Fiscal Policy Institute

Rent Guidelines Board Testimony

Agenda

I. Rent-Stabilization Principles
II. The current need for rent stabilization
III. Rent increases have exceeded local inflation measures over long-term
IV. Building fundamentals are stable

I. Rent Stabilization Principles

Rent-Stabilization Principles

- The goal of rent stabilization is to 1) maintain stock of affordable housing, and 2) minimize housing displacement.
- “Dual mandate”? How to weigh need of tenants against need of buildings?
- Objective function:

$$\min_{[NOI > 0]}(Rent)$$

Note: should really say “NOI > 0 for ‘most’ buildings”.

Rent-Stabilization Principles

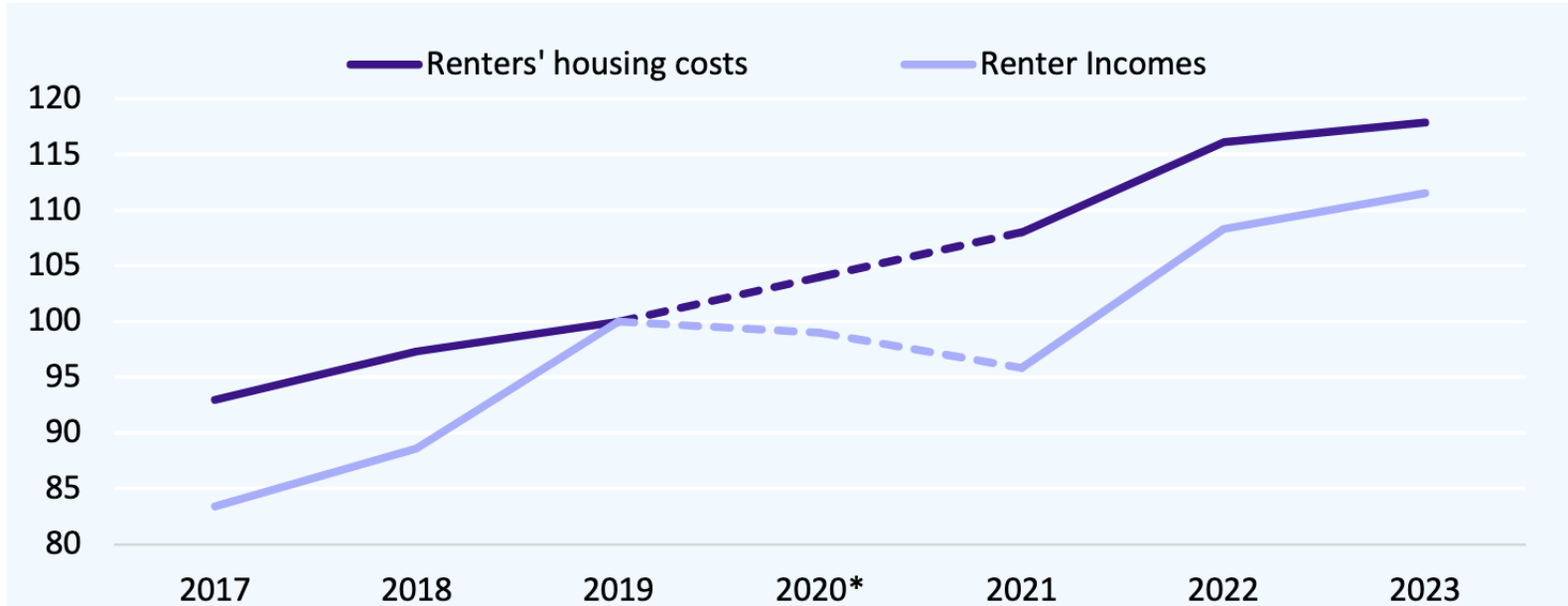
- **Rent regulation is tool of price stabilization policy:** can and should be used to combat inflation/housing cost pressures
- **Near-term goal:** Establish state/city entity that controls housing supply to relieve pressure on housing market more broadly. Rent-regulation must be paired with supply-side policy.
- **Longer-term goal:** De-politicize rent increases by establishing stable annual adjustment of either 1) the Fed's inflation target, or 2) indexed to CPI less shelter

II. The Current Need for Low Rent

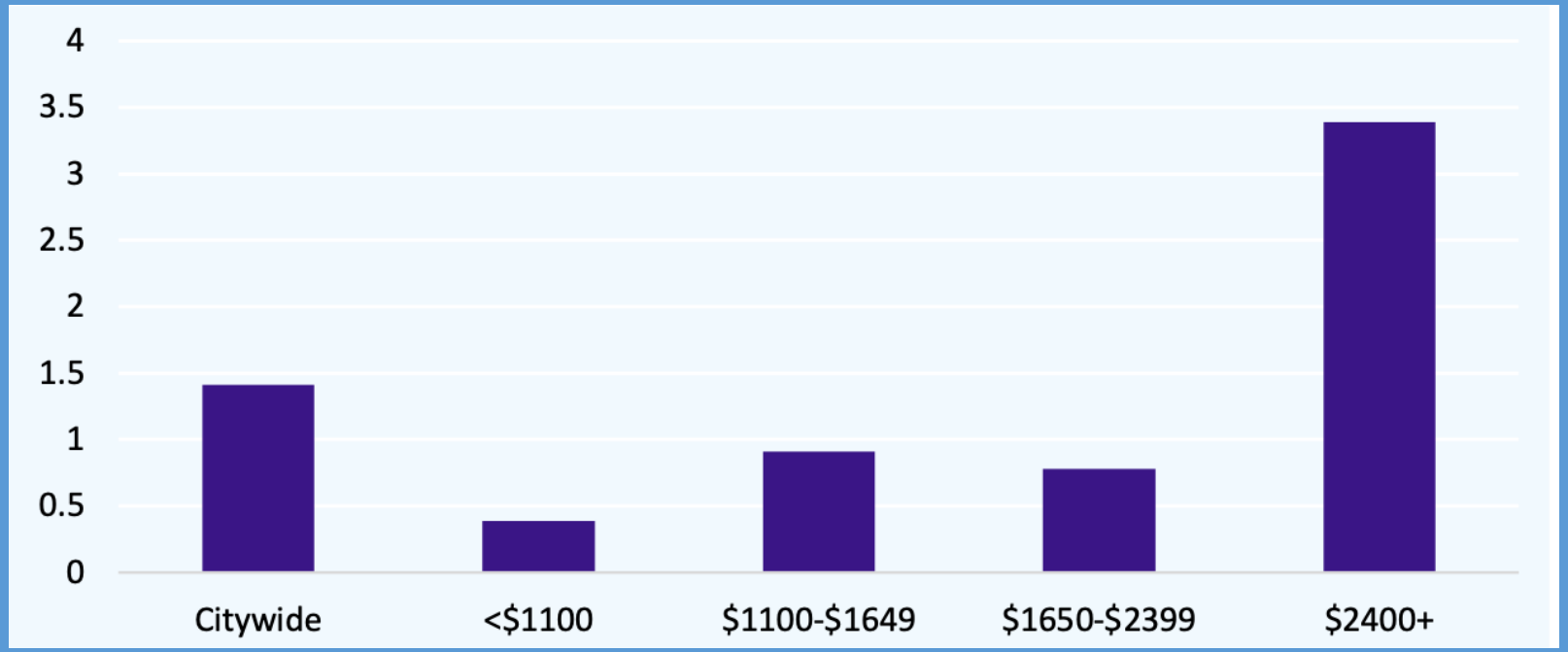
Housing prices have risen faster than incomes in NYC

For renters, incomes grew by 11.5 percent from 2019 to 2023, whereas housing costs grew by nearly 18 percent.

That is, for renters, housing costs grew 57 percent faster than wages between 2019 and 2023.



Low vacancy rates demonstrate need for rent regulation



Major federal funding risks

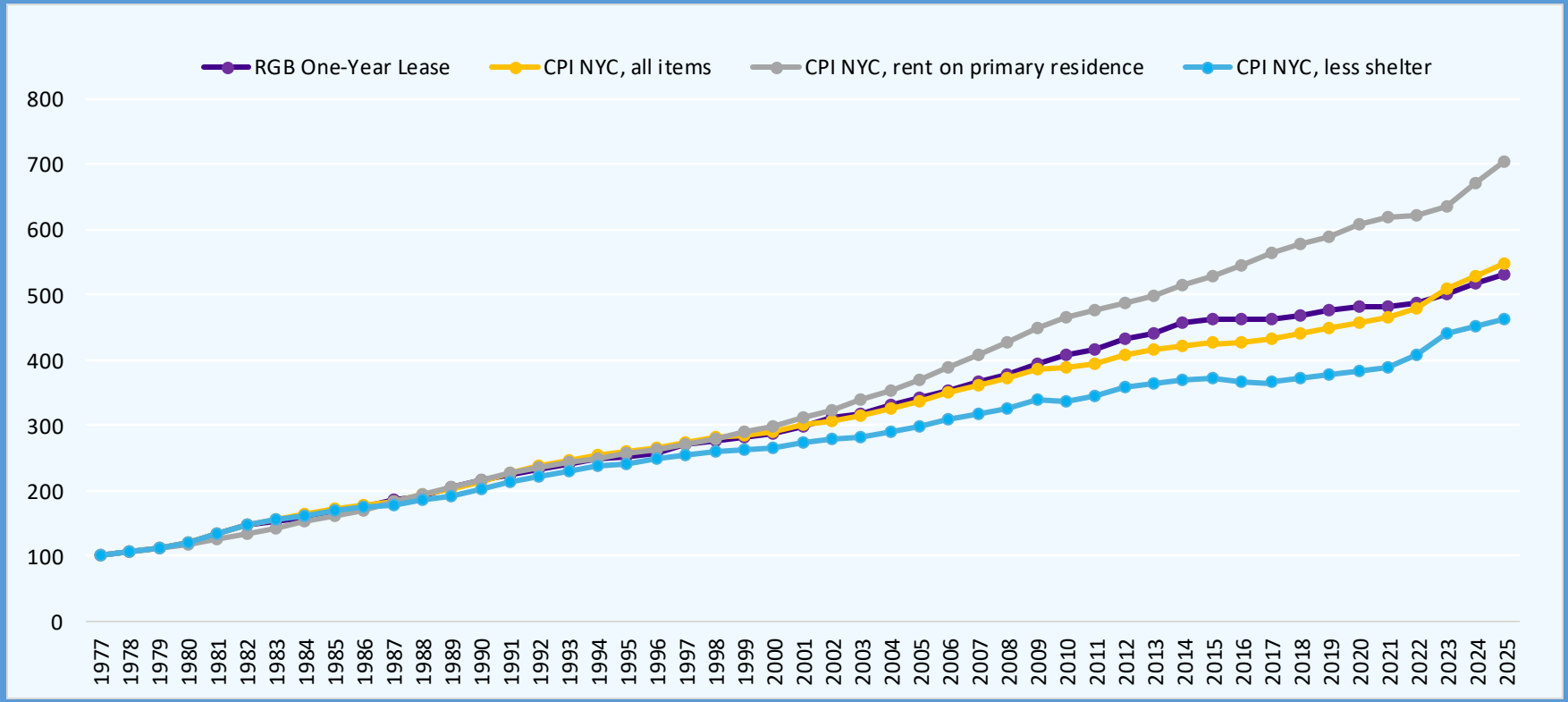
- Section 9
  - NYCHA receives ~ $2 billion annually from feds
- Section 8
  - > $2 billion from federal government in NYC alone
- LIHTC
  - Major reduction in last Trump admin.
- Other block grants
  - relatively small

Very likely that there will be mass displacement and increased housing insecurity in near term, requiring City and State action to address need.

Raising rent will exacerbate risks of displacement when they are already high.

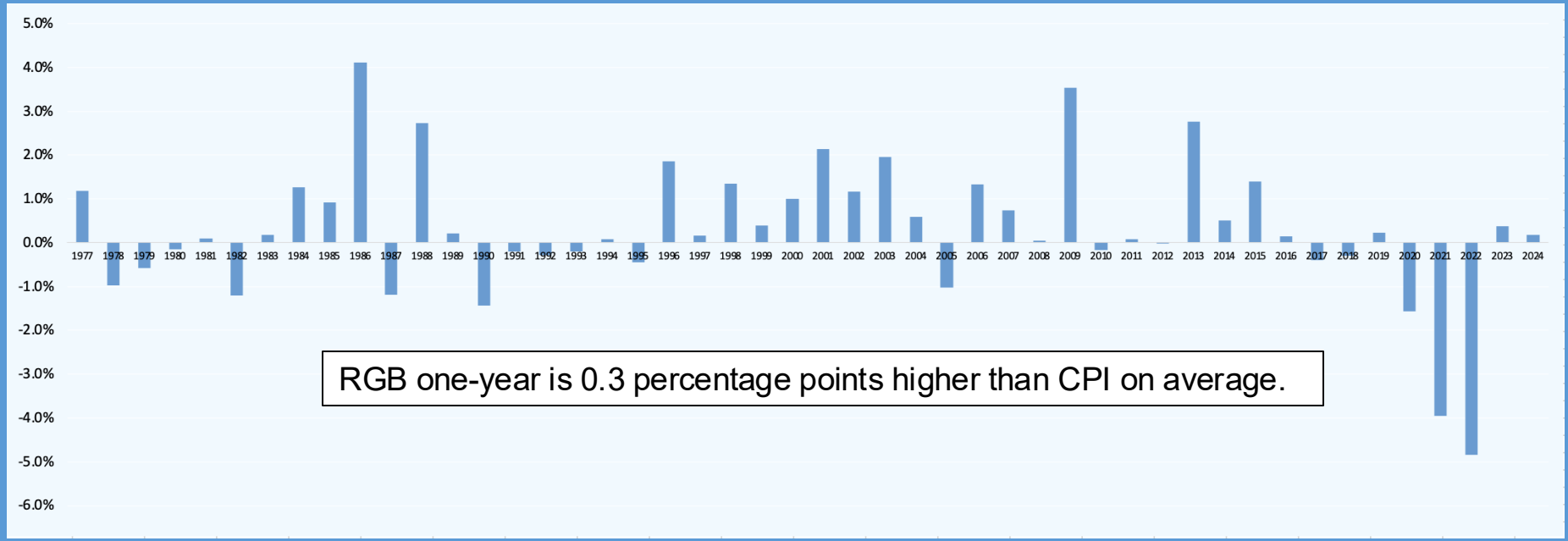
III. Rental costs relative to CPI

RGB should index to CPI less shelter costs

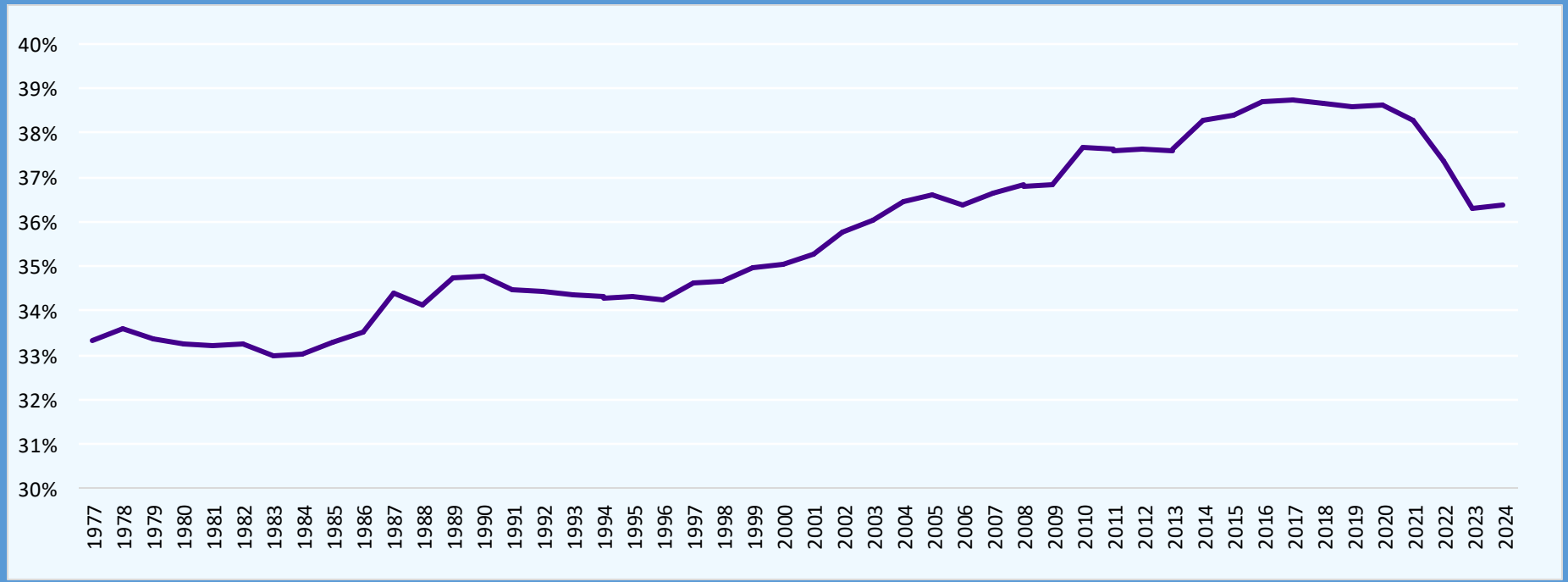


RGB should index to CPI less shelter costs

Difference between RGB one-year guideline and CPI NYC less shelter costs



Rent-stabilized rent has grown as share of overall household budgets

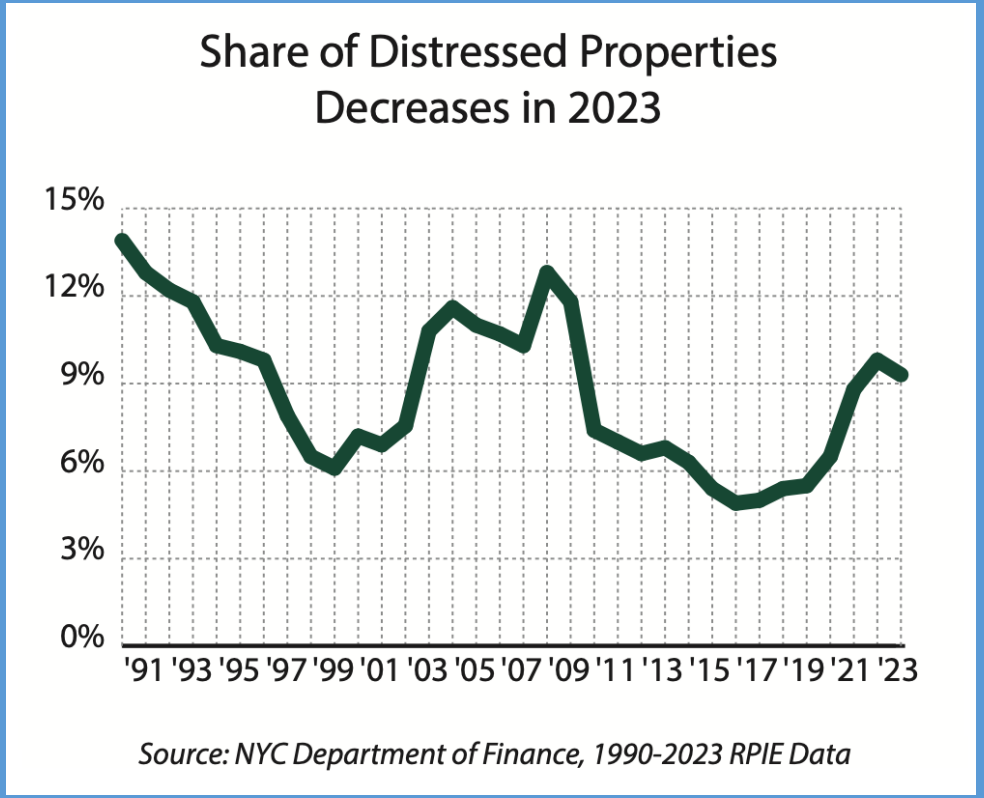


IV. Buildings Fundamentals are Stable

Share of distressed properties has been falling

Inflation-Adjusted Net Operating Income Up 48.0% Since 1990

Concern that these facts could be coming from compositional change



Cost-to-Income Ratio Stable Across Buildings

Adjusted Cost-to Income Ratios						
	All Buildings (All Years)	Pre-74 All Buildings	Pre-74 50%+ Stabilized	Pre-74 80%+ Stabilized	Pre-74 100% Stabilized	100% Stabilized (All Years)
Citywide	62.2%	67.3%	68.7%	69.0%	69.7%	64.2%
Core Manhattan	57.8%	60.6%	60.5%	57.1%	58.8%	55.8%
City w/o Core Manhattan	64.1%	70.0%	70.4%	70.4%	70.5%	64.9%
Source: NYC Department of Finance, 2023 RPIE Data						

Share of distressed properties has been falling

8. Operating Cost-to-Income Ratios by Decile in 2023

	# of Bldgs	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Citywide	16,722	0.49	0.56	0.61	0.65	0.69	0.73	0.78	0.86	0.99	2.97
Manhattan	6,480	0.48	0.53	0.57	0.61	0.66	0.70	0.76	0.85	1.00	2.97
Bronx	3,746	0.56	0.64	0.69	0.73	0.76	0.81	0.86	0.93	1.04	2.10
Brooklyn	4,380	0.44	0.55	0.61	0.64	0.68	0.71	0.75	0.80	0.93	2.45
Queens	2,022	0.50	0.56	0.60	0.64	0.68	0.72	0.77	0.84	0.96	2.68
St. Island	94	0.51	0.57	0.65	0.68	0.73	0.78	0.82	0.91	1.14	1.59

Source: NYC Department of Finance, RPIE Filings

Conclusion

- Current political and economic dynamics indicate need for strong tenant protections that minimize displacement risks.
- Building fundamentals are strong across building types, indicating room for holding rent steady.
- Short-term need for State and City entity that controls supply of housing alongside rent regulation.
- Long-term need for de-politicization of rent-stabilization and indexing rent increases to measure insulated from market-rate housing costs.

Q & A