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MICAH Z. KELLNER  
65<sup>th</sup> Assembly District

## The Real World is Watching: No Rent Increases for 2009-10!

### Testimony of Assembly Member Micah Z. Kellner

Before the New York City Rent Guidelines Board  
Public Hearing on 2009-10 Proposed Guidelines  
Wednesday, June 17<sup>th</sup>, 2009

My name is Micah Z. Kellner and I represent the 65th Assembly District in Manhattan, including parts of the Upper East Side, Yorkville, and Roosevelt Island. Thank you to the New York City Rent Guidelines Board for the opportunity to testify today.

One year ago, elected officials, tenant advocates, and I submitted testimony to this Board, expressing our outrage and disbelief that, at a time when landlord incomes were rising and tenants were falling further behind, the Rent Guidelines Board would consider imposing astoundingly large rent increases on rent-stabilized tenants. Ignoring our concerns, the Board ultimately approved unprecedented increases – as well as slapping long-term tenants with an outrageous supplemental increase, as if it were singling out for special punishment those who have lived in their communities the longest.

This year, the Board once again looks set to close its eyes to the current realities of living in New York, proposing to raise rents in the middle of the worst economic downturn since the Great Depression. What is more, it is contemplating another round of supplemental increases on long-term tenants – apparently seeking to normalize this deeply unfair practice.

It has become a cliché to describe the Board's annual hearings as a "ritual," in which landlord and tenant each play their part – as though it were the same every year; as though the process has no relation to changing circumstances in the real world outside of this room. But nothing could be further from the truth. The tenants who are here before you today are here because they have no choice – because in the real world, working families are suffering through a recession that has sent unemployment skyrocketing even while the cost of living climbs relentlessly. New York's working families have the misfortune of bearing the brunt of this crisis while trying to get by in the most expensive city in America. Now, faced with people who are drowning, the Rent Guidelines Board proposes to throw them an anchor.

Even in the best of times, New York's tenants must struggle to keep their heads above water. The massive housing emergency, the very rationale for this Board's existence, has shown no sign of easing, even after the bursting of the housing bubble. As the Board's 2009 Income and Affordability Study shows, half of all renters in New York are living in housing that they cannot afford. This burden is especially heavy on New York's low-income working families – 69% of whom are spending more than a third of their income on rent. And as the study indicates, these rent burdens have come as inflation in New York City is rising rapidly – according to the report, "the Consumer Price Index increased 3.9% during 2008 versus 2.8% in 2007." In real life terms, the everyday costs of electricity, telephone service, essentials like toilet paper, and groceries are all going up – and they were already among the highest in the nation. Meanwhile, the study correctly notes a report by New York City Comptroller William

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Thompson, which estimates the loss of 120,000 jobs in New York during 2009, with a 5.8% drop in wages and an unemployment rate likely to climb to 8.8%.

The Board must listen to the real world knocking on the door of this Great Hall. In the real world, this hearing is not an empty ritual but a matter of a huge importance to tenants living on the edge. In the real world, New York's working families are trying to hold on in one of the most expensive housing markets in the world during a terrible financial crisis. In the real world, tenants cannot afford a rent increase – and landlords do not need one.

New York's market rate rents are *dropping*. According to the Real Estate Group of New York's 2008 year-end report, asking rents for one-bedroom apartments declined by 4.9% in doorman buildings and by 5.46% in non-doorman buildings between January and December of last year. Why should the case be any different for rent-regulated apartments? The Chairman of this Board has suggested that rent-regulated tenants are free to negotiate with their landlords for lower rents. This is not realistic. The rent-regulated sector of New York's housing market is not as fluid as the market-rate sector. Rent regulation is designed precisely to protect those tenants who are most vulnerable: those who cannot afford or are too elderly to move, those who have lived in their communities for a long time – in other words, those tenants who simply do not have the leverage to negotiate on even ground with landlords. In a recent article on health care costs, a doctor was quoted as saying that “any plan that relies on the sheep to negotiate with the wolves is doomed to failure.” The same principle holds here.

For better or for worse, it is the role of the Rent Guidelines Board to strike the right balance between protecting the interests of tenants and those of landlords, and it is essential that this year the Board finally recognizes that finding that balance is not a simple matter of splitting the difference.

The simple fact is that tenants cannot sustain a rent increase this year, and landlords cannot justify one. According to the Board's Income and Expense Survey, total landlord income grew by 6.5% from 2006 to 2007, while Net Operating Income (NOI) increased 9.3% during the same period. Adjusted for inflation, the NOI increase jumps to 17.2%. This big rise in landlords' profit margins makes a mockery of attempts to cite the flawed Price Index of Operating Costs (PIOC) in defense of any rent increase. I am astounded that the Board continues to use the PIOC as a metric in its deliberations. The PIOC merely notes fluctuations in pricing among goods and services landlords might purchase. It does not indicate what landlords actually spend, and it tells us nothing about the bottom line.

In the real world, the bottom line is this: landlord profits are increasing by healthy margins, while tenants are struggling in a deep recession. Landlords were granted a major rent increase last year – they did not need it then and they do not need any more now. This Board ignored reality last year, and the fact that it looks set to raise rents again this year suggests that it is responding to political pressures, not to the facts. It tells us that this Board needs to change.

This is why I am co-sponsoring legislation with my colleague Assembly Member George Latimer, which would bring much-needed reform to the Rent Guidelines Board – requiring the Board to use Income and Expense data, not the Price Index; preventing landlords with serious violations from collecting rent increases; abolishing the need for lease renewals; and rebalancing the board so that mayoral appointees no longer hold more power than tenants and landlords. The Rent Guidelines Board must be independent and objective enough to make decisions that are truly fair for all stakeholders. It should not be beholden to this or any other mayor's political interests.

This Board has never approved a rent freeze. But if ever there was a time for a freeze, it is now. I implore the Board to open its eyes to what is happening in the real world. Do not approve any increase in rents this year.

Thank you once again for the opportunity to testify today.