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New York Is Our Home

a campaign of Housing Here and Now

*A united effort of housing justice groups,
the NYC Central Labor Council and the Working Families Party*

Rent-Regulation and Vacancy Decontrol Frequently Asked Questions

What is rent regulation and who needs it?

More than 1 million households in New York City and surrounding suburban counties live in rent regulated apartments, making it the largest affordable housing program in the state. Landlords of regulated apartments receive regular rent increases under the system but can only raise the rent by set amounts.

Tenants in rent regulated apartments have rights, including the right to have their lease renewed, to pass their lease on to certain family members and to ask the state to help if they think the landlord is not following the law. Tenants in rent-regulated apartments cannot be evicted without good cause.

Poor and working people especially rely on rent regulated housing to survive. The median income of regulated households is \$32,000 a year, compared to the median income of all New Yorkers which is \$43,000 a year. Most regulated housing is in the outer boroughs where lower income people live: over half of the City's regulated apartments are in the Bronx and Brooklyn.

More tenants live in rent regulated apartments than in public housing, Mitchell Lama, or project based Section 8 developments combined. Thus rent regulation is the State's biggest affordable housing program.

What is vacancy decontrol?

Vacancy decontrol is the main way New York State and surrounding counties lose rent regulated apartments. Through vacancy decontrol, landlords can take a vacant apartment out of rent regulation if the legal rent reaches \$2,000. Through vacancy increases, lease renewal increases, real or alleged individual apartment improves (IAIs or 1/40ths), and major capital improvements (MCIs), the landlord can quickly reach this vacancy decontrol threshold on apartments with rent far below \$2,000. When the apartment has been decontrolled, landlords can charge any rent, and tenants lack the strong protections of rent regulation.

What has been the impact of vacancy decontrol?

Vacancy decontrol impacts the residents of New York City and surrounding suburban counties in multiple ways. Through vacancy decontrol, we have lost hundreds of thousands of rent regulated apartments. Without legislative changes, these apartments will never again be rent regulated and the remaining affordable apartments will be deregulated over time. The removal of these apartments from rent regulations creates the conditions for gentrification and entire neighborhoods becoming unaffordable to low and middle income tenants. Vacancy decontrol also gives an incentive to landlords to drive up the rents, fueling tenant harassment, illegal rent increases and apartment flipping. Lastly, vacancy decontrol encourages predatory equity firms to invest in New York's rent regulated housing stock, counting on tenant turnover to pay off overleveraged mortgage debt.

Estimating exactly how many apartments have been lost to rent regulation is difficult. The N.Y.S. Division of Housing and Community Renewal (DHCR) is responsible for enforcing both the rent control and rent stabilization laws. Unfortunately, landlord reporting of deregulation to DHCR is voluntary and there is no enforcement that would force landlords to report deregulated units. The DHCR numbers can only be taken as an absolute minimum. According to the New York City Rent Guidelines Board (drawing on DHCR's data), the number of units lost each year has steadily climbed from less than a thousand in 1994 to over 10,000 units in 2007.

More accurate data can be gleaned from the New York City Housing and Vacancy Survey (HVS), conducted every three years by the U.S. Census Bureau. According to Queens College demographer Andrew Beveridge, who analyzed changes in the number of regulated apartments between the 2002 and 2005 Housing and Vacancy Surveys, New York City lost about 50,000 units in that three year period, and another 100,000 units were on the verge of being lost.

This \$2,000 decontrol threshold gives landlords of regulated apartments an incentive to do everything possible to raise rents and remove tenants. Landlords are encouraged to push out tenants and increase rents. Landlords harass tenants and neglect needed repairs which result in tenants moving out. Landlords take advantage of every loophole to raise rents, including doing real and fake major capital improvements (MCIs) and individual apartment improvements (IAI's or 1/40ths). Many of the day-to-day problems tenants in rent regulated housing face – poor conditions, harassment, rent increases – are encouraged by vacancy decontrol.

Tenants in market-rate apartments have few protections. Landlords can place unreasonable clauses in their lease, evict them without good cause, and can refuse to renew a lease. Further, tenants in deregulated apartments cannot count on being able to afford their apartments over the long term, and can be forced to move as the real estate market in their neighborhood changes. Displaced tenants are at greater risk for many social and health problems.

Much recent research has focused on the recent influx of investment in rent regulated apartments by predatory equity firms, such as Vantage, Taconic or Urban American Management. These firms bought over 90,000 rent-regulated in recent years on overleveraged business plans that counted on rapid tenant turnover and vacancy decontrol to dramatically increase building incomes. Vacancy decontrol destabilizes the value of rent regulated stock, encouraging these forms of speculative investment.

Won't repeal of vacancy decontrol cause landlords to go bankrupt?

Despite their cries of poverty, landlords are doing quite well under rent stabilization. The most recent data from the New York City Department of Finance show that owners of rent-stabilized property enjoy an average Net Operating Income of 37 percent – meaning that they spend, on average, 63 cents of every dollar of income on all costs of Operation and Maintenance, leaving 37 cents of every dollar for debt service and profit. This is a clear picture of a healthy, even robust, residential real estate industry.

How does vacancy decontrol affect the suburbs?

Vacancy decontrol affects the rental markets in Nassau, Rockland and Westchester Counties in the same way it affects New York City: it has exacerbated the housing crisis by causing a dramatic decrease in the number of affordable rental units, removing them from rent limits and eviction protections upon turnover. If anything, vacancy decontrol has occurred more rapidly in the suburbs than in the city. Nassau County currently has about 13,000 rent-regulated apartments, down from more than 20,000. Rockland County has about 3,000 apartments and Westchester 43,000, down from about 5,000 and 70,000. The tenants moving into these deregulated apartments have no protection from huge rent increases, and no right to remain beyond the term of their lease. Net Operating Incomes, while not quite as high as in New York City, have remained in the 30 to 35 percent range for the past several years, meaning that landlords of rent-stabilized properties in the suburbs spend 65 to 70 cents of every dollar of income for all costs of operating and maintaining their buildings, leaving 30 to 35 cents for debt service and profit – an extremely healthy NOI.

How could vacancy decontrol be repealed?

The New York State legislature – the Assembly and Senate, with the support of the Governor – have the power to repeal vacancy decontrol. Repealing vacancy decontrol would preserve New York's rent regulated apartments and slow landlord harassment and harmful rent increases.

The Assembly has voted to repeal vacancy decontrol in 2008 and again this year. On February 2, 2009, the Assembly passed A2005 introduced by Assembly Member Linda Rosenthal 91 to 52. State Senator Andrea Stewart-Cousins is planning to introduce a same-as bill in the Senate shortly, and is currently gathering co-sponsors.

In addition to full repeal of vacancy decontrol, A2005 would also re-regulate some decontrolled apartments. It would re-regulate 1) all apartments decontrolled since January 1, 2007, and 2) apartments decontrolled before 2007 with rents below \$5,000 in New York City and \$3,500 in suburban counties.

Who supports the repeal of vacancy decontrol? Who opposes it?

The repeal of vacancy decontrol has become the central, consensus ask of New York's entire affordable housing advocacy movement. Tenants and advocates organized borough-based rallies in the spring of 2008, then a 1,000-person rally calling for repeal in December 2008. More than 150 organizations have signed on to a call for repealing vacancy decontrol. Many tenants and housing advocates agree that the repeal of vacancy decontrol is the single most important thing the State Senate could do in 2009 for the future of affordable housing.

Housing Here and Now is leading the campaign to repeal vacancy decontrol under the banner of New York Is Our Home. Housing Here and Now brings together every housing advocacy group in New York, religious congregations, the Central Labor Council and the Working Families Party.

Landlords and real estate interests largely oppose the repeal of vacancy decontrol. A pro-landlord lobby group, the deceptively-named Rent Stabilization Association, recently issued a memorandum in opposition. The RSA claims the bill would benefit rich people, discourage new development, bankrupt landlords and lower tax revenues. Each of these claims is false.

While the RSA's memorandum in opposition was largely based on deceptive and false arguments, high profit-oriented landlords do have reason to oppose the repeal of vacancy decontrol. At core, the question of vacancy decontrol is the same one as rent regulation: the ability of low and middle income people to be able to stay in their homes, on one hand, and the profit margins of landlords on the other. While landlords are largely doing quite well, the lucrative profits hoped for by predatory equity firms depends on rapid tenant turnover and vacancy decontrol.

Will repeal of vacancy decontrol reduce property tax revenues?

The major beneficiary of increased rents is the landlord, not the municipality. While it is true that increases in rent rolls will result – eventually – in increased property tax collections, rents have to increase by four to five dollars to produce one dollar in property tax. And the increase in taxes materializes only over time, when properties are periodically reassessed. The enormous upsurge in regulated and market rents that the downstate region has experienced in recent years has had a negative impact on local and regional economies. As rents skyrocket, renters have less disposable income to support neighborhood businesses such as dry cleaners and restaurants. Median wages in New York City increased by only 0.1 percent between 2000 and 2006, while prices for consumer goods rose almost 21 percent. Rent-stabilized tenants experienced an 8.6 percent decrease in median household income between 2002 and 2005, while median gross rents rose 17 percent in the same period. And more cost of living increases are on their way, while wages are flat or falling and more workers face layoffs.

Doesn't regulating apartments that rent for less than \$5,000 per month protect rich people who do not deserve protection?

There is no necessary correlation between rent levels and household incomes. Many tenants paying high rents are far from affluent. Many high-rent households are composed of several unrelated adults sharing a 4- or 5-room apartment. There are many low income tenants who are paying \$2,000 or close to it, and many non-affluent working people paying \$3,000 to \$4,000. Tenants do this by doubling and tripling up, and by paying ever larger portions of their incomes for rent. The NYC Housing and Vacancy Survey, conducted every three years by the U.S. Census Bureau, shows that the rate of overcrowding has nearly doubled from 6 percent in 1981 to 11 percent in 2005. The HVS data also show that rent-to-income ratios have increased from 20 percent in 1970 to 31 percent in 2005 – a huge increase in rent burdens.

The real estate lobby would have us believe that anyone paying a high rent must be rich. But this fable misses a basic point about rent regulation laws: their purpose is not merely to protect tenants in place, but to preserve a stock of affordable rental housing for the next generation, for people who will need an affordable home in future. This essential function of rent regulation is

destroyed by vacancy decontrol: once deregulated, a market rate apartment is affordable only to those who can afford to pay market rents, which the overwhelming majority of New Yorkers could never do. The recent drop in market rents is having an impact only at the top of the economic ladder, and is temporary in any case.

What does the repeal of vacancy decontrol mean for the future of New York?

Without legislative action, vacancy decontrol will eventually lead to the total loss of rent regulated housing and New York's largest affordable housing program. Losing rent regulation hurts both tenants and whole communities. Without rent regulation, tenants have few protections against unwarranted eviction, or skyrocketing rent increases. Vacancy decontrol destabilizes whole neighborhoods, displacing long-term residents and fueling gentrification.

Repealing vacancy decontrol is the single most important stand the State Senate can take in support of tenants. Repealing vacancy decontrol will preserve New York's rent regulation system, maintaining a supply of affordable rental housing for the next generation, and protecting tenants for generations to come.

Steering Committee: ACORN, Community Voices Heard, Make the Road NY, NYS Tenants & Neighbors Coalition, New York Immigration Coalition, Northwest Bronx Community and Clergy Coalition, NYC AIDS Housing Network, Working Families Party

Campaign Director: Housing Here and Now **Legal Counsel:** Legal Aid Society

Endorsers: 504 Democratic Club, Abyssinian Development Corp, AFM Local 802, American Association of Jews from the Former USSR (NY Chapter), Association for Neighborhood and Housing Development (ANHD), Asian Americans for Equality, Association of Legal Aid Attorneys (UAW 2325), Association of Tenants of Lincoln Towers, Audubon Partnership for Economic Development, Beulah HDFC Inc., Beyond Shelter Coalition, Bronx Tenant Action Coalition, Bushwick Housing Independence Project, Center for the Independence of the Disabled NY, Central Park Gardens Tenant Association, Centro Altagracia de Fe y Justicia, Centro Hispano "Cuzcatlán," Chelsea Tenant Action Committee, Church Ladies for Choice, Churches United, Citywide Task Force on Housing Court, Coalition for the Homeless, CODA, Community Service Society, CWA District 1, CWA Local 1180, Cypress Hills LDC, DC 37, Develop Don't Destroy Brooklyn, Disabled in Action of Metropolitan New York, Dunbar Tenants Association, East Side Congregations for Housing Justice, Eviction Intervention Services, Fifth Avenue Committee, Flatbush Development Corp., Good Old Lower East Side, Goddard Riverside Community Center, Greater New York Labor Religion Coalition, Families United for Racial and Economic Equality (FUREE), Harlem Congregations for Community Improvement, Hope Community, Housing Conservation Coordinators, Human Development Services of Westchester, Interfaith Assembly on Housing and Homelessness, Interfaith Council for Action, Inc., Janel Towers Tenant Association, Jan Hus Presbyterian Church, Jews for Racial and Economic Justice, Joint Public Affairs Committee for Older Adults (JPAC), Knickerbocker Plaza Tenant Association, Lafayette Avenue Presbyterian, London Terrace Tenant Association, Los Sures, Met Council on Housing, Metropolitan Community Church of New York, Mitchell-Lama Residents Coalition, Mothers on the Move, Mount Vernon United Tenants, Neighbors Helping Neighbors, New Settlement Apartments/ CASA, New York State Preservation Coalition, NYC Central Labor Council, Park West Village Tenants' Association, Partnership for the Homeless, Picture the Homeless, Pratt Area Community Council, PSC, PUSH Buffalo, Queens Community House, Queens Congregations United for Action, Queens League of United Tenants, Riverside Church, Stuyvesant Town/Peter Cooper Village Tenant Association, St. Bartholomew's Church, St. Nicholas NPC/ UNO, Steinway Child and Family Services, Tenants PAC, The Bridge Fund, Urban Homesteading Assistance Board, United Hebrew Trades - NY Jewish Labor Committee, UAW Region 9A New York Area CAP Council, United Federation of Teachers (UFT), United Neighborhood Houses of New York, United Neighbors of Brooklyn, UPROSE, Village Independent Democrats, West Side Neighborhood Alliance, West Side SRO Law Project, WHEDCO, Woodside on the Move