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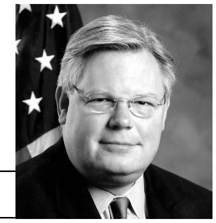
SENATOR THOMAS K. DUANE



29th SENATORIAL DISTRICT · NEW YORK STATE SENATE

TESTIMONY OF STATE SENATOR THOMAS K. DUANE BEFORE THE NEW YORK CITY RENT GUIDELINES BOARD HEARING ON PROPOSED RENT INCREASES

June 20, 2011

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, the East Side, 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).

Given the continuing toll the recent economic recession has taken on average New Yorkers and the steady rent increases the RGB has annually approved, I am dismayed that the RGB is even considering rent increases of 3% - 5.75% for one year lease renewals and 6% - 9% for two year lease renewals.

While Wall Street has had a resurgence, and corporate profits hit an all-time high at the end 2010, New York's working people, who, along with those on fixed incomes, make up the majority of rent regulated tenants, continue to struggle. A December 2010 report by the Fiscal Policy Institute found that from 1990 to 2007, "Wall Street pay more than doubled and the wealthiest five percent of the City's population nearly doubled their share of total income, increasing from 30 percent to 58 percent." However, the study found that over the same period, real median hourly wages increased by less than one percent. Furthermore, a separate Fiscal Policy Institute analysis of Economic Policy Institute Current Population Survey Data from 1990 to 2010 found that over the past 20 years, real wages for New York City's low-wage workers have dropped, despite the fact that these workers' education levels have risen.

According to the most recent New York City Housing and Vacancy Survey, conducted every three years by the U.S. Census Bureau at the request of the City of New York, the median income of households in rent-controlled units in 2007 was $24,000 and the median income of households in rent-stabilized units was $36,000. Moreover, housing costs constitute a huge percentage of these tenants' income. The same survey found that in 2007, 80% of low-income renters were paying more than 30% of their income on rent, and nearly half were paying more than 50%. And according to New York State Comptroller Thomas DiNapoli's recent report, "Affordable Housing in New York City," in 2009, 43.5 percent of New York City rental households overall devoted more than 30% of their incomes toward rent and 24% paid more than 50% of their incomes for rent.

Under these circumstances, New York's rent regulated tenants simply cannot afford another rent increase. In fact, passing additional financial burdens onto tenants, many of whom are still reeling from prior increases, would be an unfair and unnecessary hardship, particularly given that the RGB's own 2011 Income and Expense Study shows that landlords' operating costs from 2008-2009 increased by only 0.1% while Net Operating Income increased by 5.8%.

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 6.1% in 2011 – up from 3.4% in 2010, and 4% in 2009. However, as I have noted in my testimony before you in previous years, 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 income landlords collect from tenants.

A more meaningful RGB report is the aforementioned Income and Expense Study. It shows landlords' income after all operating and maintenance expenses are paid – the Net Operating Income, which the 2011 report itself notes is "the surrogate measure for profit." Last year, the RGB ignored its Income and Expense study, which showed that from 2007-2008, landlords' Net Operating Income had increased 5.8% after adjusting for inflation, and the RGB passed increases of 2.25% for one-year lease renewals and 4.5% for two-year lease renewals. This discrepancy exposes the degree to which the system is skewed against tenants. Indeed, this fundamental anti-tenant bias is a key reason that New York State Assemblymember George Latimer and I have, for the past four years, introduced and pressed for passage of the Rent Board Reform Bill, which would revamp the method of establishing rent adjustments for rent regulated apartments in New York City and suburban counties.

Flaws in the current system notwithstanding, 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 as our affordable housing stock rapidly dwindles in the midst of the worst economic downturn since the 1930s. According to the RGB's own report, "Changes to the Rent Stabilized Housing Stock in New York City in 2010," there was a net estimated loss of 4,560 rent stabilized units in 2010. In fact, the New York State Division of Housing and Community Renewal's rent registration records, which the RGB's report cites, indicate that 12,911 units were deregulated in 2010 under the High Rent/Vacancy Decontrol provision. Between the years of 1994 and 2010, DHCR records indicate that 110,295 units were deregulated due to High Rent/Vacancy Decontrol and 75% of these deregulations occurred in Manhattan. The citywide vacancy rate has dropped to 2.91%, legally constituting a housing emergency. Furthermore, loopholes in State law, including allowances for phony demolitions and owner occupancy scams, have allowed countless other units to be deregulated.

Year after year the RGB's own statistics do not support the landlords' primary argument that increased rents are necessary to meet increased operating costs. This year, that argument is particularly absurd as operating costs have remained practically the same. Rent regulations have been stripped away and landlords' profits have been consistently rising in the last ten years. An honest assessment of the real numbers shows not only that landlords can afford – and will still profit from – rents remaining constant, but also that most regulated tenants cannot afford any rent increases.

By law, 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 RGB 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 buildings and lodging houses. Given all the facts, this is the only acceptable outcome.

Thank you for your consideration of my remarks.