



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

1 Centre Street, 19th floor, New York, NY 10007
(212) 669-8300 p (212) 669-4306 f
431 West 125th Street, New York, NY 10027
(212) 531-1609 p (212) 531-4615 f
www.manhattanbp.nyc.gov

Gale A. Brewer, Borough President

Gale A. Brewer, Manhattan Borough President Testimony before the New York City Rent Guidelines Board June 20, 2019

My name is Gale Brewer, and I am the Manhattan Borough President. Thank you to Chair Reiss and members of the New York City Rent Guidelines Board for the opportunity to testify this evening on the proposed rent increase guidelines for 2019-2020 lease renewals.

I represent tenants who live in approximately 260,000 rent-regulated units in over 14,000 buildings in Manhattan. The bad news is, I stand here today representing 790 fewer rent-regulated units in Manhattan than in 2018, since not enough rent stabilized units were added over the past year to make up for the 3,873 units that lost stabilization status in 2018. The good news is, with the recent rent law reform, I am hopeful that this is the last year I will say Manhattan has lost more regulated units than it gained.

This year's rent determination hearings straddle the passing of rent regulation legislation in Albany. Between the Board's first public hearing in the Bronx on June 11 and today, the State legislature has passed, and Governor Cuomo has signed, the "Housing Stability and Tenant Protection Act of 2019." The package of Rent Stabilization Law reforms signals our State leaders' acknowledgement that the historic erosion of tenant protection was due for a major course correction. Similarly, I come before the Board today urging you to take the right action to correct the historic overcompensation for building owners going back to more than 20 years.

In his expert testimony on April 25, 2019, former Rent Guidelines Board Executive Director Timothy Collins meticulously calculated inflation-adjusted Net Operating Income (NOI) increases that the Board authorized between 1990 and 2017. During this period, the cumulative NOI increase was 53.1%, which translated into a 33.4% overcompensation for building owners above the threshold at which their finances would have been kept "whole."¹ I trust that you have given Mr. Collins' testimony considerable thought, but in light of recent rent law legislation, I must point out that Mr. Collins' NOI calculation does *not* include any income stream other than rent collected from tenants, thus excluding, in his words, "rising owner income through statutory deregulation, major capital improvements, individual apartment increases and other sources of increasing income."

¹ Collins calculated that cumulative increases from 1990 to 2017 of 166.15% would have kept owners whole. Instead, the Board has authorized cumulative increases of 199.55% over the same period of time.

To put it simply: owners have been overcompensated based only on the Rent Guideline Boards' rent increase orders over the past 27 years, *without* the need to rely on added income from MCIs, IAIs, high-rent vacancy deregulation, and other measures that Albany has just eliminated or more tightly regulated.

The Board will no doubt receive testimonies tonight asking for a higher rent determination because building owners can no longer rely on MCIs and IAIs to permanently support their building maintenance expenses. This is a misrepresentation of building owners' duties. Building operating expenses under the NYC Department of Finance's real property income and expense (RPIE) worksheet has a "repairs and maintenance" classification that covers a long list of items such as boiler repairs, hall maintenance, elevator and stairwell maintenance, and electrical systems repair.² These are expected expenditures to keep a building in good condition—a landlord's basic responsibilities. Coupling this with Mr. Collins' finding that building owners have been historically overcompensated, the Board must, at the very least, make your determination apart from any consideration of potential loss of MCI and IAI income.

I also want to point out that the Board's rent determination this year will impact a particularly financially burdened segment of renters that have faced the most relentless rent increases over the past decades—rent controlled tenants.

Ms. A is an elderly Holocaust survivor who has lived in her rent controlled apartment for over 50 years. When Ms. A sought help from my office, my staff calculated that her rent had increased by more than 17% between 2015 and 2018, with an additional 7.5% increase for 2019. Until last week, increases for rent controlled units are calculated through a complicated system of Maximum Base Rents, Maximum Collectible Rents, and Fuel Cost Adjustments that almost always resulted in an annual increase of 7.5%. Now that recent Albany legislation has changed rent-controlled increases to the average of the past five years of the Rent Guideline Board's one-year renewal determinations, your decision for 2019-2020 will contribute to whether rent-controlled tenants such as Ms. A can continue to remain in their homes.

In light of the Board's ongoing responsibility to ensure neither building owners nor tenants are unduly burdened, I urge you to do your part to continue the course correction of past increases that has heavily favored building owners. I call on the Board to enact the lowest proposed increases of 0.5% increase for one-year lease renewals and 1.5% increase for two-year lease renewals.

Finally, I commend the Board for proposing a 0% increase for Single-Room Occupancy (SRO) units and continuing to protect this most vulnerable segment of New York City's renters.

Thank you for your consideration.

² See https://www1.nyc.gov/assets/finance/downloads/pdf/rpie/2018_forms/rpie-2018_worksheet.pdf for eligible repairs and maintenance items, pp. 12-13.