



NEW YORK STATE SENATOR

Liz Krueger

Senator Liz Krueger Emphasizes Need for Overhaul of “Flawed & Archaic” Mbr System

LIZ KRUEGER March 9, 2006

New York, NY – State Senator Liz Krueger (D-Manhattan) submitted testimony today before the New York State Department of Housing & Community Renewal (DHCR) regarding the proposed Standard Adjustment Factor (SAF) for the 2006/2007 Maximum Base Rent (MBR) cycle. "A SAF of 8.2% would be devastating for the tens of thousands of elderly low- and moderate-income rent controlled tenants in New York City," stated Senator Krueger.

"According to the 2005 Housing and Vacancy Survey, rent controlled tenants maintain the lowest average income of any group of renters in the city, earning a median household income of only \$22,200 in 2004."

"The vast majority of rent controlled tenants, who have a median age of 70 and on average already pay a greater percentage of their incomes for housing than any other group of residents, do not have incomes that have been able to keep pace with previous rent increases of 7.5% a year," continued Senator Krueger. "I fear that a SAF of 8.2% will make it impossible for many rent controlled tenants to pay for essential goods, and will place many of our city's most vulnerable residents in danger of eviction."

The SAF formula, which was designed to attempt to measure and compensate owners changes in their operating costs, has not been updated since the NYC Council originally created it in 1970. DHCR contends it has no power to change the MBR system and that it is simply implementing a mathematical formula that is codified in law. However, Senator Krueger pointed out that DHCR has the ability to “take a number of important administrative steps to lessen the burden on rent regulated tenants.” One such suggestion is to conduct frequent audits on the books and financial records kept by owners relating to the operation of their buildings, and to alter the SAF formula if there are significant variations between the formula and the actual costs. The NYC Administrative Code states that owners’ books must be made available to the administering agency at least once every three years, a power DHCR has never chosen to utilize. Senator Krueger also stressed that DHCR should immediately eliminate self-certification by landlords of their expenses and of clearing rent-impairing violations.

“The market and legislative changes which have occurred since the creation of the MBR system, coupled with the fact that the system has never been administered as its founders intended, have entirely undermined the legislative intent of the law,” remarked Senator Krueger. “The MBR system was designed in 1970 for a rental market in which there were over one million rent controlled apartments, vacancy decontrol did not exist, New York City controlled all of its own rent regulation laws, inflation was high and the market value of most properties was comparably low. The reality in 2006 is clearly very different.”