SUBMISSION TO THE RENT GUIDELINES BOARD IN CONNECTION WITH RGB ORDER NUMBER 55

Timothy L. Collins

April 27, 2023

Introduction

I have had some connection with the Rent Guidelines Board for nearly four decades - first as counsel in 1987, then as executive director until 1994, later as a consultant and, with the exception of a few years after concluding my services, as a member of a law firm engaged in public advocacy on behalf of tenants rights. I have never received compensation for my submissions or appearances before the RGB.

I am hopeful that some of the issues I've raised over the years and the table that is updated in this submission will continue to be considered and updated in the Board's future deliberations.

I'm not sure if I will continue to make these submissions in the future, so I hope you won't mind if I begin with a few (somewhat disjointed) reflections about the Board and the rent setting process.

Though the RGB is legally classified as a quasi-legislative body, it's actually a bit of a hybrid with some judicial characteristics. Like most judicial bodies it holds hearings involving adversarial parties and it weighs evidence within a statutory framework. Seats are reserved for tenant and owner representatives to ensure a voice for each interest. Fifty four years of experience has shown that this structure works well most of the time - at least when the Board stays close to its statutory mandate.

You are fortunate to have an outstanding staff. The body of data which informs the rent setting process has grown tremendously over the years and presents a useful portrait of the City's housing market. I should note that the press often misrepresents the staff's role by referring to certain data (i.e. the commensurate rent formulas) as staff recommendations. The RGB staff has never made recommendations for rent adjustments. The commensurate rent formulas are simply illustrations, not recommendations. That should be made clear to the press.

In less than a week the Board will propose rent hikes - simple numbers in the aggregate but numbers having dramatic consequences at ground level. Even modest rent increases may force a single parent to take on additional work and spend less time with their children; or force a lower income tenant to surrender an apartment and double up with others; or cause a senior to cut back on basic necessities; or leave the most vulnerable without a home at all. Those same rent hikes, if inadequate, may create disincentives for building repairs or improvements needed to protect both safety and quality of life; or frustrate the reasonable investment backed expectations of small owners whose building may represent their life savings.

Examples and evidence of these impacts will be amply presented in subsequent meetings and hearings by both tenants and owners. I note them here only to amplify the seriousness of your

task and the dangers of getting lost in numbers and abstractions.

A memorable statement by a former U.S. Supreme Court justice is worth noting here. In his opening remarks at his nomination hearing before the U.S. Senate Judiciary Committee in 1990 David Souter summed up a few lessons he learned as a judge:

> The first lesson, simple as it is, is that whatever court we are in, whatever we are doing, whether we are in a trial court or an appellate court, at the end of our task some human being is going to be affected. Some human life is going to be changed in some way by what we do, whether we do it as trial judges or whether we do it as appellate judges, as far removed from the trial arena as it is possible to be. And so we had better use every power of our minds and our hearts and our beings to get those rulings right.

Whatever rent adjustments the Board adopts this year, a range of human impacts – indeed some grave hardships and tragedies – are likely to result. Any Board member who is not concerned about this should tender their resignation. The very act of placing nine human beings in a position to tame the harsh edges of a skewed housing market imposes a duty to do just that.

Following the Data

If the past is any indication, when the hearings have concluded and the final vote is taken, nearly every advocate and every Board member will claim that they were "following the data". All will be able to cite numbers in support of their positions. Tenants will typically protest that their hardships and interests were ignored, citing high rent burdens and limited incomes, while Owners will complain that the system is driven by politics, that the adjustments fail to cover recent operating cost increases and that a disaster is looming for the housing stock.

For nearly twenty years I have respected and embraced the goal of "following the data". In that effort, I have attempted to distill both the legal mandate of the Board and the available data into simple metrics. In doing this I have tried to be mindful of a few fundamentals:

First, there is a serious risk of analytical myopia and intellectual conceit in any effort to "follow the data". Data is not direction. No matter which path we take we cannot escape the fact that our <u>direction</u> is always subjective and value laden. As philosophical pragmatists taught us over a century ago, the distinction between facts and values is ever blurred by the reality that facts are almost always marshaled in service of values. A civil engineer may engage in a purely factual inquiry when measuring the load capacity of a bridge, but what gives those calculations meaning and purpose is the safety of motorists who must cross the bridge - a value based objective.

Second, in a democracy legislatures get to choose general objectives. Here New York's rent laws seemingly contain the conflicting objectives of housing affordability and economic sustainability. Nonetheless, the language of the rent stabilization law, astutely recited by Adan Soltren at an

earlier meeting this year, affords navigational waypoints. As discussed below, I believe those waypoints are designed to neutralize the effects of the ongoing housing shortage on rent levels and the best way of doing that is to maintain an economically normal relationship between operating costs and rental income over time - with due regard for aberrational circumstances. The RGB has no business engaging in an ideologically driven march to market level rents.

Third, an unwavering reliance on a fixed formula would have arbitrary consequences. Unanticipated social and economic developments such as a recession or a pandemic have real impacts for both tenants and owners. These are not specifically addressed in the RGB's legal mandate and would be difficult to program. Most notably, the law doesn't provide guidance on how to balance short term vs. long term economic changes. This year the Board is faced with sharp increases in both operating costs and the consumer price index. It would be arbitrary and profoundly myopic to consider these numbers in isolation. As I will show, even accepting a conservative view of the RGB's legal mandate – to keep the value of owners' net operating income steady in the face of operating cost changes – a long term analysis actually supports a rent freeze. Weighed against short term or annual conditions, at best a modest increase is in order.

In sum, while value judgments are inescapable the Board should not arrogate itself to the role of the state legislature and chart a course at odds with statutory goal of neutralizing the effects of the housing shortage. Where situational discretion is warranted there is no neutral or objective formula which prescribes a particular course of action. "The data" does not supply objective precision. "Getting it right" in this context is not a mathematical outcome. It means making informed decisions with integrity and a degree of humility. With that, I respectfully offer the following testimony.

The ACA Table

The central feature of this submission is a table of Annualized Commensurate Adjustments (the "ACA Table") which describes the rent increases needed to ensure owners have been fully compensated for operating cost increases since 1990 (the first year the RGB received income and expense data from the Department of Finance). Factored into those calculations are adjustments which also ensure owners' net operating income ("NOI") is protected against the effects of inflation. This is the most conservative (owner friendly) approach to commensurate rent adjustments over time.

Looking at the rent adjustments produced by the various commensurate formulas in this year's PIOC report (at page 11) makes clear that any approach which seeks to preserve NOI against inflation generally results in the highest rent increases.

The ACA table compares increases in operating costs and the effects of inflation on NOI with the guidelines adopted by the RGB, including vacancy allowances (promulgated each year by the RGB until 1997 and by statutory formula until 2019 when eliminated by the HSTPA). The comparison of cost changes with the RGB rent index is rendered even more conservative by

cutting out recognition of rising owner income through statutory deregulation, major capital improvement increases, individual apartment increases and other sources of increasing income. The purpose is to determine if the guidelines adopted by the RGB, along with previously permitted vacancy allowances, have been sufficient to "keep owners whole" or whether they have been insufficient or excessive in achieving that goal. It was purposefully constructed to eliminate the influence of statutory changes on rent levels and focus on the impact of the decisions of the Board alone. In that regard, any loss of income under the Housing Stability and Tenant Protection Act of 2019 remains irrelevant insofar as the main changes made – eliminating high rent vacancy deregulation and lowering MCI increases – were never factored into the chart to begin with.

I emphasize that this is a conservative approach because it treats the effects of statutory deregulation and various improvement increases as serving other legislative purposes, like gradual deregulation or improvements to the housing stock. Indeed, while the RGB's 2023 income and expense study shows a 49.9% increase in NOI from 1990 to 2021 (I&E Report at page 11-13) after adjusting for inflation the growth in NOI through annual guideline and vacancy allowance increases alone (as used in the ACA table) is lower - but still significantly higher than needed to keep owners whole – as shown below.

The policy analysis herein is my own and not that of the RGB staff or any other public agency, though the RGB staff has checked and updated the data included in the ACA Table

Summary of Findings

Research Concerns

As I have urged in prior submissions, in order to better refine and clarify conditions within the rental housing industry and to generate more public confidence in the rent setting process, the Board must take a closer look at two variables:

> 1) the relative aging of the housing stock and the effect this has on operating cost to rent ratios; and
>
> 2) the general profitability of stabilized buildings as an investment as determined by relative changes in sales prices over time, including comparisons with rising values of multi-family property in unregulated urban housing markets.

I have in the past raised a third concern – the absence of updates on audits used to adjust operating cost data from the Department of Finance. It appears that the RGB staff has made

adjustments to accommodate that concern (described at page 8 of the I&E Report) though I am not sure those adjustments are a sufficient substitute for updated audits.

Substantive Impact of RGB Orders

As for the substantive impact of the RGB orders over time, **based on current data it is clear that had the Board authorized cumulative rent increases of 202.82% over the thirty two year period since 1990, owners would have been kept "whole" for both operating cost increases and the effect of inflation on net incomes, and rent stabilized tenants would have been protected against excessive and unwarranted rent increases. (See ACA Table, 2nd to last column "Necessary Rent Increases")**

In fact, the Board authorized rent increases of 220.3% over this period. (See ACA Table, last column - "Impact of RGB Rent Index, Cumulative")

While rent guidelines have been lower over the past eight years, they have failed to fully ameliorate excesses accumulated from prior years, contributing to a continuation of crushing rent burdens, displacement and homelessness.

Long term windfalls for the owners of stabilized buildings overwhelm the significance of any short term economic changes facing owners this year, including cost increases of 8.1% reported in the annual price index of operating costs.

The Mandate of the RGB

When considered as a whole, the Declaration of Emergency and mandated considerations compel the Board to attempt to construct or to simulate normal market rents where abnormal conditions prevail. The Board's job is to even the playing field.

This is no easy task – but the Board has plenty of tools at hand.

Certainly a review of changes in operating costs is essential. As costs go up, so generally, do rents. The RGB has recognized that the two major instruments available for measuring costs have serious limitations. The first of these – the income and expense (I&E) data available from the Department of Finance – suffers from a lag in reporting of over one year.[1] The second instrument, the annual price index of operating costs ("PIOC"), is a measure of hypothetical

[1] Some criticism has also been raised that the I&E data does not cover smaller buildings (with less than 11 units). That is a valid concern regarding cross-sectional findings but probably of limited or no impact when examining longitudinal changes which we are concerned with here. There is little reason to assume that the rate of cost changes in small vs large buildings is significantly different in any given year.

market basket of goods which has (until changes about eight years ago), substantially overstated actual operating cost changes (as evidenced by the more reliable I&E data).[2] Moreover, because it is viewed in isolation, without current data on owner income, the PIOC has chronically presented a misleading portrait of the overall health of the real estate industry.

A review of cost changes is incomplete without a review of changes in rents. For that we have the income data from the Department of Finance (which again suffers from a time lag) as well as the RGB's own rent index – a mathematical projection which factors in the prevalence of one and two year leases, vacancy allowances and the applicable rent guidelines. Unfortunately, the rent index has never been formally used to counteract the one sided picture provided by the PIOC. I have attempted to address that by presenting what owners have needed to be "kept whole" and what the RGB has authorized in actual rent increases.

The O&M to Rent/Income Ratio

The central and clearly the most important product of all the measures presented to the Board is the operating cost to rent or income ratio(the "O&M to rent ratio") and changes in that ratio over time. Other things being equal, if the O&M to rent ratio remains flat owners have been "kept whole" for operating cost changes. If it falls, owners will see a gain in net operating income. If it rises, operating costs will eat up a larger portion of each rent dollar collected. Absent other factors, a stable O&M to rent ratio is an indication that the Board is holding a steady course. If that course permits **cost push** inflationary factors – like oil, labor or insurance costs – to be recaptured in rent increases, the Board is simulating normal market conditions. But if that course permits the City's exceptional **demand pull** inflationary pressures to force rents up – that is rent increases driven by an abnormal imbalance between supply and demand – then the Board is departing from its mission to establish rents that might otherwise prevail in a normal market, a market where greater housing opportunities exist as measured by higher vacancy rates.

Before turning to the basic trends in the O&M to rent ratio, there are two other factors the Board should consider when evaluating whether the prevailing ratio is too high or too low.

The first is the relative age of the housing stock. As buildings age operating costs will generally increase relative to rents.[3] This is amply evident from the new breakdown of operating costs and incomes for pre 1974 and post 1973 buildings included at Table 3, page 25 of this year's I&E

---

[2] See *Comparing the PIOC and the RGB Income and Expense Study,* Hudson, 3/21/14. "In the second half [of the period from 1992 – 2012] the estimated rate for the PIOC is 6.2% annually and the I&E is 4.3%."

[3] This is a widely recognized phenomenon. See e.g. *Determinants of Operating Costs of Multifamily Rental Housing*, Jack Goodman, Joint Center for Housing Studies, Harvard University July 2004, http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w04-7.pdf

Report. Notably these numbers were not gathered for this analysis and may lack the precision of a more targeted review (e.g. looking at median O&M to income ratios for each category) but the differences are stark with older buildings appearing to have a ratio of .70 and newer buildings .51.

PRE 74 O&M to INCOME		POST 73 O&M TO INCOME	
$1,059/$1,495	.70	$1,228/$2,409	.51

The City's housing stock has clearly aged. We have no precise numbers on the median age of rent stabilized buildings, but based upon HVS data we do know that in 1981 80.3% of the rent stabilized housing stock was over twenty years old.[4] In 2017 90.5% of the stabilized stock was over 43 years old.[5] One can easily conclude from this that new construction has not been sufficient to keep the average age of the housing stock from rising. In a normal market, this would mean that the O&M to rent ratio would have crept forward from where it was thirty or forty years ago.

This is one of the two areas where the RGB's analysis is in need of further refinement. The Board should examine the relationship between relative operating cost ratios and building age, and then make a more precise determination of how much the stabilized stock has aged since 1969 (the first year of stabilization) and since 1990 (the first year of access to operating cost data through the Department of Finance).

The second factor is the impact of a recession on rents in normal markets. If household incomes are flat or falling, rents generally dip or sputter along until the economy picks up. This was evident during the Great Recession, when the national median asking rent in the first quarter of 2009 ($723) actually exceeded the median asking rent four years later -- in the first quarter of 2013 ($718).[6] If operating costs are rising net operating incomes will generally fall during an economic downturn. Consequently a decline in net operating income during the recent pandemic related downturn is neither surprising nor something the Board should seek to arrest. Any such temporary decline would simply parallel what happens in normal rental markets. Perhaps unique in 2020-21 was an exodus of market rate tenants from core Manhattan which clearly contributed to the relative decline in net operating income as evidenced by a 21% drop there compared with a 5.1% decline in the rest of the city. (I&E Report at page 16)

---

[4] NYC HVS 1981, Series IA, Table 16.

[5] Calculations derived from NYC HVS 2017, Series IA, HOUSING CHARACTERISTICS - RENT REGULATION STATUS (2021 figures are not yet available).

[6] U.S. Census Bureau, Housing Vacancies and Homeownership, Table 11A - http://www.census.gov/housing/hvs/data/histtabs.html

In sum, as a structural matter, in normal markets O&M to rent ratios will gradually rise with the relative age of the housing stock and, as a cyclical matter, a recession will limit rent increases or even cause a decline in rents – and this typically results in a rising O&M to rent ratio as well (i.e. declining net operating incomes).

How the O&M Ratio Has Changed Over the Years

Based on a 1993 RGB staff study, which constructed an estimate of a mean O&M to Rent/Income ratio for the pre-war stock derived from extensive work by George Sternlieb in 1967, the true O&M to Income ratio estimate (Sternlieb combined rent and income) fell into a range from .65 to .70. The estimated mean ratio for the post-war (1947 or later) stock was .55 based upon contract rents.[7] Given the relative portion of the pre and post war units, the overall O&M to rent ratio at the outset of rent stabilization was assumed to be .62 (conservatively applying the lower of the range [.65] for the pre-war units which now constitute about three quarters of the stabilized stock).

In sum, using the best evidence available (and applying conservative assumptions) we can assume that at the time rent stabilization was first adopted in 1969 the average landlord in New York City was spending about 62 cents of rent and income collected on operating costs, keeping about 38 cents as net operating income (for capital improvements, financing costs and operating profits).

With access to the Department of Finance I&E data we can more reliably gauge how the O&M ratio has changed over the past two decades. In this year's I&E report, the RGB staff found that the O&M ratio in 2021 was 62.2%. The ratio witnessed a general decline since 2008 when it stood at 64.3%. Notably these are the "adjusted" ratios, with the 2021 figure using the method described at page 8 of this year's I&E Report.

In short, notwithstanding the aging of the housing stock as well as the profound pressures of a pandemic related recession (both of which should have caused a natural and significant rise in the O&M to income ratio), the ratio is basically where it was over fifty years ago. This is another powerful indicator that owners have been more than "kept whole" throughout the period of rent stabilization.

Net Operating Income

Looking at the O&M ratio from the income side and considering the factors which fueled owner

---

[7] These points are summarized in *Introduction to the NYC RGB*, Appendix K, Staff Memo dated May 13, 1999.

overcompensation during the recession which began in 2008, when nearly every other investment in the nation was in decline, rent stabilized housing in New York City witnessed a significant increase in net operating income – rising from 35.7% of each rent dollar collected in 2008 to 39.4% in 2014. That rise was clearly fueled by excessive and unjustified RGB approved rent increases - a deliberate "march to the market" at a time when tenants were in dire need of effective protections.

Notwithstanding far more reasonable rent adjustments over the past eight years, net operating income actually continued to rise to 41.8% in 2016 dropping back only to 37.8% as of 2021.

This is clear and unequivocal evidence that owners have continued to do very well – riding on the substantial gains made during the very hard years of the Great Recession and continuing through the economic downturn of 2020/21.

Despite an aging housing stock and sharply declining tenant incomes which should have caused the O&M ratio to rise and net operating incomes to decline during those critical years, the actions of the RGB and the operation of various statutory deregulation provisions sent the ratio sharply down and net operating incomes significantly up. It is therefore completely unsurprising that the RGB staff now reports that owner net operating incomes are 49.9% higher (in constant 2021 dollars), than in 1990. (2023 I&E Report at page 11)

With thirty two years of data on actual income and expenses, we can answer the question: "What rent increases were necessary to keep owners 'whole' in terms of rising operating costs and the effects of inflation on net operating income?" Using the RGB's rent index, we can compare this answer with what the RGB actually authorized in rent increases.

A Fair Measure of the Impact of RGB Guidelines

Why can't we simply compare rent increases with operating cost increases?

To compare rent increases with operating cost increases is to implicitly suggest that rents should rise at a comparable rate to operating costs. But if operating costs are rising faster than inflation, that approach would cause the net operating income portion of rent to rise at a higher rate than inflation. There is no reason why owner net operating incomes should rise faster than inflation. That approach would result in unwarranted windfall profits.

It is clear that operating costs have risen faster than inflation over the past 33 years (since the RGB first gained access to I&E data). In fact, according to the Board's table 7 (from last year's explanatory statement for Order #54) operating costs have risen 214% ($1,163/$370 - unaudited and ($1,068/$340 - audited) since 1990. Over the same period (3/90 to 3/23) the CPI has risen

only 134.53%. In short, operating costs have risen substantially faster than the CPI. Had rent increases been pegged to the rate of change in operating costs alone, owners would have nearly doubled increases to their net operating incomes resulting in a massive and unwarranted windfall. Owners have repeatedly obfuscated this basic economic fact by complaining in several forums – without clarification or justification – that they have been shortchanged by rent adjustments which failed to keep up with operating cost changes. This is a deliberate deception which should not be tolerated by any responsible policymaker - nor by any ethical journalist.

To find out what kind of RGB increase is needed to keep owners whole, we need to multiply the percentage increase for operating costs by the O&M ratio. The product of that calculation may then be added to the annual CPI multiplied by the NOI portion of rent collections. Thus, if operating costs rose by 5% that figure could be multiplied by the O&M ratio (say 60%) resulting in product of 3% and this is the amount needed to increase rents to cover operating costs while keeping NOI constant in nominal dollars. Then, we could add the product of the CPI times the NOI ratio (e.g. 2% times 40%) to produce the amount needed to keep NOI whole for inflation (here .8%). Adding the two products gives us the overall rent increase needed to keep owners whole for changes in operating costs and to protect income from inflation. In this example the total would be a 3.8%. This is an annualized version of the RGB staff's commensurate rent formula which I have referred to as an "annualized commensurate increase".

These calculations have been done for each year since 1990. The most recent four years have been updated and checked by the RGB staff to ensure consistency with RGB generated data points.

A table of these calculations is attached.

Isolating the Effects of the RGB Orders on Rent Increases from Other Income Sources

The utilization of the RGB staff rent index is what is most critical here**.** That index is a projection constructed from the actual RGB guidelines, the prevalence of one and two year leases and the number of vacancies each year. It is as close to a pure reflection of the intended impact of the RGB guidelines on rents as one can get. It ignores changes in income from unregulated and commercial units, and from preferential rents (rents charged below legal maximums).

Doing these calculations results in a 202.82% cumulative increase in the annualized commensurate since 1990 and a 220.30% cumulative increase in the RGB rent index over the same period. (These percentages are obtained by deducting the base of 100 from the bottom figures in each of the two last columns on the ACA Table.)

This means that the increases authorized by the RGB since 1990 (starting in 1991) exceeded

the amounts needed to keep owners whole in all respects by over 17% cumulatively.

Again, this figure is predictably less than the 49.9% growth in the inflation adjusted value of net operating income found by the RGB staff. One would expect actual owner income to be rising relative to the increases authorized by the RGB because of the increasing prevalence (until mid 2019) of unregulated "market rate" apartments in the stock and larger major capital improvement increases.

There are, as always, some complications. We know, for example, that the number of preferential rents and collection and vacancy losses have changed over time. Consequently, not all rent increases authorized by the RGB are collected. I can also add from experience that the presence of illegally inflated rents is also a significant factor which is not quantified in our comparisons. This should not change the analysis here, however, because we are asking and answering the simple question:

Has the RGB authorized rent increases that are sufficient to cover changes in operating costs and preserve net operating income against the effects of inflation?

We can safely answer that, over the long term, increases in regulated rents authorized by the RGB have significantly exceeded both operating costs and increases needed to protect net operating income from the effects of inflation.

****

Owner Profits

The issue has occasionally been raised before the RGB that analysis of O&M ratios and net operating incomes fail to accurately assess actual owner profits. That is absolutely true. The RGB lacks both the jurisdiction and resources to reliably examine the real return owners see on their investments. Notably, the Rent Stabilization Law does not speak about "profits." There is a good reason for this. Simply put, the Board does not control profit levels. Any such attempt would result in an intractable circularity problem: rents rise, property values climb, investors must spend more to purchase properties, rents must rise again to maintain the same relative return on investment. Moreover the RGB does not control purchase prices, down payments or equity levels – all central variables to long term profits.

That doesn't mean, however, that the RGB lacks resources to intelligently gauge how profitability has changed since the stabilization system began in 1969. The simplest (and arguably the best) measure of changing profitability over time is found in sales prices. In a survey of real estate transactions for rental buildings in New York City covering the period from

1976 through 1993, median sales prices increased over 400% while the national inflation rate increased at less than half that rate. See *Sales Price Data, Rent Stabilized Housing in New York City: A Summary of Rent Guidelines Board Research*, 1993, p. 112. That was a limited study which – after 30 years needs to be updated and expanded.

The RGB should analyze changes in sales prices for a statistically significant sample of buildings with rent stabilized units since 1969. This could be done by taking a sample of recently sold rent stabilized buildings and tracking prior sales prices for the same buildings over the past fifty four years. Price changes for discrete intervals could then be aggregated to establish long term trends. The results could then be compared to sales price changes for rental buildings nationally as well as to the CPI. That would add an important additional reference point from which to measure the impact of both the rent stabilization system and the RGB's own orders on the economic viability of regulated buildings. It would also perform a valuable service for legislators and other policy makers. The only general way to examine the total impact of the general regulatory environment on property values is to look at appreciated values over time.

One final point on these data shortcomings: There is only one group that has the power to provide precise data on profits and that is the owners themselves. The chronic failure of the real estate industry to disclose actual profit levels or to voluntarily provide income and expense data should not be lightly dismissed. They have utterly failed to produce key evidence under their primary control. As a result, all inferences with respect to the reliability of the limited evidence and arguments they do produce should be drawn against them. What the RGB typically witnesses when owners do present evidence of losses is selective cherry picking of buildings and data. By contrast, tenant household incomes and rent burdens are tracked with high levels of precision in the HVS and through various measures in the RGB's Income and Affordability Reports.

Conclusion

As I have consistently testified over the years, I do not believe it is the role of the RGB to make every apartment affordable for every tenant. If apartments become unaffordable because operating costs are truly driving prices up, rent increases may be a necessary evil to sustain the housing stock and to ensure a fair return for owners. But if apartments are becoming unaffordable because unwarranted rent increases are simply transferring wealth from the City's tenants to its owners – resulting in excessive profits for owners – then it is indefensible. Notwithstanding a series of lower guidelines over the past eight years, it is clear that the RGB has continued to overcompensate the City's landlords while tenants face unwarranted and continuing hardships.

For all of the foregoing reasons, there is no compelling reason for the Board to adopt substantial rent increases this year. While both inflation and operating cost increases may warrant some increase, any such increase should be limited by decades of overcompensation now built into existing rent levels.