

**THE CITY OF NEW YORK
RENT GUIDELINES BOARD**

Order Number 7—RENT LEVELS JULY 1, 1975 THROUGH JUNE 30, 1976

PURSUANT TO THE AUTHORITY VESTED IN IT BY THE RENT STABILIZATION Law of 1969 and Chapter 576 of the Laws of 1974, implemented by Resolution Number 276 of 1974 of the New York City Council, the Rent Guidelines Board hereby establishes and adopts the following levels of fair rent increase over lawful rents charged and paid on June 30, 1975 (including the "stabilizer", if any) for dwelling units subject to the Rent Stabilization Law of 1969, as amended.

Adjustments for Renewal Leases

- For one year leases expiring before July 1, 1977: 7½ per cent.
- For two year leases expiring before July 1, 1978: 9½ per cent.
- For three year leases expiring before July 1, 1979: 12½ per cent.

Adjustments for Renewal Leases on dwelling units receiving partial tax exemption pursuant to Sections 421 and 423 of the Real Property Tax Law

Where a dwelling unit is in a structure subject to the Partial Tax Exemption program under Section 421 of the Real Property Tax Law, or in a structure subject to Section 423 of the Real Property Tax Law as a Redevelopment Project, permissible percentage increases for renewal leases are, as follows:

- For one year leases expiring before July 1, 1977: 6 per cent.
- For two year leases expiring before July 1, 1978: 7½ per cent.
- For three year leases expiring before July 1, 1979: 10½ per cent.

Furthermore, nothing in this Order shall prohibit the inclusion of a lease provision for an annual or other periodic rent increase over the initial rent at an average rate of not more than 2.2 per cent per annum where the dwelling unit is receiving partial tax exemption pursuant to Section 421 of the Real Property Tax Law and the Regulations adopted pursuant thereto or, where applicable, such rate of rental increase as is provided for and authorized by Section 423 of the Real Property Tax Law. The cumulative but not compounded charge of up to 2.2 per cent per annum as provided by Section 421 or the rate provided by Section 423 is in addition to the amount permitted under this section of the Guideline Order for leases.

Leases on Vacant Apartments

Where a dwelling unit becomes vacant, the levels of rent increase governing a new tenancy commencing on or after July 1, 1975, and before June 30, 1976, are the same levels over rentals charged on June 30, 1975 as those set forth above for lease renewals, plus 5

per cent over the rentals charged on June 30, 1975 on each vacancy of such unit during the effective period of this Order.

Fractional Terms

Except as to leases on vacant apartments, for the purpose of these guidelines any lease or tenancy for a period up to and including one year shall be deemed a one year lease or tenancy; the same for a period over one year and up to and including two years shall be deemed a two year lease; and the same for a period over two years and up to and including three years shall be deemed a three year lease. As to leases on vacant apartments, for the purpose of these guidelines any lease for a period from one year to less than two years shall be deemed a one year lease; the same for a period from two years to less than three years shall be deemed a two year lease; and the same for a period of three years or more shall be deemed a three year lease.

Electrical Inclusion Adjustment

In addition to the lease adjustment permitted under this Order No. 7, a lease for a dwelling unit for which the owner supplies full electrical service for which there is no additional cost charged to the tenant in addition to rent, the applicable lease adjustment as established by this Order is increased by 3½ per cent.

Escalator Clauses

Where a lease for a dwelling unit in effect on May 31, 1968 contained an escalator clause for increased costs of operation and such clause is still in effect, the lawful rental on June 30, 1975 over which the fair rent under this Order is computed shall include the increased rental, if any, due under such clause. Moreover, where a lease contained such an escalator clause, unless the owner elects or has elected in writing to delete such clause, effective no later than July 1, 1975 from the existing lease and all subsequent leases for such dwelling unit, the increased rental, if any, due under such escalator clause shall be offset against the amount of increase permissible under this Order.

Stabilizer

The one-half percent "stabilizers" charged in leases pursuant to previous Orders of this Board shall remain in effect until the expiration of such leases.

Special Guidelines to Update Special Guidelines 6b

In order to aid the Conciliation and Appeals Board in determining fair market rents for housing accommodations as to applications for adjustment of the initial regulated rent as may be requested by tenants, the Rent Guidelines Board hereby establishes a special guideline as mandated by Section 12 of Chapter 576 of the Laws of 1974 amending Section YY51-6.02b(1) of the New York City Administrative Code for dwelling units subject to the Rent and Rehabilitation Law on June 30, 1975 which subsequently become vacant after June 30, 1975, the 1974 maximum rent as it existed or would have existed, plus 22½ per cent.

Limitations on Adjustments for Renewal Leases

The limitations on adjustments for renewal leases provided herein shall be effective for such types of dwelling units listed below for which no leases have commenced between July 1, 1974 and June 30, 1975.

A. For dwelling units which were subject to the Rent and Rehabilitation Law on June 30, 1971 and which become subject to the Rent Stabilization Law on July 1, 1974:

1. Where the tenant elects a one-year lease term, the owner may charge that portion of the 7½ per cent one-year lease increase which does not cause the rent to exceed 22½ per cent above the 1974-1975 maximum rent which was or would have been in effect for that dwelling unit pursuant to the City Rent and Rehabilitation Law (hereinafter, the "1974-1975 maximum rent").

2. Where the tenant elects a two-year lease term:

(a) for the first year of the lease, the owner may charge that portion of the 9½ per cent two-year lease increase which does not cause the rent to exceed 22½ per cent above the "1974-1975 maximum rent"; and

(b) for the second year of the lease, the owner may charge that portion of the 9½ per cent two-year lease increase which does not cause the rent to exceed 9½ per cent above "the 1974-1975 maximum rent" plus 22½ per cent.

3. Where the tenant elects a three-year lease term:

(a) for the first year of the lease, the owner may charge that portion of the 12½ per cent three-year lease increase which does not cause the rent to exceed 22½ per cent above the "1974-1975 maximum rent"; and

(b) for the balance of the lease term, the owner may charge that portion of the 12½ per cent three-year lease increase which does not cause the rent to exceed 12½ per cent above "the 1974-1975 maximum rent" plus 22½ per cent.

B. For dwelling units which were subject to the Rent Stabilization Law on June 30, 1971, were destabilized due to a vacancy occurring between July 1, 1971 and June 30, 1974, and have been placed under the Rent Stabilization Law again effective July 1, 1974:

1. Where the tenant elects a one-year lease term, the owner may charge that portion of the 7½ per cent one-year lease increase which does not cause the rent to exceed 30 per cent above the December 31, 1973 rent which was or would have been in effect for that dwelling unit pursuant to the Rent Stabilization Law (hereinafter, the "December 31, 1973 rent").

2. Where the tenant elects a two-year lease term:

(a) for the first year of the lease, the owner may charge that portion of the 9½ per cent two-year lease increase which does not cause the rent to exceed 30 per cent above the "December 31, 1973 rent"; and

(b) for the second year of the lease, the owner may charge that portion of the 9½ per cent two-year lease increase which does not cause the rent to exceed 9½ per cent over 30 per cent above "the December 31, 1973 rent".

3. Where the tenant elects a three-year lease term:

(a) for the first year of the lease, the owner may charge that portion of the 12½ per cent three-year lease increase which does not cause the rent to exceed 30 per cent over the "December 31, 1973 rent" and

(b) for the balance of the lease term, the owner may charge that portion of the 12½ per cent three-year lease increase which does not cause the rent to exceed 12½ per cent over 30 per cent above "the December 31, 1973 rent".

The owner shall be required, upon offering leases to the categories of tenants covered by this provision, to furnish such tenants with a rent computation reflecting the limitations provided in this provision on forms approved by the Conciliation and Appeals Board. Nothing contained in this provision shall be construed to authorize increases in excess of those otherwise established by this Order No. 7.

Decontrolled units

The permissible percentage increases for decontrolled units under Order 3A remain in effect for units covered by such order.

Credits

Rental charged and paid in excess of the levels of fair rent increase established by this Order shall be fully credited against the next month's rent.

Dated: July 1, 1975.

Filed with City Clerk: July 1, 1975.

JACOB B. UKELES, Chairman, Rent Guidelines Board.

SUMMARY

EXPLANATORY STATEMENT OF THE RENT GUIDELINES BOARD UPON ISSUANCE OF

ORDER NUMBER 7—JULY 1, 1975 THROUGH JUNE 30, 1976

The Rent Guidelines Board must establish annually guidelines for rent adjustment relating to vacancy and renewal leases for property subject to the Rent Stabilization Law and Chapter 576 of the Laws of 1974, implemented by Resolution Number 276 of the New York City Council. The Board must file its findings for the preceding calendar year with the City Clerk by July 1 of each year. The Board shall also file an Order with the City Clerk establishing a level of fair rent increases as the guideline for leases entered into during the next 12-month period. In establishing such levels of fair rent increase, the Rent Guidelines Board must consider:

- (1) the economic condition of the real estate industry in New York City;
- (2) relevant current and projected operating cost indices for New York City; and
- (3) such other data as is available and required. These guidelines are to be published in THE CITY RECORD upon their adoption.

The Rent Guidelines Board has the power to issue orders with a single rate of adjustment or for rent adjustments varying by class of housing accommodations.

This Board must issue Guideline adjustments for leases relating to all housing accommodations subject to the Rent Stabilization Law and Chapter 576, unless excepted from such increases by operation of law. These covered categories include:

(a) stabilized units:

- (b) previously decontrolled units;
- (c) previously destabilized units;
- (d) never heretofore regulated units;
- (e) redevelopment company units;
- (f) Section 421 housing units; and
- (g) non-transient hotel units.

This present statement describes the methods used by the Rent Guidelines Board in establishing, effective July 1, 1975, the amount of maximum rent increases which will be permitted under leases of differing lengths in dwelling units covering all units listed above except non-transient hotel units.

Pursuant to Section YY51-5.0(b) of the Administrative Code, as amended, the Board has, in establishing the permissible increases, considered thoroughly, "the economic condition of the residential real estate industry in New York City." The level of the increases permitted under this Order are based, in part on "The Report on the 1975 Price Index of Operating Costs for Rent Stabilized Apartment Houses in New York City." This report is a result of a study conducted by the Bureau of Labor Statistics of the United States Department of Labor for this Board at the request of The City of New York and issued in June 1975. As a basis for its research the Bureau developed a weighted index of prices, as of April, for the years 1967 through 1975 inclusive—of the components which, taken together, comprise the operating costs for rent stabilized apartment houses. The components are real estate taxes, labor costs, fuel and utilities, contract services, administrative costs, insurance costs, cost of parts and supplies, and replacement costs. The selection of items for pricing in the index was based on the relative importance of the item in total operating costs and on the availability of reliable price data over time.

The Bureau of Labor Statistics reported that from April, 1974 to April, 1975 its price index rose 6.5 per cent. This increase was considerably lower than the 15.5 per cent increase found by the Board to have occurred from 1973 to 1974 mainly because of a steep decline in the rate of increase in the price of energy. Since most leases coming due in the period covered by Guideline No. 7 were entered into prior to last year their rents have not yet reflected the enormous 1974 cost increases attributable in the main to the energy crisis. The basic one-year allowance granted by the Rent Guidelines Board this year includes a factor which adjusts for the effects of the 1973-1974 cost increase as well as last year's experience. Two and three year increase allowances include these factors as well as an additional factor reflecting the Board's forecast of operating and maintenance cost trends for the next two years.

In recognition of continued high interest rates, the Board also decided to include a "stabilizer" of one-half of one per cent in the permissible rent increase.

In making its determinations of allowable increases the Board also considered information submitted by a number of groups and individuals such as hardship application data from the Conciliation and Appeals Board, a study conducted for the Rent Stabilization Association, studies prepared by the New York Owners Committee for Better Housing, Inc., and the Associated Builders and Owners of Greater New York, a report commissioned by the Coalition to Save New York and prepared by the Real Estate Research Corporation and information submitted by interested tenant groups such as the Flathush and Fresh Meadows Tenants Councils and the Metropolitan Council on Housing.

The Rent Guidelines Board carefully considered the propriety of reinstating a special allowance for vacancy leases as opposed to renewal leases and found pressing economic justification for such practice. All available evidence indicates that rent stabilized buildings have entered a period of narrowing cash flow. Unusual operating and maintenance cost increases, rising financing costs and vacancy losses could cause severe hardship for buildings currently operating on small margins with increasing risk of negative cash flow. A special allowance for vacancy leases should help to ameliorate this situation.

Last year the Board granted a special increase allowance of 2.5 per cent for a dwelling unit for which the owner supplies full electrical service for which there is no cost charged to the tenant in addition to rent. The allowance of 3.5 per cent this year reflects both the Board's determination that consumption of electricity in these units has returned to pre-crisis levels, as well as its finding of a relatively small increase in electric rates experienced last year.

The Board also made provision, within its Order, for the inclusion of buildings receiving the benefits of the partial Tax Exemption program promulgated pursuant to Section 421 of the Real Property Tax Law and for the inclusion of buildings receiving benefits pursuant to Section 423 of the Real Property Tax Law as redevelopment company units. Since these buildings are largely unaffected by increases in real estate tax rates, the Board has promulgated a separate guideline to reflect the smaller increase in operating costs experienced by them.

In arriving at Special Guidelines to aid the Conciliation and Appeals Board in determining "fair market rents" for housing accommodations for which tenants may appeal the amount of the initial legal regulated rent, the Guidelines Board took into account the relationship that had developed between market rents and controlled rents in the period during which vacancy decontrol was in effect. The data that was developed to document this relationship were based upon studies carried on by the Housing and Development Administration and were further based upon reports by other governmental agencies that were submitted to the Rent Guidelines Board. These various studies showed that there was a 20 to 25 per cent difference between market rents and maximum rents in the period between 1971 and 1975. This relationship was adopted as a standard for the Board's determination of Special Guidelines.

The guidelines set for dwelling units which were subject to the City Rent and Rehabilitation Law or the Rent Stabilization Law on June 30, 1971, were thereafter vacancy decontrolled or destabilized, and became subject to the jurisdiction of the Rent Stabilization Law on July 1, 1974 or thereafter, have been changed from those issued last year to account for economic trends and to simplify both the administration of these guidelines and their comprehensibility. The Board has received an opinion from the Corporation Counsel of The City of New York with which the Attorney General of the State of New York concurs, that it may consider the magnitude of rentals initially charged during the period of vacancy decontrol when promulgating its guidelines.

The working material and detailed data which went into the Rent Guidelines Board's consideration will be compiled into a final report which will be released not later than August 1, 1975.

JACOB B. UKELES, Chairman, Rent Guidelines Board.

July 1, 1975.

Filed with the City Clerk July 1, 1975.

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