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TESTIMONY OF STATE SENATOR LIZ KRUEGER BEFORE THE NEW YORK CITY RENT GUIDELINES BOARD REGARDING PROPOSED RENT INCREASES JUNE 14, 2023

My name is Liz Krueger and I represent the 28th Senate District, which includes the Upper East Side, Roosevelt Island, Gramercy/FlatIron/Chelsea, and Midtown areas of Manhattan. I want to thank you for providing me an opportunity to submit testimony on the range of proposed rent increases for rent-stabilized tenants: anywhere from 2% to 5% for one-year leases and 4% to 7% for two-year leases.

Even if the rent increases ultimately approved are at the low end of the proposed ranges, I have serious concerns about what this decision would mean for the more than 1 million low-, moderate, and middle-income rent-stabilized tenants in New York City who already are facing unprecedented rent burdens. Over the past three decades, the Rent Guidelines Board (RGB) has approved rent increases that dramatically outpaced both building owners' expenses and tenants' incomes. I fear that a drastic increase will lead to further hardships, and evictions, for tens of thousands of households who are already having great difficulty paying their current rents. The impacts of a high increase on seniors, the disabled, and other vulnerable New Yorkers on fixed incomes would be especially grave.

I strongly encourage the Board to reconsider its preliminary vote and to enact significantly lower guidelines. Such a decision would be entirely consistent with the legislative mandate and jurisdiction of the RGB, which was established in 1969 to set rent guidelines that counteract the effects of an acute housing shortage. We are in the midst of a housing crisis—according to the 2021 Housing and Vacancy Survey, the citywide vacancy rate for all rental apartments was 4.54%. However, the vacancy rates for apartments affordable to low and moderate-income households were even lower: 0.86% for apartments renting for less than $900 per month and 0.93% for apartments renting for between $1,000 and $1,500 per month. Economists have repeatedly determined that a vacancy rate of less than 5% creates abnormal market conditions. Free market conditions and the rules of supply and demand do not apply to the New York City rental market. The RGB's mission is to construct or stimulate "normal" or "fair" rent levels in a market driven by chronic scarcity and instability.

Why a Minimal Rent Increase is Appropriate This Year

While it is reasonable to expect tenants and building owners to share the burden of increased operating expenses, this burden must be shared equitably. It is unconscionable for building owners in one of the most profitable economic sectors of our economy to pass all of their expenses on rent-stabilized tenants who have a median household income of $47,000 and are facing a difficult economic climate. In 2021, the median share of income paid for rent by stabilized tenants was 36.2%—one of the highest average rent burdens ever documented. Furthermore, 39.5% of stabilized households devote more than half of their income to rent. According to a report released by the New York State Comptroller's Office in May 2022, New York City lags behind the rest of the state and nation in restoring job losses since the height of the COVID-19 pandemic. The unemployment rate remains at 4.10% which is higher than pre-pandemic levels and low-wage sectors have been severely hit by rising inflation. In March of 2022, consumer prices grew by 6.1% in New York City and prices continue to grow at the highest annual rate in 30 years. In 2022, cash assistance rose by 14%, reaching 424,945 cases. The number of SNAP recipients has increased for three consecutive years, totaling 1.7 million.

Rent-stabilized housing is the only affordable housing resource left to most low- and moderate-income tenants. However, once they have been priced out of their apartments, many rent-stabilized tenants have few other options. As of December 2022, there were 278,000 families on the waiting list for public housing. My staff and I frequently hear from constituents who fear they will have no choice but to enter the shelter system or leave New York City if they lose their stabilized apartments. New York is currently in an unprecedented housing crisis, with minimal new affordable housing being built that is unable to meet the demand. It is common for many tens of thousands of families to apply to each new building offering affordable units through the city's housing lottery.

One of the most important factors the RGB must consider is whether owners of regulated properties have the necessary income to maintain their buildings. The overall condition of the city's rent-regulated housing stock is healthy. The 2021 Housing and Vacancy Survey found that there were no maintenance deficiencies in more than 50% of rented occupied units and most conditions are below 1991 levels. Owners of rent-regulated buildings in all five boroughs have done extremely well during the past three decades—they have seen both their profits and the value of their properties rise exponentially. According to the RGB's 2023 Income and Expense study, owners' net operating incomes (the amount of income remaining after all operating and maintenance expenses have been paid) are 49.9% higher today after adjusting for inflation than they were in 1990. Since 1990, revenue has outpaced expenses for building owners in every borough. Net operating incomes have grown 171% in Brooklyn, 76% in Queens, 81% in the Bronx, and 14% in Manhattan.

The data clearly indicate that minimizing a rent increase would not place an undue burden on building owners.

Larger Implications and Economic Context of RGB's Decision

Section 26-510(b) of the Rent Stabilization Law requires the RGB to consider “relevant data from the current and projected cost of living indices” in its deliberations. The RGB members are also permitted to consider the effects of their decisions on the availability of affordable housing throughout the city.

New York City is facing a tremendous escalation in the loss of its rent-regulated housing and is currently undergoing the largest loss of all different types of affordable housing seen in recent times. According to the New York State Office of Homes and Community Renewal’s rent registration records, 45,821 rent-regulated units were lost between 2021-2022. The homeless population continues to rise. As of May 2023, an average of 83,030 people—including more than 26,946 children—sleep in city homeless shelters each night. Research shows that the primary cause of homelessness, particularly among families, is a lack of affordable housing. Even small rent increases would exacerbate the already dire circumstances facing New York’s low- and moderate-income families.

Rent increases would also have significant deleterious effects on middle-income families. The preservation of affordable rent-regulated units is essential to efforts to keep middle-class families in our city and to the maintenance of healthy stable communities. If we truly want the city to maintain its vitality and diversity, we must do all we can to ensure an effective rent protection system. As the crisis in affordable housing deepens and becomes more widespread, the RGB must keep our housing stock as affordable as possible so that we can maintain the economic diversity of our city.