

REBNY Testimony | January 7, 2022

The Real Estate Board of New York to The New York State Senate Standing Committees on Housing and Judiciary on S3082, Good Cause Evictions

The Real Estate Board of New York (REBNY) is the City's leading real estate trade association representing commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople, and other organizations and individuals active in New York City real estate. Thank you to Chairs Kavanagh and Hoylman, and members of the Housing and Judiciary committees for the opportunity to provide testimony on S3082, which would seek to establish a rent control mechanism on nearly all private rental properties statewide.

It is clear we have a housing crisis in New York with increasing rates of homelessness¹, overcrowded households, and few available affordable options. Coupled with an aging housing stock and a failure to keep pace with job and population growth, constraints on supply have exacerbated these trends. This crisis is dire and complex and requires a multipronged approach of preservation, production, and conversion to meet the full breadth of need and provide options in existing neighborhoods of opportunity to New Yorkers. Such solutions require close collaboration between state and local governments and the private sector, new tools and ideas, and increased public investment.

REBNY and its members are committed to working closely with our partners in the State Senate to address these complex challenges. Unfortunately, the proposal to impose universal rent control embodied in S3082 is not the solution as it will result in degraded housing quality over time and fewer affordable housing options on the market while failing to address real problems with a lack of code enforcement by local municipalities. S3082 also fails to address the most critical challenge faced by renters today as it does not provide direct assistance to rent burdened New Yorkers, who already pay most of their income to rent, and does nothing to address rental arrears due to loss of jobs and income because of the pandemic.

Universal Rent Control Will Result in Worsened Housing Quality for New Yorkers

Since the start of COVID-19, property owners have continued to meet their responsibility of providing quality and safe housing for their residents. Owners continue to and must find ways to cover the increased costs for utilities and maintenance, along with continuing to pay property taxes based on pre-pandemic assessments and collection rates. Additionally, at a time in which many New Yorkers are at home, building owners, property managers, and building service workers have kept buildings safe, clean, and responsive to the COVID-19 pandemic, often at significant expense.

¹ [Basic Facts About Homelessness in New York City; Coalition for the Homeless, November 2021.](#)

Rent is used to cover the cost of operating buildings, which includes maintaining and improving apartments, paying staff, and paying property taxes. Limiting future rent increases to 3% or 1.5% of CPI is not enough to cover these rising costs.

Evidence for this can be found by evaluating New York City's existing rent stabilized housing stock, where the New York City Rent Guidelines Board (RGB) has failed to allow for rent increases commensurate with increases in expenses. As a result, alteration permits in these buildings were down 44% prior to the pandemic and for three years in a row the number of distressed buildings has increased². This legislation would exacerbate this problem for all buildings across New York State.

Furthermore, by constraining the ability to repay debt, this legislation will reduce property owners' ability to access other funds over time as banks will not be willing to secure loans with buildings that are losing value by virtue of having future rent growth reduced. A recent study from [the Federal Reserve Bank of New York](#) shows that highly-leveraged buildings tend to have lower levels of maintenance investment.

Universal Rent Control Will Lead to Fewer Homes for New Yorkers

A key driver of New York's housing crisis is the lack of housing supply. According to the most recent U.S. Census, from 2010 to 2020, the number of New York City residents grew by roughly 630,000 people, while the number of housing units grew by only 206,000. Since 2018, New York City's housing production has decreased by nearly 8,500 units³. 554,193 more low- and very low-income units are currently needed to accommodate 979,142 low- and very low-income households. Almost 290,000 New York households are overcrowded, with more than one person living per room⁴. 50,815 New Yorkers sleep in the New York City municipal shelter system each night⁵. To put it in context, New York City's housing production lags behind 17 other major metropolitan areas throughout the U.S including Seattle, Austin, San Francisco, and Los Angeles⁶. By every tracked measure, New York needs more housing, especially for our most vulnerable New Yorkers.

S3082 will make our housing shortage worse. Indeed, the imposition of caps on rent growth make private sector investment in developing and owning new rental housing less valuable. This would ultimately reduce the supply of rental housing at a time when New York is already facing a statewide housing crisis. This means New Yorkers will have less options for housing, not more. Without the ability to replenish and increase the housing supply, communities across the state will have no options when new residents want to move in, or when existing residents want to find new housing themselves in their city.

With this particular challenge in mind, it is worth noting that similar policy proposals in California and Oregon purposefully exempted new construction. Even those flawed proposals understood how deeply problematic it would be to apply this kind of regulatory scheme to new construction, as mixed income rental housing relies on a cross subsidy from the market rate units to cover the affordable, income-restricted units.

² [2021 Income and Expense Study, New York City Rent Guidelines Board, April 2021](#)

³ [New York City, Housing Production Snapshot 2020, New York City Department of City Planning, April 2021](#)

⁴ ["Protecting NYC's Most Vulnerable Populations During COVID-19", Office of NYC Comptroller April 2020](#)

⁵ [Basic Facts About Homelessness in New York City; Coalition for the Homeless, November 2021.](#)

⁶ [U.S. Department of Housing and Urban Development State of the Cities Data Systems, Building Permits Database, and U.S. Census Bureau 2006-2010 American Community Survey 5-year Estimates.](#) Baseline population data is from 2010

A Better Approach

Rather than adopt a misguided universal rent control scheme, REBNY encourages policymakers to adopt a multipronged approach to ensuring housing quality and protecting tenants. At a minimum, such a strategy should include strong coordination between State and local governments and the private sector to facilitate proactive problem solving. In addition, the Senate should provide increased funding for code enforcement, evaluate potential gaps in statewide code enforcement as the Senate has previously attempted to do, and calibrate incentive programs to promote and pay for housing quality in exchange for stable rents for tenants in need. This should be paired with greater public investment in outreach to property owners to ensure awareness and compliance.

In addition, the Senate ought to also consider regulatory relief as part of a potential alternative. As part of the city's efforts to affirmatively further fair housing, and the result of the culmination of a two year engagement process, the City of New York's Department of Housing Preservation and Development (HPD) recently issued a report, [Where We Live NYC](#). The report includes several recommendations related to land use planning, incentive programs, and calls for the expansion of housing options throughout the five boroughs. The Obama-era HUD rule on which this report is principled was coupled with a housing toolkit which keenly understood that the suppression of housing creation will create further distance between the available supply and demand of housing. Successful efforts to increase both housing production and accessibility should consider removal of barriers such as exclusionary zoning and adding flexibility for conversions, and the incentives necessary to encourage the private sector to rapidly increase housing production. Without harnessing the tools of the private sector to build market rate housing and meet the demand, we will strain our existing naturally occurring affordable housing stock and other forms of affordable housing.

Furthermore, to stabilize New Yorkers and keep them housed, the Senate should consider enacting a statewide right to counsel program, with sufficient funding to hire legal services attorneys. The most recent evaluation of [New York City's right to counsel program](#) showed that 84% of represented tenants were able to stay in their homes as a result of this program enacted in 2013. For this reason, REBNY was proud to support an expansion of [New York City's right to counsel program in 2020](#). If executed correctly at the state level with adequate funding, right to counsel could prove equally as successful at the state level.

Finally, expanding voucher programs that supplement families facing eviction, homelessness or loss of housing is a proven cost-effective method of ensuring people can stay in their homes. Property owners understand the importance of direct rental assistance, and this is why owners across the state work with tenants to help them apply for the assistance they need from state programs. This includes continued support for programs like SCRIE and DRIE and for the need for emergency rental arrears assistance. Real estate and tenant advocates both agree that streamlining eligibility for housing assistance and one-shot rental arrears payments would protect New Yorkers from unnecessary housing court proceedings to access assistance they are already eligible for. Doing so will provide much needed regulatory relief and ensure faster assistance payments to New Yorkers in need. Enabling additional and more effective use of rental assistance, especially in high-amenity areas, will expand housing choice for New Yorkers across neighborhoods. Academic papers from both the [Center on Budget and Policy Priorities](#) and the [National Bureau of Economic Research](#) document that it is more cost-effective for government intervention to keep or place someone in their home than it is to provide temporary shelter. This is why REBNY was proud to join the Senate and others in calling on the State to reopen the State Emergency Rental Assistance Program and the Federal government to advocate for more rental assistance.

Conclusion

Now more than ever, New Yorkers need safe and healthy homes in which to live. However, S3082 fails to provide the solutions that New Yorkers need. REBNY and its members are committed to working collaboratively with the State Senate to find true solutions to increase access to housing for those who need it the most and to help protect New Yorkers in need of assistance.

Thank you again for the opportunity to submit testimony.

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