



RENT STABILIZATION ASSOCIATION • 123 William Street • New York, NY 10038

TESTIMONY OF THE RENT STABILIZATION ASSOCIATION OF NEW YORK CITY
TO THE NEW YORK STATE SENATE AND NEW YORK STATE ASSEMBLY, IN RELATION TO THE
FEDERAL RESPONSE TO THE ECONOMIC IMPACT OF THE COVID-19 PANDEMIC ON SMALL
BUSINESSES IN NEW YORK STATE

MAY 13, 2020

This testimony is submitted on behalf of the 25,000 members of the Rent Stabilization Association who own or manage one million apartments in the City of New York.

Almost half of all the members of RSA- and tens of thousands of property owners in New York City- would, by any definition, be considered small businesses. In the City, there are approximately 16,000 properties owned by “mom and pop” owners that together contain more than 300,000 rental units in buildings with less than eleven units. If we define small property owners as those with less than 50 rental units, then small business owners maintain and operate more than 500,000 apartments, most of them rent-regulated.

While the perception of the City’s housing market is that it is dominated by large, sophisticated real estate owners and managers, the stark reality is that it is these owners who provide substantial affordable, work force housing throughout the City, particularly in the boroughs outside of Manhattan.

The Covid-19 pandemic has had a devastating impact upon all property owners and the small property owners have been particularly hard hit. Typically operating without any cushion, and operating from month-to-month rents, these owners are entirely dependent upon the timely payment of rents to pay their bills as they come due. With the housing courts closed for the foreseeable future and an eviction moratorium in effect at least until mid-August, the ability of owners to rely upon timely rent payments has been placed into question. In addition to the loss of residential rents, smaller owners have been particularly devastated by the total loss of commercial rents from the small businesses who occupy their storefronts. It is, in fact, those commercial rents- not the residential rents- that typically provide the funds to keep these properties afloat financially.

Without these residential and commercial rents, the question is a simple one: where is the small property owner supposed to get the monies needed to pay their property tax bill, which can constitute 30% of their rent roll? Or their mortgage payment? Or their utilities, insurance, and repair bills? All of the other costs that go into maintaining and operating residential property?

During this unprecedented time of economic chaos and rampant unemployment, tenants in a household of two adults and two children with a household income of less than \$150,000 have received federal stimulus payments of \$3400, regardless of their need or circumstances. In

or \$4400 per month, per unemployed person. We do not question whatsoever the propriety of this package of benefits under our present circumstances.

What we do question is the absence of any assistance whatsoever for small property owners from any level of government. In the City, for example, property tax payments are due and owing July 1. The City government has failed to even acknowledge, let alone address, the disconnect between significantly decreased residential and commercial rental income and mandated property tax payments. Making the situation even more untenable, and adding insult to injury, the City's Rent Guidelines Board, at the direction of the Mayor, has now proposed a virtual rent freeze for the next two years, on top of prior rent freezes dictated by the Mayor in years past. While failing to draw any distinction between tenants who can and cannot afford to pay rent increases over the next two years, and by ignoring the data-driven reality that owner's costs continue to increase while net operating income declines, the City has, once again, decided to roll the dice on the future of its affordable housing stock. The numbers speak for themselves and, as history has shown, the inability of property owners, especially small property owners, to pay their property taxes and mortgages will, inevitably, result in mass foreclosures and abandonment. It has happened before and it is certain to happen again.

Just as the federal government has come to the aid of those who are unemployed by providing financial benefits, and just as the State government has come to the aid of tenants who cannot or will not pay their rent by eliminating the threat of eviction, and just as the City has come to the aid of tenants by freezing rents and the homeless by providing accommodations in hotels, it is time for all levels of government to come to the aid of property owners, especially small property owners.

Consistent with other disaster relief situations, the federal government should provide rental assistance. In those situations, FEMA provided rental assistance to persons who were displaced from their apartments or homes by storms or other natural disasters. The difference in the current disaster is that its destruction is not directed at infrastructure; instead, it strikes at the vulnerable population that must shelter in place in accordance with government requirements. For many tenants required to shelter in place, they have lost their only source of income. This disaster requires a response directed at preventing homelessness, which from a public health perspective stops the spread of Covid-19. A rental assistance voucher program or, alternatively, aid directed to municipalities with programs like New York City's "one shot," which enables people who are experiencing financial difficulties as a consequence of Covid-19 to remain in their apartments. It also allows the homeless population to find alternative shelter in hotels or other locations where the shelter system is at capacity. This approach is positive from a social services point of view and critical from a public health perspective to prevent homelessness and to enable tenants on the brink of homelessness because of unpaid rent to continue to occupy their apartments and shelter in place. In the case of the existing homeless population, funding may be directed to expanded housing opportunities like hotels so that they are not left on the streets to contract Covid-19 and spread the illness to the general population, especially to the first responders and others who are required to assist the homeless.

In addition to federal action, the State and City governments need to enact property tax relief so that, for example, owners are insulated from the exorbitant interest rates charged for late property tax payments. Further, owners should be afforded dollar-for-dollar property tax relief when they are obliged to defer rent payments by tenants who have been adversely impacted by the pandemic.

Now is the time for all levels of government to come to the aid of property owners, especially small property owners, because our history of mass property abandonment and foreclosures can and will repeat itself.