



THE CITY OF NEW YORK  
OFFICE OF THE PRESIDENT  
BOROUGH OF MANHATTAN

**BOROUGH PRESIDENT GALE A. BREWER  
TESTIMONY TO THE NYC RENT GUIDELINES BOARD  
JUNE 8, 2015**

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My name is Gale Brewer and I am the Manhattan Borough President. First, I would like to thank Chair Rachel Godsil and all the members of this Board for their dedication, open mindedness and hard work. I also thank you for providing this opportunity to speak to you about my concerns with the issues before you.

There is no question that this City is hemorrhaging affordable, stabilized apartments. The lack of reasonably affordable housing – for all but the wealthiest New Yorkers – has created unbearable pressure on rent stabilized tenants. Manhattan, the borough I represent, is by far the hardest hit. As recently as last week it was pointed out in the Daily News that thousands of currently regulated apartments in five different neighborhoods are only a vacancy increase away from reaching the deregulation threshold. Of the five neighborhoods cited by the News with the highest number of endangered stabilized units, four are located in Manhattan. The loss of so many of the few remaining affordable apartments in Lower Manhattan, Chelsea, East Midtown and Yorkville will leave those neighborhoods devoid of the economic and cultural diversity that is the cornerstone of life in New York City. Of course all rent stabilized apartments in Manhattan are under pressure and with every increase, whether through MCI, lease renewal or vacancy, they are inexorably pushed closer and closer to the cliff of destabilization. While vacancy and other increases – and high rent destabilization itself – is an issue being determined

in Albany, this Board must factor into its decision-making the knowledge that deregulation, and removal from the affordable market, looms over every rent stabilized apartment affected by your decisions. Every percentage of increase you grant moves more units out of affordability.

Without safe, healthy housing that is affordable to a range of poor and working and middle-class New Yorkers, the diversity and character of the city will be lost.

So the decisions made by this Rent Guidelines Board will not only set annual lease renewal increases for the coming year, but in fact deeply impact the future energy and lifeblood of New York City itself.

The mission with which this Board is charged – your very purpose – is to stabilize and attempt to normalize rents within New York City’s distinctly abnormal housing market. Not only do we live during a time of acute and deepening scarcity of affordable housing, but our housing market – often unstable – is undergoing huge waves of change in rent and price levels. It is this Board’s responsibility to balance the rights and interests of tenants with those of the real estate industry. At this time, when the local “market rate” rent actually reflects a world-wide, often highly subsidized and artificially inflated “market,” those able to pay five, ten, even up to twenty five ten thousand dollars a month for a one or two bedroom apartment, rent protection for the city’s long-term working residents, elderly and retired and young artists and entrepreneurs must be a controlling factor in your decision. To protect the vast majority of New Yorkers, who rely on you and on rent regulation for their ability to live and work in this city, you must put the brakes on rents rapidly rising to unaffordability.

I know that this Board has received well substantiated and expert information showing that the history of increases granted to owners over the years have far outpaced the rate necessary

to keep up with any increased expenses. I hope that you will now act to protect tenants from such unfair and unjust treatment.

Members of the Board know that I have called for a rent freeze in every one of the many years that I have testified. The reason I took those positions is because the projected increases to building operation costs calculated under PIOC (Price Index of Operating Costs) were always higher than actual cost increases. And yet the Board has repeatedly voted for rent increases – some years as high as 8% – without ever making the necessary downward adjustments.

This past year, we have seen a 21% decrease in fuel prices, one of the nine components included in determining each year's PIOC, which are based on figures taken from the annual Consumer Price Index. As a result, the PIOC for this year is only 0.5%, and when taking other factors in the revenue equation into consideration, this Board's own professional staff concluded in the 2015 PIOC report that building owners would maintain the same level of profit even if rent levels were to decrease.<sup>1</sup>

Members of my staff have attended all of the Board's public meetings this year in order to build on their existing understanding of New York City's housing climate and overall market conditions in 2015. Housing data and statistics presented by the Board's Executive Director Andrew McLaughlin as well as Net Operating Income (NOI) and Operating and Maintenance (O&M) ratios presented via invited testimony by former Board Executive Director Tim Collins definitively lead to the same conclusion: this Board has, over the years, substantially overcompensated landlords by ordering percentage increases well beyond what was justified due to increased expenses – after adjusting for inflation – even when the economy was struggling and tenants' incomes remained stagnant.

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<sup>1</sup> RGB PIOC Report (2015), p. 13.

Census and American Community Survey data, preliminary Housing Vacancy Survey numbers released by HPD in February 2015, Consumer Price Index statistics, and other data show that landlords would remain financially whole without any additional rent increases, I see it as an obligation of this Board to approve nothing higher than a rent freeze in all categories of this year's Order.

I also urge the Board to adjust the impact of past, inaccurate PIOC calculations. Deficiencies in the PIOC have contributed to this Board's overcompensation of owners over the past 20 years. Tenants and advocates are here today calling for a rent rollback of 1.5% for one-year lease renewals and a zero increase for two-year renewals. Their call is justified and is well supported by the O&M numbers that were presented to the Board during the April hearings. I stand in solidarity with the tenants to ask the Board to recognize that, in light of its mission to seek fairness for all parties, in light of the evidence of substantial historic overcompensation of owners, and in light of evidence that the current operating income will not be impacted by an adjustment in favor of affordability, it is time to enact a rent rollback.

I hope that you also will take into consideration, when coming to your determination, that where a building contains a mixture of both stabilized and market rate renters, as we have in Manhattan where so many apartments have been deregulated and are renting at market rates, that the owner's profit rate is not dependent on percentage increases – or decreases – in stabilized units. Also consider the many buildings that are coops, with remaining rent regulated units, giving the building added revenues from sales.

I also urge the Board, in making its decision, to consider the effect of its actions, not only on future apartment affordability, but on units where stabilization is limited to the current tenancy. For many of these households, rent regulation is the last layer of protection from

displacement and major life disruption, including homelessness. I refer to those households in former Mitchell-Lama developments remaining in their homes through LAP (Landlord Assistance Program) agreements, whose rents are increased pursuant to this Board's increase orders. I also refer to the thousands of renters living in 421-a subsidized buildings, whose rents after the tax subsidy expires will remain stabilized only as long as they can afford to stay in their apartments. I also refer to the thousands of non-purchasing tenants in co-op buildings, whose rents also remain stabilized as long as they can afford to remain in their homes. By slowing the rise of stabilized rents, the Board can extend the affordability life of these units.

Finally, I want to thank the Board for taking the position of maintaining a rent freeze on all SRO buildings. SRO units are home to many of the city's most vulnerable low-income tenants who cannot bear any rent increases. The Board's decision will help protect the diminishing supply of SRO housing.

To summarize: I urge the Board to extend nothing higher than a rent freeze for all lease renewals. I also urge the Board to seriously consider the well substantiated call by tenants and advocates alike to approve a rent rollback for 2015-2016.

Thank you very much for your time and consideration.