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**Testimony of New York State Senator Brad Hoylman before the  
New York State Division of Housing and Community Renewal  
Regarding the Preliminary Standard Adjustment Factor  
for the 2014/2015 Maximum Base Rent Cycle**

November 22, 2013

Thank you Commissioner Towns for the opportunity to testify. I represent New York State's 27th Senate District, which includes the neighborhoods of Clinton/Hell's Kitchen, Chelsea, Greenwich Village, Upper West Side, Midtown/East Midtown, East Village and Lower East Side. This mixed-income district is composed largely of tenants, many of whom are rent controlled, in countless small rental buildings as well as iconic rental complexes, including Stuyvesant Town-Peter Cooper Village, London Terrace Gardens, Westbeth and Phipps Plaza. As such, the preliminary Standard Adjustment Factor (SAF) affects many of my constituents.

The preliminary SAF of 8.3% for the 2014/15 cycle will have a significant impact on the lives of over 38,000 rent controlled tenants who have the lowest median household income of any renter group in the City and are among the least able to afford further rent increases. Last year, it was reported that the number of homeless individuals over the age of 55 has skyrocketed by 55% over the previous 10 years. I believe that rising housing costs are forcing too many vulnerable seniors – who comprise the majority of rent-controlled tenants – out of their homes.

The current Maximum Base Rent (MBR) formula, designed over 40 years ago, is deeply flawed and skewed in landlords' favor. It takes into account landlord costs but not landlord income with the exception of "commercial income" in a few of the buildings sampled. Furthermore, as landlords improve their buildings -- usually through Major Capital Improvements, which are more than paid for over time by tenants -- or are able to decontrol units within their buildings, for which they can charge market rate rents, the assessed value of the buildings rise. As a result, the SAF and rents are driven ever higher. This compounding of rent increases was never envisioned when the SAF formula was created, and is reflective of a broken system.

I believe there should be a rent freeze that due to the escalating costs of housing and the year-after-year increases in landlord profits. I understand the SAF formula is set by statute, however, currently the law states that landlords must certify that 90% of the MBR increase will be put back into the operating and maintenance cost of their buildings. Until the MBR system can be ended, I urge the Division of Housing and Community Renewal to fully enforce the existing rules by inspecting the books of all landlords seeking increases and denying increases to those that do not meet this burden.

I wish to note that, I co-sponsor legislation (S.1815), introduced by Senator Espaillat, which among other provisions would end the MBR program, end the fuel cost pass along and the labor cost pass along, as well as place rent-controlled apartments under the jurisdiction of their local Rent Guidelines Board for the purpose of determining annual rent adjustments. I will continue to fight for these common sense reforms that will render the SAF moot and help equalize the balance of power between landlords and tenants.

Thank you for the opportunity to testify before you today.