¹⁴ 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.

[START OF MEMO]

Board members asked RGB staff follow-up questions regarding the sales of buildings containing rent stabilized units.

Table 1 is an examination of sales of buildings containing rent stabilized units in 2022, broken down by whether they were sold in the first or second half of the year. The following table shows building sales, median sales price per building, and the average sales price per residential unit in each building, broken down by location:

**Table 1
Number of Buildings Containing Rent Stabilized Units, Median Sales Price per Building, and Average Nominal Sales Price per Residential Unit Sold, in each Half of 2022**

	Citywide	Manhattan	Bronx	Brooklyn	Queens
January-June 2022					
Buildings Sold	486	159	76	170	81
Median Sales Price	\$4,000,000	\$8,000,000	\$3,361,700	\$3,007,500	\$1,850,000
Avg Price per Unit	\$434,039	\$619,302	\$188,859	\$375,636	\$346,550
July-December 2022					
Buildings Sold	403	121	58	146	78
Median Sales Price	\$3,850,000	\$6,000,000	\$6,402,500	\$3,200,000	\$1,930,000
Avg Price per Unit	\$440,169	\$664,305	\$370,221	\$313,900	\$313,583

Source: NYC Department of Finance

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

Table 2 is a breakdown of the change in building sales prices from the prior year by borough, based on the average Sales Price per Residential Unit, Adjusted for Inflation, 2003-2022 (In 2022 dollars):

**Table 2
Average Change in Sales Price per Residential Unit, Adjusted for Inflation, 2004-2022 (In 2022 dollars)**

	Citywide	Manhattan	Brooklyn	Bronx	Queens
2004	35.7%	86.2%	-9.7%	32.1%	21.4%
2005	53.0%	39.6%	31.8%	7.9%	3.5%
2006	15.5%	13.8%	20.7%	-11.6%	0.4%
2007	-21.6%	-10.0%	-0.8%	10.5%	-3.2%
2008	-16.9%	-32.5%	-5.2%	7.4%	50.1%
2009	-29.0%	-21.3%	-25.7%	-39.4%	-39.2%
2010	22.4%	15.6%	37.7%	17.8%	23.2%

2011	30.0%	34.9%	-7.3%	14.2%	-0.3%
2012	-3.6%	-8.3%	12.1%	-4.2%	-2.3%
2013	20.4%	22.8%	26.2%	18.1%	28.1%
2014	36.1%	23.0%	34.7%	16.2%	38.8%
2015	15.0%	9.4%	26.0%	26.8%	9.1%
2016	-13.6%	-24.4%	16.3%	13.3%	7.7%
2017	3.9%	27.9%	-12.0%	13.3%	-15.7%
2018	12.2%	12.7%	6.2%	-6.0%	38.7%
2019	5.5%	-1.4%	5.1%	16.2%	-0.4%
2020	-13.3%	-7.9%	-14.5%	-19.7%	-31.9%
2021	7.4%	-2.1%	48.7%	14.5%	15.1%
2022	5.6%	13.8%	-28.3%	10.5%	16.0%

Source: NYC Department of Finance, RPIE Filings

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

[END OF MEMO]

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 ¹⁵ Accepted for Filing, 2014-2022									
	2014	2015	2016	2017	2018	2019	2020	2021	2022
New Construction	204	212	206	224	233	227	186	183	130
Conversion Non-Eviction	20	28	27	18	11	11	12	4	3
Conversion Eviction	0	0	0	0	0	0	0	0	0
Rehabilitation	36	43	45	33	42	43	37	33	42
Total	260	283	278	275	286	281	235	220	205
Subtotal:									
HPD Sponsored Plans	0	1	0	0	1	0	0	0	0

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

¹⁵ 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.

On June 9, 2023, the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2023 Housing Supply Report. The memo follows:

[START OF MEMO]

At the May 25, 2023 Housing Supply Report (HSR) presentation, two questions were asked for which an immediate answer could not be provided. Answers follow.

Question 1: Are the number of housing permits reported in the HSR solely permits for newly constructed housing?

The number of housing permits reported in the HSR are based on the Census Bureau’s Building Permits Survey. Per the survey, municipalities are asked to provide only those building permits for “new privately-owned residential construction”

Question 2: Can you provide the number of housing units not available for rent or sale from the Housing and Vacancy Survey (HVS) over time?

Per “Selected Initial Findings” published by the NYC Department of Housing Preservation and Development (HPD):

- 2021 HVS: 353,400 units (out of 3,644,000 total units, 9.7%)
- 2017 HVS: 247,977 units (out of 3,469,240 total units, 7.1%)
- 2014 HVS: 182,571 units (out of 3,400,093 total units, 5.4%)
- 2011 HVS: 164,467 units (out of 3,352,041 total units, 4.9%)
- 2008 HVS: 138,126 units (out of 3,328,395 total units, 4.1%)
- 2005 HVS: 136,712 units (out of 3,260,856 total units, 4.2%)

In the 2021 New York City Housing and Vacancy Survey Selected Initial Findings, published by HPD in May 2022, they note: “A total of 96,830 units (27 percent) were not available for rent for two or more reasons. Of the 244,400 that were unavailable for only one reason, the most prevalent reason was that the unit was held for seasonal, recreational, or occasional use¹⁶ (102,900 units or 29 percent of all units not available for rent or sale), up from 74,950 in 2017. There were 28,780 units undergoing or awaiting renovation where no other reason also applied. This number would represent significantly fewer than in 2017; however, a substantial number of units with two or more reasons were awaiting or undergoing renovation. There were 27,320 units that gave a reason that could not be categorized as one of the enumerated reasons and was recorded by the NYCHVS Field Representative as “other,” a similar number to that in 2017.... **In 2021, 42,860 of the 353,400 units that were vacant but not available were rent stabilized**, 4,259 were public housing, and 4,487 were rentals that were regulated in some other way. Overall, 135,700 (38 percent) of the vacant units that were not available for rent or sale were in

¹⁶ HPD defines “Occasional, Seasonal, or Recreational Use” as covering units that are maintained by one or more individuals who also have a “usual residence elsewhere” (i.e., a pied-a-terre, units held for investment purposes, and those used as short-term rentals where the entire unit is occupied on a temporary basis). HPD has noted that the current HVS reflects the fact that during 2020 and 2021, many residents in New York City relocated during the pandemic. In cases where it could be confirmed that the occupants of the units were away temporarily due to the pandemic, the unit was classified as “occupied.” In cases where HPD could not confirm whether the occupant was away only temporarily due to the pandemic, HPD treated the unit as held for seasonal, occasional, or recreational use.

condominium or cooperative buildings; half of these (77,750 units) were maintained as second homes (i.e., for seasonal, recreational, or occasional use).”

Figure 11 of the report provides more detailed information about those units not available for rent or sale in 2021:

Vacant Not Available by Reason	Number of Units	Proportion of Units
Reason not reported	12,190	3.4%
Two or more reasons reported	96,830	27.4%
One reason only	244,400	69.2%
Held for occasional use	102,900	42.1%
Awaiting or undergoing renovation	28,780	11.8%
Held for other reasons	27,320	11.2%
Held as vacant	26,050	10.7%
Rented not yet occupied	16,990	7.0%
Dilapidated or otherwise uninhabitable	11,520	4.7%
Sold not yet occupied	7,271**	3.0%
Owner's personal problems	6,991**	2.9%
In legal dispute	5,673**	2.3%
Held for planned demolition	0	
Converted to non-residential use	*	
Being converted to coop/condo	*	
Held pending sale of building	*	
Total Units Not Available for Rent or Sale	353,420	100.0%

*Estimate is suppressed following US Census Bureau disclosure avoidance practices.

**Estimate is subject to a large amount of sampling variation and is therefore either not reported or should be interpreted with caution.

[END OF MEMO]

Consumer Price Index

The Board reviewed the Consumer Price Index. Table 6 shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2016.

Table 6

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2016-2023 (For "All Urban Consumers")								
	2016	2017	2018	2019	2020	2021	2022	2023

1st Quarter Avg. ¹⁷	0.7%	2.5%	1.6%	1.5%	2.3%	1.5%	5.5%	5.5%
Yearly Avg.	1.1%	2.0%	1.9%	1.7%	1.7%	3.3%	6.1%	--

Source: U.S. Bureau of Labor Statistics.

Calculation of the Current Operating and Maintenance Expense to Income 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 income ratio.

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

In order to calculate the change in income for the latest three years, staff uses the RGB Rent Index. The RGB Index calculates the change in rent based on the guidelines passed by the Board, as well as the change in rent upon vacancy. The RGB Index is calculated using the adjustments authorized in applicable Apartment and Loft Orders and the change in rents upon vacancy (most recently, 1.55%). Then, in order to represent the same 12-month time period as the change in costs, measured change in income is adjusted to match the same period as measured change in costs. Therefore, the change in rent incorporates seven months of the previous Rent Index (7/12 or 58.3%), plus five months of the most recent Rent Index, (5/12 or 41.7%).

However, this index is not without limitations. First, as noted, for the latest two years of the index, it 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 any change in rent regulation on that relationship.

¹⁷ First 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 have been revised from prior years.

Table 7

Revised Calculation of Operating and Maintenance Cost Ratio for Rent Stabilized Buildings from 1989 to 2024			
Year ¹⁸	Average Monthly O & M Per d.u. ¹⁹	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	\$960 (\$882)	\$1,487	.64 (.59)
2016	\$985 (\$905)	\$1,552	.63 (.58)
2017	\$984 (\$904)	\$1,524	.65 (.59)
2018	\$1,034 (\$950)	\$1,568	.66 (.61)
2019	\$1,070 (\$983)	\$1,626	.66 (.61)
2020	\$1,035 (\$951)	\$1,580	.66 (.60)
2021	\$1,091 (\$1,037)	\$1,667	.65 (.62)
2022 ²⁰	\$1,137 (\$1,081)	\$1,684	.68 (.64)
2023 ²¹	\$1,229 (\$1,168)	\$1,720	.71 (.68)
2024 ²²	\$1,274 (\$1,211)	\$1,761	.72 (.69)

¹⁸ 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.

¹⁹ Operating and expense data listed through 2020 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. Beginning with 2021 data, expense adjustments were calculated by taking the difference between the weighted average operating costs among buildings that did not have any DOF assessment adjustments and compared it to the weighted average operating costs found in the Finance data set. Average costs among the main data set were 4.94 percentage points larger than among the non-adjusted building data set. Therefore, the cost adjustment for years 2021-2024 reduces expenses by 4.94% See the Local Law 63/Income & Expense Review section above for additional information. Figures in parentheses are adjusted to reflect these findings.

²⁰ Estimated expense figure includes 2022 expense updated by the PIOC for the period from 3/1/21 through 2/28/22 (4.2%). Income includes the income for 2022 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/21 through 2/28/22 (1.01% --- i.e., the 10/1/20 to 9/30/21 rent projection (0.40%) times (.583), plus the 10/1/21 to 9/30/22 rent projection (1.86%) times (.417)).

²¹ Estimated expense figure includes 2023 expense updated by the PIOC for the period from 3/1/22 through 2/29/23 (8.1%). Income includes the income for 2023 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/22 through 2/28/23 (2.15% --- i.e., the 10/1/21 to 9/30/22 rent projection (1.86%) times (.583), plus the 10/1/22 to 9/30/23 rent projection (2.57%) times (.417)).

²² Estimated expense figure includes 2023 expense estimate updated by the 2023 PIOC projection for the period from 3/1/23 through 2/28/24 (3.7%). Income includes the income estimate for 2024 updated by staff estimate based upon renewal guidelines and choice of lease terms for a period from 3/1/22 through 2/28/23 (2.36% - i.e., the 10/1/22 to 9/30/23 rent projection (2.57%) times (.583), plus the 10/1/23 to 9/30/24 rent projection (2.08%) times (.417)).

Changes in Housing Affordability

Per the 2023 Income and Affordability Study, NYC's economy in 2022 showed many strengths as compared with the preceding year. Positive indicators include rising employment levels, which increased by 7.0%. Gross City Product (GCP) is also forecasted to increase, rising in inflation-adjusted terms by 3.3% in 2022. The unemployment rate fell, decreasing by 4.3 percentage points, to 5.7%. Both average wages and total wages increased in nominal terms in the most recent 12-month period, rising by 3.6% and 10.9%, respectively. Personal bankruptcy filings also fell in 2022, dropping 11.9%, to their lowest level since at least 2000. Medicaid enrollees also fell, declining by 4.9% in 2022.

However, negative indicators include an increase in caseloads for cash assistance of 14.2% and the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) of 1.3%. Following eviction moratoriums in place for most of 2020 and all of 2021, non-payment filings and non-payment calendared cases in Housing Court both rose sharply (by 167.8% and 228.6%, respectively). The number of residential evictions also rose, increasing from 136 in 2021 to 4,109 in 2022. While sheltered homeless levels (as reported by the NYC Department of Homeless Services (DHS)) dropped in the first half of 2022, due to a rise in asylum seekers entering NYC, rates rose by an average of 8.0% in 2022 as a whole. Inflation was also at its highest level in the NYC metro area since 1981, rising 6.1%. As previously noted, while average wages rose a nominal 3.6% in NYC over the past year, because of high inflation, "real" wages dropped by 2.1%.

Economic indicators in 2022, as compared to 2019 (the last full year preceding the pandemic), are mixed. As compared to 2019, in 2022 the unemployment rate is 1.8 percentage points higher, and overall employment levels are 2.1% lower. Cash assistance caseloads are 27.0% higher, and SNAP caseloads are 12.1% higher. But GCP is 4.1% higher in inflation-adjusted terms, and both inflation-adjusted average and total wages are higher, by 10.8% and 6.4%, respectively. DHS sheltered homeless levels are 12.9% lower, and Medicaid enrollees are 5.7% lower. In Housing Court, non-payment filings are 39.0% lower, and non-payment calendared cases are 43.8% lower. Residential evictions are also 75.8% lower.

The most recent quarter for which there is comprehensive data is the fourth quarter of 2022. As compared to the fourth quarter of 2021, the fourth quarter of 2022 shows both positive and negative indicators. Positive indicators include the unemployment rate, down 2.7 percentage points as compared to 2021; employment levels, up 4.9%; and Medicaid enrollees, down 4.0%. Negative indicators include DHS sheltered homeless levels, up 39.3%; cash assistance caseloads, up 17.5%; SNAP caseloads, up 2.3%; and in Housing Court, following the end of the eviction moratorium, the number of non-payment filings up 231.5%, and the number of non-payment cases heard (calendared), up 448.5%.

Fourth quarter data can also be analyzed in relation to the third quarter of 2022, to illustrate more recent trends. Based on seasonally adjusted employment data, there was an increase of 0.4 percentage points in the NYC unemployment rate in the fourth quarter of 2022 as compared to the third, and an increase of 0.1% in total employment. There was also an increase of 22.2% in DHS sheltered homeless levels; 2.5% in cash assistance caseloads; 1.2% in Medicaid enrollees, and in Housing Court, a 47.6% increase in non-payment cases and 41.1% in non-payment calendared cases. However, SNAP caseloads fell by 1.2%.

On April 25, 2023, the staff of the Rent Guidelines Board released a memo to Board members with additional information concerning the 2023 *Income & Affordability Study*. The memo follows:

[START OF MEMO]

At the April 13, 2023 Income & Affordability Study (I&A) presentation, five questions were asked for which an immediate answer could not be provided. An additional question was submitted following the presentation. Answers follow.

Question 1: What proportion of rent stabilized households are considered rent burdened?

The 2023 Income & Affordability Study reported on the proportion of rent stabilized households considered severely rent burdened, that is the proportion of households paying more than 50% of their household income towards rent. The definition of rent burdened is paying more than 30% of household income towards rent. These figures, from the 2021 NYC Housing and Vacancy Survey, follow.

Note that nearly 8% of rent stabilized households (more than 75,000 households) receive rent assistance (specifically, Section 8). While many of these households pay no more than 30% of their income towards rent, because the monthly rent of the apartment (i.e., the rent that the owner receives, not the rent the tenant pays) often exceeds their monthly income, the rent-to-income ratios for these households may exceed 100%. Except where noted, the following rent-to-income ratios include tenants receiving Section 8. Contract rent is the amount of rent received by the owner, and gross rent is the amount of contract rent plus any tenant payments for utilities and/or heat.

- Rent burdened:
 - 60.6% of rent stabilized households pay more than 30% of household income towards gross rent
 - 57.5% of rent stabilized households pay more than 30% of household income towards contract rent
 - 55.5% of rent stabilized households not receiving rental assistance (Section 8) pay more than 30% of their household income towards contract rent (note that this figure is not currently available for gross rent)
- Severely rent burdened (as previously reported in the I&A):
 - 39.5% of rent stabilized households pay more than 50% of household income towards gross rent
 - 36.7% of rent stabilized households pay more than 50% of household income towards contract rent
 - 33.8% of rent stabilized households not receiving rental assistance (Section 8) pay more than 50% of their household income towards contract rent (note that this figure is not currently available for gross rent)

Question 2: Can you provide information on the Landlord Rental Assistance Program (LRAP)?

Per the website of the New York State Office of Temporary and Disability Assistance, LRAP provided “rental assistance for landlords whose tenants were unwilling to apply for the Emergency Rental Assistance Program (ERAP), including where the tenant has left the rental property.” Applications for LRAP were accepted from October 7, 2021 through November 21, 2021.

Eligibility requirements included:

- “The landlord had a tenant who has left an apartment in New York State with unpaid rental arrears or the landlord had a tenant with rental arrears who was residing in an apartment in New

York State who refused to apply for ERAP and the landlord reached out to their tenant to encourage participation in ERAP at least three times, including two in writing.”

- “Unit rental amount was at or below 150 percent of the Fair Market rent (FMR) for their location. These limits were based on county and number of bedrooms of the rental unit.”
- “The landlord had documented rental arrears owed for the tenant at their residence for rent costs accrued on or after March 1, 2020.”

The program paid for up to 12 months of rental arrears payments for rents accrued on or after March 1, 2020. Unlike ERAP, it did not include payments for prospective rent or utility arrears.

For those owners who received an LRAP payment, stipulations were similar to those in place for ERAP payments, including:

- Satisfying the tenant's full rental obligations for the time period covered by the payment.
- Waiving any late fees due on any rental arrears covered by the LRAP payment.
- If the household is currently residing in the unit, not increasing the monthly rental amount above the monthly amount due at the time of application for LRAP assistance for months for which rental assistance is received and for one year from receipt of the LRAP payment.
- If the household is currently residing in the unit, not evicting the household on behalf of whom the LRAP payment is made for reason of expired lease or holdover tenancy for one year from the receipt of the LRAP payment.

As of March 29, 2023, LRAP received a total of 34,649 applications from property owners within New York City. Payments were made to 16,852 owners, at a total cost of \$200.8 million. The average payment amount was \$11,917. As there is no publicly available data on the address of the properties receiving LRAP, we do not know how many of these payments were to owners of buildings containing rent stabilized units.

Question 3: Can you provide the count of homeless persons, not including asylum seekers?

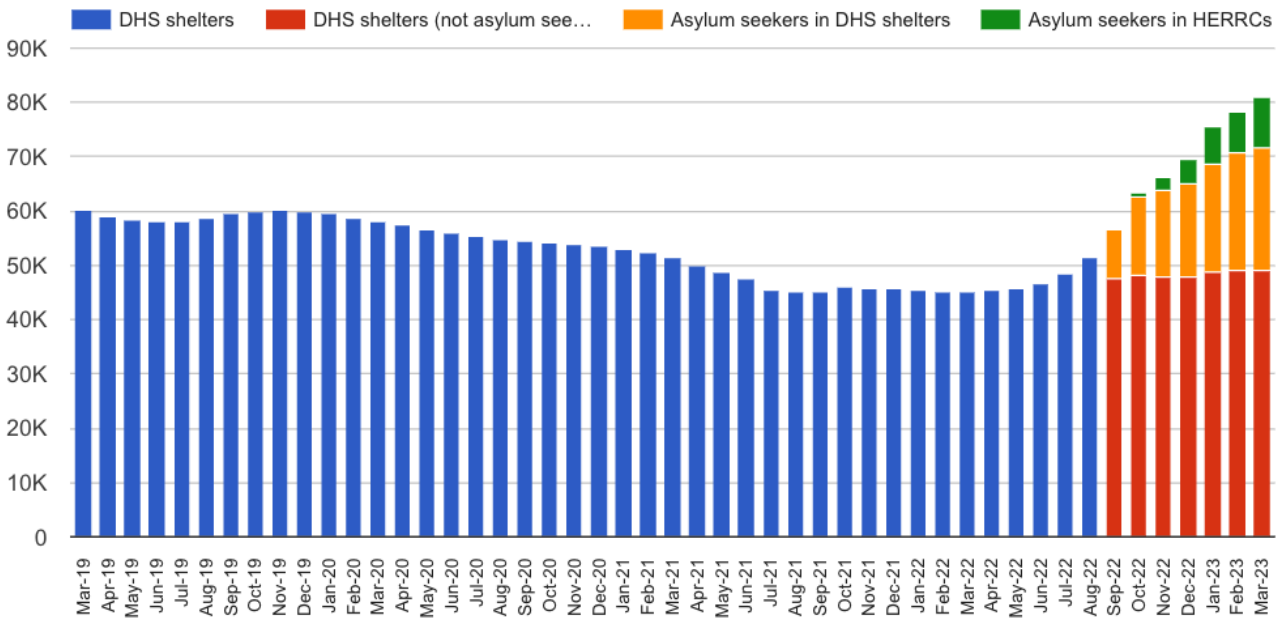
As noted in the I&A, in the second half of 2022, the number of persons in NYC Department of Homeless Services (DHS) shelters began increasing at a rapid pace, an increase that DHS attributed in part to asylum seekers. In their April 2023 newsletter, the Office of the NYC Comptroller reported DHS sheltered census data. They obtained stratified data, beginning in September 2022, for those in DHS shelters who are asylum seekers. Per their data:

- In September 2022, there were an average of 47,460 persons in DHS shelters each night who were not asylum seekers. There was also an average of 9,136 asylum seekers in DHS shelter during this month.
- In each month between September 2022 and March 2023, the average number of persons in DHS shelters who were not asylum seekers remained relatively constant, ranging from a low of 47,460 in September 2022 to a high of 49,022 in March 2023.
- In each month between September 2022 and March 2023, the average number asylum seekers in DHS shelters rose steadily, increasing in each month. The number of asylum seekers in DHS shelters rose from a low of 9,136 in September 2022 to a high of 22,528 in March 2023. By March 2023, nearly one-third of those in DHS shelters were asylum seekers.
- Not included in the DHS shelter census are those asylum seekers staying at Humanitarian Emergency Response and Relief Centers (HERRCs). The average number of asylum seekers in these facilities also rose in each month between October 2022 (the first month for which there is

data) and March 2023. The number of asylum seekers in HERRCs rose from a low of 618 in October 2022 to 9,388 in March 2023.

A copy of the graph in the Comptroller’s report is included below, and can also be found in their April newsletter: <https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-76-april-11th-2023/>.

Total Individuals in City Shelters - DHS System plus HERRCs



Question 4: For data provided from the 2021 NYC Housing and Vacancy Survey (HVS) for the gross rent-to-income ratio excluding tenants receiving rental assistance, can you define “rental assistance”? Can you provide the median contract and gross rents for rent stabilized tenants excluding tenants with vouchers and other rental assistance and is there a way to quantify the amount of the subsidy for those who have vouchers and other rental assistance? Can you provide household income data for rent stabilized tenants who receive cash assistance?

The NYC Department of Housing Preservation and Development (HPD), which provided the HVS data to the RGB, confirmed that “rental assistance” refers solely to the Housing Choice Voucher program (also known as Section 8). For the other questions related to HVS data, the request will need to be cleared through the Census Bureau and HPD does not have an estimate of if, or when, the Census Bureau would be able to approve the request.

Question 5: Can data from the Fund for the City of New York’s “NYC True Cost of Living” project” be provided to the Board?

The Fund for the City of New York was established in 1968 and per their website, their “mandate [is] to improve the quality of life for all New Yorkers.” One of their projects is the “NYC True Cost of Living” project. Per their website, “The NYC True Cost of Living project (formerly the NYC Self-Sufficiency Standard) measures how much income is needed to meet families’ basic necessities, without any public or

private assistance. We use the NYC True Cost of Living to better understand the realities so many of our neighbors are facing.”

Per their most recent report (published on April 25, 2023, and which relies, in part, on 2021 data), the “NYC True Cost of Living (TCL) defines the amount of income necessary to meet the basic needs of New York City households, differentiated by family type and where they live. The TCL measures income adequacy and is based on the costs of basic needs for working families: housing, childcare, food, health care, transportation, and miscellaneous items such as clothing and paper products, plus taxes and tax credits. It assumes the full cost of each need, without help from public subsidies (e.g., public housing or Medicaid) or private assistance (e.g., unpaid babysitting by a relative or food from a food pantry). An emergency savings amount to cover job loss is calculated separately. The Standard is calculated for over 700 family types for all New York City counties.”

Among some of their major findings:

- “The rate of income inadequacy in New York City has grown significantly since the last report in 2021. In the last report, 36% of working-age households struggled to make ends meet. According to our findings, 50% of working-age households are now unable to cover their basic needs. Job loss (likely as a result of the pandemic) and higher costs are two leading explanations for this increase.”
- “The highest rates of households struggling with income inadequacy are found in the central Bronx region. This includes the community districts of Belmont, Crotona Park East & East Tremont; Hunts Point, Longwood & Melrose; Morris Heights, Fordham South & Mount Hope; and, Concourse, Highbridge & Mount Eden.”
- “Households with children are at a greater risk of not meeting their basic needs, accounting for more than half of households with incomes below the TCL. The rate of income inadequacy for households with children is 63%—19 percentage points higher than households without children.”
- “Employment is key to income adequacy in New York City, but it is not a guarantee. Among households with at least one full-time, year-round worker, income inadequacy rates are 40% compared to 95% for households with no workers.”

The full report can be accessed at: https://www.fcny.org/wp-content/uploads/2023/04/NYC2023_TCL.pdf. Note that the website previously included a link to the “NYC True Cost of Living Budget Worksheet,” which was described as a method to “determine how much income is needed to meet NYC families’ basic necessities – including housing, food, health care, and childcare – without any public or private assistance.” As of the publication of this report, that worksheet is no longer accessible.

Also note, that as referenced above, the TCL assumes that households do not receive “public or private assistance.” The report does not specifically delineate the totality of all public and private assistance that is excluded, but presumably includes rent assistance such as Section 8, CityFHEPS, and public housing (in which tenants generally pay no more than 30% of their income towards rent); cash assistance; Medicaid; and SNAP (food stamps).

Also note that rent costs used in the measure are based on FY 2023 Fair Market Rents (FMRs), as defined by the U.S. Department of Housing and Urban Development. The FMRs are estimated as the 40th percentile of gross rent paid by recent movers, defined as the shelter rent and utility cost for renters who have moved in the last two years. Rents for recent movers are often far higher than rents paid by tenants in place, especially for rent stabilized apartments which have rent increases limited by the guidelines authorized by the RGB. FMRs in the past couple of years have risen greatly. The FMR of a two-

bedroom apartment, for instance, has risen from \$2,053 in FY 2021 to \$2,451 in FY 2023 (the data utilized in the TCL measure). This is an increase in two years of \$398 (or 19.4%). Between FY 2017 and FY 2021, the FMR for a two-bedroom apartment rose 25.4%. In comparison, the NYC Housing and Vacancy Survey showed an increase in median gross rents for rent stabilized apartments of 12.5% during this same period.

Note that the annual Income & Affordability Study (I&A), published each year by the RGB, includes multiple data points related to tenant's cost of living. The 2023 I&A includes multiple sources of rent data (including NYC specific data from the 2021 NYC Housing and Vacancy Survey (HVS) and the 2021 American Community Survey (ACS), and NYC metro area data from the Household Pulse Survey and the Consumer Price Index); multiple sources of household income and wage data (including the 2021 HVS, 2021 ACS, 2022 Quarterly Census of Employment and Wages, and the Bureau of Labor Statistics); both contract and gross rent-to-income ratios (from both the 2021 HVS and the 2021 ACS); the overall change in the NYC metro area Consumer Price Index, which measures inflation; and data on the change in costs for utilities paid by tenants, including data from Con Edison regarding the change in residential electricity and gas costs, as well as gross rent from both the 2021 HVS and 2021 ACS (which includes tenant costs for gas, electricity, as well as costs paid by a subset of tenants for heat and water and sewer costs (note that as of the 2017 HVS, 10.9% of rent stabilized tenants report that electricity is included in their rent, 36.5% report that gas is included in their rent, and 99.4% report that water and sewer charges are included in their rent, but data is not available for the number of tenants who pay for their own heat).

As reported in the 2023 I&A, the CPI for the NYC metro area rose 6.1% in 2022. Certain components of the Consumer Price Index can be reported separate from the overall index. The annual I&A reports on the rent component of the CPI in the NYC metro area. As reported in the 2023 I&A, the cost of rent in the NYC metro area rose 2.5% during 2022.

Not reported in the I&A, the cost of food in the NYC metro area rose 8.8% in 2022 and the cost of electricity rose 10.9%. The change in cost of many items is only available at the national level. For the U.S. as a whole, the cost of apparel rose 5.0%; daycare and preschool rose 4.0%; wireless telephone services fell 0.5%; internet services rose 1.6%; and housekeeping supplies rose 9.7%.

Question 6: Can you provide the median gross rent-to-income ratio, median household income, and proportion of rent burdened and severely rent burdened rent stabilized tenants over the past twenty years? Can you provide average wages over the past twenty years?

Data for the median gross rent-to-income ratio, median household income, and proportion of rent burdened and severely rent burdened rent stabilized tenants is reported in triennial NYC Housing and Vacancy Surveys (HVS). Gross rent includes the contract rent paid to the owner, plus tenant payments for utilities and/or fuel. Household income includes any income received by a member of the household, including, but not limited to, wages, salaries, and tips; self-employment income; home rental income; interest dividends or annuities; Social Security and pensions; worker's compensation; paid family or medical leave; unemployment; child support and alimony; and other transfers and in-kind payments. Gross rent burdened is defined as a household paying more than 30% of household income towards gross rent. Severely gross rent burdened is defined as a household paying more than 50% of household income towards gross rent.

[END OF MEMO]

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 55.

Table 8

Changes in Price Index of Operating Costs for Apartments in Buildings with Various Heating Arrangements, 2022-23, and Commensurate Rent Adjustment		
Index Type	2022-23 Price Index Change	One-Year Rent Adjustment Commensurate With O & M to Income Ratio of .654
All Dwelling Units	8.1%	5.30%
Pre-1974	8.2%	5.37%
Post-1973	8.1%	5.30%
Oil Used for Heating	9.0%	5.89%
Gas Used for Heating	8.0%	5.24%

Note: The O&M to Income ratio is from the *2023 Income and Expense Study*.

Source: *2023 Price Index of Operating Costs*.

On June 9, 2023 the staff of the Rent Guidelines Board released a memo summarizing historical data provided to the Board by NYS Homes and Community Renewal (HCR). The memo follows:

[START OF MEMO]

This memo is an update to previous memos that compiled historical data provided to the RGB by NYS Homes and Community Renewal (HCR). We have included the number of registered stabilized units both originally reported and subsequently updated; overcharge complaint caseloads as of approximately April or May of each year; preferential rents and the percentage of apartments with preferential rents (based on the originally reported number of stabilized units); registered Individual Apartment Improvements (IAIs); and Major Capital Improvements (MCIs) applied for and granted (in dollars), as well as the average MCI rent increase per room. An additional data point added this year is the number of registered vacant stabilized apartments each year, going back five years.

Here are some takeaways:

- The number of registered stabilized units (using the updated count) over the period since 2004 ranged from as few as 819,221 in 2009 to as many as 936,533 in 2018. The updated count reflects owners' late registrations.
- The proportion of stabilized units that charge preferential rents (using originally reported counts), rose from 16.3% in 2006 to as high as 33.1% in 2020. In the most recent available year, the proportion was 32.8% in 2022.
- The overcharge complaint caseload has ranged between roughly 1,000 and 3,400 per year since 2008, compared to roughly 600 to 900 between 2002 to 2007. The current 2023 overcharge complaint caseload of 3,499 is at the highest known level since 1997, when there were 8,878 overcharge complaints pending.
- The average MCI increase per room increased from \$8.71 in 2013 to as high as \$13.81 in 2018. In the most recent available year, the average was \$12.06 in 2022.
- The number of IAIs reported between 2010 and 2018 ranged between 12,797 and 19,475 per year, but have since fallen over the last few years, to 4,422 in the most recent year, 2022.
- The number of vacant rent stabilized units between 2017 and 2020 ranged from 33,667 to 38,888 before increasing to 61,593 in the most recent year, 2021.

	# of Registered Stabilized Units (Original Count)	# of Registered Stabilized Units (Updated Count)	Pending Overcharge Complaints Caseloads*	# of Preferential Rents Registered (Original Count)	Preferential Rents as % of Registrations Filed (Original Count)	# of registered IAIs	# of Registered Vacant Units	MCI Total Amount Applied For	MCI Total Amount Granted	MCI Avg. Increase per/room
2023	-	-	3,499	-	-	-	-	-	-	-
2022	870,040	870,040	3,428	286,126	32.8%	4,422	-	\$256,285,423	\$187,537,976	\$12.06
2021	857,791	908,969	3,336	272,286	31.7%	3,342	61,593	\$246,212,369	\$195,969,375	\$11.23
2020	850,607	928,578	2,923	281,821	33.1%	5,761	33,667	\$65,587,760	\$39,854,466	\$9.96
2019	876,404	927,753	2,364	286,597	32.7%	9,102	36,185	\$318,634,296	\$147,032,583	\$11.37
2018	885,205	936,533	2,211	270,701	30.6%	14,356	38,785	\$254,211,393	\$217,261,769	\$13.81
2017	856,267	924,747	997	255,481	27.6%	14,470	38,888	\$219,571,452	\$185,880,245	\$13.15
2016	842,144	911,218	2,185	252,763	27.7%	13,182	-	\$308,460,789	\$273,961,197	\$13.38
2015	839,164	896,758	2,578	248,873	27.8%	12,797	-	\$146,543,088	\$126,680,780	\$11.59
2014	839,797	905,067	2,589	238,573	26.4%	13,591	-	\$140,738,859	\$112,304,323	\$10.77
2013	832,105	900,808	3,078	232,126	27.9%	13,182	-	\$282,170,096	\$185,382,687	\$8.71
2012	823,919	901,381	3,035	221,376	26.9%	-	-	\$168,015,593	\$120,455,727	-
2011	814,500	896,747	2,521	203,408	25.0%	19,475	-	\$238,748,776	\$153,284,754	-
2010	803,753	891,403	2,074	189,368	23.6%	18,167	-	\$197,771,725	\$139,112,623	-
2009	808,643	819,221	1,815	164,442	20.3%	-	-	\$166,238,377	\$118,727,068	-
2008	821,876	853,066	1,038	154,900	18.8%	-	-	-	-	-
2007	836,004	860,876	867	150,184	18.0%	-	-	-	-	-
2006	838,592	870,072	607	136,665	16.3%	-	-	-	-	-
2005	849,582	875,709	848	-	-	-	-	-	-	-
2004	-	879,940	767	-	-	-	-	-	-	-

Source: NYS Homes and Community Renewal (HCR)

Notes: *Overcharge complaint caseloads are as of April or May of each year. Additional years of overcharge complaint caseloads, not shown above: 1997: 8,878; 2000: 3,265; 2001: 1,216; 2002: 894; and 2003: 824.

Other data not shown above was not requested by the RGB in those years.

[END OF MEMO]

**Adjustments for Units in the Category of Buildings
Covered by Article 7-C of The Multiple Dwelling Law (Lofts)**

Section 286, subdivision 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."

The increase in the Loft PIOC this year was 9.0%, higher than the increase of 5.3% in 2022. Increases in costs were seen in all eight components that make up this index. Fuel saw the highest proportional increase rising 20.0%, followed by Insurance, which rose 12.9%. The remaining six components all rose by lesser proportions, including Maintenance, which rose 9.3%; Taxes, 7.7%; Utilities, 6.3%; Administrative Costs-Legal, 5.4%; Labor Costs, 3.1%; and Administrative Costs-Other, 0.6%.

This year's guidelines for lofts are for a one-year period **3%** and for a two-year period **2.75%** for the first year and for the second year **3.2%** of the amount lawfully charged in the first year, excluding any increases other than the first-year guideline increase for a two-year period.

Table 9

Changes in the Price Index of Operating Costs for Lofts from 2022-23	
	Loft O & M Price Index Change
All Buildings	9.0%

Source: 2023 Price Index of Operating Costs.

**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 NYS Homes and Community Renewal in determining fair market rents for housing accommodations that enter the stabilization system. This year, the Board set the guidelines at **27%** above the maximum base rent.

The Board concluded that for units formerly subject to rent control **27%** above the maximum base rent was a desirable minimum increase.

**INCREASE FOR UNITS RECEIVING PARTIAL TAX EXEMPTION PURSUANT TO
SECTION 421-A 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.

Votes

The votes of the Board on the adopted motion pertaining to the provisions of Order #55 were as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Apartment Order #55	5	4	-

Dated: June 21, 2023
Filed with the City Clerk: June 27, 2023



Nestor Davidson
Chair
NYC Rent Guidelines Board

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NEW YORK CITY RENT GUIDELINES BOARD

2023 Hotel Order #53

June 21, 2023

Order Number 53 - Hotels, Rooming Houses, Single Room Occupancy Buildings and Lodging Houses. Rent levels to be effective for leases commencing **October 1, 2023** through **September 30, 2024**.

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 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 hereby **adopts** the following levels of fair rent increases over lawful rents charged and paid on **September 30, 2023**.

APPLICABILITY

This order shall apply to units in buildings subject to the Hotel Section of the Rent Stabilization Law (Sections 26-504(c) and 26-506 of the N.Y.C. Administrative Code), as amended, or the Emergency Tenant Protection Act of 1974 (L.1974, c. 576 §4 [§5(a)(7)]). With respect to any tenant who has no lease or rental agreement, the level of rent increase established herein shall be effective as of one year from the date of the tenant's commencing occupancy, or as of one year from the date of the last rent adjustment charged to the tenant, or as of **October 1, 2023**, whichever is later. This anniversary date will also serve as the effective date for all subsequent Rent Guidelines Board Hotel Orders, unless the Board shall specifically provide otherwise in the Order. Where a lease or rental agreement is in effect, this Order shall govern the rent increase applicable on or after **October 1, 2023** upon expiration of such lease or rental agreement, but in no event prior to one year from the commencement date of the expiring lease, unless the parties have contracted to be bound by the effective date of this Order.

RENT GUIDELINES FOR HOTELS, ROOMING HOUSES, SINGLE ROOM OCCUPANCY BUILDINGS AND LODGING HOUSES

Pursuant to its mandate to promulgate rent adjustments for hotel units subject to the Rent Stabilization Law of 1969, as amended (§26-510(e) of the N.Y.C Administrative Code), the Rent Guidelines Board hereby **adopts** the following rent adjustments:

The allowable level of rent adjustment over the lawful rent actually charged and paid on **September 30, 2023** shall be:

- | | |
|--|----|
| 1) Residential Class A (apartment) hotels - | 0% |
| 2) Lodging houses - | 0% |
| 3) Rooming houses (Class B buildings
containing less than 30 units) - | 0% |
| 4) Class B hotels - | 0% |
| 5) Single Room Occupancy buildings
(MDL section 248 SRO's) - | 0% |

ADDITIONAL CHARGES

It is expressly understood that the rents collectible under the terms of this Order are intended to compensate in full for all services provided without extra charge on the statutory date for the particular hotel dwelling unit or at the commencement of the tenancy if subsequent thereto. No additional charges may be made to a tenant for such services, however such charges may be called or identified.

STATEMENT OF BASIS AND PURPOSE

The Rent Guidelines Board is authorized to promulgate rent guidelines governing hotel 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]).



Dated: June 21, 2023

Nestor Davidson, Chair
New York City Rent Guidelines Board

EXPLANATORY STATEMENT - HOTEL ORDER #53

Explanatory Statement and Findings of the Rent Guidelines Board in Relation to 2023-24 Lease Increase Allowances for Hotels under the Jurisdiction of the Rent Stabilization Law

Explanatory Statement and Findings of the Rent Guidelines Board Concerning Increase Allowances for Hotel Units Under the Jurisdiction of the Rent Stabilization Law, Pursuant to Hotel Order Number 53, Effective October 1, 2023 through and including September 30, 2024.²³

Pursuant to the authority vested in it by the Rent Stabilization Law of 1969 and the Emergency Tenant Protection Act of 1974, implemented by Resolution Number 276 of 1974 of the New York City Council, and extended by the Housing Stability and Tenant Protection Act of 2019, it is the responsibility of the Rent Guidelines Board to establish guidelines for hotel increases. Hotel Order Number 53, adopted on June 21, 2023, applies to stabilized hotel units occupied by non-transient tenants.

Hotel Order Number 53 provides for an allowable increase of **0%** over the lawful rent actually charged and paid on September 30, 2023 for rooming houses, lodging houses, Class B hotels, single room occupancy buildings, and Class A residential hotels. The Order does not limit rental levels for commercial space, non-rent stabilized residential units, or transient units in hotel stabilized buildings during the guideline period. The Order also provides that for any dwelling unit in a hotel stabilized building which is voluntarily vacated by the tenant thereof, the rent charged for a new tenancy may not exceed the rent charged on September 30, 2023.

DEFINITIONS

For the purpose of determining the appropriate classification of a hotel stabilized unit, the Board has set its definitions as follows:

- Residential hotels are “apartment hotels” which are designated as Class A multiple dwellings on the Certificate of Occupancy.
- Rooming houses are Class B multiple dwellings having fewer than thirty sleeping rooms as defined in Section 4(13) of the Multiple Dwelling Law.
- A single room occupancy building is a Class A multiple dwelling which is either used in whole or in part for single room occupancy or as a furnished room house, pursuant to Section 248 of the Multiple Dwelling Law.
- A Class B hotel is a hotel, which carries a Class B Certificate of Occupancy and contains units subject to rent stabilization.
- Lodging houses are those buildings designated as lodging houses on the Certificate of Occupancy.

BACKGROUND

²³ This Explanatory Statement explains the actions taken by the Board on individual points and reflects the general views of those voting in the majority. It is not meant to summarize all viewpoints expressed.

Due to the COVID-19 health crisis, the Board held both virtual and in-person public meetings and hearings.²⁴ The Board issued Order No. 53 following **seven** in-person public meetings, **three** in-person public hearings, and **one** virtual public hearing, as well as the Board’s review of written, oral and video submissions provided by the public and a review of research and memoranda prepared by the Board’s staff.

Public meetings of the Board were held on March 30, April 13, 20 and 27, and May 25, 2023, following public notices. On May 2, the Board adopted proposed rent guidelines for hotels, apartments, and lofts.

A virtual public hearing was held on June 13, 2023, to hear comments on the proposed rent adjustments for rent stabilized hotels and apartments. Three in-person public hearings were held on June 5, June 8 and June 15, 2023. The hearings were held from 5:20 p.m. to 10:45 p.m. on June 5; 5:20 p.m. to 8:05 p.m. on June 8; 5:05 p.m. to 8:05 p.m. on June 13; and from 5:20 p.m. to 10:02 p.m. on June 15. The Board heard testimony from approximately three hotel tenants and tenant representatives, no hotel owners, and no public officials. In addition, the Board received approximately three written, oral and video submissions from tenants and tenant representatives, one hotel owner, and no public officials. On June 21, 2023, the Board adopted guidelines set forth in Hotel Order Number 53.

Selected Oral and Written Testimony from Tenants and Tenant Groups:

– “Unfortunately, the conditions that warranted last year’s 0% vote remain unchanged: SRO tenants continue to struggle while buildings designated for residential use by rent-stabilized tenants are increasingly used for other purposes which generate significant profits in these buildings. Furthermore, SRO tenants have been and will continue to be particularly affected, especially in light of the COVID-19 pandemic. This is further coupled by the recent inflation crisis, which heavily impacts people on fixed incomes. Considering that a disproportionate amount of people on fixed income live in SROs, SRO tenants are heavily impacted by high inflation. As a result, a 0% vote is even more justified.”

– “SROs are housing accommodations of the last resort. SRO tenants are low-income people living on the brink; their incomes are just barely enough to afford them the necessities of life. They are precisely the group of people who have been most impacted by the rising prices. Allowing landlords to increase rent prices in the midst of record inflation will result in pushing many SRO tenants over the brink into homelessness.”

– “These economic impacts, which may seem minimal to some, can be the difference between being housed and being homeless for many of our clients, as they’re already paying a substantial portion of their income towards rent and often are on fixed incomes, any increase to their rent, coupled with other increased expenses, can make them unable to afford to live or pay for the necessities.”

– “Rent increases for tenants cannot be justified in SRO buildings that are not fully occupied by permanent rent-stabilized tenants or where the building’s income is dependent primarily on sources other than its rent rolls. Many SRO buildings earn the vast majority of their income from sources other than renting to permanent rent-stabilized tenants. Rental income from permanent tenants pales in comparison to income from lucrative contracts with City agencies to house the homeless, illegally-operated tourist

²⁴ The City of New York was under a state of emergency to address the threat and impacts of COVID-19 declared in Emergency Executive Order No. 98, dated March 12, 2020, and most recently extended for an additional 30 days by Emergency Executive Order No. 411, dated May 20, 2023. Pursuant to the Open Meetings Law, public bodies are authorized to meet remotely during a state of emergency that affects the Board’s ability to meet in person, provided that the public has the ability to view such proceeding and that such meetings are recorded. Pursuant to that authority, the Board’s June 13 public hearing was held virtually.

hotels and the student dormitory operations that are present in many SROs. In the instances where there are no such operations, rental income could be increased by simply returning to the market all the warehoused units that currently sit vacant.”

– “SRO tenants are amongst New York City’s poorest residents, and a rent increase for SROs would likely push more of these tenants out of their permanent homes and into the shelter system. Many SRO residents survive on low-wage jobs or fixed incomes, and they cannot afford rent increases. As the number of New Yorkers staying in shelters steadily climbs above 60,000 people each night and homeless encampments become an increasingly common sight in the city, it would be a grave mistake to increase rents in SROs. Even a small increase in SRO rents would drive many of the City’s poorest tenants out of their homes.”

– “SRO owners, on the other hand, continue to thrive. They exploit profitable operating strategies, such as renting to transient guests and institutional tenants that will not be affected by the rent increases set by the Rent Guidelines Board. Furthermore, while a slight increase to SRO rents would be insignificant to owners’ bottom lines, it would push SRO tenants from their long-term homes. A rent increase would drive thousands of poor New Yorkers into homelessness while vacating buildings for real estate speculators.”

Selected Oral and Written Testimony from Owners and Owner Groups:

– “The cost structure for operating fully stabilized SROs closely corresponds to the cost structure for operating pre-1947 multi-family apartment buildings as is seen on the attached schedule. Operating costs for pre-1947 apartment buildings between 2004 and 2022 increased 59.81% while over the same period operating costs for SROs increased 50.61% (without including results for the anomalous 2015/16 year) or 41.11% including the anomalous results). Because of the discrimination against SRO’s, operating costs in SRO’s increased four to five times more than permitted rent increases.”

– “There is no justification to treat owners of stabilized SRO/rooming house properties any differently than the owners of ordinary rent stabilized apartment buildings. The Rent Guidelines Board should recognize this fact and adopt an order making up for prior discrimination as well as putting predominantly stabilized SRO properties on equal footing with ordinary rent stabilized apartment buildings.”

– “I specifically propose that the 2023/2024 Hotel Order covering renewal leases in SROs and rooming houses with stabilized tenancies that do not have transient tenancies permit rent increases similar to those allowed in stabilized apartment buildings. This will be only a small step in restoring fairness in the regulatory scheme governing SRO and rooming house properties.”

Selected Oral and Written Testimony from Public Officials:

– None submitted.

MATERIAL CONSIDERED BY THE BOARD

In addition to oral and written testimony presented at its public meetings and hearings, the Board’s decision is based upon material gathered from the 2023 Price Index of Operating Costs and 2023 Hotel Report, prepared by the staff of the Rent Guidelines Board, reports and testimony submitted by owner and tenant groups relating to the hotel sector, and reports submitted by public agencies. The Board heard and

received written testimony from invited guest speakers on April 27, 2023. Guest speakers representing hotel tenants included Bleys La Pierre from the Goddard Riverside Law Project and Brian J. Sullivan from MYF Legal Services.

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. *2023 Mortgage Survey Report*, April 2023 (an evaluation of recent underwriting practices, financial availability and terms, and lending criteria);
2. *2023 Income and Affordability Study*, April 2023 (including employment trends, housing court actions, changes in eligibility requirements and public benefit levels in New York City);
3. *2023 Price Index of Operating Costs*, April 2023 (measuring the price change for a market basket of goods and services which are used in the operation and maintenance of stabilized hotels);
4. *2023 Hotel Report*, May 2023 (including data on rent stabilized hotels derived from NYS Homes and Community Renewal registration files, illegal hotel violations, and the number of Certifications of No Harassment);
5. *2023 Housing Supply Report*, May 2023 (including information 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 2022*, May 2023 (quantifying events that lead to additions to and subtractions from the rent stabilized housing stock).

The six reports listed above may be found in their entirety on the RGB's website, www.nyc.gov/rgb, and are also available at the RGB offices, 1 Centre St., Suite 2210, New York, NY upon request.

Price Index of Operating Costs for Rent Stabilized Hotel Units

The Hotel Price Index includes separate indices for each of three categories of hotels that contain rent stabilized units (due to their dissimilar operating cost profiles) and a general index for all Hotels that includes all three. The three categories of hotels are: 1) "Traditional" Hotels — Class A multiple dwellings that have amenities such as a front desk, maid or linen services; 2) Rooming Houses — Class B multiple dwellings other than a hotel with thirty or fewer sleeping rooms; and 3) Single Room Occupancy (SROs) hotels — Class A multiple dwellings which are either used in whole or in part for single room occupancy or as a furnished room house.

The Hotel Price Index for all hotels that contain rent stabilized units increased 8.3% this year, compared to a decline of 1.3% in 2022. There were increases in all of the Hotel PIOC components. The Fuel

component witnessed the highest proportional increase, rising 21.0%, and accounts for 15.2% of the index. Insurance Costs rose by the second greatest proportion, 12.9%, and account for 6.9% of the index. The remaining five components all rose by lesser proportions, including Utilities, which rose 9.9%; Maintenance, 9.3%; Taxes, 5.1%; Labor Costs, 3.0%; and Administrative Costs, 2.8%. See the table on this page for changes in costs and prices for all hotels that contain rent stabilized units from 2022-2023.

Among the different categories of Hotels, the index for “Traditional” Hotels increased 7.3%, Rooming Houses by 9.9%, and SROs by 8.9%.

**Percent Change in the Components of the Price Index of Operating Costs
April 2022 to March 2023, By Hotel Type and All Hotels**

Item Description	All Hotels	Hotel	Rooming House	SRO
TAXES	5.1%	4.9%	5.2%	5.3%
LABOR COSTS	3.0%	2.9%	3.4%	3.1%
FUEL	21.0%	20.5%	25.1%	19.8%
UTILITIES	9.9%	7.6%	13.6%	9.3%
MAINTENANCE	9.3%	9.7%	9.0%	8.3%
ADMINISTRATIVE COSTS	2.8%	2.7%	3.6%	2.9%
INSURANCE COSTS	12.9%	12.9%	12.9%	12.9%
ALL ITEMS	8.3%	7.3%	9.9%	8.9%

Source: 2023 Price Index of Operating Costs

Changes in Housing Affordability

Per the *2023 Income and Affordability Study*, NYC’s economy in 2022 showed many strengths as compared with the preceding year. Positive indicators include rising employment levels, which increased by 7.0%. Gross City Product (GCP) is also forecasted to increase, rising in inflation-adjusted terms by 3.3% in 2022. The unemployment rate fell, decreasing by 4.3 percentage points, to 5.7%. Both average wages and total wages increased in nominal terms in the most recent 12-month period, rising by 3.6% and 10.9%, respectively. Personal bankruptcy filings also fell in 2022, dropping 11.9%, to their lowest level since at least 2000. Medicaid enrollees also fell, declining by 4.9% in 2022.

However, negative indicators include an increase in caseloads for cash assistance of 14.2% and the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) of 1.3%. Following eviction moratoriums in place for most of 2020 and all of 2021, non-payment filings and non-payment calendared cases in Housing Court both rose sharply (by 167.8% and 228.6%, respectively). The number of residential evictions also rose, increasing from 136 in 2021 to 4,109 in 2022. While sheltered homeless levels (as reported by the NYC Department of Homeless Services (DHS)) dropped in the first half of 2022, due to a rise in asylum seekers entering NYC, rates rose by an average of 8.0% in 2022 as a whole. Inflation was also at its highest level in the NYC metro area since 1981, rising 6.1%. As previously noted, while average wages rose a nominal 3.6% in NYC over the past year, because of high inflation, “real” wages dropped by 2.1%.

Economic indicators in 2022, as compared to 2019 (the last full year preceding the pandemic), are mixed. As compared to 2019, in 2022 the unemployment rate is 1.8 percentage points higher, and overall

employment levels are 2.1% lower. Cash assistance caseloads are 27.0% higher, and SNAP caseloads are 12.1% higher. But GCP is 4.1% higher in inflation-adjusted terms, and both inflation-adjusted average and total wages are higher, by 10.8% and 6.4%, respectively. DHS sheltered homeless levels are 12.9% lower, and Medicaid enrollees are 5.7% lower. In Housing Court, non-payment filings are 39.0% lower, and non-payment calendared cases are 43.8% lower. Residential evictions are also 75.8% lower.

The most recent quarter for which there is comprehensive data is the fourth quarter of 2022. As compared to the fourth quarter of 2021, the fourth quarter of 2022 shows both positive and negative indicators. Positive indicators include the unemployment rate, down 2.7 percentage points as compared to 2021; employment levels, up 4.9%; and Medicaid enrollees, down 4.0%. Negative indicators include DHS sheltered homeless levels, up 39.3%; cash assistance caseloads, up 17.5%; SNAP caseloads, up 2.3%; and in Housing Court, following the end of the eviction moratorium, the number of non-payment filings up 231.5%, and the number of non-payment cases heard (calendared), up 448.5%.

Fourth quarter data can also be analyzed in relation to the third quarter of 2022, to illustrate more recent trends. Based on seasonally adjusted employment data, there was an increase of 0.4 percentage points in the NYC unemployment rate in the fourth quarter of 2022 as compared to the third, and an increase of 0.1% in total employment. There was also an increase of 22.2% in DHS sheltered homeless levels; 2.5% in cash assistance caseloads; 1.2% in Medicaid enrollees, and in Housing Court, a 47.6% increase in non-payment cases and 41.1% in non-payment calendared cases. However, SNAP caseloads fell by 1.2%.

Consumer Price Index

The Board reviewed the Consumer Price Index. The table that follows shows the percentage change for the NY-Northeastern NJ Metropolitan area since 2015.

Percentage Changes in the Consumer Price Index for the New York City - Northeastern New Jersey Metropolitan Area, 2015-2023 (For "All Urban Consumers")									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
1st Quarter Avg. ²⁵	-0.2%	0.7%	2.5%	1.6%	1.5%	2.3%	1.5%	5.5%	5.5%
Yearly Avg.	0.1%	1.1%	2.0%	1.9%	1.7%	1.7%	3.3%	6.1%	N/A

Source: U.S. Bureau of Labor Statistics.

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 *2023 Mortgage Survey Report* of lending institutions. The table below gives the reported rate and points for the past ten years as reported by the *Mortgage Survey*.

²⁵ 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.

2023 Mortgage Survey²⁶
Average Interest Rates and Points for
New and Refinanced Permanent Mortgage Loans 2014-2023

New Financing of Permanent Mortgage Loans, Interest Rate and Points										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Avg. Rates	4.9%	4.3%	4.0%	4.3%	4.8%	4.7%	4.0%	3.8%	3.9%	6.0%
Avg. Points	0.54	0.70	0.42	0.44	0.44	0.38	0.22	0.38	0.32	0.29

Source: 2014–2023 *Annual Mortgage Surveys*, RGB.

NYS Homes and Community Renewal (HCR) Registration Data for Rent Stabilized Hotels

An analysis of 2021/2022 HCR registration data identified registration records for 83 hotels and 239 rooming houses (a total of 322 buildings). These 322 buildings contained 6,245 hotel units and 4,806 rooming house units (a total of 11,051 units). Slightly fewer than half of these units (5,382) were registered as “rent stabilized,” with most units including corresponding rent data. The balance of the units (5,669) were registered as either vacant or exempt. For those units where rent data is reported, the median legal rent is \$867 for hotels and \$1,189 for rooming houses (with an overall median of \$1,018). The average legal rent is \$1,046 for hotels and \$1,099 for rooming houses (with an overall average of \$1,075). The median “rent received” (the legal rent, except in cases where there is a preferential rent provided) is \$745 for hotels and \$1,010 for rooming houses (with an overall median of \$864). The average “rent received” is \$881 for hotels and \$1,006 for rooming houses (with an overall average of \$948). In addition, a longitudinal analysis of the change in rent in the same set of units in both 2021 and 2022 shows that the median legal rent rose 14.1% in hotels, was unchanged in rooming houses, and rose 8.8% overall. The average legal rent in the longitudinal sample rose by 5.1% in hotels, 1.2% in rooming houses, and 2.7% overall. For the “rent received” by owners in the longitudinal sample, the median rose by 0.7% in both hotels and rooming houses, and 5.2% overall. The average “rent received” in the longitudinal sample rose by 3.5% in hotels, 1.9% in rooming houses, and 2.5% overall.²⁷

SRO Housing and Airbnb Rentals

SRO owners may convert SRO housing to other uses after obtaining a “Certification of No Harassment” (CONH) from the NYC Department of Housing Preservation and Development (HPD). For the second consecutive year, the number of CONHs granted by HPD rose, by 46.0% (to 92) in 2022.²⁸

Efforts are also underway to ensure that units meant to provide permanent housing are not used as transient hotels. As of May 1, 2011, a law was passed clarifying that Class A multiple dwellings were only to be used for occupancy of 30 consecutive days or more,²⁹ and on October 2, 2012, a companion law was passed strengthening the City’s ability to crack down on housing being used illegally for transient occupancy.³⁰ In addition, a bill in October of 2016 authorized fines up to \$7,500 for illegally

²⁶ 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.

²⁷ 2021 and 2022 NYS Homes and Community Development apartment registration files.

²⁸ NYC Department of Housing Preservation and Development.

²⁹ Press Release, Mayor’s Office. “Mayor Bloomberg Announces Results of City’s Efforts to Curb Dangerous Illegal Hotels in New York City After State Legislation Enhances Enforcement Abilities.” April 27, 2012.

³⁰ Local Law No. 45 of 2012 (Council Int No. 404-Aof 2010).

advertising short-term rentals in Class A Multiple Dwellings.³¹ On January 3, 2021, New York City’s Booking Service data reporting law took effect. All transactions for listings that have five or more nights booked per quarter will be reported to the Mayor’s Office of Special Enforcement (OSE) if the listings offer entire home rentals or home rentals to three or more individuals at the same time.³² In January 2022, another law (Local Law 18) was enacted to help curb the use of permanent housing for short-term rentals. The law, which took effect on March 6, 2023 and will be enforced as of July 2023, requires anyone wishing to operate as a host of a short-term rental (a rental of less than 30 days) to register with OSE and receive a registration number. Violations of Local Law 18 can lead to fines of up to \$5,000.³³

In 2022, 1,801 violations were issued by OSE relating to the illegal short-term rental of units (including apartments, private homes, and SROs). Note that the proportion of B263 violations (which are issued for a failure to comply with an order to file a certification of correction with DOB) is generally no higher than approximately a quarter of all total violations and averaged just under 15% from 2017-2022 (excluding 2021). However, in 2021 they comprised approximately three-quarters of all violations, as a result of OSE conducting compliance checks on properties with uncorrected immediately hazardous violations. The proportion of B263 violations fell to only 8% in 2022, and so while the total number of violations fell 34.7% in 2022 as compared to 2021, the number of substantive violations rose 134.0%. Almost half of the violations in 2022, 857 (47.6% of the total) were for dwelling units in Brooklyn, with 452 violations in Queens (25.1% of the total); 432 violations in Manhattan (24.0% of the total); 49 violations in the Bronx (2.7% of the total); and 11 in Staten Island (0.6% of the total). Between May 2011 and December 2022, approximately 24,500 violations have been issued by OSE as part of its efforts to address illegal short-term rentals.³⁴

OTHER RELEVANT INFORMATION

The NYS Division of Housing and Community Renewal released a memo to the Board dated May 23, 2023 in which they outline information from their registration database relating to Hotels/SROs/Rooming Houses. The following is an excerpt from that memo (Pages 2-3):

- 9. What is the total number of SRO/Hotel units registered with the DHCR in 2022? How many of these units are rent stabilized? How many are temporarily and permanently exempt? How many are registered as transient? How many as vacant?

Rent Stabilized Units	10,002
Vacant Units	1,534
Temporary Exempts Units	5,209
Permanent Exempt Units	31
Total Number of Units	16,776

- 10. What is the total number of SRO/Hotel units registered with the DHCR on an annual basis from 2009-2022?

- **In 2009 the total number of units registered was 25,343**

³¹ “Cuomo Signs Bill That Deals Huge Blow to Airbnb.” New York Post. October 21, 2016.

³² <https://www.nyc.gov/site/specialeenforcement/reporting-law/reporting-law.page>

³³ <https://www.nyc.gov/site/specialeenforcement/registration-law/registration.page>

³⁴ Office of the Criminal Justice Coordinator, Mayor’s Office of Special Enforcement.

- In 2010 the total number of units registered was 26,340
- In 2011 the total number of units registered was 25,763
- In 2012 the total number of units registered was 25,156
- In 2013 the total number of units registered was 23,547
- In 2014 the total number of units registered was 23,581
- In 2015 the total number of units registered was 23,075
- In 2016 the total number of units registered was 21,698
- In 2017 the total number of units registered was 21,396
- In 2018 the total number of units registered was 21,239
- In 2019 the total number of units registered was 20,454
- In 2020 the total number of units registered was 19,112
- In 2021 the total number of units registered was 17,012
- In 2022 the total number of units registered was 16,776

11. What is the average and median rent for rent stabilized SRO/Hotel units in 2022?

- The average rent stabilized rent for SRO/Hotel units in 2022 is \$1,518; the median rent is \$1,308.

[END OF MEMO]

NOTE

In the past, the Board has adopted rent increases to the rent stabilized hotel universe. In the most recent years in which the Board adopted rent increases, the Board adopted a proviso designed to provide preconditions for owners seeking to take the increases. Since the Board has voted a 0% increase for all classifications of rent stabilized hotels this year, this proviso is not included in Hotel Order 53. If the Board grants increases in future Hotel Orders, the current members of the Board suggest that future Boards consider reinstating this proviso or some form thereof. Below is the proviso and explanatory language previously adopted in Hotel Order 41:

Rooming house, lodging house, Class B hotel, single room occupancy building, and Class A residential hotel owners shall not be entitled to any of the above rent adjustments, and shall receive a **0% percent adjustment**, if permanent rent stabilized or rent controlled tenants paying no more than the legal regulated rent, at the time that any rent increase in this Order would otherwise be authorized, constitute fewer than **85%** of all units in a building that are used or occupied, or intended, arranged or designed to be used or occupied in whole or in part as the home, residence or sleeping place of one or more human beings.

The following outlines the Board's intent for the proviso:

The Board's intention for the meaning of this proviso is that ALL dwelling units in the hotel, whether occupied, vacant, rented to tourists, transients, contract clients, students, or other non-permanent tenants, or to permanent rent stabilized tenants, be counted in the denominator of the calculation. The only type of units in the hotel that may be excluded from the denominator are units that are used as stores or for similar business purposes such as a doctor's office. The numerator of the calculation is the number of units occupied by permanent rent stabilized or rent controlled tenants.

Here are two examples. One: a hotel has 100 units and 2 stores. 32 units are rented to permanent rent stabilized tenants, 10 are vacant and 58 are rented to transients and tourists. The calculation is as follows, the denominator is 100 and the numerator is 32. This calculation results in an occupancy percentage of LESS than 85% under the formula (32%) and an increase CANNOT be taken for the permanent stabilized tenants.

Two: a hotel has 150 units, 2 of which are used by a dentist and a doctor for their businesses, 8 are rented to tourists, 5 are vacant and 135 are occupied by permanent rent stabilized tenants. The denominator would be 148 and the numerator would be 135. This calculation results in an occupancy percentage of GREATER than 85% under the formula (91%) and an increase CAN be taken for the permanent stabilized tenants.

VOTE

The vote of the Rent Guidelines Board on the adopted motion pertaining to the provisions of Order Number 53 was as follows:

	<u>Yes</u>	<u>No</u>	<u>Abstentions</u>
Guidelines for Hotels	6	3	-

Dated: June 21, 2023
 Filed with the City Clerk: June 27, 2023



Nestor Davidson
 Chair
 NYC Rent Guidelines Board

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Written, oral and video submissions by tenants, tenant organizations, owners, and owner organizations.



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Nestor Davidson
Chair
Rent Guidelines Board

Re: 2023 Rent Guidelines

No. 2023 RG 023

Dear Chair Davidson:

Pursuant to New York City Charter § 1043 subd. c, the above-referenced rule has been reviewed and determined to be within the authority delegated by law to your agency.

Sincerely,

/s/ Steven L. Goulden

STEVEN GOULDEN
Senior Counsel
Division of Legal Counsel

cc: Andrew McLaughlin