Association for Neighborhood & Housing Development

TESTIMONY OF ELIOT HETTERLY, ANHD BEFORE THE NEW YORK CITY RENT GUIDELINES BOARD

April 29, 2021

Good Morning. Thank you Chairperson David Reiss and Board Members for this opportunity to testify.

My name is Eliot Hetterly and I am the Senior Manager for Housing Development at the Association for Neighborhood and Housing Development (ANHD). ANHD's mission is to build community power to win affordable housing and thriving, equitable neighborhoods for all New Yorkers. As a member-association of 80+ neighborhood-based affordable housing and community development groups in New York City, ANHD works at the intersection of organizing, policy, advocacy, and capacity-building to support our members and build equity and justice in their neighborhoods and city-wide. Our extensive network of non-profit affordable housing developers have built over 130,000 units of affordable housing in New York City, and every year our members create and preserve hundreds of rent stabilized units across the five boroughs.

Even prior to the pandemic, New York City was in a housing emergency. Decades of rent law loopholes that favored landlords, profit-driven speculation leading to the displacement of tenants, and annual rent increases have all played a major role in our City's affordability crisis. The most recent data available shows at least 47.6% of New York City tenants are rent-burdened[1] and the overall vacancy rate is just 3.63%.[2] Landlords saw a 52.1% increase in net operating income from 1990-2019 after adjusting for inflation, meaning that their revenues outpaced expenses,[3] while rent stabilized tenants have become increasingly rent burdened.[4] New Yorkers were struggling to pay rent before the global pandemic hit, and the economic crisis brought by COVID-19 has only exacerbated this fact. Now more than ever, rent stabilization protections and maintaining the most affordable rents possible are paramount.

There have been suggestions that the pandemic has lowered rents due to a decrease in demand thereby making housing more affordable, but this obscures the reality of a continued tale of two New York Cities. For the wealthy, there is a surplus of luxury housing units in expensive

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[1] Census American Community Survey 2019, 1-Year Estimate, Table S2503.
[2] NYC HPD, Selected Initial Findings of the 2017 Housing Vacancy Survey. https://www1.nyc.gov/assets/hpd/downloads/pdfs/about/2017-hvs-initial-findings.pdf, Table 6.
[3] Rent Guidelines Board, 2021 Income and Expense Study, https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2021/04/2021-IE.pdf, p.11.
[4] NYC HPD, Selected Initial Findings of the 2017 Housing Vacancy Survey. https://www1.nyc.gov/assets/hpd/downloads/pdfs/about/2017-hvs-initial-findings.pdf, Table 17.

neighborhoods, rents are decreasing, and high-earning tenants are spending a smaller share of their income on rent. For the average NYC resident however, and particularly for those who are low- and extremely low-income, there are a shrinking number of low-cost units and their rent burdens have stayed the same or even increased, compounded by historically high unemployment rates brought on by the pandemic. A StreetEasy report found that rents in neighborhoods hit least hard by COVID-19 declined by 1.9% while rents in the hardest-hit neighborhoods *increased* by 0.3%.[5] Those burdened by the worst health impacts of the pandemic are doubly burdened by rents they cannot afford, and this is particularly true for the Black and brown New Yorkers who are disproportionately affected.

Vacancy rates further illustrate the trend of ample available housing at the top of the market while the supply of low-cost apartments continues to shrink. The vacancy rate for units over $2,000 per month increased from 4.24% in 2011 to 7.42% in 2017, while the vacancy rate for units below $1,500 decreased from 5.44% to 3.18%.[6] The vacancy rate for rent stabilized housing specifically decreased from 2.55% to just 2.06% during that period.[7] Any increase in the overall vacancy rate has largely been driven by an increase in unregulated, high-end units in the rental market, while the availability of units affordable to low- and moderate-income families has gotten tighter. This trend was occuring before the pandemic but is even more pertinent now, as more New Yorkers who are struggling financially have to compete for fewer low-cost units. Raising rents in the already extremely limited rent stabilized units will exacerbate this affordability crisis.

We recognize that rent stabilized apartment buildings have expenses they must meet in order to operate safely and efficiently. Our members who are non-profit housing providers have a history of keeping operating expenses in their buildings low to minimize tenant rent increases while still maintaining safe, quality buildings. Furthermore they do so while operating 100% affordable buildings and without the added revenue generated from the share of market-rate units found in many for-profit owned rent regulated buildings. This is true for our smaller sized organizations that operate as few as a dozen buildings as well as for our larger members that have portfolios of over 1,500 units.

As operators of low- and moderate-rent level housing, ANHD members utilize a number of low-interest loans and tax exemption programs offered by the NYC Department of Housing Preservation and Development (HPD) that allow them to make needed repairs, maintenance, and building upkeep, while ensuring sound building finances and without burdening tenants with high rents. These programs are accessible to ALL rent regulated building owners, both for-profit and nonprofit, and there are resources for smaller buildings as well as larger. Programs include:

- The Multifamily Housing Rehabilitation Program (HRP), which provides low-interest rehabilitation loans up to $35,000 per unit to help multifamily building owners replace major systems such as roofs and windows, building envelopes, and heating, electrical or

[5] https://streeteasy.com/blog/covid-19-nyc-rents/
[6] NYC HPD, Selected Initial Findings of the 2017 Housing Vacancy Survey. https://www1.nyc.gov/assets/hpd/downloads/pdfs/about/2017-hvs-initial-findings.pdf, Table 7.
[7] Ibid, Table 6.

plumbing systems. Projects may also be eligible for a full or partial property tax exemption.

- The Participation Loan Program (PLP), which combines HPD subsidy with private financing to provide low-interest loans of $40,000 to $90,000 per unit to help multifamily building owners carry out moderate to substantial rehabilitation to their buildings. Projects may also be eligible for a full or partial property tax exemption.
- The Green Housing Preservation Program (GHPP), which provides low- or no-interest loans of $50,000 to $80,000 per unit to help small- and mid-size building owners carry out energy efficiency improvements, water conservation improvements, lead remediation and moderate rehab work.
- The J-51 Program, which provides a property tax exemption and abatement for the rehabilitation of residential buildings. The amount of the benefit depends on the building's location and the scope of work for the rehab.

These programs allow owners, both for-profit and non-profit, to make needed building improvements while maintaining affordability for tenants. Conversations with our members and our analysis show that it is not justified to pass a disproportionate share of building operating costs onto tenants as increased rents.

Finally, the data suggests that rent increases largely serve to increase profits, rather than to improve building conditions. As the 2021 RGB study shows, net operating income increased by 52.1% from 1990-2019 after adjusting for inflation, meaning that revenue outpaced expenses.[8] This increase is particularly dramatic when broken out by borough – in Brooklyn, inflation-adjusted NOI increased 118% since 1990, and by 71% and 69% in Queens and the Bronx respectively. In the past fifteen years, there has been only one year in which NOIs decreased year-over-year.[9] This demonstrates that landlord profits have risen over a period of decades, while rent stabilized tenants have become increasingly rent burdened over the same period. Especially now amidst a global health crisis and a housing emergency, tenants are faced with having to cut costs for necessary expenses such as food, healthcare and childcare just in order to pay rent. While building owners have arguably suffered during the past year as well, their level of hardship is not equivalent to what low-income tenants have experienced. Furthermore, building owners' loss of rental income will be compensated by the federal and state rent relief programs, while tenants will continue to be rent burdened even if their past debts are cleared.

The COVID-19 pandemic has revealed and exacerbated deep inequalities in our society. Tenants in neighborhoods that have been hit hardest by the pandemic have also suffered the most from high rent burdens, low availability of units and high rates of eviction. Those same neighborhoods are also largely Black and Latinx, revealing the ways in which systemic racism intersects with disparities in housing affordability. This year in particular, it is critical to prevent rent increases for tenants and protect the City's limited stock of affordable housing. We urge you to consider these issues as you contemplate this year's RGB decisions.

Thank you again for your time and the opportunity to testify.

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[8] Rent Guidelines Board, 2021 Income and Expense Study, https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2021/04/2021-IE.pdf, p.13.
[9] Ibid, p.17.