

RENT REGULATION REFORM DISCUSSION

APRIL 2019

CITY'S RENT STABILIZED UNITS ARE OLDER AND PRIMARILY LOCATED OUTSIDE MANHATTAN

BREAKDOWN OF CITY'S RENT STABILIZED UNITS

Borough	Year Built/Building Size														
	Pre -1947					1947-1974					1974-				
	TOTAL	< 11 Units	11-19 Units	20-99 Units	100+ Units	TOTAL	< 11 Units	11-19 Units	20-99 Units	100+ Units	TOTAL	< 11 Units	11-19 Units	20-99 Units	100+ Units
Bronx	162,488	8,597	9,421	130,989	13,481	22,115	361	175	12,000	9,579	60,376	4,015	434	11,067	7,104
Brooklyn	173,902	46,735	16,753	101,105	9,309	35,948	445	233	15,007	20,263	45,842	7,312	1,141	9,537	10,250
Manhattan	176,433	25,248	22,844	101,610	26,731	25,917	922	156	4,780	20,059	91,700	1,498	763	7,138	38,967
Queens	73,107	17,371	6,762	39,823	9,151	62,551	1,409	659	20,329	40,154	24,386	6,814	1,046	3,877	4,648
Staten Island	1,660	327	247	447	639	4,467	111	141	1,708	2,507	2,104	62	67	561	423
TOTAL	587,590	98,278	56,027	373,974	59,311	150,998	3,248	1,364	53,824	92,562	224,408	19,701	3,451	32,180	61,392

Prototype 1: Pre-1947 building in the Bronx with 20-99 units. (Represents 64% of stabilized units in the Bronx, and 15% of stabilized units overall).

Prototype 2: Pre-1947 building in Brooklyn with less than 11 units. (Represents roughly 42% of all of the small-building units in the City and roughly 20% of units in Brooklyn).

Prototype 3: 1947-1974 building in Queens with more than 100 units. (Represents 27% of all units in Queens, and a similar portion of all units built citywide from 1947-1974).

71% OF RENT STABILIZED UNITS ARE BUILT PRIOR TO 1947

PROFORMAS REPRESENT DIVERSITY IN BUILDING AGE, SIZE, AND GEOGRAPHY

Prototype 1

- Built: Pre-1947
- Borough: Bronx
- Units: 20-99

This prototype represents 64% of stabilized units in the Bronx and 15% of overall stabilized units.

Prototype 2

- Built: Pre-1947
- Borough: Brooklyn
- Units: 11 or Less

This prototype represents 42% of all the small-building units in the City and 20% of units in Brooklyn.

Prototype 3

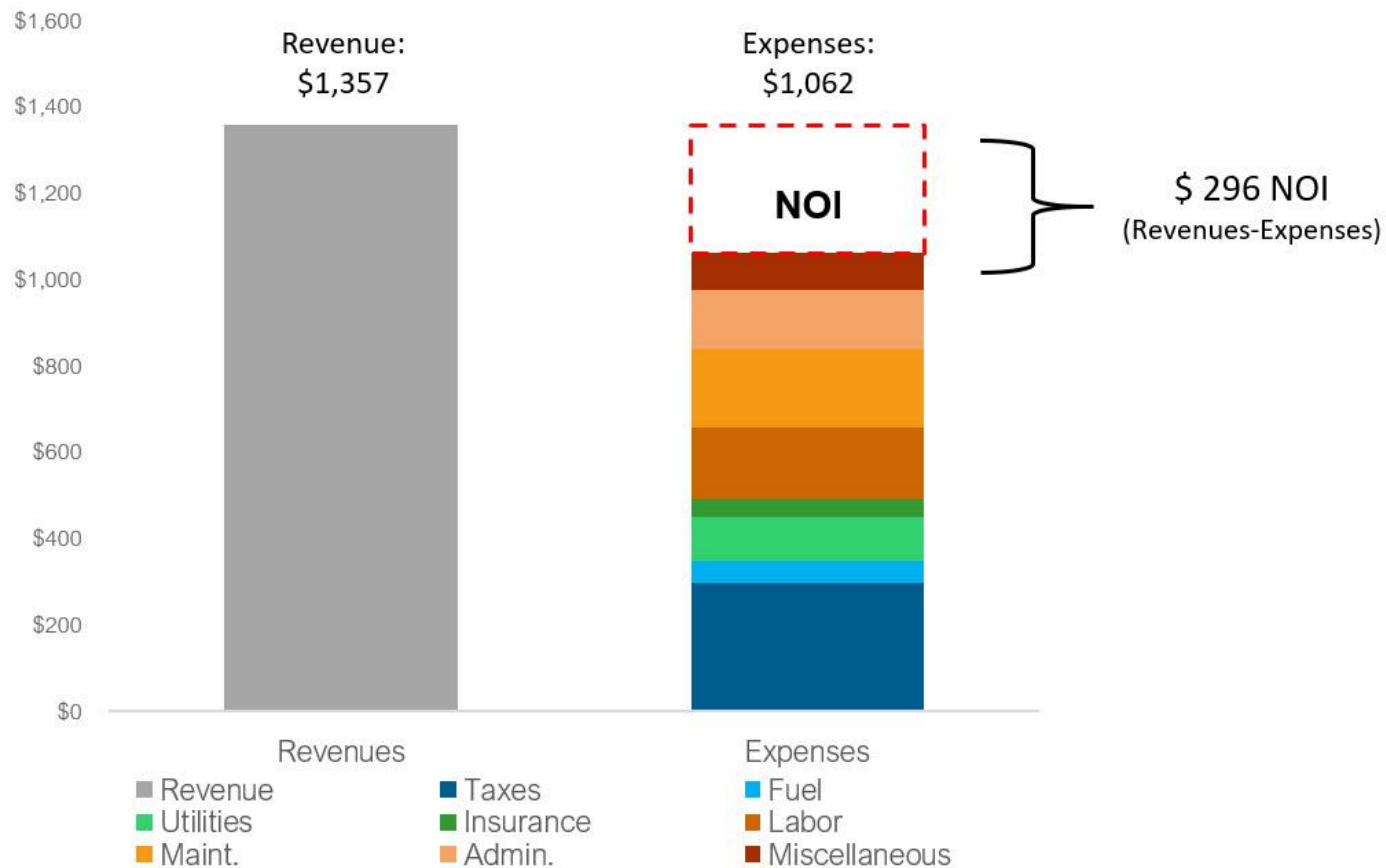
- Built: 1947-1974
- Borough: Queens
- Units: Over 150

This prototype represents 27% of all units in Queens and a similar portion of all units built citywide from 1947-1974.



NET OPERATING INCOME (NOI) IS THE REMAINING REVENUE AFTER BASELINE RGB-CONSIDERED EXPENSES ARE PAID

QUEENS, 1947 - 1974, 150 UNITS OR MORE



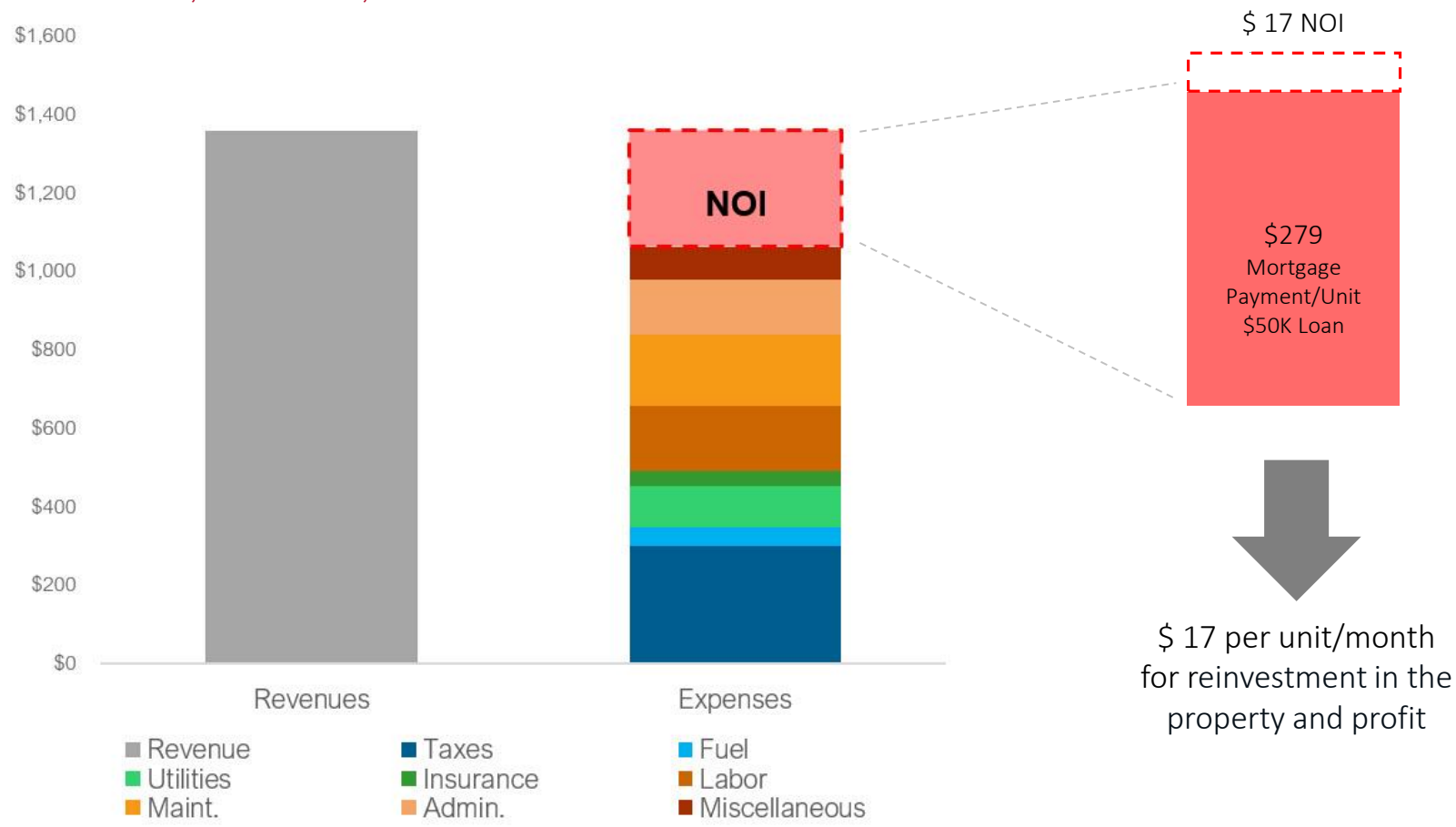
NOI is devoted to three broad uses:

1. Repayment of mortgage or finance costs,
2. Reinvestment in the property; and,
3. Profit.

Queens Building NOI per Unit per Month

ASSUMING LOAN PAYMENTS ON A \$50K /UNIT MORTGAGE, THE REMAINING NET INCOME OF \$17 DOLLARS PER UNIT/MONTH CAN BE DEVOTED TO REINVESTMENT AND PROFIT

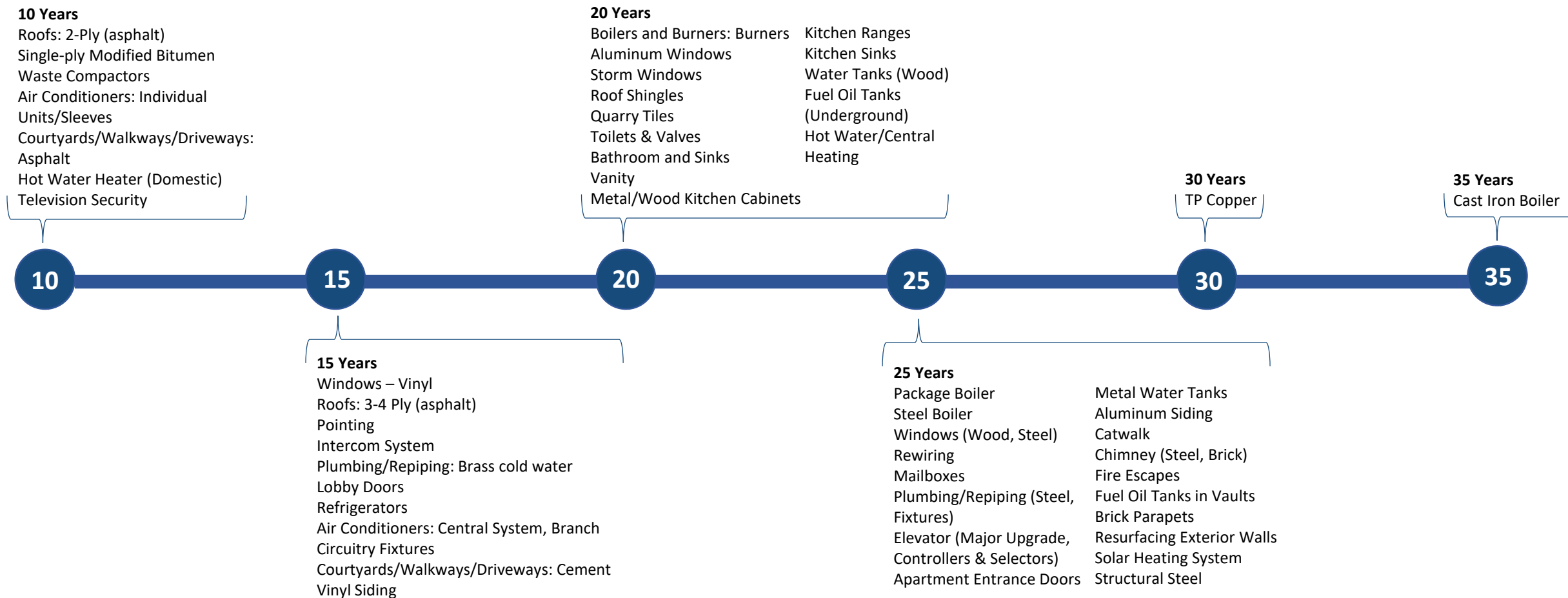
QUEENS, 1947 - 1974, 150 UNITS OR MORE



Queens Building NOI per Unit per Month

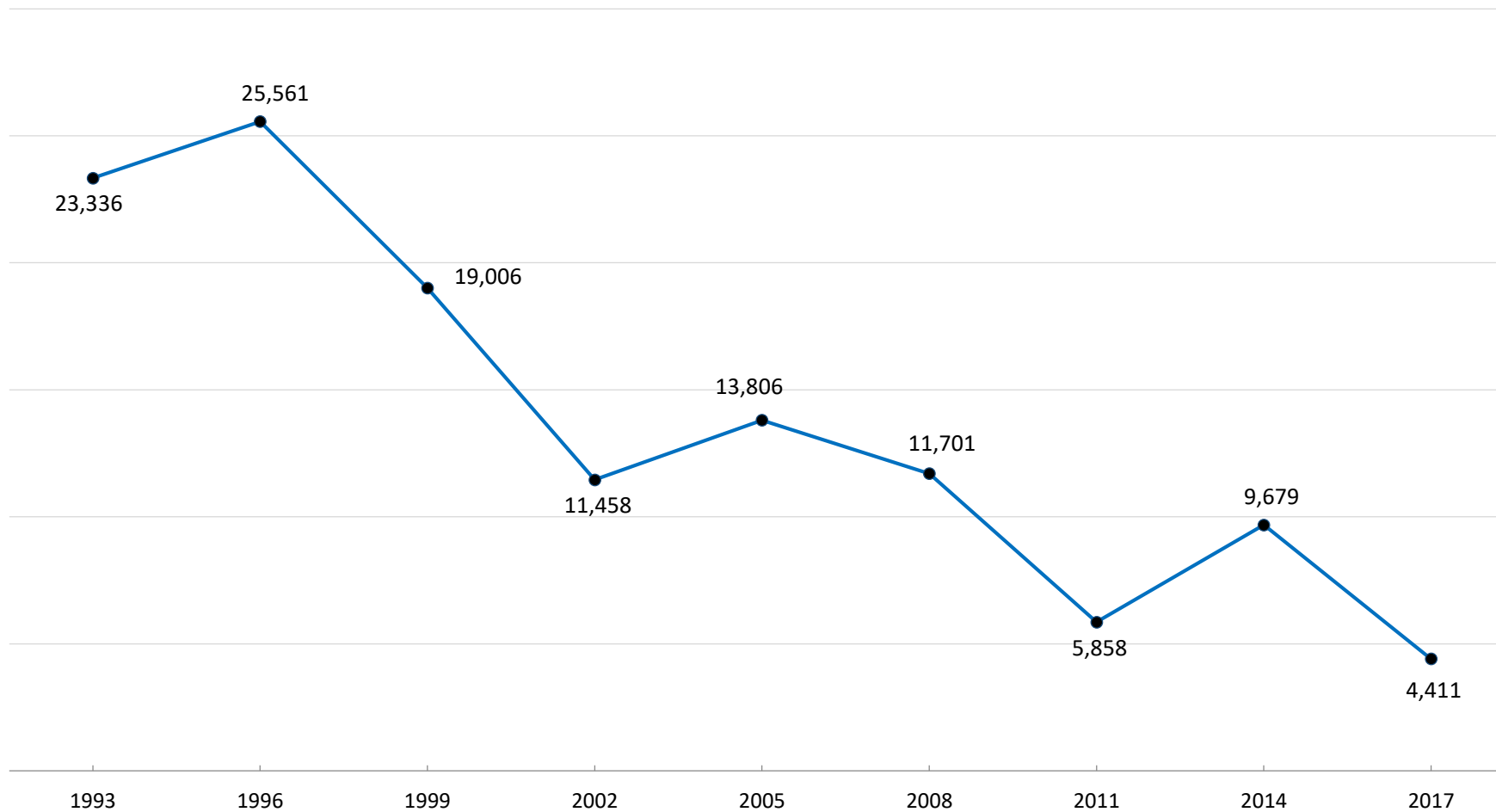
\$ 17 per unit/month for reinvestment in the property and profit

ROOFS, BOILERS, WINDOWS, AND ELECTRICAL SYSTEMS NEED TO BE REPLACED ON A REGULAR BASIS TO MAINTAIN HOUSING QUALITY



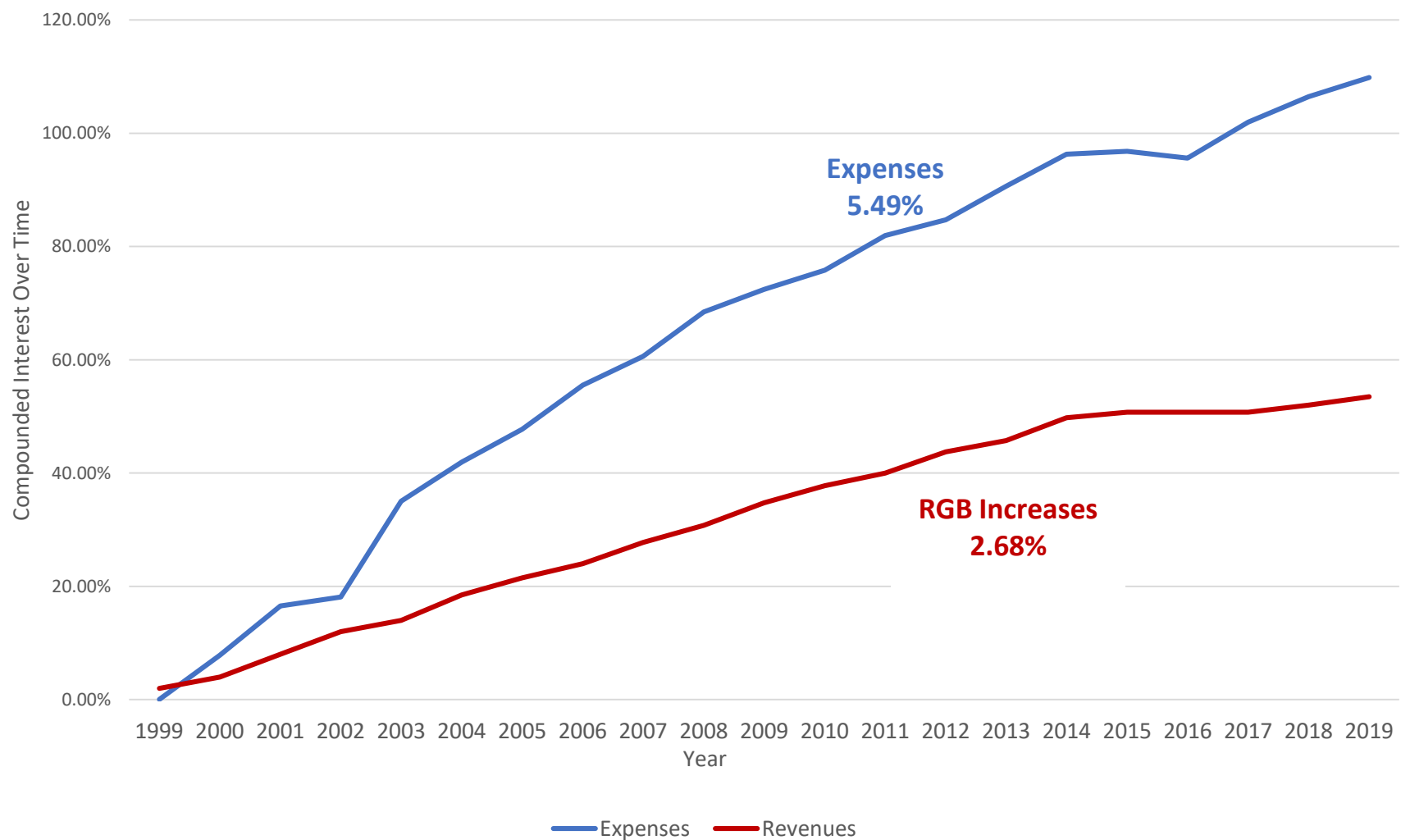
AS A RESULT OF BUILDING INVESTMENT, ONLY 0.2% OF NYC PRIVATE SECTOR HOUSING STOCK IS DILAPIDATED – A HISTORIC LOW

Number of Dilapidated Units: 1993-2017



RGB RENT INCREASES OVER 20 YEARS DON'T MEET ½ OF EXPENSE INCREASES

RGB ALSO DOESN'T ACCOUNT FOR CAPITAL IMPROVEMENTS/DEBT IN ITS CALCULATIONS



CHANGES TO EXISTING POLICIES CONSIDERED IN THIS ANALYSIS

- Elimination of the Decontrol Threshold
- Elimination of the Vacancy Bonus (Allowance)
- Elimination of Major Capital Improvements (MCI)
- Elimination of Individual Apartment Improvements (IAI)
- Make Preferential Rent the Legal Rent

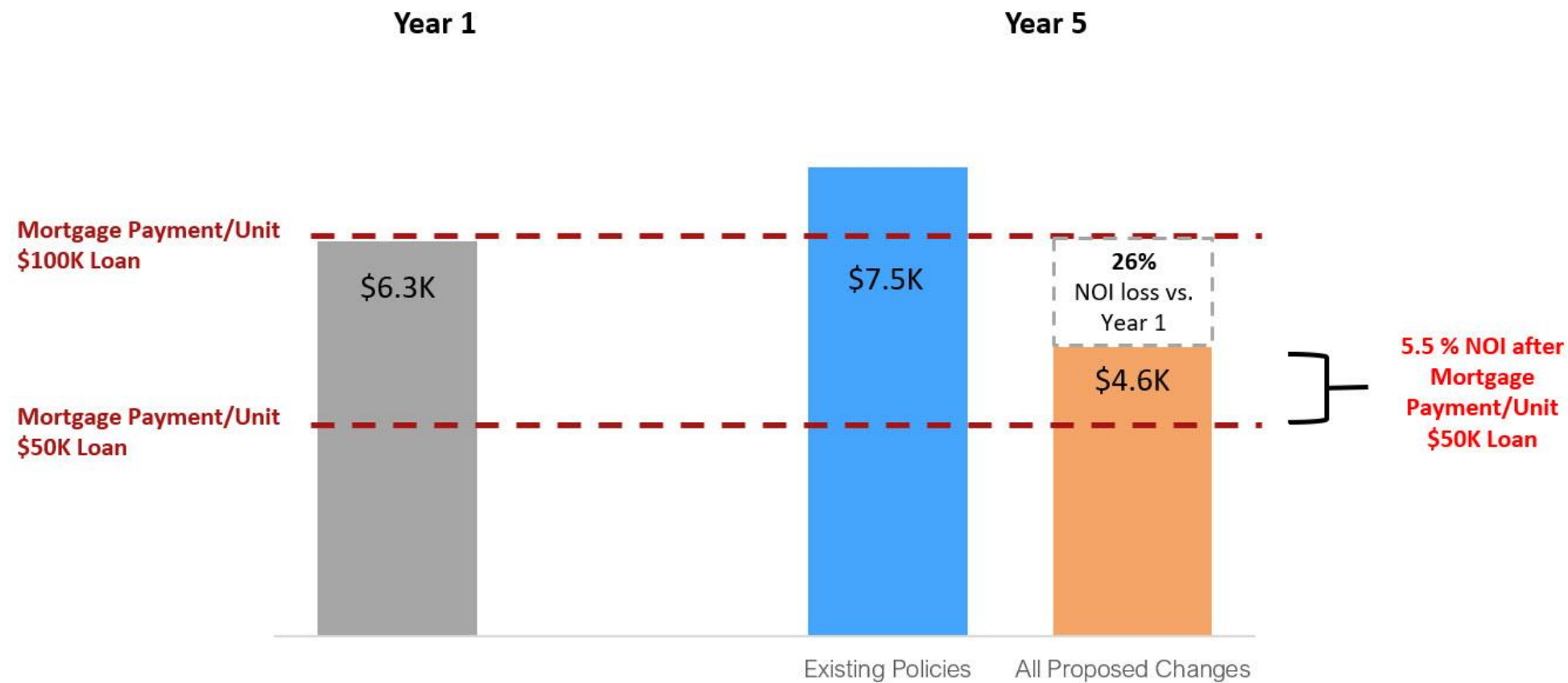
ECONOMIC ANALYSIS OF PROFORMA 1

BRONX, PRE- 1947, 20-99 UNITS



ECONOMIC ANALYSIS OF PROFORMA 2

BROOKLYN, PRE- 1947, 11 UNITS OR LESS



Brooklyn Building NOI per Unit per Year

ECONOMIC ANALYSIS OF PROFORMA 3

QUEENS, 1947 - 1974, 150 UNITS OR MORE



Queens Building NOI per Unit per Year

DECREASES IN NOI RESULT IN FISCAL IMPACT TO PROPERTY TAXES

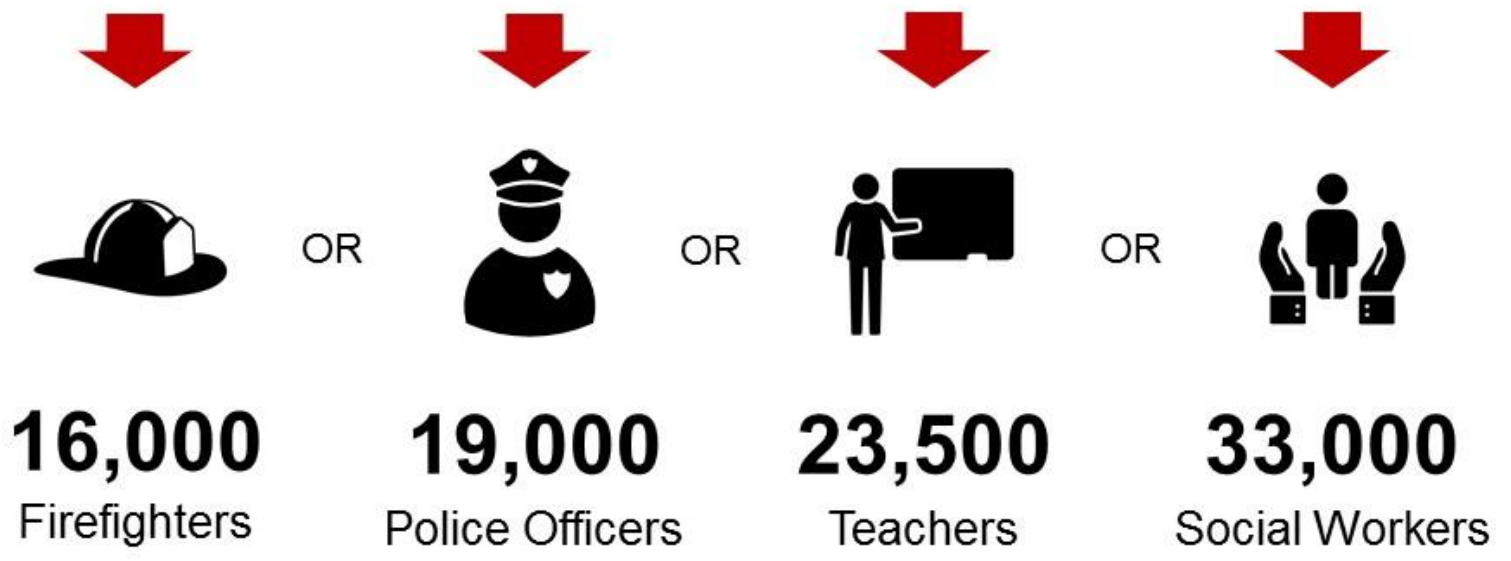
- For every 1% drop in NOI, rent regulated buildings will generate **\$67.3 million less** in property taxes.
- Potential **NOI reduction between 20-30%** for pre-1947 buildings and between **10-20%** for post-1947 buildings by year 5.
- As a result, the property tax revenue generated by the City's rent regulated stock could fall **\$1.3 - \$2 billion** on an annual basis.

FISCAL IMPACTS COULD REDUCE CITY SERVICES

NEW YORK CITY EMPLOYEE COMPENSATION EQUIVALENTS

\$2B

Potential Loss in Property Tax Revenue per year



PROPOSED CHANGES DO NOT INCREASE AFFORDABILITY OR SUPPLY

- Restricting rent increases will not change the limited supply of housing available for low and very low-income households (e.g., 0% vacancy rate for units renting for less than \$500).
- Eliminating multiple funding streams used to maintain buildings will put over **414,000 units at risk within 5 years** for heating outages, vermin infestations, mold and other housing quality issues.
- While portions of the City's housing market are characterized by very low vacancy rates serving households who pay too much income toward rent, the citywide vacancy rate for units renting for more than \$2,775 per month is 7.4%. Higher income, six figure households in NYC have choices.
- Other reforms and tools are needed to address rent burden at lower rents and to increase the supply of housing overall.