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Gale A. Brewer, Borough President

**Gale A. Brewer, Manhattan Borough President
Testimony before the New York City Rent Guidelines Board
June 19, 2018**

My name is Gale A. Brewer and I am the Manhattan Borough President. Thank you, Chair Roberts and the members of the Rent Guidelines Board, for the opportunity to testify before you this afternoon and for all your hard work as members of this Board.

I thank the Board for rent freezes and a minimal increase over the past three years. I urge you to once again consider the full impact of even a small increase, as well as the continued loss of affordable and regulated housing, as you make your determinations for the year to come.

It is my understanding that this Board held a preliminary vote in which you decided to increase rents between 0.75% and 2.75% for one-year lease renewals, and 1.75% and 3.75% for two-year lease renewals. Although these proposed increases fall below what the owners and their representatives are demanding, they would exacerbate the inequality that years of high increases throughout the 2000s had benefited owners to the detriment of low-income tenants.

PIOC data calculated by Rent Guidelines Board staff indicate that operating costs have risen slightly. If this information is considered in isolation, then your proposed increases would make sense. However, the cumulative impact of past increases over the years cannot be isolated from other factors that continue to drive up housing costs, nor should the cumulative benefits that owners have received be dismissed in favor of one year's small rise in operating costs.

The purpose of this Board, and the Rent Stabilization Law, is to balance the competing interests of owners and tenants with the goal of helping preserve affordable housing stock in the face of the market forces of New York real estate, an international and speculative market that is unlike any housing market elsewhere. No matter the circumstances of the market, average, working New Yorkers need places to live, raise their families, and call home. It is thus the Board's duty to ensure that tenants' voices are heard and their interests protected, and to prevent them from becoming pawns of New York's rising market.

The last three Guideline Orders issued by this Board, numbers 46, 47 and 48, were partly a result of the understanding by the Board that, not only had operational costs gone down, but owners had been grossly overcompensated by guidelines increases over the previous two decades. Even with stabilization, rents were rising beyond the ability of many working families to pay, resulting in loss of homes, doubling up, homelessness and decreases in the affordable housing stock. We had hoped that the zero, zero and one percent increases for one-year lease renewals in the last three Guidelines Orders would have slowed down the skyrocketing of stabilized rents.

We now know that the rent freezes and low increases did not in fact stop the rise in stabilized rents and the loss of affordable housing. The 2017 Housing and Vacancy Survey reports that the median rent for post-war stabilized units increased 4.5% since 2014. Continued rent increases most heavily impact working and poor households in New York City. 2016 data compiled by the NYU Furman Center show that, in Manhattan, nearly one-quarter of all rental households are severely rent burdened — meaning these households pay more than 50% of their annual income toward rent. Rent burden is more pronounced among poorer families. In

Manhattan, nearly 45% of low-income households are severely rent burdened in 2016 (State of NY Housing & Neighborhoods 2017, NYU Furman Center).

Increases continue to result in families losing their homes and the city losing affordable housing. According to this Board's own report on New York City housing stock, in 2017 alone, the city lost 3,517 apartments to high rent vacancy deregulation, 26% more than in 2016.

The question is: how is this happening in light of the Board's recent rent freezes and 1% increase, and why is it important that this Board take these facts into consideration? As I noted earlier, it is the responsibility of this Board to balance the various factors impacting rents and the stability of housing in the city. It is clear to all of us who work with tenants, and who care about stability of neighborhoods, affordable housing, and curbing the increase in homelessness, that parts of the Rent Stabilization Law itself and the system as it is used by owners have enormous impact on rising rents and the loss of affordable housing. Rents are being pushed higher and higher by MCIs — often multiple MCIs in one building — and vacancy increases, which combined with individual apartment improvement increases move thousands of apartments each year toward high rent destabilization, and unaffordability.

This is important information for the Board to consider. The minor increase in alleged owner expenses should be tempered by the knowledge that, even when the increases given by this Board were small or zero, rents increased substantially. Please take this into consideration when balancing the needs of tenants to be able to remain in their homes against greater profits for landlords.

Every day, my staff and I see the impact that MCIs have on tenants. This year, our staff met with Mr. G, a long-term tenant from the Upper West Side. When he first saw a \$166 hike in his monthly rent, he didn't believe that the increase was possible. He was a rent-stabilized tenant,

he reasoned, so his rent could not have gone up so steeply in a single year. But the next rent bill came, then the next, and after years of ignoring what he viewed as illegal charges, Mr. G had accumulated over \$20,000 in rental arrears. By the time Mr. G sought help, staff at my office had to explain MCI to him and that it was legal. He is now contesting the MCI with DHCR.

Mr. G lives in a 20-story building with 140 units. We know that over \$20,000 has been charged to his unit alone for one MCI over the past years. Multiply this across 140 units over the same period of time, and we can estimate that the owner netted a return for a one-time capital improvement at over \$2.5 million. This Board understands fully that landlords apply, legally, your annual rent determinations on top of MCI increases that have been incorporated into base rents. It is imperative that MCIs are acknowledged as the veiled, extra rental income that they are, long after any capital improvement investment has been repaid in full. And that they play a significant role in rents rising beyond affordability for many tenants.

When rent increases outpace wage and salary increases, tenants who can no longer afford their rent end up losing their apartments. Unlikely to find another stabilized apartment (the 2017 vacancy rate for stabilized units is only 2.06%) and unable to afford a market rate unit, these tenants have few options available to them: double or triple up with other families in overcrowded apartments, foregoing other life essentials such as medicine or food to cover rent, move outside of New York City which carries the risk of losing their jobs due to distance or other disruptions from the relocation, or become homeless.

Ms. S also sought help from my office, distraught that her landlord was illegally increasing her rent. After looking through her documents, my staff discovered that her triple-digit rent increase was due to an MCI. Fearing that she would never find another stabilized apartment, Ms. S chose to stay, but is now severely rent burdened, paying over half of her gross

income toward rent. She is afraid that the day will soon come when she can no longer afford her apartment.

As I pointed out earlier, the cumulative compensation that this Board has granted to landlords over the past two decades far outpaces the calculated net operating expenses for buildings. Additionally, each MCI payment beyond the landlord's recuperation of capital expenses constitutes another kind of over-compensation. I firmly believe that tenants are still owed many more years of rent freeze in order to be made whole. However, in light of the range of increases that this Board has proposed, I urge you to vote for the lowest rent increase for both one-year and two-year lease renewals.

Finally, I thank the Board for maintaining SRO rents at the level of 0% increase for another year, which extends protection to this particularly vulnerable population of rent-stabilized tenants.

I ask that each of the Board determinations also reflect the full impact of the "multiplier effect" by which even small percentage increases contribute to deep reductions in housing affordability.