The Rent Guidelines Board

Housing NYC: Rents, Markets and Trends '98

October 1998

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Acknowledgments

Housing New York City: Rents, Markets, Trends '98 contains the research reports produced by the staff of the Rent Guidelines Board (RGB) during the 1998 guideline season. These reports are used by the Board to establish rent adjustments for New York City's one million rent-stabilized apartments. The reports represent a collaborative effort by the research staff, which is responsible for collecting, analyzing, and synthesizing all the necessary data in each report.

For seven years, Andrew McLaughlin has been coordinating the Price Index of Operating Costs (PIOC) for Rent-Stabilized Apartments. Andrew supervised the collection of price quotes for the vendor and owner surveys and managed the temporary PIOC staff, which this year included Shirley Jackson, Wardell Snipes, Jr., Tonia Sandy, and Johanna Tinjaca. Besides the PIOC, Andrew also designed and formatted this book and all the reports contained in it.

In addition to the price index, the RGB staff produced six other reports in 1998. John Choe expanded the number of institutions surveyed in this year's Mortgage Survey and reported on the economic and demographic indicators included in the Income and Affordability Study, which included a new section on "out-of-pocket" rent compiled and written by Karen Destorel. Karen and John also collaborated on this year's Housing Supply Report. Anita Visser juggled her analysis of income and expense data on stabilized buildings for the Income and Expense Study with substantial undertaking of the administration, analysis and drafting of a new optional study, the Recent Movers Survey, derived from more than 8,000 New York City residents. Every member of the RGB staff assisted in the production of the Recent Movers Survey. Wardell Snipes, Jr. was invaluable for his careful handling of the surveys and diligent data entry skills. Leon Klein tabulated returned mail. Andrew, Cecille Latty, John and Karen checked and entered data.

Though these reports are produced entirely "in-house," our research efforts would not be possible without assistance from many others. We wish to extend our gratitude to the following people: Moon Wha Lee and Blondel A. Pinnock at the NYC Department of Housing Preservation and Development, where we obtain much of our data on federal funding for NYC housing programs, tax benefits and City-owned properties; George Sweeting at the Independent Budget Office for providing information on NYC real estate tax rates; Farid Heydarpour at the NYC Comptroller's Office; Art Shulman of the NYS Division of Housing and Community Renewal; Douglas Layne, Anita Mullin and Barry Duchan at the NYC Department of Finance, Real Property Division for providing the income and expense data; Warren Liebold at the NYC Department of Environmental Protection for water/sewer billing data; Bill Sears at the NYC Department of City Planning and Fred Badalamenti at the Department of Buildings for their help obtaining Citywide construction data, Alan Louis at the NYC Sheriff's Office and Robert Eisman at the Bureau of City Marshalls for information on evictions; and, Ernesto M. Belzaguy at the NYC Civil Court for data on housing court proceedings. Special thanks are also due to Leonard Linder at the NYC Department of Finance for providing the data for the real estate tax component of the 1998 PIOC.

Many thanks are due to Mercury at Magic Circle Printers and Bruce and Louis at Ever Ready Mail Service Co. for their quick, courteous and conscientious processing of the Recent Mover Study mailings. Special thanks are due to the Division of Housing and Community Renewal for providing the 1997 registration data so quickly; Alan Fox at the U.S. Housing and Urban Development Department provided superb advice and consultation on surveying techniques, and we are indebted to professors Vernon Greene and Stuart Bretschneider at the Maxwell School, Syracuse University, for their rigorous consultations on survey methodology.

Much appreciated are the following agencies, which provided useful data: the U.S. Census Bureau, which undertakes the triennial Housing and Vacancy Survey and supplies data from other surveys, including the American Housing Survey; the Bureau of Labor Statistics; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; Department of Housing and Urban Development, Economic and Market Analysis Division, the Russell Sage Foundation, and the Energy Information Administration. At the state level, additional sources include: the Attorney General's Office, Real Estate Division; Deputy Comptroller's Office, and the Department Labor's Research and Statistics Division. Sources at the local level include: the Department of Finance, which supplies real estate tax and RPIE data, the Mayor's Office of Operations, the Mayor's Office of Immigrant Affairs, Department of Health, and the Office of Management and Budget.

Douglas Hillstrom
Executive Director

Chairman's Letter
Preface to the Recent Movers Survey

Unfortunately, of all major areas of civic policy, fewer are less prominent in the thoughts and actions of public officials,the media and the electorate than are housing concerns. While officials and the media regularly concern themselves with issues impacting upon public safety, education,transportation and the "quality of life," it is only episodic that housing concerns receive priority attention.

Indeed, even in a complex and sophisticated city such as New York, while most major media outlets have numbers of full-time sports, gossip and entertainment reporters, few, if any, have even one reporter whose primary duty is to report upon housing issues.

Sadly, in New York the one instance in which the public and media's attention is drawn to housing issues involves those few occasions when the state's rent regulatory scheme is at issue.[1] Indeed, politicians find this issue so distasteful and potentially harmful to them at the polls that they avoid addressing these concerns whenever possible. As just one example,which is detailed below, having had to address the future of the state's rent regulatory scheme in 1997, the Legislature found the experience so traumatic that it assured, *by law*, that it would *not* have to revisit this issue at least until 2002.

This report seeks to analyze the impact that certain aspects of the Legislature's 1997 enactment have had to date. In reviewing this report, readers should bear in mind that:

(1) the statistics set forth in the body of this report were compiled and/or collated by the non-partisan, highly acclaimed research staff of the New York City Rent Guidelines Board (the "RGB");

(2) the opinions set forth in this preface are those solely of the RGB's Chairman;and

(3) above all, the policies, which gave rise to those statistics and opinions are entirely those of the New York State Legislature.

Moreover, the purpose of this report is neither to endorse nor criticize any legislative policy, but rather to attempt to gauge its effect.

Exegesis Of This Report

Last summer, after prolonged and often acrimonious debate, the New York State Legislature approved the Rent Regulation Reform Act of 1997, (hereafter referred to as the "Rent Act"). In January, when the memory of that legislative brouhaha still was relatively fresh in the public's mind, the RGB Chairman and staff decided to attempt to analyze certain aspects of the Rent Act's complex, often poorly written,provisions. In conducting this study, the RGB sought to continue its policy under the current mayoral administration of undertaking at least one optional study per year of a topic which impacted upon the general condition of New York City's residential housing stock.

Although a number of the prior RGB special studies have been controversial,several contributed to a re-evaluation of City policy and, on occasion, helped serve as a catalyst to change. As one example, the RGB's 1995 study of the "*in rem*" housing policies of twenty major cities nationwide contributed to the current administration's overhaul of this City's decades-old, ineffective,shockingly costly, and largely self-defeating *in rem* housing policy. Indeed, as a result of this RGB study, several of the cities which assisted the RGB in gathering the necessary information for this study revisited their *in rem* policies as well.

Similarly, the RGB's 1995 study of "distressed housing" assisted the City's Department of Housing Preservation and Development to (a) compile a profile of the types of residential buildings likely to be financially distressed—and thus possibly abandoned, and (b) establish an "early warning"

1. Even though the rent regulatory scheme is a creature of state legislative policy, approximately 90% to 95% of all units affected are in New York City.

intervention system whereby City agencies could assist the private owner to maintain his building and avoid any abandonment.

It was in that spirit that the RGB has sought to analyze some of the Rent Act's effects *even though* the Rent Act itself sets forth that these and other issues will not be re-evaluated by the Legislature any earlier than the year 2002.

Initial Caveat

Gathering statistics almost always is easier than interpreting them. One initially notes that the Rent Act is barely one year old. Further, and as is detailed in the body of the Recent Movers Survey (page56) itself, the universe of renters surveyed included those who, (a) moved between June, 1997 and March,1998, and (b) moved into an unregulated vacant unit or a unit rent regulated prior to the Rent Act's enactment in June,1997.

Thus, as with the maxim that "all new brooms sweep clean," it may take several years, rather than the initial nine months, for analysts and statisticians to have a greater grasp of any benefits,demerits,unexpected glitches and unanticipated bonuses which the Rent Act in general, and the few specific aspects analyzed herein,may hold for the long-term.

Key Consideration

As noted above, the Recent Movers Survey is not intended to endorse or criticize any actions taken in 1997 by the Legislature in enacting the Rent Act. All such actions were entirely within that elected body's prerogative, and the report accepts that the final enactment, as reflected by the Rent Act's provisions, must be deemed to represent the public policies which the Legislature deemed to be in the best interests of this state. While neither landlords nor tenants were completely (perhaps not even "mostly") satisfied with the Rent Act's final form, it will be state law for at least the next half-decade.

The Vacancy Allowance

The Recent Movers report analyzes three specific Rent Act policies. The first is the *"vacancy allowance."* Contrary to a misunderstanding by some, when a rent regulated unit becomes vacant, most landlords may *not* charge an incoming tenant any rent the landlord wishes.[2] That is, generally a landlord may *not* charge "whatever the market can bear." Rather, as has been prescribed by state law since rent stabilization first was enacted,the overwhelming majority of landlords could increase the previous legal rent *only* if the RGB so allowed. In fact, but for one year, the RGB always has approved a vacancy allowance – sometime generous,sometimes modest.

The RGB's approval of vacancy allowances was in keeping with the Legislature's intention to (a) provide strong protections for any *in-place* tenant, while (b) shifting any additional burden to an *incoming* tenant (who obviously has the option to agree beforehand to rent at the increased level),thereby helping to gradually move New York City's residential housing stock back to market levels.

In 1997, the Legislature essentially preempted the RGB by enacting a statutory vacancy allowance.[3] This provision allows a landlord of a rent regulated unit to add 18% (for a one-year lease) to the previous legal rent of the apartment when offering that apartment to rent to a new tenant.[4] As an example:

Step 1: The *in-place* tenant is paying $600 in rent (i.e.slightly less than the approximate median rent for all rent regulated units in New York City);

Step 2: That *in-place* tenant then vacates that $600 unit;

Step 3: The landlord then may add 18% of the legal rent of $600 (for a one year lease)—in this instance, $108—to the legal rent, and thus offer that unit to an incoming tenant for a minimum rent of $708.

2.Analysis of the exceptions to this rule constitutes a part of the report.

3. Although the RGB remains at liberty to authorize a vacancy allowance in addition to the allowance provided by state law, it declined to do so in 1997 and in 1998.

4. In fact, that convoluted,horribly written provision allows for a vacancy allowance of 20% when a tenant chooses a two-year lease, and for more than 20% in some other instances, especially when the prior tenant had been in occupancy of that unit for more than eight years. For simplicity sake, though, we assume that all vacant units were eligible to receive a flat 18% vacancy allowance which is the *minimum* available given the RGB guidelines which were in effect for 1997/98.

Added to this new $708 "legal rent" would be any qualifying individual apartment improvements, (a topic discussed in greater detail below). For instance, if the landlord installed a new stove costing $800, 1/40th of this amount ($20) could be added to the $708 legal rent for a total of $728.

While landlord advocates were disappointed that the Legislature didn't opt for full vacancy decontrol—that is,allowing landlords to charge incoming tenants whatever the market would bear—and while tenant advocates claim this minimum 18% increase was too generous,one overriding consideration is indisputable:

(1) by enacting this 18% statutory vacancy allowance;and

(2) knowing that this statutory allowance would be coupled with any guideline increases approved by the RGB,

the Legislature presumed that rents for vacant rent-stabilized apartments would mostly rise a ***minimum*** of 18%.

As will be seen from the statistics set forth in the Recent Movers Survey, though, the most striking finding is that in most parts of the City, rents for vacant rent-stabilized units did *not* rise by the percentages which the Legislature presumed would come to pass.

Luxury Decontrol

The "Movers Report" distinguishes this second Rent Act policy, under analysis (so-called "Luxury Decontrol") from the third Rent Act policy (so-called "Vacancy Decontrol"). As a caveat,there are reports and housing experts who group these two policies together.

As detailed in the "Chairman's Letter" to the 1997 compendium of RGB reports,[5] many were at a loss to understand why the Legislature wasted so much time, energy and political capital on this issue. It proved to be "sound and fury, signifying nothing."

Prior to the Rent Act, the Legislature's policy had been that a tenant would not be entitled to the protections offered to other rent-stabilized tenants if that person (a) enjoyed a gross income of $250,000 or more for two consecutive years, and (b) that person's apartment rented for $2,000 or more per month.[6] At least as reported by the media, the Legislature spent a disproportionate amount of time debating this issue before agreeing to lower the income levels from $250,000 to $175,000.[7]

At the time this reduction in income levels was being enacted, the RGB noted that this change would affect a maximum of 2,699 households out of a rent-regulated universe of over one million households. In fact,only about fifteen hundred apartments have been "luxury decontrolled" since this general policy was first enacted in 1993.

Vacancy Decontrol

The Rent Act allows landlords of units with legal rents *at or above* $2,000 to charge market level prices *for incoming tenants.* It is important to note that if an *in-place* tenant were paying $1,999 when the next RGB guidelines increase pushed that unit's rent level over $2,000, that tenant nevertheless would *continue* to enjoy the protections of rent regulation. In that scenario, the landlord would be able to charge market rate prices *only after* that i*n-place* tenant finally vacated his or her rent-stabilized unit.[8]

Given the Rent Act's minimum 18% statutory vacancy allowance, any apartment now renting for at least $1,695 will reach the $2,000 mark when it next becomes vacant, and thus be eligible for vacancy decontrol. As with the Legislature's other efforts in this area,one must presume that the Legislature intended this result. Notably, with the exception of pockets of upscale housing in "outer borough" neighborhoods such as Brooklyn Heights, this scenario essentially impacts *only* upon units in the so-called "Core Manhattan" area.

5.Copies of all such reports and compendiums can be purchased from the RGB.

6. As is not uncommon with many aspects of this City's and State's housing policies,at first blush this second factor seems counterintuitive. Because this second factor establishes $2,000 as a floor, rather than a ceiling, a person who earned $300,000, but paid $5,000 in rent (i.e. 20% of gross income in rent) would have his or her apartment decontrolled. Conversely, if that same person earned the same $300,000, but paid only $1,500 for that same apartment (i.e. 6% of gross income in rent), that tenant still would continue to enjoy the protections offered by the rent regulatory scheme. Such inanity is not uncommon throughout the Rent Act and related laws.

7. The actress Mia Farrow had the dubious honor to become the "poster girl" for this provision when the media repeatedly reported that her ten or so room suite on Central Park West cost her only $1,500 or so per month in rent. Ms. Farrow's reported decision to vacate that unit apparently was based upon "luxury decontrol" considerations. After the landlord made various upgrades to that apartment—a process described herein—that unit then reportedly became subject to "vacancy decontrol."

8. As with the "Mia Farrow" example in footnote (VII), this assumes, of course, that the tenant enjoyed a gross income of less than $175,000 for two consecutive years. Otherwise, the tenant might be subject to "luxury decontrol."

"The Dog That Didn't Bark"

In a classic Arthur Conan Doyle tale about a watch dog which didn't bark,Sherlock Holmes solved a mystery based *not* upon what *did* happen, but upon what *didn't*. Similarly, what is most striking about the statistics set forth in the Recent Movers report is not what did happen,but what didn't.

Given New York City's current boom economy, the much heated real estate market, the skyrocketing prices in the cooperative and condominium markets (which are not subject to any price controls), the anticipated pressures on residential rents in the most desirable neighborhoods,[9] the statutory minimum 18% vacancy allowance, the likelihood of an increasing number of apartments going to market due to vacancy decontrol,the effect of the RGB's guidelines adjustments, and other factors discussed below (such as the so-called "1/40th" increases),many observers had predicted a "crushing" increase in rents Citywide.

While it is not this author's intent to minimize the impact of any increase in legal rents,particularly since a good number of tenants are struggling to find affordable housing,*the fact as supported by the data in the Recent Movers Survey is that Citywide, rent for the typical vacant rent regulated unit did not even rise by the minimum 18% amount anticipated when the Legislature enacted the statutory vacancy allowance.*

That is, on a Citywide basis, the average landlord could not obtain from an *incoming* tenant the rent levels which the Legislature in its enactment of the Rent Act anticipated that landlords would be able to obtain. Indeed, except for the so-called "Core Manhattan," i.e. those much-desired neighborhoods in Manhattan (generally) south of 96th on the East side and 110th Street on the West side, *few* areas in the City could support an 18% increase in the rents of the rent-regulated units.

No doubt the causes and ramifications of this striking finding will be open to debate,including the unavoidable conclusion that in many areas, the regulated rents and unregulated rents of similarly situated units are fairly close to each other. This may prove to be an especially contentious assertion since 2,400,000 New Yorkers are rent regulated, but 4,800,000 are not. Moreover, some landlord advocates no doubt may argue that the relevant "housing market" no longer is just the five boroughs,but should include the surrounding suburbs,thereby further diluting the impact of the Rent Act upon the ability of the average person to find suitable and affordable housing.

Individual Apartment Improvements - The So-Called "1/40ths"

For many years,landlords were -- and remain – able to raise the legal rents of their apartments by means of an "individual apartment improvement," which in housing policy jargon commonly is called a "1/40th." While a 1/40th may be done while a tenant is in occupancy, the New York State Division of Housing and Community Renewal (DHCR), which monitors all rent regulated units throughout the state, estimates that a large proportion of 1/40ths are performed after a tenant vacates the unit.

Essentially, this policy, which the Legislature envisioned as a means to provide landlords with inducements to further maintain and upgrade their apartment units, allows a landlord to add 1/40th of the cost of certain improvements to the unit's legal rent. Thus, if a tenant vacated a unit with a legal rent of $600, and the landlord made $4,000 in improvements (e.g. upgraded a kitchen's cabinets, fixtures,etc.), the landlord would be entitled to add 1/40th of the cost of those improvements -- or $100 – to the legal rent, raising it in our example to $700.

Such a 1/40th increase would be *in addition* to any other allowable increases,such as those provided by vacancy allowances and/or RGB guidelines adjustments.

Tenant advocates often argue that 1/40ths are too generous because after the landlord recoups the cost of the improvements,the 1/40th increase remains a permanent part of the legal rent. Landlord advocates conversely argue that especially in boom economic times such as these, having to wait nearly three and one-half years to recoup one's investment hardly is much of an incentive to make these repairs. Smaller, less affluent landlords, especially those who own buildings in economically marginal neighborhoods, further note that they often don't have the financial resources to make significant upgrades anyway.

The inability of the average landlord to obtain the statutory minimum 18% vacancy allowance likely will have a profound impact upon the number of 1/40th upgrades being undertaken. Moreover, it may have an unanticipated,almost perverse effect that runs counter to what reasonable public policy should be.

Initially on this point, tenant advocates on the RGB regularly note that the average Citywide increases in rent levels far exceed the increases which would have resulted were such increases to be calculated solely upon vacancy allowances and RGB guidelines adjustments. The clear implication to this truism is that landlords have other means to raise rents,including,and perhaps especially, the 1/40ths.

9. In 1997, when the possible end of rent regulation loomed, tabloid headlines screamed that average rents in areas such as Manhattan's Upper West side might soar 50% to 100%.

Notably, the average increase in Citywide rents as demonstrated by this "post-Rent Act" report is not that much greater than the average yearly increase which occurred prior to the Rent Act's enactment. This is important for two reasons. First,any allegation of "skyrocketing" rent increases clearly must be dismissed on two grounds. Post-Rent Act yearly increases, while greater than the pre-Rent Act yearly increases,are not so much more as to "shock the conscience." Moreover, as noted earlier, the average increases fall *below* that which the Legislature expected and approved when it enacted the minimum 18% vacancy allowance.

The second point is one of common sense which only future statistics can bear out: if the average landlord is unable to obtain even the minimum 18%, he will have little incentive to make individual apartment improvements since he won't be able to recoup his costs via any increased rents. Thus, even though individual apartment improvements are enormously important if New York City is to maintain and modernize its housing stock—one in which the average building is over fifty years old—under the trends likely to be spawned by the Rent Act,there likely (and understandably) will be a decrease in the number of 1/40ths undertaken.

Finally on this point, during the 1997 Legislative debates, many assumed that landlords of "vacancy decontrolled" units would have little incentive to make 1/40ths since they already could charge what the market could bear, while landlords of lower- to middle-rent units would have a great incentive to make 1/40ths in order to raise rent levels to the presumed "astronomic" free market levels. Based upon the admittedly scant post-Rent Act evidence to date, it appears that the *opposite* already is beginning to happen: namely, high-end landlords in highly-desirable neighborhoods (particularly in Manhattan) are making enormous improvements in order to justify the large rent increases that they hope this booming economy can support. Conversely, landlords of low- to middle level units (especially outside Manhattan) are beginning to realize that from a straight economic standpoint, it makes little sense for them to make upgrades when they will have difficulty recovering those costs.

Some tenant advocates no doubt will argue that it made little policy sense to allow landlords to enjoy a minimum 18% vacancy allowance without requiring them to upgrade their units. Some landlord advocates no doubt will counter that in addition to the general policy of allowing vacancy allowances to help gradually move the residential housing universe back to market, the 18% vacancy allowance in fact allows smaller, poorer landlords,particularly in the Bronx,Brooklyn and Queens, to realize a greater revenue stream that will enable them to maintain their buildings in general.

Intuitive Concerns

Several months preceding the release of the Recent Movers Survey, the *New York Times* noted the difficulty many New York City tenants were having paying rent, even during this general boom time. That same article noted that many household incomes were only $20,000 to $30,000.

Thus, even though the average rise in rent Citywide for vacant apartments found by the Recent Movers Survey was "only" 12%—as opposed to the 40%, 50% and 60% horror stories which the tabloids had touted during the 1997 legislative debates—such an increase on a $600 unit still would raise the legal rent to $672. This $864 per year increase,($72 x 12),no doubt can cause hardships and financial strains for many households.[10]

No doubt one reason why rents haven't risen to the higher levels anticipated by the Legislature when it enacted the Rent Act is that market forces have begun to prevail in many areas. That is, many tenants simply cannot afford to pay more, and while landlords understandably want to maximize the rents they receive, if an apartment's rent is at a level at which the landlord can make some profit, that landlord will continue to rent that unit, rather than keeping it vacant while awaiting a tenant willing to pay a rent which would be unreasonably high for that neighborhood.

In many parts of the City and particularly outside "Core Manhattan," rents thus may be approaching market levels simply because tenants can't afford to pay more. Indeed, the minimal difference in the rent levels of regulated and unregulated units in a number of neighborhoods may substantiate this hypothesis.

Disturbingly, increasing numbers of poorer tenants may be "doubling up," with two families living in an apartment designed for one. This development serves no one's best interests. Tenants are cramped, often in overcrowded,occasionally unsafe conditions, while the strain on a building's services and infrastructure acts against a landlord's interest. Indeed,if there is one financial time bomb which all middle-sized to smaller landlords especially fear will drive them out of business, it is the potential catastrophic increase in water and sewer rates.

10. Tenant advocates often note this fact when arguing that the RGB should endeavor to keep guideline increases as modest as possible, almost as if the RGB's mandate required it to serve as a de facto social service agency. Conversely, landlord advocates will argue that (1) it is unwise policy to place the burden for providing "affordable" housing on private sector landlords who, in economically depressed neighborhoods, often are not much better off financially than their tenants, and (2) in any event, the burden for insuring that poorer tenants that do not have sufficient means to afford housing should fall on the public at large.

Thus, in an apartment designed for two or three persons,having six or seven persons flush toilets, take showers, open sink taps,etc.could prove to be a crushing blow to many smaller and poorer landlords.[11]

Finally, there is a category of poor, exploited tenant for whom rent regulation has little import. Perhaps there is no more recent,tragic example of this than the four immigrants who burned to death last year in Maspeth. They had been among ten or so tenants who had been living in an illegally converted basement unit when a fire erupted. While many officials and the media predictably issued sanctimonious condemnations of the conditions which led to this tragedy, little further has been done to alleviate the lack of inexpensive accommodations which contributed to this incident.

Ironically, such illegal housing arguably may be an unofficially welcomed resource—at least in the short run—until legal, code-compliant,low rent housing can be constructed. This unfortunate fact may be better understood if one considers that the alternative to this overcrowding and/or rental of illegal units would be homelessness altogether.

Although it is a topic not germane to this report and certainly too complex to detail in this commentary, one hopes that State and City leaders will revisit the entire issue of the "residential hotel and single room occupancy" universe. Even as it shrinks in size due to notable economic pressures, the present "hotel and SRO" system continues to fester, and advocates for it have proven incapable to date of coalescing sufficient political opinion to bring about a much needed change in policy.

Need For New Housing

The current rent regulatory scheme,which had its origins in the 1940s, arose from a legislative determination that the demand for housing in New York City so exceeded the supply that it would be poor public policy to rely upon "normal" market mechanisms alone to alleviate this "crisis." Therefore, the Legislature decided to institute rent controls to prevent what it feared would be the imposition by too many landlords of unduly high rents upon too many tenants who lacked any reasonable alternative for their housing needs.

More than fifty years later, this acute supply shortage remains. Indeed, by law rent regulation would end if the Citywide vacancy rate (as determined by the "Housing and Vacancy Survey," a special triennial study conducted by the Census Bureau) were ever to exceed 5%. In the past decade or so, this vacancy rate hovered between 3.5% and 4%, and no one should underestimate the enormous amount of additional housing which would be required to reach that 5% mark.

The fact thus remains that whether one favors yet stricter rent controls or, conversely, a more rapid return to free market status, New York City's tight housing market will continue until new stock is built. Unfortunately, the trends auger in the other direction.

In the 1970s, for instance, even as adverse economic times swept many parts of the nation and New York City in particular,[12] each year tens of thousands of new housing units were constructed Citywide. In depressing contrast,during the 1990s, yearly construction starts averaged 6,000 or so.

Indeed, it is questionable whether these new starts are sufficient even to replace the number of units lost in the normal course to age, abandonment, fire,conversion to other purposes, etc. Even worse,virtually all major privately funded construction projects in the 1990s were in Manhattan,which alone among the boroughs offered a builder the likelihood of obtaining the high rents necessary to make these construction projects economically feasible.

At the risk of understatement,this is not an encouraging trend.

While suggestions such as the following one are easier said than done, one hopes that City and State officials will conduct a "housing summit" to consider any and all measures that might induce private sector builders to construct more housing, including units at rent levels necessary to service and thereby retain in New York City the much-maligned "middle class." No such conference could produce reasonable,effective proposals without the input of those very private sector builders on whom the City traditionally has relied to create most of its housing stock.[13]

Given this City's growing crisis—half the stock is more than fifty years old, while a shocking percentage was constructed 75 to 100 years ago—such a summit could not occur too soon.

11. In a 1993/94 survey, the RGB asked landlords to name the one -- and only one -- factor affecting their profitability that they most would like see changed. 25% said rent regulation, while 30% said the travesty that parades as New York City's housing court. 40% said water/sewer charges and taxes were their greatest concerns. In the intervening years,like Mark Twain's weather, many people have talked about this problem, but few people have tried to do anything.
12. Among other factors, the "oil crisis" was crippling many parts of the nation while New York City (for other reasons including decades of governmental profligacy) was teetering on the brink of bankruptcy.

Conclusion

Given the many predictions that the Rent Act's "vacancy allowance" and "decontrol" provisions would lead to skyrocketing rent levels for recent movers, the Chairman was somewhat surprised by the relatively moderate increases in Citywide rent levels. This finding,however, should not mislead anyone into believing that New York City has largely resolved its housing shortage or that all tenants ready have access to "affordable" housing. In fact, when the Recent Movers Study is read in conjunction with other RGB reports, a grim picture continues to emerge.

Even in the presence of legislatively-imposed price controls, some market forces inevitably will continue to act. In the circumstances which gave rise to the Recent Movers Report, the relatively moderate rent increases resulted not from either an increase in the general supply of apartments and/or a decline in general demand for housing, but apparently from the inability of many tenants to pay more in rent. Thus, landlords, who understandably wish to maximize their profits, often were obliged to temper their demands because incoming tenants simply could not pay those rents, even though such rent levels were authorized by the Rent Act. As noted, this development may have several unanticipated,and,possibly unfortunate consequences.

If landlords are unable to command higher rents—indeed,many had been unable to command even the minimum vacancy allowances authorized by statute—it is doubtful that landlords will be able to generate the increased incomes which many had anticipated when the Rent Act was enacted. This may well translate into an inability to upgrade particular apartment units and their buildings in general. This does not portend well given that (1) New York City's housing stock continues to age, (2) half of all units are over 50 years old, and (3) yearly construction of new units has been insufficient for at least a decade to replace those lost to abandonment, fire, and other causes. Smaller owners of older buildings in marginal areas may especially be vulnerable.

Speculative investment (in the non-pejorative sense) in housing may diminish in many areas outside Core Manhattan. In the last few decades,especially, New York City has experienced economic cycles wherein investors have purchased seemingly awfully maintained buildings in marginal economic neighborhoods in hopes of profiting during an anticipated boom cycle. Given the findings of this Recent Movers Study, if investors now realize that they will never be able to enjoy significant profits from rehabilitating those buildings due to tenant inability to pay the rents necessary to pay for the costs of those upgrades,perhaps such investment will taper off.

As for tenants, at least two salient considerations result from our "tale of two cities." First, even prior to the Rent Act's passage, it was common knowledge in housing circles that tenants in Core Manhattan (1) paid the highest rents, but (2) also enjoyed the greatest protections offered by the rent-regulatory laws. Were those restraints not in effect, rents in Core Manhattan would have risen significantly.

The Recent Movers Study largely confirms this, but further underscores that recent movers to Core Manhattan—unquestionably among the most desirable residential real estate in the world—are more than willing to pay a premium for living in that area.

As for tenants outside Core Manhattan, a different story emerges. Some are affluent,many are comfortable and are paying rents they can afford, while others are hard pressed. It is the inelastic nature of those tenants' incomes which has served to restrain rent increases. Indeed, as set forth in the Movers Report, while the rents for 28% of all apartments outside Core Manhattan increased by 18% (and presumably could have increased even more for at least some of those tenants), the rents for another 27% of those same recent movers stayed the same or decreased (See page 56).

Ideally, if tenants could afford to comfortably pay more for their units,then landlords could use more of those monies to maintain and upgrade their buildings and individual apartments. Unfortunately, for too many tenants and landlords,this simply isn't possible.

One notes that for several reasons, the study could not definitively draw conclusions about the percentage of recent movers who are paying more than 30% of their income for rent (i.e. the HUD standard of "affordability.") In keeping with standard research principles, the RGB sought to insure the maximum number of responses and thus did not include questions about the tenant's race, religion or income, all of which drive down response rates. Thus, until the RGB can obtain accurate income levels for these recent movers, it will be unable to state with any degree of certainty what percentage of those tenants pay more than 30% of their income in rent.

13. One notes that even during the economic boom times which the city, state and national governments have enjoyed during the last five or so years, government funds to support housing construction and/or underwrite the ability of poorer tenants to afford housing have either remained constant in absolute dollars or, in many instances, been reduced. This factor alone would suggest that if significant amounts of new housing are to be built in New York City, the private sector will have to bear most of this burden, either with or without the encouragement of government programs,tax breaks and/or subsidies.

As for the truly indigent tenants, it probably would be better public policy for all levels of government to increase the amount of stipends and other credits applied to those rents. Taking the opposite approach—i.e. forbidding rents to rise sufficiently in many instances—too often has led to declining housing stock and, at the extreme,outright abandonment by owners.

Finally, and falling well within the category of "easier said than done," the principal long-term cure for the many problems plaguing New York City's residential housing market would be the construction of vast numbers of new units for middle class and poorer tenants. If nothing else,such construction increasingly is needed simply to offset the loss of current housing due to the various reasons set forth above. Given the relatively moderate rent levels which landlords can obtain outside Core Manhattan,it is highly unlikely that private sector developers will build any significant amounts of new housing in those areas absent government incentives and/or subsidies to do so.

Even in Core Manhattan, no small number of large-scale developers have stated that they need to receive rents of $1,500 to $1,800 per one-bedroom apartment to recover their costs and make a profit sufficient enough to induce them to undertake the effort and risk of such projects. Indeed,one reason that large scale construction is unlikely to occur outside Manhattan is that, but for site acquisition costs (which are expensive outside Core Manhattan, but exorbitant within it), virtually all construction costs and other considerations remain constant (labor costs, materials, financial charges, legal and architectural fees, etc.) As indicated by this report, since only Manhattan offers the possibility of a builder attracting tenants willing to pay $1,500 to $1,800 on up, virtually all large-scale construction projects which primarily are privately funded will occur in Manhattan.

Thus unfortunately, large-scale private sector projects aimed at building housing units for the middle class and poor likely will be few and far between.

As always,it ultimately remains within the province of public officials to establish those policies and to create those conditions necessary to address these issues. Thus, as far as housing issues are concerned, one hopes that the New York State Legislature and the New York City Council prove better guardians of the public interest in the future than they have been in the past.

Acknowledgments

Whatever the consequences of the Recent Movers Study—and the RGB hopes they are positive—the report could not have been prepared without the encouragement of the Mayor's Office and the Department of Housing Preservation and Development. Additionally, as the RGB needed two data bases to prepare this report—its own resulting from a survey of over 8,000 recent movers and DHCR's data base of approximately 1,000,000 rent regulated units—the RGB is grateful to DHCR Commissioner Joseph Lynch and his staff for providing the RGB with this essential information.

The report itself could not have been prepared without the diligent work of the RGB's research staff. In particular, high praise is warranted for Andrew McLaughlin, who created the graphics used in the report's presentation, and Anita Visser, who supervised all data collection efforts and assumed responsibility for both that data's initial analysis and the drafting of this report.

Edward S.Hochman
Chairman,New York City Rent Guidelines Board
August 6,1998

State of the New York City Rental Market, 1998

Introduction

Summary

The New York City rental market is in high gear and continues to show signs of robust growth in the short-term. Unlike previous periods of accelerated growth and decline, the current rental market is characterized by higher revenue streams resulting from changes in the rent laws and a booming regional economy, slow growth in operating costs, and improved mortgage financing options. These strengths should help minimize the impact of the inevitable downturn in the business cycle. A number of long-term trends,however, may limit the future vitality of the rental market: a general contraction in public-sector investments for affordable housing, growing income inequality, out-migration of middle-class households, and continued reliance on Wall Street as a source of economic growth.

Owners have benefited from a six-year trend of moderate rent increases, declining vacancy and collection losses, a modest "core rate" of operating cost inflation, and low-rate mortgage refinancing. From 1992 to 1995, there was an 18.4% increase in net operating income (NOI),bringing profitability nearly back to pre-recession levels. Although NOI growth slowed down in 1996 due to unexpected expenses and heavy maintenance expenditures, rents have continued rise for two important reasons. First, the resurgence of the regional economy has helped prolong a business cycle that has dramatically driven up demand for housing.Second,the vacancy allowance provisions of the 1997 Rent Regulation Reform Act has provided an opportunity for owners to boost revenue in many rent-stabilized buildings,particularly in parts of Manhattan.

A low rate of increase in operating costs is also an important factor contributing to rising profitability for owners of rental properties. Despite accelerated growth in the overall economy, there has been no notable increase in price inflation in the past two years. With stable prices for materials purchased by landlords and labor costs under control, the expense side of the profitability equation, like the revenue side, is quite favorable. One factor that may change this equation is the possibility of increased real estate taxes for Class Two properties, which includes rental apartment buildings,coops, and condos. Although Class Two properties will most likely take on a larger part of the tax levy, the extent of the increased burden remains unclear due to unresolved political differences between the Mayor and the City Council.

Another positive trend that will continue to bolster the rental market is the revival of the mortgage financing industry. Mortgage costs have dropped to historical lows and many owners have benefited from refinancing at lower rates. In addition, the secondary mortgage market is expanding and competition among lenders appears to be intensifying, resulting in greater flexibility and lower costs. This competition, coupled with favorable loan terms and the renewed participation of Freddie Mac in the market, will be quite positive for owners in the short and intermediate term.

Market Segmentation

While the Citywide trends noted above appear quite positive,they do not always translate uniformly to all boroughs and neighborhoods. As in many large cities, New York's rental market is segmented by a number of variables: income, ethnicity, and proximity to growth industries and major commercial centers. These variables—which often affect the ability of owners to raise rent levels and find low-cost mortgage financing—differentiate revenue streams from one area to another. The most dramatic division is found between "Core Manhattan" (the area south of East 96th and West 110th streets)—which has some of the highest household incomes and rents—and the rest of New York City.

Rent growth in stabilized buildings is uneven across the City, with Core Manhattan rents growing by 18% from 1993 to 1996 (Income & Expense Study, page 41). The rental market in Core Manhattan,more than any other part of the City, has been the prime beneficiary of a booming regional economy and the vacancy allowance provisions of the 1997 Rent Act. A few blocks to the north, in Central Harlem, the rent growth was only 8% during the same period. In the other boroughs, rents also grew at a slower pace than the Core: 10% in Queens and the Bronx, and 11% in Brooklyn. A similar pattern is found with rents paid by recent movers after the passage of the 1997 Rent Act:the RGB Recent Movers Survey (page 64) found that rents for vacant apartments had increased 21% in Core Manhattan neighborhoods, while only increasing by 7% in northern Manhattan.

Age and size of buildings are another important consideration when analyzing differences in rents collected and profitability. Older prewar buildings (built before 1945) tend to have lower overall costs than more modern postwar buildings (Income & Expense Study, page 100). However, smaller prewar buildings (with less than 100 units) also constitute the vast majority of "distressed" buildings, where operating and management costs exceed gross income. A similar pattern emerges when we look at Net Operating Income (income remaining after expenses are paid). According to this year's Income & Expense Study, prewar rent-stabilized apartment units earned $135 less (per month) than those in postwar buildings. Buildings over 100 units also tend to generate substantially higher NOI than smaller buildings, which are mostly located outside of Core Manhattan. It is this distribution of smaller prewar buildings that is another factor in the widening divergence of profitability between Core Manhattan and the rest of the City. Between 1993 and 1996, Manhattan's NOI growth—driven up by districts in the Core—was 13.3% higher than the growth found in other boroughs.

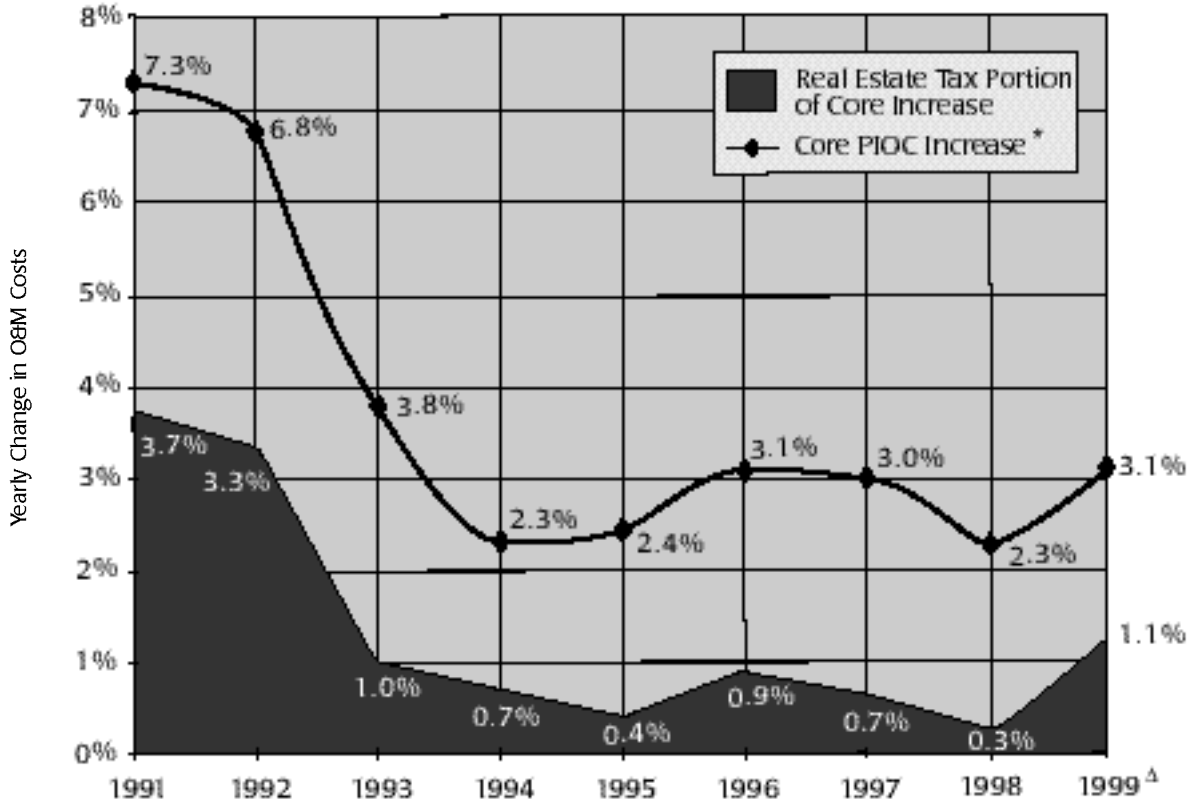
Operating & Maintenance Expenses

Recent History

Operating costs in today's real estate market have been fairly stable, with relatively small increases in the cost of materials and labor. The "core" rate of inflation for maintenance expenses,which measures local trends by factoring out shifts in fuel prices,gas, and electricity rates, has dropped dramatically in recent years. In 1991, landlords'core operating and maintenance (O&M) costs were rising by 7% per year. By 1994, the core rate of inflation had plummeted to 2%. In 1998, operating costs in rent-stabilized buildings were nearly flat, increasing by 0.1%.

A Moderate Increase in Real Estate Taxes May Push Up the Core Price Index Next Year

(Change in Rate of the Core Price Index of Operating Costs, 1991-1999)



ΔThe percent change for 1999 was estimated.
*The Core PIOC has been revised for years 1991-96 due to improved methodology.
Source: RGB Price Index of Operating Costs, 1991-1999

Short-Term Outlook

The overall outlook for New York City's rental market is positive, with moderate increases in most operating and maintenance expenses. The Price Index of Operating Costs (PIOC) for rental properties is expected to grow by 3.5% from 1998 to 1999 due to moderate increases in utility fees, administrative costs, and contractor services. The core PIOC, which factors out fuel and utility costs, should rise by 3.1%, a slower rate than the overall PIOC. Despite this optimistic outlook, potentially high increases in oil prices and real estate taxes may push up overall expenses and have a large impact on the rental market. The extent of such increases will depend on the outcomes of future political and economic events mentioned below.

Real Estate Taxes

Political considerations weigh heavily on any contemporary discussion of real estate taxes, which comprise about a quarter of all expenses for rental properties. In recent years, the Mayor and the City Council have been able to agree on stemming the increasing tax burden on Class Two properties,which include rent-stabilized buildings, co-ops and condominiums. This year, political differences between the Mayor and the City Council have complicated this situation and it is difficult to provide an accurate projection of real estate tax rates for next year and assess their possible impact on the rental market. This, of course, has not affected assessments, which continue to increase—especially in light of the improved economy and hot real estate market. Almost inevitably, higher assessments will mean higher tax bills.

Although the total tax levy for all properties has not significantly increased for several years,[1] the distribution of the levy has shifted and Class Two properties have taken on a larger tax burden. In the past the Mayor and the City Council have agreed on real estate tax changes and even intervened to lower the increase in the tax rate for Class Two properties to 2.4% in FY 1996 and 2.3% in FY 1997.

This year, the two branches of municipal government were unable to find common ground on tax policy. Based on last year's preliminary tax roll projections, the Finance Department should have instituted a 4.9% increase in billable assessments for rental buildings and a 5.3% increase for 4-10 family buildings in 1998. Unable to agree on projections for non-property tax revenue, the Mayor and the Council have each presented budgets with different effects on the property tax levy. The City Council's budget bill would have decreased Class Two tax rates by 2.8%. The Mayor, on the other hand, has instructed the Department of Finance to produce tax bills for FY 1998 that use the same rates as the previous fiscal year. Although these issues are not resolved, it is very likely that new billings will go out in December 1998 increasing the tax burden for Class Two property owners.

Labor Costs

Owners of rental properties have benefited from labor costs that have remained fairly stable in the past two years. Overall, growth in laborer's wages and benefits only rose by 2.7% this year, which is the second lowest rate observed since 1976. Much of this stability results from a decline in inflation-adjusted wages in the construction, trade, and service sectors. With an unemployment rate that is well above the national average, New York City has a large pool of unemployed labor that continues to drive down wages in many of the services needed by owners. The relative weakness of unions has also contributed to this decline. Although last year's contractual agreement between the Real Estate Advisory Board and Local 32B-32J has not yet had a major impact on labor costs, this new contract will effectively create a dual-wage system in which new hires and part-time workers will be paid less than those currently employed.

The new 32B-32J contract should begin to have a larger effect as more owners hire new and part-time building superintendents, doormen, and other unionized laborers. In the short-term, the trends noted above should continue to hold down increases in labor costs next year. Along with growth in non-union wages of 4% and modest growth in benefits, labor costs should rise by only about 3% next year. Stable labor costs are a positive development for the rental market in general, and especially for those owners in small and medium-sized pre-war building that have trouble receiving enough rent to meet operating expenses.

Contractor Services and Administrative Costs

Contractor services, which consist mainly of painting and plumbing costs, also face the same wage pressures affecting janitors and superintendents. Overall contractor service costs increased by 2.7%—the first time in recent years they have accelerated faster than inflation. Repainting costs, which is a major portion of contractor services, continued a trend of low increases observed in recent years and rose by 2.1%. However, plumbers' fees rose 3.1% and elevator maintenance costs jumped 4.4%. It appears that the increase in the latter was due to a new union contract. Although contractor service costs vary widely year-to-year, overall costs should increase by 2.6% in 1998/1999.

Unlike laborers in the service and trade industries, most management companies and professionals have been able to take advantage of the increased demand for their services in the rebounding economy. Administrative costs, which consist of fees paid to management companies, accountants, and attorneys, rose by 3.3%. Management company fees, which comprise two-thirds of administrative costs, have risen from 3.5% to 4.5% in recent years primarily due to the fact that they are tied to apartment rental income. Accountants raised prices by 1.1%, while attorneys' fees rose 4.3%. The strong rental market should continue to boost administrative costs in the near term, with a projected increase of 3.6% for next year.

Water/Sewer Costs

The water and sewer cost situation has begun to improve for many owners of rental properties. Although water and sewer costs have been a significant burden for owners of rental properties in the past decade, recent rate increases established by the New York City Water Board have been substantially lower than projected. The Board's proposed FY 1999 rate increase of 4% is far lower than the 16% average annual increases experienced between FY 1986 and FY 1993.[2] Lower increases should help stabilize rental apartment water costs, which currently comprise 8% of owners' total expenses.

Coming after 5% and 6.5% rate increases, next year's 4% increase appears to reflect a slight downward trend in water and sewage rate hikes. This decline has been achieved despite the fact that the underlying cost factors driving water and sewer rate increases have not changed. The Water Board's ten year capital improvement program (1996–2005) is ambitious and will require floating some $8.6 billion dollars of debt. The high rate increases needed to pay off this debt have largely been offset by increased operating efficiencies. Better management and billing practices, along with a much-improved regional economy, have led to higher collection rates and stronger revenue performance. This trend in turn has decreased the pressure to institute higher rates. The most recent prospectus of the New York City Municipal Water Finance Authority, for instance, projects rate increases of 5.4% in both FY 2000 and FY 2001, considerably lower than in the previous prospectus.

Fuel Costs

The biggest change in this year's cost for owners of rent-stabilized buildings was the deep cut in fuel oil costs. Overall, fuel costs plunged 15% in 1997 (5% due an unusually mild winter and 10% due to price cuts). This decline in fuel costs—further exacerbated by the worsening Asian economic crisis—is an encouraging sign for owners who suffered in 1996, when fuel costs shot up almost 30% due to an abnormally harsh winter and low worldwide oil inventories.

Energy prices, which depend heavily on volatile weather patterns as well as unpredictable political and economic events, may rise again in 1998 if "normal" weather patterns return to the NYC metropolitan area. However, our initial projection of a 6.9% increase in fuel oil costs next year (see Price Index of Operating Costs, page 32) was developed before the widening economic crisis in Asia and Russia, where a declining demand for petroleum has sent prices plunging worldwide. According to the federal Energy Information Administration, excess global petroleum supplies have caused average monthly spot prices for crude oil to fall to nine-year lows beginning spring 1998. In reaction, major world oil suppliers pledged significant cuts in production for the second time in three months.

Reasonably complete implementation of the cuts pledged to date by producers should keep prices above recent lows for the rest of the year. However, oil prices in 1998 are expected to fall to $12.57 per barrel,which is $6 below 1997 levels. Asian oil demand has continued to weaken and U.S. demand growth has been below expectations despite continued solid economic growth. Uncertainties exist about the economic situation in Japan and the former Soviet Union. Unless oil production cutbacks exceed expectations, world petroleum stock levels could remain high (and prices low) throughout the rest of 1998 and into 1999, a favorable development for owners of rent-stabilized property.

Rents

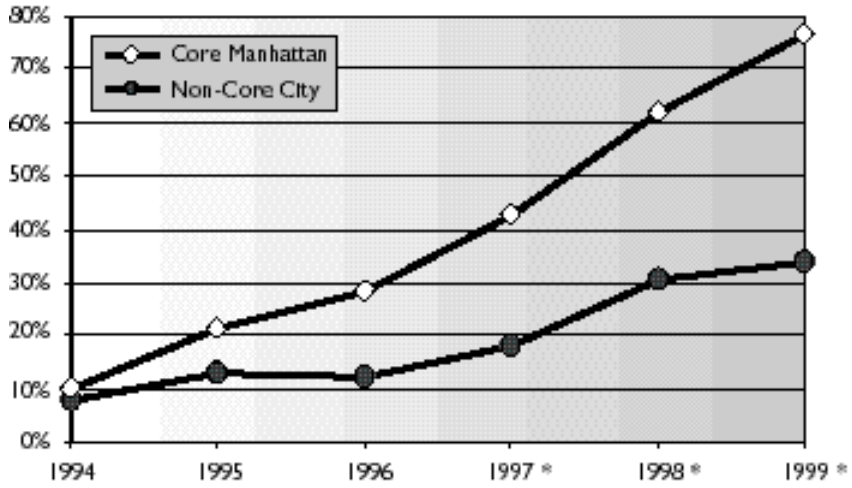
Recent History

Although the City lost nearly 200,000 jobs in the 1990s, the economy has rebounded and created a hot market for rentals in New York City, especially among those whose incomes have pulled up with Wall Street's bull market. In particular, the rental market in Core Manhattan neighborhoods south of 96th Street on the East Side and 110th Street on the West Side has gained the most from the improved health of the regional economy. The RGB's Recent Mover Survey (page 64) shows that stabilized rents went up by 21% in Core Manhattan and 12% Citywide for newly vacant apartments. This disparity is due to many factors such as housing quality, proximity to commercial centers, and neighborhood desirability. The difference in rents is driven primarily by household income. Although many stabilized units in areas outside of the Core can legally rent at higher levels, many owners do not charge the maximum allowed because they cannot find tenants who can afford higher rents.

Along with the rebounding economy, some of the increase in stabilized rents is also attributable to the passage of the Rent Regulation Reform Act of 1997. According to the Recent Movers Survey, the vacancy allowance provision of the 1997 Rent Act, which provides a minimum allowable increase of 18% for newly vacant units, has helped boost rents beyond what would have taken place without the Rent Act.[3] Another provision of the Rent Act—vacancy decontrol—has also contributed to the overall increase in rents. Vacancy decontrol allows owners to deregulate apartment units if the rent is $2,000 or more upon vacancy. The Recent Movers Study estimates that approximately 3% to 4% of stabilized units (about 3,500 to 5,000) were deregulated during the last year. Not surprisingly, most deregulated apartments were in Core Manhattan, where 9% of all vacant stabilized units were deregulated.

Profitability Grows in Core Manhattan, But Lags in Rest of City

(Cumulative Net Operating Income Growth, 1993-1999)



*Projected increases assuming costs go up 2.4% in 1997, 0.1% in 1998, 3.5% in 1999, and income growth is constant (6.0% in Core Manhattan and 3.2% in other parts of the City.)

Source: RGB Income & Expense Study, RGB Price Index of Operating Costs

Short-Term Outlook

As the economy improves and the number of people looking for apartments in New York continues to increase,stabilized rents should show an accelerated increase. Although the trend toward lower vacancy and collection losses stalled last year and RGB guidelines were low, the 1997 Rent Act will be a major contributing factor to rising rents. This jump in rents, along with greater numbers of vacancy decontrolled units and continued use of MCIs and 1/40th increases should help expand rental income.[4]

As noted above, the vacancy decontrol provision of the 1997 Rent Act has made a moderate impact on number of apartment units leaving the rent stabilization system. According to the Recent Movers Survey, about 2,500 to 4,000 more units were destabilized after the 1997 Rent Act than in earlier years. Since the difference between stabilized and "market-rate" non-stabilized units in Core Manhattan is over $500 for vacant apartments, we would expect rental income to increase to a corresponding degree for these recently deregulated units (most of which are located in Core Manhattan). As more units become deregulated, profitability will increase in Core Manhattan as rents keep up with the skyrocketing level of demand for housing.

The level of Major Capital Improvements (MCI), which permanently increase rent as a way to compensate owners for building improvements, has remained relatively stable for the past three years. The most important change has been the elimination of the 2-3 year waiting period most owners endured before their MCI applications were approved by the New York State Division of Housing and Community Renewal (DHCR). Although this waiting period has been reduced to 2-3 weeks, DHCR has not observed an acceleration in MCI application volume. However, if the economy continues to boom, this may change and applications may increase, resulting in a corresponding rise in profitability.

Net Operating Income

In recent years, Net Operating Income (NOI)—the amount of income remaining after maintenance expenses—has shown an upward trend,especially for rental properties in Core Manhattan. While debt service and income taxes then determine the ultimate profitability of a property, NOI is a good indicator of

the basic financial condition of rental property. Analyzing data from income and expense statements filed with the New York City Department of Finance, we found that the cumulative growth in NOI was over 28% in Core Manhattan and over 12% in the rest of the City between 1993 and 1996. Citywide, except for a brief slowdown in 1996 (due to abnormally high fuel costs),NOI has increased,and will continue to increase in the short-term. As the graph on the previous page shows, future NOI growth will continue to diverge considerably between Core Manhattan and the rest of the City. Cumulative growth of NOI between 1994 and 1999 is projected to surpass 70% in the Core, while only reaching 34% in the rest of the City.

In 1993, lower increases in expenses coupled with accelerating rent collections resulted in an improvement in NOI. From 1994 to 1995, the improvements were even greater, as constant dollar NOI nearly returned to pre-recession levels. In addition to high fuel costs resulting from inclement weather, the slowdown in NOI growth in 1996 suggests that owners used low mortgage rates and cash gained from prior years of robust growth to make repairs and improvements in their buildings. Finally, as reported in the RGB's 1998 Income & Expense Study, NOI growth trends have been uneven across the boroughs, with Manhattan leading the way with a NOI increase of 26% between 1993 and 1996. We estimate, given a 15% increase in Citywide average rents for vacant apartments in 1998 and a 12% vacancy rate,that rental incomes in this market should rise by a factor of almost 2%.

Mortgage Financing

Today, financing is available at more favorable terms than in 1989 and the lending market is far healthier. The easy availability and low cost of mortgage financing in the past two years has been a boon to the real estate market.The average rate for new multifamily loans at the beginning of 1998 was below 8.5%—the lowest observed in the 16-year history of the RGB Mortgage Survey (page 47). Favorable lending terms have provided better opportunities for building owners to refinance existing loans or upgrade their properties with low-interest financing. Lower debt service also increases profitability by allowing owners to keep a greater amount of net operating income.

These recent improvements in mortgage financing industry are in sharp contrast to the 1980s and early 1990s when property owners had difficulty finding affordable financing. Due to the recent economic recovery and a restructured mortgage industry, loan volumes have been inching up for the first time in almost a decade and many lenders have re-entered the multifamily mortgage market. Borrowers in today's mortgage market enjoy relatively low interest rates and also have much more flexibility: fixed and adjustable loans are both available, with loan terms ranging from 5 to 30 years. Apart from the advantageous terms being offered by lending institutions, borrowers have more choices and competition has intensified among institutions trying to gain greater market share. This competition, coupled with favorable loan terms and the renewed participation of Freddie Mac in the market, is quite positive for owners in the short-term. ❒

Endnotes:

(1) "Analysis of New York City's Adopted Budget for 1999," NYC Independent Budget Office: "While the overall tax rate has been frozen, the individual rates for the City's four property tax classes have changed since 1992 and will change again in 1999. This results from the fact that market values have grown faster than average in some classes and slower than average in others, changing the distribution of total assessed value among the four classes. Under state law, these changes trigger adjustments in the shares of the total property tax levy borne by each class, thereby raising property taxes for some classes and lowering them for others."

(2) "Public Information Regarding Water and Wastewater Rates," NYC Water Board, April 1998: "The Board's FY 1999 proposal is to increase water rates by 4.0%. This is the lowest rate increase levied by the Board in its history, with the exception of FY's 1994 and 1995 when no increases were imposed because large surpluses had accumulated as a result of lower than anticipated costs for ending ocean disposal of sewage sludge."

(3) Under the New York State Rent Regulation Reform Act of 1997, the legal rent can be raised 20% upon vacancy if the new lease is for a two-year term. If the new lease is for a one-year term, the legal rent can be raised 20% minus the difference between the RGB's one- and two-year renewals. Since last year's RGB guidelines allowed 2% and 4% renewal increases for one- and two-year leases, this means that the minimum vacancy allowance under state law was 18% last year.

(4) A building owner may raise the rent in a unit 1/40th of the cost of increased services, new equipment, or improvements. This increase is in addition to other allowable increases.

Income and Expense

✔ Price Index of Operating Costs
✔ Income and Expense Study
✔ Mortgage Survey

Price Index of Operating Costs

What's New

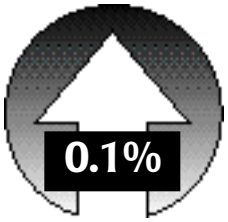
- ✔ The Price Index of Operating Costs for Rent-Stabilized Apartment Buildings (PIOC) was nearly unchanged this year, rising a mere 0.1%.
- ✔ Costs in pre-war buildings fell 0.5%.
- ✔ The PIOC was lower than projected (1.8%) mainly because of a sharp and unexpected drop (-15%) in fuel oil prices.
- ✔ The "core" PIOC, which excludes the erratic changes in fuel oil,natural gas,and electricity costs,is useful for analyzing inflationary trends. The core rose by 2.3% this year.
- ✔ Real estate taxes rose only 1.2%,a surprisingly low figure at this stage in the economic cycle.
- ✔ Labor costs went up only 2.7% this year, the second lowest rate of increase since 1976. The "new hire" provisions of last year's 32B-32J settlement had no impact on the PIOC.
- ✔ Contractor services and administrative costs rose 2.7% and 3.3% respectively, in line with the trend of the past several years.
- ✔ Insurance costs dipped slightly (-1.5%) after rising significantly in the prior three years. There are increasing signs of competition in the insurance industry.
- ✔ The Price Index for Apartments is projected to increase 3.5% next year.
- ✔ Traditionally, the RGB staff has computed a "commensurate rent increase" based on the PIOC. The commensurate is the rent increase needed to compensate landlords for increases in O&M costs while maintaining net operating income at a constant level in nominal dollars. The commensurate is 0% for a one year lease and 1.1% for a two year lease (see page 33 for details and alternate versions of the commensurate rent adjustment).

Introduction

Much like the Consumer Price Index (CPI), the Price Index of Operating Costs for Rent-Stabilized Apartment Buildings (PIOC) measures the price change in a market basket of goods and services. But while the CPI examines changes in consumers' "cost of living," the PIOC gauges changes in the operating and maintenance costs of stabilized buildings. By measuring and aggregating many types of cost changes – real estate taxes,attorney fees, toilet seats, and dozens of other items – the PIOC shows how landlords' costs have been affected over the previous year.

The original PIOC expenditure weights and market basket were devised by the U.S.Bureau of Labor Statistics (BLS) which was retained by the RGB as the PIOC contractor from 1970 to 1981. From 1982 to 1990,the PIOC was prepared by private consulting firms. In 1991, the RGB staff's growing expertise and familiarity made it possible to move the PIOC "in house."

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



This is the eighth year that the RGB staff has produced the price index and the third year that the index has been undertaken without the assistance of Speedwell Inc. In previous years Speedwell had prepared the tax and water/sewer components of the PIOC. RGB staff's growing computer expertise made it possible to take on these final elements of the price index.

The PIOC consists of several surveys,each designed to measure changes in one or more types of operating cost. These are described in the following sections of this report.

Owner Survey

The Owner Survey gathers information on management fees, insurance, and non-union labor from building managers and owners. Survey forms, accompanied by a letter describing the purpose of the PIOC, were mailed to the owners or managing agents of stabilized buildings. If the survey form was returned, the owner/manager was contacted by an interviewer to verify the information and to obtain additional information if necessary. All of the price quotes of the owner/managing agents were confirmed by calling the insurance and management companies and non-union employees.

The sample frame for the Owner Survey included nearly 40,000 stabilized buildings registered with DHCR in 1995. A stratified sampling scheme was used to choose 6,350 addresses from this pool for the owner mailing. The number of buildings chosen in each borough was proportional to the concentration of stabilized buildings in that borough. Roughly 11% of the surveys mailed out were returned to the RGB. A total of 429 of these contained information which was used. The number of verified price quotes in 1997 and 1998 for the Owner Survey is shown in Appendix B.1.

Fuel Oil Vendor Survey

Fuel price information has been gathered on a monthly basis for the past several years. A monthly survey makes it possible to keep in touch with fuel vendors and to gather the data on a consistent basis (i.e. on the same day of the month for each vendor). Calling vendors each month minimizes the likelihood of misreporting and also reduces the reporting burden for the companies which do not care to look up a year's worth of prices. Finally, the monthly survey shifts some staff work out of the very busy Spring period. Only a few vendors declined to participate each month. The number of fuel quotes gathered this year was comparable to last year and is contained in Appendix B.1.

Real Estate Tax Computations

A list of rent-stabilized properties was provided to the Department of Finance, which "matched" this list against its records to provide data on assessed value, tax exemptions, and tax abatements for approximately 36,000 buildings in FY 1997 and FY 1998. A new and more up-to-date list of rent-stabilized buildings was used this year – it included buildings which registered with the Division of Housing and Community Renewal in 1995.

The Finance Department data was used to compute a tax bill for each stabilized building in FY 1997 and FY 1998. The change computed for the PIOC is simply the percentage increase in aggregate tax bills from FY 1997 to FY 1998.

Vendor Survey

The Vendor Survey is used to gather price quotes for Contractor Services (e.g. painting), Administrative Costs (e.g. management and attorney fees), Parts & Supplies (e.g. mops), and Replacement Costs (e.g. refrigerators). As in prior years,an effort was made to update the vendor database by adding new vendors and deleting those who no longer carry the products in question.All vendor quotes were obtained over the telephone. The telephone procedures used for gathering price quotes were unchanged from prior years. The number of price quotes was about the same as in 1997. For a detailed description of the items priced and the number of price quotations obtained for each item, refer to Appendix B.1.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC, including union contract and benefit information,Social Security rates,unemployment insurance rates,heating degree days,and utility rate schedules. These items are used in computing some of the labor components, changes in utility costs for electricity, gas,steam,and telephone,and the cost weighted-change in fuel prices.

CHANGE IN COSTS FOR RENT-STABILIZED APARTMENT BUILDINGS, APRIL 1997 TO APRIL 1998

Taxes	1.2%
Labor Costs	2.7%
Utilities Costs	2.3%
Fuel Costs	-15.0%
Contractor Services	2.7%
Administrative Costs	3.3%
Insurance Costs	-1.5%
Parts & Supplies	1.9%
Replacement Costs	0.6%
All Costs	0.1%

Price Index Components

Taxes

The tax component of the Price Index is based entirely on real estate taxes. The change in taxes is estimated by comparing aggregate taxes levied on rent-stabilized apartment houses in FY 1997 and FY 1998 (For additional detail on how the tax computation compares to last year see the earlier section "Real Estate Tax Computations"). The tax data was obtained from the Department of Finance.

Real Estate taxes rose minimally this year, up 1.2%. The change in taxes was largely due to a small increase in assessments;a net expiration of tax exemptions and abatements also contributed to the increase. For the first time in several years,the tax rate fell slightly.

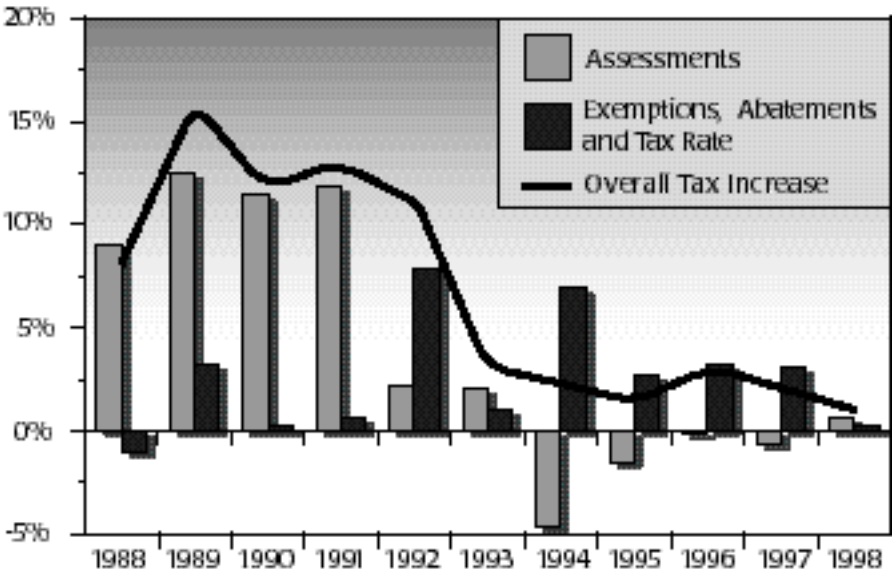
✔ Tax Rate – Although the total tax levy for all properties in the City (commercial and residential) has not increased significantly for several years, the distribution of the levy among property classes has shifted from year to year. In recent years,more of the tax burden has fallen on Class Two properties, the category which contains the vast majority of rent-stabilized buildings.

In FY 1996 and FY 1997 intervention by the Mayor and the City Council softened the blow to rent-stabilized properties. In FY 1996 the tax rate would have risen 5.6% had the City Council not intervened and limited the increase to 2.4%. A similar course of events led to an increase in the Class Two tax rate of 2.3% in 1997.

This year, the tax rate for Class Two properties actually fell a bit (from 11.056 to 11.046). There was less need for the City Council to intervene this year because the value of stabilized buildings and commercial properties is no longer declining.

Billable Assessments Rose for the First Time in Five Years

(Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate)



Source: New York City Department of Finance

✔ Assessments – The assessed valuations of rent-stabilized buildings rose dramatically from the late 1980's through 1991, increasing 8% or more each year (see chart on previous page). In 1992 and 1993 the increase in valuations slowed to 2% per year. The impact of the recession was finally reflected in tax bills the following two years - valuations dropped 4.7% in FY 1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years.

For the first time in five years, assessments have increased. Overall, assessments were up slightly less than 1%. The changes ranged from a drop of 7% in Staten Island (which has less than 200 stabilized buildings) to an increase of 1.4% in Brooklyn. The increase in Manhattan was 1.2%.

Last year there was a sharp drop in assessments in the Bronx. The change this year was milder, but assessments continued to fall - by 0.7%.

✔ Abatements and Exemptions – The number of buildings with tax abatements continues to decline. This year, the number of buildings with abatements declined from 9800 to 9600, and the average benefit of the typical abatement fell slightly too.

Many new buildings were constructed during the 1980's, and a good share of these benefited from tax abatements. These abatements are now expiring. Without a concomitant increase in new abatements (i.e. through new construction) the net impact is to raise taxes for rent-stabilized buildings as a whole, by approximately 0.2%.

A reduction in tax exemptions had a greater impact on the real estate tax component of the Price Index than abatements. In the City as a whole,smaller average exemptions (the number of buildings with exemptions actually rose somewhat) added 0.3% to tax bills. Given that exemptions played less of a role than last year, and that a strengthening economy could stimulate real estate investment, expiring exemptions may have less impact next year and in the near future.

✔ Characteristics of Buildings – Although taxes in the aggregate for rent-stabilized buildings rose only 1.2%, taxes for the typical building rose 2.7%. In other words, half of all buildings had an increase in taxes of 2.7% or more while half had an increase of less than 2.7%.

Small buildings fared far worse than larger buildings. For buildings of less than twenty units, the increase in real estate taxes was 2.9%. The increases for 20-49 unit buildings and buildings with 50 or more units were 1.2% and 0.9% respectively.

The disparities among building types are even larger when we use assessed value, rather than number of units, as a measure. We divided all rent-stabilized buildings into four quartiles based on their assessed value in FY 1997. The bottom quartile contains the fourth of buildings with the lowest assessed values, while the top quartile contains the fourth of buildings with the highest assessed values.

In the bottom quartile (average assessed value only $40,000) taxes rose 6.6%. In the second and third quartiles taxes rose 3.4% and 1.7% respectively. In the top quartile taxes were up only 0.9%.

Clearly, smaller and less valuable buildings are experiencing tax increases substantially above the average. Although the assessed value "phase in" procedures may be playing a role here (larger buildings benefit from a five-year phase-in of higher assessments),there must be other factors at work too, such as the more substantial increases in rent identified in this year's Income and Expense Study.

Labor

The price index measure of labor costs includes union and non-union salaries and benefits, in addition to changes in Social Security and unemployment insurance. The cost of unionized labor comprises two thirds of the Labor component and one-tenth of the entire price index.

Increases in labor costs continue to be quite moderate -- this year's change of 2.7% is the second lowest since 1976. The rate of increase in the labor component started declining in the mid-eighties and this year's growth rate is less than half that measured ten years ago. The particularly low increase in labor costs reflects both a slowdown in benefit growth after a period of striking increases in the early 1990's and a much lower growth rate for wages reached through union contracts.

Last year Union Local 32B-32J agreed to contract provisions which would offset wage increases for currently employed workers by lower starting salaries for new employees and part-time help,combined with little or no increase in health care or pension benefits. These contract provisions upset existing PIOC methodology, which had been quite straightforward.

To correctly measure the change in 32B-32J wages, staff designed a "supplemental survey" which was mailed (along with the Owner's survey) to all buildings containing 25 or more units. Of the 36 owners who indicated that Local 32B-32J union labor was employed in their buildings, not a single one hired new janitors

or handypersons at the new (lower) starting wage. Thus, the methodology for computing components 202 and 203 of the PIOC (union labor) remained unchanged this year.

The contract for Union Local 32-E expired in March. If the union and building owners had reached an agreement by April 15th, the terms of this agreement would have been incorporated into this 1998 PIOC. However, since no agreement was reached, the increase for component 201 (Local 32-E wages) was 0%. Any increase reached after April 15th will be reflected in next year's price index, along with increases for 1999.

Utilities

The utilities component consists primarily of electricity, natural gas, and water & sewer charges. Telephone and steam costs are a small part of the utilities index. In the case of most utility components, changes in price are measured using the PIOC specifications (i.e. the quantity of electricity, steam etc.being purchased) and the changes in rate schedules. Water/sewer costs are based on billings obtained from the City's Department of Environmental Protection (DEP).

This year, utilities increased 2.3%, led by an increase of 6.5% in water/sewer fees. Most other utility costs showed modest decreases.

Through 1995, Speedwell Inc. was responsible for calculating changes in real estate taxes and water/sewer fees. Speedwell obtained water/sewer billing information on more than 30,000 properties from the Department of Finance's Open Balance Register. Finance was responsible for billing customers even though the water system was operated by DEP. In 1995 responsibility for billing was assumed by DEP, rendering instantly obsolete all of Speedwell's computer programs for calculating the change in water/sewer costs.

The RGB has struggled with the water sewer data for three years,trying to adapt previous PIOC methodology to a new set of circumstances. Unfortunately, it has been very difficult to obtain an extract of data which is free of billing errors and which also accurately reflects the complex programs adopted by DEP (e.g.Metering, the toilet rebate program,etc.).

Given the problems with the water/sewer data, we used a less than optimal measure in the PIOC this year – the 6.5% increase in water/sewer rates. While there is no doubt this is a proper measure of the median increase for rent-stabilized buildings, it is not precisely what the PIOC attempts to measure, which is the aggregate increase (or mean increase) in water/sewer costs. Nevertheless, it is the best measure available and is used in this year's price index.

Natural gas costs decreased this year, by 7%. The PIOC measures gas, like fuel oil, largely on a "cost-weighted"basis which takes both the price and heating degree days into consideration. Gas costs fell due to warmer weather and slightly lower prices.

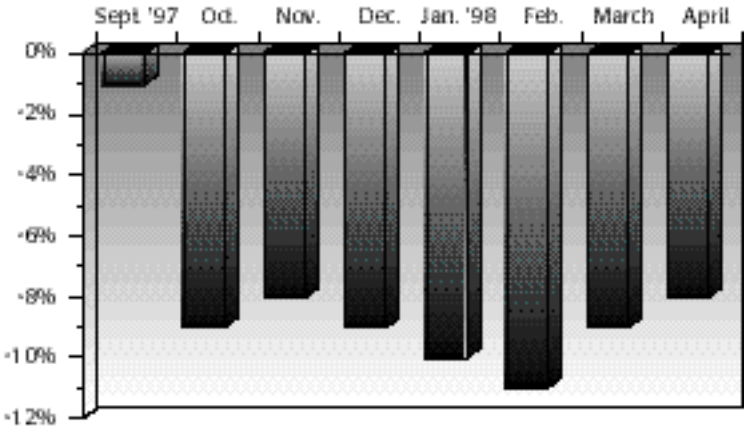
The price of electricity rose by 1% this year. This small increase is partly due to the traditional method of measuring electricity from April-to-April rather than on a cost-weighted basis. If electricity was measured on a cost-weighted basis, like fuel oil and natural gas, this component would have shown a greater increase.

Fuel

To calculate changes in fuel oil costs monthly price data is gathered from fuel oil vendors and the data is weighted using a degree day formula to account for changes in the weather. The number of degree days is a measure of heating requirements.

Fuel Oil Prices were Lower throughout the Heating Season

(Price of Fuel Oil by Month, 1997-98, Compared to Previous Year)



Source: RGB Fuel Vendor Survey. Prices Indices of Operating Costs, 1997 and 1998.

Fuel oil prices plunged 15% this year. The price decreases for #6 fuel oil,#4,and #2 were 16% (#s 4 and 6) and 12% (#2).

The drop in fuel prices was due in part to winter weather which was quite warm and notably free of snow. Since the change in fuel costs is based not on a comparison with "normal" weather conditions but with the year before (which was also warm), the balmy winter was responsible for only about 5% of the drop in heating costs. A drop in the price of fuel was responsible for the remaining 10% decrease in costs.

Contractor Services

Contractor Services increased 2.7% in 1997. The most important items in this component, repainting and plumbing costs, rose moderately (2.1% and 3.1% respectively). Most of the other components had increases in the two to five percent range.

Repainting costs,which comprise a whopping 40% of the Contractor Services component, continued a recent trend of low increases, rising only 2.1%, exactly the same as last year. While several painters surveyed this year noted that the price of paint and labor had increased, most maintained prices in order to stay competitive.

This year's increase in contractor costs was affected considerably by a 3.1% increase in plumber's fees,which constitute a fourth of contractor services costs. Elevator maintenance costs, which rose sharply last year, were also up significantly this year (4.4%). It appears that most of the increase was due to a new union contract.

Administrative Costs

Administrative Costs rose 3.3%, which is slightly lower than last year's increase. Fees paid to management companies, accountants, and attorneys comprise nearly all of this component.

Management company fees comprise the lion's share (two-thirds) of administrative costs. Since management companies tend to increase their fees in tandem with apartment buildings' rental income, it is not surprising that management fees have risen from 3.5% to 4.5% annually in recent years. Similar rates of increase in rental income have been found in the Rent Guidelines Board's Income and Expense Studies.

Accountants raised prices only 1.1% this year, while attorney fees rose by 4.3%.

In last year's PIOC we found that during the last six years,administrators have had higher increases than their counterparts, skilled contractors. This trend has continued for a seventh consecutive year. However, the wide discrepancy in increases seen in some prior years has narrowed to just over one-half percent. While the strong rental market has boosted Administrative Costs, the strengthening economy, which is linked to a greater degree to the wages of skilled contractors,has had less of an impact on the Contractor Services component.

Insurance

Insurance Costs fell slightly this year (-1.5%), after increases of 5% in both 1995 and 1996 and 2% in 1997. Four hundred buildings supplied insurance data this year.

About one-fourth of the buildings reported a decline in their insurance costs and well over half indicated no change or a decline. Rate hikes fueled some cost growth, with one-third (138) of this year's respondents claiming higher rates, as opposed to one-sixth (59) that reported rate declines. However, the average rate decline was greater than the average rate increase. More telling perhaps, is that the largest buildings decreased their insurance costs, even before the figures were adjusted for changes in coverage.

Only 14 (4%) of building owners reported that insurers were withdrawing lead paint coverage from their policies, over concern for the potential costs of liability for lead related health problems. This figure was the same as last year. The removal of lead liability coverage does not reduce the cost of insurance. Instead, the total insurance expenses of respondents who had their lead coverage withdrawn rose.

Parts and Supplies

The overall increase in the Parts and Supplies component was 1.9%. Increases in this component have been fairly consistent and generally very low since the early 1980's. This year is no exception. Price increases ranged from a high of 5.3% (deck faucet) to a decrease of 6.5% (Pushbroom).

CHANGE IN COSTS FOR RENT-STABILIZED HOTEL BUILDINGS, APRIL 1997 TO APRIL 1998

Taxes	3.5%
Labor Costs	3.3%
Utilities Costs	0.4%
Fuel Costs	-13.5%
Contractor Services	2.9%
Administrative Costs	3.6%
Insurance Costs	-1.5%
Parts & Supplies	1.4%
Replacement Costs	0.7%
All Costs	0.6%

CHANGE IN COSTS FOR RENT-STABILIZED LOFT BUILDINGS, APRIL 1997 TO APRIL 1998

Taxes	2.4%
Labor Costs	3.3%
Utilities Costs	2.3%
Fuel Costs	-14.8%
Contractor Services	2.7%
Administrative Costs,Legal	4.3%
Administrative Costs,Other	3.2%
Insurance Costs	-1.5%
Parts & Supplies	1.9%
Replacement Costs	0.6%
All Costs	1.0%

Replacement Costs

The Replacement Costs item is even less significant than the Parts and Supplies Component,its weight being only 1/100th of the PIOC. This year's increase in the Replacement Costs component was only 0.6%.

Rent-Stabilized Hotels

The hotel price index methodology was first developed by the consulting firm USR&E based on its 1985 Price Index for Hotels. It includes separate indices for each of the three categories of hotels (due to their dissimilar operating cost profiles) and an index for all hotels.

The price index for all hotels rose 0.6% this year, just slightly more than the increase in the apartment price index. The primary differences between the hotel index and the apartment index were in the taxes and labor components. The increase in taxes for hotels was 3.5% overall (versus 1.2% in apartment buildings) due to a substantial increase in taxes for all types of single room occupancy buildings.

The labor component went up significantly more than in the apartment sector for two reasons -- wage increases for hotel workers were somewhat higher than for their counterparts in the apartment sector and the labor component was not affected by the lack of a settlement by Local 32E, as in the apartment sector.

Among the different categories of hotels, the increases were: Hotels 1.3%, Rooming Houses 0.2%,and SROs 0%.

Rent-Stabilized Lofts

The increase in the Loft Index this year was 1.0%, somewhat larger than the increase for apartments. Since fuel costs are a smaller fraction of the total than in apartments,there was less downward pressure on the loft index. In addition, legal costs constitute more than one-tenth of all loft costs. Since legal costs rose some 4.3%,this had a significant impact on the loft index.

1998-99 PIOC Projections

Projecting anticipated changes in the PIOC has become more challenging in recent years. One factor alone—the weather, which affects about one sixth of the market basket of operating costs measured in the index—has become increasingly volatile. These unpredictable weather patterns are the force behind large changes in fuel-related costs (heating fuel, electricity and gas), which have in turn hindered the accuracy of the PIOC projections in recent studies. In addition, drastic and somewhat cyclical shifts in local fuel prices often mask smaller changes in non-fuel related costs, obscuring the long term movement of the PIOC.

This year, operating costs in rent-stabilized apartment buildings were nearly flat,increasing by 0.1% versus our projection of 1.8%. In particular, fuel costs decreased much faster than anticipated, -15% versus the expected

decrease of 5%. Property taxes,utility, administrative, and insurance costs all rose less than estimated, while the price of labor and contractor services grew faster than anticipated.

Overall, we expect the PIOC to grow by 3.5% from 1998 to 1999 due to a brisk rise in taxes and fuel costs and moderate increases in labor, utility, contractor services and administrative costs. The "core"PIOC,which measures long term local trends by factoring out shifts in fuel prices,gas, and electricity rates, should rise more slowly than the overall PIOC, by 3.1%, due to relatively rapid increases in taxes,utility and labor costs.

Taxes +3.5%

Property taxes comprise roughly a quarter of the PIOC. From the mid 1980's to the early 1990's, taxes often rose faster than the overall PIOC. Recently however, intervention by the City Council in the determination of tax rates and falling or stable assessments meant lower than average increases in taxes.

Class Two properties include rent-stabilized apartments, co-ops and condominiums. Within this category, rent-stabilized dwellings are classified as either "rental buildings"or "4-10 unit family buildings." Based on the preliminary tax roll, the Finance Department forecasts billable assessments (the assessed value of a property on which tax liability is based) for rental buildings to increase by 4.9%, while billables for 4-10 family buildings are expected to increase by 5.3% in 1999. These are the largest projected increases observed since the early 1990's. However, preliminary assessments are slightly imprecise because following the release of the tentative assessment roll each year, a small percentage of appraisals are contested and overall final assessments are generally reduced. After adjusting for this factor, billable assessments should actually rise by 3.9% and 4.6% respectively for rentals and 4-10 unit properties. In sum, assessments for stabilized buildings, which are predominantly classified as "rental"buildings,should increase by 4% from 1998 to 1999.

Overall, assuming a fairly flat tax rate for Class Two properties combined with declining abatements and exemptions for such properties,should produce roughly 3.5% growth in property tax bills for rent-stabilized buildings next year.

Labor Based Components
(Labor Costs +2.9%, Administrative Costs +3.6% and Contractor Services +2.6%)

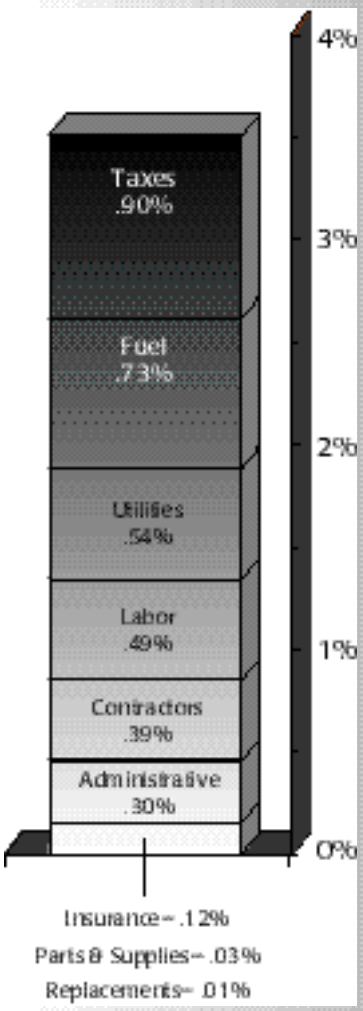
Labor Based Components in the PIOC include "Labor Costs," comprising the wages and benefits of building maintenance workers (e.g. superintendents, porters, etc.), "Contractor Services," which primarily covers the work of plumbers and painters, and "Administrative Costs," which cover management, legal,and accounting fees.

Growth in Laborer's wages and benefits this past year was slight by historical standards, and was the second lowest rate observed since 1976. The signing of a new contract in 1997 with one of the primary unions representing building service workers should further reduce the projected cost of labor. However, additional adjustment is unnecessary as an insignificant number of new employees are expected to be hired under this contract in the coming year.[1]

We expect the trend of low increases to continue next year because the combined effects of stagnant employment prospects in the trade sector, the available supply of skilled and unskilled maintenance workers,and minimal new

Tax and Fuel Increases Contribute the Most to the 1999 PIOC Projection

(PIOC Components' Contribution to Overall Increase)



Overall 1999 PIOC Projection is:

3.5%

Source: Price Index of Operating Costs, 1998; PIOC projection for 1999

housing construction will allow the owners of stabilized buildings to offer fairly stable wages and benefits to labor than they had in previous years. Along with growth in non-union wages of 4% and modest growth in benefits,Labor Costs should rise by 2.9%.

Increases in "Administrative Costs" and "Contractor Services" are projected by averaging the growth rates observed in each component over the past three years. Administrative cost increases have been fairly constant over the decade, and should rise by 3.6% over the next year. The price of contractor services has been more variable in the recent past, but should increase by 2.6% next year.

Fuel +6.9%

The cost of fuel oil depends heavily on volatile weather patterns as well as political and economic variables that cannot be reliably predicted. Given these drawbacks (and barring unforeseen natural or geo-political events),fuel oil prices in New York City should rise 6.9% from their current low levels in the coming year due to a variety of factors. Because mild weather conditions this heating season resulted in stock building, there should be sufficient supply to meet rising world-wide demand for oil. However, calls for cut-backs in production from some oil-producing countries, and increased usage due to an anticipated drop in temperatures next winter should cause the price of fuel to rise in the upcoming year.

The Energy Information Administration (EIA) currently projects that imported oil prices will fall from about $15.80 per barrel to roughly $15.40 between the heating season of 1997-98 and the heating season of 1998-99. This forecast is driven by an assumption that the supply of oil, built up after this winter's mild temperatures, will more than meet the increase in demand and will slightly lower heating oil prices. The forecast also assumes that growth in national Gross Domestic Product (GDP) will remain at 2.8% through 1998 before declining to 2.0% in 1999, causing U.S.oil demand to stay relatively constant. Most critically, assuming a "normal"winter, which will be much colder than that experienced in 1997/1998, the commensurate increase in demand for heating fuels and anticipated production cutbacks will in turn accelerate the cost of fuel oil to building owners.

In sum, based on current EIA forecasts, we predict that while the existing excess of supply is sufficient to meet anticipated demand, increased fuel consumption brought about by "normal" weather conditions should increase fuel oil costs to owners of stabilized buildings in New York City by 6.9% from 1998 to 1999.

Insurance Costs +1.8%

Insurance Costs for rent-stabilized buildings decreased slightly last year, after increasing by more than 5% in 1995 and 1996 and by 1.9% in 1997. Based on the latest three-year weighted average, Insurance Costs should rise by 1.8% over the coming year.

Utility Costs +3.8%

In the PIOC, the price of electricity, natural gas, water and sewer service, purchased steam, and telephone service are grouped as "Utility Costs." Water and sewer costs alone account for nearly 60% of this index, while electricity and gas comprise another 35% of the category.

Next year the overall price of utilities should rise by 3.8%. The bulk of this growth will come from rising water and sewer rates (a 4% increase is proposed for the coming year), combined with a brisk increase in natural gas costs and relatively stable electricity prices, which should increase respectively by 6% and 0.6%.

The New York State Public Service Commission (PSC) estimates that electricity rates will remain fairly stable in the upcoming year. In April, Con Edison's electricity rates,which dropped 2% in January 1998, were reduced by an additional 2% for the largest apartment buildings (using 1500 kw/month). Additionally, the PSC predicts stable or decreasing (1%) fuel adjustment charges (FAC's) over the year. Assuming a return to a "normal" winter, and that fuel prices will behave as predicted, the price of electricity will be stable over the coming year, increasing by only 0.6%.

Natural gas costs should increase next year, due primarily to increased usage from an anticipated return to "normal"colder weather in the winter to come. The current surplus in supply (underground gas storage levels are well above those seen in the previous year because of milder temperatures), and increases in domestic production and Canadian imports are expected to more than meet the projected increase in demand. Brooklyn Union Gas projects a 2.5% rate decrease in June, and Con Edison is predicting a continuation of their rate freeze, although a pending rate case may increase rates for small residential customers and decrease rates for larger multifamily customers. Assuming normal winter conditions, however, which will bring far colder weather than was experienced in the winter of 1997/1998, increased consumption should ultimately produce an increase in gas costs of 6% in New York City over the next year.

During the past ten years, water and sewer rates have grown the fastest of all the components of the Utility Cost category. After many double digit increases, water and sewer rates were frozen from 1993 to 1995. Rates were unfrozen in 1996, and rose by 4.8% in that year and by 6.5% in 1997 and 1998. An increase of 4% should take effect from July 1st throughout the year, given current proposals before the New York City Water Board.

In total, increases in water and sewer charges and natural gas costs, combined with stable electricity rates, should cause Utility Costs to rise by 3.8% in 1998.

Parts & Supplies +1.4%

Parts and Supplies has usually played a very small role in the PIOC, comprising less than 3% of the index in 1998. Over the last three years, growth in this component has been modest, even though such costs increased faster than projected last year. Based on the latest three-year average, the cost of Parts and Supplies should increase by 1.4%.

Replacement Costs +0.9%

This component accounted for about 1% of the entire price index in 1998. This past year, Replacement Costs were stable,increasing by only 0.6%. According to the current three year price trend, Replacement Costs should rise by 0.9% over the next year.

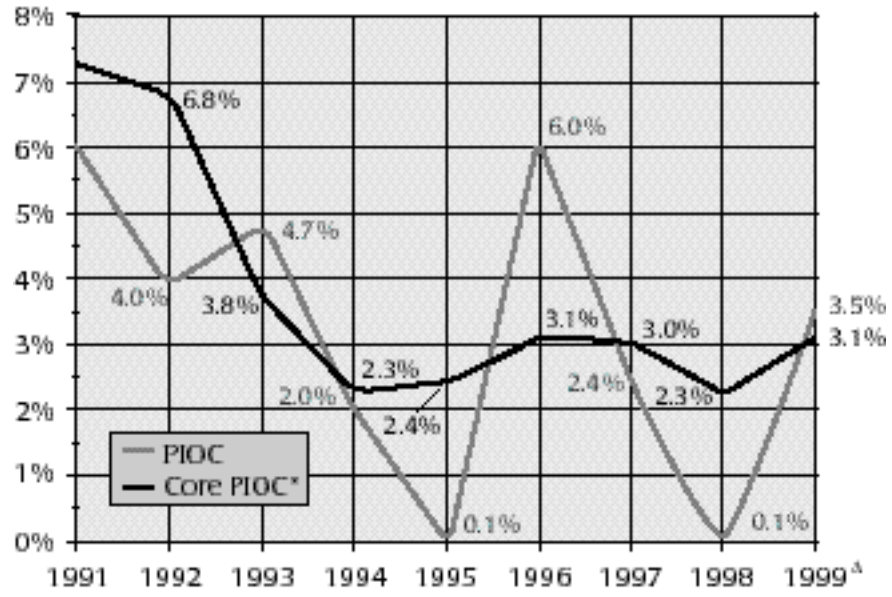
Commensurate Rent Increase

Throughout its history, the Rent Guidelines Board has used a formula, known as the "commensurate rent increase", to help determine annual rent increases for rent-stabilized apartments. In essence, the "commensurate" combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents should rise for net operating income in stabilized buildings to remain constant. The different types of "commensurate" increase described below are primarily meant to provide a foundation, and not a ceiling, for discussion concerning prospective guidelines.

In its simplest form, the commensurate rent increase is the amount of rent growth needed to maintain landlords' current dollar net operating income (NOI) at a constant level. A formula which has been in use since the inception of the Rent Guidelines Board (which we call the "traditional commensurate increase") yields 0% for a one year lease and 1.1% for a two year lease, given an increase in operating costs of 0.1%, as indicated by the PIOC, and the projection of a 3.5% increase next year.[2]

The "Core" PIOC Has Fluctuated Little Since 1994

(Percent Change in the Price Index of Operating Costs and the Core PIOC, 1991-1999)



ΔThe percent change for 1999 was estimated.
*The Core PIOC has been revised for years 1991-96 due to improved methodology.
Source: Price Indices of Operating Costs, 1991-1998, PIOC projection for 1999

"TRADITIONAL" COMMENSURATE INCREASE

1 Year Lease	2 Year Lease
0%	1.1%

"NET REVENUE" INCREASES

1 Year Lease	2 Year Lease
0%	0%

"CPI ADJUSTED NOI" INCREASES

1 Year Lease	2 Year Lease
0.5%	1.5%

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

A second flaw of the commensurate formula is that it does not consider the erosion of landlords' income by inflation. By maintaining current dollar net operating income at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the commensurate formula.[3]

Two alternatives to the "traditional" commensurate method have been used by the Rent Guidelines Board. The first, called the "Net Revenue" approach, adjusts for the mix of lease terms. While this takes into consideration the types of leases actually signed by tenants, it does NOT adjust landlords' NOI for inflation. Under the "Net Revenue" formula, a guideline which would preserve NOI in the face of this year's 0.1% increase in PIOC is 0% for a one year lease and 0% for a two year lease.[4]

Another alternative to the traditional commensurate rent increase considers lease terms while adjusting NOI upward to reflect inflation, keeping both O&M and NOI constant. This is commonly called the "CPI Adjusted NOI" formula. A guideline which would preserve NOI in the face of the 1.4% increase in the Consumer Price Index (March '97 to March '98) and the 0.1% rise in the PIOC is 0.5% for a one year lease and 1.5% for a two year lease.[5]

All of these methods have their limitations. The traditional commensurate increase is artificial and does not consider the impact of lease terms or inflation on landlords' income. The "Net Revenue" formula does not attempt to adjust NOI based on changes in interest rates or deflation of landlord profits. The "CPI Adjusted NOI" formula inflates the debt service portion of NOI, even though interest rates have been falling, rather than rising over recent years.

Each of these formulae may be best thought of as a starting point for deliberations. Staff's other research (e.g. the Mortgage Survey and the I&E study) and testimony to the Board can be used to modify the various estimates depending on these other considerations. ❒

End Notes

(1) This agreement called for all wage increases for currently employed workers to be offset by lower starting salaries for new employees and part-time help, combined with little or no increase in health care or pension benefits.

(2) The collectability of legally authorized increases Is assumed. Calculating the "traditional" Commensurate Rent Increase requires an assumption about next year's PIOC. In this case we use 3.5%, the projection for 1999.

(3) Whether profits will actually decline depends on the level of inflation, the composition of net operating income (i.e. how much is debt service and how much is profit), changes in tax laws, and interest rates.

(4) Under this formula there is no increase in revenue required, since there was no increase in costs. Thus, the increase for both a one- and two- year lease are set at 0%.

(5) The following assumptions were used: (1) The required increase in landlord revenue is the sum of the increase due to increased costs and the impact of inflation on net operating income. The increase in revenue due to costs is 66.9% of the 1998 PIOC increase of 0.1%, or 0.07%. The 66.9% figure is the most recent ratio of average audited operating costs to average rents in stabilized buildings. The increase in revenue due to the impact of inflation on net operating income is 33.1% times the latest 12-month increase in the CPI (1.4%) or .46%. Thus , the total increase in landlord income required is 0.53%. (2) Assumptions regarding lease renewals were derived from the 1996 Housing and Vacancy Survey. These terms are only illustrative. Other combinations of terms could produce the 0.53% increase in landlord revenue.

Income and Expense Study

Introduction

The Rent Guidelines Board (RGB), mandated to establish rent adjustments for City dwelling units under the Rent Stabilization Law, has monitored the cost of operating and maintaining rental apartment buildings in New York City since the law's enactment. For more than 20 years, the Board's primary instrument for measuring cost shifts has been the Price Index of Operating Costs (PIOC), a survey of prices for various goods and services required to maintain apartment buildings. The PIOC has been subject to on-going calls for revision by both tenant and landlord groups, yet despite concerns raised over the reliability of the survey's findings, the PIOC has remained the research foundation upon which the Board determined its annual rent increases for rent-stabilized apartments throughout the 1970s and 80s.

In 1990,the RGB acquired new data that permitted independent verification of the PIOC's accuracy: income and expense (I&E) statements of rent-stabilized buildings from the Department of Finance. These I&E statements, filed annually by property owners,provide detailed information on the revenues and costs garnered by "income producing"properties such as apartment buildings. The inclusion of I&E statements in the Board's arsenal of research denoted a marked improvement in the collective data upon which adjustments are based. I&E statements not only describe conditions in rent-stabilized housing in a given year, but also illuminate changes in conditions over a two-year period, as an additional yet independent measure of the market's cost side.More importantly, I&E data encompasses both revenues and expenses,allowing the Board to more effectively evaluate the overall condition of New York's rent-stabilized housing, including profitability.

This I&E Study examines conditions in New York's rent-stabilized housing market in 1996, the year for which the most recent data is available, and also the extent by which these conditions changed from the year before.

Local Law 63

The income and expense data for stabilized properties originates from Local Law 63, enacted by the New York City Council in 1986.This statute requires owners of apartment buildings to annually file Real Property Income and Expense (RPIE) statements with the Department of Finance. While certain types of properties are exempt from filing requirements — cooperatives, condominiums,and buildings with fewer than 11 units or assessments less than $40,000, Local Law 63's mandate produces detailed financial records on thousands of rent-stabilized buildings every year. Data on individual properties is strictly confidential;however, the Department of Finance is allowed to release summary statistics of RPIE data.

The year 1998 marks the eighth time that the RGB has received a data sample of the rent-stabilized properties that file RPIE forms. Samples in the first two studies were limited to 500 buildings, because RPIE files were not automated. Upon computerization of all I&E filings several years ago, the size of samples has risen to over 10,000 properties.

What's New

The year 1996 was one of shifting trends, both to the benefit and the detriment of the owners of rent-stabilized buildings. For the first time in three years, operating costs rose faster than revenue or rent collections, causing Net Operating Income (or NOI, the revenue remaining after operating expenses are paid) to increase by an average of only 2.3%. A dramatic rise in fuel costs owing to both the 1996 blizzard and the colder than average winter contributed to a large increase in the expense of operating and maintaining stabilized properties. Despite the lackluster NOI returns to owners, both the collection of rents and revenues were just slightly below the figures observed last year.

This change in trends does not indicate that 1996 was a poor year in the stabilized market,however. Scrutiny of the expense data suggests that some owners may have parlayed the benefits of three years of growth into refurbishment of their buildings. Other 1996 indicators, such as the decline in New York City interest rates for new multi-family mortgages from 10.1% in 1995 to 8.6% meant that there was a propitious climate for borrowing and spending money. However, New York City's high unemployment rate and only moderate expansion of the City economy may have hindered owners' ability to collect the kind of increases they have been able to procure in the early to mid 1990s.

- ✔ Rental income in stabilized buildings rose by **4.1%** from 1995-96.
- ✔ Total income rose by **4.3%**.
- ✔ Operating costs rose by **5.4%**.
- ✔ Net operating income in stabilized buildings rose by **2.3%**.

Methodology

The information in this report was generated from summaries of RPIE forms filed with the Department of Finance in 1997 by owners of apartment buildings with eleven or more dwellings. The data in these forms,which reflects financial conditions in stabilized buildings for the year 1996, was computerized in late 1997, and made available to RGB research staff early in 1998.

Two types of summarized data, cross-sectional and longitudinal, were obtained for buildings. Cross-sectional data, which provides a "snapshot" view, comes from properties that filed RPIE forms in 1997. This data is used to compute average rents,operating costs, etc. that are typical of the year 1996. Longitudinal data, which provides a direct comparison of identical elements over time, encompasses properties that filed RPIE forms in both 1996 and 1997. This data describes changing conditions in average rents, operating costs, etc. by comparing matched forms from the same buildings over two years. Analysis of filing dates shows that RPIE forms reflect conditions around July of the previous calendar year. Thus,cross-sectional data in this report measures conditions in effect throughout 1996, while longitudinal data measures changes in conditions that occurred from 1995 to 1996.

This year, 12,261 rent-stabilized apartment buildings were analyzed in the cross-sectional study, and 11,135 stabilized properties were examined in the longitudinal study. Buildings were sampled by matching a list of 36,000 properties registered with the New York State Division of Housing and Community Renewal (DHCR) in 1995 with buildings that filed a 1997 RPIE statement, (or 1996 and 1997 statements for the longitudinal sample). For the first time since the RGB has been obtaining data from RPIE forms, the number of buildings in both samples decreased from the previous year, by 1016 buildings or 8% in the cross-sectional sample and by 733 buildings or 7% in the longitudinal sample. Explanations for this drop would be purely speculative, however the downturn is confirmed by the Department of Finance which reports a similar decline in overall RPIE filings for 1997. Despite this decrease, the sample sizes for both studies are more than adequate to arrive at findings which reflect the stabilized rental housing market as a whole.

Once drawn, preliminary building samples were "cleansed" by rejecting properties that met the following criteria:

- They contained fewer than 11 units. Owners of buildings with fewer than 11 apartments (without commercial units) are not required to file RPIE forms;
- Owners did not file a 1997 RPIE form for the cross-sectional study, or a 1996 and a 1997 RPIE form for the longitudinal study;
- No unit count could be found in RPIE filings;
- No "apartment rent" was recorded on the RPIE forms. In these cases, forms were improperly completed or the building was vacant;

Three additional methods were used to weed out inaccurate building information which could have distorted the final results:

- In early I&E studies, Finance used the total number of units from the RPAD (assessed value) file to classify buildings by size and location. Board researchers found that sometimes the unit counts on RPIE forms were different than those on the RPAD file. It was decided that residential counts from the RPIE form were more reliable.
- Average monthly rents for each building were compared to rent intervals for each borough, computed from the 1993 Housing and Vacancy Survey to control data quality. Properties with average rents outside of the ranges were removed from all samples. This year, 476 buildings were expelled from both samples for this reason. Most (262) of these buildings were expelled for having average rents in excess of $2000 per month, although 214 buildings with average rents below $100 per month were also removed.
- Buildings in which operating costs exceeded income by more than 300% were excluded from both the cross-sectional and longitudinal samples. Twelve properties were excluded from each sample for this reason.

As in prior studies, after compiling both samples, the Department of Finance categorized sample data reflecting particular types of buildings throughout the five boroughs (such as structures with 20-99 units built in Brooklyn before 1947). Staten Island is not included in data comparisons between boroughs because it contains too few stabilized buildings in most size and age categories to calculate reliable statistics.

Cross-Sectional Study

Rents and Income

In 1996, rent-stabilized property owners collected monthly rent averaging $611 per unit. As in prior years, units in pre-war buildings rented for less (an average of $551 per month) than those in post-war buildings ($768 per month). Stabilized rents were highest in Manhattan ($765), followed by Queens ($560), Brooklyn ($509) and the Bronx ($485).

Rents stated in RPIE filings tend to be lower than figures obtained from both the triennial New York City Housing and Vacancy Survey (HVS) and the New York State Division of Housing and Community Renewal (DHCR). This is primarily because RPIE averages measure rent actually collected each month, while the others deal strictly with contract rents (i.e.the amounts stated on leases). RPIE information also reflects rents collected over a 12-month period, while HVS figures apply to contract rents in effect during the first half of the year.

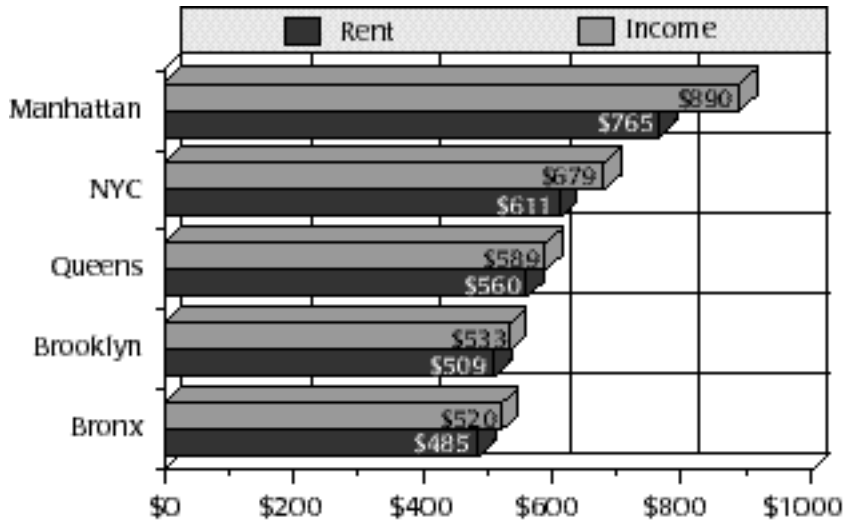
How does the average RPIE rent compare to the HVS mean rent in 1996? Data from the HVS shows that the mean contract rent for all rent regulated apartments ($667) exceeded the average rent from the RPIE data by roughly 9% that year.[1] Rent by building age also varies in the HVS. The mean contract rent in older pre-war apartments ($623) stood 12% higher than the RPIE average, while the 1996 mean contract rent for units built after 1946 ($793) exceeded the 1996 RPIE average for such dwellings by 3%. If even a portion of this "gap"between HVS and RPIE data reflect vacancy and collection losses, then it seems that older stabilized buildings continued to face much greater hardships than modern properties in the actual collection of their annual income in 1996.

In comparing RPIE and DHCR average rents, the "gap"between RPIE and DHCR rents has contracted steadily since 1991, when the average I&E rent was 15% lower than DHCR's mean registered rent. By 1994, this differential had fallen to 12%. Current RPIE returns indicate the gap between I&E rent and DHCR's mean stabilized rent ($678) was 10% in 1996, the same rate observed in last year's Income & Expense Study.

Despite the anomalies between the three rent indicators, the "gap" between RPIE rents and HVS/DHCR rents is a good estimate of vacancy and collection losses incurred by building owners, and the relative change in this "gap" is one way of estimating the change in such losses from year to year. A reduction probably indicates that building owners are collecting a greater portion of their legal rent roll due to lower vacancies, and fewer "preferential rents"and non-paying tenants, although the gains from this trend appear to be slowing in 1996.

Stabilized Rents and Income Were Highest in Manhattan in 1996

(Average Monthly Collected Rent/Income per Dwelling Unit by Borough)



Source:NYC Department of Finance, 1997 RPIE Filings

A final benchmark index to use for comparison is the RGB Rent Index, which measures the overall effect of the board's annual rent increases on contract rents each year. The fact that average RPIE rents increased faster (4.1%) longitudinally from 1995 to 1996 than the RGB's Rent Index (3.8%) suggests that stabilized building owners still raised revenue from sources other than renewal and vacancy leases. However, the gap between these effects narrowed considerably from that observed in 1994 to 1995 when RPIE rents increased 4.3% and the RGB index rose 2.8%. This supports the hypothesis that the gains made from declining vacancy and collection losses may have been exhausted in 1996. It is interesting to note that a longer view of the three indices that give annual figures shows a virtually identical rate of increase from 1989 to 1996. The DHCR rents increased 26%, RPIE rents increased 27% and the RGB Rent Index increased 28% in that period.

Many owners of stabilized buildings augment their apartment rents by selling services to their tenants as well as by renting commercial space. Current RPIE filings show an average monthly gross income of $679 per rent-stabilized unit in 1996, with pre-war buildings earning $610 per unit and those in post-war properties earning $857 per unit.These figures encompass rent from stabilized apartments as well as the sale of services (e.g. laundry, garages/parking) and commercial income. Such proceeds constituted roughly 10% of the total income earned by building owners in 1996, the same as the rate observed last year. Manhattan owners particularly benefit from commercial income, with 14% of their total revenues coming from commercial units and services. The respective figures for the other boroughs were 7% in the Bronx, and 5% in both Brooklyn and Queens. These percentages of commercial and service income are similar to the previous year, save for a smaller rate of improvement in the Bronx and a decline in Queens. The chart on the previous page shows the average rent and income collected in 1996 by borough and for the City as a whole.

Operating Costs

Rent-stabilized apartment buildings incur considerable expenses in the course of their operation. RPIE filings include data on eight categories of maintenance costs. In contrast to revenues,however, this data does not distinguish between expenses for commercial space and those for apartments,making the calculation of "pure" residential operating and maintenance costs impossible, except in a smaller sample of residential buildings analyzed below. Thus,the operating costs reported below are rather high because they include maintenance costs for commercial space.

The average monthly operating cost for stabilized units was $444 in 1996. Costs were substantially lower in units situated in pre-war buildings ($413), and much higher in the post-war sector ($525). Geographically, costs weighed in lowest in Brooklyn ($371) and highest in Manhattan ($549). The chart on the following page details average monthly expenses by cost category and building age for 1996.

Since 1990, Department of Finance and RGB staff have tested RPIE expense data for accuracy. Initial examinations found that most "miscellaneous" costs were actually administrative or maintenance costs, while 15% were not valid business expenses.Further audits on the revenues and expenses of forty-six rent-stabilized properties in 1992 discovered that O&M costs stated in RPIE filings were generally exaggerated by 8%. Costs tended to be less accurate in small (11-19 units) properties and most precise for large (100+ units) buildings. However,

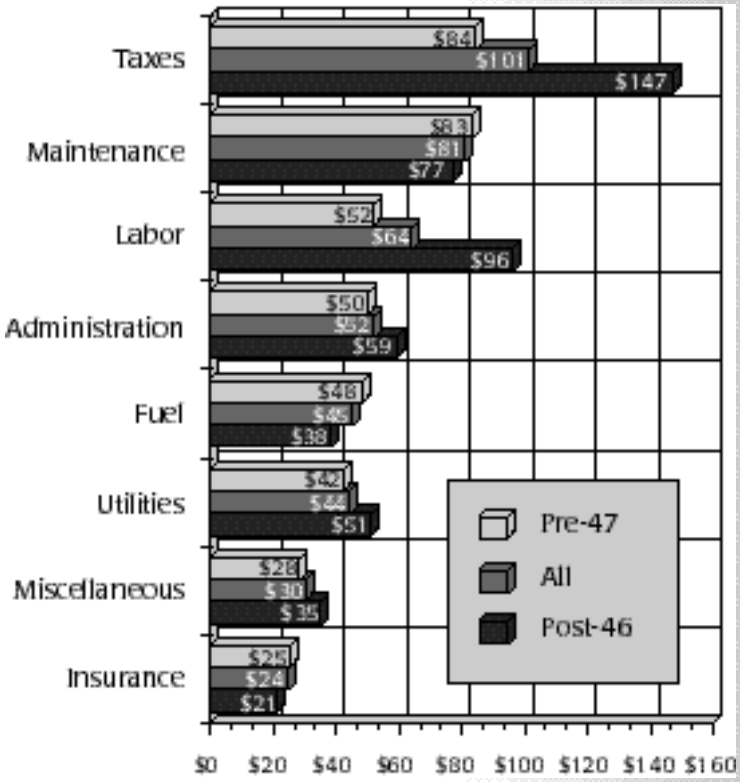
these results are somewhat inconclusive since several owners of large stabilized properties refused to cooperate with Finance's assessors.

Expense reductions were concentrated in three categories: maintenance, administration, and miscellaneous costs. Maintenance had to be lowered by an average of 11% for all buildings, while administration and miscellaneous costs were respectively trimmed by 25% and 37%. Adjustment of 1996 RPIE data by the results of the 1992 audits reduces the monthly average O&M cost for stabilized units from $444 to $408.

Just as buildings without commercial space typically generate less revenue than stabilized properties with stores,operating expenses in these buildings were generally lower than in buildings with a mixture of uses. Audited monthly O&M costs for buildings without commercial units were about $37 lower ($371) than the average for all buildings in 1996. As in last year's Income & Expense Study, most of the difference in costs between the two types of properties stemmed from taxes, labor and administration expenses that were respectively 19%, 9%, and 9% lower on average for buildings without commercial space than for all stabilized properties.

Taxes and Maintenance Were the Largest Expenses in 1996

(Average Monthly Expense per Dwelling Unit per month)



Source:NYC Department of Finance, 1997 RPIE Filings

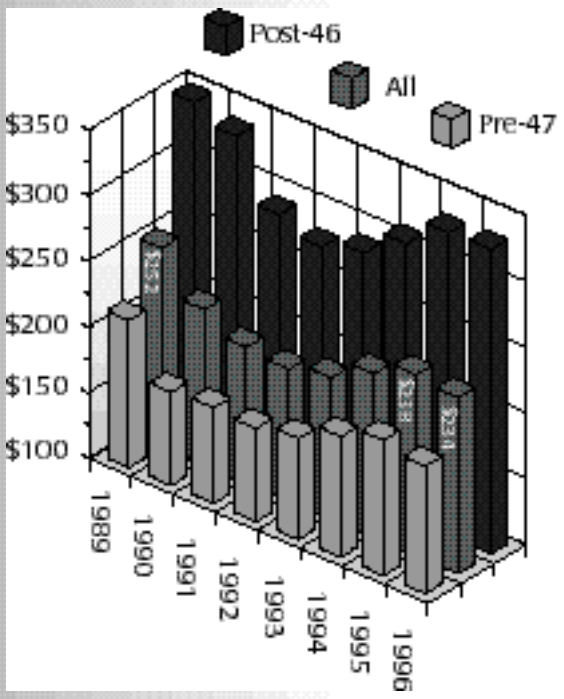
Components of Operating Costs

In 1996, two-thirds of total expenses in stabilized buildings were comprised of taxes, maintenance, labor and administration costs. Older (pre-47) buildings spent proportionately more on average on maintenance, fuel, insurance and administrative costs, while consequently spending less on taxes and labor. Conversely, newer (post-46) buildings spent relatively more money on taxes and labor costs and less on maintenance, fuel, insurance and administration costs. Much less variation was observed within the other two expense categories (utilities, and miscellaneous costs) among buildings of different age.

Building size also affected the distribution of costs in rent-stabilized buildings. As in previous years, taxes,maintenance,labor and administration costs dominated total operating costs in buildings of various sizes in 1996. Labor costs continued to be particularly associated with size, comprising much larger shares of total O&M costs in larger buildings,probably due to the concentration of large, modern (post-46) stabilized buildings in Manhattan, which tend to employ doormen. In contrast, fuel and insurance shares decreased with larger buildings in 1996, probably due to efficiencies of scale realized by larger properties,particularly those with 100 or more units.

After Inflation, NOI Decreases in 1996

(Average Monthly Net Operating Income per Apartment in Constant 1996 Dollars)



AVERAGE MONTHLY NOI PER APARTMENT
(CONSTANT 1996 DOLLARS)

	All	Post-46	Pre-47
1989	$252	$348	$212
1990	$219	$336	$171
1991	$204	$290	$173
1992	$201	$279	$171
1993	$208	$288	$177
1994	$225	$309	$192
1995	$238	$331	$203
1996	$234	$332	$197

Source:NYC Department of Finance, 1997 RPIE Filings

"Distressed" Buildings

Among the properties that filed 1997 RPIE forms, 1198 buildings, one tenth of the cross-sectional sample, had O&M costs in excess of gross income. Only 43 of these buildings were built after 1946. In the previous two years, such "distressed" buildings comprised the same percent of the cross-sectional sample.

Buildings with expenses greater than revenues in 1996 suffered from both abnormally high expenses, (109% of the 1996 all-building average), and low rents and income, (respectively only 63% and 61% of the all-building average). Most of the variance in unadjusted costs between these and other stabilized buildings was found in insurance, fuel, maintenance, and "miscellaneous"categories,which in these "distressed" buildings were respectively 119%, 127%, 141% and 161% of the stabilized average. Not surprisingly, these buildings also paid less property taxes (74% of the all-building average) than other stabilized structures.

Net Operating Income and Operating Cost Ratios

In most apartment buildings, revenues exceed operating costs,yielding funds that can be used for mortgage payments, improvements and,after local,state and federal taxes are paid, profit. The amount of income remaining after maintenance expenses are paid is typically referred to as "Net Operating Income"(NOI). While debt service and income taxes then determine the ultimate profitability of a property, NOI is a good indicator of its basic financial condition.

This is the second year that RGB staff computed NOI for buildings filing RPIE forms. On average,apartments in rent-stabilized buildings earned $234 of net income per month in 1996, with units in the pre-war stock earning less ($197 per month) than those in post-war properties ($332 per month). NOI tended to be much higher for stabilized buildings in Manhattan ($341) than for those in the outer boroughs. Average NOI in "all-residential" properties was $187 per unit per month in 1996, 20% lower than the norm for all stabilized buildings.

What exactly do these figures tell us? As the revenue available after payment of operating costs, NOI is the money owners have for financing their buildings, making improvements, and for pre-income tax profits. NOI does not say anything about the ultimate profitability of a particular property, which depends on mortgage payments and income taxation,data which is not included in this analysis. That said, multiplying the average monthly NOI of $234 per stabilized unit by the typical size of buildings in this year's cross-sectional sample (43.5 units),yields a mean annual NOI figure of roughly $122,000 for owners in 1996.

Traditionally, the RGB has used "cost-to-income ratios" to evaluate the profitability of New York's stabilized housing, presuming that buildings are better off by spending a lower percentage of revenue on expenses. Over the last few years the proportion of total income spent on audited operating costs has dramatically declined in stabilized buildings, from an average of 63.4% in 1992 to 59.5% in 1995. This trend reversed in 1996, with the ratio of income spent on audited costs increasing to 60.1%. As operating costs have consumed less revenue in recent years,inflation adjusted NOI has adjusted to 93% of the 1989 average in 1996,somewhat lower than the 95% of the base-year average last year.

These NOI figures suggest that gains from declining vacancy and collection losses may be exhausted, or at least decreasing. During the deep recession of the early 1990's, unemployment and collection losses rose in the City, limiting owners' ability to offset rising operating costs by raising rents. This trend started reversing around 1993, when the City's economy improved to the point where building owners could increase rents (and revenues) faster than costs,which remained stable.

The 1996 RPIE data shows that rent-stabilized properties experienced planned or unplanned leaps in several cost categories, reversing the three year trend of stable and moderate cost growth. Although rent and income collections remained strong, both categories declined in 1996 and the result of these conditions is a small decrease in average monthly inflation-adjusted NOI from the previous year ($238 to $234). For a detailed view of NOI trends,the chart and table on the previous page show average monthly NOI by building age from 1989 to 1996 in constant 1996 dollars.

Longitudinal Study

Rents and Income

As the local economy continued its trend towards recovery by showing moderate expansion, average rents in stabilized buildings rose by 4.1% in 1996, slightly lower than the increase observed during 1995 (4.3%) and 1994 (4.5%). At least part of this decrease can be attributed to two years of low guidelines ordered by the Rent Guidelines Board in 1995 and most of 1996.The increases allowed to owners were 2% for a one-year lease and 4% for a two-year lease both years,the lowest guidelines in 15 years.

In a departure from 1995, the fate of modern buildings improved as rents in older (pre-47) buildings grew more slowly (3.9%) than those in newer (post-46) properties (4.5%). The fact that rents increased less rapidly than the previous year, when the rates were 4.4% in pre war buildings and 4.1% in modern buildings, is another indication that overall gains from vacancy and collection losses are slowing, especially in older buildings. This is confirmed by the aforementioned "gap"between the HVS and RPIE average rents in 1996 which suggests that pre-war buildings are having a more difficult time than modern properties in collection of their income. Rents increased by 6.2%, 3.7%, and 3.9% for small (11-19 unit), medium (20-99 unit), and large (100+ unit) buildings respectively. Small buildings appear to be the most successful in the rent collection department, gaining the highest rent increases of all the size categories for three years in a row.[2]

Rent growth in stabilized buildings from 1995-1996 was uneven across the City. Because this is the third year RGB staff have been receiving summarized Community District data, an analysis of the neighborhood trends over this period is in order. The map and table on the next page show rent growth over three years by community district.

The total income collected in rent-stabilized buildings, comprising apartment rents, commercial rents, and sales of services,increased by 4.3% in 1996, slightly lower than the rate observed in the previous year (4.5%). Revenues rose at differing rates in pre-war (3.9%) and post-war (5.1%) buildings. Similar to last year's findings, income grew by 5.4% in small buildings, 3.8% in medium-sized ones, and 4.7% in large properties. Like the patterns seen in rent collections, income gains have been the highest in small buildings for three years, above the average gain in each I&E study.

Focus on Manhattan

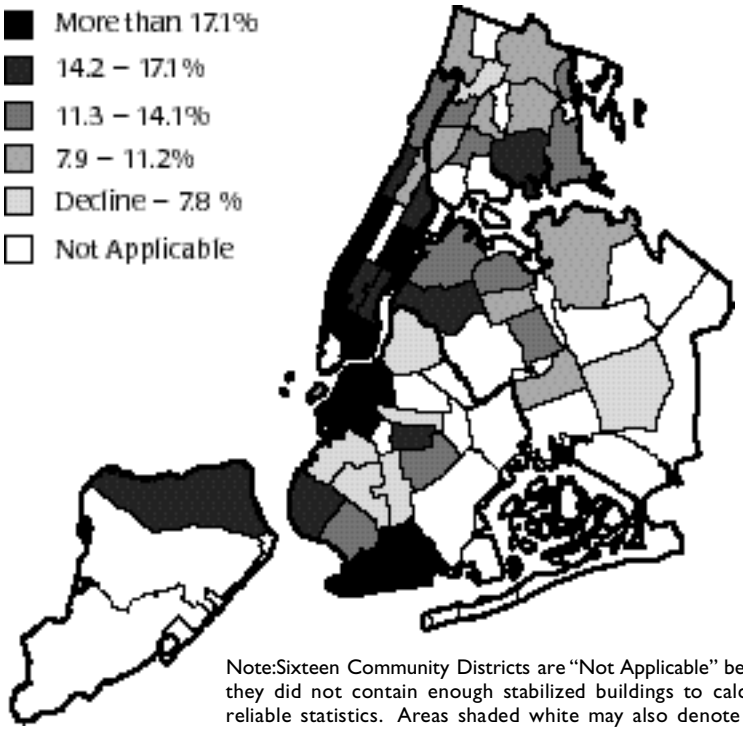
Manhattan rents are a focal point, not only locally for New York City residents,but also internationally, setting the benchmark for the cost of housing in one of the world's most desirable City neighborhoods. This section examines rent increase trends over three years in the rent regulated market throughout Manhattan's 12 Community Districts. In Manhattan as a whole, rents rose 16% from 1993-96 outpacing the Citywide average of 13% and each outer borough (Brooklyn rents increased 11%;Queens and the Bronx grew 10%) for the same period. Rents rose even more briskly, by 18%, in Manhattan's "Core," the area below East 96th and West 110th Streets. As the map and table on the next page shows,each and every "Core"neighborhood

RENT GROWTH IN NYC NEIGHBORHOODS OVER THREE YEARS

Boro	Neighborhood	% Rent Growth 1994-96
Bklyn	Brooklyn Hgts/Fort Greene	29.4%
Man	Lower E. Side/Chinatown	21.4%
Man	Greenwich Village	20.4%
Bklyn	Park Slope/Carroll Gdns	19.1%
Bklyn	Sheepshead Bay/Gravesend	18.6%
Man	Chelsea/Clinton	18.5%
Bklyn	Coney Island	17.4%
Man	Upper East Side	17.4%
Man	Upper West Side	17.2%
Man	East Harlem	17.1%
Man	Stuyvesant Tn/Turtle Bay	16.8%
Bronx	Soundview/Parkchester	16.3%
Man	Midtown	16.3%
Bklyn	Bay Ridge	16.2%
Bklyn	South Crown Heights	16.2%
Qns	Sunnyside/Woodside	14.9%
SI	North Shore	14.3%
Man	Morningside Hgts/ Hamilton Hgts	14.2%
Qns	Jackson Hgts	13.7%
Bklyn	East Flatbush	13.4%
Bronx	Morrisania	13.2%
Qns	Astoria	12.9%
Bronx	Throgs Neck/Co-op City	12.7%
Man	Washington Hgts/Inwood	12.2%
Qns	Forest Hills/Rego Park	11.8%
Bronx	University Hgts/Fordham	11.6%
Bklyn	Bensonhurst	11.3%
Bronx	Highbridge/S.Concourse	11.2%
Bronx	Riverdale/Kingsbridge	11.1%
Bronx	East Tremont	10.1%
Qns	Kew Gardens/Woodhaven	9.6%
Bronx	Baychester/Williamsbridge	9.1%
Qns	Flushing/Whitestone	9.0%
Qns	Elmhurst/Corona	8.8%
Bronx	Pelham Parkway	8.1%
Man	Central Harlem	7.9%
Bklyn	Flatbush	7.1%
Bklyn	Borough Park	7.0%
Bronx	Kingsbridge Hgts/Moshulu	5.5%
Qns	Jamaica	5.0%
Bklyn	Williamsburg/Greenpoint	0.7%
Bklyn	Sunset Park	-3.8%
Bklyn	N.Crown Hgts/Prospect Hgts	-4.8%

Stabilized Rents Rose fastest in Manhattan Neighborhoods from 1993-96

(Change in Collected Rents 1993-96)



Note:Sixteen Community Districts are "Not Applicable" because they did not contain enough stabilized buildings to calculate reliable statistics. Areas shaded white may also denote non-residential spaces,such as parks,bodies of water and airports.

Source:NYC Department of Finance, 1995, 1996, & 1997 RPIE Filings

exceeded the three-year Manhattan borough average (the Financial District is not counted because it has too few stabilized buildings to draw reliable averages).

In the poorer neighborhoods to the north, rent growth was moderately resurgent in three of four districts, checking in just below the Manhattan average in Morningside/Hamilton Heights (14%) and Washington Heights/Inwood (12%), and surpassing the borough average in East Harlem (17%). Central Harlem did not fare as well with three-year rent growth of only 8%.

Rents in the Outer Boroughs

Rent growth in Queens (10%), the Bronx (10%) and Brooklyn (11%) was slower than the Manhattan increase (16%) from 1993-96. At the neighborhood level, rent grew more slowly than the City average (13%) in all but 10 Community Districts with enough stabilized buildings to sample. As the map and table on this page show, two neighborhoods in Queens surpassed the three-year City rent growth average:Sunnyside and Jackson Heights. In the Bronx,two districts also grew faster than the City in rent collections: Soundview/Parkchester, and Morrisania. Similar gains were

found in several Brooklyn neighborhoods including Brooklyn Heights/Fort Greene, Park Slope/Carroll Gardens, Sheepshead Bay/Gravesend, Coney Island, South Crown Heights, Bay Ridge and East Flatbush.

Operating Costs

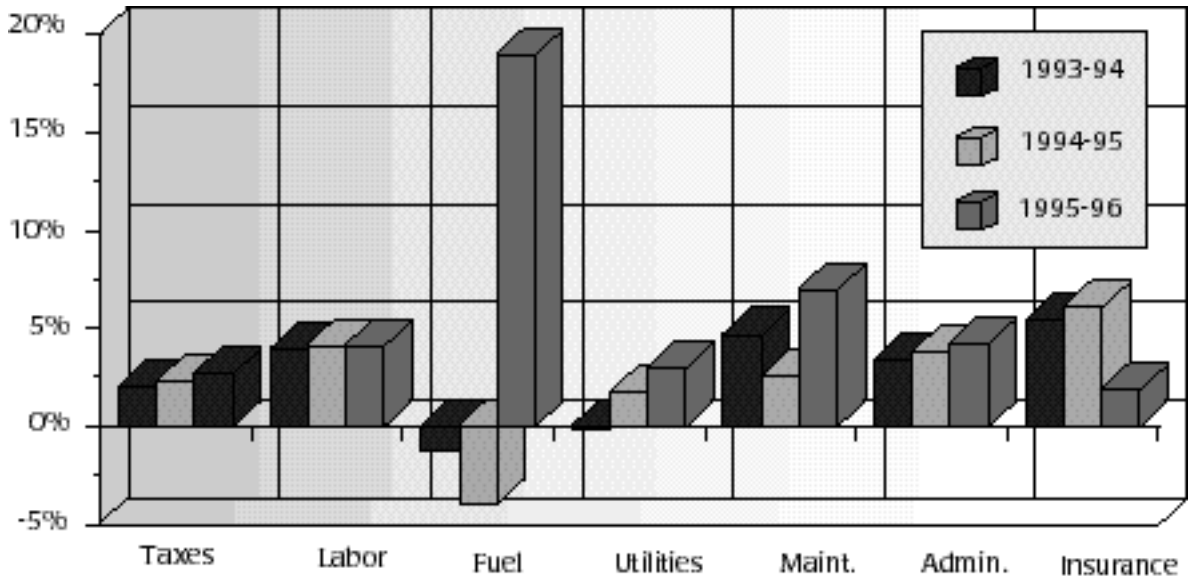
In 1996, expenses in stabilized buildings grew faster (5.4%) than both rents and revenues for the first time in four years. Costs rose at the same rate (5.4%) in modern properties as in pre-war buildings. This steep climb from the previous year's rate (2.5%) was attributable to fuel, maintenance, administrative and labor costs which rose swiftly in all buildings over the course of the year. Size influenced cost growth to a much larger extent than it did the previous year, as costs rose by 7.4%, 5.3%, and 5.1% respectively in small, medium, and large buildings. Small buildings, the fastest gainers in rents and income, contended with well above-average expenses in 5 of 8 categories in 1996.

While overall cost growth was rapid in 1996,some expenses increased more than others. As previously noted, the blizzard of 1996 had far-reaching ramifications. Fuel costs rose sharply, by 19.0%, an amount unprecedented in the history of the I&E study. Other expenses contributing to the high average increase in 1996 included maintenance,administrative, and labor costs (which grew respectively by 7.0%,4.2% and 4.1%).Utilities and property taxes,proportionately one of the largest costs faced by building owners, grew more modestly at 3.0% and 2.7%. These gains were minimally offset by stable insurance premiums (1.9%), which reversed a two-year trend of high increases in the insurance category. The chart below provides a three-year comparison of expense increases in stabilized buildings, clearly showing 1996's sharp increases in fuel and maintenance expenditures.

The RPIE and the RGB's long-running in-house survey, the PIOC, each provide a form of independent verification for the expense findings in the other. However, comparison of I&E and PIOC data is somewhat distorted due to differences in the way each instrument defines costs and gathers data about them. For example, there is a difference between when expenses are incurred and actually paid by owners as reported in the RPIE, versus the cost quotes obtained from vendors for specific periods as surveyed in the PIOC. In addition,the PIOC primarily measures prices on an April-to-April basis, while most RPIE statements (88%) filed by landlords are based on the calendar year. To compare the two, weighted averages of each must be calculated,at the price of some accuracy.

Fuel Costs Show Largest Increase 1993-96

(Increase in Operating Cost Components, by Year, 1993-1996)



Source:NYC Department of Finance, 1995, 96, & 97 R PIE Filings

Over the past several years, growth in PIOC-measured costs has consistently differed from expense increases reported in RPIE data. Since the beginning of the decade, the PIOC has grown faster in periods of economic downturn, and the RPIE has grown faster in recovery. Additionally, since 1993, the "gap" between the two indices has been steadily narrowing. This year, the PIOC and the RPIE showed virtually identical overall growth in expenses, at 5.1% and 5.4% respectively. Closer examination reveals that the two indices mirror one another quite closely in most cost categories in 1996.

Looking at the indices in the longer term, it seems that the PIOC may be a more accurate measure of cost increase trends as New York's rent-stabilized housing market emerges from recession because the PIOC is better at tracking costs during economic upswings, when all types of costs are generally increasing,and when accelerating revenue growth induces fewer owners to cut back on maintenance services and other elective costs. The RPIE data, on the other hand, may be a more accurate measure of annual variation,when owners react to changing economic conditions and alter their elective spending, such as choosing when to make repairs. Overall, from 1990 and 1996, the PIOC registered cost growth of 24% in stabilized buildings compared to a 22% increase reported in RPIE filings.

Net Operating Income and Operating Cost Ratios

Since revenues did not grow faster than operating costs in stabilized buildings during 1996, it is not surprising that NOI increased over the year by an average of only 2.3%, a steep drop from 1995's figure (8%). NOI adjusted for inflation using 1996 dollars dropped by -1.7% from 1995 ($238) to 1996 ($234). Across the City, building age and size correlated with the amount of pre-tax earnings gained by owners. NOI grew much faster than the average in modern post-war buildings with 100 or more units (6.1%), than in their large counterparts built before the war (-1.1%). Conversely, small buildings (11-19 units) which are almost all pre-war, enjoyed NOI growth just above average (2.5%). As the chart to the right indicates, these trends are uniform over three years, showing that small older buildings consistently exceeded average NOI growth rates. No other size-age combination in buildings achieved such NOI growth.

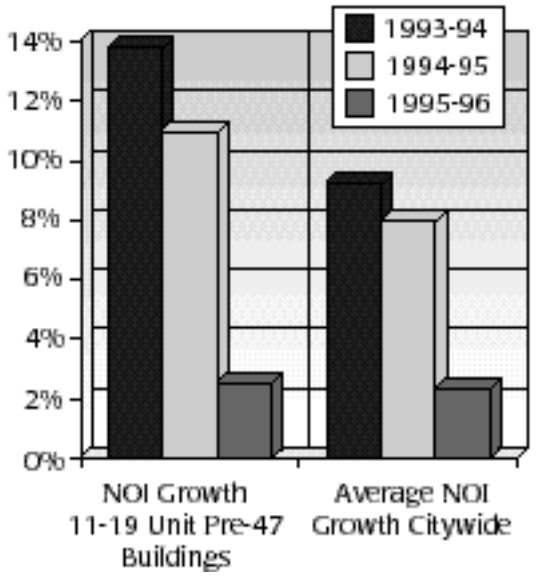
Focus on NOI in Small Buildings

NOI is a useful indicator for evaluating the financial well-being of buildings because NOI captures rent, income and expenditure growth,and can be compared for changes in all these factors from year to year. A comprehensive study of small buildings (11-19 units) was undertaken by RGB staff in 1995 and found that small buildings were slightly worse off than large buildings in every variable studied. While by no measure a complete updating of this study, a look at NOI from 1993 to 1996 will provide some indication of the viability of small stabilized buildings in New York City since that time. This section will only focus on small pre-war buildings as there are too few small modern buildings to be significant.

During the period of 1993-96,small buildings have achieved the highest growth rates in almost all categories:income, rents,O&M costs and NOI. In these years,income in small buildings grew at the fastest rate of any category, at 6%, 5% and 6% from 1993-96. Operating and maintenance costs also grew fastest in small buildings (2%,3% and 7%) except for 1994 when medium buildings grew the most. NOI also increased the fastest in small buildings in 1994 (14%) and 1995 (11%) and was above average in 1996 (2.5%). While

NOI Growth was Strongest in Small Pre-war Buildings Over 3 Years

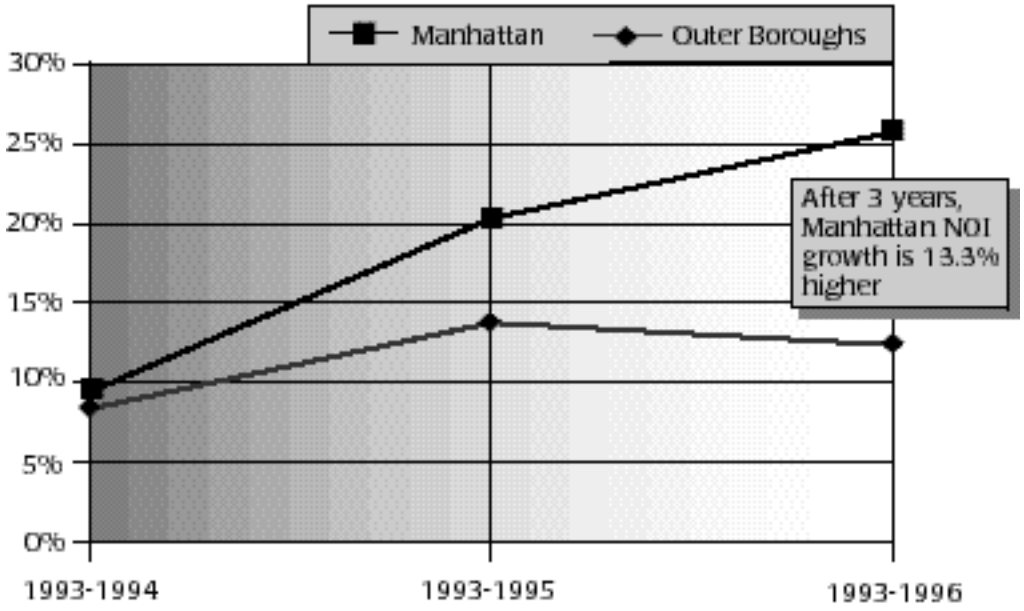
(Change in Net Operating Income, Small Buildings vs. Citywide, 1993-1996)



Source:NYC Department of Finance, 1995, 96, & 97 RPIE Filings

Manhattan NOI Growth Surpassed the Outer Boroughs by 13.3% from 1993-96

(Growth in Net Operating Income, Manhattan vs. Outer Boroughs, 1993-1996)



Source:NYC Department of Finance, 1995, 96, & 97 R PIE Filings

the 1995 study showed that small stabilized buildings face higher vacancy rates,lower income, higher than average expenses, and lower than average household income than their larger kin, it appears that improved income gains in small buildings from 1994 and 1995 resulted in the fastest NOI growth of the three size categories. That said, NOI growth in small buildings declined significantly in 1996 from the two previous years, as illustrated in the chart on the previous page which compares average NOI growth to NOI growth in small buildings from 1993-96.

NOI and Neighborhoods

Three years of Community District data offers insight into growth trends in pre-tax gains to owners at the neighborhood level. NOI was uneven across the City from 1993 to 1996. The borough of Manhattan's NOI growth of 26% was again able to outshine average NOI growth over three years in the outer boroughs (Queens increased 13%, the Bronx 12%, and Brooklyn 10%). In Manhattan's "Core," NOI exceeded the borough average in 5 of 7 districts. NOI growth was particularly strong in the Lower E. Side/Chinatown,Stuyvesant Town/Turtle Bay, and the Upper East Side. NOI growth was sub-par only in Chelsea/Clinton and the Upper West Side, which had relatively lower rent and income growth and higher expense increases than other "Core" districts during that period. This suggests that rent growth in these highly sought-after neighborhoods may have "peaked" by 1996. In upper Manhattan, NOI grew faster than the borough average in both Morningside Heights and East Harlem over three years. Net earnings in the Washington Heights/Inwood neighborhood grew slowly at 8%, and only Central Harlem did not share in the borough gains as earnings fell over the period. The chart above contrasts overall NOI growth between Manhattan and the outer boroughs over three years, demonstrating that the recovery has not benefitted all boroughs equally.

The outer boroughs all showed gains in NOI below Manhattan and the Citywide average (20%) for the years 1993 to 1996. Net income in Queens grew 13%, the Bronx grew 12% and Brooklyn grew 10%. A closer look at the district level demonstrates the neighborhoods' variable earnings trends. Conditions in Queens were the most stable over three years with NOI gains above the borough average in Jackson

Heights,Sunnyside and Forest Hills. Only the Jamaica neighborhood grew far below average with a 7.5% increase. In the Bronx, NOI increased above the City average in two neighborhoods, Morrisania and University Heights, however, NOI growth was below the Bronx's stabilized average in Kingsbridge Heights, Riverdale,Throgs Neck/Co-op City, and Baychester, and declined in East Tremont and Pelham Parkway. Brooklyn buildings experienced very uneven earnings growth over three years. Earnings grew rapidly in Brooklyn Heights/Fort Greene,Park Slope,Bensonhurst and Coney Island, yet declined in Williamsburg,Sunset Park,North Crown Heights and East Flatbush.

NOI - Some Conclusions

What do these figures indicate about the overall financial condition of New York's stabilized housing? It is clear that owners generally had a slightly smaller amount of inflation adjusted income after expenses to use for mortgages, building improvements, or pre-tax profit than they netted in the previous year.

No single factor can be blamed for the drop in NOI. However, analysis of the 1996 RPIE expense data reveals two important findings about managing costs in buildings that year. First,unpredictable rises in non-discretionary expenses, such as fuel costs resulting from inclement weather, can offset even strong gains in rent and income. Second,1996's drop in NOI may have been at least in part elective. As discussed previously, the high increase in maintenance expenses seen in 1996 suggests that some owners chose this year to reinvest in their buildings, accomplishing repairs and improvements deferred from the period of recession in the early 1990s. While this hypothesis cannot be proven conclusively, the years of robust growth in income and rent collections and stable expenses from 1993 to 1995 would have provided the cash if not necessarily the confidence required to undertake maintenance work.

The NYC Office of the Comptroller also indicates that New York City is traditionally slower to recover from recessionary periods than other areas of the nation. Thus, the benefits from the mid-1990's economic recovery should be seen in the records of rent-stabilized buildings for the coming years. Given these indicators, we cannot ascertain to what degree this year's low NOI resulted from gains directed to building maintenance and improvement, or simply from increases in the cost of operating stabilized buildings.

Operating Cost Ratios

The proportion of gross income spent on unaudited expenses increased by just over one (1.1) percentage point between 1995 and 1996. A similar rise was observed in the amount of income spent on audited expenses. The proportion of rent used to pay audited costs increased by a slightly larger amount (1.3%). These increases reverse a 4-year trend of steady decline in the proportion of income spent on expenses. This reversal offers additional evidence that owners of stabilized buildings enjoyed fewer gains in 1996 because they paid more of their income to expenses than in previous years.

Roughly 9% of the buildings in this year's longitudinal sample (1015) faced costs that exceeded revenues, identical to the rate observed last year. Only 39 of these buildings were built after 1946. The fundamental conditions besetting these buildings did not change. Such properties are burdened by low rents, lack commercial income, and suffer high operating expenses. ❒

End Notes

(1) Mean contract rents for 1996 were computed from the 1996 New York City Housing and Vacancy Survey (HVS). RPIE data includes information on some rent controlled units. In order to arrive at a rent figure comparable to the I&E data, controlled and stabilized units from the 1996 HVS data were combined to compute an average rent for all regulated units.

(2) Small buildings rent collections increased in 1995 by 4.2%, tied with medium (4.2%) and surpassing large buildings (4.0%). In 1994, the figures were 6.2% for small buildings, and 4.8% and 3.8% for medium and large buildings.

Mortgage Survey

Summary

Operating in a strong New York City real estate market, many financial institutions continued to lower their interest rates and loosen lending standards in the past twelve months. The Rent Guideline Board's 1998 Mortgage Survey found that the average interest rate for new multifamily mortgages is 8.48%—the lowest in the 16-year history of the survey. Lower costs for borrowing and greater mortgage availability, in turn, have generated greater demand for lending services and a wider range of products for borrowers in the multifamily mortgage market.

Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the Rent Guidelines Board to consider the "costs and availability of financing (including effective rates of interest)" in its deliberations. To assist the Board in meeting this obligation, each January the RGB research staff surveys financial institutions that underwrite mortgages for multifamily properties in New York City. The survey provides details about New York City's multifamily lending market, including point to point changes from January 1997 to January 1998. The survey is organized into four sections: new and refinanced loans, underwriting criteria, non-performing loans, and characteristics of buildings in lenders' portfolios.

Survey Respondents

Thirty-two financial institutions responded to the 1998 Mortgage Survey—the highest number of respondents in the history of the survey. The survey sample is updated annually to include only those institutions still offering loans for multiple dwelling properties. New underwriting institutions for the survey were found through research in trade journals, directories, and lists compiled by the Federal Deposit Insurance Corporation (FDIC). This year, we mailed the survey to seventy lenders. Of the 32 that responded, two were commercial mortgage firms, two were nonprofit development corporations, and the rest were traditional lending institutions ranging from savings banks, savings and loan associations to commercial banks.

The dollar value of multifamily real estate holdings varied significantly among survey respondents. According to the FDIC, five of the commercial banks that responded to the Mortgage Survey had between $200 and $1,600 million in their multifamily mortgage portfolios as of June 1997. The majority of respondents, however, held between $1 to $30 million in multifamily mortgages. As in previous RGB Mortgage Surveys, we found that financial institutions with larger holdings tend to have slightly lower financing costs.

Larger lenders also tended to provide a greater number of new and refinanced loans. Ten lenders provided more than 75% of the total volume of new mortgages in the entire pool of respondents—three of these ten lenders appeared on the FDIC's top ten list of commercial banks with multifamily loans. Furthermore, five large lenders provided almost 50% of the total volume of refinanced loans in the entire pool of respondents.

What's New

- ✔ Average interest rates for new multifamily mortgages are 8.48%—the lowest in the 16-year history of the Mortgage Survey.
- ✔ Average service fees (points) have declined (1.02 for new mortgages and 0.99 for refinanced loans) and terms have become more flexible in response to greater levels of demand and declining defaults in the past five years.
- ✔ Refinancing activity continues to sustain the increased momentum of mortgage lending activity. About half the lenders completing this year's Mortgage Survey reported refinancing 25 to 100% of the outstanding loans in their portfolios at lower rates.

Twenty of this year's respondents also completed last year's Mortgage Survey. A large pool of respondents replying in consecutive years enables us to provide a longitudinal analysis that distinguishes between actual changes in the lending market versus fluctuations caused by different institutions responding to the surveys in consecutive years. This report begins by discussing findings from a cross-sectional study of all respondents to the 1998 Mortgage Survey followed by an analysis of the longitudinal group.

Cross-Sectional Analysis

Financing Availability and Terms

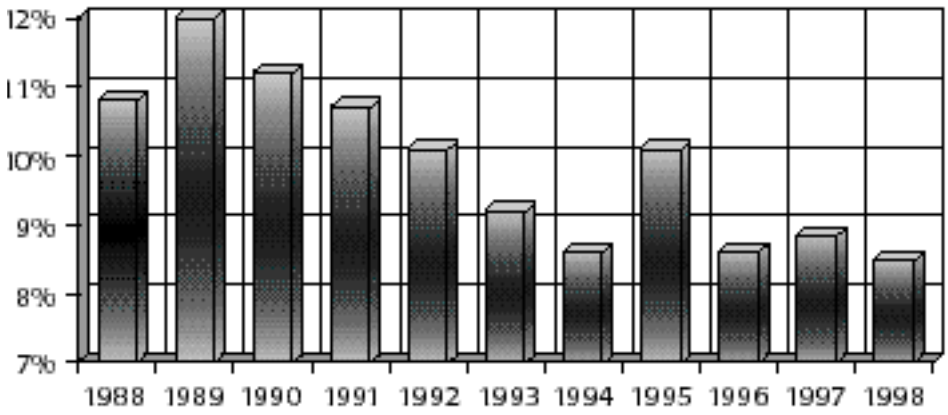
Mortgage financing conditions have not changed dramatically from those found in recent years. This year's average interest rate was 8.48% for new multifamily mortgages (a drop of 0.35 percentage points from the previous year). This decline marks the fourth time in five years that mortgage interest rates for new originations fell below 9%.

The average rate for refinanced loans was 8.49%. Two survey respondents do not offer loan refinancing—these lenders typically offer new mortgages at higher interest rates (on average 9.5%) than those offering both loan types. Of the thirty lenders that offer both types of loans, two charge lower rates for refinanced loans than new originations,a reversal of the trend in the early 1980s when interest rates for refinanced loans were twice that of new loans.

One reason for this relative stability in mortgage rates was the Federal Reserve's unwavering course for the past two years. For instance, the Federal Funds Rate — the rate banks charge each other for overnight loans — was only increased from 5.25% to 5.50% in March 1997. The Discount Rate — the interest rate Federal Reserve Banks charge for loans to depository institutions — has remained constant at 5% for the past two years. Large banks, following the pattern set by the Federal Reserve, maintained their prime lending rates at a level that produced very little fluctuation in mortgage interest rates.

Multifamily Mortgage Interest Rates Declined in 1998

(Average Interest Rates for New Loans, 1988-1998)

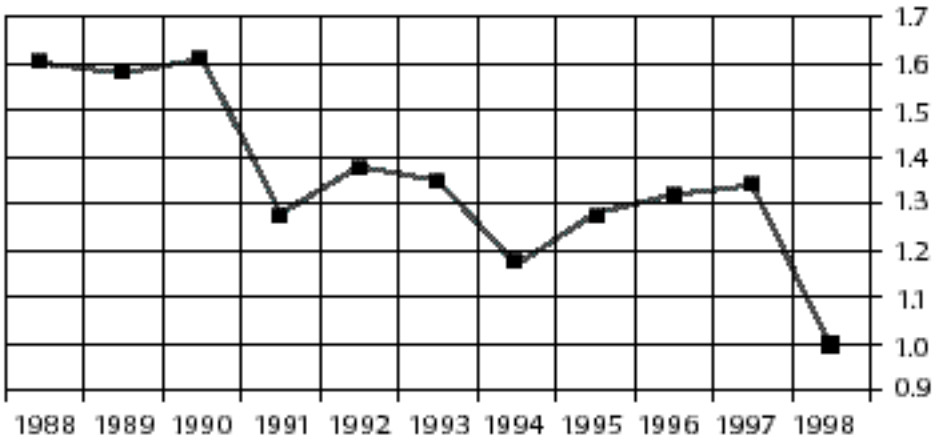


Source: Rent Guidelines Board, Annual Mortgage Surveys.

The average interest rate for new multifamily mortgages was 8.48% — the lowest in the 16-year history of the survey. This finding mirrors the decline in overall interest rates reported in the January 19–25, 1998 issue of *Crain's NY Business:* "the average rate for a 30-year fixed mortgage in metropolitan New York . . . was 6.98%, . . . the first time since October 1993 that the index was below 7%."

Service Fees for New Loans Declined Significantly in 1998

(Average Points Charged for New Loans, 1988-98)



Source: Rent Guidelines Board, Annual Mortgage Surveys.

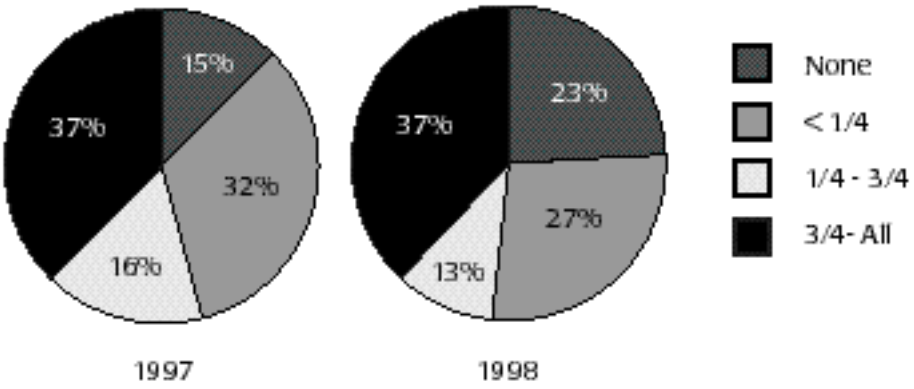
Points, or upfront service fees charged by lenders, declined to the lowest level in more than a decade. This year, points averaged 1.02% for new multifamily mortgages and 0.99% for refinanced loans.

Points—upfront service fees charged by lenders — also closely followed the trend set in previous years. Points for new mortgages ranged from 1 to 3, moving from an average of 1.34% in 1997 to 1.02% in 1998. Average points charged for refinanced loans this year were 0.99%, or about 0.16% below the 1997 average.

Lenders appeared to be more flexible in the loan terms they offered this year. While term lengths are difficult to analyze (because survey respondents normally provide a wide range of terms rather than a single number), the range of terms offered in 1998 was slightly broader than that found in 1997. Mortgage terms reported by respondents typically fell within the 3 to 30-year range and most lenders offered 5 to 15 years. Seven lenders offered a maximum of 5 years or less,and another seven gave 25 to 30 years.

Low Costs Maintain High Refinancing Volume

(Percent of Institutions' Outstanding Loans Refinanced at Lower Rates, 1997–1998)



Source: Rent Guidelines Board, 1998 and 1997 Mortgage Surveys.

The percent of outstanding loans refinanced at lower rates during the past year continues to grow at a steady pace. As in the previous year, about one-third of the respondents in 1998 refinanced more than three-quarters of their outstanding loans at lower rates. This two-year growth in loan refinancing is due in large part to the continuation of low financing costs for mortgages and a healthy NYC real estate market.

Refinancing activity in 1997 followed the growth levels reported in previous years. Almost half the respondents reported a significant increase in loan volume from the previous year, with one bank even witnessing a 333% increase. On average, there were almost 60% more loans underwritten in 1997 (among those that reported a significant change) than in the previous year. This surge in loan volume was mostly due to increases in applications -- thirteen of these banks reported significant increases in the volume of applications they received for refinancing, while three reported a significant increase in the approval rate of such applications.

Much of this trend can be traced to the fact that reductions in refinancing costs are encouraging more borrowers to refinance their loans. About one-third of the lenders completing this year's Mortgage Survey refinanced three-quarters or more of their outstanding loans at lower rates. Buildings with 20 or fewer units shared in the refinancing boom. Over half (19 out of 32) of the lenders refinanced the loans of smaller buildings in their portfolios at lower rates.

Underwriting Criteria

From the late 1980s to the early 1990s, the RGB's annual Mortgage Surveys documented reduced mortgage financing availability for rental properties in New York City and mounting financing costs. (For an overview of trends in underwriting criteria and non-performing loans, see "A Brief History of Mortgage Financing in NYC" on the next page). The conditions causing this market upheaval, however, have continued to retreat in 1998. This year's Mortgage Survey finds even more evidence that a new era of cautious but ample loan availability has established itself in New York City.

Lending practices have remained steady in the past three years. This trend reflects a period of low delinquencies and defaults that resulted from heightened requirements in effect during the early 1990s. In this year's survey, only four respondents reported changes in their underwriting practices. All of these lenders lowered the points and fees for borrowers looking for mortgages, while two increased their monitoring requirements. In terms of approvals, two respondents reported more stringent criteria, while the other two had less stringent approvals. Explanations for these changes are also mixed. Two lenders changed underwriting criteria because of increased demand for mortgage financing, one lender was reacting to an increased opportunity to sell loans on the secondary market, while another pointed to increased competition.

As in the previous year, respondents reported few changes in other areas of origination practices and standards such as loan-to-value ratios, debt service coverage, and building characteristics. The dollar amount respondents were willing to lend based on a building's value (the loan-to-value ratio, or LTV) ranged from 50% to 80%. The average maximum LTV in 1998 is 71% — a slight decline from the previous year's average of 71.5%. Normally, a decline in the LTV criteria may indicate a tightening of mortgage financing practices. In this case, however, the decline is too small to be statistically significant and is probably due to changes in the survey sample. As we shall see in the longitudinal analysis, the average maximum LTV actually increased for the twenty lenders that responded in consecutive years.

The debt service ratio (or net operating income divided by the debt service) remained steady from the previous year, with the most common debt service requirement at 125%. The debt service ratio measures an investment's ability to cover mortgage payments using its gross income or its net operating income. The higher the debt service coverage requirements,the less money a lender is willing to loan given constant net income. Because the most common debt service ratio did not change from the previous year, we can assume that most lenders in 1998 have not changed the amount of money they are willing to lend in relation to the net operating income of buildings.

Most lenders stipulate that a building be in good condition, while five reported that they would accept average,acceptable, or fair conditions when assessing loan applications. One respondent evaluates the quality of building management before approving a loan application. Four lenders also stated that they take into account the age of a building, with two indicating a preference for buildings with an effective remaining life of at least 30 to 50 years.

Most lenders also require buildings to have a minimum of 5 or more units, with three setting limits at 15, 30, and 60 units respectively. Only one lender considered a building's potential for cooperative or condominium conversion, indicating that 70% of the units in a building be available as potential co-ops. No respondent takes into account whether the borrower is an occupant of the building, but one lender does consider the neighborhood in which the building is located and the borrower's credit and financial strength. Another respondent stipulated that 25% of the loan be used for improvements.

Non-Performing Loans and Foreclosures

In another sign of a stable mortgage market, very few lenders reported non-performing loans or foreclosures in 1997. Only one respondent reported a significant increase from the previous year — this was a 104% jump attributed to an acquisition of another institution's portfolio. However, this deviation is minor considering the fact that the increase only represents 0.76% of the lender's total multifamily mortgage portfolio.

None of the twelve lenders that indicated delinquent loans reported levels of more than 2% of total loans. This finding is similar to the previous year, when all but two lenders reported levels of less than 2%.

Lending institutions also reported very few foreclosure proceedings for rent-stabilized buildings in their portfolios between 1996 and 1997. All but one respondent reported that there was no change in foreclosures from the previous year. The one lender that did indicate a significant change in its foreclosure actions, reported a 25% decline from the previous year. In a separate question, lenders were asked about the percentage of loans to rent-stabilized buildings that were currently in foreclosure. Of the seven lenders that currently had loans in foreclosure, all stated that the number of loans in foreclosure made up 2% or less of their total outstanding loans.

The most common prescription for foreclosures reported this year was to restructure debt service. Five respondents also seized property, five allowed borrowers to resume regular debt service, four arranged financing with another institution, while one lender reported that it had sold 90% of its foreclosed properties. These foreclosure actions do not differ substantially from 1996, except that a larger proportion of borrowers were allowed to resume debt service coverage in that year.

Characteristics of Rent-Stabilized Buildings

Characteristics of buildings in lenders' portfolios remained nearly the same as last year. Almost three-quarters of the respondents typically provide mortgages to buildings with 20 or more dwellings. In the 1995 Mortgage Survey, the average building size reported by lenders was 50–99 units. In the 1996 and 1997 surveys, average building size decreased to 20-49 units. This finding may be an indication of the RGB's efforts to include smaller lenders, which tend to have smaller buildings in their portfolios.

In another indication of a stronger rental market, the 1998 Mortgage Survey found that average vacancy and collection losses declined slightly to 4.2%. Nearly half of the respondents reported that buildings in their portfolios experienced vacancy and collection losses of 5% or more—a smaller proportion than was reported last year, when 75% of lenders reported similar problems.

The percent of losses attributed to collection problems also declined this year to 2.21%, or about 0.19% less than what was found in the previous year.

While the official loan-to-value (LTV) criteria used to evaluate loans did not change significantly, the actual reported LTV ratio of building mortgages currently held by respondents sharply increased from the 1997 Mortgage Survey. This year's survey found that the average LTV ratio of buildings currently in lenders' portfolios is 68%, or about two percentage points higher than the 66% average found in the 1997 survey. Differences between an institution's current lending standards and the characteristics of its overall portfolio point to possible exceptions to its standards when choosing to underwrite individual loans. The

A Brief History of Mortgage Financing in New York City

The Savings and Loan Crisis, incipient in the early 1980s, noticeably infected New York City's multifamily lending market in 1987, probably spurred on by the stock market crash in October. As a result, secondary lenders tightened their standards causing most primary lenders to do the same.

Two years later, the Resolution Trust Corporation (RTC) placed many savings and loans under receivership or closed them down entirely. Soon after, Freddie Mac discontinued purchasing mortgages in the secondary market. New York City's multifamily mortgage market was in upheaval due to the deepening economic recession and the instability of the national banking system. Many institutions terminated their multifamily lending programs altogether.

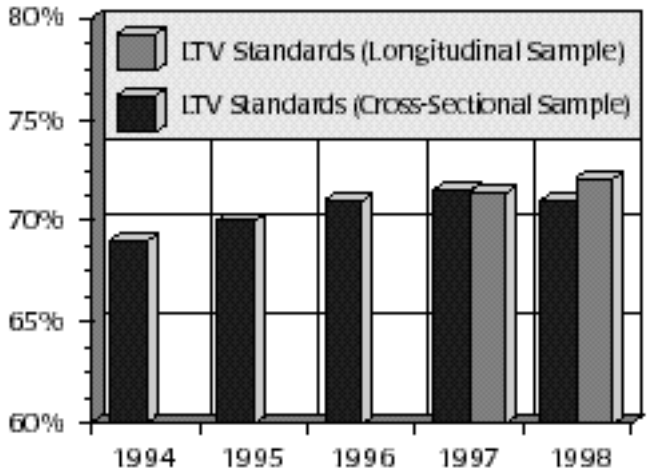
By 1993 the mortgage market was entirely restructured. By 1995, lenders' rigid standards finally paid off when defaults had stabilized and delinquencies declined. Freddie Mac re-entered the secondary mortgage market infusing sizable funds into the lending pool. Loan volumes inched up and, for the first time in almost a decade, lenders who had left the market resumed loan originations.

Lenders eased their standards slightly between 1994 and 1996 by allowing higher loan-to-value ratios and longer loan terms. According to the 1997 Mortgage Survey, lenders had very few non-performing loans or foreclosures, and refinancing activity soared. Low interest rates and increasing loan volumes this year suggest that mortgage availability in New York City will continue to expand at slightly lower financing costs.

Maximum Loan-to-Value Ratios Increased

(1997–98 Longitudinal vs. Cross-Sectional Average Loan-to-Value Standards)

Maximum loan-to-value (LTV) criteria increased from 1997 to 1998 in the longitudinal analysis of twenty lenders that replied in consecutive years. This finding indicates an increase in the dollar amount respondents are willing to lend for multifamily housing.



Source: Rent Guidelines Board, Annual Mortgage Surveys.

higher LTV ratios that characterize this year's sample of buildings may be an indication that lenders continue to feel comfortable with the current state of the real estate market. It is also quite possible that the higher LTV ratios resulted from an actual increase in the value of buildings in lender portfolios.

This year, the average operating and maintenance (O&M) expense per unit reported by lenders was $301, a 6% increase from the $283 average found in the 1996 Mortgage Survey. In a new question this year, lenders were also asked to estimate the typical rent per unit per month in the buildings that are part of their mortgage portfolios. They reported an average monthly rent of $629, which is very close to the $645 mean found in the 1996 Housing and Vacancy Survey for renter occupied units (and $680 mean for stabilized units). This is another indication that the RGB Mortgage Survey continues to enjoy a fairly representative sample of the multifamily mortgage market.

Longitudinal Analysis

In this section, we compare responses from the twenty lenders who replied to surveys in both 1997 and 1998 (longitudinal group) with the data from all thirty-two institutions providing responses in the 1998 survey (cross-sectional group). This longitudinal comparison helps to determine whether the changes highlighted in the cross-sectional analysis reflect actual fluctuations in the lending market or the presence of a larger pool of respondents this year.

Financing Availability and Terms

The terms offered by the longitudinal group differ substantially from those of all respondents (cross-sectional group). For example, average interest rates for new mortgages in 1998 were lower for the longitudinal group (8.13%) than for the cross sectional group (8.48%). This probably reflects changes in the pool of

survey respondents because new lenders in this year's survey (by definition excluded from the longitudinal group) tend to have higher financing costs.

Data from the longitudinal group supports our findings in the cross-sectional analysis that mortgage financing was cheaper in 1998 than in the previous year. While average mortgage interest rates for both new and refinanced loans declined in both groups,they declined at a faster rate in the longitudinal group. For instance, the longitudinal interest rate for new mortgages dropped by 0.57%,while the cross sectional group declined by 0.35%.

Changes in points, loan lengths, and types are more consistent between the two groups. Service fees declined by about the same rate in both groups:there was a 0.37% decline for new loans in the longitudinal group and 0.32% decline in the cross sectional group. The longitudinal data also shows a fair amount of consistency in terms offered by respondents in 1997 and 1998. Additionally, lenders in the longitudinal group offered comparable types of loans from one year to the next, with a slight increase in adjustable loans this year.

Both longitudinal and cross-sectional groups refinanced (at lower rates) about the same percent of loans in their portfolios this year. All but four lenders in the longitudinal group reported that some portion of their loans was refinanced at lower rates. Lenders in the longitudinal group are also refinancing, on average, about the same amount of loans in their portfolios (59%) as in the previous year (63%). As was the case in the 1997 survey, half of all longitudinal respondents reported increases in loan volumes in 1998 almost exclusively due to swelling loan applications.

Lending Standards

In the longitudinal analysis,the maximum loan-to-value (LTV) ratio parallel findings in the cross-sectional analysis that indicate stable trends in the rental market. While there is a slight increase from 71.4% to 72.1% in the maximum LTV criteria for the longitudinal group, there is a slight decrease from 71.5% to 71% in the cross-sectional group. The longitudinal debt service coverage data remains the same as the year before:an average debt service ratio of 124%, which is similar to that found in the cross-sectional analysis.

However, there is a significant difference between vacancy and collection losses between the two groups. The average vacancy and collection losses reported in the cross-sectional analysis is higher (4.20%) than that found in the longitudinal group (3.79%). The percent of losses attributable to collection problems was also higher in the cross-sectional group (2.21%) and the longitudinal one (1.94%). Again, when a historical comparison is made between the 1997 and 1998 Mortgage Surveys, almost no change is detected in the longitudinal group, while a decrease is detected in the 1998 cross-section. These differences are most likely due to the large number of new lenders in the cross-sectional group.

Non-performing and Delinquent Loans

As was the case in 1997, the longitudinal findings for 1998 confirm that delinquencies have been minimal. None of the lenders in the longitudinal group report significant changes in non-performing loans or foreclosures from the same period last year.

Conclusion

While the longitudinal analysis of the 1998 Mortgage Survey is only as reliable as the number of lenders that participate, the data from consecutive years supports the findings from the more abundant cross- sectional data. With noted exceptions, the longitudinal perspective confirms that the multifamily lending market has loosened during the past year. In 1998 interest rates are slightly lower than those found in 1997, lending standards have relaxed somewhat, and defaults on outstanding loans have continued to be limited in scale. It appears that the lower costs of borrowing and greater mortgage availability reported in the last three years have continued to generate mounting demand for lending services and a wider range of products for borrowers in the multifamily mortgage market. ❐

Income & Affordability

✔ Recent Movers Survey

✔ Tenant Income and Housing Affordability

Recent Movers Survey

Principal Findings

- ✔ The median monthly rent paid by households that moved between June 15, 1997 and March 1998 is $804.
- ✔ Rents commanded for vacant units vary widely by neighborhood. The highest average "neighborhood" rent was $2,313 in the Wall St. area, while the lowest, $550, was in East and Central Harlem.
- ✔ For apartments which were rent-stabilized in April 1997 and became vacant after June 15, 1997, the median rent increase was 12%.
- ✔ Citywide, two-fifths of vacant units had increases of 18% or more, the "minimum" vacancy set by the Rent Regulation Reform Act of 1997, with a disproportionate number being in "Core" Manhattan.
- ✔ The typical rent increase in the year **before** the Rent Act was passed (April 1996 to April 1997) was 8%. Thus, the strengthening economy and the provisions of the Rent Act boosted the Citywide median rent increase by 4%.
- ✔ Vacancy decontrol is reducing the number of rent-stabilized housing units. Of the stabilized units in this study, 3% to 4% were deregulated on vacancy (i.e. regulated in 1997 but then had a rent of $2,000 or more upon vacancy). An estimated 3,500 to 5,000 units were deregulated during the last year. Nearly all of these units were in "Core" Manhattan.
- ✔ In Manhattan's "Core," 9% of rent-stabilized units which had a vacancy were deregulated.

This report was originally intended to be an analysis of the impacts of the Rent Regulation Reform Act of 1997, (the Rent Act), and in particular the vacancy "allowance" provisions of the new law. An inability to differentiate the impact of the City's rebounding economy from the provisions of the Rent Act have made these ambitious initial goals untenable, and this study cannot and does not attempt to estimate the direct impacts of the Rent Act. Even so, this survey does provide the Rent Guidelines Board with important information regarding the current economic conditions of the residential real estate market.

It is important to note that this study ONLY analyzes rents, changes in rent, and other characteristics of rental apartment units vacated and re-occupied since June 15, 1997. Only about 12% of all rental units (one in eight) have had a vacancy since June 1997. Thus, the 88% of apartments which have had no change in tenancy after the passage of the Rent Act have not been affected by its provisions at all, and the condition of these units is not analyzed in this study. The full impact of the Rent Act will not be felt for some years, as apartments become vacant and are re-occupied.

Summary

The findings of the report can be summarized briefly. First, it is clear that the Rent Act, (and pre-existing aspects of the Rent Stabilization law, such as "1/40th increases") combined with a strong local economy, have typically resulted in moderate rent increases for most vacant stabilized units. The rent for the typical vacant unit rose 12%, indicating that many landlords are unable to charge the "minimum" vacancy allowance of 18% allowed by the Rent Act.[1]

Second, this report truly describes two very different and distinct housing markets. In what is often called Manhattan's "Core," the area of Manhattan south of 96th Street on the East Side, and 110th Street on the West Side of Central Park, very few vacant units are rented for less than $1,000 and the typical rent is $1,500. Most landlords are able to charge the "minimum" vacancy increase of 18% allowed by the Rent Act. Outside of the Manhattan "Core" the situation is very different. Few units rent for more than $1,000, the typical rent is in the $600 to $800 range, and only about one-quarter of vacant units command the "minimum" 18% vacancy increase. Simply put, many apartments in the "outer boroughs" are renting at or near "market" levels.

Third, a comparison of rent increases from April 1996 to April 1997 with those which occurred after the Rent Act was passed (June 15, 1997 onwards) shows that the Rent Act has not had a dramatic impact on rent increases charged for vacant units, at least not in the City as a whole. Prior to the enactment of the Rent Act the median Citywide increase in rent was 8%. After the Rent Act was passed the increase was 12%. Thus, for the typical unit, some combination of a more robust economy and the altered rent laws raised the median increase by 4%. In the outer boroughs the typical increase was nearly the same before (6%) and after (7%) passage of the Rent Act.

Finally, this report shows that "vacancy decontrol" is occurring in Manhattan, but not elsewhere. We estimate that 3,500 to 5,000 vacant units have been deregulated in the first year after the Rent Act was passed. Nearly all (97%) of

these units were located in Manhattan's Core. This estimate represents less than one-half percent of New York City's universe of stabilized apartments and 1% to 1.5% of Manhattan's stabilized stock.

Choosing a Methodology

Initially, RGB staff considered three methods for surveying the target population, renters who moved to a dwelling in New York City after June 15, 1997. All of these tenants' lease terms would fall under the provisions of the Rent Act.

The three methods evaluated by RGB staff on the basis of cost,coverage and representativeness were:

1) Random Digit Dialing
2) List-assisted Telephone Survey
3) Mail Survey using a purchased or provided list.

For a better understanding of the terms used in the following sections, see "Methodology Definitions," on the next page.

Random Digit Dialing

The first method,Random Digit Dialing (RDD) employs live operators with computer-assisted telephone calls to a given universe or population. Using this method, the 'universe' would have been defined as New York City residents who had telephones in the 212 or 718 area codes,nearly all New York City households.

The target population, renters who moved from June 15, 1997 to March 1998, is a fairly small subset of the larger population of New York City. About 10% of all New York City residents move on average each year (about 272,000 households). Because the study was to cover only renters, both stabilized and non-stabilized, who had moved in the eight months after the Rent Act was enacted, this further reduced the number of movers to 180,000 households. Roughly 80% of these movers are typically renters (about 150,000 households). Thus, the target population ultimately eligible for the survey was computed to be about 5.4% of all New York City households.

A crucial factor in determining the cost of RDD is the incidence rate, or the percentage of times a contact is expected to reach someone eligible to take the survey. Because the target population was only 5.4% of all NYC households (i.e., recent movers),only 1 in 18 calls would be applicable without accounting for people who refuse to participate. Assuming a 50% cooperation rate,only about 1 in 36 calls were likely to result in a usable survey. Then, adding follow-up contacts, over 38,000 calls would need to be made to achieve the final required sample of 1,070 completed surveys.

Although RDD is the most thorough method in terms of coverage and representativeness (few households have no telephone and unlisted numbers are not excluded), the extremely low incidence rate made using Random Digit Dialing costly and time prohibitive.

List-Assisted Telephone Survey

The second method considered, a Telephone Survey using a purchased list of recent movers, involved procuring such a list from a professional list broker, then performing the survey with live operators and computer assisted data tracking. The advantage of this method over RDD was that a targeted list would contain only people who moved to a New York City address during the given period, raising the incidence rate to roughly 80%. That is, 4 out of 5 calls to names on the list would reach households moving during the desired time period. Again, figuring a 50% cooperation rate, 2 out of 5 calls would be expected to result in completed surveys.

While several list brokers compile lists of recently moved New York City residents with over 125,000 names from which to draw a sample, two problems came to light. First, few of the lists contained telephone numbers and those which did were prohibitively expensive. Second,when the sources for the lists were examined, the results did not appear to be representative enough to make reliable estimates about the larger population. Typical sources included credit bureaus, mail order catalogs, voter and auto registration, deeds, and magazine subscriptions. Despite the variety of sources,many recently-moved residents would not appear on these lists, and results would have been duly biased.

A sample drawn from a commercial list would be likely to have significant coverage error, which occurs when the original list does not include all elements of the population researchers wish to study. In addition, the expense of purchasing a list and employing a computer assisted telephone surveying service rendered this method untenable,though the incidence rate would have been greatly improved.

Mail Survey, Multiple Contact Method

Finally, the mail survey method was considered. Because of the coverage problem identified above,the prospect of performing a mail survey using a list from

METHODOLOGY DEFINITIONS:

Median: the 50th percentile or the observation where half of the observations are above and half are below;

Rent: the term rent in this study refers to median monthly contract rent;

Recent Movers: all households which moved to a vacant apartment in New York City between June 15, 1997 and March 1998; (about 180,000 households)*

Universe or Population: all recent movers in New York City;

Target Population: renters who moved June 15,1997 to March 1998;(about 150,000 households)*

Incidence Rate: the percentage of contacts in Random Digit Dialing which can reach someone eligible for the survey:in this study 5.4% or 1 in 18 contacts;

Sampling Frame: actual list of persons/households from which a sample is drawn, (attempts to reach members of Universe/Population) —utility subscription list of 173,000 households;

Starting Sample: smaller number of people to be drawn from Frame to receive survey (8,200 households).Size determined by these assumptions:
- 90% delivered mail or usable addresses;
- 90% surveys complete and usable;
- 80% renters (20% owners)
- 20% response rate (very conservative)

Sample/Final Sample: set of respondents selected from a larger population for the purpose of a survey (1,070 complete usable surveys) Size determined by :
- amount of sampling error tolerated
- size of Target Population,
- how varied the population is in respect to characteristics of interest

*Source:1996 Housing and Vacancy Survey

a broker was rejected. In searching out an alternative list of recent movers,RGB staff obtained a complete list of addresses of recently occupied apartments drawn from a list of customers with utility subscriptions. Names were not included. The list obtained by RGB proved to be very complete in terms of coverage because it included nearly all New York City households which moved within RGB's targeted period.

Having obtained a reliable list of recent movers, various mail survey methods were considered. The "multiple contact" method was chosen,which uses 4 to 7 strategically worded and timed mailings and stamped return envelopes expected to garner high response rates (about 50-60%) from the general population.

The bulk of the expense using the multiple contact method is comprised of mailing costs. First class mail is used in order for the mailings to be received according to schedule and to retrieve undelivered mail. Nevertheless, it was calculated that a mail survey based on the aforementioned list and performed using the multiple contact method would meet the RGB's criteria—thorough coverage and representativeness,at the lowest cost.

Four timed mailings were sent over five weeks in the spring of 1998 to a starting sample of 8,200 households drawn from the utility customer list (more on the sample sizes below). The mailings included the following:

- First: an Advance Letter, notifying people in the sample that they have been selected for the survey and will be receiving a survey questionnaire.

- Second: about a week later, a Cover Letter and Survey, the mailing included more detail on the study, a copy of the survey and a pre-paid business reply envelope.

- Third: one week later, a Follow-up Postcard,which thanks those who have responded and requests a response from those who have not replied.

- Fourth:three weeks after the first survey is mailed, a Replacement Letter and Survey, the letter informs people that the RGB has not heard from them and includes a replacement survey and reply envelope.

Finally, follow-up letters were sent to responding households who returned surveys with incomplete or unclear data.

Survey Methodology

Sample Size

The sample size,or the number of complete,usable surveys required for reliable survey results, was 1,070 for the Recent Mover Survey. This number is determined first by the size of the overall population to be studied. In this study, the population size (the 180,000 households, or the 'universe,' that were expected to have moved in New York City between June 15, 1997 and March 1998) is large enough to be only weakly related to the sample size.[2] The number is also determined by the desired level of confidence and precision of the estimates to be found. The 95% confidence level ±3% was chosen. (See page 60 for further explanation of confidence intervals).

Starting Sample

The starting sample is the number of surveys selected randomly from the master list or universe. The number of surveys in the starting sample, 8,200, was arrived at by making assumptions about what would happen during the survey process and deliberating backwards from the required sample size, 1,070. The assumptions were that 10% of the starting sample would be undelivered mail; 10% would be incomplete or unusable surveys; 20% would be owners and thus ineligible for the survey; and finally a very conservative response rate of 20% was figured in. Using these assumptions, a starting sample of 8,200 initial surveys was needed to garner a final sample of 1,070 complete usable surveys. The sampling frame list had approximately 173,000 addresses from which a random sample of 8,200 addresses was drawn.

Questionnaire/Survey Design

The questionnaire used in the Recent Mover Survey, (see Appendix F.4), was designed with the goals of brevity and clarity and with a visual style that is shown to produce high response rates in survey methodology research. The Recent Mover Survey contained a total of seventeen questions.

Two long-established housing surveys, the Housing and Vacancy Survey (HVS) performed by the Census Bureau in New York City, and the Rental Housing Mail Survey used by the U.S.Department of Housing and Urban Development (HUD) in performing Fair Market Rent studies, were used as models for several of the questions in the RGB survey. These survey questions have been honed to obtain information about housing in a way that produces clear and accurate results.

The "look" of the survey, placement of questions on the page, and type style were designed according to recommendations of survey research experts. While the survey did contain some "sensitive" questions that were essential to the study, such as the amount people pay in rent,security deposits and up-front fees, it was decided not to include questions about race or income which tend to discourage response, even in an anonymous survey.

Language Provision/Internet

Several methods were considered to make provision for Spanish and Cantonese speakers in the survey, the two most predominant languages spoken after English in New York City. It was decided to include request cards in the survey mailings and to provide a Cantonese or Spanish survey to all who requested them.

A version of the survey was also available on the RGB web site for sample households to fill out on line. The web address for the survey was not advertised to other visitors to the web site so only sample households with valid ID numbers could participate.

Response Rate

The response rate for the Rental Housing Survey was 49%. The response rate, or the proportion of people in a particular sample who participate in the survey, is calculated by subtracting the number of people/households known to be ineligible from the starting sample and dividing the result by the number of surveys received. The Recent Mover Survey response rate is as follows:

Starting Sample:	8,200
Undelivered Mail:	-551
Number of Owners:[3]	-1,558
Eligible for Survey:	**6,091**
Surveys Returned:	2,954
	÷6,091
Response Rate:	**49%**

Final Sample

The final sample, or number of completed usable surveys received for the Recent Mover Survey, is 2,285. This number is arrived at by cleansing unusable or incomplete surveys from the total returned. There were 519 surveys rejected because respondents moved before the Rent Act was passed, and 150 surveys were rejected because they had too few complete questions or provided unclear responses.

Surveys Returned:	2,954
Unusable, moved before Rent Act passed:	- 519
Unusable, incomplete/unclear data:	- 150
Final Sample	**2,285**

The sample of 2,285 surveys is more than double the number required (1,070) for making statistically reliable estimates about the target population. The effect of receiving a larger number of returns than were conservatively projected is that this study is able to draw more reliable conclusions,

especially about smaller subsets of data, (i.e., the median rent in a particular zip code), than results that would be drawn from the original required sample of 1,070 surveys.

Final Sample composition by survey type:

English Survey:	2,247
Spanish Survey:	21
Internet Survey:	13
Cantonese Survey:	+ 4
Total:	**2,285**

Representativeness

While the Final Sample of 2,285 was more than double the conservatively predicted return,staff compared the returned surveys to the starting sample to check for representativeness. Because nothing was known in advance about the starting sample save for the household's status as recent movers and location, staff compared the starting and final sample by borough representation. The chart below provides borough percentages in the two samples.

Location	Starting Sample	Final Sample
Bronx	16%	14%
Brooklyn	27%	23%
Manhattan	38%	45%
Queens	18%	17%
Staten Island	1%	1%

The Final Sample showed over-representation in Manhattan and under-representation in Brooklyn,while the other boroughs returned statistically similar proportions of surveys. These variances only affect Citywide statistics, such as the median Citywide rent increase, not borough-level statistics. To account for the differences in representation,staff weighted data for the Citywide figures and compared them to unweighted results. It was found that the differences between weighted and unweighted Citywide median figures were negligible, (see section Median vs. Mean Average Rents, next page). The Citywide statistics in this report are thus unweighted.

Confidence Intervals

Confidence intervals are a measure of reliability of estimates found in a study. Once the surveys were returned, the following confidence intervals were calculated for median rent figures. By the end of the survey, 2,285 surveys,more than double the required amount of 1,070, were received and analyzable. Based on the final sample size of 2,285, one can be confident that 95% of the time, the true median rent figure will be within the given range of observations in the following table. Estimates found for subgroups,such as the median rent for stabilized tenants in Brooklyn, will have less precision, i.e., the true figure will be found in a larger range, because there are fewer observations to draw from. The receipt of many more than expected surveys has the effect of making the confidence intervals tighter, or simply, makes study estimates more reliable.

Location	Median Rent	Range of Observations that contains true median (95% Confidence Interval):
City	$804	$800—$850
Bronx	$600	$587-$625
Brooklyn	$700	$666-$700
Manhattan[4]	$1,338	$1,295-$1,400
Queens	$750	$725-$750

Comparisons to Other Databases

Three existing databases, the Housing and Vacancy Survey (HVS), and two Division of Housing and Community Renewal (DHCR) databases of stabilized Buildings and Apartment units—provide data to compare with the Recent Movers Study throughout this report. These databases are from 1996 and 1997.

The HVS, performed by the U.S. Census Bureau every three years in New York City, collects comprehensive information about both the regulated and non-regulated housing sectors. The HVS includes information on income, demographics and detailed conditions of housing. The HVS was used primarily for comparisons in the non-stabilized sector, but also to provide a check for information in the stabilized sector. Additionally, information such as turnover rates,tenant income levels and the number of stabilized units in each borough was derived from this source.

The DHCR Building and Apartment databases are constructed from information gathered from registration forms of stabilized buildings that landlords are required to file with New York State each year. These databases, merged into one, provide detailed information about stabilized buildings,apartment units and the tenants that occupy them. It was possible to link each stabilized household that answered the

survey to the DHCR database by address to make longitudinal comparisons of the same units from 1996 to 1997, and from 1997 to 1998. DHCR data is used throughout the report for comparison to Recent Movers Survey data regarding stabilized units and the rent-stabilized sector.

Median vs. Mean Average Rents

The "Median" is the preferred measure of the "center" of a skewed (nonsymmetrical) distribution, as is the case with the distributions of both rents and rent increases in our survey. The more commonly used arithmetic average "Mean" is well known by statisticians to be excessively influenced by even small numbers of "outliers"(extremely high or low values), resulting in a value that can be misleading as to the location near where the bulk of observations are actually found. Technically, the Median is the value that half of the observations in a distribution lie above and, of course, half lie below. It is thus equivalent to the 50th percentile. Because the distribution of both rents and rent increases in New York City is strongly negatively skewed (with proportionally far more extremely high values than extremely low ones), the Median rent and rent increase should provide a more accurate and informative summary measure of these variables than would the Mean.

To further clarify what is meant by "rent" in this study, survey recipients were asked, "What is the monthly rent for this apartment (house)? (Total rent charged by landlord, including any government assistance payments)." This question was designed to find the total monthly amount the landlord charges in rent for the apartment, not what tenants who receive assistance actually pay out of pocket. Thus, for tenants who receive assistance from programs such as the Senior Citizen Rent Increase Exemption (SCRIE) or Section 8, the "legal" or total contract rent charged for the apartment was counted. For tenants who paid "preferential" rents (an agreed rent less than the legal rent for the unit) however, the actual rent that they paid to the landlord was counted.

It should be noted that the Median rents reported in this study of findings from the Recent Mover Survey are derived from all sizes of apartments, and are not broken down by the number of bedrooms per unit. The survey, however, did collect data on the number of bedrooms for each responding household. Rents and rent increases broken down by bedroom number can be found in Appendix F.1.

Rents for Recent Movers in New York City

All Apartments

The median rent paid by all households—regulated and unregulated—moving between June 15, 1997 and March 1998 in New York City is $804 per month. Half of the monthly rents observed in this study were above $804 and half were below. The median rent for all stabilized households is $750, while tenants in non-regulated housing units paid $950.

Rents in the boroughs portray the typical divergence between the amount people pay in rent in Manhattan and what they pay in the outer boroughs. Median rent for all newly occupied households in Manhattan is $1,338 per month, far outpacing the median rent in Queens ($750) and Brooklyn ($700), and more than double that in the Bronx ($600).

Stabilized Apartments

In the stabilized sector, rents showed slightly less variance between the City's boroughs. Stabilized rents were highest in Manhattan at $1,100 per month, followed by Queens ($710), Brooklyn ($675), and the Bronx ($600). Again, the median Core Manhattan stabilized rent, $1,250 per month, far outpaced that observed in the northern part of the borough ($625).

Non-Regulated Apartments

Not surprisingly, non-regulated, or "free market" rents, showed the most variance from one borough to another. Median non-regulated rent for recent movers in Manhattan weighed in at $1,600 per month. The next lowest monthly rent appeared in Queens at $750—less than half the Manhattan amount. The remaining rents were also less than half the Manhattan amount. Non-regulated rents were $700 per month in Brooklyn followed by $600 in the Bronx. Finally, contrasting the two parts of Manhattan, median "market" rent in Upper Manhattan was $700 per month, less than half the rent a newly arrived tenant in Core Manhattan typically paid—$1,763.

Rents in Manhattan

Importantly, even within Manhattan itself, rents are evidence of the "tale of two boroughs" often seen when comparing data from Upper Manhattan and Core

Manhattan. These two areas of the borough are divided by 96th Street on the East Side, and 110th Street on the West Side of Central Park. Median rent in Upper Manhattan is $650, on a par with rent in the outer boroughs, while median rent in Core Manhattan, or the "Core," is $1,500 per month, over double the typical rent in the Northern part of the island. The variance between rents across the City shows that the cost of renting to new households in Core Manhattan requires a much higher level of household income than the cost of renting a typical unit in Upper Manhattan or any of the outer boroughs in 1998. Using the federal affordability standard of 30% of a family's adjusted monthly income[5], the typical new renter in the Manhattan "Core" would have to make at least $60,000 per year.

Rents in the City's Neighborhoods

As the variation between intra-Manhattan rents illustrates, discussing rents at even the borough level is sometimes too generalized to gain a clear understanding of the cost of housing in New York City's diverse neighborhoods. The desirability of small localities within the City can change rapidly, and rents quickly correspond to neighborhood population shifts. Because of the high number of responses, this study was able to pinpoint median monthly rents in many City neighborhoods by zip code area. Reporting rents by zip code areas is perhaps most informative to City residents as zip codes correlate well with commonly known neighborhoods. In Manhattan, by combining some adjoining zip codes into neighborhood areas, nearly every neighborhood produced a median rent.

As the map on the following page illustrates, at the zip code level, Manhattan neighborhoods once again show a large contrast in monthly rent figures when comparing those in Upper and Core Manhattan. The lowest neighborhood rent comes from the East and Central Harlem area at $550, while the highest rent comes from the rapidly gentrifying tip of Manhattan, the area incorporating the Financial District, Battery Park City and Church Street, which reported a monthly rent of $2,313. The four neighborhoods in Upper Manhattan showed median monthly rents that ranged from $550 to $800 in the Morningside Heights area. Of the neighborhoods in the Core, seven had rent from $1,000 to $1,499; nine from $1,500 to $2,000 and one, Manhattan's aforementioned 'tip,' had rent surpassing $2,000.

The lowest monthly neighborhood rent observed in the study, $550, comes from the East and Central Harlem neighborhoods. In the outer boroughs, ten neighborhoods had rents ranging from Highbridge's $560 to $780 in Murray Hill, Queens. Only two neighborhoods, both in Brooklyn, approached Manhattan median rent levels, Park Slope at $1,000 per month and Brooklyn Heights at $1,200.

Increases in Stabilized Rent 1997-1998

How much did the Rent Act contribute to the amount of rent a typical new occupant of a stabilized unit would pay? Although the data used in this study is of

The Gap Between Stabilized and Non-Stabilized Rent is Highest in Manhattan

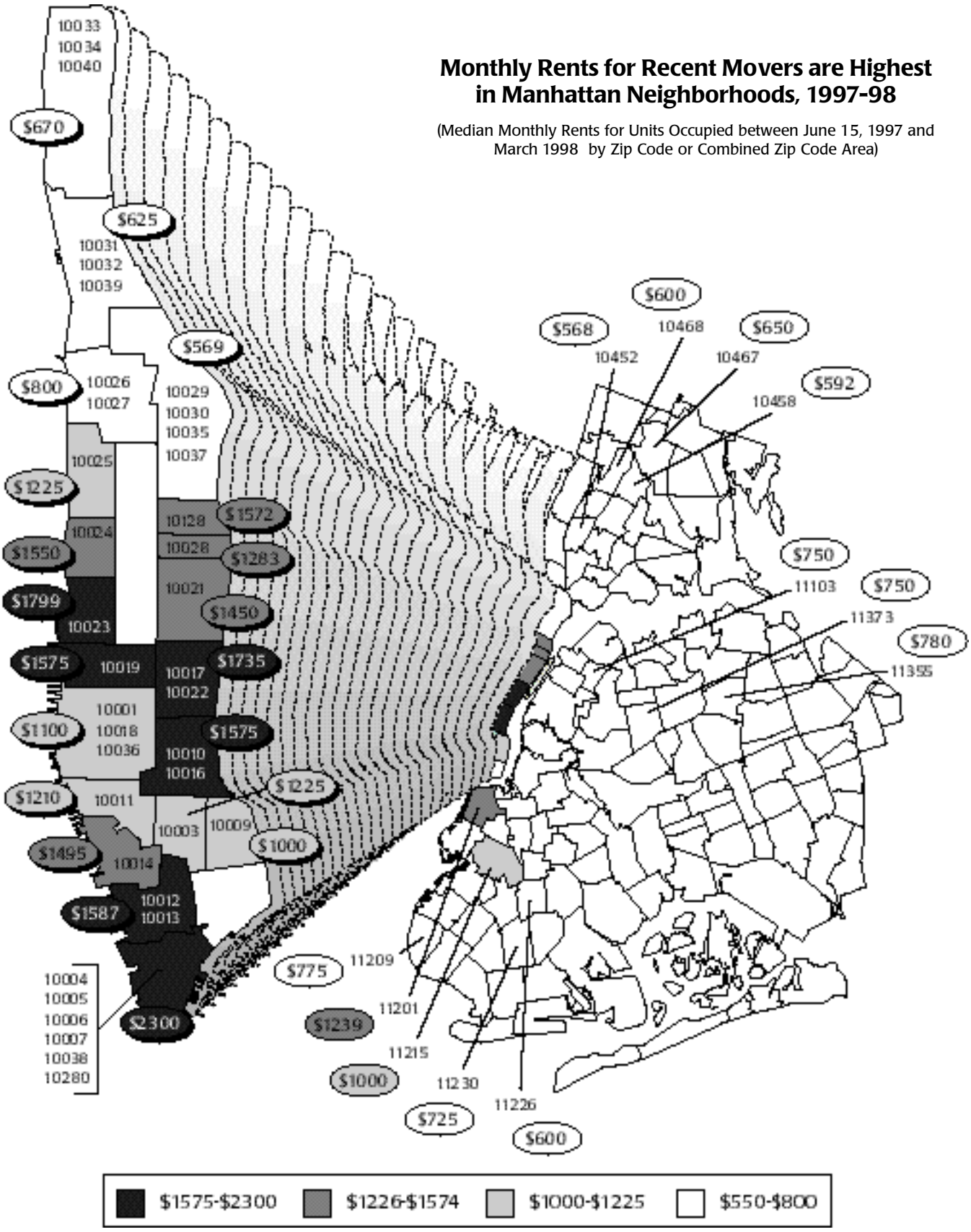
(Median Monthly Rent for Units Occupied Between June 15, 1997 and March 1998 by Borough and Regulation Status)

	All	Stabilized	Non-Stabilized	Difference*
New York City	$804	$750	$950	+$200
Core Manhattan	$1,500	$1,250	$1,763	+$513
Upper Manhattan	$650	$625	$700	+$75
Manhattan	$1,338	$1,100	$1,600	+$500
Bronx	$600	$600	$600	0
Brooklyn	$700	$675	$700	+$25
Queens	$750	$710	$750	+$40

* Note: "Difference" is "Non-Stabilized" rent minus "Stabilized" rent.
Source: 1998 Recent Movers Survey, Rent Guidelines Board.

Monthly Rents for Recent Movers are Highest in Manhattan Neighborhoods, 1997-98

(Median Monthly Rents for Units Occupied between June 15, 1997 and March 1998 by Zip Code or Combined Zip Code Area)



Source: 1998 Recent Movers Survey, New York City Rent Guidelines Board

very high quality, we cannot pinpoint the impacts of the Rent Act per se. Some of the overall increase charged for a vacancy lease was due to the vacancy allowance provided by the Rent Act,and some was due to pre-existing provisions of the Rent Laws,primarily "individual apartment improvements"(i.e."1/40th" increases).[6]

To provide context for this study's findings on rent increases in stabilized apartments, it is useful to outline the rather complex vacancy provisions of the Rent Act. For vacancy leases which commenced on or after June 15, 1997, a special vacancy allowance, irrespective of any action by the RGB, is collectible by the owner as follows:

1) *If the incoming tenant selects a two-year lease, the increase shall be 20% over the prior legal regulated rent.*
2) *If the new tenant selects a one-year lease, the increase shall be 20% over the legal regulated rent, less the difference between (a) the RGB two-year renewal lease guideline applied to the prior legal regulated rent, and (b) the RGB one-year renewal lease guideline applied to the prior legal regulated rent.*

While the special vacancy increase is charged in lieu of any RGB guideline increase, it is additional to any vacancy increase ordered by the RGB. However, in its first guidelines order following passage of the Rent Act, the RGB voted that no vacancy allowance was permitted except as provided by the Rent Act. Thus for the term 1997-98, the "minimum" vacancy allowance was 18% for tenants choosing a one-year lease and 20% for a two-year lease.

Two other types of increases were also enacted in the Rent Act,(1) a vacancy "bonus" was allowed to owners of apartments which have not had a vacancy in the past eight years; and (2) a special increase for low rent (under $500 per month) apartments. Thus, the typical vacancy increase allowed by the Rent Act was 18-20%, with some higher increases due to a vacancy after the departure of a long-standing tenant or for apartments which had a legal rent under $500 before the new law was enacted.

To ascertain the typical stabilized rent increase from 1997 to 1998, the address of each stabilized household that returned a usable survey was matched to the same apartment in DHCR's 1997 database of all registered stabilized units in New York City. Increases in rent were then computed for each apartment using the rents registered with DHCR in April 1997 and the amount movers paid for the same units two to eleven months later. The median percent increase in stabilized rents from 1997 to 1998 was 12%, (i.e., half of units had increases of more than 12%, half increased less). By borough, the median increase was 19% in Manhattan, 8% in Brooklyn and Queens, and 5% in the Bronx. The Core Manhattan median rent increase is 21% while Upper Manhattan's is one-third that amount (7%).

It should be noted that the 12% median increase seen between 1997 and the first eight months after the Rent Act passed is less than the vacancy provisions that the new law allows. The controlling factor for the smaller than allowable median increase is an apartment's location. Clearly, for units in Manhattan's much-desired Core,there is no shortage of tenants willing to pay rents increased by at least the 18% minimum vacancy allowance. Units in many portions of the outer boroughs,however, cannot find tenants who are able to afford the rent once the full vacancy allowance is applied.

The table on the next page compares Core Manhattan to the rest of the City. Rents in the Core far exceed those in the rest of the City, where few tenants

pay more than $1,000 for a vacant apartment. In the Core, very few rents remain the same or decrease after a vacancy, while in the rest of the City more than one-quarter of units saw no rent increase.

	Manhattan Core	Rest of the City
Median rent paid	$1500	$682
Tenants paying LESS than $1000	18%	91%
Rent decrease no increase in rent	5%	27%
Rent increase 18% or more	60%	28%

Vacancy Allowances Before the 1997 Rent Act

To better understand the scope of the rent increases found in this study for tenants occupying apartments after the Rent Act, vacancy increases from 1996-97 were analyzed using DHCR registration data. By comparing pre- and post-Rent Act increases, we can more accurately evaluate the impact of the Rent Act in the context of typical vacancy increases immediately preceding the new law.

The median Citywide rent increase from 1996 to 1997 for stabilized apartments occupied after a vacancy is 8%. In the boroughs, median vacancy increases in the year before the Rent Act were 5% in Queens and the Bronx, 7% in Brooklyn and 11% in Manhattan. Manhattan's Core showed a median vacancy of increase of 12%,double the rest of the City's vacancy increase rate (6%).

In essence, then, the median increase in rent for a vacant unit rose from 8% the year before the Rent Act was passed, to 12% after the Rent Act was passed, a difference of 4%. In Manhattan the difference was greater (an 8% increase). However, with the exception of Queens (a 3% increase), the other boroughs had nearly identical vacancy allowance increases before and after the Rent Act.

Another interesting effect appeared in our comparison of 1997 vacancy increases to those in 1998. As noted previously, the 12% average increase in stabilized rents on vacancy found after the Rent Act was substantially lower than the 18% minimum increase. Only in Core Manhattan could most vacant apartments rent with the vacancy increase allowed under the Act. In comparing the Recent Mover Study vacancy increase results to the DHCR 1996-97 vacancy data, we found that this same phenomenon was in effect the year before. The median vacancy increase from 1996-97 was 8%, yet the average vacancy increase allowed under RGB guidelines during this same period was 14%. Thus,both before and after the Rent Act, the average owner took vacancy increases 6 percentage points under the increase allowed by City or State law. In both periods, only a majority of Core Manhattan apartments could rent with the full vacancy allowance taken in the year before and after the Rent Act. The chart on the following page provides a borough-level comparison of stabilized rent increases from 1996-97 and 1997-98.

Deregulation

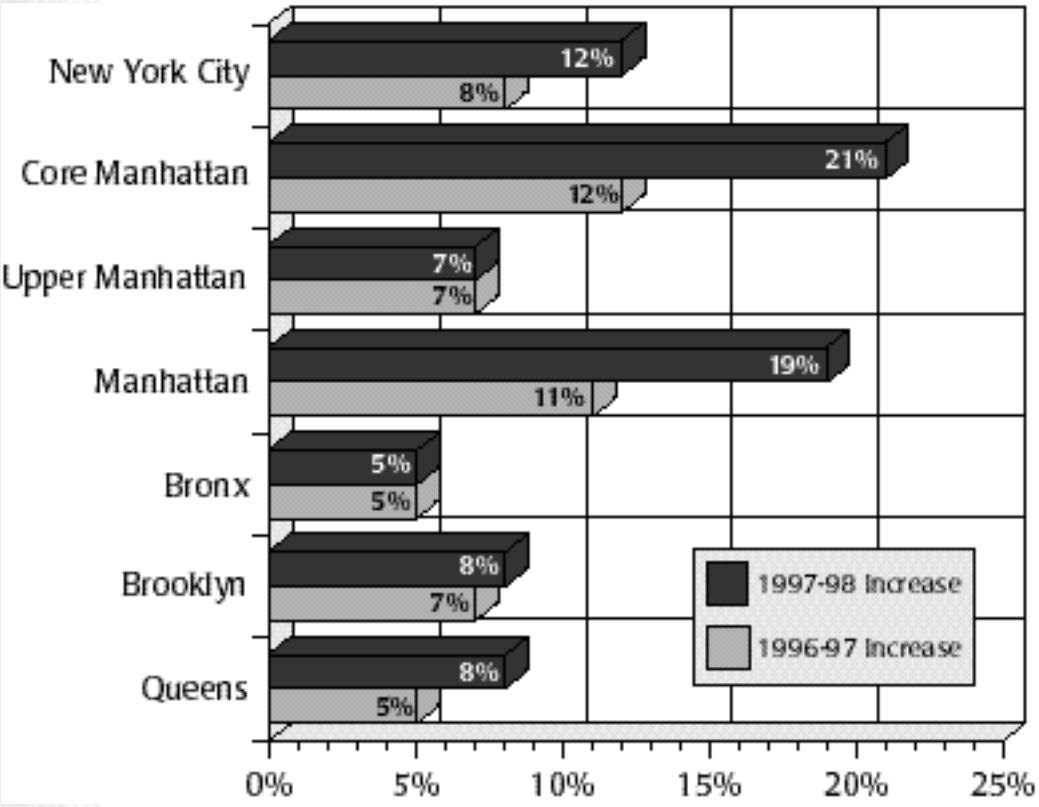
The Rent Act was predicted to have many impacts on both the rent-stabilized and "market" housing sectors. One of the debated outcomes of the new law was the number of stabilized units which would be deregulated. Two types of deregulation can remove an apartment from the stabilization system. The first,so-called "Luxury Decontrol," was broadened under the 1997 Act, to include households earning $175,000 or more in two consecutive years with rents of $2,000 or more. Previously, only households with incomes of $250,000 or more occupying an apartment with a rent of $2,000 or more were subject to this type of deregulation. The second type, so-called "Vacancy Decontrol," deregulates apartments in cases where the legal registered rent was raised to $2,000 or more following a vacancy. The apartment is then no longer subject to rent stabilization for the incoming tenant.

After closely scrutinizing every apartment in the survey with a reported rent of $2,000 or more in 1997-1998,which was registered with the DHCR in 1997, this study estimates that 3% to 4% of all newly occupied stabilized units were deregulated in the one year period following passage of the Rent Act.[7] These units were stabilized at various rent levels in April 1997. Later that year, and through March 1998, a vacancy (or in some cases two vacancies) raised the rent above $2,000, the upper limit for rent in vacant stabilized units according to the rent stabilization law. Nearly all of the deregulated units, (97%), were in Manhattan's Core. About 9% of recently occupied apartments in the Manhattan Core were deregulated.

Where did deregulation occur at the neighborhood level? Nearly 2/3rds of the deregulated units were in the Upper East Side or Upper West Side (about 1/3 in each). The remainder of the deregulated

The Rent Act and the Rebounding Economy Primarily Affected Manhattan's Core

(Median Rent Increase, 1996-1997 and 1997-1998, Vacant Rent-Stabilized Apartments, Citywide and by Borough)



Source: 1998 Recent Movers Survey, Rent Guidelines Board and 1996/1997 Division of Housing and Community Renewal Building and Apartment databases.

units were largely on the east side of Manhattan in neighborhoods such as Grammercy Park,Turtle Bay and Sutton Place.

What does this mean in terms of the number of dwelling units leaving the rent stabilization system? To translate the percentages into a rough estimate of actual numbers of units,assumptions had to be made about the number of rent-stabilized apartments which had vacancies in the past year. The low estimate uses data from the 1997 DHCR rent registration files, while the higher estimate assumes that turnover was closer to that reported in the 1996 HVS. Using these two figures, an estimated 3,500 to 5,000 apartments were deregulated on vacancy in the year after the Rent Act became effective.

It appears that the rate at which apartments are being de-stabilized has risen. The DHCR has estimated that 2,150 vacant units were deregulated in the first two years after the two types of deregulation were initially enacted,in 1993. Thus, the "rate" at which units were being de-stabilized was roughly 1,000 per year. Although the DHCR may have underestimated the extent of vacancy deregulation[8], it appears that vacancy de-stabilization has grown significantly,

and now ranges from 3,500 to 5,000 units per year. Undoubtedly, rising rent levels and the dramatic recovery of the City's economy have played a major role in boosting the rate of deregulation.

What portion of the Manhattan Core's housing stock was deregulated during the period? In 1996, the HVS estimated that the Manhattan Core contained some 264,000 rent-stabilized apartments. Thus,during the most recent year about 1% - 2% of these units have been deregulated.

Affordability

The notion of affordable rents in New York City and what is happening to them in both the "free market" and the stabilized sector is a topic closely watched by all constituents in the housing arena. The most recent data for median income in stabilized households (1995 income data from the 1996 HVS) was used to calculate an affordable rent for the typical stabilized tenant. In that year the median income of households in stabilized dwelling units was $25,300. The HUD benchmark for housing affordability is a 30% rent-to-income ratio. In other words,a household should have to pay no more than 30% of its income on rent for the housing to be "affordable" (see footnote 5). Thus,the typical stabilized household in 1995 could afford a monthly rent of $633 or less.

Adjusting the 1995 median income for inflation, in 1997, a typical stabilized household earned $26,632 and could afford a monthly rent of $666. In 1997, 50.4%, or roughly half of all stabilized apartments in our sample would have been considered affordable to this hypothetical household.

In 1998, a good estimate of median income in stabilized households, adjusted for inflation, would be $26,979. Using this income as a measure, the typical stabilized household in 1998 could afford a monthly rent of $674 or less. The percentage of newly occupied stabilized apartments affordable to a household with this income is 39.1%, a little more than one-third of newly vacated stabilized units. Thus, for recent movers, we estimate a decrease of more than 10 percentage points between 1997 and 1998 in the proportion of affordable stabilized apartments.

Across the boroughs, the percentage of affordable stabilized rents found in 1998 varies widely. The median incomes of stabilized households in each borough were adjusted for inflation and affordable monthly rents were computed. In the Bronx, 5% of newly occupied stabilized rents would be affordable to the typical household relocating in 1998, followed by 17% of rents in Brooklyn, 33% in Manhattan and 64% in Queens. According to the HVS,the percentages of stabilized rents that were affordable to sitting tenants in 1996 were as follows: in the Bronx, 21%; Brooklyn 42%; Manhattan 62%; and Queens 73%. Even with the conservative assumption that income rose only by inflation, it is safe to state that in the universe of stabilized apartments, (1) the average new mover in 1998 paid more in rent than sitting tenants, and (2) affordable rents for new movers are more difficult to find for households with typical income in the Bronx, Brooklyn and Manhattan respectively.

When examining housing affordability and the typical household in New York City, two important studies from 1995-96, the latest available, show that median rent-to-income ratios for all renters in New York City are just under the affordability benchmark of 30%. The U.S Census Bureau's American Housing Survey performed in 1995-96, found that on average, New York renters paid approximately 29% of their income in rent each month. The Census Bureau's HVS, found the following contract rent-to-income ratios in 1995: 28% for all renter households, 28% for stabilized households, and 26% for non-regulated renter households in New York City. Clearly, the "typical" household in New York City has been able to keep rent in the affordable category as recently as 1996. Recent RGB "Income and Affordability" studies, however, indicate that low-income households in New York City are experiencing an affordable household shortage, and often pay a higher portion of their income in rent than the average households described in the aforementioned surveys.

Because this study did not collect income data, estimating affordability for stabilized households based only on inflationary increases, not actual survey data, is purely an estimate. The 1999 edition of the HVS should provide a reliable update of tenant affordability in New York City's rental housing market given the sweeping economic and demographic shifts seen in the past three years.

Rent Levels in Stabilized Housing

Another way to examine what has happened to stabilized rents since the Rent Act passed in 1997 is to compare what percentage of the stock of stabilized units fell into given rent categories each year, and how that percentage has changed.

In 1997, about 34% of stabilized rents in our sample were under $600, which falls within the affordable range for an average income tenant. By

1998, 20% of newly turned over apartments rented for under $600. Moderate rents,between $600 and $999, increased slightly from 49% to 52% of stabilized rents. High rents, from $1,000 to $1,999, increased more rapidly, from 15% to 23% of all stabilized rents. Finally, rents of $2,000 or more, the amount at which a stabilized unit becomes deregulated, increased from 3% in 1997 to 6% of stabilized rents in 1998.

The increase in moderate rent levels in newly occupied apartments is a positive turn of events for households which can afford up to $1,000 per month on rent (a household income of $40,000 is necessary to afford a monthly rent of $1,000). However, the decrease in low and affordable rents matched with the acceleration in the percentage of rents $1,000 and over, show that many stabilized apartments are moving out of reach of low and low-to-moderate income households,particularly in Manhattan's Core. ❒

End Notes

(1) The Rent Act permits even greater increases for many vacant units. For simplicity's sake this study uses 18% because it is the minimum vacancy increase allowable given the RGB's 1997/98 guidelines.

(2) For studies of smaller groups, the size of the population is a pre-eminent factor in determining sample size. Sample size varies little when studying groups over 100,000 people.

(3) Source: 1996 Housing and Vacancy Survey. The average percentage of movers who are owners is 19%.

(4) The borough of Manhattan includes both the "Core" and "non-Core" areas.

(5) Source: Basic Laws on Housing and Community Development, Subcommittee on Housing and Community Development of the Committee on Banking Finance and Urban Affairs, revised through December 31, 1994, Section 3. (a)(2).

(6) A building owner may raise the rent in an individual apartment based on increased services, new equipment, or improvements. The owner may charge the tenant a rent increase equal to 1/40th of the cost of the new equipment, including installation costs, but not finance charges. If an apartment is vacant, the owner does not have to get either prior approval by DHCR or written consent of a tenant to collect the 1/40th increase. These 1/40th increases are separate from, and in addition to, the minimum 18% vacancy allowance provided by the Rent Regulation Reform Act of 1997. In addition to the 1/40th and vacancy allowance increases, some apartments in this study may also have had Major Capital Improvement increases and renewal increases. However, these types off increases were undoubtedly minimal and probably did not significantly affect the results of this study.

(7) Because the survey did not collect income information from the households surveyed, we cannot report what proportion of these units may have been deregulated due to the "Luxury Decontrol" provisions of the law, but the DHCR found that only 150 units throughout the City were deregulated because of petition by owners during the most recent one year period. Deregulation due to high household income has clearly affected a very small percentage of stabilized apartments to date compared to the amount of deregulation following a vacancy.

(8) The DHCR methodology included only apartments where the owner had checked the "luxury decontrol" box on the annual registration form. This is probably an underestimate since some landlords may have failed to check the box, and others may not have registered the units, once they were deregulated.

Tenant Income and Housing Affordability

Summary

Basic indicators of New York City's overall economy continue to improve since the recession of the early 1990s. Last year, the City's economy grew by 3.1%, the number of jobs increased by almost 54,000, and inflation stabilized at 2.3%. However, high rates of unemployment, wage stagnation, and large reductions in government expenditures for housing and welfare programs have reduced the affordability of housing in today's tight real estate market. As indicated by national studies, New Yorkers pay a larger portion of income on rent when compared to those living in other cities. With a 6% increase in real median rents and 1% decline in real household income for rent-stabilized households from 1992 to 1995, any further decline in income will have a very detrimental effect on housing affordability, especially for those in low-income categories. While the impact of recent cuts in public assistance and housing subsidies is still inconclusive due to limited data, we do note that landlords initiated over 274,000 non-payment proceedings in Housing Court last year and homelessness is again on the rise, with over 7,000 single adults lodged in shelters on a given night.

Introduction

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

Economic Conditions

New York City's Gross City Product (GCP), which measures the total value of goods and services produced, grew by 3.1% in 1997. This is a significant increase compared to the 1.6% and 0.9% growth experienced in 1996 and 1995 respectively. Furthermore, this economic expansion occurred without triggering large-scale inflation—prices grew an average 2.3% from the previous year (this is the lowest rate of increase in the City since 1965). However, New York City's recovery from the recession of the early 1990s has been uneven and continues to lag behind the overall national economy, which grew by 3.8% in 1997. Structurally, New York City's current economic development is characterized by an eroding middle-class and a widening gap between higher-income workers in finance-related industries and those competing for lower-wage jobs in the construction, trade, and service sectors.

What's New

- ✔ New York City's economy grew by 3.1% last year—the highest rate since 1988. The U.S. Gross Domestic Product grew by 3.8%.
- ✔ Almost 54,000 jobs were added to the economy last year—the largest single-year increase since more than 50,000 jobs were created in 1987.
- ✔ Inflation averaged 2.3% in the metropolitan area last year—the lowest rate of increase in the Consumer Price Index for all urban workers since 1965.
- ✔ Unemployment averaged 9.4% in the City last year—far higher than the national unemployment rate of 5%.
- ✔ Real median wages for all workers in New York City increased by 3.6% in 1997.
- ✔ Real median wages declined in the industries that experienced a net increase in jobs in the past five years (construction, trade, and services).
- ✔ The number of jobs declined in industries where real median wages have increased in the past five years (manufacturing, FIRE, and government).
- ✔ While the revised "out-of-pocket" rent-to-income ratio is 23.7% for tenants of rent-stabilized apartments, New Yorkers pay a larger proportion of their income for housing costs when compared to residents in other cities.
- ✔ Landlords initiated over 274,000 non-payment proceedings in Housing Court, a 1.4% decline from the previous year.
- ✔ Over 7,000 single adults are lodged in temporary housing on an average night in New York City. This is a 4% increase from the previous year.

Recent job growth statistics reflect the City's uneven economic recovery. In the recession of the early 1990s, New York City lost more than 300,000 jobs. From 1993 to 1997, this pattern reversed and there was a net increase of almost 130,000 jobs.[1] Over 41% of this recent job growth occurred in 1997, when almost 54,000 new jobs were added to the economy—the largest single-year increase since more than 50,000 new jobs were created in 1987. Much of this job growth was fueled by expansion in the construction, trade,and service industries,which increased by 2,600 (2.9%), 17,500 (3.1%), and 41,700 (3.4%) payroll jobs respectively. However, as we shall see, these were the very industries that experienced an erosion of inflation-adjusted annual wages.

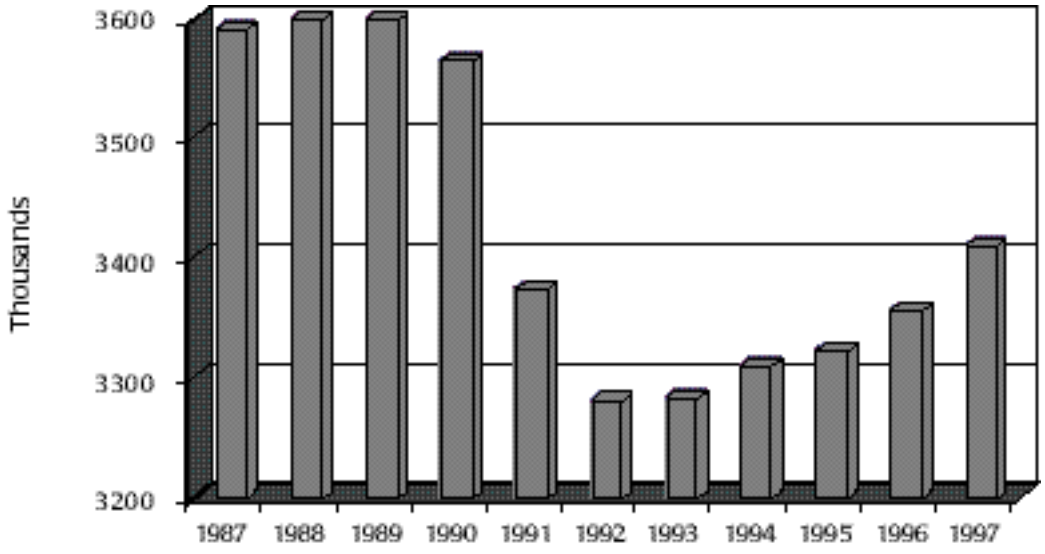
There were also a slight net decline in the number of payroll jobs in the manufacturing sector (-1,000) and the financial, insurance, and real estate (FIRE) industries (-9,000). The NYC Office of Management & Budget projects that the private sector will continue to grow by 43,000 jobs in 1998, with an additional 1,000 jobs in the government sector. The projected increase in government jobs in 1998 will be the first time in seven years that public sector employment experiences a net increase (over 59,000 jobs were lost between 1992 and 1997 in this sector).

While job growth accelerated in New York City, the unemployment rate actually rose from 8.6% in 1996 to 9.4% in 1997. This local trend diverged sharply from the current five-year decline in the nation's unemployment rate,which averaged 5% last year—the lowest rate in over a decade. The rise in the City's unemployment rate stems from mounting demand for employment. In other words, the number of people seeking employment has grown at a faster rate than the creation of new jobs: the civilian labor force increased by 84,000 (or 2.6%) in 1996 and 104,000 (or 3.2%) in 1997. Specifically, this higher demand has resulted from a heightened competition for lower-wage jobs among the working poor, former welfare recipients cut off from public benefits programs,and previously discouraged workers who are now resuming their efforts to find employment after giving up their search months or years before. Rising unemployment in the face of growing job prospects during the past three years points to the inability of New York City's economy to rapidly absorb thousands of potential workers who are chronically unemployed.

New York City's large pool of unemployed labor, and the resulting competition for low-wage jobs, may be a factor in the erosion of inflation-adjusted wages in the construction,trade, and service sectors. While

Employment Continues to Recover from the Recession of Early 1990s

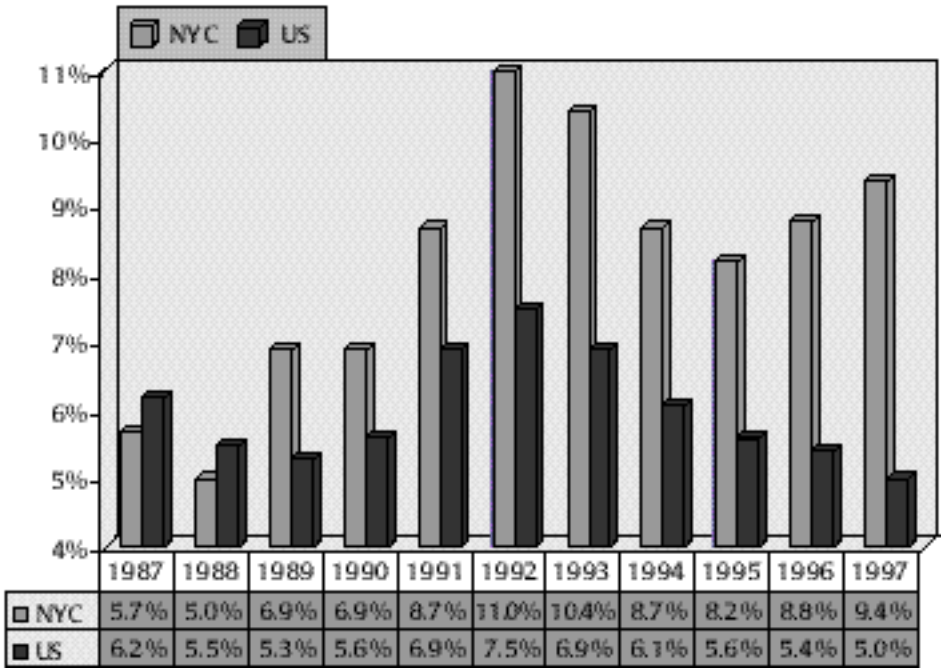
(Average Annual Payroll Employment 1987-1997)



Source: U.S. Bureau of Labor Statistics

Unemployment Rises in the City, While Declining Around the Nation

(Unemployment Rates in New York City and the U.S. 1987-1997)



	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
NYC	5.7%	5.0%	6.9%	6.9%	8.7%	11.0%	10.4%	8.7%	8.2%	8.8%	9.4%
US	6.2%	5.5%	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	5.0%

Source: U.S Bureau of Labor Statistics; New York City Comptroller's Office

real annual median wages rose from $34,942 to $36,193 (or 3.6%) for all workers in New York City, the industries that created the most jobs last year also paid their workers a declining level of income. In the past five years,construction wages have moved from about $34,861 to $34,166 (-2%), trade wages moved from $24,974 to $23,851 (-4.5%), and service wages decreased from $29,576 to $29,340 (-0.8%).

On the other hand, the financial sector posted the largest inflation adjusted growth in wages (16.2%) in the same period,moving from $63,917 to $74,258 in annual median wages.Manufacturing and government sector wages also increased by 7.9% and 7.7% respectively. However, as noted previously, these are the very industries that have experienced a net decrease in the number of jobs. Consequently, as a smaller number of workers earn more income and a much greater number compete for jobs that pay less income every year, New York City increasingly takes on some of the characteristics of a dual-wage economy. One of the characteristics of dual-wage economies is greater income inequality, which is an important factor when considering affordability in the context of a tight housing that favors higher-income households.

Incomes & Rents

New York City

Since the late 1970s, the gap between higher-income and lower-income households has widened dramatically. Using data from the U.S. Census Bureau's Current Population Survey, the Center on Budget & Policy Priorities found that the bottom fifth of all families with children in New York State experienced a 36% decline in real average income from 1978 to 1996. By contrast, the average income of the top fifth increased by 46% over the same period.[2] In New York City, the number of middle class households declined by 38,415 households, while the number of lower income households expanded by over 170,000 between 1991 and 1996. According to a report by the City Council Finance Division, this trend may indicate "a fundamental change in the distribution of income rather than one that is related to the business cycle."[3]

This trend of increasing inequality is reflected in the changing demographics of New York City's rent-stabilized housing population. Using unimputed numbers from the Census Bureau's Housing & Vacancy

Survey, we found a noticeable upward shift in the distribution of household income between 1992 to 1995. The population of rent-stabilized tenants in income groups below $40,000 declined 7%, while there was a 12% increase of households with incomes at or above $40,000. Furthermore, nominal median income for rent-stabilized tenants increased (by 7% to $21,600 in 1995) at a slower rate than the 9% increase in nominal average wages for all New Yorkers reported by the U.S.Bureau of Labor Statistics. Rent-stabilized tenants, therefore, lost about 1% of their household incomes during this period (when adjusting for inflation).

There was also a noticeable upward shift in rents. As reported in last year's Income & Affordability Study, rent increases for stabilized apartments from 1993 to 1996 were substantial enough to send many low-cost apartments above $400 for the first time. In 1993, nearly one-quarter (23%) of all rent-stabilized apartments rented for less than $400 per month; by 1996, only 13% of stabilized tenants were paying contract rents of less than $400. Rent increases were not confined to low-rent apartments,though. Units at all rent levels were pushed up to higher categories. While 20% of rent-stabilized tenants paid contract rents between $400 and $499 in 1993,that number declined to 16% in 1996. Conversely, only 28% of rent-stabilized apartments had contract rents between $600 and $999 in 1993, while 38% of stabilized apartments had such rents three years later. Some change also occurred in the proportion of stabilized apartments with contract rents of $1,000 or more. Twelve percent of stabilized apartments had rents of at least $1,000 in 1996 compared with 9% in 1993.

With median contract rents for rent-stabilized units jumping by 14%, from $525 in 1993 to $600 in 1996, it is increasingly difficult for those in the lowest income groups to afford housing without government subsidies. Our revised analysis of housing affordability, which used the more accurate "out-of-pocket" rent to calculate rent-to-income ratios, found that 18% of the renter population (302,656 households) received assistance to pay their rent (see Appendix G.1). While the revised median rent-to-income ratio of 23.7% indicates that rent-stabilized housing is affordable for the typical tenant, this situation exists in the context of the large amount of housing assistance currently used by many households to supplement their personal incomes. Changes in welfare and housing policy will, therefore, have a significant impact on housing affordability within New York City's rent-stabilized population.

Comparison with other Cities

Using cross sectional data from the U.S. Census Bureau's American Housing Survey (AHS) we found that New York City's median rent-to-income ratio was above average. The RGB selected individual central cities for which the Census Bureau completed a survey in 1995 or 1996 and that have at least 50,000 occupied rental units in their inventories. We narrowed the comparison to central cities to avoid comparability problems that arise when including suburbs with core urban areas.This selection criteria yielded eighteen cities aside from New York City. Because of differences in how the Census Bureau defines variables in the New York City HVS versus the AHS, we used data from the AHS for all of New York City's variables in this comparison.

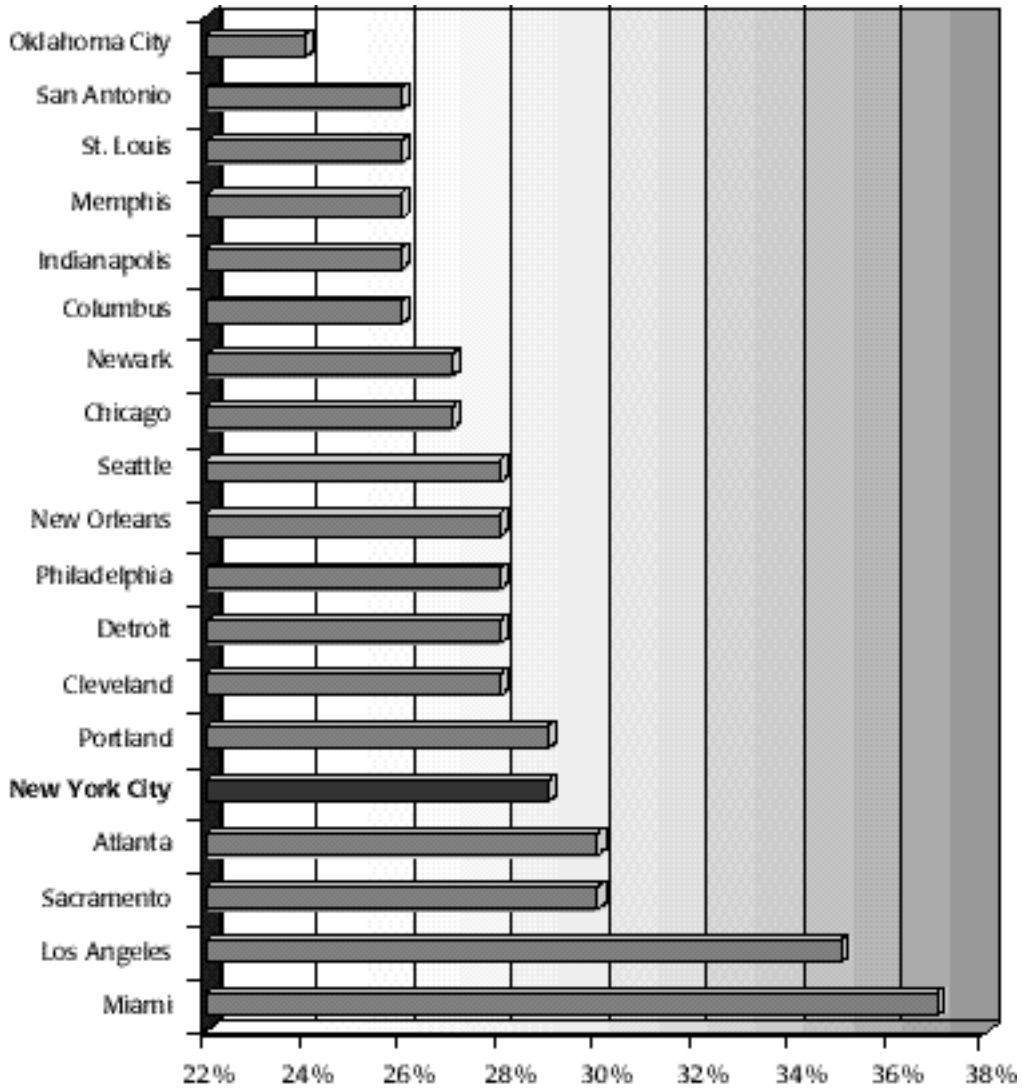
New York City's median housing cost of $632 is the highest compared with other central cities in our sample and is above the U.S. median housing cost of $523. In terms of median income, fourteen cities have lower median incomes than New York City, which has a relatively high median income of $22,902. Renters in Newark have the lowest income in our sample,with a median income of $11,077. Indianapolis has the wealthiest renters, earning a median income of $24,953 per year.

Most urban areas have lower relative housing costs than New York City. Using median rent-to-income ratios calculated in the AHS,[4] we found that New Yorkers pay approximately 29% of their income in housing costs each month. Most central cities had lower median rent-to-income ratios between 24% to 28%. Four cities, however, do have higher rent-to-income ratios:Miami (37%), Los Angeles (35%), Sacramento (30%), and Atlanta (30%).

A recent national study by the U.S. Department of Housing & Urban Development reinforces our findings. According to the study, New York City has one of the most serious affordable housing shortages in the country due to the very high number of low-income renters paying extremely high rents.About 360,000 households were found to have worst case housing needs (earn less than 50% of the area median income and either pay over half their incomes for rent, live in severely substandard housing, or both)—the highest among those cities surveyed. At the same time, over 381,000 households in New York City are on waiting lists for HUD housing assistance programs.[5]

New Yorkers Pay a Larger Share of Income for Housing Costs

(Median Rent-to-Income Ratios, 1995-1996)



Source: American Housing Survey, U.S. Census Bureau, 1995-96

Public Benefits

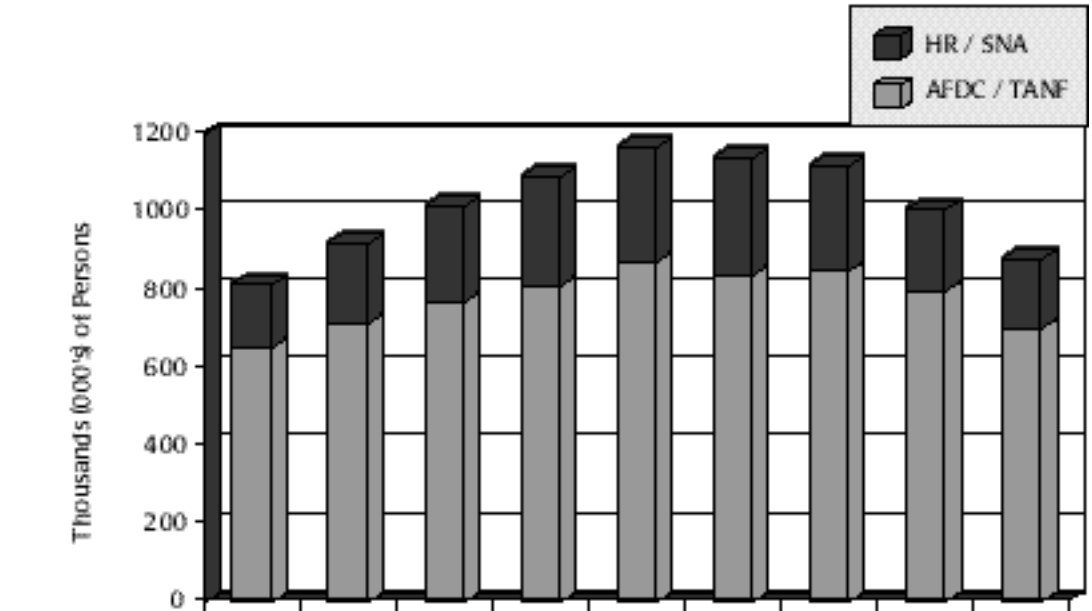
Welfare Reform

With the general contraction of the public sector, the priority of local, state, and federal governments has been to drastically reduce or even eliminate spending on social programs designed to assist lower-income households. Tenants who need help supplementing their incomes will find it increasingly difficult paying their rent.Reductions in government subsidies directly impact low-income households by reducing their total income from public assistance. These changes also have an indirect effect by diminishing payments that encourage landlords to provide housing for the poor, thereby decreasing their housing options.

New York City has reduced its welfare caseload by 260,000 in the last three years. In 1997 alone, there was a caseload reduction of almost 98,000 people (or 12.2%) in the Temporary Assistance to Needy Families (TANF)

Public Assistance Caseloads Continue to Decline

(Number of Persons Receiving Aid from Temporary Assistance to Needy Families (TANF) and Safety Net Assistance (SNA), 1989-1997)



	1989	1990	1991	1992	1993	1994	1995	1996	1997
HR / SNA	159.9	207.7	245	281.3	296.8	299.8	268.7	209.9	179.7
AFDC / TANF	655.1	716.4	771.3	811.7	873.3	840.8	850.7	798.1	700.4

Source: Mayor's Management Reports, 1989-1997

program,which was set up under the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the New York State Welfare Reform Act of 1997. These laws eliminated the federal Aid to Families with Dependent Children (AFDC) and state Home Relief (HR) programs and replaced them with TANF and Safety Net Assistance (SNA) programs respectively. SNA caseloads were also reduced by 14.4% (over 30,000 people) last year. It is difficult to ascertain whether most of these reductions resulted from people leaving welfare under the new rubric of workfare and tighter eligibility criteria or because of new opportunities in the expanding economy.

Whatever the reason for the large caseload reductions in welfare, the success of the workfare program in raising household income is mixed. According to the Mayor's Management Report,there was a 37% and 60% job placement rate in 1996 and 1997 respectively for those welfare recipients participating in workfare. However, a preliminary analysis by the State Office of Temporary and Disability Assistance found that only 29%, on average, found full-time or part-time employment in the first several months after they left public assistance. Furthermore, workfare has been found to have a substantial negative effect on the broader labor market. It has been estimated that the effect of increasing the number of TANF participants in workfare to 105,000 would be "displacement of 58,000 workers, a wage reduction of 26%,or a combination between the two."[6]

Reductions in income, whether through loss of public benefits or decrease in real wages,have made it difficult for many tenants to pay for housing costs from their own pockets. Additionally, TANF block grants to states will remain the same until 2002, with no allowance for inflation or population growth. If New York State wants to maintain the same level of benefits for recipients above the federal limits, it will have to find the funding in its own budget. An ad hoc remedy that has been created to address the erosion of housing assistance benefits by inflation is the "Jiggets" program (named after the Legal Aid client who

started a class-action suit against the state). Jiggets is a court-mandated state subsidy allowance that helps TANF-eligible households avoid eviction (from 3,000 in 1992 to 26,000 today). However, the Jiggets case is still in litigation and the program remains in jeopardy.

Demographic Changes

As immigrants become a larger proportion of New York City's population, we should take note of their potential impact on housing affordability. While the City's total population increased from 7,306,000 in 1991 to 7,343,000 in 1997, more than a million New Yorkers moved out of the City during this period.New York City has maintained its population with an influx of 677,000 immigrants. Because the exodus of native-born New Yorkers continues to increase despite improvements in the economy, this population pattern may become a permanent characteristic of New York City's tenant population. According to the 1996 Housing & Vacancy Survey data, foreign-born residents now constitute about one-third of the rent-stabilized tenant population.

One cause for concern is the impact of restrictions on public benefit programs for immigrants. According to the Mayor's Office of Immigrant Rights, welfare reform will disproportionately affect New York City (where over 120,000 immigrants now receive government assistance) because more than 40% of the expected federal savings nationwide result from restrictions on benefits to immigrants.In 1998,the loss of benefits to immigrants in New York City will represent over 13% of federal Supplemental Security Income (SSI) and Food Stamp savings and 4% of Medicaid savings. Because new immigrants may require assistance establishing themselves and are also at risk for certain health conditions like tuberculosis,[7] the loss of public benefits will have potentially devastating consequences on their ability to find affordable housing.

Housing Policy

After years of budget cuts and Congressional threats to eliminate the U.S.Department of Housing and Urban Development (HUD), President Clinton recently submitted a proposed FY1998 Budget that included the first substantial increase ($1.15 billion) in HUD funds in the past five years. Since FY1995, when the overall HUD budget was slashed by 25%, the Department has faced a number of Congressional restrictions on public housing programs and Section 8 certificates and vouchers (subsidies relied on by many rent-stabilized tenants to help pay the rent). These HUD budget cuts and program restrictions, and the suspension of one-to-one replacement of public housing units (that are demolished) has further strained New York City's low-income housing. According to the New York City Housing Authority (NYCHA), the City's current pool of 174,000 public housing units—which has a waiting list of 132,000 people—is clearly inadequate in meeting the demand for low-income permanent housing.

The most severe impact on New York's low-income housing would come from reductions in tenant-based Section 8 certificates and vouchers and in public assistance benefit levels. NYCHA, the New York City Department of Housing Preservation & Development (HPD), and the New York State Division of Housing and Community Renewal (DHCR) assist approximately 102,000 families through the use of Section 8 vouchers and certificates. HPD and DHCR use Section 8 vouchers and certificates mostly to help house families in rehabilitated units and *in rem* buildings. According to the Mayor's Office,"over two-thirds of in rem building tenants live in poverty and many tenants come from the homeless shelter system; these tenants are unable to pay the operating expenses of a rehabilitated building without rental assistance."[8] A significant demand exists for this type of assistance: NYCHA reports that there are currently 220,000 households on the waiting list for its Section 8 certificate program.

The initial rescission of all FY 1995 Section 8 assistance, followed by the elimination of unrestricted incremental certificates and vouchers, has placed a tremendous strain on the City's housing program. Recently, however, the federal government has begun to reverse its reductions in funding for housing programs. The FY98 Budget proposal to Congress provides 100,000 new Section 8 certificates.

Evictions & Homelessness

Housing Court

In addition to income and rents, the RGB gathers housing court data to assess the impact of changing economic conditions on New York City's renters. Specifically, Housing Court actions are reviewed to determine the proportion of tenants having difficulties covering their rental payments, and evictions are tracked to measure the number of households experiencing the most severe affordability problems.

The passage of the New York State Rent Regulation Reform Act of 1997, which included a mandatory rent

deposit provision for tenants involved in summary proceedings before Housing Court, has not significantly changed the volume and process of eviction proceedings.Most landlords continue to enter Housing Court to obtain rent from delinquent tenants. Landlords file non-payment petitions, which inform delinquent tenants that an action has been filed in Housing Court and that a response is due within five days. The typical lag time between when payment is due and when a landlord files non-payment petitions is approximately two to three months.

The number of non-payment proceedings initiated by landlords totaled 373,000 in 1983, the first year for which the RGB has data.Proceedings declined steadily in subsequent years and hovered around 300,000 from 1987 to 1994. Non-payment actions dropped once again in 1995,declining 10%.In 1996,278,000 petitions for non-payment of rent were initiated,4.5% more than in 1995. In 1997, petition filings declined slightly by 1.4% to 274,000.

Unlike non-payment petition filings, which remained steady during the recession, the number of cases making it to the trial stage (non-payment summary proceedings noticed for trial less restorations) increased steadily between 1987 and 1993, but declined slightly during the current economic recovery. This pattern mirrors the strengthening economy, with tenants better able to afford rents or resolve payment problems when they arise. The number of cases that went to trial in 1997 decreased by less than 1% from the previous year.

While court filings have declined over the long run, the proportion of cases reaching trial has steadily risen. In the mid-1980s, 300,000 to 350,000 non-payment proceedings were initiated against delinquent tenants each year, approximately one quarter of which went to trial. In recent years, however, fewer than 300,000 non-payment cases have been initiated, while roughly 40% are scheduled for court appearances.

Of the 113,000 cases scheduled for trial in 1996, more than one-fifth (or 24,000) ended in evictions or possessions being warranted. This is a 4.6% increase from the previous year. In 1997, the upward trend continued with almost 25,000 evictions and possessions—a 3.5% increase.

Homelessness & Emergency Assistance

Despite improvements in the economy, homelessness is on the rise in New York City: shelter populations have increased by 4% from the previous year, with over 7,000 single people lodged in temporary housing every night. While the number of households with children seeking temporary shelter has declined slightly from the previous year, over 5,300 people continue to spend an average of ten months in the family shelter system. Although the number of households with children placed in permanent housing has declined by 8.7% from the previous year, we do not know if this is due to a decline in demand or supply, or both. Other indicators of emergency assistance point to an inability among many households to make ends meet. For example, the City's Office of Emergency Food Assistance reported giving out 2.5 million pounds of food to low-income New Yorkers in the first four months of 1998, a 4.2% increase from the previous period last year. ❒

End Notes

(1) The U.S. Bureau of Labor Statistics, "Annual Average Payroll Employment by Industry," 1988-1997 (not seasonally adjusted).

(2) "Pulling Apart: A State-by-State Analysis of Income Trends," Center on Budget & Policy Priorities, December 16, 1997.

(3) "Hollow in the Middle: The Rise & Fall of New York City's Middle Class," New York City Council Finance Division, December 1997. A "middle-class" household is defined as a family whose total income falls between 100% and 200% of the size-adjusted area median income.

(4) These rent-to-income ratios exclude housing subsidies and households with 100% or more in median rent-to-income ratios, no cash rent, and zero or negative income.

(5) "Rental Housing Assistance—The Crisis Continues: The 1997 Report to Congress on Worst Case Housing Needs," U.S. Department of Housing and Urban Development, April 1998.

(6) "Workfare's Impact on the New York City Labor Market: Low Wages and Worker Displacement," by Chris Tilly, University of Massachusetts at Lowell, March 1996. "Inequality at the Margins: The Effects of Welfare, the Minimum Wage, and Tax Credits on Low-Wage Labor Markets," Michael Hout, University of California at Berkeley, March 1997.

(7) "Despite recent progress, New York City's 1996 tuberculosis rate is still 3.5 times the national rate, and is higher than any other reporting jurisdiction. The City's rate remains far above the national goal established for tuberculosis control by the year 2000, of 3.5 cases per 100,000," according to the "1996 Information Summary" of the New York City Bureau of Tuberculosis Control. "Tuberculosis control in New York City will depend on increasing effective case finding and treatment of tuberculosis disease and infection among foreign born," who account for 18% of the current Citywide caseload.

(8) "New York City 1998 Federal Program," NYC Mayor's Office, March 1998.

Housing Supply

✔ Housing Supply Report

Housing Supply Report

What's New

- ✔ Almost 9,000 new dwellings were approved for construction in 1997, a slight increase over 1996. However, fewer permits were issued in the first three months of 1998 than the same period last year.
- ✔ New apartments receiving 421-a exemptions in 1997, 2,099,nearly doubled last years figure, though still a fraction of the level common in the late 1980s. A total of 42,000 apartments currently benefit from 421-a,one-third of which are rental dwellings.
- ✔ An additional 145,000 dwellings obtained J-51 tax benefits in 1997, double the number of rehabilitated residences coming into the program in 1996.
- ✔ Cooperative and Condominium construction and conversion plans submitted to the NYS Attorney General's Office increased by about 12%.

Introduction

The New York City housing industry continues to grow—with almost 9,000 permits issued for new residential construction in 1997—a 4% increase from the previous year. However, there may be a leveling off next year as the number of permits issued in the first three months of 1998 is 27% lower than for the same period last year. This potential slowdown may contribute to a serious shortage in affordable housing, especially with the decline in public-sector housing investment at the federal,state,and local levels.

However, one characteristic of housing growth in 1997 was the enormous surge in the participation of developers and owners in tax exemption and abatement programs. Specifically, 1997 witnessed a 93% growth in the number of units receiving 421-a tax abatements certificates and a 106% increase in units that received J-51 tax incentives for rehabilitation. This trend in tax-benefit housing development may increase the number of units subject to rent regulation since these units automatically become rent-stabilized during their exemption/abatement period. The City has also helped co-operative and condominium owners maintain their properties by providing three-year tax abatements of $10 million for 261,000 units in FY97 and $91 million for 272,000 units in FY98.

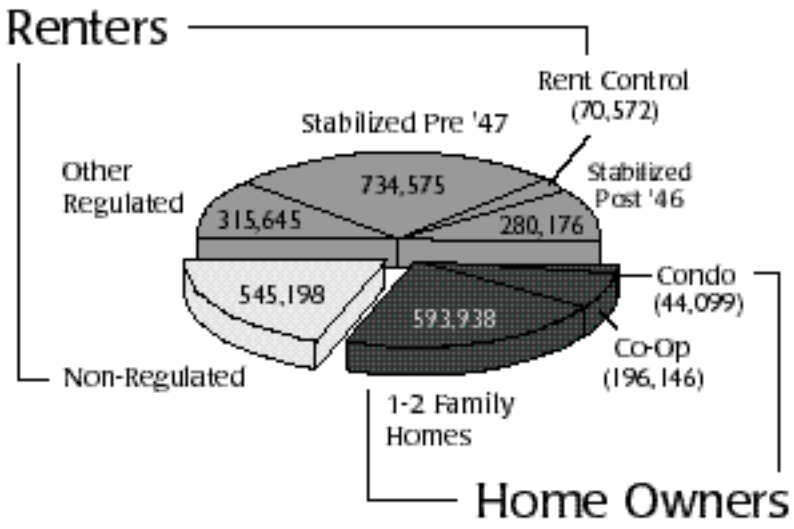
New York City's Housing Inventory

New York is a City of renters,according to the 1996 Housing and Vacancy Survey. Of the 2,780,349 occupied units in New York City, only 30% are owner-occupied, far below the national average. The high number of co-operatives and condominiums in the owner-occupied pool also differentiates New York City from the rest of the country where conventional one and two family homes are usually the norm. In New York, these alternative forms of home ownership account for 29% (240,245) of owner-occupied dwellings, which is a slight increase from the 1993 HVS.[1]

While the percent of renter-occupied households relative to all occupied dwellings declined slightly from 71% in 1993 to 70% in 1996, New York City still has to focus much of its housing policy on the rental market due to the size and mobilizing potential of the renter population (as evidenced by the rent regulation wars of last year). Of the 1,946,165 occupied rental units reported on in the HVS,only 28% were unregulated. The other 72% is comprised of rent controlled (4%), rent-stabilized (52%), public housing (8%) and various other regulated units (8%). Even though the vacancy rate in New York City has risen from 3.44% in 1993 to 4.01% in 1996, it still falls below the required rate of 5% which is needed to end rent regulations.

The total number of rent-stabilized units increased by 40,000 to 1,052,300 units from 1993 to 1996. Since newly constructed housing is exempt from rent regulations, any additions to this category can be attributed to several occurrences. Units that were once rent controlled and are vacated,largely fall under stabilization laws. Also, rehabilitated and newly constructed units that participate in tax abatement and exemption programs will be subject to rent regulations. While the number of stabilized units has increased, changes to the rent regulations laws in 1997 may have an unpredictable impact on this trend.

New York City's Housing Stock is Predominantly Renter-Occupied



Source: U.S. Bureau of the Census, 1996 New York City Housing & Vacancy Survey.

VACANT AVAILABLE RENTALS

	1993	1996	Change
Total	70,345	81,256	+10,911
Controlled	NA	NA	NA
Stabilized	34,071	37,549	+3,478
Pre-1947	27,534	29,381	+1,847
Post-1946	6,537	8,168	+1,631
Mitchell Lama	2,539	3,500	+961
Public Hsg.	1,801	6,450	+4,649
Other	31,934	33,758	+1,824
Vacancy Rate			
All Rental	3.44%	4.01%	+17%
Public Hsg.	1.03%	3.75%	+264%
Excl.PH	3.66%	4.03%	+10%

NA:Once a rent controlled unit becomes vacant it typically becomes rent-stabilized.

Source:1993 and 1996 New York City Housing and Vacancy Surveys.

Changes in the Housing Inventory

New Additions

While substantial rehabilitation of deteriorated units and conversions of units from non-residential to residential uses add to the housing stock, it is new construction that makes up the bulk of additions to New York City's housing inventory. We can forecast the number of dwelling units that will be built in the future by examining the number of permits issued for new construction. Due to construction costs and time commitments required in planning new housing, developers are less likely to apply for permits for questionable developments,making this a reliable measurement of future construction.

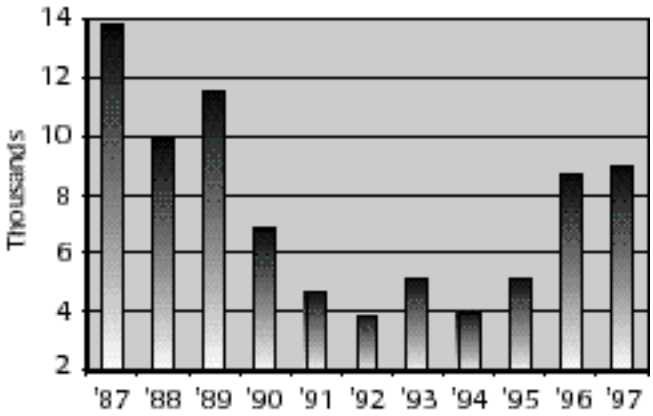
Although well below the levels reached in the 1980s, residential building has dug out of the recessionary pit of the early 1990s. Last year, almost 9,000 new housing units were authorized for construction—a 4% increase from 1996.

However, this was a lower rate of increase than that found in 1996, when 8,700 permits were issued—a 68% increase from 1995. In terms of individual boroughs:Brooklyn,Manhattan, and the Bronx experienced a slight increase in the number of permits issued, while Queens and Staten Island have seen slight decreases. During the first three months of 1998,1,500 permits were issued—a 27% decrease from the same period in 1997,when 2,100 permits were issued. Manhattan experienced a 74% decrease in permits issued during the first three months of 1998, while Staten Island was the only borough that experienced an increase (See appendix H.1).

We also examined trends in the issuance of Certificates of Occupancy, which provide a count of new construction completed in New York City. 1996 is the most recent year data is available. Both Brooklyn and the Bronx experienced a

Dwellings Slated for Construction Continue to Grow Out of the Recession in the Early 90s

(Units Issued New Housing Permits in New York City)



Source: U.S. Bureau of the Census, Manufacturing and Construction Division, Building Permits Branch.

decrease in the number of certificates issued, from 1,647 to 1,577 and from 1,166 to 1,075 respectively. Staten Island saw an increase of 431, followed by Queens with an increase of 345. Manhattan figures were not ready in time for this report. However, if the number of certificates in Manhattan were to remain the same as last year's, we would see a slight increase in the total number of certificates issued to 7,863 (See appendix H.2).

Tax Incentive Programs

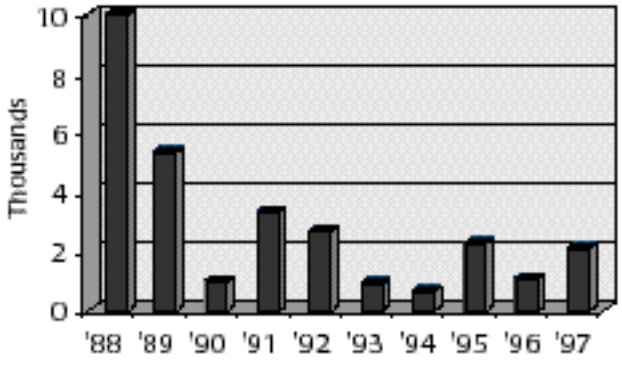
In the hopes of promoting new construction, the 421-a tax incentive program, created in 1970, offers qualifying new multifamily properties containing three or more rental units tax exemptions. Section 421-a of the New York State Real Property Tax Law (and its counterpart for conventional,one- to two-family homes denoted 421-b) enables owners to reduce the taxable assessed value of eligible properties. In other words, owners are exempt from paying additional real estate taxes on the increased value of the property due to the improvement (i.e. housing structure). Apartments built with 421-a tax exemptions are subject to the provisions of the Rent Stabilization Laws during the exemption period. Thus, 421-a tenants share the same tenancy protection as stabilized tenants and initial rents approved by HPD are then confined to increases established by the Rent Guidelines Board.

421-a benefits last in duration from 10 to 25 years if the development falls within designated geographical boundaries and meets certain criteria which include: (1) government involvement; (2) reservation of at least 20% of the total number of units for low to moderate income families; and (3) participation in the lower income housing production program. All properties are subject to construction guidelines as well. Developments located in the Manhattan Exclusion Zone will receive a full exemption from taxes for two years, followed by an eight year period in which taxes are phased in at 20% every two years,provided they meet all of the criteria listed above. Properties in Manhattan outside the exclusion zone receive an exemption for 10 to 25 years depending on location, whether they meet one of the first two conditions listed above,and whether they are located in a neighborhood preservation area. New properties in the outer boroughs receive exemptions for 15 to 25 years depending on compliance with conditions one and two above and location in a neighborhood preservation area.

The number of new apartments receiving 421-a exemptions in 1997 rose to 2,099 dwellings, a little less than double the number coming into the program in 1996, though still well below the late 1980s when an average of 8,000 new units per year received exemptions. There are over 42,000 apartments with 421-a benefits, with half being condominiums and one-third being rental units. As exemptions expire, rental apartments are no longer governed by rent regulation rules.

New Units Receiving 421-a Certificates Doubled From 1996 to 1997

(Units Receiving Preliminary Certificates in New York City)



Source: NYC Dept. of Housing Preservation &Development

The strength of the Manhattan residential market has also had the seemingly paradoxical effect of stimulating production of new affordable rental housing in other parts of New York City. In the 1980's, 421-a tax benefits for Manhattan buildings were linked to low-income housing elsewhere. For each low-income rental unit produced, the builder receives five tax-abatement certificates, which may be sold to the developer of a new market-rate project in Manhattan's exclusionary zone. According to HPD, 1,034 low-income units were produced between 1989 to 1992. Then production dropped to zero over the next four years. In December 1997, with the improved Manhattan housing market, the City's Housing Development Corporation issued $36.9 million in bonds,which will finance 566 low income units and generate 2,830 certificates.[2]

Conversions and Subdivisions

It comes as no surprise that New York has one of the tightest housing markets in the country, and new development alone cannot meet the growing needs of residents. Alternative methods for supplying new housing units,such as subdivisions and conversions have helped to meet demand. Conversions are generally non-residential spaces,such as offices, that are converted for residential uses. Over the last few years, we have seen a growing number of conversions in neighborhoods like SoHo and TriBeCa, and most recently in the Wall Street area,where former commercial spaces are being transformed into loft apartments attracting those individuals who are looking for less conventional residences.

Subdivision, on the other hand, is a means of creating new rental units by dividing larger, single to three family homes and apartments into one or more apartments per floor. This works particularly well with many of the three- to four-story brownstones that line the streets of Brooklyn and Manhattan,and for the most part, these units meet the approval of City building inspectors. While this method adds numerous units to the City's housing stock it should be noted that increasingly, illegal subdivisions are taking place. Single family homes are being turned into rooming houses, accommodating several families thus having a negative impact on public safety and the quality of life. Apartments are being created which violate building and maintenance codes and strain sanitation,sewer and school systems,as well as other City resources.

According to the Mayor's Management Report,the Department of Buildings received 900 complaints related to illegal subdivision activity in 1996, and in 1997 the number of complaints tripled to 3,300. The growing number of illegal activities have prompted the Department of Buildings to take action, and in March of 1997 they created the Quality of Life Team. The main function of this group of inspectors is to investigate and issue violations related to complaints of illegal subdivision. The DOB has also streamlined its procedures for obtaining search warrants, and State and City legislation have made it easier to serve landlords with violations and has raised the penalties for illegal subdivisions.

In order to take advantage of the high commercial vacancy rate in downtown office buildings and hopefully alleviate the low housing vacancy rate, the Commercial Revitalization Program was signed into law on October 29,1995. It was designed to encourage commercial and residential improvement and development in lower Manhattan and has recently been extended until March 31,2000.The plan encourages builders to take advantage of tax abatements and exemptions as well as relaxed zoning restrictions in lower Manhattan when upgrading buildings for retail,commercial and residential use. The law provides up to 12 years of phased tax exemptions and 14 years of phased tax abatements in addition to reduced electric rates for conversion of office properties to residential and mixed purposes, savings from which must be passed on to tenants. These benefits require residential units to abide by all rent stabilization laws and provisions during the benefit period.

Cooperative and Condominium Activity

Of the new housing created in New York City, a portion are cooperatives and condominiums rather than rental apartments. The New York Attorney General's Office accepts plans from owners wishing to convert their buildings to coops or condos, and developers wanting to build new coop or condo buildings. In 1997 they received 37 plans, four of which were for rental conversions. Even though the number of planned conversions has been decreasing in recent years, developers have taken on more new construction in 1997 than the year before.

While New York is primarily a City of renters, we are finding that residents are making the move to ownership by purchasing condos and coops. This helps to alleviate the rental market in several ways. First, apartments are now available for other renters when the previous tenant becomes an owner. Moreover, owners, or the sponsors, of coop/condo units may offer them for rent thus further alleviating the strain on the rental market. While coop and condo

owners are sacrificing the flexibility of renting, in many cases the combined mortgage, maintenance fees and taxes of coops and condos are less than the rents of comparable rental units and they provide the owner with the added bonus of equity.

As of FY 1997,coop and condo owners are able to participate in an abatement program that was set up by New York City in 1996. The aim of this program is to help bridge the gap between the taxes paid by owners of one and two family homes, and coop and condo owners. Coop and condo owners are eligible for a reduction in tax liability for three years based on the building's average assessment per unit. In buildings where the average per unit is no greater than $15,000, owners will received a 2% tax abatement for FY 1997, 16% for FY 1998 and 25% for FY 1999. If the value is estimated at greater than $15,000, then the owner is entitled to a 1.25% abatement in FY 1997, followed by 10.75% in FY 1998 and 17.50% in FY 1999. During the first year of the program,261,000 units were approved for $10 million in abatements. In FY 1998, 272,000 units will benefit from $91 million in reductions. [3]

While the coop and condo market may help to relieve some of the tension in a tight rental market there is also a possible down side. Not only can coop and condo units be new construction, they are also created through conversions. Coop and condo conversions typically reduce the number of apartments available to renters. An owner who decides to convert his rental building to a coop or condo can do one of two things—conversion through eviction or non-eviction methods. Through non-eviction methods, tenants either purchase their apartments,and therefore are not forced to find new rental units, or they may remain in place and their units remain rentals so long as they are the occupant. As these residents move however, their units may be purchased and therefore removed from the rental housing stock. Thus, thousands of additional renter-occupied units have been converted to owner-occupancy even as the number of units planned for conversion have dwindled in recent years. On the other hand, when an owner chooses to evict current tenants if they do not purchase their unit, they are forced to find a new apartment. Besides the fact that more people are added to the already constricted rental market,there will be fewer units available for rent.

Rehabilitation

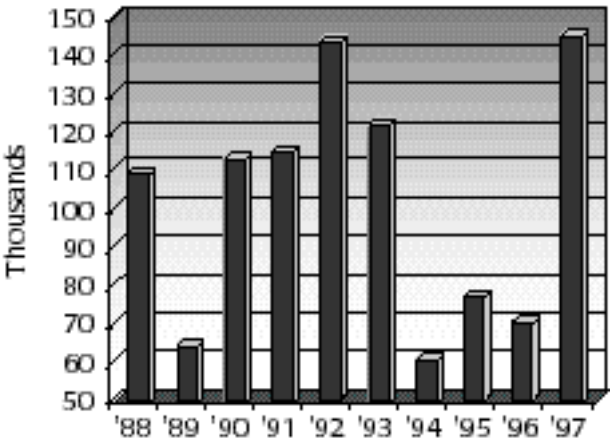
The J-51 tax abatement and exemption program is designed to encourage the periodic renovation of New York City's aging stock of rental housing,half of which was built prior to the mid-1940s. Owners wishing to undertake building alterations must submit a work application with the Department of Buildings. Although some plans are not carried out and others are submitted more than once as the scope of work changes, the RGB uses the number of units actually receiving J-51 tax benefits as a rough measure of rehabilitation activity. In the late 1980s and early 1990s,the number of units approved for initial J-51 tax abatements and exemptions each year was typically above 100,000 dwellings. Since 1992, when 144,000 apartments were rehabilitated under this program, rehabilitation activity declined to an average 70,000 units per year from 1994 to 1996. However, in 1997, over 145,000 additional units received J-51 benefits.

Similar to 421-a, rental units receiving J-51 tax relief are subject to rent regulations for the duration of the benefits. A major program stipulation is that the apartment tax assessment cannot exceed $38,000 after completion,which precludes units in many high-rent neighborhoods from qualifying for tax relief following rehabilitation. The exemption portion of the program allows owners to avoid paying additional taxes on the increased property value due to the rehabilitation,while the abatement reduces the tax liability through a credit.

Eligible rehabilitation activities include Major Capital Improvements (MCIs), substantial rehabilitation, conversions from non-residential uses, and moderate

Units Receiving J-51 Certificates Jumped 106% from 1996 to 1997

(Units Receiving Initial Benefits in New York City)



Source: NYC Dept. of Housing Preservation &Development

rehabilitation. Renovations qualifying as MCIs receive a tax exemption on the increase in assessed value due to renovation or rehabilitation for 14 years (10 years of full exemption followed by a four year phaseout period) and abatements on existing taxes up to 90% of the reasonable cost of approved rehab work at eight and one-third percent per year up to 20 years.

Moderate rehabilitation work requires significant improvement to at least one major building-wide system. Such projects receive a 34-year tax exemption and abatements up to 20 years to a ceiling of 100% of the reasonable cost. Government assisted housing receives "enriched" benefits including tax exemption for 34 years on the increase in assessed value and an abatement of 12.5% annually up to the actual claimed cost for as many as 20 years. Enriched exemption and abatement benefits are also available for conversion to Class A multiple dwellings (which are permanent residential dwellings) and rehabilitation of Class A buildings that are not entirely vacant.

According to the 1996 Housing & Vacancy Survey, more than 540,000 total dwellings are receiving J-51 tax benefits, the bulk of which are rentals in multifamily buildings (66%) and cooperatives (30%). Rental apartments not stabilized prior to receiving tax benefits will not be subject to the City's rent regulations once their benefits expire. However, since most units receiving J-51 benefits (87%) were built between 1920 and 1969 (when most stabilized buildings were constructed), the majority of these units will remain stabilized after the benefit period.[4]

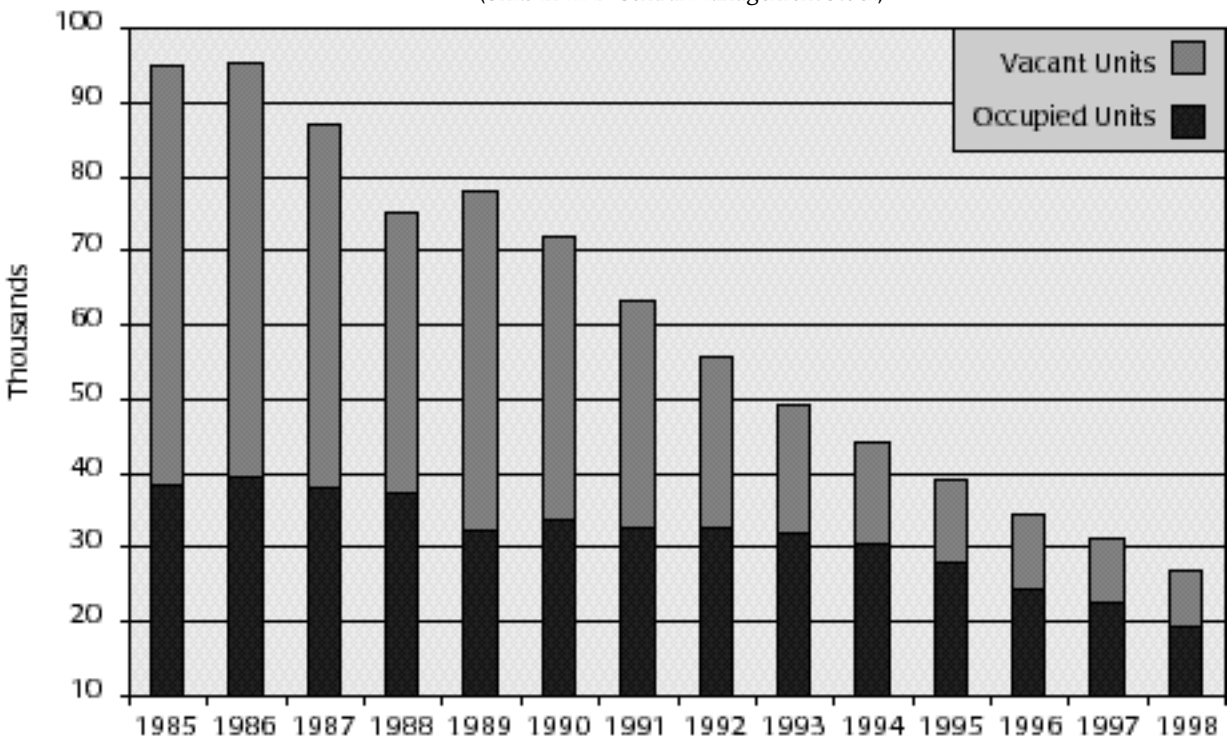
Tax-Delinquent Property

In 1994, New York City halted its *in rem* foreclosure policy toward tax delinquent properties. Under this policy, the City vested or took title to thousands of properties that were at least 12 months behind in taxes. Owners were entitled to redeem their properties during the four-month period following vesting if they paid the delinquent taxes and related penalties. The following twenty months were a discretionary period in which the City decided on a case-by-case basis whether the owner could recover the property following payment of taxes and fees. Most vested properties could not cover operating costs with rents,thereby costing the City billions of dollars as the in rem inventory swelled to unprecedented levels. By its peak in FY86, there were over 95,000 in rem units—about half the size of the Federally-funded public housing stock in New York City. In 1997, there were 30,500 *in rem* units—a 9% drop from the year before—in the Department of Housing Preservation and Development (HPD)'s central management.

The alternative to City ownership (central management) has been rehabilitation and transfer of *in rem* units to private or non-profit entities. From 1985 to 1997, the City has shifted ownership of about 56,200 formerly vacant units, providing tens of thousands of additional low-cost housing opportunities to needy families. As part of its Building Blocks Initiative, the City has been selling its rehabilitated *in rem* buildings in three different ways: the Neighborhood Entrepreneurs Program (NEP) for private entrepreneurs; Neighborhood Redevelopment Program (NRP) for nonprofit community groups; and, the Tenant Interim Lease (TIL) Program for tenants. According to the Mayor's Management Report, these programs upgrade entire blocks at the same time they return buildings to private ownership, which encourages preservation and community investment. HPD plans to reduce the number of *in rem* units in central management to 27,000 by the end of FY98—a 14% reduction from 31,200 in the previous fiscal year.

New Yok City Continues to Reduce Its *In Rem* Housing Stock

(Units in HPD Central Management Stock)



Note: 1998 reflects the FY98 plan for NYC Dept. of Housing Preservation &Development.
Source: Mayor's Management Report, Office of Operations, FY85-FY98.

Last year, the City made significant changes to its *in rem* foreclosure policy. Under its Tax-Lien Sale Program, the Department of Finance sells tax liens in bulk to a trust, which in turn attempts to collect outstanding debts, eliminating the need for *in rem* foreclosures. Before each tax lien sale, HPD eliminates distressed buildings from the list of residential properties to be sold. Local Law 37 now permits HPD to convey a tax delinquent residential property to a qualified third party upon completion of an *in rem* judgement. Last year, HPD also began to implement its Early Warning System (EWS), a computerized model that analyzes data such as tax arrears, outstanding housing and building code violations, mortgage debt, and emergency repair charges in order to assign each building an abandonment risk indicator. While it has already generated its first Citywide distressed building list, HPD continues to evaluate and fine tune EWS.

Demolitions

While relatively few residential buildings in New York City have been demolished in recent years,especially considering the size of the housing inventory, the number of buildings toppled in 1997 rose to 494, which is a 30% increase from last year. This is the largest number of demolitions since 1989. We expect this number to again decline as more owners and developers take part in programs designed to save and rehabilitate buildings for continued use.

Prospects for Housing Programs

Public sector investment in housing programs for low-income people has continued to decline since FY95, when the budget for the U.S.Department of Housing and Urban Development (HUD)—the largest single source of funds for local housing initiatives—was slashed by 25% to below $20 billion. In a surprising development this year, the White House added $2.3 billion to HUD's budget to help low-income tenants, and then allowed it to be cut from an emergency spending bill signed by President Clinton on May 1, 1997. These crucial funds would have provided over 100,000 Section 8 certificates and vouchers, which helps subsidize rents of low-income households living

in private apartments. New York City alone has a waiting list of 230,000 people needing Section 8 and an additional 153,000 waiting to get into public housing. While Congress promises to restore this funding in the future, much of $2.3 billion may come from cuts in other existing housing programs.

Local investment in affordable housing parallels the trend set at the federal level. Recently, Governor Pataki vetoed $34 million in new housing construction funds from next year's New York State budget. This cut includes $27 million slated for low-income and affordable middle-income housing and $6.3 million in modernization funding for state-run public housing. On a brighter note, New York State and New York City have both agreed to renew the NY/NY Agreement, which helped develop permanent housing for 3,000 people who are mentally ill and at-risk for homelessness. Unfortunately, this year's budget includes funding for only 700 permanent units and 700 single occupancies—far too few for the 7,000 individuals reported in the Mayor's Management Report who, on average, spend a night in City funded temporary housing.

Whatever the trend in public-sector investment, federal housing programs are still a crucial part of housing development in New York City, which receives substantial housing funds through the Community Development Bock Grant (CDBG), Home Investment Partnerships (HOME), and the Low Income Housing Tax Credits (LITHC) programs. New York City received $229 million in CDBG funding, which has allowed the City to privatize *in rem* housing, create homeownership opportunities, preserve private low-income housing, improve public housing, stem housing abandonment, and combat homelessness. For FY98, the City will receive $222.5 million or about $6.5 million less than the previous year. Last year, the City received $89 million in HOME funding, which was used to develop and rehabilitate affordable housing, and next year will receive a $6.39 million increase. In both FY97 and 98, the City was assigned over $9 million in tax credits for its LITHC program, which is an incentive used to attract private capital for low-income housing development. ❐

Endnotes

(1) 1996 New York City Housing & Vacancy Survey, U.S. Bureau of the Census.

(2) "Linking Low-Rent housing to Manhattan's Market," New York Times, April 26, 1998.

(3) 1998 Annual Report on the NYC Real Property Tax, NYC Department of Finance.

(4) 1996 New York City Housing & Vacancy Survey, U.S. Bureau of the Census.

Appendices

Appendix A: Guidelines Adopted by the Board

A.1 Apartments & Lofts

On June 22,1998,the Rent Guidelines Board (RGB) set the following maximum rent increases for leases commencing or being renewed on or after October 1, 1998 and on or before September 30, 1999 for rent-stabilized apartments:

One-Year Lease	Two-Year Lease
2%	4%

A supplemental adjustment of $15 per month may be added for apartments renting for less than $450 as of September 30, 1998 provided that the combination of lease renewal and supplementary rent adjustment or any portion thereof do not result in monthly rent that exceeds $465.

No vacancy allowance is permitted except as provided by sections 19 and 20 of the Rent Regulation Reform Act of 1997.

Any increase for a renewal lease may be collected no more than once during the guideline period.

For Loft units that have met the legalization requirements under Article 7-C of the Multiple Dwelling Law, the Board established the following maximum rent increases for leases commencing or being renewed on or after October 1, 1998 and on or before September 30,1999:

One-Year Lease	Two-Year Lease
1.5%	3%

Leases for units subject to rent control on September 30, 1998 which subsequently become vacant and then enter the stabilization system are not subject to the above adjustments. The rents for these newly stabilized units are subject to review by the New York State Division of Housing and Community Renewal (DHCR). In order to aid DHCR in this review, the RGB has set a special guideline of 80% above the Maximum Base Rent paid by the prior tenant or a rent of $650,whichever is higher.

A.2 Hotel Units

On June 22,1998,the Rent Guidelines Board (RGB) set the following maximum rent increases for leases commencing or being renewed on or after October 1, 1998 and on or before September 30, 1999 for rent-stabilized hotels:

Single Room Occupancy Buildings (SRO)	0%
Lodging Houses	0%
Class A Hotels	0%
Class B Hotels	0%
Rooming Houses	2%

The guidelines do not limit rental levels for commercial space, non-rent-stabilized residential units, or transient units in hotel stabilized buildings.

The allowable level of rent adjustment over the lawful rent actually being charged and paid on September 30,1998 shall be 0% if:

- Ten percent or more of the units have been withheld from the rental market for a period exceeding thirty days, unless the owner can show a reasonable basis for the withholding;or
- Twenty percent or more of the dwelling units in the building are not registered with the State Division of Housing and Community Renewal pursuant to §2528 of the Rent Stabilization Code; or
- Fifty percent or more of the units have been leased, used, or dedicated to a use other than permanent residential housing at the legal level;and

The allowable level of rent adjustment over the lawful rent actually being charged and paid on September 30,1998 shall be 0% on any unit if:

- The owner has failed to provide to the new occupant of that unit a copy of the Rights and Duties of Hotel Owners and Tenants, pursuant to §2522.5 of the Rent Stabilization Code. ❒

Appendix B: Price Index of Operating Costs

B.1 PIOC Sample, Number of Price Quotes per Item, 1997 vs. 1998

Spec	Description	1997	1998
211	Apartment Value	98	112
212	Non-Union Super	75	63
216	Non-Union Janitor/Porter	41	48
	LABOR COST	**214**	**223**
301	Fuel Oil #2	32	33
302	Fuel Oil #4	9	10
303	Fuel Oil #6	7	8
	FUEL COSTS	**48**	**51**
501	Repainting	127	110
502	Plumbing,Faucet	33	32
503	Plumbing,Stoppage	32	33
504	Elevator #1	10	12
505	Elevator #2	10	12
506	Elevator #3	10	11
507	Burner Repair	10	12
508	Boiler Repair, Tube	10	12
509	Boiler Repair, Weld	6	7
510	Refrigerator Repair	6	6
511	Range Repair	10	11
512	Roof Repair	22	22
513	Air Conditioner Repair	6	5
514	Floor Maint. #1	10	8
515	Floor Maint. #2	10	8
516	Floor Maint. #3	10	8
518	Linen/Laundry Service	6	5
	CONTRACTOR SERVICES	**328**	**314**
601	Management Fees	55	60
602	Accountant Fees	28	29
603	Attorney Fees	21	21
604	Newspaper Ads	19	18
605	Agency Fees	5	5
606	Lease Forms	7	10
607	Bill Envelopes	10	11
608	Ledger Paper	6	9
	ADMINISTRATIVE COSTS	**151**	**163**

Spec	Description	1997	1998
701	INSURANCE COSTS	**421**	**400**
801	Light bulbs	7	5
802	Light Switch	8	5
803	Wet Mop	6	5
804	Floor Wax	9	5
805	Paint	12	12
806	Pushbroom	6	5
807	Detergent	8	5
808	Bucket	12	14
809	Washers	10	13
810	Linens	11	10
811	Pine Disinfectant	7	5
812	Window/Glass Cleaner	7	5
813	Switch Plate	8	6
814	Duplex Receptacle	8	6
815	Toilet Seat	11	12
816	Deck Faucet	10	12
	PARTS & SUPPLIES	**140**	**125**
901	Refrigerator #1	10	10
902	Refrigerator #2	10	10
903	Air Conditioner #1	5	5
904	Air Conditioner #2	5	5
905	Floor Runner	8	8
906	Dishwasher	5	6
907	Range #1	5	5
908	Range #2	5	6
909	Carpet	10	12
910	Dresser	5	5
911	Mattress & Box Spring	7	6
	REPLACEMENT COSTS	**75**	**78**
	All Items	**1377**	**1354**

B.2 Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 1998

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES,FEES,& PERMITS	**0.2553**	**1.0123**	**1.23%**	**0.4926**
201	Payroll,Bronx,All	0.1245	1.0000	0.00%	0.0000
202	Payroll,Other, Union,Supts.	0.1180	1.0276	2.76%	0.0000
203	Payroll,Other, Union,Other	0.2902	1.0290	2.90%	0.0000
204	Payroll,Other, Non-Union,All	0.2692	1.0403	4.03%	1.4249
205	Social Security Insurance	0.0475	1.0210	2.10%	0.0000
206	Unemployment Insurance	0.0091	0.9337	-6.63%	0.0000
207	Private Health & Welfare	0.1416	1.0283	2.83%	0.0000
	LABOR COSTS	**0.1663**	**1.0269**	**2.69%**	**0.3836**
301	Fuel Oil #2	0.2592	0.8764	-12.36%	0.7309
302	Fuel Oil #4	0.2162	0.8389	-16.11%	1.5303
303	Fuel Oil #6	0.5246	0.8412	-15.88%	0.8292
	FUEL	**0.1059**	**0.8498**	**-15.02%**	**0.5784**
401	Electricity #1,2,500 KWH	0.0135	0.9993	-0.07%	0.0000
402	Electricity #2,15,000 KWH	0.1664	1.0118	1.18%	0.0000
403	Electricity #3,82,000 KWH	0.0000	1.0115	1.15%	0.0000
404	Gas #1,12,000 therms	0.0051	1.0020	0.20%	0.0000
405	Gas #2,65,000 therms	0.0603	0.9267	-7.33%	0.0000
406	Gas #3,214,000 therms	0.1526	0.9287	-7.13%	0.0000
407	Steam #1,1.2m lbs	0.0163	0.9804	-1.96%	0.0000
408	Steam #2,2.6m lbs	0.0061	0.9762	-2.38%	0.0000
409	Telephone	0.0120	1.0240	2.40%	0.0000
410	Water & Sewer	0.5676	1.0650	6.50%	0.0000
	UTILITIES	**0.1441**	**1.0234**	**2.34%**	**0.0000**
501	Repainting	0.4066	1.0208	2.08%	0.9760
502	Plumbing,Faucet	0.1387	1.0309	3.09%	1.1855
503	Plumbing,Stoppage	0.1236	1.0307	3.07%	1.5653
504	Elevator #1,6 fl.,1 e.	0.0541	1.0430	4.30%	1.6753
505	Elevator #2,13 fl.,2 e.	0.0367	1.0394	3.94%	1.3700
506	Elevator #3,19 fl.,3 e.	0.0208	1.0534	5.34%	1.4644
507	Burner Repair	0.0384	1.0366	3.66%	1.2562
508	Boiler Repair,Tube	0.0464	1.0255	2.55%	1.3699
509	Boiler Repair,Weld	0.0355	1.0137	1.37%	0.9283
510	Refrigerator Repair	0.0137	1.0029	0.29%	0.3015
511	Range Repair	0.0143	1.0224	2.24%	1.9949
512	Roof Repair	0.0555	1.0316	3.16%	1.4585
513	Air Conditioner Repair	0.0097	0.9800	-2.00%	0.0000
514	Floor Maint.#1,Studio	0.0003	1.0396	3.96%	2.8912
515	Floor Maint.#2,1 Br.	0.0006	1.0406	4.06%	2.9681
516	Floor Maint.#3,2 Br.	0.0050	1.0385	3.85%	2.8195
	CONTRACTOR SERVICES	**0.1474**	**1.0267**	**2.67%**	**0.4987**
601	Management Fees	0.6788	1.0369	3.69%	0.9748
602	Accountant Fees	0.1445	1.0111	1.11%	0.4308
603	Attorney Fees	0.1363	1.0430	4.30%	1.3587
604	Newspaper Ads	0.0043	1.0561	5.61%	2.4458
605	Agency Fees	0.0055	1.0291	2.91%	0.7393
606	Lease Forms	0.0104	1.0034	0.34%	0.3522
607	Bill Envelopes	0.0105	1.0081	0.81%	0.7322
608	Ledger Paper	0.0097	0.9906	-0.94%	1.1221
	ADMINISTRATIVE COSTS	**0.0834**	**1.0329**	**3.29%**	**0.6902**
701	INSURANCE COSTS	**0.0654**	**0.9848**	**-1.52%**	**2.4035**
801	Light Bulbs	0.0391	1.0054	0.54%	4.7395
802	Light Switch	0.0477	1.0415	4.15%	3.6469
803	Wet Mop	0.0425	1.0061	0.61%	2.6964
804	Floor Wax	0.0401	1.0334	3.34%	0.0000
805	Paint	0.2127	1.0300	3.00%	1.7121
806	Pushbroom	0.0401	0.9341	-6.59%	6.6456
807	Detergent	0.0343	1.0000	0.00%	0.0000
808	Bucket	0.0423	1.0335	3.35%	2.2208
809	Washers	0.1032	1.0074	0.74%	0.7625
811	Pine Disinfectant	0.0502	1.0000	0.00%	0.0000
812	Window/Glass Cleaner	0.0528	1.0221	2.21%	0.0000
813	Switch Plate	0.0426	1.0210	2.10%	2.0139
814	Duplex Receptacle	0.0356	1.0000	0.00%	0.0000
815	Toilet Seat	0.1016	1.0141	1.41%	1.5264
816	Deck Faucet	0.1151	1.0533	5.33%	2.9526
	PARTS AND SUPPLIES	**0.0225**	**1.0193**	**1.93%**	**0.6659**
901	Refrigerator #1	0.0911	0.9877	-1.23%	1.2428
902	Refrigerator #2	0.4779	1.0000	0.00%	0.0000
903	Air Conditioner #1	0.0175	0.9961	-0.39%	1.9858
904	Air Conditioner #2	0.0219	1.0144	1.44%	0.6858
905	Floor Runner	0.0860	1.0071	0.71%	0.7723
906	Dishwasher	0.0451	1.0375	3.75%	2.4785
907	Range #1	0.0432	1.0481	4.81%	2.5536
908	Range #2	0.2173	1.0131	1.31%	0.8485
	REPLACEMENT COSTS	**0.0098**	**1.0064**	**0.64%**	**0.2781**
	ALL ITEMS	**1.0000**	**1.0013**	**0.13%**	**0.2393**

B.3 Price Relatives by Building Type, Apartments, 1998

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES,FEES, & PERMITS	**1.0123**	**1.0123**	**1.0123**	**1.0123**	**1.0123**
201	Payroll,Bronx,All	0.1708	0.0714	0.0020	0.1507	0.0000
202	Payroll,Other,Union,Supts.	0.1232	0.1190	0.1487	0.1098	0.0939
203	Payroll,Other,Union,Other	0.1791	0.4350	0.3494	0.2821	0.3799
204	Payroll,Other,Non-Union,All	0.3774	0.1689	0.3447	0.2804	0.4071
205	Social Security Insurance	0.0443	0.0533	0.0523	0.0475	0.0457
206	Unemployment Insurance	0.0082	0.0089	0.0091	0.0087	0.0114
207	Private Health & Welfare	0.1236	0.1707	0.1248	0.1470	0.0937
	LABOR COSTS	**1.0267**	**1.0271**	**1.0310**	**1.0261**	**1.0317**
301	Fuel Oil #2	0.2755	0.0816	0.0056	0.2264	0.3409
302	Fuel Oil #4	0.2170	0.0738	0.1298	0.1784	0.1342
303	Fuel Oil #6	0.3592	0.6889	0.7057	0.4450	0.3794
	FUEL	**0.8517**	**0.8443**	**0.8411**	**0.8498**	**0.8545**
401	Electricity #1, 2,500 KWH	0.0200	0.0009	0.0223	0.0107	0.0000
402	Electricity #2, 15,000 KWH	0.1360	0.2316	0.0747	0.2115	0.0000
403	Electricity #3, 82,000 KWH	0.0000	0.0000	0.0000	0.0000	0.5166
404	Gas #1, 12,000 therms	0.0072	0.0010	0.0043	0.0057	0.0002
405	Gas #2, 65,000 therms	0.0695	0.0294	0.1338	0.0313	0.0153
406	Gas #3, 214,000 therms	0.1303	0.1639	0.4015	0.0353	0.0503
407	Steam #1, 1.2m lbs	0.0001	0.0470	0.0012	0.0001	0.0000
408	Steam #2, 2.6m lbs	0.0001	0.0175	0.0004	0.0001	0.0000
409	Telephone	0.0136	0.0097	0.0077	0.0146	0.0160
410	Water & Sewer	0.6493	0.5171	0.3342	0.7332	0.4289
	UTILITIES	**1.0260**	**1.0182**	**0.9800**	**1.0424**	**1.0274**
501	Repainting	0.3962	0.4664	0.5466	0.3827	0.3618
502	Plumbing,Faucet	0.1652	0.0826	0.1383	0.1401	0.1565
503	Plumbing,Stoppage	0.1467	0.0746	0.1251	0.1267	0.1415
504	Elevator #1, 6 fl., 1 e.	0.0703	0.0186	0.0230	0.0630	0.0009
505	Elevator #2, 13 fl., 2 e.	0.0193	0.0898	0.0054	0.0481	0.1051
506	Elevator #3, 19 fl., 3 e.	0.0075	0.0614	0.0453	0.0179	0.0375
507	Burner Repair	0.0403	0.0386	0.0201	0.0465	0.0353
508	Boiler Repair,Tube	0.0481	0.0461	0.0241	0.0556	0.0423
509	Boiler Repair,Weld	0.0365	0.0349	0.0182	0.0421	0.0320
510	Refrigerator Repair	0.0134	0.0147	0.0131	0.0139	0.0074
511	Range Repair	0.0142	0.0156	0.0140	0.0148	0.0079
512	Roof Repair	0.0619	0.0446	0.0403	0.0629	0.0460
513	Air Conditioner Repair	0.0026	0.0285	0.0040	0.0065	0.0334
514	Floor Maint. #1,Studio	0.0002	0.0005	0.0004	0.0004	0.0006
515	Floor Maint. #2, 1 Br.	0.0005	0.0008	0.0008	0.0006	0.0093
516	Floor Maint. #3, 2 Br.	0.0041	0.0084	0.0071	0.0054	0.0089
	CONTRACTOR SERVICES	**1.0269**	**1.0260**	**1.0258**	**1.0271**	**1.0266**

Spec #	Item Description	Pre-1947	Post-1947	Gas Heated	Oil Heated	MASTER METERED BLDGS
601	Management Fees	0.6267	0.8003	0.6543	0.7092	0.4735
602	Accountant Fees	0.1719	0.1138	0.1036	0.1558	0.3515
603	Attorney Fees	0.1774	0.0983	0.2387	0.1260	0.1439
604	Newspaper Ads	0.0055	0.0032	0.0076	0.0041	0.0045
605	Agency Fees	0.0069	0.0040	0.0094	0.0051	0.0056
606	Lease Forms	0.0148	0.0049	0.0072	0.0110	0.0163
607	Bill Envelopes	0.0151	0.0050	0.0074	0.0112	0.0167
608	Ledger Paper	0.0137	0.0045	0.0067	0.0101	0.0151
	ADMINISTRATIVE COSTS	**1.0320**	**1.0341**	**1.0350**	**1.0325**	**1.0271**
701	INSURANCE COSTS	**0.9848**	**0.9848**	**0.9848**	**0.9848**	**0.9848**
801	Light Bulbs	0.0384	0.0411	0.0402	0.0390	0.0755
802	Light Switch	0.0486	0.0519	0.0508	0.0493	0.0956
803	Wet Mop	0.0404	0.0483	0.0344	0.0471	0.0554
804	Floor Wax	0.0391	0.0467	0.0332	0.0454	0.0535
805	Paint	0.2213	0.2143	0.2483	0.2108	0.1133
806	Pushbroom	0.0373	0.0379	0.0269	0.0368	0.0433
807	Detergent	0.0323	0.0387	0.0275	0.0376	0.0443
808	Bucket	0.0412	0.0493	0.0350	0.0478	0.0564
809	Washers	0.1091	0.0926	0.1123	0.0998	0.0558
811	Pine Disinfectant	0.0492	0.0526	0.0514	0.0499	0.0968
812	Window/Glass Cleaner	0.0528	0.0565	0.0552	0.0535	0.1039
813	Switch Plate	0.0410	0.0490	0.0349	0.0476	0.0562
814	Duplex Receptacle	0.0336	0.0401	0.0285	0.0391	0.0460
815	Toilet Seat	0.1080	0.0918	0.1113	0.0989	0.0553
816	Deck Faucet	0.1271	0.1081	0.1310	0.1164	0.0650
	PARTS AND SUPPLIES	**1.0195**	**1.0189**	**1.0209**	**1.0192**	**1.0162**
901	Refrigerator #1	0.0868	0.0974	0.0732	0.0977	0.0793
902	Refrigerator #2	0.4714	0.4931	0.3973	0.4946	0.4016
903	Air Conditioner #1	0.0092	0.0367	0.0236	0.0154	0.0110
904	Air Conditioner #2	0.0117	0.0465	0.0299	0.0196	0.0140
905	Floor Runner	0.0818	0.0975	0.0459	0.0978	0.2332
906	Dishwasher	0.0403	0.0619	0.1476	0.0226	0.0137
907	Range #1	0.0515	0.0307	0.0494	0.0460	0.0452
908	Range #2	0.2540	0.1416	0.2436	0.2117	0.2080
	REPLACEMENT COSTS	**1.0067**	**1.0055**	**1.0105**	**1.0054**	**1.0061**
	ALL ITEMS	**0.9947**	**1.0052**	**1.0069**	**0.9961**	**1.0026**

B.4 Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 1998

	% Change Due to Assessments	% Change Due to Exemptions	% Change Due to Abatements	% Change Due to Tax Rate	% Change Due to Interactions	Total % Change
APARTMENTS						
Manhattan	1.19%	0.47%	0.09%	-0.12%	0.00%	1.63%
Bronx	-0.72%	0.25%	0.09%	-0.10%	0.00%	-0.48%
Brooklyn	1.40%	0.09%	0.44%	-0.10%	0.00%	1.83%
Queens	0.16%	-0.02%	0.18%	-0.10%	0.00%	0.22%
Staten Island	-6.95%	4.40%	0.14%	-0.10%	0.00%	-2.79%
Total	**0.85%**	**0.34%**	**0.15%**	**-0.11%**	**0.00%**	**1.23%**
HOTELS						
Hotels	5.42%	-0.17%	-0.13%	-0.75%	-0.04%	4.33%
Rooming Houses	3.09%	0.00%	0.00%	-0.18%	0.00%	2.91%
SROs	3.43%	0.82%	-0.91%	-0.36%	-0.02%	2.96%
Total	**4.15%**	**0.29%**	**-0.45%**	**-0.48%**	**-0.02%**	**3.49%**

Note: Totals may not add due to rounding.

B.5 Tax Change by Borough and Community Board, Apartments, 1998

Borough	Community Board	Number of Buildings	Tax Relative
Manhattan	**All**	**13,039**	**1.63**
	1	33	NA
	2	1,236	2.0
	3	1,490	0.8
	4	1,082	2.0
	5	338	3.0
	6	976	0.3
	7	2,280	2.0
	8	2,384	2.0
	9	703	1.0
	10	655	-7.0
	11	496	-1.0
	12	1,366	1.0
Bronx	**All**	**4,402**	**-0.48**
	1	232	-19.0
	2	147	-2.0
	3	180	1.0
	4	602	-2.0
	5	562	1.0
	6	355	1.0
	7	881	-1.0
	8	336	-1.0
	9	272	0.0
	10	172	0.0
	11	284	0.5
	12	379	3.0
Brooklyn	**All**	**11,787**	**1.83**
	1	1,430	0.4
	2	686	2.0
	3	586	6.0
	4	1,206	7.0
	5	264	6.0
	6	972	4.0
	7	850	5.0
	8	820	-4.0
	9	523	2.0
	10	840	3.0
	11	737	4.0
	12	613	2.0
	13	189	-3.0
	14	861	1.0
	15	386	1.0
	16	193	9.0
	17	563	3.0
	18	68	-1.0
Queens	**All**	**6,162**	**0.22**
(Queens cont.)	1	1,782	3.0
	2	832	3.0
	3	403	0.9
	4	350	-2.0
	5	1,137	3.4
	6	338	-1.0
	7	440	0.5
	8	196	-1.0
	9	196	0.6
	10	81	0.8
	11	133	0.4
	12	143	0.7
	13	47	-2.0
	14	84	-3.0
Staten Island	**All**	**174**	**-2.79**
	1	111	-3.0
	2	39	-3.0
	3	24	-2.0
No Com. Board Listed	NA	673	NA
Citywide	**All**	**36,237**	**1.23**

B.6 Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 1998

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES,FEES,& PERMITS	**0.2213**	**1.0349**	**3.49%**	**2.9457**
205	Social Security Insurance	0.0591	1.0210	2.10%	0.0000
206	Unemployment Insurance	0.0201	0.9337	-6.63%	0.0000
208	Hotel Private Health/Welfare	0.0364	1.0244	2.44%	0.0000
209	Hotel Union Labor	0.3329	1.0304	3.04%	0.0000
210	SRO Union Labor	0.0130	1.0277	2.77%	0.0000
211	Apartment Value	0.1160	1.0394	3.94%	0.5276
212	Non-Union Superintendent	0.2993	1.0409	4.09%	2.2663
213	Non-Union Maid	0.0000	0.0000	NA	0.0000
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000
215	Non-Union Maintenance Worker	0.0000	0.0000	NA	0.0000
216	Non-Union Janitor/Porter	0.1232	1.0393	3.93%	0.8253
	LABOR COSTS	**0.1838**	**1.0329**	**3.29%**	**0.6885**
301	Fuel Oil #2	0.6912	0.8764	-12.36%	0.7309
302	Fuel Oil #4	0.0149	0.8389	-16.11%	1.5303
303	Fuel Oil #6	0.2939	0.8412	-15.88%	0.8292
	FUEL	**0.1101**	**0.8655**	**-13.45%**	**0.5614**
401	Electricity #1,2,500 KWH	0.0800	0.9993	-0.07%	0.0000
402	Electricity #2,15,000 KWH	0.0833	1.0118	1.18%	0.0000
403	Electricity #3,82,000 KWH	0.2585	1.0115	1.15%	0.0000
404	Gas #1,12,000 therms	0.0469	1.0020	0.20%	0.0000
405	Gas #2,65,000 therms	0.0390	0.9267	-7.33%	0.0000
406	Gas #3,214,000 therms	0.1599	0.9287	-7.13%	0.0000
407	Steam #1,1.2m lbs	0.0002	0.9804	-1.96%	0.0000
409	Telephone	0.1839	1.0240	2.40%	0.0000
410	Water & Sewer	0.1484	1.0650	6.50%	0.0000
	UTILITIES	**0.1671**	**1.0038**	**0.38%**	**0.0000**
501	Repainting	0.2046	1.0208	2.08%	0.9760
502	Plumbing,Faucet	0.0793	1.0309	3.09%	1.1855
503	Plumbing,Stoppage	0.0748	1.0307	3.07%	1.5653
504	Elevator #1,6 fl.,1 e.	0.0335	1.0430	4.30%	1.6753
505	Elevator #2,13 fl.,2 e.	0.0313	1.0394	3.94%	1.3700
506	Elevator #3,19 fl.,3 e.	0.0291	1.0534	5.34%	1.4644
507	Burner Repair	0.0254	1.0366	3.66%	1.2562
508	Boiler Repair, Tube	0.0276	1.0255	2.55%	1.3699
509	Boiler Repair, Weld	0.0250	1.0137	1.37%	0.3015
511	Range Repair	0.1514	1.0224	2.24%	1.9949
512	Roof Repair	0.0226	1.0316	3.16%	1.4585
513	Air Conditioner Repair	0.0453	0.9800	-2.00%	0.0000
514	Floor Maint.#1,Studio	0.0009	1.0396	3.96%	2.8912
515	Floor Maint.#2,1 Br.	0.0019	1.0406	4.06%	2.9681
516	Floor Maint.#3,2 Br.	0.0173	1.0385	3.85%	2.8195
518	Linen/Laundry Service	0.2300	1.0436	4.36%	4.0662
	CONTRACTOR SERVICES	**0.1012**	**1.0292**	**2.92%**	**1.0207**

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
601	Management Fees	0.6118	1.0369	3.69%	0.9748
602	Accountant Fees	0.0838	1.0111	1.11%	0.4308
603	Attorney Fees	0.1421	1.0430	4.30%	1.3587
604	Newspaper Ads	0.1012	1.0561	5.61%	2.4458
605	Agency Fees	0.0242	1.0291	2.91%	0.7393
606	Lease Forms	0.0117	1.0034	0.34%	0.3522
607	Bill Envelopes	0.0142	1.0081	0.81%	0.7322
608	Ledger Paper	0.0110	0.9906	-0.94%	1.1221
	ADMINISTRATIVE COSTS	**0.0941**	**1.0361**	**3.61%**	**0.6753**
701	INSURANCE COSTS	**0.0369**	**0.9848**	**-1.52%**	**2.4035**
801	Light Bulbs	0.0162	1.0054	0.54%	4.7395
802	Light Switch	0.0181	1.0415	4.15%	3.6469
803	Wet Mop	0.0505	1.0061	0.61%	2.6964
804	Floor Wax	0.0501	1.0334	3.34%	0.0000
805	Paint	0.1175	1.0300	3.00%	1.7121
806	Pushbroom	0.0458	0.9341	-6.59%	6.6456
807	Detergent	0.0461	1.0000	0.00%	0.0000
808	Bucket	0.0519	1.0335	3.35%	2.2208
809	Washers	0.0519	1.0074	0.74%	0.7625
810	Linens	0.3090	1.0096	0.96%	0.7908
811	Pine Disinfectant	0.0197	1.0000	0.00%	0.0000
812	Window/Glass Cleaner	0.0205	1.0221	2.21%	0.0000
813	Switch Plate	0.0507	1.0210	2.10%	2.0139
814	Duplex Receptacle	0.0431	1.0000	0.00%	0.0000
815	Toilet Seat	0.0510	1.0141	1.41%	1.5264
816	Deck Faucet	0.0578	1.0533	5.33%	2.9526
	PARTS AND SUPPLIES	**0.0603**	**1.0137**	**1.37%**	**0.5313**
901	Refrigerator #1	0.0197	0.9877	-1.23%	1.2428
902	Refrigerator #2	0.1024	1.0000	0.00%	0.0000
903	Air Conditioner #1	0.0629	0.9961	-0.39%	1.9858
904	Air Conditioner #2	0.0745	1.0144	1.44%	0.6858
907	Range #1	0.0082	1.0481	4.81%	2.5536
908	Range #2	0.0423	1.0131	1.31%	0.8485
909	Carpet	0.3394	1.0114	1.14%	1.1668
910	Dresser	0.1772	1.0152	1.52%	1.8470
911	Mattress & Box Spring	0.1735	0.9958	-0.42%	0.4834
	REPLACEMENT COSTS	**0.0253**	**1.0074**	**0.74%**	**0.5399**
	ALL ITEMS	**1.0000**	**1.0064**	**0.64%**	**0.6846**

B.7 Price Relative by Hotel Type, 1998

Spec #	Item Description	Hotel	RH	SRO
101	TAXES,FEES,& PERMITS	**1.0433**	**1.0291**	**1.0296**
205	Social Security Insurance	0.0766	0.0571	0.0355
206	Unemployment Insurance	0.0172	0.0142	0.0265
208	Hotel Private Health/Welfare	0.0552	0.0000	0.0052
209	Hotel Union Labor	0.5220	0.0000	0.0000
210	SRO Union Labor	0.0000	0.0000	0.0657
211	Apartment Value	0.0337	0.4240	0.1789
212	Non-Union Superintendent	0.1050	0.4274	0.5558
213	Non-Union Maid	0.0000	0.0000	0.0000
214	Non-Union Desk Clerk	0.0000	0.0000	0.0000
215	Non-Union Maintenance Worker	0.0000	0.0000	0.0000
216	Non-Union Janitor/Porter	0.2212	0.1147	0.1680
	LABOR COSTS	**1.0308**	**1.0374**	**1.0357**
301	Fuel Oil #2	0.6463	0.8764	0.2601
302	Fuel Oil #4	0.0000	0.0000	0.0716
303	Fuel Oil #6	0.2209	0.0000	0.5198
	FUEL	**0.8671**	**0.8764**	**0.8515**
401	Electricity #1,2,500 KWH	0.0035	0.4461	0.0676
402	Electricity #2,15,000 KWH	0.0842	0.0000	0.1428
403	Electricity #3,82,000 KWH	0.3345	0.0000	0.2056
404	Gas #1,12,000 therms	0.0035	0.2963	0.0111
405	Gas #2,65,000 therms	0.0293	0.0000	0.0834
406	Gas #3,214,000 therms	0.1538	0.0000	0.2343
407	Steam #1,1.2m lbs	0.0000	0.0019	0.0000
409	Telephone	0.2551	0.0295	0.0816
410	Water & Sewer	0.1414	0.2418	0.1650
	UTILITIES	**1.0053**	**1.0157**	**0.9914**
501	Repainting	0.2145	0.2439	0.1656
502	Plumbing,Faucet	0.0328	0.1895	0.1556
503	Plumbing,Stoppage	0.0309	0.1787	0.1503
504	Elevator #1,6 fl.,1 e.	0.0486	0.0000	0.0165
505	Elevator #2,13 fl.,2 e.	0.0454	0.0000	0.0153
506	Elevator #3,19 fl.,3 e.	0.0427	0.0000	0.0144
507	Burner Repair	0.0088	0.0276	0.0820
508	Boiler Repair, Tube	0.0095	0.0298	0.0883
509	Boiler Repair, Weld	0.0084	0.0267	0.0790
511	Range Repair	0.1818	0.0600	0.1388
512	Roof Repair	0.0356	0.0018	0.0000
513	Air Conditioner Repair	0.0374	0.0748	0.0447
514	Floor Maint.#1,Studio	0.0004	0.0021	0.0021
515	Floor Maint.#2,1 Br.	0.0007	0.0043	0.0043
516	Floor Maint.#3,2 Br.	0.0065	0.0395	0.0389
518	Linen/Laundry Service	0.3271	0.1470	0.0299
	CONTRACTOR SERVICES	**1.0311**	**1.0258**	**1.0257**

Spec #	Item Description	Hotel	RH	SRO
601	Management Fees	0.6822	0.4906	0.5809
602	Accountant Fees	0.0556	0.1815	0.1097
603	Attorney Fees	0.1151	0.2092	0.2135
604	Newspaper Ads	0.1311	0.0528	0.0663
605	Agency Fees	0.0213	0.0394	0.0259
606	Lease Forms	0.0101	0.0186	0.0123
607	Bill Envelopes	0.0123	0.0227	0.0150
608	Ledger Paper	0.0094	0.0173	0.0114
	ADMINISTRATIVE COSTS	**1.0373**	**1.0321**	**1.0350**
701	INSURANCE COSTS	**0.9848**	**0.9848**	**0.9848**
801	Light Bulbs	0.0055	0.0386	0.0319
802	Light Switch	0.0063	0.0445	0.0368
803	Wet Mop	0.0664	0.0238	0.0244
804	Floor Wax	0.0677	0.0243	0.0248
805	Paint	0.0550	0.3186	0.1698
806	Pushbroom	0.0560	0.0200	0.0205
807	Detergent	0.0603	0.0216	0.0221
808	Bucket	0.0701	0.0251	0.0257
809	Washers	0.0147	0.0863	0.1393
810	Linens	0.4384	0.0913	0.0996
811	Pine Disinfectant	0.0066	0.0468	0.0387
812	Window/Glass Cleaner	0.0070	0.0496	0.0410
813	Switch Plate	0.0677	0.0242	0.0248
814	Duplex Receptacle	0.0563	0.0202	0.0207
815	Toilet Seat	0.0145	0.0854	0.1378
816	Deck Faucet	0.0171	0.1006	0.1625
	PARTS AND SUPPLIES	**1.0097**	**1.0209**	**1.0204**
901	Refrigerator #1	0.0084	0.0427	0.0386
902	Refrigerator #2	0.0444	0.2248	0.2036
903	Air Conditioner #1	0.0930	0.0114	0.0000
904	Air Conditioner #2	0.1123	0.0137	0.0000
907	Range #1	0.0014	0.0168	0.0265
908	Range #2	0.0067	0.0843	0.1323
909	Carpet	0.3275	0.3804	0.3675
910	Dresser	0.2110	0.1188	0.1222
911	Mattress & Box Spring	0.2027	0.1141	0.1173
	REPLACEMENT COSTS	**1.0073**	**1.0071**	**1.0079**
	ALL ITEMS	**1.0125**	**1.0020**	**1.0002**

B.8 Expenditure Weights and Price Relatives, Lofts, 1998

Spec #	Item Description	Price Weights	Relative
101	TAXES	**0.2447**	**1.0240**
201	Payroll,Bronx,All	0.0000	1.0000
202	Payroll,Other, Union,Supts.	0.2989	1.0276
203	Payroll,Other, Union,Other	0.0000	1.0290
204	Payroll,Other, Non-Union,All	0.5193	1.0403
205	Social Security Insurance	0.0475	1.0210
206	Unemployment Insurance	0.0102	0.9337
207	Private Health & Welfare	0.1240	1.0283
	LABOR COSTS	**0.1101**	**1.0330**
301	Fuel Oil #2	0.3334	0.8764
302	Fuel Oil #4	0.5542	0.8389
303	Fuel Oil #6	0.1124	0.8412
	FUEL	**0.0679**	**0.851** 6
401	Electricity #1,2,500 KWH	0.0135	0.9993
402	Electricity #2,15,000 KWH	0.1676	1.0118
403	Electricity #3,82,000 KWH	0.0000	1.0115
404	Gas #1,12,000 therms	0.0051	1.0020
405	Gas #2,65,000 therms	0.0603	0.9267
406	Gas #3,214,000 therms	0.1524	0.9287
407	Steam #1,1.2m lbs	0.0163	0.9804
408	Steam #2,2.6m lbs	0.0060	0.9762
409	Telephone	0.0119	1.0240
410	Water & Sewer	0.5668	1.0650
	UTILITIES	**0.0805**	**1.0233**
501	Repainting	0.4065	1.0208
502	Plumbing,Faucet	0.1388	1.0309
503	Plumbing,Stoppage	0.1236	1.0307
504	Elevator #1,6 fl.,1 e.	0.0541	1.0430
505	Elevator #2,13 fl.,2 e.	0.0368	1.0394
506	Elevator #3,19 fl.,3 e.	0.0208	1.0534
507	Burner Repair	0.0384	1.0366
508	Boiler Repair, Tube	0.0464	1.0255
509	Boiler Repair, Weld	0.0356	1.0137
510	Refrigerator Repair	0.0137	1.0029
511	Range Repair	0.0143	1.0224
512	Roof Repair	0.0554	1.0316
513	Air Conditioner Repair	0.0098	0.9800
514	Floor Maint.#1,Studio	0.0003	1.0396
515	Floor Maint.#2,1 Br.	0.0006	1.0406
516	Floor Maint.#3,2 Br.	0.0050	1.0385
	CONTRACTOR SERVICES	**0.0801**	**1.0267**

Spec #	Item Description	Price Weights	Relative
	ADMINISTRATIVE COSTS,LEGAL	**0.1112**	**1.0430**
601	Management Fees	0.7945	1.0369
602	Accountant Fees	0.1562	1.0111
604	Newspaper Ads	0.0053	1.0561
605	Agency Fees	0.0067	1.0291
606	Lease Forms	0.0114	1.0034
607	Bill Envelopes	0.0137	1.0081
608	Ledger Paper	0.0123	0.9906
	ADMINISTRATIVE COSTS - OTHER	**0.1017**	**1.0316**
701	INSURANCE COSTS	**0.1606**	**0.9848**
801	Light Bulbs	0.0390	1.0054
802	Light Switch	0.0476	1.0415
803	Wet Mop	0.0425	1.0061
804	Floor Wax	0.0401	1.0334
805	Paint	0.2127	1.0300
806	Pushbroom	0.0401	0.9341
807	Detergent	0.0343	1.0000
808	Bucket	0.0423	1.0335
809	Washers	0.1033	1.0074
811	Pine Disinfectant	0.0502	1.0000
812	Window/Glass Cleaner	0.0528	1.0221
813	Switch Plate	0.0426	1.0210
814	Duplex Receptacle	0.0356	1.0000
815	Toilet Seat	0.1016	1.0141
816	Deck Faucet	0.1152	1.0533
	PARTS AND SUPPLIES	**0.0237**	**1.0193**
901	Refrigerator #1	0.0912	0.9877
902	Refrigerator #2	0.4779	1.0000
903	Air Conditioner #1	0.0175	0.9961
904	Air Conditioner #2	0.0218	1.0144
905	Floor Runner	0.0859	1.0071
906	Dishwasher	0.0452	1.0375
907	Range #1	0.0431	1.0481
908	Range #2	0.2174	1.0131
	REPLACEMENT COSTS	**0.0195**	**1.0064**
	ALL ITEMS	**1.0000**	**1.0096**

B.9 Changes in the Price Index of Operating Costs, Expenditure Weights and Price Relatives, Apartments, 1988-1998

	1988		1989		1990		1991		1992	
	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative
Taxes	0.196	8.1%	0.211	15.8%	0.229	12.0%	0.232	12.8%	0.246	11.0%
Labor	0.175	5.3%	0.169	5.1%	0.167	5.7%	0.159	5.2%	0.158	5.2%
Fuel	0.132	12.6%	0.126	-5.2%	0.112	20.9%	0.122	4.6%	0.121	-10.9%
Utilities	0.120	1.3%	0.122	12.4%	0.128	20.8%	0.140	1.2%	0.133	6.6%
Contractor Services	0.158	9.3%	0.164	6.1%	0.163	6.5%	0.157	5.5%	0.156	2.4%
Administrative Costs	0.089	4.1%	0.087	6.7%	0.087	7.5%	0.084	3.0%	0.082	2.8%
Insurance	0.087	1.6%	0.080	-0.6%	0.074	3.6%	0.069	4.4%	0.068	2.3%
Parts & Supplies	0.029	2.4%	0.028	3.6%	0.027	6.1%	0.026	3.6%	0.026	2.5%
Replacement Costs	0.013	1.7%	0.012	2.4%	0.012	2.7%	0.011	1.3%	0.011	3.8%
All Items		**6.4%**		**6.7%**		**10.9%**		**6.0%**		**4.0%**
Pre '47										
Taxes	0.139	8.1%	0.141	15.8%	0.155	12.0%	0.156	12.8%	0.167	11.0%
Labor	0.146	5.2%	0.144	5.1%	0.143	5.5%	0.136	5.2%	0.134	5.1%
Fuel	0.161	12.8%	0.170	-4.6%	0.154	20.0%	0.167	4.8%	0.166	-10.4%
Utilities	0.122	2.3%	0.117	12.8%	0.125	22.2%	0.137	1.5%	0.137	7.6%
Contractor Services	0.189	9.3%	0.194	6.2%	0.195	6.5%	0.188	5.4%	0.187	2.1%
Administrative Costs	0.083	4.6%	0.082	6.7%	0.082	7.0%	0.079	3.2%	0.078	2.7%
Insurance	0.108	1.6%	0.102	-0.6%	0.097	3.6%	0.090	4.4%	0.089	2.3%
Parts & Supplies	0.033	3.0%	0.032	3.6%	0.032	6.2%	0.030	3.5%	0.030	2.5%
Replacement Costs	0.020	1.2%	0.019	2.3%	0.018	2.7%	0.017	1.3%	0.016	3.6%
All Items		**6.6%**		**5.5%**		**10.9%**		**5.5%**		**2.8%**
Post '46										
Taxes	0.278	8.1%	0.281	15.8%	0.303	12.0%	0.306	12.8%	0.324	11.0%
Labor	0.210	5.9%	0.210	5.0%	0.205	6.0%	0.196	5.1%	0.194	5.4%
Fuel	0.090	12.3%	0.095	-7.3%	0.082	23.4%	0.091	3.8%	0.089	-12.5%
Utilities	0.118	-0.3	0.111	11.7%	0.115	18.2%	0.123	0.6%	0.116	4.7%
Contractor Services	0.112	8.8%	0.115	6.0%	0.113	6.6%	0.109	5.8%	0.108	3.1%
Administrative Costs	0.102	3.5%	0.100	6.8%	0.099	8.2%	0.097	2.7%	0.093	3.0%
Insurance	0.058	1.6%	0.056	-0.6%	0.052	3.6%	0.048	4.4%	0.047	2.3%
Parts & Supplies	0.024	2.5%	0.023	3.7%	0.022	6.0%	0.021	3.6%	0.021	2.5%
Replacement Costs	0.010	2.0%	0.010	2.6%	0.010	2.8%	0.009	1.3%	0.008	4.2%
All Items		**6.1%**		**7.5%**		**10.8%**		**6.5%**		**4.8%**

1993		1994		1995		1996		1997		1998	
Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative	Item Weight	Price Relative
0.263	3.1%	0.259	2.3%	0.260	1.4%	0.263	3.0%	0.255	2.4%	0.255	1.2
0.160	5.6%	0.161	4.3%	0.165	4.1%	0.171	3.1%	0.167	2.3%	0.166	2.7
0.103	5.2%	0.104	-0.5%	0.101	-12.7%	0.088	29.6%	0.108	0.4%	0.106	-15.0
0.137	12.7%	0.147	2.1%	0.147	-4.0%	0.141	7.8%	0.143	2.9%	0.144	2.3
0.154	2.5%	0.150	0.9%	0.149	2.4%	0.152	1.8%	0.146	3.4%	0.147	2.7
0.081	3.8%	0.080	3.7%	0.081	3.8%	.0.084	3.5%	0.082	3.9%	0.083	3.3
0.067	-0.5%	0.064	0.8%	0.063	5.2%	0.066	5.0%	0.066	1.9%	0.065	-1.5
0.025	1.0%	0.024	1.0%	0.024	-0.5%	0.024	0.8%	0.023	1.5%	0.023	1.9
0.011	4.2%	0.010	1.6%	0.010	0.2%	0.010	1.0%	0.010	1.0%	0.010	0.6
	4.7%		**2.0%**		**0.1%**		**6.0%**		**2.4%**		**0.1%**
0.180	3.1%	0.178	2.3%	0.179	1.4%	0.182	3.0%	0.175	2.4%	0.175	1.2
0.139	5.3%	0.140	4.3%	0.143	3.8%	0.150	3.3%	0.145	2.4%	0.145	2.7
0.144	5.1%	0.145	-0.8%	0.141	-12.7%	0.124	28.9%	0.149	0.7%	0.147	-14.8
0.138	12.3%	0.149	2.3%	0.149	-4.1%	0.144	7.6%	0.145	3.3%	0.146	2.6
0.186	2.5%	0.183	1.0%	0.181	2.5%	0.186	1.9%	0.178	3.3%	0.179	2.7
0.078	3.7%	0.077	3.6%	0.078	3.8%	0.082	3.4%	0.079	3.7%	0.080	3.2
0.089	-0.5%	0.085	0.8%	0.084	5.2%	0.088	5.0%	0.087	1.9%	0.086	-1.5
0.030	1.0%	0.029	1.0%	0.028	-0.5%	0.028	0.8%	0.027	1.5%	0.026	2.0
0.016	4.2%	0.016	1.5%	0.016	0.2%	0.016	0.9%	0.015	1.0%	0.015	0.7
	4.6%		**1.8%**		**-0.4%**		**6.8%**		**2.5%**		**-0.5%**
0.343	3.1%	0.337	2.3%	0.337	1.4%	0.340	3.0%	0.332	2.4%	0.332	1.2
0.195	6.0%	0.197	4.2%	0.200	4.3%	0.207	3.0%	0.202	2.1%	0.202	2.7
0.074	5.6%	0.075	0.4%	0.073	-12.6%	0.064	31.9%	0.080	-0.5%	0.078	-15.6
0.116	13.6%	0.125	1.6%	0.125	-3.8%	0.119	8.2%	0.122	2.2%	0.122	1.8
0.106	2.5%	0.104	0.5%	0.102	2.2%	0.104	1.4%	0.100	3.6%	0.101	2.6
0.092	4.0%	0.091	3.8%	0.092	3.7%	0.095	3.5%	0.093	4.1%	0.095	3.4
0.046	-0.5%	0.044	0.8%	0.043	5.2%	0.045	5.0%	0.045	1.9%	0.045	-1.5
0.020	1.1%	0.019	1.0%	0.019	-0.4%	0.019	0.9%	0.018	1.4%	0.018	1.9
0.008	4.1%	0.008	1.6%	0.008	0.2%	0.008	1.0%	0.008	1.0%	0.008	0.6
	4.9%		**2.3%**		**0.6%**		**5.4%**		**2.3%**		**0.5%**

Appendix C: Income and Expense Study

C.1 Cross-Sectional Income and Expense Study for Structures Built Before 1947

(Estimated Average Operating & Maintenance Cost (1996) per Apartment per Month by Building Size and Location)

	Taxes	Labor	Fuel	Water/ Sewer	Light & Power	Maint.	Admin.	Insurance	Misc.	Total
Citywide	$84	$52	$48	$25	$17	$83	$50	$25	$28	$413
11-19 units	$110	$25	$56	$26	$19	$91	$51	$30	$34	$443
20-99 units	$76	$45	$48	$25	$15	$83	$47	$25	$28	$393
100+ units	$109	$118	$39	$27	$24	$86	$64	$21	$28	$517
Bronx	$51	$44	$51	$25	$15	$80	$45	$27	$25	$362
11-19 units	$50	$30	$70	$27	$17	$95	$46	$34	$29	$397
20-99 units	$46	$38	$50	$24	$14	$78	$43	$27	$25	$345
100+ units	$26	$77	$47	$25	$18	$87	$72	$23	$12	$386
Brooklyn	$67	$40	$50	$24	$15	$74	$41	$23	$25	$360
11-19 units	$63	$17	$62	$25	$13	$79	$35	$26	$25	$346
20-99 units	$60	$31	$49	$25	$14	$71	$39	$23	$24	$337
100+ units	$68	$51	$42	$24	$15	$75	$35	$18	$21	$350
Manhattan	$114	$66	$45	$27	$19	$95	$60	$27	$34	$486
11-19 units	$155	$28	$49	$28	$24	$101	$65	$33	$43	$527
20-99 units	$107	$62	$46	$26	$17	$96	$58	$27	$33	$470
100+ units	$172	$169	$34	$28	$34	$92	$73	$22	$40	$665
Queens	$77	$37	$48	$24	$13	$70	$39	$22	$22	$354
11-19 units	$77	$20	$56	$24	$11	$73	$29	$23	$17	$331
20-99 units	$73	$30	$47	$25	$12	$68	$39	$22	$22	$338
100+ units	$72	$70	$41	$23	$11	$69	$39	$19	$22	$367
St Island *										
20+	-	-	-	-	-	-	-	-	-	-

* The number of pre - 47 buildings in Staten Island was too small to calculate reliable statistics.

Totals in this table may not match those in Table 3 due to rounding.Data in this table are NOT adjusted for the results of the 1992 Department of Finance audit on I&E reported operating costs.The category "Utilities" used in the I & E report is the sum of "Water & Sewer" and "Light & Power".

Source:NYC Department of Finance, RPIE Filings.

C.2 Cross-Sectional Income and Expense Study for Structures Built After 1946

(Estimated Average Operating & Maintenance Cost (1996) per Apartment per Month by Building Size and Location)

	Taxes	Labor	Fuel	Water/ Sewer	Light & Power	Maint.	Admin.	Insurance	Misc.	Total
Citywide	$147	$96	$38	$25	$26	$77	$59	$21	$35	$525
11-19 units	$137	$18	$43	$28	$28	$90	$66	$29	$32	$471
20-99 units	$102	$56	$40	$25	$21	$69	$47	$22	$27	$410
100+ units	$194	$142	$36	$25	$30	$84	$71	$19	$43	$644
Bronx	$96	$68	$44	$25	$23	$73	$43	$24	$51	$449
11-19 units	-	-	-	-	-	-	-	-	-	-
20-99 units	$82	$42	$43	$24	$18	$70	$40	$23	$37	$379
100+ units	$117	$121	$45	$28	$31	$78	$47	$26	$80	$575
Brooklyn	$89	$62	$42	$25	$21	$68	$55	$22	$30	$413
11-19 units	$117	$8	$52	$22	$13	$105	$70	$27	$11	$424
20-99 units	$85	$51	$43	$25	$19	$69	$50	$23	$29	$394
100+ units	$93	$102	$38	$26	$26	$62	$69	$19	$32	$466
Manhattan	$266	$169	$35	$25	$33	$100	$83	$20	$51	$781
11-19 units	$204	$19	$39	$35	$46	$103	$107	$31	$36	$620
20-99 units	$181	$84	$35	$25	$23	$90	$66	$23	$31	$560
100+ units	$286	$190	$34	$25	$35	$102	$87	$19	$56	$834
Queens	$103	$67	$37	$25	$24	$65	$48	$20	$20	$410
11-19 units	$106	$27	$45	$29	$22	$77	$45	$29	$37	$417
20-99 units	$100	$56	$38	$26	$24	$64	$43	$21	$22	$393
100+ units	$104	$87	$34	$24	$24	$65	$54	$18	$17	$427
St.Island	$104	$53	$41	$26	$20	$72	$55	$22	$35	$428
20+ units	$92	$65	$40	$28	$14	$66	$52	$19	$36	$413

* The number of rent-stabilized units located in buildings with fewer than 20 units the Bronx and Staten Island were too small to calculate reliable statistics.

Totals in this table may not match those in Table 3 due to rounding. Data in this table are NOT adjusted for the results of the 1992 Department of Finance audit on I&E reported operating costs.

Source:NYC Department of Finance, RPIE Filings.

C.3 Cross-Sectional Income and Expense Study

(Estimated Average Rent, Income and Costs (1996) per Apartment per Month by Building Size and Location)

	Post-46			Pre-47			All		
	Rent	Income	Costs	Rent	Income	Costs	Rent	Income	Costs
Citywide	$768	$857	$525	$551	$610	$413	$611	$679	$444
11-19 units	$611	$725	$471	$529	$640	$443	$538	$648	$446
20-99 units	$583	$615	$410	$530	$576	$393	$542	$585	$397
100+ units	$971	$1,111	$644	$710	$797	$517	$872	$992	$596
Bronx	$548	$627	$449	$472	$498	$362	$485	$520	$377
11-19 units	-	-	-	$441	$487	$397	$445	$504	$404
20-99 units	$523	$541	$379	$453	$473	$345	$463	$482	$350
100+ units	$588	$774	$575	$490	$506	$386	$538	$637	$478
Brooklyn	$559	$586	$413	$496	$520	$360	$509	$533	$371
11-19 units	-	-	-	$446	$476	$346	$456	$486	$352
20-99 units	$547	$567	$394	$470	$483	$337	$490	$504	$352
100+ units	$589	$628	$466	$512	$525	$350	$543	$566	$397
Manhattan	$1,246	$1,446	$781	$634	$738	$486	$765	$890	$549
11-19 units	$782	$1,031	$620	$604	$791	$527	$605	$794	$528
20-99 units	$847	$954	$560	$622	$713	$470	$638	$731	$477
100+ units	$1,341	$1,563	$834	$917	$1,079	$665	$1,166	$1,364	$764
Queens	$586	$619	$410	$523	$546	$354	$560	$589	$386
11-19 units	$563	$611	$417	$478	$491	$331	$505	$530	$359
20-99 units	$561	$586	$393	$509	$526	$338	$538	$560	$369
100+ units	$619	$654	$427	$546	$555	$367	$610	$642	$420
St.Island	$582	$621	$428	-	-	-	$582	$621	$428

City and borough totals are weighted, while figures for building size categories are unweighted. All expense data is unaudited. The number of Post-1946 buildings with 11-19 units in the Bronx and Brooklyn were too small to calculate reliable statistics as was the number of Pre-47 bldgs in Staten Island.

Source: NYC Department of Finance, RPIE Filings.

C.4 Composition of Operating Costs in 1996, by Building Size and Age

	Taxes	Maint.	Labor	Admin.	Utilities	Fuel	Misc.	Insurance	Total
Pre-47	20.5%	20.0%	12.6%	12.1%	10.2%	11.6%	6.9%	6.1%	100.0%
11-19 units	24.9%	20.6%	5.6%	11.5%	10.2%	12.6%	7.6%	6.8%	100.0%
20-99 units	19.5%	21.0%	11.5%	12.1%	10.2%	12.2%	7.0%	6.4%	100.0%
100+ units	21.2%	16.6%	22.8%	12.3%	9.9%	7.6%	5.5%	4.1%	100.0%
Post-46	28.1%	14.7%	18.4%	11.3%	9.7%	7.2%	6.7%	4.0%	100.0%
11-19 units	29.1%	19.2%	3.8%	14.0%	11.9%	9.2%	6.8%	6.1%	100.0%
20-99 units	25.0%	16.9%	13.6%	11.5%	11.3%	9.7%	6.7%	5.4%	100.0%
100+ units	30.1%	13.1%	22.0%	11.0%	8.5%	5.5%	6.7%	3.0%	100.0%
All Bldgs.	22.9%	18.3%	14.4%	11.8%	10.0%	10.2%	6.8%	5.5%	100.0%
11-19 units	25.3%	20.5%	5.4%	11.8%	10.4%	12.3%	7.5%	6.7%	100.0%
20-99 units	20.0%	20.6%	11.8%	12.0%	10.3%	12.0%	7.0%	6.3%	100.0%
100+ units	22.3%	16.2%	22.7%	12.1%	9.7%	7.3%	5.7%	4.0%	100.0%

Source:NYC Department of Finance, RPIE Filings.

C.5 Cross-Sectional Sample, 1996 RPIE Filings

	Post-46		Pre-47		All	
	Bldgs	DU's	Bldgs	DU's	Bldgs	DU's
Citywide	1,215	119,196	11,046	413,665	12,261	532,861
11-19 units	95	1,392	2,945	44,103	3,040	45,495
20-99 units	753	43,173	7,763	315,337	8,516	358,510
100+ units	367	74,631	338	54,225	705	128,856
Bronx	203	13,988	2,190	103,297	2,393	117,285
11-19 units	10	157	213	3,114	223	3,271
20-99 units	169	9,600	1,907	86,507	2,076	96,107
100+ units	24	4,231	70	13,676	94	17,907
Brooklyn	232	22,329	2,492	94,000	2,724	116,329
11-19 units	17	251	634	9,467	651	9,718
20-99 units	154	10,057	1,799	77,508	1,953	87,565
100+ units	61	12,021	59	7,025	120	19,046
Manhattan	375	49,345	5,203	173,051	5,578	222,396
11-19 units	27	400	1,739	26,061	1,766	26,461
20-99 units	184	9,401	3,300	120,184	3,484	129,585
100+ units	164	39,544	164	26,806	328	66,350
Queens	351	30,546	1,145	42,506	1,496	73,052
11-19 units	29	414	356	5,416	385	5,830
20-99 units	213	12,759	747	30,696	960	43,455
100+ units	109	17,373	42	6,394	151	23,767
St.Island	54	2,988	16	811	70	3,799
11-19 units	12	170	3	45	15	215
20-99 units	33	1,356	10	442	43	1,798
100+ units	9	1,462	3	324	12	1,786

Source:NYC Department of Finance, RPIE Filings.

D: 1996 Housing and Vacancy Survey, Summary Tables

D.1 Occupancy Status

	ALL UNITS	Owner Units	Renter Units	Stabilized
Number of Units (occupied and vacant, available)	2,995,276@	857,764	2,027,421	1,052,300
Occupied Units	2,780,349	834,183	1,946,165	1,014,751
Bronx	411,775	83,853	327,922	184,152
Brooklyn	813,544	221,850	591,694	267,466
Manhattan	703,943	142,843	561,100	368,356
Queens	713,978	301,189	412,789	185,240
Staten Island	137,109	84,449	52,660	9,538
Vacant Units	214,927			
Vacant, for rent or sale	104,837	23,581	81,256	37,549
Bronx	22,402	3,577	18,825	8,709
Brooklyn	30,145	4,208	25,937	10,306
Manhattan	26,653	6,468	20,185	12,533
Queens	21,206	7,186	14,020	5,455
Staten Island	4,432	2,143	2,289	546
Asking Rent				
<$300	-	-	6,297	1,488
$300-$399	-	-	5,455	2,608
$400-$499	-	-	8,901	5,288
$500-$599	-	-	13,071	7,166
$600-$699	-	-	16,442	7,970
$700-$799	-	-	12,356	5,541
$800-$899	-	-	8,687	3,081
$900-$999	-	-	2,764	1,104
$1000-$1249	-	-	4,585	2,015
$1250 +	-	-	2,698	1,287
(Not Reported)	-	-	0	0
Vacant,not for rent or sale	110,090	-	-	-
Bronx	13,164	-	-	-
Brooklyn	31,854	-	-	-
Manhattan	44,378	-	-	-
Queens	16,297	-	-	-
Staten Island	4,399	-	-	-
Dilapidated	6,356	-	-	-
Rented - Not Yet Occupied	6,807	-	-	-
Sold - Not Yet Occupied	3,850	-	-	-
Undergoing Renovation	16,988	-	-	-
Awaiting Renovation	14,112	-	-	-
Non-Residential Use	2,151	-	-	-
Legal Dispute	8,180	-	-	-
Awaiting Conversion	54	-	-	-
Held for Occasional Use	32,929	-	-	-
Unable to Rent or Sell	8,054	-	-	-
Held Pending Sale of Building	1,963	-	-	-
Held for Planned Demolition	509	-	-	-
Held for Other Reasons	4,795	-	-	-
(Not Reported)	(3,342)	-	-	-

@ All housing units,including owner-occupied, renter-occupied,vacant for rent,vacant for sale, and vacant unavailable.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
763,956	288,344	70,572	72,759	172,097	84,029	575,666	Number of Units (occupied and vacant, available)
734,575	280,176	70,572	69,259	165,647	80,739	545,198	Occupied Units
151,272	32,880	9,428	20,176	36,894	17,901	59,371	Bronx
212,919	54,547	19,111	17,472	56,364	22,730	208,551	Brooklyn
291,216	77,139	30,939	22,456	51,151	33,047	55,151	Manhattan
77,472	107,768	10,497	9,154	16,337	5,517	186,043	Queens
1,696	7,842	597	0	4,900	1,544	36,082	Staten Island
							Vacant Units
29,381	8,168	0	3,500	6,450	3,290	30,468	Vacant, for rent or sale
7,493	1,216	-	2,296	1,062	912	5,846	Bronx
8,675	1,631	-	179	3,523	790	11,139	Brooklyn
11,007	1,526	-	623	1,517	1376	4,136	Manhattan
2,013	3,442	-	403	175	212	7,776	Queens
193	352	-	0	173	-	1,571	Staten Island
							Asking Rent
971	517	-	0	2,474	1,439	896	<$300
2,448	160	-	147	1,295	307	1,099	$300-$399
3,665	1,623	-	759	560	406	1,888	$400-$499
6,648	518	-	681	567	374	4,283	$500-$599
6,541	1,429	-	1,385	1,029	350	5,708	$600-$699
3,828	1,713	-	528	160	62	6,065	$700-$799
2,527	554	-	0	365	187	5,054	$800-$899
516	589	-	0	0	165	1,494	$900-$999
1,697	317	-	0	0	-	2,570	$1000-$1249
539	748	-	0	0	-	1,411	$1250 +
0	0	-	0	0	-	-	(Not Reported)
-	-	-	-	-	-	-	Vacant,not for rent or sale
-	-	-	-	-	-	-	Bronx
-	-	-	-	-	-	-	Brooklyn
-	-	-	-	-	-	-	Manhattan
-	-	-	-	-	-	-	Queens
-	-	-	-	-	-	-	Staten Island
-	-	-	-	-	-	-	Dilapidated
-	-	-	-	-	-	-	Rented - Not Yet Occupied
-	-	-	-	-	-	-	Sold - Not Yet Occupied
-	-	-	-	-	-	-	Undergoing Renovation
-	-	-	-	-	-	-	Awaiting Renovation
-	-	-	-	-	-	-	Non-Residential Use
-	-	-	-	-	-	-	Legal Dispute
-	-	-	-	-	-	-	Awaiting Conversion
-	-	-	-	-	-	-	Held for Occasional Use
-	-	-	-	-	-	-	Unable to Rent or Sell
-	-	-	-	-	-	-	Held Pending Sale of Building
-	-	-	-	-	-	-	Held for Planned Demolition
-	-	-	-	-	-	-	Held for Other Reasons
-	-	-	-	-	-	-	(Not Reported)

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

D.2 Economic Characteristics

	All Households@	Owner Households	Renter Households	Stabilized
Monthly Contract Rent				
$0-$199	-	-	129,249	24,629
$200-$299	-	-	104,528	31,519
$300-$399	-	-	138,994	75,037
$400-$499	-	-	253,225	155,700
$500-$599	-	-	328,601	207,237
$600-$699	-	-	313,183	173,327
$700-$799	-	-	210,948	104,259
$800-$899	-	-	144,853	67,628
$900-$999	-	-	82,346	38,605
$1000-$1249	-	-	96,780	52,071
$1250-$1499	-	-	34,841	22,719
$1500-$1749	-	-	27,875	19,325
$1750+	-	-	47,422	28,427
(No Cash Rent)	-	-	(33,321)	(14,267)
Mean	-	-	$645	$680
Mean/Room	-	-	$211	$245
Median	-	-	$600	$600
Median/Room	-	-	$167	$184
Monthly Cost of Electricity				
Mean	$60	$81	$48	$44
Median	$50	$65	$40	$40
Monthly Cost of Utility Gas				
Mean	$71	$130	$32	$27
Median	$30	$100	$25	$20
Monthly Cost of Water / Sewer				
Mean	$35	$35	-	-
Median	$33	$33	-	-
Monthly Cost of Other Fuels				
Mean	$137	$145	$71	-
Median	$110	$116	$35	-
Monthly Mortgage Payments				
Mean	-	$1,091	-	-
Median	-	$964	-	-
Monthly Insurance Payments				
Mean	-	$62	-	-
Median	-	$50	-	-
Monthly Property Taxes				
Mean	-	$136	-	-
Median	-	$117	-	-

@ All households,including owners and renters.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Monthly Contract Rent
20,085	4,543	7,052	3,152	71,288	18,279	4,850	$0-$199
28,109	3,410	12,292	3,387	31,741	18,154	7,435	$200-$299
66,079	8,959	10,510	6,546	17,897	8,373	20,631	$300-$399
123,788	31,912	9,283	11,007	23,304	7,798	46,133	$400-$499
155,344	51,893	11,280	15,322	10,748	7,548	76,466	$500-$599
119,165	54,162	7,624	8,713	7,815	5,257	110,447	$600-$699
68,048	36,211	3,406	7,354	1,874	3,086	90,968	$700-$799
47,944	19,685	3,407	5,656	397	2,993	64,772	$800-$899
24,664	13,941	1,942	1,928	0	2,632	37,238	$900-$999
35,338	16,733	1,229	2,848	0	4,427	36,204	$1000-$1249
15,096	7,623	0	1,269	0	178	10,675	$1250-$1499
9,400	9,924	170	779	0	904	6,697	$1500-$1749
12,158	16,269	723	886	0	0	17,387	$1750+
(9,357)	(4,910)	(1,654)	(411)	(583)	(1,111)	(15,294)	(No Cash Rent)
$637	$792	$472	$616	$285	$433	$750	Mean
$229	$286	$140	$195	$75	$140	$213	Mean/Room
$572	$650	$428	$550	$225	$339	$690	Median
$177	$208	$120	$168	$60	$100	$170	Median/Room
							Monthly Cost of Electricity
$43	$46	$38	$65	$46	$45	$55	Mean
$36	$40	$35	$45	$40	$38	$45	Median
							Monthly Cost of Utility Gas
$25	$25	$23	$20	$35	$26	$43	Mean
$20	$20	$16	$20	$25	$22	$25	Median
							Monthly Cost of Water / Sewer
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Cost of Other Fuels
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Mortgage Payments
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Insurance Payments
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Property Taxes
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

D.2 Economic Characteristics (Continued)

	All Households@	Owner Households	Renter Households	Stabilized
1995 Total Household Income				
Loss,no income or < $5000	214,854	28,313	186,540	89,893
$5000-$9999	368,258	46,665	321,593	145,235
$10,000-$19,999	422,732	90,983	331,748	168,985
$20,000-$29,999	388,389	87,887	300,501	161,061
$30,000-$39,999	330,781	87,858	242,922	129,216
$40,000-$49,999	249,254	85,403	163,851	89,571
$50,000-$59,999	192,913	75,937	116,976	66,957
$60,000-$69,999	155,823	66,687	89,136	47,346
$70,000-$79,999	107,981	56,255	51,725	30,646
$80,000-$89,999	79,855	45,357	34,498	18,261
$90,000-$99,999	57,756	35,311	22,446	13,989
$100,000 +	211,755	127,526	84,228	53,590
(Not Reported)	0	0	0	0
Mean	$43,090	$66,289	$33,146	$35,725
Median	$29,550	$48,000	$23,600	$25,300
Contract Rent-to-Income Ratio				
<10%	-	-	134,638	78,604
10%-19%	-	-	467,144	248,964
20%-29%	-	-	402,296	190,505
30%-39%	-	-	246,007	121,545
40%-49%	-	-	128,107	66,939
50%-59%	-	-	87,140	46,767
60%-69%	-	-	70,196	36,189
70% +	-	-	313,115	178,069
(Not Computed)	-	-	(97,522)	(47,169)
Mean	-	-	38.1%	38.8%
Median	-	-	27.7%	27.6%
Households in Poverty				
Households Below 100% of Poverty Level	573,399	62,394	511,005	239,584
Households at or Above 100% of Poverty Level	2,206,950	771,789	1,435,161	775,167
(Not Reported)	0	0	0	0
Households Below 125% of Poverty Level	715,380	85,665	629,715	292,021
Households at or Above 125% of Poverty Level	2,064,968	748,518	1,316,450	722,731
(Not Reported)	0	0	0	0
Households Receiving Public Assistance	448,545	30,441	418,104	196,954
" " Not Receiving Public Assistance)	1,889,210	658,998	1,230,211	630,277
(Do Not Know)	(25,589)	(6,968)	(18,621)	(9,257)
(Not Reported)	(417,005)	(137,777)	(279,229)	(178,264)
Households Receiving Rent Subsidy	-	-	302,656	142,241
" " Not Receiving Rent Subsidy	-	-	1,310,828	681,846
(Do Not Know)	-	-	(64,906)	(35,400)
(Not Reported)	-	-	(267,774)	(155,263)

@ All households,including owners and renters.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							1995 Total Household Income
74,336	15,557	6,187	7,359	29,336	13,361	40,404	Loss,no income or < $5000
114,486	30,749	19,351	13,231	59,617	29,369	54,791	$5000-$9999
125,609	43,377	17,761	13,994	35,040	17,351	77,362	$10,000-$19,999
119,996	41,065	9,403	13,566	21,000	8,371	88,604	$20,000-$29,999
86,932	42,284	6,470	7,730	11,666	4,408	82,962	$30,000-$39,999
67,160	22,411	2,978	4,640	4,453	2,711	59,462	$40,000-$49,999
42,919	24,038	1,964	2,465	1,612	1,853	42,407	$50,000-$59,999
30,919	16,427	1,410	2,373	1,723	1,176	35,118	$60,000-$69,999
21,059	9,587	1,032	987	710	1,085	16,731	$70,000-$79,999
11,015	7,247	509	1,167	336	272	14,812	$80,000-$89,999
9,007	4,982	371	509	0	432	7,449	$90,000-$99,999
31,137	22,453	3,137	1,238	155	348	25,096	$100,000 +
0	0	0	0	0	0	0	(Not Reported)
$33,052	$42,733	$25,385	$26,236	$14,299	$16,641	$39,107	Mean
$24,000	$30,500	$13,428	$20,000	$9,000	$9,000	$30,000	Median
							Contract Rent-to-Income Ratio
56,648	21,956	6,851	2,240	10,736	4,991	25,770	<10%
175,209	73,754	15,493	14,764	27,964	13,076	142,747	10%-19%
134,724	55,780	10,772	14,534	54,600	15,174	114,405	20%-29%
84,438	37,107	10,683	8,495	28,376	8,440	66,394	30%-39%
47,345	19,594	6,705	4,625	14,332	4,548	29,790	40%-49%
36,078	10,689	3,336	3,184	7,802	3,464	21,561	50%-59%
27,598	8,591	2,782	3,920	4,291	3,462	18,109	60%-69%
137,925	40,144	9,551	13,677	11,733	21,745	76,941	70% +
(34,607)	(12,562)	(4,401)	(3,819)	(5,814)	(5,838)	(49,481)	(Not Computed)
39.8%	36.1%	37.2%	42.8%	33.1%	47.6%	36.9%	Mean
28.2%	26.4%	29.9%	31.0%	28.1%	33.7%	25.9%	Median
							Households in Poverty
197,866	41,719	18,798	18,549	91,521	42,377	100,174	Households Below 100% of Poverty Level
536,709	238,458	51,774	50,709	74,125	38,362	445,024	Households at or Above 100% of Poverty Level
0	0	0	0	0	0	0	(Not Reported)
236,193	55,828	25,568	23,548	106,628	50,489	131,460	Households Below 125% of Poverty Level
498,382	224,348	45,004	45,711	59,018	30,250	413,738	Households at or Above 125% of Poverty Level
0	0	0	0	0	0	0	(Not Reported)
167,666	29,288	9,755	11,680	89,751	38,764	71,200	Households Receiving Public Assistance
440,515	189,762	54,351	45,277	70,265	35,961	394,080	" " Not Receiving Public Assistance
(5,218)	(4,039)	(377)	(1,022)	(416)	(330)	(7,221)	(Do Not Know)
(121,175)	(57,088)	(6,090)	(11,280)	(5,216)	(5,683)	(72,696)	(Not Reported)
120,296	21,944	6,610	14,792	56,636	40,550	41,830	Households Receiving Rent Subsidy
484,993	196,854	55,100	35,622	88,699	28,159	421,403	" " Not Receiving Rent Subsidy
(23,632)	(11,768)	(1,338)	(3,361)	(8,978)	(3,124)	(12,705)	(Do Not Know)
(105,654)	(49,609)	(7,523)	(15,486)	(11,334)	(8,906)	(69,261)	(Not Reported)

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

D.2 Economic Characteristics (Continued)

	All Households@	Owner Households	Renter Households	Stabilized
Monthly Contract Rent				
$0-$199	-	-	6.8%	2.4%
$200-$299	-	-	5.5%	3.8%
$300-$399	-	-	7.3%	7.5%
$400-$499	-	-	13.2%	15.6%
$500-$599	-	-	17.2%	20.7%
$600-$699	-	-	16.4%	17.3%
$700-$799	-	-	11.0%	10.4%
$800-$899	-	-	7.6%	6.8%
$900-$999	-	-	4.3%	3.9%
$1000-$1249	-	-	5.1%	5.2%
$1250-$1499	-	-	1.8%	2.3%
$1500-$1749	-	-	1.5%	1.9%
$1750+	-	-	2.5%	2.8%
(No Cash Rent)	-		-	-
Mean	-	-	-	-
Mean/Room	-	-	-	-
Median	-	-	-	-
Median/Room	-	-	-	-
Monthly Cost of Electricity				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Cost of Utilities				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Cost of Water/Sewer				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Cost of Fuel				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Mortgage Payments				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Insurance Payments				
Mean	-	-	-	-
Median	-	-	-	-
Monthly Property Taxes				
Mean	-	-	-	-
Median	-	-	-	-

@ All households,including owners and renters.

Totals may not add to 100% due to rounding.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Monthly Contract Rent
2.8%	1.7%	10.3%	4.6%	43.2%	23.0%	0.9%	$0-$199
3.9%	1.2%	17.8%	4.9%	19.2%	22.8%	1.4%	$200-$299
9.1%	3.3%	15.3%	9.5%	10.8%	10.5%	3.9%	$300-$399
17.1%	11.6%	13.5%	16.0%	14.1%	9.8%	8.7%	$400-$499
21.4%	18.9%	16.4%	22.3%	6.5%	9.5%	14.4%	$500-$599
16.4%	19.7%	11.1%	12.7%	4.7%	6.6%	20.8%	$600-$699
9.4%	13.2%	4.9%	10.7%	1.1%	3.9%	17.2%	$700-$799
6.6%	7.2%	4.9%	8.2%	0.2%	3.8%	12.2%	$800-$899
3.4%	5.1%	2.8%	2.8%	0	3.3%	7.0%	$900-$999
4.9%	6.1%	1.8%	4.1%	0	5.6%	6.8%	$1000-$1249
2.1%	2.8%	0.0%	1.8%	0	0.2%	2.0%	$1250-$1499
1.3%	3.6%	0.3%	1.1%	0	1.1%	1.3%	$1500-$1749
1.7%	5.9%	1.1%	1.3%	0	0	3.3%	$1750+
-	-	-	-	-	-	-	(No Cash Rent)
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Mean/Room
-	-	-	-	-	-	-	Median
-	-	-	-	-	-	-	Median/Room
							Monthly Cost of Electricity
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Cost of Utilities
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Cost of Water/Sewer
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Cost of Fuel
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Mortgage Payments
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Insurance Payments
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Monthly Property Taxes
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

Totals may not add to 100% due to rounding.

D.2 Economic Characteristics (Continued)

	All Households @	Owner Households	Renter Households	Stabilized
1995 Total Household Income				
Loss,no income or < $5000	7.7%	3.4%	9.6%	8.9%
$5000-$9999	13.2%	5.6%	16.5%	14.3%
$10,000-$19,999	15.2%	10.9%	17.0%	16.7%
$20,000-$29,999	14.0%	10.6%	15.4%	15.9%
$30,000-$39,999	11.9%	10.5%	12.5%	12.8%
$40,000-$49,999	9.0%	10.2%	8.4%	8.8%
$50,000-$59,999	6.9%	9.1%	6.0%	6.6%
$60,000-$69,999	5.6%	8.0%	4.6%	4.7%
$70,000-$79,999	3.9%	6.7%	2.7%	3.0%
$80,000-$89,999	2.9%	5.4%	1.8%	1.8%
$90,000-$99,999	2.1%	4.2%	1.2%	1.4%
$100,000 +	7.6%	15.3%	4.3%	5.3%
Mean	-	-	-	-
Median	-	-	-	-
Contract Rent -to-Income Ratio				
<10%	-	-	7.3%	8.1%
10%-19%	-	-	25.3%	25.8%
20%-29%	-	-	21.7%	19.7%
30%-39%	-	-	13.3%	12.6%
40%-49%	-	-	6.9%	6.9%
50%-59%	-	-	4.7%	4.8%
60%-69%	-	-	3.8%	3.7%
70% +	-	-	16.9%	18.4%
(Not Computed)	-	-	-	-
Mean	-	-	-	-
Median	-	-	-	-
Households in Poverty				
Households Below 100% of Poverty Level	20.6%	7.5%	26.3%	23.6%
Households at or Above 100% of Poverty Level	79.4%	92.5%	73.7%	76.4%
(Not Reported)	-	-	-	-
Households Below 125% of Poverty Level	25.7%	10.3%	32.4%	28.8%
Households at or Above 125% of Poverty Level	74.3%	89.7%	67.6%	71.2%
(Not Reported)	-	-	-	-
Households Receiving Public Assistance	19.2%	4.4%	25.4%	23.8%
(Not Reported)	-	-	-	-
Households Receiving Rent Subsidy	-	-	18.8%	17.3%
(Not Reported)	-	-	-	-

@ All households,including owners and renters.

Totals may not add to 100% due to rounding.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							1995 Total Household Income
10.1%	5.6%	8.8%	10.6%	17.7%	16.5%	7.4%	Loss,no income or < $5000
15.6%	11.0%	27.4%	19.1%	36.0%	36.4%	10.0%	$5000-$9999
17.1%	15.5%	25.2%	20.2%	21.1%	21.5%	14.2%	$10,000-$19,999
16.3%	14.6%	13.4%	19.6%	12.7%	10.4%	16.3%	$20,000-$29,999
11.8%	15.1%	9.2%	11.2%	7.0%	5.4%	15.2%	$30,000-$39,999
9.1%	8.0%	4.2%	6.7%	2.7%	3.4%	10.9%	$40,000-$49,999
5.8%	8.6%	2.8%	3.6%	1.0%	2.3%	7.8%	$50,000-$59,999
4.2%	5.9%	2.0%	3.4%	1.0%	1.5%	6.4%	$60,000-$69,999
2.9%	3.4%	1.5%	1.4%	0.4%	1.3%	3.1%	$70,000-$79,999
1.5%	2.6%	0.7%	1.7%	0.2%	0.3%	2.7%	$80,000-$89,999
1.2%	1.8%	0.5%	0.7%	0	0.5%	1.4%	$90,000-$99,999
4.2%	8.0%	4.4%	1.8%	0.1%	0.4%	4.5%	$100,000 +
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Contract Rent-to Income Ratio
8.1%	8.2%	10.4%	3.4%	6.7%	6.7%	5.2%	<10%
25.1%	27.6%	23.4%	22.6%	17.5%	17.4%	28.8%	10%-19%
19.3%	20.9%	16.3%	22.3%	34.1%	20.2%	23.1%	20%-29%
12.1%	13.9%	16.1%	13.0%	17.8%	11.3%	13.4%	30%-39%
6.8%	7.3%	10.1%	7.1%	9.0%	6.1%	6.0%	40%-49%
5.2%	4.0%	5.0%	4.9%	4.9%	4.6%	4.3%	50%-59%
3.9%	3.2%	4.2%	6.0%	2.7%	4.6%	3.7%	60%-69%
19.7%	15.0%	14.4%	20.9%	7.4%	29.1%	15.5%	70% +
-	-	-	-	-	-	-	(Not Computed)
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median
							Households in Poverty
26.9%	14.9%	26.6%	26.8%	55.3%	52.5%	18.4%	Households Below 100% of Poverty Level
73.1%	85.1%	73.4%	73.2%	44.7%	47.5%	81.6%	Households at or Above 100% of Poverty Level
-	-	-	-	-	-	-	(Not Reported)
32.2%	19.9%	36.2%	34.0%	64.4%	62.5%	24.1%	Households Below 125% of Poverty Level
67.8%	80.1%	63.8%	66.0%	35.6%	37.5%	75.9%	Households at or Above 125% of Poverty Level
-	-	-	-	-	-	-	(Not Reported)
27.6%	13.4%	15.2%	20.5%	56.1%	48.0%	15.3%	Households Receiving Public Assistance
-	-	-	-	-	-	-	(Not Reported)
19.9%	10.0%	10.7%	29.3%	39.0%	59.0%	9.0%	Households Receiving Rent Subsidy
-	-	-	-	-	-	-	(Not Reported)

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

Totals may not add to 100%due to rounding.

D.3 Demographic Characteristics

	All Households@	Owner Households	Renter Households	Stabilized
Year Moved Into Current Dwelling				
1993-96	915,399	166,949	748,449	402,889
1990-92	437,647	95,929	341,718	188,202
1987-89	251,138	92,499	158,639	79,891
1984-86	193,082	67,989	125,093	62,921
1981-83	160,343	49,823	110,519	62,092
1971-80	452,104	167,575	284,529	159,916
Prior to 1971	370,638	193,420	177,217	58,841
Household Composition				
Married Couples	1,091,877	467,368	624,508	318,199
Children < 18 Years of Age	368,830	134,372	234,458	114,167
w/o. Children < 18 Years of Age	168,255	90,431	77,824	37,949
Other Household Members	137,857	61,663	76,194	36,598
w/o. Other Household Members	416,935	180,902	236,032	129,485
(Not Reported)	0	0	0	0
Female Householder	1,117,648	244,960	872,688	436,449
Children < 18 Years of Age	216,667	16,369	200,297	93,685
w/o. Children < 18 Years of Age	208,062	58,572	149,490	78,323
Other Household Members	139,604	23,543	116,061	50,377
w/o. Other Household Members	553,316	146,475	406,840	214,064
(Not Reported)	0	0	0	0
Male Householder	570,824	121,855	448,969	260,103
Children < 18 Years of Age	19,093	3,012	16,081	7,240
w/o. Children < 18 Years of Age	149,032	31,811	117,221	65,476
Other Household Members	33,455	8,043	25,412	13,627
w/o. Other Household Members	369,243	78,989	290,254	173,760
(Not Reported)	0	0	0	0
(Sex Not Reported)	0	0	0	0
Race of Householder				
White, non-Hispanic	1,308,987	525,488	783,499	445,250
Black,non-Hispanic	669,089	167,957	501,132	203,940
Puerto Rican	286,535	37,710	248,825	122,010
Other Hispanic	306,730	38,471	268,259	168,024
Asian / Pacific Islander	195,931	62,189	133,742	70,702
American Indian / Aleut / Eskimo	13,075	2,367	10,708	4,825
(Not Reported)	0	0	0	0
Age of Householder				
Under 25 years	106,606	8,234	98,372	54,289
25-34	578,586	83,985	494,601	265,995
35-44	663,035	182,096	480,939	257,447
45-54	526,922	184,971	341,951	188,885
55-61	247,824	100,022	147,801	75,115
62-64	84,499	37,394	47,104	21,984
65-74	320,871	137,914	182,956	88,150
75-84	191,941	77,526	114,415	46,827
85 or more years	60,065	22,040	38,025	16,060
(Not Reported)	0	0	0	0
Mean	48.0	54.0	46.0	45.0
Median	45.0	52.0	42.0	41.0

@ All households,including owners and renters.

Rent-Stabilized Units *Pre-1947*	*Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Year Moved Into Current Dwelling
307,214	95,675	0	18,209	27,797	19,961	279,593	1993-96
141,111	47,092	0	10,150	23,405	14,345	105,617	1990-92
58,509	21,382	0	6,184	19,537	7,482	45,545	1987-89
46,379	16,542	0	4,914	14,844	9,764	32,649	1984-86
44,008	18,084	835	4,694	12,649	9,014	21,235	1981-83
110,085	49,831	7,259	21,345	34,947	14,875	46,187	1971-80
27,269	31,570	62,479	3,762	32,469	5,297	14,372	Prior to 1971
							Household Composition
215,299	102,901	16,242	16,346	29,414	13,137	231,169	Married Couples
83,139	31,028	1,419	5,472	8,447	5,073	99,880	Children < 18 Years of Age
28,513	9,436	2,787	1,574	5,317	1,474	28,722	w. No Children < 18 Years of Age
25,781	10,817	971	1,882	4,837	1,802	30,103	Other Household Members
77,865	51,620	11,065	7,418	10,812	4,788	72,464	w/o Other Household Members
0	0	0	0	0	0	0	(Not Reported)
321,488	114,960	38,616	39,726	115,390	51,767	190,740	Female Householder
78,437	15,248	1,567	9,710	34,595	14,807	45,934	Children < 18 Years of Age
57,539	20,784	5,562	5,274	18,662	6,607	35,062	w. No Children < 18 Years of Age
43,258	7,118	2,560	4,028	21,273	8,165	29,657	Other Household Members
142,254	71,810	28,927	20,715	40,860	22,188	80,087	w/o Other Household Members
0	0	0	0	0	0	0	(Not Reported)
197,788	62,315	15,715	13,186	20,843	15,834	123,289	Male Householder
5,508	1,732	344	1,026	1,335	677	5,460	Children < 18 Years of Age
49,954	15,522	2,435	1,839	4,444	2,219	40,808	w. No Children < 18 Years of Age
11,313	2,314	0	683	1,924	1,723	7,455	Other Household Members
131,012	42,747	12,936	9,638	13,140	11,215	69,566	w/o Other Household Members
0	0	0	0	0	0	0	(Not Reported)
0	0	0	0	0	0	0	(Sex Not Reported)
							Race of Householder
292,051	153,199	46,513	22,750	12,783	17,508	238,695	White, non-Hispanic
145,720	58,220	9,699	29,709	88,767	36,163	132,854	Black,non-Hispanic
107,744	14,267	5,509	8,854	45,706	14,926	51,820	Puerto Rican
135,991	32,033	7,226	4,484	14,407	9,471	64,646	Other Hispanic
49,359	21,343	1,245	3,462	2,509	1,906	53,919	Asian / Pacific Islander
3,710	1,115	381	0	1,474	764	3,264	American Indian / Aleut / Eskimo
0	0	0	0	0	0	0	(Not Reported)
							Age of Householder
43,994	10,295	546	1,567	5,048	2,489	34,432	Under 25 years
205,998	59,998	2,153	15,069	24,023	12,618	174,743	25-34
197,831	59,616	6,362	13,449	36,822	17,010	149,848	35-44
127,355	61,529	8,628	13,229	33,060	13,848	84,300	45-54
53,689	21,426	6,480	5,947	19,594	6,520	34,147	55-61
15,846	6,138	2,895	2,258	7,050	2,827	10,090	62-64
57,242	30,907	17,712	8,499	22,484	11,129	34,984	65-74
24,079	22,748	18,025	6,402	14,282	11,099	17,779	75-84
8,541	7,519	7,771	2,838	3,283	3,198	4,875	85 or more years
0	0	0	0	0	0	0	(Not Reported)
43.0	48.0	66.0	51.0	51.0	53.0	42.0	Mean
40.0	45.0	70.0	49.0	50.0	50.0	38.0	Median

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

D.3 Demographic Characteristics (Continued)

	All Households@	Owner Households	Renter Households	Stabilized
Year Moved Into Current Dwelling				
1993-96	31.9%	15.7%	38.5%	39.7%
1990-92	16.0%	12.1%	17.6%	18.6%
1987-89	9.2%	11.7%	8.2%	7.9%
1984-86	7.1%	8.6%	6.4%	6.2%
1981-83	5.9%	6.3%	5.7%	6.1%
1971-80	16.5%	21.2%	14.6%	15.8%
Prior to 1971	13.6%	24.4%	9.2%	5.8%
Household Composition				
Married Couples	39.3%	56.0%	32.1%	31.4%
Children < 18 Years of Age	13.3%	16.1%	12.1%	11.3%
w/o. Children < 18 Years of Age	6.1%	10.8%	4.0%	3.7%
Other Household Members	5.0%	7.4%	3.9%	3.6%
w/o. Other Household Members	15.0%	21.7%	12.1%	12.8%
(Not Reported)	-	-	-	-
Female Householder	40.2%	29.4%	44.8%	43.0%
Children < 18 Years of Age	7.8%	2.0%	10.3%	9.2%
w/o. Children < 18 Years of Age	7.5%	7.0%	7.7%	7.7%
Other Household Members	5.0%	2.8%	6.0%	5.0%
w/o Other Household Members	19.9%	17.6%	20.9%	21.1%
(Not Reported)	-	-	-	-
Male Householder	20.5%	14.6%	23.1%	25.6%
Children < 18 Years of Age	0.7%	0.4%	0.8%	0.7%
w/o. Children < 18 Years of Age	5.4%	3.8%	6.0%	6.5%
Other Household Members	1.2%	1.0%	1.3%	1.3%
w/o Other Household Members	13.3%	9.5%	14.9%	17.1%
(Not Reported)	-	-	-	-
(Sex Not Reported)	-	-	-	-
Race of Householders				
White, non-Hispanic	47.1%	63.0%	40.3%	43.9%
Black,non-Hispanic	24.1%	20.1%	25.8%	20.1%
Puerto Rican	10.3%	4.5%	12.8%	12.0%
Other Hispanic	11.0%	4.6%	13.8%	16.6%
Asian / Pacific Islander	7.1%	7.5%	6.9%	7.0%
American Indian / Aleut / Eskimo	0.5%	0.3%	0.6%	0.5%
(Not Reported)	-	-	-	-
Age of Householders				
Under 25 years	3.8%	1.0%	5.1%	5.3%
25-34	20.8%	10.1%	25.4%	26.2%
35-44	23.8%	21.8%	24.7%	25.4%
45-54	19.0%	22.2%	17.6%	18.6%
55-61	8.9%	12.0%	7.6%	7.4%
62-64	3.0%	4.5%	2.4%	2.2%
65-74	11.5%	16.5%	9.4%	8.7%
75-84	6.9%	9.3%	5.9%	4.6%
85 or more years	2.2%	2.6%	2.0%	1.6%
Mean	-	-	-	-
Median	-	-	-	-

@ All households,including owners and renters.

Totals may not add to 100% due to rounding.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Year Moved Into Current Dwelling
41.8%	34.2%	0.0%	26.3%	16.8%	24.7%	51.3%	1993-96
19.2%	16.8%	0.0%	14.7%	14.1%	17.8%	19.4%	1990-92
8.0%	7.6%	0.0%	8.9%	11.8%	9.3%	8.4%	1987-89
6.3%	5.9%	0.0%	7.1%	9.0%	12.1%	6.0%	1984-86
6.0%	6.5%	1.2%	6.8%	7.6%	11.2%	3.9%	1981-83
15.0%	17.8%	10.3%	30.8%	21.1%	18.4%	8.5%	1971-80
3.8%	11.3%	88.5%	5.5%	19.6%	6.6%	2.6%	Prior to 1971
							Household Composition
29.3%	36.7%	23.0%	23.6%	17.8%	16.2%	42.4%	Married Couples
11.3%	11.1%	2.0%	7.9%	5.1%	6.3%	18.3%	Children < 18 Years of Age
3.9%	3.4%	4.0%	2.3%	3.2%	1.8%	5.3%	w/o Children < 18 Years of Age
3.5%	3.9%	1.4%	2.7%	2.9%	2.2%	5.5%	Other Household Members
10.6%	18.4%	15.7%	10.7%	6..5%	5.9%	13.3%	w/o Other Household Members
-	-	-	-	-	-	-	(Not Reported)
43.8%	41.0%	54.7%	57.4%	69.7%	64.1%	34.9%	Female Householder
10.7%	5.4%	2.2%	14.0%	20.9%	18.3%	8.4%	Children < 18 Years of Age
7.8%	7.4%	7.9%	7.6%	11.3%	8.2%	6.4%	w/o Children < 18 Years of Age
5.9%	2.5%	3.6%	5.8%	12.8%	10.1%	5.4%	Other Household Members
19.4%	25.6%	41.0%	29.9%	24.7%	27.5%	14.7%	w/o Other Household Members
-	-	-	-	-	-	-	(Not Reported)
26.9%	22.2%	22.3%	19.0%	12.6%	19.5%	22.7%	Male Householder
0.8%	0.6%	0.5%	1.5%	0.8%	0.8%	1.0%	Children < 18 Years of Age
6.8%	5.5%	3.5%	2.7%	2.7%	2.7%	7.5%	w/o Children < 18 Years of Age
1.5%	0.8%	0.0%	1.0%	1.2%	2.1%	1.4%	Other Household Members
17.8%	15.3%	18.3%	13.9%	7.9%	13.9%	12.8%	w/o Other Household Members
-	-	-	-	-	-	-	(Not Reported)
-	-	-	-	-	-	-	(Sex Not Reported)
							Race of Householders
39.8%	54.7%	65.9%	32.9%	7.7%	21.7%	43.8%	White, non-Hispanic
19.8%	20.8%	13.7%	42.9%	53.6%	44.8%	24.4%	Black,non-Hispanic
14.7%	5.1%	7.8%	12.8%	27.6%	18.5%	9.5%	Puerto Rican
18.5%	11.4%	10.2%	6.5%	8.7%	11.7%	11.9%	Other Hispanic
6.7%	7.6%	1.8%	5.0%	1.5%	2.4%	9.9%	Asian / Pacific Islander
0.5%	0.4%	0.5%	0%	0.9%	0.9%	0.6%	American Indian / Aleut / Eskimo
-	-	-	-	-	-	-	(Not Reported)
							Age of Householders
6.0%	3.7%	0.8%	2.3%	3.0%	3.1%	6.3%	Under 25 years
28.0%	21.4%	3.1%	21.8%	14.5%	15.6%	32.1%	25-34
26.9%	21.3%	9.0%	19.4%	22.2%	21.1%	27.5%	35-44
17.3%	22.0%	12.2%	19.1%	20.0%	17.2%	15.5%	45-54
7.3%	7.6%	9.2%	8.6%	11.8%	8.1%	6.3%	55-61
2.2%	2.2%	4.1%	3.3%	4.3%	3.5%	1.9%	62-64
7.8%	11.0%	25.1%	12.3%	13.6%	13.8%	6.4%	65-74
3.3%	8.1%	25.5%	9.2%	8.6%	13.7%	3.3%	75-84
1.2%	2.7%	11.0%	4.1%	2.0%	4.0%	0.9%	85 or more years
-	-	-	-	-	-	-	Mean
-	-	-	-	-	-	-	Median

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

Totals may not add to 100% due to rounding.

D.4 Housing / Neighborhood Quality Characteristics

	All Units@	Owner Units	Renter Units	Stabilized
Maintenance Quality				
(Units experiencing:)				
Additional Heating Required	364,220	49,756	314,464	157,381
" " Not Required	2,022,187	654,221	1,367,966	694,847
(Not Reported)	(393,941)	(130,206)	(263,735)	(162,522)
Heating Breakdowns	382,513	54,351	328,162	191,661
No Breakdowns	1,993,937	646,968	1,346,970	657,766
(Not Reported)	(403,898)	(132,865)	(271,034)	(165,324)
Broken Plaster/Peeling Paint	432,675	57,846	374,829	213,945
No Broken Plaster/Peeling Paint	1,946,002	646,637	1,299,365	633,840
(Not Reported)	(401,671)	(129,700)	(271,971)	(166,966)
Cracked Interior Walls or Ceilings	337,058	30,888	306,170	177,316
No Cracked Walls or Ceilings	2,065,353	678,832	1,386,521	680,116
(Not Reported)	(377,937)	(124,463)	(253,474)	(157,319)
Holes in Floor	158,504	10,677	147,827	95,724
No Holes in Floor	2,185,291	681,501	1,503,790	740,012
(Not Reported)	(436,553)	(142,005)	(294,548)	(179,015)
Rodent Infestation	562,886	55,177	507,709	308,501
No Infestation	1,830,794	649,988	1,180,806	547,579
(Not Reported)	(386,669)	(129,019)	(257,650)	(158,671)
Toilet Breakdown	251,696	51,041	200,655	105,312
No Toilet Breakdown/No Facilities	2,120,066	655,424	1,464,642	737,341
(Not Reported)	(408,586)	(127,719)	(280,867)	(172,098)
Water Leakage Inside Unit	519,770	99,183	420,587	246,681
No Water Leakage	1,874,241	608,127	1,266,114	608,425
(Not Reported)	(386,337)	(126,873)	(259,464)	(159,645)
Units in Buildings w. No Maintenance Defects	1,070,495	425,868	644,627	283,693
Units in Buildings w. 1 Maintenance Defect	484,156	142,137	342,020	177,752
Units in Buildings w. 2 Maintenance Defects	265,163	49,454	215,709	120,392
Units in Buildings w. 3 Maintenance Defects	152,464	17,188	135,276	76,395
Units in Buildings w. 4 Maintenance Defects	104,287	5,336	98,950	58,522
Units in Buildings w. 5+ Maintenance Defects	96,749	2,638	94,110	58,507
(Not Reported)	(607,034)	(191,562)	(415,473)	(239,491)
Condition of Neighboring Buildings				
Excellent	402,439	198,375	204,064	91,511
Good	1,283,155	406,380	876,775	448,524
Fair	575,735	91,441	484,294	254,616
Poor Quality	139,727	12,928	126,799	66,637
(Not Reported)	(379,293)	(125,060)	(254,233)	(153,463)
Boarded Up Structures in Neighborhood	384,559	78,081	306,478	147,181
Units Not Close to " "	2,053,483	642,086	1,411,397	723,515
(Not Reported)	(342,306)	(114,016)	(228,291)	(144,055)

@ All housing units,including owners and renters.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Maintenance Quality (Units experiencing:)
122,656	34,725	13,013	13,109	44,717	21,216	65,028	Additional Heating Required
505,706	189,141	51,363	45,196	109,186	51,981	415,393	" " Not Required
(106,213)	(56,309)	(6,196)	(10,954)	(11,744)	(7,541)	(64,777)	(Not Reported)
149,926	41,735	12,999	6,541	37,742	18,908	60,312	Heating Breakdowns
475,563	182,203	51,282	50,464	116,736	53,104	417,617	No Breakdown
(109,086)	(56,238)	(6,292)	(12,254)	(11,169)	(8,726)	(67,268)	(Not Reported)
175,491	38,455	16,415	6,401	53,835	16,019	68,214	Broken Plaster/Peeling Paint
447,846	185,994	46,981	51,313	98,216	57,342	411,674	No Broken Plaster/Peeling Paint
(111,239)	(55,727)	(7,176)	(11,545)	(13,596)	(7,378)	(65,310)	(Not Reported)
154,140	23,177	13,294	4,050	38,241	19,155	54,114	Cracked Interior Walls or Ceilings
476,774	203,342	51,265	54,299	117,117	54,967	428,757	No Cracked Walls or Ceilings
(103,662)	(53,658)	(6,013)	(10,909)	(10,289)	(6,616)	(62,326)	(Not Reported)
89,475	6,249	6,227	650	9,513	11,670	24,044	Holes in Floor
525,616	214,397	56,421	55,336	143,264	61,053	447,702	No Holes in Floor
(119,484)	(59,531)	(7,924)	(13,273)	(12,870)	(8,015)	(73,451)	(Not Reported)
259,256	49,245	15,038	11,781	44,766	37,486	90,137	Rodent Infestation
372,440	175,140	49,369	46,646	110,128	36,474	390,610	No Infestation
(102,880)	(55,791)	(6,165)	(10,832)	(10,753)	(6,779)	(64,451)	(Not Reported)
82,779	22,532	6,830	7,872	25,747	12,702	42,192	Toilet Breakdown
530,491	206,850	56,433	50,595	124,252	59,186	436,835	No Toilet Breakdown/No Facilities
(121,304)	(50,794)	(7,309)	(10,792)	(15,648)	(8,850)	(66,171)	(Not Reported)
196,149	50,533	18,290	10,193	41,075	21,285	83,063	Water Leakage Inside Unit
433,394	175,032	45,754	48,018	113,234	52,290	398,393	No Water Leakage
(105,033)	(54,612)	(6,528)	(11,048)	(11,338)	(7,164)	(63,742)	(Not Reported)
184,404	99,289	25,533	27,912	41,784	20,059	245,646	Units in Buildings w. No Defects
131,034	46,718	11,119	10,434	31,509	15,298	95,907	Units in Buildings w. 1 Defect
90,921	29,471	7,215	7,003	27,273	8,674	45,153	Units in Buildings w. 2 Defects
61,112	15,283	5,189	3,743	17,824	8,167	23,959	Units in Buildings w. 3 Defects
50,474	8,048	5,242	1,998	11,321	6,826	15,041	Units in Buildings w. 4 Defects
51,909	6,596	3,492	1,367	9,674	7,604	13,470	Units in Buildings w. 5+ Defects
(164,719)	(74,772)	(12,782)	(16,803)	(26,263)	(14,110)	(106,023)	(Not Reported)
							Condition of Neighboring Buildings
57,088	34,423	10,694	5,884	6,644	6,391	82,940	Excellent
312,876	135,647	33,026	32,337	59,489	28,184	275,215	Good
204,413	50,203	15,442	16,921	70,242	25,498	101,575	Fair
59,326	7,311	5,243	2,940	18,253	13,999	19,727	Poor Quality
(100,871)	(52,592)	(6,167)	(11,177)	(11,018)	(6,667)	(65,741)	(Not Reported)
124,244	22,937	12,741	7,347	32,254	26,002	80,953	Boarded Up Structures in Neighborhood
514,960	208,555	52,530	50,696	122,581	49,123	412,951	Units Not Close to " "
(95,371)	(48,684)	(5,301)	(11,215)	(10,812)	(5,614)	(51,293)	(Not Reported)

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

D.4 Housing / Neighborhood Quality Characteristics (Continued)

	All Dwellings@	Owner Units	Rental Units	Stabilized
Maintenance Quality				
(Units experiencing:)				
Additional Heating Required	15.3%	7.1%	18.7%	18.5%
" " Not Required	84.7%	92.9%	81.3%	81.5%
(Not Reported)	-	-	-	-
Heating Breakdowns	16.1%	7.8%	19.6%	22.6%
No Breakdowns	83.9%	92.3%	80.4%	77.4%
(Not Reported)	-	-	-	-
Broken Plaster/Peeling Paint	18.2%	8.2%	22.4%	25.2%
No Broken Plaster/Peeling Paint	81.8%	91.8%	77.6%	74.8%
(Not Reported)	-	-	-	-
Cracked Interior Walls or Ceilings	14.0%	4.4%	18.1%	20.7%
No Cracked Walls or Ceilings	86.0%	95.6%	81.9%	79.3%
(Not Reported)	-	-	-	-
Holes in Floors	6.8%	1.5%	9.0%	11.5%
No Holes in Floors	93.2%	98.5%	91.0%	88.5%
(Not Reported)	-	-	-	-
Rodent Infestation	23.6%	7.8%	30.1%	36.0%
No Infestation	74.4%	92.2%	69.9%	64.0%
(Not Reported)	-	-	-	-
Toilet Breakdown	10.6%	7.2%	12.1%	12.5%
No Toilet Breakdowns/No Facilities	89.4%	92.8%	88.0%	87.5%
(Not Reported)	-	-	-	-
Water Leakage Inside Unit	21.7%	14.0%	24.9%	28.9%
No Water Leakage	78.3%	86.0%	75.1%	71.2%
(Not Reported)	-	-	-	-
Units in Buildings w. No Maintenance Defects	49.3%	66.3%	42.1%	36.6%
Units in Buildings w. 1 Maintenance Defect	22.3%	22.2%	22.3%	22.9%
Units in Buildings w. 2 Maintenance Defects	12.3%	7.7%	14.1%	15.5%
Units in Buildings w. 3 Maintenance Defects	7.1%	2.7%	8.8%	9.9%
Units in Buildings w. 4 Maintenance Defects	4.8%	0.9%	6.5%	7.6%
Units in Buildings w. 5+ Maintenance Defects	4.6%	0.6%	6.1%	7.5%
(Not Reported)	-	-	-	-
Condition of Neighboring Buildings				
Excellent	16.8%	28.0%	12.1%	10.6%
Good	53.4%	57.3%	51.8%	52.1%
Fair	24.0%	12.9%	28.6%	29.6%
Poor Quality	5.8%	1.8%	7.5%	7.7%
(Not Reported)	-	-	-	-
Boarded Up Structures in Neighborhood	15.8%	10.8%	17.8%	16.9%
Units Not " "	84.2%	89.2%	82.2%	83.1%
(Not Reported)	-	-	-	-

@ All housing units,including owners and renters.

Totals may not add to 100% due to rounding.

Rent-Stabilized Units *Pre-1947*	Rent-Stabilized Units *Post-1946*	Rent Controlled	Mitchell-Lama	Public Housing	Other Regulated*	Other Rentals**	
							Maintenance Quality
							(Units experiencing:)
19.5%	15.5%	20.2%	22.5%	29.1%	29.0%	13.5%	Additional Heating Required
80.5%	84.5%	79.8%	77.5%	70.9%	71.0%	86.5%	" " Not Required
-	-	-	-	-	-	-	(Not Reported)
24.0%	18.6%	20.2%	11.5%	24.4%	26.3%	12.6%	Heating Breakdowns
76.0%	81.4%	79.8%	88.5%	75.6%	73.7%	87.4%	No Heating Breakdowns
-	-	-	-	-	-	-	(Not Reported)
28.2%	17.2%	25.9%	11.1%	35.4%	21.8%	14.2%	Broken Plaster/Peeling Paint
71.9%	82.9%	74.1%	88.9%	64.6%	78.2%	85.8%	No Broken Plaster/Peeling Paint
-	-	-	-	-	-	-	(Not Reported)
24.4%	10.2%	20.6%	6.9%	24.6%	25.8%	11.2%	Cracked Interior Walls or Ceilings
75.6%	89.8%	79.4%	93.1%	75.4%	74.2%	88.8%	No Cracked Walls or Ceilings
-	-	-	-	-	-	-	(Not Reported)
14.5%	2.8%	9.9%	1.2%	6.2%	16.0%	5.1%	Holes in Floors
85.5%	97.2%	90.1%	98.8%	93.8%	84.0%	94.9%	No Holes in Floors
-	-	-	-	-	-	-	(Not Reported)
41.0%	21.9%	23.6%	20.3%	29.0%	50.7	18.7%	Rodent Infestation
59.0%	78.1%	76.4%	79.7%	71.0%	49.3	81.3%	No Infestation
-	-	-	-	-	-	-	(Not Reported)
13.5%	9.8%	10.8%	13.5%	17.2%	17.7%	8.8%	Toilet Breakdown
86.5%	90.2%	89.2%	86.5%	82.8%	82.3%	91.2%	No Toilet Breakdown/No Facilities
-	-	-	-	-	-	-	(Not Reported)
31.2%	22.4%	28.6%	17.5%	26.6%	28.9%	17.3	Water Leakage Inside Unit
68.8%	77.6%	71.4%	82.5%	73.4%	71.1%	82.7	No Water Leakage
-	-	-	-	-	-	-	(Not Reported)
32.4%	48.3%	44.2%	53.2%	30.0%	30.1%	55.9%	Units in Buildings w. No Defects
23.0%	22.7%	19.2%	19.9%	22.6%	23.0%	21.8%	Units in Buildings w. 1 Defect
16.0%	14.4%	12.5%	13.4%	19.6%	13.0%	10.3%	Units in Buildings w. 2 Defects
10.7%	7.4%	9.0%	7.1%	12.8%	12.3%	5.5%	Units in Buildings w. 3 Defects
8.9%	3.9%	9.1%	3.8%	8.1%	10.2%	3.4%	Units in Buildings w. 4 Defects
9.1%	3.2%	6.1%	2.6%	6.9%	11.4%	3.1%	Units in Buildings w. 5+ Defects
-	-	-	-	-	-	-	(Not Reported)
							Condition of Neighboring Buildings
9.0%	15.1%	16.6%	10.1%	4.3%	8.6%	17.3%	Excellent
49.4%	59.6%	51.3%	55.7%	38.5%	38.0%	57.4%	Good
32.3%	22.1%	24.0%	29.1%	45.4%	34.4%	21.2%	Fair
9.4%	3.2%	8.1%	5.1%	11.8%	18.9%	4.1%	Poor Quality
-	-	-	-	-	-	-	(Not Reported)
19.4%	9.9%	19.5%	12.7%	20.8%	34.6%	16.4%	Boarded Up Structures in Neighborhood
80.6%	90.1%	80.5%	87.3%	79.2%	65.4%	83.6%	Units Not " "
-	-	-	-	-	-	-	(Not Reported)

* Other Regulated Rentals encompass *In Rem* units,as well as those regulated by HUD, Article 4 or 5,and the New York City Loft Board.
** Other Rentals encompass dwellings which have never been regulated,units which have been deregulated (including those in buildings with fewer than 6 apartments) and unregulated rentals in cooperatives or condominiums.

Totals may not add to 100% due to rounding.

Appendix E: Mortgage Survey

E.1 Interest Rates and Terms for New and Refinanced Mortgages, 1998

	New Mortgages					Refinanced Mortgages				
Instn	Rate (%)	Points	Term (yrs)	Type	Volume	Rate(%)	Points	Term (yrs)	Type	Volume
1	Ω	1	30	fxd	6	Ω	1	up to 3	fxd	0
4	Prime+(1.5)	1.5	5 or 7	adj	6	Prime+(1.5)	1.5	5 or 7	adj	2
5	Ω	1	5–10	fxd	85	Ω	1	5–10	fxd	100
6	8.00–8.50	1	5+5+5	(5 yr) adj	15	8.00–8.50	1	5+5+5	(5 yr) adj	22
8	9.00	2	5–15	both	27	8.25–9.25	2	5–20	both	9
9	7.25	1	5,10,20,25	fxd	0	7.25	1	5,10,20,25	fxd	6
10	7.00–7.5	1	5	fxd	70	7.00–7.50	1	5	fxd	200
12	10.00	1	15	adj	15	§	—	—	—	—
13	Ω	0–1	25	adj	50	Ω	0–1	up to 25	adj	25
14	7.50–9.00	0–2	5 & 5	adj	250	7.50–9.00	0–2	5 & 5	adj	250
15	7.25	0	5	fxd	113	7.25	0	5	fxd	55
16	Ω	0.50–2	bal	adj	99	Ω	0.50–2	bal	adj	81
17	8.25	1–2	10–15 (10–25π)	adj	0	8.25	1–2	10–15 (10–25π)	adj	0
19	8.00–8.5	1	15	fxd	20	8.00–8.5	1	15	fxd	5
20	7.38	0	10	fxd	50	7.38	0	10	fxd	10
22	7.00	0	5–10 (25π)	adj	3	7.00	0	5–10 (25π)	adj	47
23	8.50	1	5+5 (30π)	fxd	40–50	FHIB+(2.5) or 9	1	5+ 5 (30π)	fxd	30
27	7.75	0	10–15	adj	3	7.75	0	10 (15π)	adj	7
28	7.25	PAR	10–25	fxd	48	7.25	PAR	10–25	fxd	0
30	8.00	1	30	fxd	80	8.00	1	up to 30	fxd	20
31	8.50	1–2	10 / 15	adj	10	8.50	1–2	10 / 15	adj	4
32	7.50–9.95	1	5	fxd	2	7.50–9.95	1	5	fxd	2
33	8.25–8.75	1	15 / 25	adj	60	8.25-8.75	1	15 / 25	adj	16
34	8.00	1	10 yrs (30π)	adj	0	8.00	1	10 yr (30π)	adj	0
35	9.25	1	15	fxd	0	9.25	1	15	fxd	0
36	7.00	1	5–30	fxd	0	7.00	1	5-30	fxd	11
37	10.00	1	10	fxd	8	10.00	1	10	fxd	0
38	Ω	1	5–10	fxd	47	Ω	1	5–10	fxd	15
39	13.25	0	10,15 (10,30π)	fxd	40	13.25	0	10,15 (10,30π)	fxd	NR
40	9.00	2	15	fxd	0	§	—	—	—	—
41	8.875–9.25	3	10 / 15	fxd	0	7.25–7.875	3	3,5,7 bal (25π)	adj	NR
42	8.50–9.50	1–2	5 (20,25π)	fxd	30–35	8.50–9.50	1–2	5 (20,25π)	fxd	0
Avg	8.48	1.02	11.34	†	37	8.49	0.99	10.83	†	33

Ω Treasury Bill plus spread.
π Amortization.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variations in responses.

fxd = fixed rate mortgage.
adj = adjustable rate mortgage.
bal = balloon
NR = indicates no response to this question.

Note: The averages for interest rates,points and terms are calculated by using the midpoint when a range of values is given by the lending institution.Five year terms with one or more five year options are considered to have 5-year maturities when calculating the mean.

Source: 1998 Rent Guidelines Board Mortgage Survey.

E.2 Typical Characteristics of Rent-Stabilized Buildings, 1998

Lending Institution	Loan-to-Value of Outstanding Loans	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Collection Losses Only	Typical Building Size	Average Monthly O&M Cost/Unit	Average Monthly Rent/Unit
1	77.5%	75–80%	1.15x	2%	1%	50-99	$675	$750
4	65%	60-65%	1.2	6%	3%	20-49	NR	$270
5	60%	75%	1.2	2%	1%	50-99	$400	$750
6	65%	65–70%	1.20–1.35	5%	3%	1–10	$250–300	$650
8	60%	50–70%	1.25	5%	1%	1–10	$200	$600
9	75%	80%	1.2	3%	1%	20-49	$291	$900
10	65%	75%	1.2–1.3	1%	1%	50-99	$300	$550
12	65%	65%	1.2	3%	DK	20-49	$350	$600
13	70%	75%	1.2	5%	3%	20-49	$300	$600
14	70%	75%	1.15	5%	5%	50-99	$300–$400	$600–800
15	70%	70%	1.25	5%	4%	50-99	$300	$650
16	65%	75%	1.15	5%	2%	20-49	$280	$575
17	70%	70%	1.25	<1%	<1%	11–19	DK	$685
20	65%	DK	DK	NR	NR	50-99	NR	NR
22	65%	75%	1.4	5%	<1%	11–19	$320	$800
23	55%	65%	1.25	3%	<1%	20-49	$180	$500
27	65%	70%	1.35	3%	<1%	11–19	$228	$650
28	75%	75–80%	1.25	5%	1%	50-99	$320	$600
30	75%	80%	1.25–1.3	5%	4%	20-49	$240–300	$550
31	75%	75% or <	1.2	5%	2%	1–10	$325	$685
32	75%	75%	1.2	>7%	4%	50-99	$358	$660
33	65%	65%	1.3	7%	4%	20-49	$341	$520
34	60%	65%	1.3	5%	3%	11–19	$300	$500-700
35	65%	65%	1.15	3%	1%	20-49	$250	$600
36	70%	80%	1.25	2%	1%	100+	$367	$700
37	65%	60–65%	1.2	<1%	<1%	1–10	$400	$850
38	65%	75%	1.15	>7%	5%	20-49	$300	$600
39	70%	60 or 65%	1.00 or 1.25	5%	2%	11–19	$150	$450
40	NR	70%	1.3	NR	NR	NR	NR	NR
41	65%	70%	1.2	>7%	4%	1–10	$267	$550
42	65%	65%	1.3	5%	2%	11–19	$290	$570
Average	68%	71%	1.25%	4.2%	2.21%	mode 20-49	$301	$629

NR = indicates no response to this question.
DK = indicates the respondent does not know the answer to this question.

Note: Average loan-to-value (LTV) and debt service coverage ratios are calculated using the midpoint when a range was given by the lending institution.

Source: 1998 Rent Guidelines Board Mortgage Survey.

E.3 Interest Rates and Terms for New Financing, Longitudinal Data

Lending Institution	Interest Rates 1998	Interest Rates 1997	Points 1998	Points 1997	Term 1998	Term 1997	Type 1998	Type 1997
1	8.10%	9.25%	1	1	30	30	fxd	fxd
4	10.00%	9.75%-10%	1.5	1.5–2.0	5–7	5–7	adj	adj
5	8.43%	7.02%-7.52%	1	1	5–10	5+5 / 10	fxd	fxd
6	8.00–8.50%	9%	1	1	5+5+5	5+5+5	5 yr adj	adj
8	9.00%	10.25%	2	2	5–15	15	both	fxd
9	7.25%	8.38%	1	1–2	5–25	5–20	fxd	NR
10	7.00–7.50%	7-7.75%	1	1	5	5	fxd	fxd
12	10.00%	10.75%	1	1.5	15	15	adj	adj
13	8.61%	T+spread	0–1	NR	25	NR	adj	NR
14	7.50–9.00%	7.75-9.00%	0–2	1–2	5+5	5+5	adj	adj after 15 yrs
15	7.25%	8.30%	0	1	5	5	fxd	fxd
16	7.91%	T+spread	0.50–2	1–2	balloon	balloon	adj	both
17	8.25%	9.25%	1–2	1–2	10–15	10	adj	adj
19	8.00–8.5%	8.25%	1	1	15	10	fxd	fxd
20	7.38%	8.00%	0	1	10	NR	fxd	fxd
22	7.00%	7.88%	0	1	5 / 10	5	adj	10-25 yr amort.
23	8.50%	8.0-9.0%	1	1	5+5 / 30	5+5	fxd	fxd
27	7.75%	9.50%	0	1	10 /15	10	adj	adj
28	7.25%	8.00%	PAR	1	10–25	10 / 25	fxd	fxd
30	8.00%	8.25%-9.25%	1	1–2	30	30	fxd	both
Average	8.13%	8.70%	0.88	1.25	†	†	†	†

NR indicates no response to this question. † No average could be computed due to large variation in responses.
Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.
Source: 1998 and 1997 Rent Guidelines Board Mortgage Surveys.

E.4 Interest Rates and Terms for Refinanced Loans, Longitudinal Data

Lending Institution	Interest Rates 1998	Interest Rates 1997	Points 1998	Points 1997	Term 1998	Term 1997	Type 1998	Type 1997
1	8.10%	NR	1	NR	3	NR	fxd	NR
4	10.00%	9.75–10.00%	1.5	1.5–2.0	5–7	5-7	adj	adj
5	8.43%	7.02–7.52%	1	1	5–10	5+5	fxd	fxd
6	8.00–8.50%	NR	1	NR	5+5+5	NR	5 yr adj	NR
8	8.25–9.25%	10.25%	2	2	5–20	15	both	fxd
9	7.25%	8.38%	1	1–2	5–25	5–20 fxd/25 adj	fxd	NR
10	7.00–7.50%	7.00–7.75%	1	1	5	5	fxd	fxd
12	§	§	—	—	—	—	—	—
13	8.61%	T+spread	0–1	NR	25	NR	adj	NR
14	7.50–9.00%	7.75–9.00%	0–2	1–2	5+5	5+5	adj	adj after 15 yrs
15	7.25%	8.30%	0	0	5	5	fxd	fxd
16	7.91%	T+spread	0.5–2	1–2	balloon	balloon	adj	both
17	8.25%	9.25%	1–2	1–2	10–15	10	adj	adj
19	8.00–8.50%	8.25%	1	1	15	15	fxd	fxd
20	7.38%	8.00%	0	1	10	NR	fxd	fxd
22	7.00%	7.88%	0	1	5 / 10	5	adj	10-25 yr amort.
23	9.00%	9.00–9.50%	1	1	5 + 5 / 30	5	fxd	fxd
27	7.75%	9.50%	0	1	10	10	adj	adj
28	7.25%	8.00%	PAR	1	10–25	10 / 25	fxd	fxd
30	8.00%	8.25%–8.50%	1	1–2	30	30	fxd	fxd
Average	8.05%	8.51%	0.88	1.20	†	†	†	†

NR indicates no response to this question.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variation in responses.
Note: Averages for interest rates and points are calculated by using the midpoint when a range of values were given by the lending institution.
Source: 1998 and 1997 Rent Guidelines Board Mortgage Surveys.

E.5 Lending Standards and Relinquished Rental Income, Longitudinal Data

Lending	Loan-to-Value Criteria		Debt Service Coverage		Collection Losses	
Institution	1998	1997	1998	1997	1998	1997
1	75–80%	80%	1.15	1.20	1%	5%
4	60-65%	70%	1.20	1.30	3%	3%
5	75%	75%	1.20	1.20	1%	1%
6	65–70%	70%	1.20–1.35	1.25	3%	3%
8	50–70%	50–66.66%	1.25	1.25	1%	1%
9	80%	80%	1.20	1.25	1%	1%
10	75%	NR	1.20–1.30	NR	1%	1%
12	65%	65%	1.20	1.20	NR	NR
13	75%	NR	1.20	NR	3%	NR
14	75%	75%	1.15	1.15	5%	NR
15	70%	70%	1.25	1.25	4%	4%
16	75%	75%	1.15	1.15	2%	2%
17	70%	50–70%	1.25	1.25–1.40	<1%	1%
19	75%	75%	1.25	1.25	1%	1%
20	NR	70%	NR	1.25	NR	1%
22	75%	70%	1.40	1.25	<1%	<1%
23	65%	60%	1.25	1.25	<1%	NR
27	70%	NR	1.35	NR	<1%	3%
28	75–80%	80%	1.25	1.25	1%	2%
30	80%	80%	1.25–1.30	1.25	4%	NR
Average	72.1%	71.37%	1.24	1.24	1.94%	2%

NR indicates no response to this question.
Note: Average loan-to-value and debt service coverage ratios are calculated using the midpoint when a range is given by the lending institution.
Source: 1998 and 1997 Rent Guidelines Board Mortgage Surveys.

E.6 Retrospective of New York City's Housing Market

Year	Interest Rates for New Mortgages	Permits for New Housing Units
1981	15.9%	9,919
1982	16.3%	12,601
1983	13.0%	11,598
1984	13.5%	17,249
1985	12.9%	15,961
1986	10.5%	25,504
1987	10.2%	15,298
1988	10.8%	18,659
1989	12.0%	13,486
1990	11.2%	13,896
1991	10.7%	9,076
1992	10.1%	6,406
1993	9.2%	5,694
1994	8.6%	7,314
1995	10.1%	6,553
1996	8.6%	7,323
1997	8.8%	11,539
1998	8.5%	11,582

Note: The number of permits issued are for the previous calendar year (for instance, 1998 numbers indicate permits issues from January to December 1997) as measured by the Census Bureau in New York City's five boroughs,plus Putnam,Rockland,and Westchester counties.

Sources: Rent Guidelines Board,Annual Mortgage Surveys; U.S.Bureau of the Census, Manufacturing & Construction Division,Residential Construction Branch.

Appendix F: Recent Movers Survey

F.1 Median Monthly Rent by Number of Bedrooms and Borough

	City	Manhattan	Bronx	Brooklyn	Queens	Core Man.	Upper Man.	Non-Core
All Units								
Studio	$806	$1,066	$522	$580	$608	$1,100	$550	$575
1 Bedroom	$750	$1,465	$580	$660	$750	$1,600	$675	$675
2 Bedroom	$866	$1,950	$700	$790	$850	$2,425	$683	$790
3 or More Bedrooms	$992	$2,050	$800	Δ	Δ	$2,750	Δ	$825
All Units	**$804**	**$1,338**	**$600**	**$700**	**$750**	**$1,500**	**$650**	**$682**
Stabiliz ed Units								
Studio	$700	$989	Δ	$560	$603	$1,009	Δ	$567
1 Bedroom	$700	$1,200	$588	$650	$725	$1,300	$625	$650
2 Bedroom	$800	$1,300	$702	$782	$850	$1,500	Δ	$775
3 or More Bedrooms	$885	Δ	Δ	Δ	Δ	Δ	Δ	$800
All Stabilized	**$750**	**$1,100**	**$600**	**$675**	**$710**	**$1,250**	**$625**	**$650**
Non-Stabiliz ed Units								
Studio	$941	$1,200	Δ	$685	$625	$1,200	Δ	$600
1 Bedroom	$875	$1,750	$550	$700	$750	$1,875	$800	$700
2 Bedroom	$1,000	$2,500	$638	$800	$875	$2,800	Δ	$800
3 or More Bedrooms	$1,200	$2,450	Δ	Δ	Δ	$3,100	Δ	$850
All Non-Stabilized	**$950**	**$1,600**	**$600**	**$700**	**$750**	**$1,763**	**$700**	**$704**

Δ = Not enough cases for evaluation
Non-Core refers to all areas of New York City excluding Core Manhattan
Source: 1998 Recent Movers Study

F.2 Deciles: Median Monthly Rent Ranges by Borough, All Cases

Decile	City	Manhattan	Bronx	Brooklyn	Queens	Core Man.	Upper Man.	Non-Core
1st	$100-$545	$116-$625	$137-$475	$109-$500	$100-$588	$143-$862	$116-$399	$10-$500
2nd	$546-$600	$626-$850	$476-$525	$501-$566	$589-$650	$863-$1,006	$400-$502	$501-$550
3rd	$601-$654	$851-$1,000	$526-$550	$567-$600	$651-$670	$1,007-$1,200	$503-$575	$551-$600
4th	$655-$735	$1,001-$1,193	$551-$575	$601-$650	$671-$700	$1,201-$1,316	$576-$607	$601-$650
5th	736-804	$1,194-$1,338	$576-$600	$651-$700	$701-$750	$1,317-$1,500	$608-$650	$651-$682
6th	$805-$950	$1,339-$1,527	$601-$638	$701-$750	$751-$760	$1,501-$1,700	$651-$700	$683-$725
7th	$951-$1,150	$1,528-$1,800	$639-$675	$751-$800	$761-$806	$1,701-$1,950	$701-$800	$726-$776
8th	$1,151-$1,498	$1,801-$2,159	$676-$750	$801-$900	$807-$875	$1,951-$2,334	$801-$850	$777-$850
9th	$1,499-$2,095	$2,160-$2,800	$751-$806	$901-$1,125	$876-$975	$2,335-$2,987	$851-$971	$851-$982
10th	$2,096-$7,200	$2,801-$7,200	$807-$1,696	$1,126-$3,500	$976-$1,800	$2,988-$7,200	$972-$1,550	$983-$3,500
All Cases	**$804**	**$1,338**	**$600**	**$700**	**$750**	**$1,500**	**$650**	**$682**

Δ = Not enough cases in category for evaluation
Non-Core refers to all areas of New York City excluding Core Manhattan
Source: 1998 Recent Movers Study

F.3 Stabilized Rent Increases by Borough, Number of Bedrooms, Rent Level, and Number of Improvements

	All Stabilized	Manhattan	Bronx	Brooklyn	Queens	Core Man.	Upper Man.	Non-Core
Number of Bedrooms								
Studio	14%	18%	0%	12%	7%	19%	5%	7%
1 Bedroom	10%	19%	4%	7%	7%	19%	8%	6%
2 Bedroom	14%	20%	8%	11%	14%	25%	Δ	9%
3 or More Bedrooms	12%	14%	Δ	Δ	Δ	Δ	Δ	12%
Rent Level								
Under $400	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ
$400 to $599	5%	3%	4%	5%	Δ	Δ	3%	5%
$600 to $999	9%	15%	5%	9%	8%	18%	8%	8%
$1000 to $1499	21%	22%	Δ	23%	Δ	23%	Δ	18%
$1500 to $1999	18%	20%	Δ	Δ	Δ	19%	Δ	Δ
≥$2000	29%	28%	Δ	Δ	Δ	28%	Δ	Δ
Number of Improvements								
1 Improvement	11%	19%	7%	7%	11%	24%	Δ	8%
2 Improvements	14%	32%	Δ	9%	14%	34%	Δ	9%
3 Improvements	25%	54%	Δ	12%	Δ	60%	Δ	11%
4 Improvements	40%	Δ	Δ	Δ	Δ	Δ	Δ	26%
No Improvements	11%	16%	6%	6%	5%	18%	Δ	6%
All Stabilized Cases	**12%**	**19%**	**5%**	**8%**	**8%**	**21%**	**7%**	**7%**

Δ = Not enough cases in category for evaluation
Non-Core refers to all areas of New York City excluding Core Manhattan
Source: 1998 Recent Movers Study and the Division of Housing and Community Renewal 1997 registration data.

F.4 1998 Recent Movers Survey Instrument

Rental Housing Survey
New York City Rent Guidelines Board

IMPORTANT: This survey should be completed by the person or persons who have lived in this apartment (house) for the longest period of time UNLESS a person who moved in afterwards triggered a new lease and/or a rent increase. In this case the new person should fill out the survey.

Official use only.
ID#:

1. **Do you rent or own this apartment (house)?**
   - ☐ Rent
   - ☐ Own - **STOP**. *Thank you for participating in this survey. There is no need to return this survey.*

2. **What is the monthly rent for this apartment (house)?**

   $_____ Per month
   (Total rent charged by the landlord, including any government assistance payments)

3. **What is the security deposit?**
   - ☐ $_____
   - ☐ No deposit

4. **When did you move into this apartment (house)?**
   - ☐ BEFORE June 15,1997 Date: _____ (month/year)
   - ☐ ON or AFTER June 15, 1997 Date: _____ (month/year)

5. **Where did you live prior to moving into this apartment (house)?**
   - ☐ Other New York City apartment (house)
   - ☐ New York State (outside NYC), New Jersey, or Connecticut
   - ☐ Other State
   - ☐ Outside U.S.

6. **When you moved into this apartment (house) was it unoccupied?**
   - ☐ Yes
   - ☐ No, I joined existing tenant(s) as a roommate or spouse.

7. **Did you sign a lease when you moved in?**
   - ☐ Yes
   - ☐ No
   - ☐ No, but I signed one later

8. **What is the length of lease on this apartment (house) — that is, the total time from when the lease began until it will expire?**
   - ☐ One Year Lease
   - ☐ Two Year Lease
   - ☐ Other Lease
   - ☐ No Lease
   - ☐ Don't Know

9. **What improvements were made to the apartment before you moved in? (*Check all that apply.*)**
   - ☐ Painting
   - ☐ New Appliance(s) (Describe) _____
   - ☐ Kitchen Improvements
   - ☐ Bathroom Improvements
   - ☐ Other Improvements (Describe)_____
   - ☐ No Improvements made
   - ☐ Don't Know

Over ➡

10. **How did you find this apartment (house)?**
    - ☐ Classified Advertisement in _____
    - ☐ Real Estate Broker
    - ☐ Word of Mouth
    - ☐ Email list service or world wide web
    - ☐ Apartment referral service
    - ☐ Housing office of employer or University/School
    - ☐ Saw "For Rent" Sign
    - ☐ Other (Describe) _____

11. **What fees did you pay when renting this apartment (house) not including security deposit?** ***(Check all that apply)***
    - ☐ None
    - ☐ Application fee and/or credit check $_____
    - ☐ Brokers fee $_____
    - ☐ Apartment referral agency fee (including email listing services) $_____
    - ☐ Other (Describe) _____ $_____

12. **Was the advertised rent for this apartment different from the rent you ended up paying?**
    - ☐ No
    - ☐ Yes. Amount advertised: $_____

13. **Are you (or your roommate/relative) the primary tenant — that is, the person renting from the owner of this building (house)?**
    - ☐ Yes
    - ☐ No, I (or roommate/relative) sublet the unit

14. **How many bedrooms are there in this apartment (house)?**
    - ☐ Studio
    - ☐ One Bedroom
    - ☐ Two Bedrooms
    - ☐ Three or more bedrooms

15. **Is this apartment under rent control or rent stabilization?**
    - ☐ Under Rent Stabilization — *Go to Question 16*
    - ☐ Under Rent Control
    - ☐ Neither of the Above — *Go to Question 17*
    - ☐ Don't know

16. **Was the "Rent Stabilization Rider" attached to your lease?** *(The Rider describes the rights and obligations of tenants and owners under the Rent Stabilization Law and informs a rent stabilized tenant signing a vacancy lease of the legal regulated rent in effect immediately prior to the vacancy).*
    - ☐ Yes, Rider attached to lease
    - ☐ No
    - ☐ No lease
    - ☐ Don't know

17. **Please describe your apartment BUILDING (house).** *(Please check one box from each column).*

BUILDING TYPE	NUMBER OF APARTMENTS IN BLDG.	YEAR BUILT
☐ Multi-family rental	☐ One or two	☐ Pre-war (Before 1947)
☐ One or two family house	☐ 3 to 5	☐ Post-war
☐ Co-op or Condo	☐ 6 to 12	
☐ Public housing, Section 8, Mitchell Lama	☐ 13 to 49	
	☐ 50 to 100	
	☐ More than 100	

End — Thank You

Please return in postage-paid envelope before April 10th

Appendix G: Tenant Income and Housing Affordability

G.1 How Much Do Tenants Actually Pay?

The U.S. Census Bureau's triennial Housing and Vacancy Survey (HVS) is the most comprehensive source of statistics regarding New York City's housing stock. HVS data allows us to measure housing affordability by calculating "rent-to-income ratios," which is the proportion of gross income used to pay rent by tenants. Rent has usually been determined by looking at the actual amount written in the lease or "contract" signed between the tenant and landlord.

In previous analyzes of HVS rent-to-income ratios, we had no way of explaining how some tenants (about 9% of all renter occupied households) could be paying more in rent than they had in income. It was assumed that tenants were either not accurately reporting their income or they were receiving help from some outside source,such as government assistance. While government assistance programs have been around for a long time, we have only recently found a way to accurately determine their impact on housing affordability.

The 1996 HVS shows how much of the rent tenants are actually paying.

The 1996 HVS differentiates between "contract" and "out of-pocket" rent.While the contract rent is the dollar amount agreed upon by the landlord and tenant, the out of-pocket rent is the portion that is not paid by any federal,state,or City subsidy. Thus,out-of-pocket rent more accurately depicts what is directly paid by households from their own earnings.

According to the 1996 HVS, 18% of the renter population (303,000 households) received assistance to pay their rent. The most common housing subsidy is the Section 8 Certificate and Voucher program,where 102,000 tenants currently use 30% of their income for rent and the government makes up the difference; the Public Assistance Grant,which includes a basic grant and a shelter allowance for 141,000 tenants;and the Senior Citizens Rent Increase Exemption Program (SCRIE), in which 19,000 tenants pay a third of their income for rent and the City makes up the difference as the rent is increased. The 1996 HVS also reports over 6,000 households collecting other federal subsidies; 22,000 collecting other City or state aid; and, over 12,000 households collecting two or more subsidies.

Government subsidies to tenants have a large impact on housing affordability.

Using the more accurate out-of-pocket rent to measure housing affordability, we find that government subsidies have a very large impact on tenants' ability to pay rent. For example,the median out-of-pocket rent for all renters is $550. This means that government subsidies make up the $50 difference for the typical tenant (since median contract rent is $600).

To fully understand the impact subsidies have on the amount of rent a tenant pays, we compared out-of pocket and contract rent for recipients of each type of subsidy. The median contract rent is $553 for households that only collect Section 8. The median out-of pocket rent for these households is $134,which means that Section 8 makes up the $419 difference in rent collected.

Among the boroughs,Bronx residents benefit most from subsidies. Bronx renters have the lowest median income, so it is not surprising that 34% of Bronx residents collects subsidies to help pay their rent. This group also has the largest gap between out-of-pocket and contract rents.

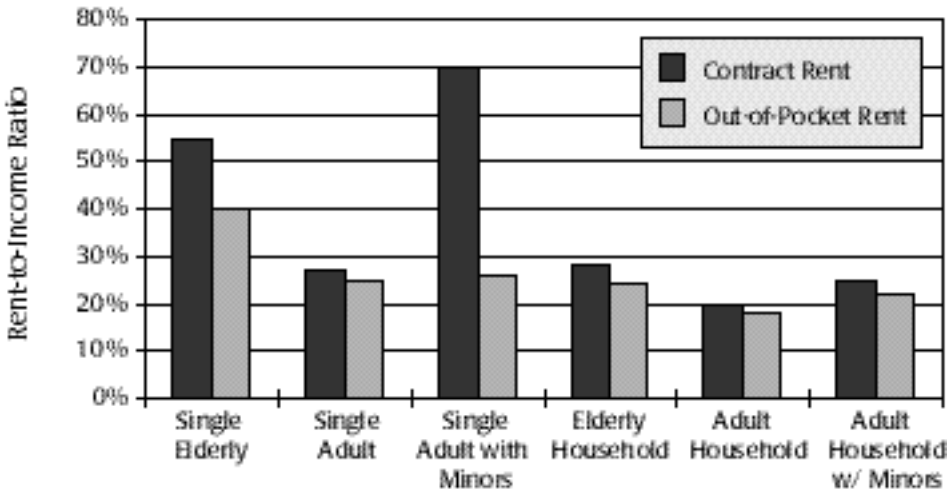
Without subsidies, housing would be less affordable for many low-income households.

If government subsidies were to be cut, many lower-income households would find themselves in a desperate situation. Of the 9% (170,140) of all renter occupied households that pay more in rent than they have in personal income,more than half receive subsidies. Elimination of subsidies may mean that almost 97,000 households would have difficulty finding a way to maintain rent payments. As the following analysis shows, subsidies allow tenants to have a lower rent-to-income ratio.

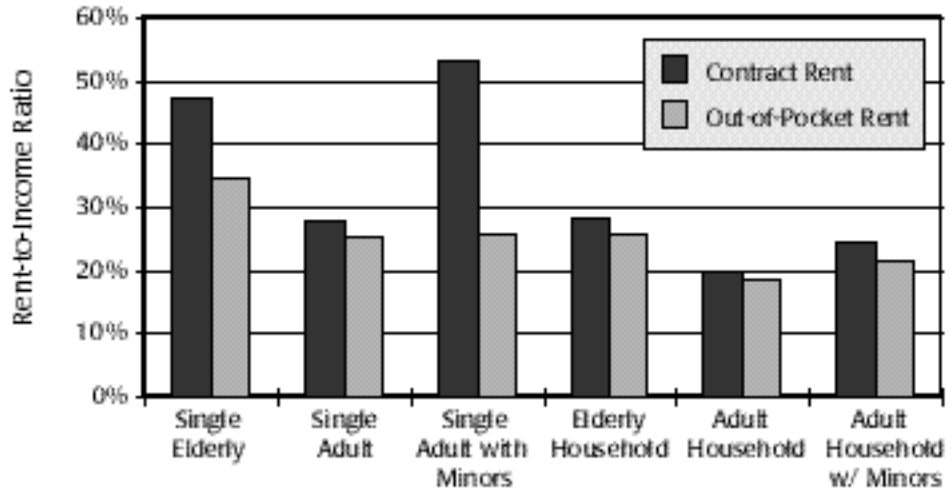
A rent-to-income ratio of 30% or less is the standard used to define whether housing is affordable. Many categories of people had rent-to-income ratios well over this threshold when we used contract rent. However, when using out-of-pocket rent (the amount of personal income used to pay rent) to calculate these statistics, the median rent-to-income ratio drops from 27.7% to 23.7%. In other words, the presence of subsidies allowed the median rent-to-income ratio to drop by 4 percentage points when using the more accurate out-of-pocket rent.

It is clear that the larger the gap between "contract" and "out of-pocket" rent-to-income ratios, the larger the impact of government subsidies. When looking at all households, 46% have a "contract" rent-to-income ratio of 30% or higher, while only 35% of households fall into this category when using out-of-pocket rent. However, more dramatic decreases are observed when looking at the different household types,most notably single elderly and single-parent households. Of the renters receiving subsidies, one third are single adult households with minors. This goes a long way in explaining the tremendous difference between their "contract" rent-to income ratio of 53.1% and their "out-of-pocket" rent-to income ratio of 25.8% (see bar graphs below).

Rent-Stabilized Households



All Renters



Source: 1996 Housing and Vacancy Survey

G.2 Average Annual Employment Statistics by Area, 1988-97

Unemplo yment Rate	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Bronx	5.4%	7.0%	8.5%	10.4%	13.1%	12.2%	10.1%	9.6%	10.6%	11.6%
Brooklyn	5.5%	6.7%	7.9%	9.5%	12.0%	11.2%	9.7%	9.2%	10.0%	10.7%
Manhattan	4.3%	5.0%	5.8%	7.3%	9.0%	8.8%	7.6%	7.0%	7.4%	7.8%
Queens	4.0%	5.0%	6.0%	8.0%	10.5%	9.5%	8.2%	7.6%	8.1%	8.5%
Staten Island	4.0%	4.8%	6.4%	8.3%	10.4%	9.2%	7.8%	7.4%	7.8%	8.4%
NYC	**5.0%**	**5.8%**	**6.8%**	**8.6%**	**10.8%**	**10.1%**	**8.7%**	**8.2%**	**8.6%**	**9.4%**
U.S.	**5.5%**	**5.3%**	**5.6%**	**6.9%**	**7.5%**	**6.9%**	**6.1%**	**5.6%**	**5.4%**	**5.0%**
Participation Rate										
NYC	--	--	--	--	--	56.3%	55.9%	55.2%	56.7%	58.5%
U.S.	65.9%	66.5%	66.5%	66.2%	66.4%	66.3%	66.6%	66.6%	66.8%	67.1%
Gr oss City Product (NYC)										
(thousands,$1992)	270.1	268.5	269.7	260.5	266.1	271.1	276.1	279.2	283.8	291.3
% Change	4.0%	-0.6%	0.5%	-3.4%	2.1%	1.9%	2.0%	0.9%	1.6%	3.1%
Gr oss Domestic Product (U .S.)										
(thousands,$1992)	5,865.2	6,062.0	6,136.3	6,079.4	6,244.4	6,389.5	6,610.7	6,742.1	6,928.4	7,188.8
% Change	3.8%	-3.4%	1.3%	-1.0%	2.7%	2.2%	3.5%	2.1%	2.8%	3.8%

Note: The New York City Comptroller's Office revises the Gross City Product periodically. The GCP figures presented here may not be the same as those reported in prior years.
Sources: U.S.Bureau of Labor Statistics;New York State Department of Labor; New York City Comptroller's Office.

G.3 Average Payroll Employment by Industry for NYC, 1988-97 (Thousands)

Industry Employment	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Construction	120.1	120.8	114.9	99.8	87.1	85.8	89.3	90.2	91.2	93.8
Manufacturing	370.1	359.5	337.5	307.8	292.8	288.8	280.4	273.5	264.5	264.4
Transportation	219.5	218.1	229.1	218.4	204.8	203.4	201.5	202.9	204.6	206.3
Trade	634.3	630.2	608.3	565.3	545.6	537.9	544.1	555.4	561.9	579.4
FIRE	542.4	530.6	519.6	493.6	473.5	471.6	480.3	473.4	472.3	471.4
Services	1,123.1	1,147.2	1,149.0	1,096.9	1,093.1	1,115.8	1,148.1	1,183.6	1,229.0	1270.7
Mining	0.5	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Total Private Sector	3,010.0	3,006.7	2,958.7	2,782.1	2,697.3	2,703.6	2,744.0	2,779.3	2,823.7	2,886.3
Government	595.7	601.5	607.6	592.6	584.1	579.7	566.6	543.6	533.8	525.0
New York City[Ω]	--	--	--	--	--	223.8	--	206.4	204.1	203.8
Total	**3,605.7**	**3,608.2**	**3,566.3**	**3,374.7**	**3,281.4**	**3,283.3**	**3,310.6**	**3,322.9**	**3,357.5**	**3,411.3**

[Ω] Estimate from Mayor's Office of Management and Budget.

Note: Totals may not add up due to rounding. The Bureau of Labor Statistics revises the statistics periodically. The employment figures reported here may not be the same as those reported in prior years.
Sources: U.S.Bureau of Labor Statistics;City of New York employment figures from the New York City Office of Management and Budget.

G.4 Average Real Wage Rates by Industry for NYC, 1990-96 (1989 dollars)

Industry	1990	1991	1992	1993	1994	1995	1996	1995-1996 % Change
Construction	$35,240	$34,832	$34,861	$34,305	$34,399	$34,023	$34,166	**0.4%**
Manufacturing	$30,303	$30,492	$32,137	$31,151	$31,837	$32,838	$34,678	**5.6%**
Transportation	$35,654	$34,737	$36,046	$34,945	$35,309	$35,733	$36,626	**2.5%**
Trade	$24,662	$24,382	$24,974	$24,234	$24,304	$24,031	$23,851	**-0.8%**
FIRE	$50,302	$51,225	$63,917	$63,290	$59,287	$65,902	$74,258	**12.7%**
Services	$29,044	$28,764	$29,576	$29,210	$29,106	$29,422	$29,340	**-0.3%**
Private Sector	$32,746	$32,769	$35,658	$34,981	$34,304	$35,533	$36,839	**3.7%**
Government	$30,745	$29,808	$29,843	$29,936	$30,691	$31,851	$32,144	**0.9%**
Total Industries	**$32,408**	**$32,239**	**$34,641**	**$34,107**	**$33,743**	**$34,942**	**$36,193**	**3.6%**

Note: The New York State Department of Labor revises these statistics annually. The wage figures reported here may not be the same as those reported in prior years.
Source: New York State Department of Labor, Research and Statistics Division.

G.5 Average Nominal Wage Rates by Industry for NYC, 1990-96

Industry	1990	1991	1992	1993	1994	1995	1996	1995-1996 % Change
Construction	$37,372	$38,619	$40,040	$40,583	$41,669	$42,255	$43,663	**3.3%**
Manufacturing	$32,137	$33,807	$36,911	$36,851	$38,567	$40,784	$44,317	**8.7%**
Transportation	$37,811	$38,514	$41,401	$41,340	$42,773	$44,379	$46,806	**5.5%**
Trade	$26,154	$27,033	$28,684	$28,669	$29,439	$29,846	$30,480	**2.1%**
FIRE	$53,345	$56,795	$73,412	$74,873	$71,820	$81,848	$94,898	**15.9%**
Services	$30,801	$31,891	$33,970	$34,556	$35,259	$36,541	$37,495	**2.6%**
Private Sector	$34,727	$36,332	$40,955	$41,383	$41,556	$44,130	$47,078	**6.7%**
Government	$32,605	$33,049	$34,267	$35,415	$37,179	$39,558	$41,078	**3.8%**
Total Industries	**$34,369**	**$35,744**	**$39,787**	**$40,349**	**$40,876**	**$43,397**	**$46,253**	**6.6%**

Note: The New York State Department of Labor revises the statistics annually. The wage figures reported here may not be the same as those reported in prior years.
Source: New York State Department of Labor, Research and Statistics Division.

G.6 Consumer Price Index for All Urban Consumers, New York-Northeastern New Jersey, 1988-98

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
March	121.5	128.9	136.6	143.4	149.1	154.1	157.9	160.9	166.5	170.7	173.0
June	123.1	130.5	137.1	144.6	149.5	154.2	157.8	162.2	166.5	170.3	
September	126.0	132.2	140.8	145.8	151.4	155.3	159.0	163.2	168.2	171.7	
December	126.0	133.3	141.6	146.6	151.9	155.6	159.9	163.7	168.5	171.9	
Quarterly Average	124.2	131.2	139.0	145.1	150.5	154.8	158.4	162.5	167.4	171.2	
Yearly Average	**123.7**	**130.6**	**138.5**	**144.8**	**150.0**	**154.5**	**158.2**	**162.2**	**166.9**	**170.8**	

12-month percentage change in the CPI

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
March	4.9%	6.1%	6.0%	5.0%	4.0%	3.4%	2.5%	1.9%	3.5%	2.5%	1.3%
June	4.5%	6.0%	5.1%	5.5%	3.4%	3.1%	2.3%	2.8%	2.7%	2.3%	
September	5.2%	4.9%	6.5%	3.6%	3.8%	2.6%	2.4%	2.6%	3.1%	2.1%	
December	4.5%	5.8%	6.2%	3.5%	3.6%	2.4%	2.8%	3.0%	2.9%	2.0%	
Quarterly Average	4.8%	5.7%	5.9%	4.4%	3.7%	2.9%	2.3%	2.6%	3.0%	2.2%	
Yearly Average	**4.8%**	**5.6%**	**6.0%**	**4.5%**	**3.6%**	**3.0%**	**2.4%**	**2.5%**	**2.9%**	**2.3%**	

Source: U.S.Bureau of Labor Statistics.

G.7 Housing and Vacancy Survey Data, Rent-Stabilized Apartments, 1993 and 1996

	1993 Unimputed		1996 Unimputed		1996 Imputed	
	Number	Percent	Number	Percent	Number	Percent
Household Income						
<$5,000/Loss/No Income	63,010	8.8%	57,605	8.3%	89,893	8.9%
$5,000 to $9,999	140,130	19.6%	130,121	18.7%	145,235	14.3%
$10,000 to $14,999	71,695	10.0%	65,079	9.3%	87,960	8.7%
$15,000 to $19,999	67,128	9.4%	60,777	8.7%	81,025	8.0%
$20,000 to $24,999	67,321	9.4%	59,715	8.6%	85,367	8.4%
$25,000 to $29,999	51,974	7.3%	50,912	7.3%	75,694	7.5%
$30,000 to $34,999	47,963	6.7%	49,269	7.1%	71,695	7.1%
$35,000 to $39,999	39,166	5.5%	37,061	5.3%	57,521	5.7%
$40,000 to $49,999	51,625	7.2%	57,229	8.2%	89,571	8.8%
$50,000 to $59,999	38,930	5.4%	35,951	5.2%	66,957	6.6%
$60,000 to $69,999	23,711	3.3%	28,940	4.2%	47,346	4.7%
$70,000 to $79,999	12,769	1.8%	16,090	2.3%	30,646	3.0%
$80,000 to $89,999	9,743	1.4%	10,659	1.5%	18,261	1.8%
$90,000 to $99,999	3,867	0.5%	7,627	1.1%	13,989	1.4%
$100,000 or More	26,036	3.6%	30,076	4.3%	53,590	5.3%
Not Reported	263,958	--	317,651	--	0	--
Median	$20,160	--	$21,600	--	$25,300	--
Mean	$29,042	--	§	--	$35,725	--
Contract Rent						
<$100	5,850	0.6%	3,235	0.3%	3,379	0.3%
$100 to $199	31,031	3.4%	19,998	2.1%	21,250	2.1%
$200 to $299	54,920	6.0%	29,907	3.2%	31,519	3.2%
$300 to $399	120,221	13.0%	72,177	7.7%	75,037	7.5%
$400 to $499	184,335	20.0%	148,495	15.8%	155,700	15.6%
$500 to $599	183,487	19.9%	196,185	20.8%	207,237	20.7%
$600 to $699	125,490	13.6%	165,009	17.5%	173,327	17.3%
$700 to $799	73,423	8.0%	97,644	10.4%	104,259	10.4%
$800 to $899	39,879	4.3%	62,020	6.6%	67,628	6.8%
$900 to $999	22,735	2.5%	35,792	3.8%	38,605	3.9%
$1,000 to $1,249	39,209	4.3%	47,141	5.0%	52,071	5.2%
$1,250 to $1,499	16,601	1.8%	20,777	2.2%	22,719	2.3%
$1,500 to $1,749	25,013	2.7%	17,999	1.9%	19,325	1.9%
$1,750 or More	Δ	Δ	24,810	2.6%	28,427	2.8%
No Cash Rent	14,528	--	14,267	--	14,267	--
Not Reported	42,303	--	59,294	--	0	--
Median	$525	--	$600	--	$600	--
Mean	$593	--	§	--	$680	--
Contract-Rent-to-Income Ratio						
<10%	44,301	6.5%	35,793	5.3%	78,604	8.1%
10% to 14%	83,327	12.2%	69,055	10.2%	117,880	12.2%
15% to 19%	84,908	12.5%	87,432	12.9%	131,084	13.6%
20% to 24%	84,132	12.4%	72,606	10.7%	105,155	10.9%
25% to 29%	61,957	9.1%	62,602	9.2%	85,350	8.8%
30% to 34%	50,287	7.4%	50,508	7.4%	72,353	7.5%
35% to 39%	33,677	5.0%	36,930	5.4%	49,192	5.1%
40% to 49%	53,951	7.9%	47,279	7.0%	66,939	6.9%
50% to 59%	40,912	6.0%	36,371	5.4%	46,767	4.8%
60% to 69%	30,628	4.5%	27,252	4.0%	36,189	3.7%
70% to 79%	112,762	16.6%	153,772	22.6%	32,787	3.4%
80% or More	ß	ß	ß	ß	145,282	15.0%
Not Computed	32,188	--	14,813	--	47,169	--
Not Reported	265,995	--	320,339	--	0	--
Median	28.2%	--	30.7%	--	27.6%	--
Mean	47.8%	--	§	--	38.8%	--

§ Mean averages are not available for all rent-stabilized tenants in the unimputed data.

Δ The highest household rent category used by Census in the 1993 HVS was $1,500 or more.

ß The highest contract rent-to-income ratio category used by Census in the 1993 and in the unimputed 1996 HVS is 70% or more.

Source: 1993 and 1996 New York City Housing and Vacancy Survey, U.S.Bureau of the Census.

G.8 Housing Affordability: Renter-Occupied Dwellings in Central Cities

Central City	Median Household Income ß	Median Monthly Housing Cost ß	Median Rent-to-Income Ratio
Miami	$19,654	$482	37%
Los Angeles	$21,126	$625	35%
Sacramento	$23,061	$568	30%
Atlanta	$20,013	$506	30%
New York City	**$22,902**	**$632**	**29%**
Portland	$23,239	$519	29%
Cleveland	$14,567	$402	28%
Detroit	$12,462	$397	28%
Philadelphia	$14,901	$488	28%
New Orleans	$15,451	$406	28%
Seattle	$23,741	$605	28%
Chicago	$21,833	$528	27%
Newark	$11,077	$550	27%
Columbus	$22,679	$485	26%
Indianapolis	$24,953	$497	26%
Memphis	$19,451	$442	26%
St.Louis	$14,945	$371	26%
San Antonio	$21,053	$467	26%
Oklahoma City	$21,461	$423	24%
U.S.	**$21,981**	**$523**	**28%**

ß 1995 dollars

Note: "Monthly Housing Costs" are gross housing payments which include contract rent plus the estimated average monthly cost for utilities and fuels;property insurance and garbage/trash collection are included if these items are paid directly by the renter. This amount reflects the portion paid by the household, not the portion paid by the government if the household receives a subsidy. Costs of vacant-for-rent housing is the asked rent.

Source: U.S.Bureau of the Census, American Housing Survey, 1995-1996

G.9 Housing Court Actions, 1983-97

Year	Filings	Intakes	Evictions & Possessions
1983	373,000	93,000	26,665
1984	343,000	85,000	23,058
1985	335,000	82,000	20,283
1986	312,000	81,000	23,318
1987	301,000	77,000	25,761
1988	299,000	92,000	24,230
1989	299,000	99,000	25,188
1990	297,000	101,000	23,578
1991	302,000	114,000	20,432
1992	289,000	122,000	22,098
1993	295,000	124,000	21,937
1994	294,000	123,000	23,970
1995	266,000	112,000	22,806
1996	278,000	113,000	24,370
1997	274,000	111,000	24,995

Note:"Filings" reflect non-payment proceedings initiated by rental property owners,while "Intakes" reflect those non-payment proceedings noticed for trial.

Sources: New York City Civil Court,Deputy Chief Clerk for Housing;New York City Department of Investigations,Bureau of City Marshals

Appendix H: Housing Supply Report

H.1 Permits Issued For Housing Units in New York City, 1960-98

Year	Bronx	Brooklyn	Manhattan	Queens	Staten Island	**Total**
1960	--	--	--	--	--	**46,792**
1961	--	--	--	--	--	**70,606**
1962	--	--	--	--	--	**70,686**
1963	--	--	--	--	--	**49,898**
1964	--	--	--	--	--	**20,594**
1965	--	--	--	--	--	**25,715**
1966	--	--	--	--	--	**23,142**
1967	--	--	--	--	--	**22,174**
1968	--	--	--	--	--	**22,062**
1969	--	--	--	--	--	**17,031**
1970	--	--	--	--	--	**22,365**
1971	--	--	--	--	--	**32,254**
1972	--	--	--	--	--	**36,061**
1973	--	--	--	--	--	**22,417**
1974	--	--	--	--	--	**15,743**
1975	--	--	--	--	--	**3,810**
1976	--	--	--	--	--	**5,435**
1977	--	--	--	--	--	**7,639**
1978	--	--	--	--	--	**11,096**
1979	--	--	--	--	--	**14,524**
1980	--	--	--	--	--	**7,800**
1981	--	--	--	--	--	**11,060**
1982	--	--	--	--	--	**7,649**
1983	--	--	--	--	--	**11,795**
1984	--	--	--	--	--	**11,566**
1985	1,263	1,068	12,079	2,211	3,711	**20,332**
1986	920	1,278	1,622	2,180	3,782	**9,782**
1987	931	1,650	3,811	3,182	4,190	**13,764**
1988	967	1,629	2,460	2,506	2,335	**9,897**
1989	1,643	1,775	2,986	2,339	2,803	**11,546**
1990	1,182	1,634	2,398	704	940	**6,858**
1991	1,093	1,024	756	602	1,224	**4,699**
1992	1,257	646	373	351	1,255	**3,882**
1993	1,293	1,015	1,150	530	1,185	**5,173**
1994	846	911	428	560	1,265	**4,010**
1995	853	943	1,129	738	1,472	**5,135**
1996	885	942	3,369	1,301	2,155	**8,652**
1997	1,161	1,063	3,762	1,144	1,857	**8,987**
1998 Ω	169 (169)	263 (408)	281 (1065)	334 (114)	485 (343)	**1,532 (2,099)**

Ω First three months of 1998. The number of permits issued in the first three months of 1997 is in parenthesis.

Source: U.S.Bureau of the Census,Manufacturing and Construction Division,Building Permits Branch.

H.2 New Dwelling Units Completed in New York City, 1960-96

Year	Bronx	Brooklyn	Manhattan	Queens	Staten Island	**Total**
1960	4,970	9,860	5,018	14,108	1,292	**35,248**
1961	4,424	8,380	10,539	10,632	1,152	**35,127**
1962	6,458	10,595	12,094	15,480	2,677	**47,304**
1963	8,780	12,264	19,398	17,166	2,423	**60,031**
1964	9,503	13,555	15,833	10,846	2,182	**51,919**
1965	6,247	10,084	14,699	16,103	2,319	**49,452**
1966	7,174	6,926	8,854	6,935	2,242	**32,131**
1967	4,038	3,195	7,108	5,626	3,069	**23,036**
1968	3,138	4,158	2,707	4,209	3,030	**17,242**
1969	1,313	2,371	6,570	3,447	3,768	**17,469**
1970	1,652	1,695	3,155	4,230	3,602	**14,334**
1971	7,169	2,102	4,708	2,576	2,909	**19,464**
1972	11,923	2,593	1,931	3,021	3,199	**22,667**
1973	6,294	4,340	2,918	3,415	3,969	**20,936**
1974	3,380	4,379	6,418	3,406	2,756	**20,339**
1975	4,469	3,084	9,171	2,146	2,524	**21,394**
1976	1,373	10,782	6,760	3,364	1,638	**23,917**
1977	721	3,621	2,547	1,350	1,984	**10,223**
1978	464	345	3,845	697	1,717	**7,068**
1979	405	1,566	4,060	1,042	2,642	**9,715**
1980	1,709	708	3,306	783	2,380	**8,886**
1981	396	454	4,416	1,152	2,316	**8,734**
1982	997	332	1,812	2,451	1,657	**7,249**
1983	757	1,526	2,558	2,926	1,254	**9,021**
1984	242	1,975	3,500	2,291	2,277	**10,285**
1985	557	1,301	1,739	1,871	1,939	**7,407**
1986	968	2,398	4,266	1,776	2,715	**12,123**
1987	1,177	1,735	4,197	2,347	3,301	**12,757**
1988	1,248	1,631	5,548	2,100	2,693	**13,220**
1989	847	2,098	5,979	3,560	2,201	**14,685**
1990	872	929	6,376	2,340	1,384	**11,901**
1991	656	764	2,595	1,996	1,628	**7,638**
1992	802	1,337	2,720	1,905	1,136	**7,900**
1993	886	619	1,222	1,329	1,456	**5,512**
1994	891	1,035	1,465	2,001	1,572	**6,964**
1995	1,166	1,647	1,984	1,183	1,268	**7,248**
1996	1,075	1,577	§	1,528	1,699	§

§ Numbers for Manhattan were not available in time for this report.

Note: Dwelling unit count is based on the number of Final Certificates of Occupancy issued by NYC Department of Buildings, or equivalent action by the Empire State Development Corporation or NYS Dormitory Authority.

Source: New York City Department of City Planning,Certificates of Occupancy issued in Newly Constructed Buildings.

H.3 Number of Residential Cooperative and Condominium Plans Accepted for Filing By the Attorney General's Office, 1995-97

	1995	1996	1997
Private Plans	Plans (Units)	Plans (Units)	Plans (Units)
New Construction	17 (614)	16 (83)	33 (1408)
Rehabilitation	19 (428)	10 (284)	17 (328)
Conversion (Non-Eviction)	9 (201)	8 (196)	4 (131)
Conversion (Eviction)	1 (321)	1 (16)	0 (0)
Total	**46 (1,564)**	**35 (579)**	**37 (1867)**
HPD Sponsored Plans	Plans (Units)	Plans (Units)	Plans (Units)
New Construction	0 (0)	NA	0
Rehabilitation	37 (830)	NA	26 (553)
Conversion (Non-Eviction)	0 (0)	NA	0
Conversion (Eviction)	4 (105)	NA	0
Total	**41 (935)**	**56 (NA)**	**26 (553)**

Note: Figures exclude "Homeowner" and "Commercial" plans/units.

NA: Attorney General's Office does not have this data available due to a change in reporting systems.

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

H.4 Number of Units in Cooperative and Condominium Plans Accepted for Filing By the New York State Attorney General's Office, 1981-97

Year	New Construction	Conversion Eviction	Conversion Non-Eviction	**Total New Construction & Con version**	Units in HPD Sponsored Plans
1981	6,926	13,134	4,360	**24,420**	925
1982	6,096	26,469	16,439	**49,004**	1,948
1983	4,865	18,009	19,678	**42,552**	906
1984	4,663	7,432	25,873	**37,968**	519
1985	9,391	2,276	30,277	**41,944**	935
1986	11,684	687	39,874	**52,245**	195
1987	8,460	1,064	35,574	**45,098**	1,175
1988	9,899	1,006	32,283	**43,188**	1,159
1989	6,153	137	25,459	**31,749**	945
1990	4,203	364	14,640	**19,207**	1,175
1991	1,111	173	1,757	**3,041**	2,459
1992	793	0	566	**1,359**	1,674
1993	775	41	134	**950**	455
1994	393	283	176	**852**	901
1995	614	321	201	**1,136**	935
1996	83	16	196	**295**	NA
1997	1408	0	131	**1539**	553

Note: HPDPlans are a subset of all plans and include rehabilitation plans; the total column does not contain rehabilitation plans explaining why HPD plans are higher than the total in some years.

NA: The Attorney General's Office does not have this data available at present due to a change in reporting systems.

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

H.5 Tax Incentive Programs

Buildings Receiving Preliminary Certificates for 421-a Exemptions, 1995-97

	1995		1996		1997	
	Preliminary Certificates	Preliminary Units	Preliminary Certificates	Preliminary Units	Preliminary Certificates	Preliminary Units
Bronx	7	136	7	15	7	60
Brooklyn	37	400	24	205	38	317
Manhattan	5	1,441	19	684	9	1,407
Queens	19	261	5	168	21	302
Staten Island	1	46	1	13	0	13
Total	**69**	**2,284**	**56**	**1,085**	**75**	**2,099**

Buildings Receiving J-51 Tax Abatements and Exemptions, 1995-97

	1995			1996			1997		
	Buildings	Units	Certified Cost ($1,000s)	Buildings	Units	Certified Cost ($1,000s)	Buildings	Units	Certified Cost ($1,000s)
Bronx	235	12,201	$23,400	360	13,786	$53,300	350	17,290	$33,256
Brooklyn	393	18,801	$27,682	320	15,478	$21,504	759	36,165	$57,298
Manhattan	422	24,167	$34,536	493	23,364	$28,118	2,181	55,232	$80,675
Queens	453	21,848	$13,265	409	17,282	$10,230	742	36,231	$25,294
Staten Island	1	55	$121	7	521	$387	12	398	$82,000
Total	**1,504**	**77,072**	**$99,004**	**1,589**	**70,431**	**$113,542**	**4,044**	**145,316**	**$196,806**

Source: New York City Department of Housing Preservation and Development, Office of Development, Tax Incentive Programs.

H.6 Tax Incentive Programs - Units Receiving Initial Benefits, 1981-1997

Year	421-a	J-51
1981	3,505	--
1982	3,620	--
1983	2,088	--
1984	5,820	--
1985	5,478	--
1986	8,569	--
1987	8,286	--
1988	10,079	109,367
1989	5,342	64,392
1990	980	113,009
1991	3,323	115,031
1992	2,650	143,593
1993	914	122,000
1994	627	60,874
1995	2,284	77,072
1996	1,085	70,431
1997	2,099	145,316

Source: New York City Department of Housing Preservation and Development, Office of Development, Tax Incentive Programs.

H.7 City-Owned Properties, 1985-1998

Year	Central Management				Alternative Management		Vestings		Buildings Sold
	Occupied Units	Occupied Buildings	Vacant Units	Vacant Buildings	Units	Buildings	Units	Buildings	Buildings
1985	38,561	4,102	56,474	5,732	12,825	542	--	--	531
1986	39,632	4,033	55,782	5,662	13,375	583	--	--	275
1987	38,201	4,042	48,987	4,638	13,723	587	--	--	621
1988	37,355	3,628	37,734	3,972	14,494	624	--	--	58 +
1989	32,377	3,359	45,724	3,542	17,621	780	--	--	72
1990	33,851	3,303	37,951	3,110	14,800	705	3,323	292	112
1991	32,783	3,234	30,534	2,796	12,695	615	2,288	273	140
1992	32,801	3,206	22,854	2,368	--	--	1,462	197	--
1993	32,078	3,098	17,265	2,085	9,237	470	2,455	211	162
1994	30,358	2,992	13,675	1,763	8,606	436	715	69	81
1995	27,922	2,885	11,190	1,521	7,903	433	240	17	170
1996	24,503	2,684	9,971	1,349	6,915	393	49	2	386
1997	22,298	2,484	8,177	1,139	5,380	289	0	0	253
1998 ß	19,492	2,185	7,567	990	5,597	335	0	0	252

Note: HPD could not confirm vestings data prior to FY 1990.

ß Plan for FY 1998,excluding data in vestings columns.

Source: NYC Office of Operations,Preliminary Fiscal 1998 Mayor's Management Report;NYC Department of Housing Preservation and Development.

H.8 Residential Building Demolitions in New York City, 1985-1997

Year	Bronx		Brooklyn		Manhattan		Queens		Staten Island		Total	
	5+ Units	Total	5+ Units	Total	5+ Units	Total	5+ Units	Total	5+ Units	Total	**5+ Units**	**Total**
1985	81	157	3	101	59	73	3	133	1	31	**147**	**495**
1986	48	96	14	197	19	38	3	273	4	67	**88**	**671**
1987	14	55	2	130	22	33	1	273	6	83	**45**	**574**
1988	3	34	2	169	25	44	2	269	0	160	**32**	**676**
1989	6	48	8	160	20	38	3	219	0	109	**37**	**574**
1990	4	29	3	133	20	28	5	119	0	71	**32**	**380**
1991	10	33	15	95	9	14	1	68	0	32	**35**	**242**
1992	12	51	6	63	2	5	1	41	0	33	**21**	**193**
1993	0	17	4	94	0	1	3	51	0	5	**7**	**168**
1994	3	14	4	83	5	5	2	42	0	8	**14**	**152**
1995	2	18	0	81	0	0	2	37	0	17	**4**	**153**
1996	--	30	--	123	--	25	--	118	--	84	**--**	**380**
1997	--	29	--	127	--	51	--	168	--	119	**--**	**494**

Note: The Census Bureau discontinued collecting demolition statistics in December, 1995;the New York City Department of Buildings supplied the total number of buildings demolished in 1996 and 1997.

Source: U.S.Bureau of the Census,Manufacturing and Construction Division,Building Permits Branch.

Glossary

1/40th Increase . See "Individual Apartment Improvements."

421-a Tax Incentive Program . Created in 1970, offers tax exemptions to qualifying new multifamily properties containing three or more rental units. Apartments built with 421-a tax exemptions are subject to the provisions of the Rent Stabilization Laws during the exemption period. Thus, 421-a tenants share the same tenancy protections as stabilized tenants and initial rents approved by HPD are then confined to increases established by the Rent Guidelines Board.

Adjustable Rate Mortgage (ARM). Similar to a variable rate mortgage except that interest rate adjustments are capped in order to protect lenders and borrowers from sudden upturns or downturns in a market index.

Affordable Housing. As defined by the United States Department of Housing and Urban Development, any housing accommodation for which a tenant household pays 30% or less of its yearly income for rent.

Aid to Families with Dependent Children (AFDC). A defunct income assistance program designed to help parents with dependent children. In 1997, there were over 700,000 recipients in New York City [see Temporary Assistance to Needy Families].

Balloon Loan. Is partially amortized,which means that principal is partially paid throughout the term of the loan. At maturity, the borrower still has a substantial sum (balloon) that must be repaid or refinanced.

Core Manhattan. The area of Manhattan south of 96th Street on the Eastside and 110th Street on the Westside.

Cross-sectional. The type of analysis that provides a "snapshot" view of data as it appears in a singular moment or period of time.

Debt Service . Repayment of loan principal and interest;the projected debt service is the determining factor in setting the amount of the loan itself.

Debt Service Ratio . Is the net operating income divided by the debt service;it measures a borrower's ability to cover mortgage payments using a building's net operating income.

Department of Housing Preservation and Development . The New York City agency with primary responsibility for promulgating and enforcing housing policy and laws in the City.

DHCR. See "Division of Housing & Community Renewal."

Discount Rate . The interest rate Federal Reserve Banks charge for loans to depository institutions.

Distressed Buildings. Buildings that have operating and maintenance expenses greater than gross income are considered distressed.

Division of Housing and Community Renewal. The New York State agency with primary responsibility for formulating New York State housing policy, and monitoring and enforcing the provisions of the state's residential rent regulation laws.

Federal Deposit Insurance Corporation (FDIC). Established by the federal government in 1950 to insure the deposits of member banks and savings associations.

Federal Reserve System . The central bank of the United States.It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Federal Funds Rate . Set by the Federal Reserve, this is the rate banks charge each other for overnight loans.

Fixed Rate Mortgage (FRM). The interest rate is constant for the term of a mortgage.

Freddie Mac . The Federal Home Loan Mortgage Corporation ("Freddie Mac") is a stockholder-owned corporation chartered by Congress in 1970 to increase the supply of funds that mortgage lenders, such as commercial banks, mortgage bankers, savings institutions and credit unions, can make available to home buyers and multifamily investors.Through its presence in the secondary mortgage market,Freddie Mac links worldwide capital markets to U.S.mortgage markets and provides a continuous, reliable and low-cost flow of mortgage capital to finance housing for the nation's homebuyers and renters.

Gross City Product. The dollar measurement of the total Citywide production of goods and services in a given year.

Home Relief. A defunct income assistance program designed to help single, childless adults.In 1997, there were almost 180,000 recipients in New York City [see Safety Net Assistance].

Housing & Vacancy Survey Study. A triennial study based upon United States Census Bureau data. The study is used, inter alia,to determine the vacancy rate for residential units in New York City, and gather other information necessary for HPD, the RGB,the DHCR and other housing officials to formulate policy.

HPD. See "Department of Housing Preservation and Development."

HUD. The United States Department of Housing and Urban Development,which is the federal agency primarily responsible for promulgating and enforcing federal housing policy and laws.

HVS. See "Housing Vacancy Survey."

I&E. Refers to the annual Income and Expense Study performed by the Rent Guidelines Board drawn from summarized data on RPIE forms,the income and expense statements filed annually by owners of stabilized buildings with the New York City Department of Finance.

Individual Apartment Improvements. A state policy whereby owners of rent-regulated units can add 1/40th of the cost of qualifying improvements to the legal rent of those units. Thus,(1) if an apartment's legal rent were $500, and (2) the landlord made $4,000 of qualifying improvements, then (3) the landlord thereafter could add 1/40th of the cost of those improvements -- in this example, $100 – to the apartment's existing legal rent for a resulting new legal rent of $600.

J-51 Tax Abatement and Exemption Program. Is designed to encourage the periodic renovation of New York City's aging stock of rental housing, half of which was built prior to the mid-1940s. Provides abatements and exemptions to owners wishing to undertake building improvements and rehabilitation.

Legal Rent. The rent level which a landlord is entitled to charge a tenant for a rent-regulated unit. The landlord of such a unit must register that legal rent with the New York State Division of Housing and Community Renewal.

Legislature. The New York State Legislature, especially the one which sat in session in June, 1997.

Loan-to-Value Ratio (LTV). Is an expression of the safety of a mortgage principal based on the value of the collateral (e.g.,an LTV of 50% means that a lender is willing to provide a mortgage up to half the value of a building). A decline in LTV may indicate a tightening of lending criteria and vice versa.

Longitudinal. The type of analysis that provides a comparison of identical elements over time, such as comparing data from 1992 to the same data in 1993.

Lower Manhattan. See "Core Manhattan."

Luxury Decontrol. The change in an apartment's status from being rent regulated to being deregulated because the apartment's household has (1) enjoyed a yearly income of $175,000,(2) in two or more consecutive years,and (3) the apartment's monthly rent is $2,000 or greater.

Mean and Median Averages. The "mean" is an arithmetic average of numbers which statisticians often view warily because of the potentially distorting effect of numbers at the extremes of the range. The "median" would be a more constant measure of that same set of numbers which moderates the distorting effect of any extremes or other aberrations, and effectively produces a result which would fall in the 50th percentile of the numbers under analysis.

NOI or Net Operating Income: The amount of income remaining after operating and maintenance expenses are paid is typically referred to as Net Operating Income (NOI). NOI can be used for mortgage payments,improvements, federal, state and local taxes and after all expenses are paid, profit.

O&M. Refers to the operating and maintenance expenses in buildings.

Operating Cost Ratio. The "cost-to-income" ratio is traditionally used by the RGB to evaluate estimated profitability of stabilized housing, presuming that buildings are better off by spending a lower percentage of revenue on expenses.

Outer Boroughs. Queens, Brooklyn, the Bronx and Staten Island, or the boroughs of New York City not including Manhattan. These boroughs are often grouped together for purposes of analysis because their economic and demographic attributes are more similar to each other than those found in Manhattan.

Points. Upfront service fees charged by lenders.

Post-46. A common classification of residential buildings used by City agencies to describe buildings built after World War II. Buildings with six or more residential units constructed between 1947 and 1973, or after 1974 if the units received a tax abatement such as 421-a or J-51,or units which were constructed under the Mitchell-Lama program that have been "bought out" of the program, are considered stabilized.

Pre-47 or Pre-war . A common classification of residential buildings used by City agencies to describe buildings built before the World War II. Specifically, pre-47 buildings are those with six or more units constructed before February1, 1947,and are considered stabilized when the current tenant moved in on or after July1,1971.

Preferential Rent. A rent charged by a landlord which is below the level of the "Legal Rent."

Rent Act. See "Rent Regulation Reform Act of 1997."

Rent Guidelines Board. The New York City agency responsible for setting the yearly rent-rate adjustments for the City's rent-stabilized apartments,and also the agency which produced this publication.

Rent Regulation Reform Act of 1997. The law passed by the New York State Legislature in June, 1997 which,promulgated those "vacancy" provisions which are analyzed the Recent Movers Survey.

Resolution Trust Corporation (RTC). The federal agency that was created in reaction to the Savings and Loan Crisis in the 1980s. RTC placed many banks under receivership or closed them down entirely.

RGB . See "Rent Guidelines Board."

RGB Rent Index. An index that measures the overall effect of the board's annual rent increases on contract rents.

RPIE F orms. Owners of stabilized buildings are required by Local Law 63 to file Real Property Income and Expense forms annually with the New York City Department of Finance. RPIE forms contain detailed financial information regarding the revenues earned and the costs accrued in the operation and maintenance of stabilized buildings. Buildings with fewer than 11 units, an assessed value of $40,000 or less, or exclusively residential cooperatives or condominiums are exempt from filing. RPIE forms are also known as I&E forms.

Safety Net Assistance (SNA). An income assistance program set up under the New York State Welfare Reform Act of 1997 to replace Home Relief (HR).

Savings and Loan Crisis. A national banking crisis that began in the early 1980s. Spurred on by the stock market crash in October 1989,the S&L Crisis infected New York City's multifamily lending market. As a result, secondary lenders tightened their standards causing most primary lenders to do the same.

SCRIE. See "Senior Citizens Rent Increase Exemption."

Section 8 Vouchers. Is a federally-funded housing assistance program that pays participating owners on behalf of eligible tenants to provide decent,safe, and sanitary housing for very low income families at rents they can afford. Housing assistance payments are generally the difference between the local payment standard and 30 percent of the family's adjusted income. The family has to pay at least 10 percent of gross monthly income for rent.

Section 8 Certificates. A federally-funded housing assistance program that provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent,safe and sanitary housing for low income families in private market rental units at rents they can afford.This is primarily a tenant-based rental assistance program through which participants are assisted in rental units of their choice;however, a public housing agency may also attach up to 15 percent of its certificate funding to rehabilitated or newly constructed units under a project-based component of the program.All assisted units must meet program guidelines.Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the family's required contribution towards rent.Assisted families must pay the highest of 30 percent of the monthly adjusted family income, 10 percent of gross monthly family income, or the portion of welfare assistance designated for the monthly housing cost of the family.

Senior Citizens Rent Increase Exemption. A New York City program whereby rent increases are abated if the tenant (1) is 62 years of age or older; (2) has a yearly income of $20,000 or less; and (3) pays at least one-third of his or her income for rent.The City then compensates the tenant's private sector landlord for what otherwise would be a loss in rental income caused by SCRIE's freeze on rent increases.

Shelter Allowance . Income assistance programs in

New York consist of a "basic-needs grant" and a "shelter allowance" for housing costs. Shelter allowance maximums are set by the state and funded in equal parts by the federal, state, and local governments. In 1997,the maximum for a typical 3-person AFDC household was $286 a month (a 1-person household received up to $215). In New York City, shelter assistance allowances constitute a rent stream totaling $1.4 billion. This rent stream helps support over one million people living in 400,000 apartments, which are mostly in rental units on the private market.

Special Low Rent Increase . This provision of the 1997 Rent Regulation Reform Act permits the landlords of units which rent for less than $300 to charge those vacancy allowances otherwise permitted (including the "vacancy bonus") plus $100. Moreover, if a rent rented for between $300 and $500, this same provision of the Rent Act provides that "in no event shall the total increase pursuant to this [vacancy allowance provision of the Rent Act] be less than one hundred dollars per month."

Special Vacancy Allowance . See "Vacancy Bonus."

Statutory Vacancy Allowance . See "Vacancy Allowance."

Supplemental Security Income (SSI). Provides monthly payments to people who are 65 or older or disabled with low incomes and few assets.The federal government pays a basic rate and some states add money to that amount. SSI benefits are financed by general tax revenues and are not paid from Social Security trust funds.

Temporary Assistance to Needy Families (TANF). An income assistance program set up under the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to replace Aid to Families with Dependent Children (AFDC). Under TANF block grant system, each state has the authority to determine who is eligible, the level of assistance, and how long it will last.

Term. The length of time in which a mortgage is expected to be paid back to the lender; the shorter the term, the faster the principal must be repaid and consequently the higher the debt service and vice versa.

Upper Manhattan. The area of Manhattan north of 96th Street on the Eastside and 110th Street on the Westside.

Vacancy Allowance . A provision in the Rent Act allowing owners of rent-stabilized units to raise by a certain percentage the legal rent of vacant unit. For an incoming tenant who opts for a two-year lease, the vacancy allowance is 20%. For an incoming tent who opts for a one-year lease, the vacancy allowance is 20% minus the percentage difference between the RGB's then-current guidelines for a two-year and a one-year lease. Other factors affect these percentages as well (see also the "Vacancy Bonus" and the "Special Low Rent Increase.") Because the 1997/98 RGB guidelines for a two-year lease is 4% and for a one-year lease is 2%,the difference is 2%. Thus,if an incoming tenant opts for a one-year lease, during 1997/98 a landlord would be entitled to raise the legal rent for that incoming tenant's unit by a minimum of 18%.

Vacancy Bonus. An additional rental increase allowed for units which become vacant after a long-term tenant has moved out. If the prior tenant had been in occupancy at least for eight years—and thus the unit had not "received" a vacancy allowance during that time—the Rent Act permits the landlord to charge an additional .6% for each year since the unit received its last vacancy allowance. Thus, for example, if (1) the incoming tenant opts for a two-year lease, after (2) the prior tenant had been in occupancy for ten years,then the landlord can charge the incoming tenant a 20% vacancy allowance (for a two-year lease) plus another 6% (ten years times .6%) for a total increase of 26% over the legal rent which had been paid by the departing tenant.

Vacancy Decontrol. A process by which a rent-regulated unit becomes deregulated if (1) at the time it next becomes vacant,(2) the legal rent is $2,000 or greater. If the in-place tenant is rent-regulated,vacancy decontrol cannot occur even if that in-place tenant's monthly rent eventually exceeds $2,000. Such decontrol can occur only following the next vacancy unless the unit is "luxury decontrolled" (See Luxury Decontrol). Further, the $2,000 level may be reached in a variety of ways,including (1) by already being at or over $2,000 when the next vacancy occurs, (2) reaching the $2,000 level as a result of the next "vacancy allowance;" or (3) reaching the $2,000 level as a result of the next "vacancy allowance" coupled with any "1/40th/individual apartment improvement" increase.

Variable Rate Mortgage (VRM). The interest rate charged is not fixed throughout the term of the loan, and is instead tied to a market index such as U.S. Treasury notes.

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