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Fact Brief: The Challenges of Balancing Rent Stability, Fair Return, and Predictability under New York’s Rent Stabilization System

NYU Furman Center brief describes New York City’s process for setting annual rental rates and offers potential lessons from other jurisdictions.

New York, NY -- As policymakers consider changes to the state’s rent regulation system, a new fact brief from the NYU Furman Center, [*The Challenges of Balancing Rent Stability, Fair Return, and Predictability under New York’s Rent Stabilization System*](#), details the tradeoffs between balancing affordability for tenants with a reasonable rate of return for owners. The authors suggest that changes to New York’s system need to strike the right balance between affordability and fair return and should make the system more predictable and transparent. [*Read The Challenges of Balancing Rent Stability, Fair Return, and Predictability under New York’s Rent Stabilization System.*](#)

“As policymakers and the public consider potential changes to rent stabilization, they should keep the twin goals of affordability and fair return in the forefront of their minds,” said **Mark A. Willis**, Senior Policy Fellow at the NYU Furman Center. “Advocates, researchers, and policymakers should also beware of potential unintended consequences for both tenants and owners that could result from some of the proposed reforms.”

With half of New York City’s rental apartments in the rent stabilization system, proposed reforms could affect not only the approximately 2.5 million residents of those apartments, but also the apartment owners. The Rent Guidelines Board, a nine-member body composed of mayoral appointees, sets annual rates of adjustment for rental units in the city’s rent stabilization system. In setting those rates, board members must consider affordability, a topic of critical importance to tenants across the city, and fair return for owners, which ensures rents increase enough to account for increases in building owners’ operating costs and in inflation.

The Furman analysis explains the rent formulas that the Rent Guidelines Board considers when determining annual rent adjustments. Current rent formulas rely on averages, which mask variations between different properties and, as a result, lead to annual rent adjustments that can unfairly reward or punish outliers. In addition, most other jurisdictions with rent regulations adopt pre-determined methodologies for annual increases. Without such firm rules, New York’s Rent Guidelines Board has the discretion to deviate substantially in either direction.

Matt Murphy, Executive Director of the NYU Furman Center, “As New York State legislators debate changes to the laws governing rent stabilization, they should seek to create a less discretionary process when adjusting for changes in operating costs in order to help make the system more transparent and predictable.”

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About the NYU Furman Center: The NYU Furman Center advances research and debate on housing, neighborhoods, and urban policy. Established in 1995, the Furman Center is run jointly by the New York University School of Law and the Wagner Graduate School of Public Service. For more information, visit furmancenter.org, and find the Furman Center on Twitter at [@FurmanCenterNYU](https://twitter.com/FurmanCenterNYU).