



NEW YORK STATE SENATOR

Thomas K. Duane

Senator Thomas K. Duane 2009 Rent Guidelines Board Testimony

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Testimony By New York State Senator Thomas K. Duane Before The New York City Rent Guidelines Board Hearing On Proposed Rent Increases

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My name is Thomas K. Duane and I represent New York State's 29th Senate District, which includes the Upper West Side, Hell's Kitchen, Greenwich Village, Chelsea, and parts of the East Side, including the East Village, Stuyvesant Town, Peter Cooper Village and Waterside Plaza. This mixed-income district is composed largely of tenants, thousands of them rent-stabilized, many of whom already allocate too high a percentage of their incomes to pay their rent. Thank you for this opportunity to present testimony before the New York City Rent Guidelines Board (RGB) on its proposed rent increases for the approximately one million apartments that remain subject to the New York City Rent Stabilization Law.

I am dismayed that the RGB is even considering rent increases of 2% to 4.5% for one-year lease renewals and 4% to 7.5% for two year lease renewals in light of the current economic

climate and the steady rent increases the RGB has approved in years past. Passing additional financial burdens onto tenants, many of whom are still reeling from prior increases, would be an unfair and unnecessary hardship, particularly when the RGB's own yearly Income and Expense Studies from 2007 to 2009 have shown landlords' net operating income has increased 1.9 %, 8.8% and 9.3% respectively.

As you know, these are especially difficult times for New York's working people. In his Fiscal Year 2010 Executive Budget released on May 1, 2009, Mayor Bloomberg forecast that the City will lose 328,000 jobs during this recession and stated that 105,000 jobs had already been lost since August 2008. In his testimony last month before the RGB, James Parrot, Deputy Director and Chief Economist of the Fiscal Policy Institute, noted that the City unemployment rate has risen to 8.2% while real median wages fell by 3.5% from 2001 to 2008 and the median household income for renters, adjusted for inflation, fell by 4.2% from 2001 to 2007. According to U.S. Representative Anthony Weiner, federal census data shows that more than a quarter of New York City renters are spending 50% or more of their income on housing. New York's rent regulated tenants simply cannot afford another rent increase under these circumstances.

The RGB has historically justified annual rent increases by citing its Price Index of Operating Costs ("Price Index"). This year's Price Index found that operating costs for rent-stabilized buildings increased by 4% in the past year – down from 7.8% in 2008. However, as I noted in my testimony before you last year, the Price Index measures changes in the cost of items landlords typically purchase to run their buildings, rather than actual expenditures, and it contains no information about the incomes landlords collect. As a result, it is misleading and is not an appropriate tool to use to justify rent increases.

A more meaningful report is the RGB's annual Income and Expense Study because it shows landlords' net operating income. The RGB's 2009 Income and Expense Study shows that even

while landlords' operating costs increased by 5.2% over the prior year, their rental income increased by 6.5% and net operating income increased 9.3%.

Last year, the RGB ignored its Income and Expense study, which showed landlords' net operating income had increased 8.8%, and passed its highest rent increases in twenty years: 4.5% for one-year lease renewals and 8.5% for two-year lease renewals. This exposes the degree to which the system is skewed against tenants. Indeed this fundamental anti-tenant bias is one of the reasons New York State Assemblymember George Latimer and I have introduced and are committed to passing a Rent Board Reform bill that would revamp the method of establishing rent adjustments for rent regulated apartments in New York City and suburban counties.

While we continue to press for passage of this legislation, it behooves the RGB to reject rent increases that serve only to enhance landlord profits and further destabilize New York City's affordable housing stock. As you all are very much aware, New York continues to be in a housing crisis with our affordable housing stock rapidly dwindling in the midst of the worst economic downturn since the 1930s. According to the RGB report entitled, "Changes to the Rent Stabilized Housing Stock in New York City in 2008," there was a net decrease of 8,267 rent-stabilized apartments throughout the five boroughs last year – over 3,000 more units than were lost in 2007. The report cites Division of Housing and Community Renewal (DHCR) rent registration records that indicate 12,800 units were deregulated in 2008 because of the vacancy decontrol law, an alarming increase of about 24% from 10,342 in 2007. Furthermore, loopholes in State law, including allowances for phony demolitions and owner occupancy scams, have allowed countless landlords to empty buildings of rent-regulated tenants whose former homes became fair game for exorbitant, non-regulated rents.

The RGB is meant to determine rent adjustments based on the relative cost of maintaining and financing buildings, the available housing supply as defined by the vacancy rate, and the

cost of living. If the Board bases its decision on these standards – and I strongly urge it to do so – it will impose a freeze on rents for all rent regulated apartments as well as for lofts, hotels, rooming houses, single room occupancy (SRO) buildings and lodging houses. Given all the facts, the only acceptable outcome of this Board's vote is no rent increases.

Thank you for your consideration of my remarks.