

**RANKING MINORITY MEMBER**

ENVIRONMENTAL CONSERVATION  
INVESTIGATIONS &  
GOVERNMENT OPERATIONS

**COMMITTEES**

AGING  
CULTURAL AFFAIRS, TOURISM, PARKS &  
RECREATION  
HEALTH  
JUDICIARY  
LOCAL GOVERNMENT



**SENATOR**  
**BRAD HOYLMAN**  
27TH SENATORIAL DISTRICT  
STATE OF NEW YORK

**DISTRICT OFFICE:**  
322 EIGHTH AVENUE, SUITE 1700  
NEW YORK, NEW YORK 10001  
PHONE: (212) 633-8052  
FAX: (212) 633-8096

**ALBANY OFFICE:**  
ROOM 413  
LEGISLATIVE OFFICE BLDG  
ALBANY, NY 12247  
PHONE: (518) 455-2451  
FAX: (518) 426-6846

**e-mail:**  
hoylman@nysenate.gov

**website :**  
hoylman.nysenate.gov

**Testimony of New York State Senator Brad Hoylman before the New York State Division of Housing and Community Renewal Regarding the Preliminary Standard Adjustment Factor for the 2016/2017 Maximum Base Rent Cycle December 17, 2015**

Thank you, Commissioner Rubin, for the opportunity to testify. I represent New York State's 27th Senate District, which includes the Lower East Side, East Village, Greenwich Village, Chelsea, West and East Midtown, Clinton/Hell's Kitchen and the Upper West Side. This mixed-income district is composed largely of tenants, many of whom are rent-controlled, in countless small rental buildings as well as iconic rental complexes, including Stuyvesant Town-Peter Cooper Village, London Terrace Gardens, Westbeth and Phipps Plaza. As such, the Standard Adjustment Factor (SAF) is crucial to my district and, I believe, New York City as a whole.

As a matter of equity among regulated renters and justice for our senior citizens, I believe controlled tenants deserve a rent freeze, just as stabilized tenants were granted by the Rent Guidelines Board this year. I also believe that landlords can absorb the cost of a rent freeze for controlled tenants and continue to reap sizeable profits and that, as such, it is the most ethical option available to us.

The preliminary SAF of 9.62% for the 2016/17 cycle is unacceptably high and will have an extraordinary negative impact on the lives of over 27,000 rent-controlled tenants, who have the lowest median household income of any renter group in the City and are among the least able to afford further rent increases. Rising housing costs are forcing vulnerable seniors – who comprise the majority of rent-controlled tenants – out of their homes on a consistent basis. Establishing a reasonable SAF is one of the best tools available to us for ensuring the continued housing security of fixed-income senior citizens.

I urge you to consider the real human costs of these decisions. One of my constituents, a gentleman in his mid-80s, recently contacted my office to share his fear of impending homelessness should such a rate hike occur. Because of the absurdity of permanent Individual Apartment Improvement charges, he has now paid over \$1,200 dollars for a sink that cost his landlord less than \$50 to purchase and install. Thanks to the regressive

SAF formula, he is now paying a full 100% more in inflation-adjusted terms for his apartment than when he first moved in. This should not be possible in a framework that ostensibly aims to keep older New Yorkers living in their home communities.

The current Maximum Base Rent (MBR) formula, designed over 40 years ago, is deeply flawed and skewed in landlords' favor. It takes into account landlord costs but not landlord income, with the exception of "commercial income" in a few of the buildings sampled. Furthermore, as landlords improve their buildings -- usually through Major Capital Improvements, which are more than paid for over time by tenants -- the assessed values of the buildings rise. This increase in value is added to by the decontrol of units once tenants vacate, which occurs at a stunning pace -- we have lost 11,000 rent-controlled units in the last three years alone, and will only lose more if this 9.62% SAF is approved.

The value of the buildings is one aspect of how the SAF is determined, but it is perversely considered as a matter of being fair to landlords given the value of their holdings in contrast to the income collected via rent-controlled tenants, rather than as a means of assessing what might constitute a just societal allotment of resources. It is telling that the greatest increase in any component of the SAF formula over the last two years is not operational costs (7.81%) or taxes (10.37%), but rather the return on capital value for landlords (13.09%).

As such, and accounting for consistently compounded rental costs alongside also compounded landlord profits, I urge DHCR to institute a rent freeze for rent-controlled tenants for the 2016/17 cycle.

I understand the SAF formula is set by statute. That same statute also requires landlords to certify that 90% of the MBR increase will be put back into the operating and maintenance cost of their buildings. Until the MBR system can be ended, I urge DHCR to fully enforce the existing rules by inspecting the books of all landlords seeking increases and denying increases to those that do not meet this burden. If the SAF formula is set in stone, so too must be its attendant obligations; if the obligations are not set in stone, then I respectfully submit that neither is the SAF.

I wish to note that I co-sponsor legislation (S.3606), introduced by Senator Espaillat, which among other provisions would end the MBR program, end the fuel cost pass along and the labor cost pass along, as well as place rent-controlled apartments under the jurisdiction of their local Rent Guidelines Board for the purpose of determining annual rent adjustments. I will continue to fight for these common sense reforms that will render the SAF moot and help equalize the balance of power between landlords and tenants.

Thank you for the opportunity to testify before you today.