Reforming Rent Stabilization in New York City

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Rent Stabilization in New York

Rent stabilized units serve households with lower incomes than market rate units serve.

**Median Gross Income by Regulation Status (2016$), New York City**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rent Stabilized</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$41,643</td>
<td>$59,491</td>
</tr>
<tr>
<td>2016</td>
<td>$44,560</td>
<td>$67,000</td>
</tr>
</tbody>
</table>

Sources: New York City Housing and Vacancy Survey
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44% of New York City’s rental units were rent stabilized in 2017.

New York City Rental Housing Stock by Regulation Status, 2017

- Rent Controlled Units: 21,751
- Rent Stabilized Units: 966,442
- Other Rental Units: 1,194,871

Sources: New York City Housing and Vacancy Survey, 2017
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~ 857,000 units in 2017 subject to rent stabilization because in buildings with six or more units built before 1974.
~ 89,500 units in 2017

subject to rent stabilization because of receipt of an affordable housing subsidy.
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Since 1994, there has been a net loss of 147,512 rent stabilized units in New York City.

**Losses (units)**
- High-Rent Vacancy Deregulation: 155,664
- Co-op/Condo Conversion: 49,640
- 421-a/J-51 Expirations: 41,431
- High-Rent/High-Income Deregulation: 6,346
- Other: 37,967

**Additions (units)**
- 421-a: 79,043
- Formerly Rent Controlled: 38,692
- Mitchell-Lama Buyouts (City/State): 11,393
- Other Subsidy: 13,551
- Lofts: 817

Sources: Rent Guidelines Board
Rent stabilization laws limit rent increases in stabilized units.

*Lease renewal* increases are set by the Rent Guidelines Board.

Rents can also rise:

- upon *vacancy* (~20%);
- when an owner makes a *Major Capital Improvement* (MCI);
- when an owner makes an *Individual Apartment Improvement* (IAI).
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Since 2011, the median rent for stabilized units has risen by $118 while median rent for market rate units rose somewhat faster (by $192).

Source: New York City Housing and Vacancy Survey
In 2017, 13.3% of all rent stabilized tenants paid rents between $1,900 and $2,700.

Sources: New York City Housing and Vacancy Survey
Proposals to Reform Rent Stabilization in New York City
Rent Stabilization in New York

Vacancy Allowance

- What is it?
  - The amount the legal rent can increase for a new tenant.
- How does it work today?
  - The legal rent for a new tenant can be about 20% more than the legal rent for the last tenant, with some exceptions.
- What is proposed?
  - Eliminate it (S1593/A9815).
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Vacancy Allowance

• 2 vacancy allowances raises the monthly rent from $1,898 to $2,733.
  • ~124,000 rent stabilized units rent for $1,900 to $2,700/month.

• 1 vacancy allowance raises the monthly rent from $2,278 to $2,733.
  • ~42,000 rent stabilized units rent for $2,300 to $2,700/month.
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High-Rent Vacancy Deregulation

• What is it?
  • Mechanism by which most stabilized units have exited rent stabilization.

• How does it work today?
  • Once the legal rent reaches the deregulation threshold, and the unit is vacated, it is no longer subject to rent stabilization. The current threshold is $2,733.

• What is proposed?
  • To eliminate this form of deregulation (S3482/A0433).
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Major Capital Improvements (MCIs)

• What is it?
  • After making qualified building-wide system replacements/upgrades to improve the building, an owner can apply to HCR to increase the rents of the stabilized units in the building based on those costs.

• How does it work today?
  • If HCR allows, an MCI increase is a permanent, monthly rent increase equal to the cost of the improvement (not including any borrowing costs) divided by:
    • 96 months (8 years) for buildings with 35 units or fewer, OR
    • 108 months (9 years) for buildings with more than 35 units.

• What is proposed?
  • Make MCIs temporary surcharges to the legal rent that cease after the 8 or 9 year period ends (S4312).
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Preferential Rents

• What is it?
  • Preferential rent is rent charged that is less than the legal rent.

• How does it work today?
  • With any lease renewal (even for an existing tenant), the owner can raise the
    rent from a preferential rent level to any amount up to the legal rent level.

• What is proposed?
  • Only permit increases up to legal rent upon vacancy (S6527/A6285)
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Share of Regulated Apartments with Preferential Rents

- Units without a Preferential Rent
- Units with a Preferential Rent

Source: Independent Budget Office analysis of New York State Homes and Community Renewal data