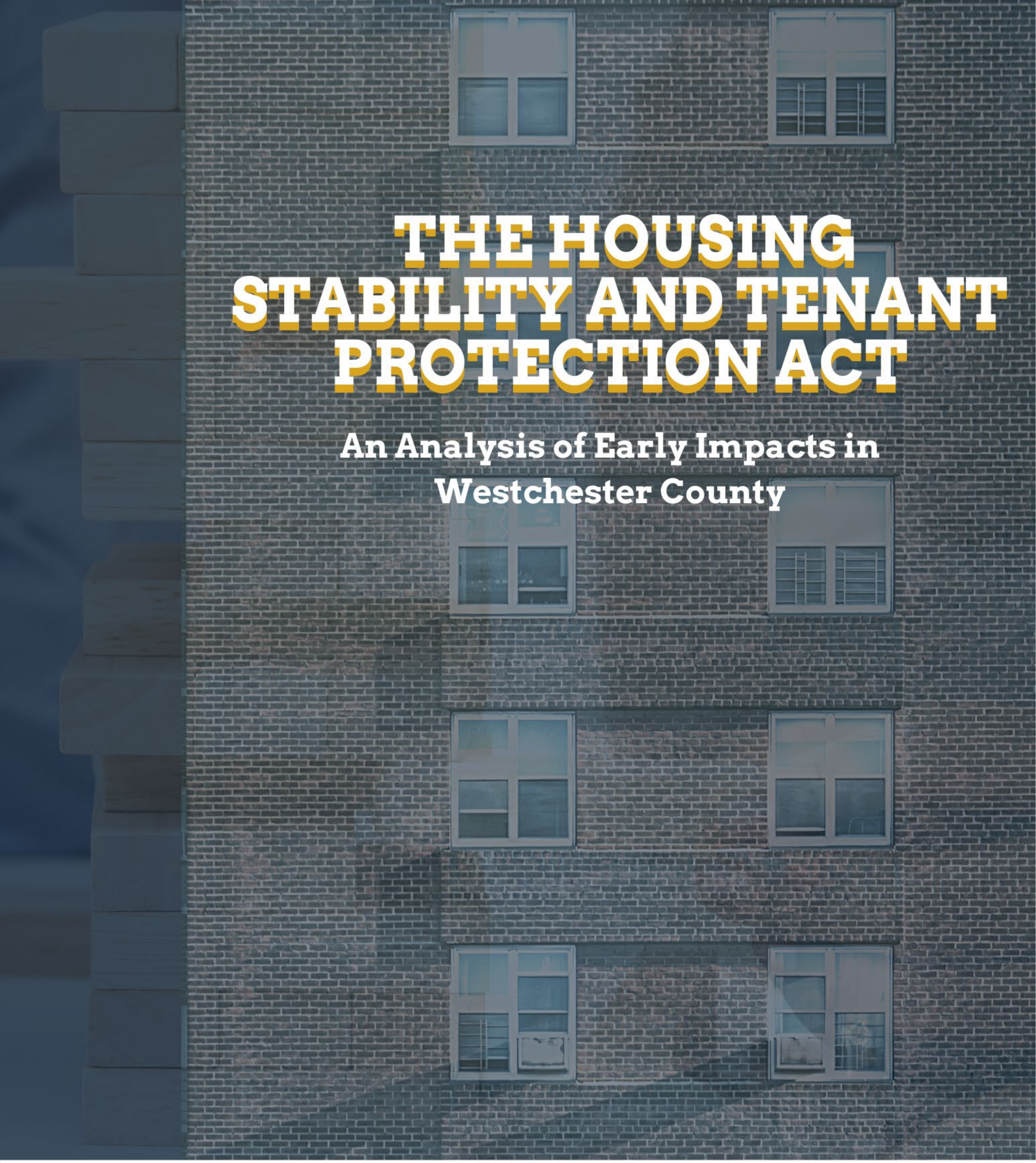

THE HOUSING STABILITY AND TENANT PROTECTION ACT

An Analysis of Early Impacts in Westchester County

HUDSON VALLEY PATTERN *for* PROGRESS

Prepared for:

BI | BRI

The Builders Institute
The Building & Realty Institute
of Westchester & the Mid-Hudson Region

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EXECUTIVE SUMMARY

In June 2019, the New York State Legislature signed into law the New York State Housing Stability and Tenant Protection Act (HSTPA). The HSTPA legislation substantially strengthens tenant protections in rent-stabilized housing units, and provides increased eviction protections to renters statewide. Hudson Valley Pattern for Progress (“Pattern”) was commissioned by the Builders Institute of Westchester and the Mid-Hudson Region (“Builders Institute”) to provide an objective assessment of the preliminary impacts of the HSTPA legislation in Westchester County. This study was initiated in the summer of 2020, approximately one year after the 2019 legislation was signed into law, and concluded in July 2022.

From the outset, the HSTPA legislation was met with widely different reactions. Many praise HSTPA as a necessary change for mitigating increases in rent and protecting rent-stabilized housing from deregulation. Others worry that the tenant protections have gone too far, and HSTPA will lead to building disinvestment and the eventual degradation of housing quality by preventing landlords from raising the rent income necessary for regular upkeep or capital upgrades to their properties.

At the core of this debate is the often disparate perspectives of building owners and tenants. To a building owner, an apartment building primarily represents a financial asset; building owners must consider the financial risks and rewards when making decisions about building improvements and rent increases. From a tenant’s perspective, the apartment building is their home. Renters need an affordable way to keep a roof over their heads, and the financial bottom line of the building owner is not their concern. The challenging task of any rental housing policy is to strike a balance between these opposing perspectives.

In the context of the frequently divisive topic that is housing policy, Pattern strives to present an objective and fact-based analysis of the preliminary impacts of the HSTPA legislation. To accomplish this, Pattern employed a combination of qualitative and quantitative research methods. This included a thorough review of the history of the legislation and more than 30 interviews to hear a diverse array of viewpoints. Interviews included building owners; housing lenders; appraisers; construction contractors; housing advocates; and government employees including people from planning departments and building departments, and municipal assessors.

To capture the potential quantitative impacts of HSTPA, the following metrics were analyzed:

- **WRGB Rent Increases –** Historical Westchester Rent Guidelines Board (WRGB) rent increases compared to the rate of inflation over time.
- **Individual Apartment Improvement (IAI) and Major Capital Improvement (MCI Programs:** An analysis of changes made by HSTPA to the IAI and MCI programs using scenarios to illustrate the financial implications of the changes.
- **Major Capital Improvement (MCI) applications and orders:** Applications for Major Capital Improvements submitted to the New York State Division of Homes and Community Renewal (DHCR) and MCI Orders returned to applicants.
- **Annual Income and Expense Reports**: Annual Income and Expense Reports from DHCR for ETPA properties from 2018-2020
- **Sales Data**: Recent multifamily sales data as captured by Multiple Listing Service (MLS) and Office of Real Property Sales (ORPS) data for Westchester County from the 10-year period of 2012-2021.

One of the primary limitations of this study is the relatively short amount of time that has passed since the passage of HSTPA. This short timeframe makes it difficult to determine whether a changing metric constitutes a changing trend or just normal variation in the data. It also makes it difficult to confidently attribute changing metrics to the passage of HSTPA. In addition, there is often a delay in the availability of data, further limiting the amount of information available to analyze.

Another constraint of this study is accounting for the impacts of the Covid-19 pandemic, which hit Westchester County in March of 2020, less than a year after the passage of HSTPA. The pandemic had significant direct impacts on tenants, building owners, and the economy at large. It also had widespread indirect effects that impact this study such as the increased cost of construction materials and labor due to supply chain and workforce issues.

The outcome of the combined analysis of the above qualitative and quantitative information is a series of findings about the impact of HSTPA. It is important to consider these findings in the context of the limitations of this study. Still, the analysis and findings in this report provide valuable insight into initial trends and stakeholder reactions to the preliminary impacts of HSTPA. It is clear that the topic of HSTPA warrants continued monitoring and further research.

KEY FINDINGS

- ***THERE HAS BEEN A DECREASE IN THE NUMBER OF MCI APPLICATIONS IN THE YEARS SINCE THE LEGISLATION.***

  Between 2016 and 2021, the number of MCI applications in Westchester County decreased by 83%. From 2018, the year immediately predating the legislation, to 2021, the decrease was 35 applications (80% decrease). The number of applications continued to drop through year 2021, when there were only 9 applications, down from 28 in 2020. This finding supports the assertion made by many property owners and housing professionals that changes under HSTPA will result in a reduced building maintenance and improvement. During much of 2020 and 2021, the pandemic-induced mandatory shutdowns, quarantines, labor shortages and supply chain disruptions may have contributed to the lower volume of MCI applications that year. However, national remodeling data show that for every quarter in 2021, the remodeling market index (RMI) was higher in 2021 than 2020,[1] indicating a rebound in activity from the pandemic shutdowns of 2020. Similarly, in 2021 there was a 13.4% increase over 2020 in single-family home starts indicating that new construction had rebounded that year.[2] The continued trend of reduced MCI applications in 2021 does not follow national trends of rebounded construction and remodeling activity.

- ***EXPENSE AND INCOME REPORTS SHOW THAT FROM 2018 TO 2021 THERE HAS BEEN A DROP IN MAINTENANCE AND REPAIR EXPENDITURES.***

  DHCR reports show that from 2019 to 2020 repair and maintenance expenditures dropped by 9%. In 2021 repair and maintenance expenditures increased from 2020 but were still down from 2019 expenditures. This finding also supports the prediction that changes in HSTPA will lead to lower levels of spending on property maintenance and improvement. Once again, the Covid-19 pandemic may have contributed to this change and an examination of these reports over a longer period will offer more definitive findings.

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[1] National Association of Home Builders - 2022 Q1 Remodeling Market Index (RMI)
[2] Housing Starts End 2021 with Annual Gains | Eye On Housing

- ***HSTPA DOES NOT ADEQUATELY ACCOUNT FOR THE VARIATION IN IMPROVEMENT COSTS FOR DIFFERENT BUILDING SIZES***

  Under the HSTPA legislation, building improvements are only reimbursable according to costs set forth in the Reasonable Cost Schedule created by DHCR. HSTPA also introduced longer amortization periods for both Individual Apartment Improvements (IAI) and Major Capital Improvements (MCI). Interviews and analysis of building improvement scenarios suggest that these changes do not adequately account for the variation in improvement costs for different sized buildings. Larger buildings may have difficulty implementing improvements where the Reasonable Cost Schedule does not adequately scale up the allowed costs. Additionally, the lengthened amortization period for IAIs and MCIs will likely impact smaller buildings the most as they have a smaller pool of units available to recoup the cost of the improvements.

- ***ALLOWABLE RENT INCREASES IN RENT STABILIZED BUILDINGS HAVE NOT KEPT UP WITH THE RATE OF INFLATION***

  1-year rent increases authorized by the Westchester County Rent Guidelines Board (WRGB) have been outpaced by the rate of inflation. Since 1973, the cumulative impact of allowed WRGB rent increases has resulted in a 425% increase. Put in real numbers, a rent stabilized unit rented for $1,000 in 1973 could be rented for $4,247 in 2022 if the rent was increased every year by the maximum allowed by the WRGB. However, over the same time period of 1973 to 2022, the Consumer Price Index for urban consumers (CPI-U) in the New York City area shows that the rate of inflation was 547%.

- ***BUILDINGS WITH LOW-RENT UNITS MAY HAVE MORE DIFFICULTY RECOUPING THE COST OF AN MCI.***

  HSTPA changed the maximum allowable MCI rent increase from 15% to 2% in Westchester County. The scenarios used in the analysis of the MCI program suggest that buildings with low-rent units may have difficulty recouping the cost of an MCI. In one scenario, the cost of a new boiler amortized over the minimum 12-year period resulted in a rent increase exceeding 2%. When the scenario was adjusted to accommodate the maximum 2% increase, the time to recoup the cost of the boiler became 15 years and 10 months. The useful life expectancy of a boiler is typically in the range of 10 to 20 years.

AN OVERVIEW OF ETPA & HSTPA

EMERGENCY TENANT PROTECTION ACT

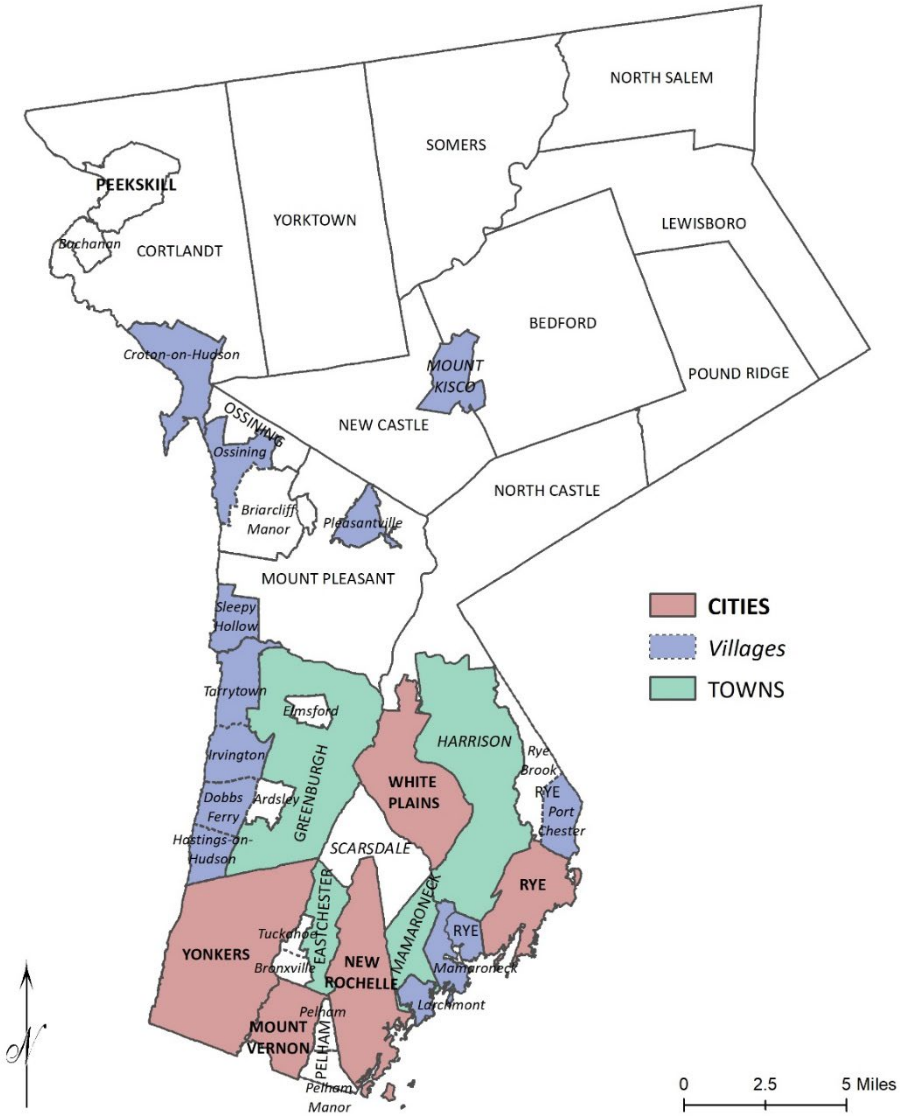
In 1974 the Emergency Tenant Protection Act (ETPA) was enacted in New York State in an effort to mitigate the rising cost of rents. ETPA "stabilizes" rental apartment units by establishing restrictions on rent increases and providing other tenant protections including minimum service requirements and eviction protections. ETPA was enacted to address "a serious public emergency" in housing in which tenants were subject to "speculative, unwarranted and abnormal increases in rents." The legislation was intended to prevent "uncertainty, hardship and dislocation," and to protect the "public health, safety and general welfare" of the public, as stated in the legislative findings of the act[3]. It is important to note that rent-stabilization is not the same as rent control.

ETPA only applies in municipalities that pass a local law to adopt the system. When ETPA legislation was first enacted in 1974, the only eligible municipalities located outside of New York City were those located in Rockland, Nassau, or Westchester counties. Before adopting ETPA, municipalities need to demonstrate that there is a housing emergency in their community, which is defined as a rental vacancy rate of less than 5%.

ETPA applies to buildings with six or more units build between 1947 and 1974 in communities that have proclaimed a housing emergency. Under the original 1974 legislation, a local governing body may also remove regulated buildings from regulation if the emergency is determined to be ended or if the regulation does not serve to abate the emergency.

[3] Legislative Finding, New York State Emergency Tenant Protection Act (ETPA) 576/74. 1974. https://www.nysenate.gov/legislation/laws/ETP Legislation | NY State Senate (nysenate.gov)

Westchester County Municipalities with Adopted ETPA Legislation



<u>Cities</u>
Mount Vernon
New Rochelle
White Plains
Yonkers Rye

<u>Towns</u>
Eastchester
Greenburgh
Harrison
Mamaroneck

<u>Villages</u>
Croton-on-Hudson
Dobbs Ferry
Hastings-On-Hudson
Irvington
Larchmont
Mount Kisco
Ossining
Pleasantville
Port Chester
Sleepy Hollow
Tarrytown

Even within municipalities that have adopted ETPA, the scope of the regulation is limited to buildings that meet certain criteria. Generally speaking, ETPA protections can only apply to buildings built between 1947 and 1974 with at least six units in the building. However, tenants in buildings built before 1947 can receive ETPA protections if they moved into the building after 1971. Some municipalities have established a minimum unit threshold higher than the six-unit minimum required by the state. In these communities, ETPA only applies to buildings that meet the higher minimum unit threshold established by the municipality.

Westchester County Municipalities with Higher Unit Thresholds for ETPA Eligibility

Municipality	Unit Threshold
Village of Croton-On-Hudson	50
Village Irvington	20
Village of Mount Kisco	16
Village of Ossining	20
Village of Pleasantville	20
Village of Port Chester	12
Village of Sleepy Hollow	10

The ETPA system is administered by the New York State Division of Housing and Community Renewal (DHCR) and rent increase thresholds are determined by the Westchester County Rent Guidelines Board. The Rent Guidelines Board is composed of two tenant representatives, two owner representatives, and five public appointments. Every year, the board establishes maximum rent increases for one and two-year leases. The board is directed to base the maximum increases on a survey of income and expenses for all ETPA buildings, as well as testimony from tenants and property owners.

HOUSING STABILITY AND TENANT PROTECTION ACT

In 2019 New York State enacted the Housing Security and Tenant Protection Act (HSTPA). This new legislation increased tenant protections and substantially changed a number of components related to the regulation and administration of rent-stabilized units in New York State. Among the most significant elements of HSTPA are:

- Makes permanent rent regulation laws including ETPA. Prior to the passage of HSTPA, rent regulation laws included a sunset date and would need to be periodically renewed.
- Makes rent stabilization available statewide. Removes a restriction limiting rent-stabilization to only New York City and the counties of Nassau, Rockland, and Westchester.
- Reduces the number of ways that rent-stabilized units can become deregulated.
- Reduces the number of ways that rent can be increased for rent-stabilized units.
- Increases restrictions on rent increases resulting from an IAI or MCI
- Establishes stronger tenant protections statewide with changes to security deposit requirements, overcharge complaints, and eviction proceedings, and housing discrimination.
- Reforms rent increase system for rent control tenants.
- Limits rent increases in manufactured home parks.

Though some of the provisions of HSTPA had statewide effects, many of them applied specifically to rent-stabilized units. The following section provides a summary of key changes affecting rent-stabilized units as a result of HSTPA.

Deregulation of Rent-stabilized Units

<table>
<tr><th>Before HSTPA</th><th>After HSTPA</th></tr>
<tr><td>High rent deregulation – upon vacancy of a rent-stabilized unit where the rent of the outgoing tenant was above an established “decontrol threshold,” the unit could be deregulated.</td><td>High rent deregulation is eliminated. Rent-stabilized units cannot be deregulated due to high rent.</td></tr>
<tr><td>High income deregulation - Rent-stabilized units could also be deregulated under ETPA when the tenant’s annual income passed $200,000 for more than two years.</td><td>High income deregulation is eliminated. Rent-stabilized units cannot be deregulated due to high income.</td></tr>
<tr><td>Coop/Condo Conversion – To convert a rent-stabilized building to a co-op/condo, at least 15% of tenants were required to agree to purchase their unit. Either a non-eviction plan or an eviction plan would be established. A non-eviction plan would allow tenants to remain in rent-stabilized units indefinitely, and upon vacancy the unit could be deregulated. An eviction plan would give tenants a minimum of three years to purchase their unit, after three years the tenant could be evicted and the unit deregulated.</td><td>To convert a rent-stabilized building to a co-op/condo, at least 51% of existing tenants must agree to purchase their units. Eviction plans are eliminated. Upon vacancy of a rent-stabilized unit after a co-op/condo conversion, the unit can be deregulated.</td></tr>
<tr><td colspan="2">The elimination of high rent and high income deregulation significantly reduces the ability to deregulate rent-stabilized units. The only remaining ways in which rent-stabilized units can become regulated are: expiration of 421-a tax benefits, co-op/condo conversion, substantial rehabilitation of the building (complete replacement of at least 75% of building-wide and apartment systems), or demolition of the building. For both substantial rehabilitation and demolition, building owners must get DHCR approval.</td></tr>
</table>

Rent Increases for Rent-Stabilized Units

Before HSTPA	After HSTPA
Vacancy Increase - Upon vacancy of a rent-stabilized unit, property owners could increase rent by up to **20% once per calendar year**.	**Vacancy rent increase is eliminated**.
Longevity rent Increase – If a rent-stabilized unit was occupied for at least eight years with no vacancy, rent could be increased by **0.6% per year** since the last vacancy	**Longevity rent increase is eliminated.**
Preferential rents, which are rents less than the legal rent set by the Rent Guidelines Board, could be revoked and increased up to the legal rent upon lease renewal.	Preferential rents cannot be removed upon lease renewal and can only be renewed upon vacancy

Individual Apartment Improvement (IAI) for rent-stabilized units

Before HSTPA	After HSTPA
3-year and 4-month amortization period for buildings with 35 or fewer units. The amortization period is the minimum amount of time that the cost of the improvement can be recouped through rent increases.	**14-year** amortization period for buildings with 35 or fewer units
5-year amortization period for buildings with more than 35 units	**15-year** amortization period for buildings with more than 35 units
No maximum number of IAI improvements	A **maximum of 3** IAI improvements are allowed in a 15-year time period
No maximum number of IAI improvement costs	The aggregate cost of IAI **cannot exceed $15,000** in a 15-year time period
Rent increase resulting from an IAI can be **permanent**	Rent increase resulting from an IAI must be **removed after 30 years**

Major Capital Improvement (MCI) for rent-stabilized buildings

Before HSTPA	After HSTPA
8-year amortization period for buildings with 35 or fewer units. The amortization period is the minimum amount of time that the cost of the improvement can be recouped through rent increases.	**12-year** amortization period for buildings with 35 or fewer units
9-year amortization period for buildings with more than 35 units	**12½-year** amortization period for buildings with more than 35 units
Annual rent increase resulting from an MCI cannot exceed **15%** in Westchester County	Annual rent increase resulting from an MCI cannot exceed **2%** in Westchester County
Rent increase resulting from an MCI can be **permanent**	Rent increase resulting from an MCI must be **removed after 30 years**
No schedule for costs.	Improvements are only reimbursable according to costs on the **Reasonable Cost Schedule** created by DHCR. The costs listed in the schedule applies to all rent-stabilized units in New York State.

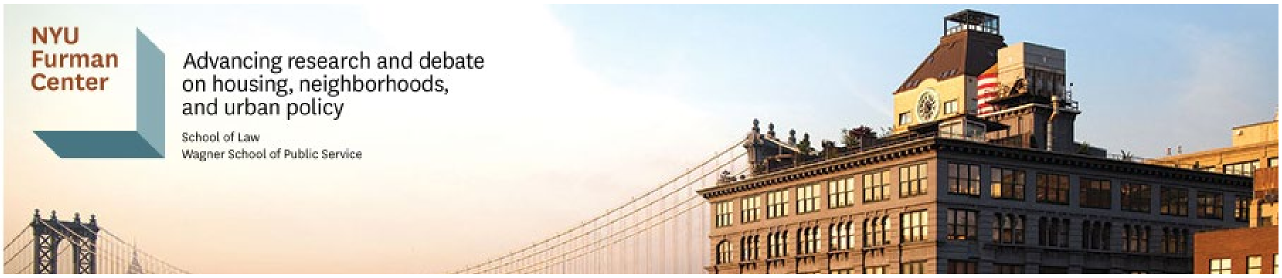
Many of the provisions in the HSTPA legislation apply specifically to rent-stabilized units. As a result, municipalities with adopted ETPA legislation are the most affected. However, there are a number of changes instituted by HSTPA that apply to renters and property owners statewide, regardless of rent-stabilization status.

Among the most significant statewide impacts resulting from HSTPA are:

- Tenants now have increased protection against eviction and property owners now have an increased burden of proof to demonstrate a non-retaliatory motive for eviction proceedings.
- Property owners are no longer permitted to use tenant screening bureaus to block tenants from renting an apartment. Tenants were blocked in the past if they made challenges to property owners.
- Property owners cannot require a security deposit that exceeds one month's rent.
- If a property owner retains any portion of a security deposit, they must provide an itemized statement of the claimed conditions within 14 days.
- Tenants have an extended time period in eviction proceedings in order to find a lawyer, fix violations of the lease or pay back-rent.
- Courts now have the ability to stay an eviction for up to a year in the case that a tenant is unable to find a suitable dwelling in the same neighborhood and the eviction would cause extreme hardship.

Updates to the HSTPA legislation are available at: Rent Laws Updates | Homes and Community Renewal (ny.gov) (https://hcr.ny.gov/rent-laws-updates)

FURMAN STUDY SUMMARY



In July 2021, the NYU Furman Center released a report entitled “Housing Stability and Tenant Protection Act: An Initial Analysis of Short Term Trends.” The study employed a data-driven approach to evaluate the impact of HSTPA on building sales, eviction filings, alteration jobs, and reported building complaints and violations. The scope of the study included only New York City, and did not extend to the other counties in the state with rent-stabilized units.

- *The price per square foot of rent-stabilized properties declined after the passage of HSTPA, and the decline was more pronounced in buildings with 25% to 75% rent-stabilized units.*
- *There was an initial increase in alteration permits around the time of the passage of HSTPA, followed by a decline to a rate lower than before the passage of HSTPA. The decline was more pronounced in buildings with 25% to 75% rent-stabilized units.*
- *There were no significant changes in housing quality complaints and violations that corresponded to the passage of HSTPA.*
- *The eviction filing rate in New York City declined around the same time HSTPA was passed, then rebounded to a rate similar to the months prior to the passage of HSTPA. A similar trend was observed at the zip code level, regardless of the share of rent-stabilized units in the zip code.*

The conclusion of the report reiterates the difficulty of separating out the impacts of HSTPA from those of the Covid-19 pandemic. It also calls for continued research and monitoring of the impacts of HSTPA.

MEASURABLE METRICS

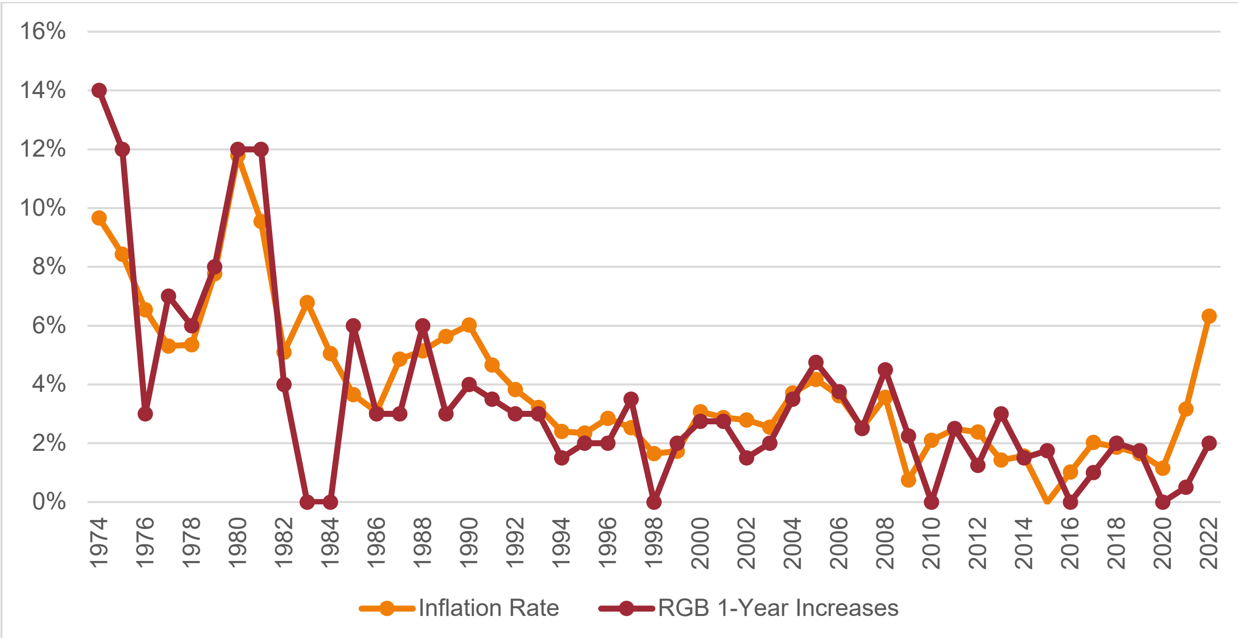
WESTCHESTER RENT GUIDELINE BOARD: RENT INCREASES

Every year the Westchester County Rent Guidelines Board (WRGB) establishes maximum rent increases for one and two-year leases in rent-stabilized units. The WRGB is directed to base the maximum increases on a survey of income and expenses for all ETPA buildings, as well as testimony from tenants and property owners.

The rent increases set by the board are separate from rent increases induced by MCIs and IAIs. This means that legal rent increases set by the board represent the primary way that rents can be adjusted to accommodate for inflation and changes in the cost of things like labor, materials, and utilities.

The chart below shows historical WRGB 1-year rent increases alongside year over year inflation rates. Inflation rates were calculated using the Consumer Price Index Inflation Calculator from the U.S. Bureau of Labor Statistics, and the dates that rent increases went into effect each year (typically October 1).

Westchester County Rent Guidelines Board:
1-Year Rent Increases vs. Annual Inflation Rate for New York-Newark-Jersey City



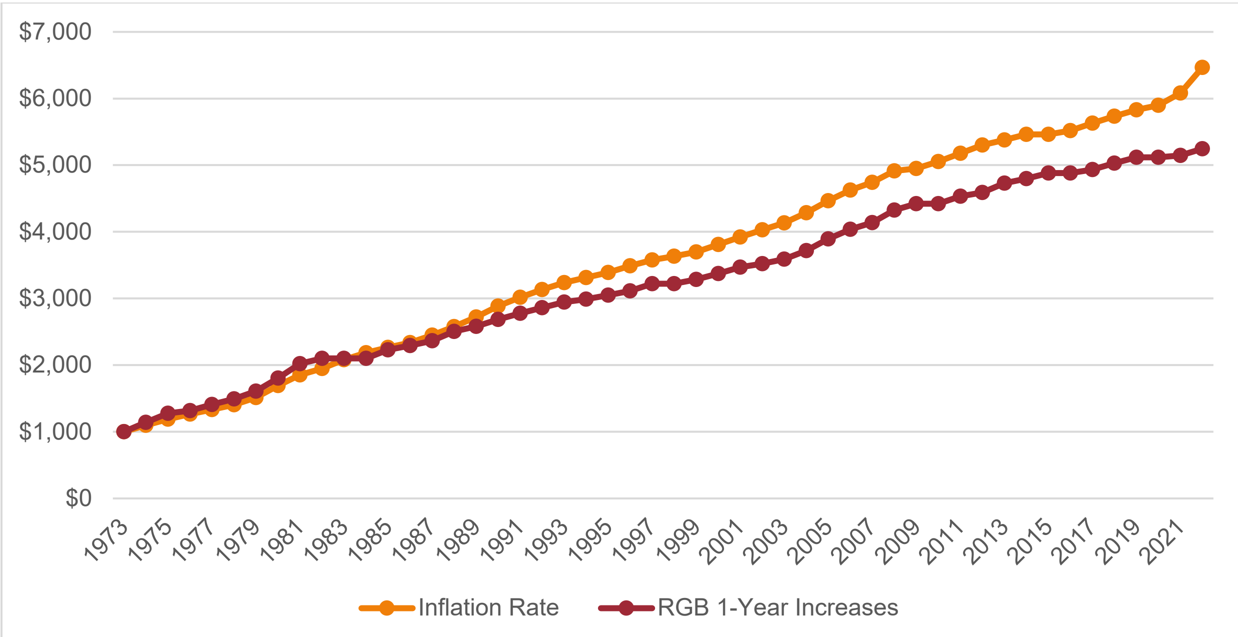
Source: Westchester County Rent Guidelines Board, U.S. Bureau of Labor Statistics CP-U

The chart reveals that historical WRGB rent increases and inflation generally follow a similar trend. From 1984 to 2021, the average difference between rent increases and inflation rates was 1.3 percentage points. The significant increase in inflation from 2020 to 2022 has led to the largest gap between allowed rent increases and inflation since 1984.

Both rent increases and inflation have a cumulative effect over time that is not readily apparent when only comparing increases in a given year. The chart below captures the cumulative and compounding effect of historical WRGB 1-year rent increases and the annual inflation rate. The chart starts with an even $1,000 in 1973 and applies the respective annual increases every year.

The results demonstrate that allowed rent increases have not kept up with the rate of inflation. The cumulative gap between allowed rent increases and the rate of inflation has been consistently growing since 1984.

Westchester County Rent Guidelines Board:
Cumulative Impact of 1-Year Rent Increases vs.
Annual Inflation Rate for New York-Newark-Jersey City



Source: Westchester County Rent Guidelines Board, U.S. Bureau of Labor Statistics CP-U

MAJOR CAPITAL IMPROVEMENT AND INDIVIDUAL APARTMENT IMPROVEMENT CHANGES

One of the more significant components of HSTPA are the updates to the Major Capital Improvement (MCI) and the Individual Apartment Improvement (IAI) programs.

The purpose of the two programs has been to provide a financial structure for property owners to make improvements to their properties that would otherwise be difficult to afford since rent income is limited under rent stabilization. Prior to HSTPA, tenant advocates contended that property owners would utilize these programs as a way to permanently and unnecessarily raise rents, and in some cases drive up the rents on units to the point that they would exceed a high-rent threshold and units could then be deregulated. Tenants pointed to examples of unnecessary work, such as the repeated replacement of floors in a lobby, or other superficial improvements as alleged examples of work that was superfluous but resulted in permanent rent increases.

The modifications to the MCI and IAI programs are designed to prevent abuses of the programs as described above. Opponents of the new modified program argue that in the long-term the quality of ETPA properties will be adversely affected because under the new provisions of the program, property owners are disincentivized to make improvements, which will lead to deterioration of the properties.

Individual Apartment Improvement (IAI) and Major Capital Improvement (MCI) Programs: Scenario Analysis

IAI and MCI Scenarios

As described above, HSTPA established a number of changes to the Major Capital Improvement (MCI) program and Individual Apartment Improvement (IAI) programs. To better understand the implication of some of these changes, a series of model IAI and MCI scenarios were created. These scenarios do not attempt to capture and account for all factors that may impact decisions about making improvements. Rather, these scenarios are meant to illustrate the quantitative impact of changes instituted by HSTPA while controlling for as many other variables as possible.

IAI Scenarios

Two scenarios were developed to illustrate the HSTPA changes to the IAI program, Scenario A and Scenario B. Both scenarios show the impact of a $15,000 improvement, which is the maximum amount that can be spent on an IAI per HSTPA rules. In both scenarios, the starting monthly rent is $2,000, which is within the range of typical rents for rent-stabilized units in Westchester.

The only difference between Scenario A and Scenario B is the total number of units in the building. Although an IAI affects only one unit, the minimum amortization period differs based on whether there is greater or fewer than 35 total units in the building. Scenario A is a building with less than 35 units, and Scenario B is a building with more than 35 units.

SCENARIOS A & B: MAJOR CAPITAL IMPROVEMENT:

Assumption: $15,000 Improvement. All units have a monthly rent of $2,000

		SCENARIO A: Building with <u>LESS</u> than 35 total units		**SCENARIO B: Building with <u>MORE</u> than 35 total units**	
		Before HSTPA	**After HSTPA**	**Before HSTPA**	**After HSTPA**
A	**Beginning monthly rent**	$2,000		$2,000	
B	**Total cost of improvement**	$15,000		$15,000	
C	**Amortization period**	40 months (3 years, 4 months)	168 months (14 years)	60 months (5 years)	180 months (15 years)
D	**Amortized monthly cost of improvement** B ÷ C	$375	$89.29	$250	$83.33
E	**New monthly rent** D + A	$2,375	$2,089	$2,250	$2,083
F	**Percent increase in monthly rent** D ÷ A	18.8%	4.5%	12.5%	4.2%
G	**30-year increase in total rent collected** D × 360	$135,000	$32,143	$90,000	$30,000
H	**30-year net increase in property owner income** G - B	$120,000	$17,143	$75,000	$15,000

Scenario A illustrates that the change in amortization period from 40 months to 168 months has significant implications for both property owners and tenants. In this scenario, prior to the passage of HSTPA, a $15,000 IAI could result in an almost 19% increase in monthly rent. After 30 years, this increase would amount to $135,000 in additional rent paid as a result of the IAI. After the passage of HSTPA the same $15,000 improvement could only increase monthly rent by 4.5%. After 30 years, this increase would amount to $32,143 in additional rent paid as a result of the IAI.

From the property owner's perspective, prior to the passage of HSTPA, the cost of the improvement could be recouped after three years and four months. After 30 years, the improvement could provide a net increase in building income of $120,000. Furthermore, the property owner would not be required to remove the rent increase that resulted from the IAI, and could continue to collect the increased rent in perpetuity. After the passage of HSTPA, the minimum amount of time it could take to recoup the cost of the improvement becomes 14 years. After 30 years, the increase in rent that resulted from the IAI would need to be removed. Under these circumstances, the improvement could provide the property owner with a net increase in building income of $17,143 over 30 years.

Similar to Scenario A, the lengthening of the amortization period in Scenario B has a significant impact on both tenants and property owners in Scenario B. In this scenario, prior to the passage of HSTPA, a $15,000 IAI could result in a maximum 12.5% increase in rent. After the passage of HSTPA, the same improvement could only result in a maximum 4.2% increase. With a 5-year amortization period, the property owner in this scenario could see a net increase of $75,000 over 30 years as the result of the IAI. After the passage of HSTPA, the net increase over 30 years is reduced to $15,000.

MCI Scenarios

The process of calculating how an MCI affects rents within a building is not as straight forward as an IAI. When a property owner submits an MCI application to DHCR, there are a number of reasons why some of the costs may be deducted from the amount that can be recouped through rent increases. Such reasons include ineligible costs, unverifiable costs, or costs that exceed the terms of the Reasonable Cost Schedule by DHCR. Further deductions from recoupable costs can be made if the MCI benefits commercial space within the building. After all the deductions are made, the total approved cost is amortized per HSTPA rules to arrive at a monthly cost for the building. This number is further divided by the total number of rooms in the building, resulting in a per-room cost. The per-room cost is then applied to each unit in the building by multiplying the per-room cost by the number of rooms in the unit.

Two scenarios were developed to illustrate the HSTPA changes to the MCI program, Scenario C and Scenario D. In an effort to simplify these scenarios, all of the units in the scenario buildings are assumed to have the same number of rooms, and all of the units have the same starting rent of $2,000. This eliminates the step of multiplying the per-room cost by different numbers of rooms, and calculating the percentage increase in rent for different starting rents. Furthermore, both scenarios assume that no deductions were made and the entire cost of the improvement was approved to be recouped through rent increases.

Both scenarios show the impact of a $227,662 improvement. This number was chosen because it represents the cost of a boiler as set forth in the Reasonable Cost Schedule issued by DHCR on January 4, 2022.

Similar to the IAI scenarios above, the only difference between the two MCI scenarios is the total number of units in the building. The minimum amortization period differs based on whether there is greater or fewer than 35 total units in the building. Scenario C is a building with 30 total units, and Scenario D is a building with 40 total units. Using new the new HSTPA amortization requirements in Scenario C resulted in a per-unit rent increase higher than what is allowed by HSTPA (2%). A third column was added to this scenario to show the adjustment to the amortization period that would be necessary to keep rent increases from exceeding 2%.

SCENARIO C: MAJOR CAPITAL IMPROVEMENT

Assumption: $227,662 Improvement for a 30-unit building. All units have the same number of rooms and a beginning rent of $2,000

		Before HSTPA	After HSTPA	After HSTPA (adjusted)*
A	**Beginning monthly rent (per unit)**	**$2,000**		
B	**Total units in building**	**30**		
C	**Total cost of improvement**	**$227,662**		
D	**Amortization period**	96 months (8 years)	144 months (12 years)	190 months (15 years, 10 months)
E	**Amortized monthly cost of improvement (whole building)** C ÷ D	$2,371	$1,581	$1,198
F	**Amortized monthly cost of improvement (per unit)** E ÷ B	$79.05	$52.70	$40.00
G	**New monthly rent (per unit)** F + A	$2,079	$2,053	$2,040
H	**Percent increase in monthly rent (per unit)** F ÷ A	4.0%	2.6%* ➡	2%
I	**30-year increase in total rent collected (whole building)** E × 360	$853,733	$569,155	$431,360
J	**30-year increase in total rent collected (per unit)** I ÷ 30	$28,458	$18,972	$14,379
K	**30-year net increase in property owner income (whole building)** I - C	$626,071	$341,493	$203,698

**Per HSTPA rules, MCI rent increases cannot exceed 2%.*

In this scenario, the cost of improvement amortized over 8 years and split between all 30 units in the building would increase the rent of each unit by 4%. After the passage of HSTPA, the amortization period is lengthened to 12 years. This lengthened amortization period shrinks the per-unit rent increase from 4% to 2.5%. However, HSTPA also instituted a new rule that MCI-induced rent increases cannot exceed 2%, so the rent increases showed in this scenario would not legally be allowed to occur. The third column in the table shows the impact of increasing the rent of every unit in the building by 2%, the maximum allowed increase. Under these circumstances, it would take 190 months instead of 144 to recoup the cost of the improvement (an additional three years and ten months). An extended amortization period is permitted under an MCI. This also diminishes the increases in rent collected and net property owner income.

SCENARIO D: MAJOR CAPITAL IMPROVEMENT:

Assumption: $227,662 Improvement for a 40-unit building. All units have the same number of rooms and a beginning rent of $2,000

		Before HSTPA	After HSTPA
A	**Beginning monthly rent (per unit)**	$2,000	
B	**Total units in building**	40	
C	**Total cost of improvement**	$227,662	
D	**Amortization period**	108 months (9 years)	150 months (12 years, 6 months)
E	**Amortized monthly cost of improvement (whole building)** C ÷ D	$2,108	$1,518
F	**Amortized monthly cost of improvement (per unit)** E ÷ B	$52.70	$37.94
G	**New monthly rent (per unit)** F + A	$2,053	$2,038
H	**Percent increase in monthly rent (per unit)** F ÷ A	2.6%	1.9%
I	**30-year increase in total rent collected (whole building)** E × 360	$758,873	$546,389
J	**30-year increase in total rent collected (per unit)** I ÷ 30	$18,972	$13,660
K	**30-year net increase in building owner income (whole building)** I - C	$531,211	$318,727

Similar to Scenario C, Scenario D illustrates that lengthening the amortization period significantly impacts rent collection and building income. Lengthening the amortization period mitigates rent increases and decreases the total amount of additional rent collected over 30 years.

From a tenant perspective, in this scenario the MCI could cause a 2.6% increase in rent, which would translate to about $630 in additional total rent each year (an extra $53 per month). After the passage of HSTPA, the same MCI could only increase rent by 1.9%, resulting in about $450 in additional rent each year. From a building owner perspective, the 30-year net increase in building income as a result of the improvement is reduced by about 40% as a result of the lengthened amortization period.

A major difference between this scenario (Scenario D) and Scenario C is that no adjustment was needed in this scenario to stay under the new 2% maximum rent increase introduced by HSTPA. The rent increase was close at 1.9%, but stayed under the 2% maximum. MCI-induced rent increases are lower in this scenario primarily because there are more units (40 units) than in Scenario C (30 units). When the cost of the improvement is spread among more units, the cost per unit is reduced.

IAI and MCI Scenario Findings:

- ***The lengthened IAI and MCI amortization periods implemented by HSTPA can have substantial impacts for both renters and building owners – simultaneously mitigating rent increases for tenants and decreasing the financial incentive for building owners to make the improvements.***

- ***HSTPA more than doubled the required amortization period for IAIs. MCI amortization periods were also lengthened, but to a lesser degree. As a result, the new amortization periods implemented by HSTPA had a more significant impact on rent increases in the IAI scenarios than the MCI scenarios. In the IAI scenarios, IAI rent increases after HSTPA were about 3 to 4 times lower than pre-HSTPA. Whereas, in the MCI scenarios, MCI rent increases after HSTPA were about 1.4 to 2 times lower than pre-HSTPA.***

- ***HSTPA changed the maximum allowable MCI rent increase from 15% to 2% in Westchester County. The scenarios suggest that buildings with low-rent units may have difficulty recouping the cost of an MCI. In Scenario C, the cost of a new boiler amortized over the minimum 12-year period resulted in a rent increase exceeding 2%. When the scenario was adjusted to accommodate the maximum 2% increase, the time to recoup the cost of the boiler became 15 years and 10 months.***

- ***Buildings with relatively few total units may be more impacted by the 2% maximum rent increase implemented by HSTPA. The fewer units in the building, the more each unit must bear the cost of the improvement. With a maximum rent increase of 2%, it may take several years to recoup the cost of an improvement. It's possible that in certain cases the cost of an improvement would not be fully recouped after 30-years, after which the MCI rent increases would be removed per HSTPA rules.***

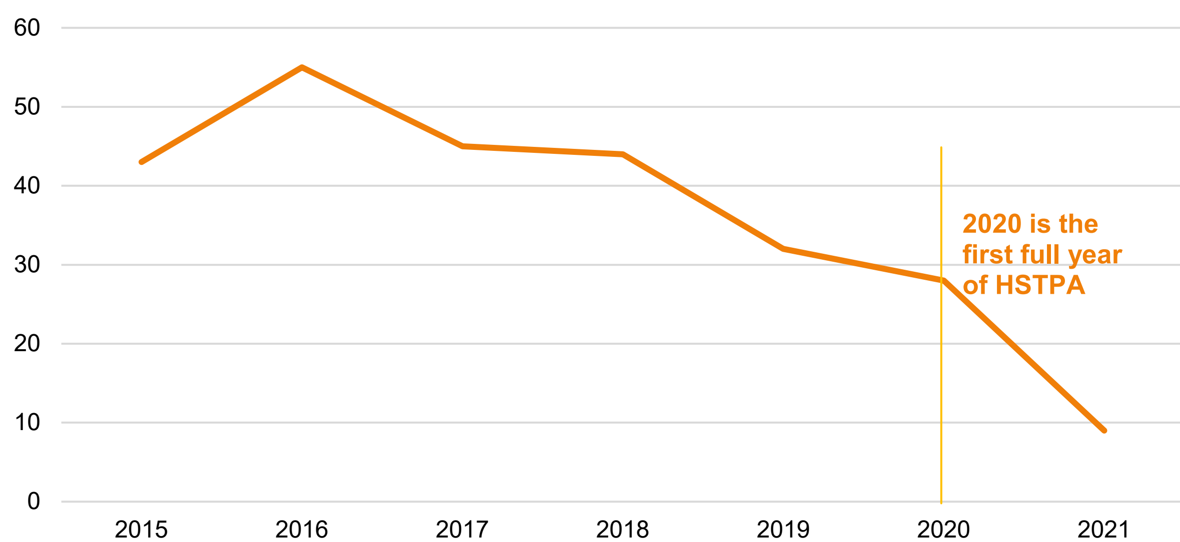
Major Capital Improvement Data from DHCR

Under the MCI program, building owners are required to submit an application to DHCR which must be approved before rent increases can occur. Pattern acquired records of these applications in an effort to ascertain whether HSTPA impacted the number of MCI applications submitted.

The following table shows the number of MCI applications in Westchester County by month from year 2015 to 2021.

MCI Applications: Westchester County 2015-2021

	2015	2016	2017	2018	2019	2020	2021
January	3	8	2	10	2	6	3
February	7	0	10	8	6	4	1
March	5	13	0	3	6	4	0
April	3	1	6	3	1	0	1
May	15	10	5	1	1	0	1
June	0	2	1	2	2	0	2
July	0	2	3	5	0	1	0
August	1	2	3	1	0	5	1
September	3	2	2	3	1	2	0
October	2	3	9	2	6	2	0
November	1	8	2	3	5	3	0
December	3	4	2	3	2	1	0
Total Applications	**43**	**55**	**45**	**44**	**32**	**28**	**9**



Source: DHCR, List of MCI Applications 2015-2021

Between 2016 and 2021, the annual number of MCI applications in Westchester County dropped. The decrease in the number of applications was a trend that preceded the 2019 HSTPA legislation, however, the decline is significantly steeper from 2020 to 2021.

From 2016, the year with the highest number of applications, to 2021, there were 46 fewer applications, an 83% decrease. From 2018, the year immediately predating the legislation, to 2021, the decrease was 35 applications, an 80% decrease.

2020 is the first full year that the legislation was in place. From 2019, when the legislation was enacted in July of that year, to 2020, the number of applications went down by four, a 13% decrease. From 2020 to 2021 there were 19 fewer applications, a 68% drop in one year.

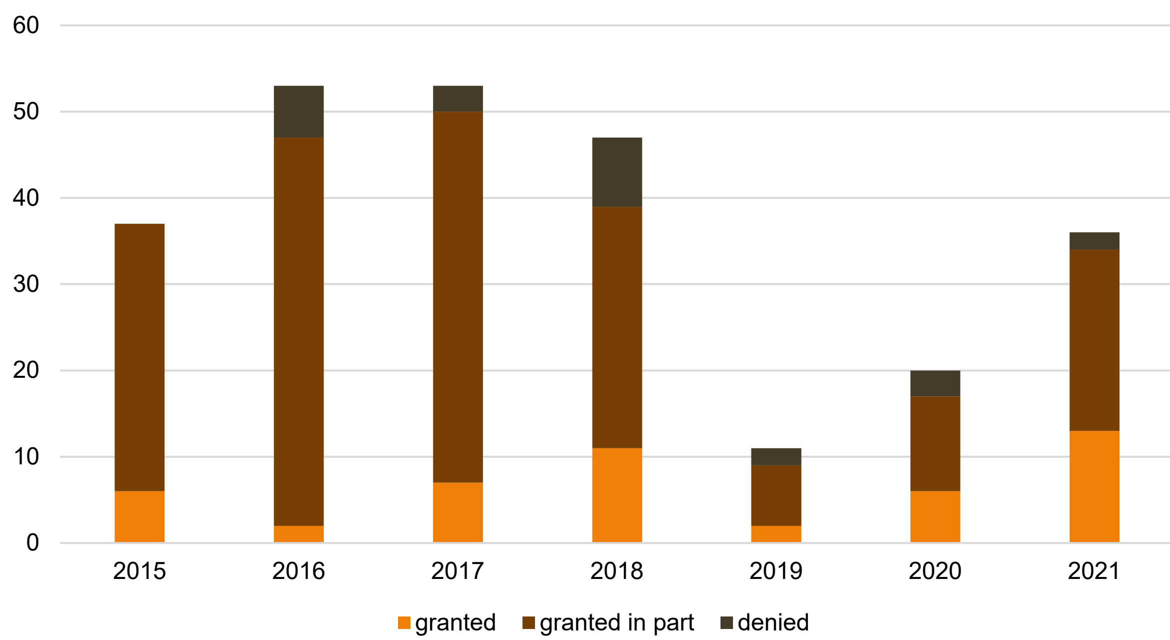
MCI Cases and Room Rent Increase Summaries: Westchester County 2015-2021

DHCR responds to MCI applications with MCI orders in which the request for a rent increase is either granted, denied, or partially granted.

Pattern received a summary of MCI cases from year 2015 to 2021 showing whether the case was denied, granted, or granted in part. The following chart shows the results of this summary.

Before the 2019 legislation there were a higher number of MCI cases with most being granted in part for years 2015 to 2019. Years 2016 and 2017 had the largest number of cases with 53 both years. 2018 had the highest number of cases that were granted entirely or were denied. Year 2019 had the lowest number of MCI cases with only 11. In year 2020 and 2021 the number of cases climbed back up but did not reach the number of cases prior to the legislation. For the years after the legislation, as with the years before, the highest number of cases were those that were granted in part.

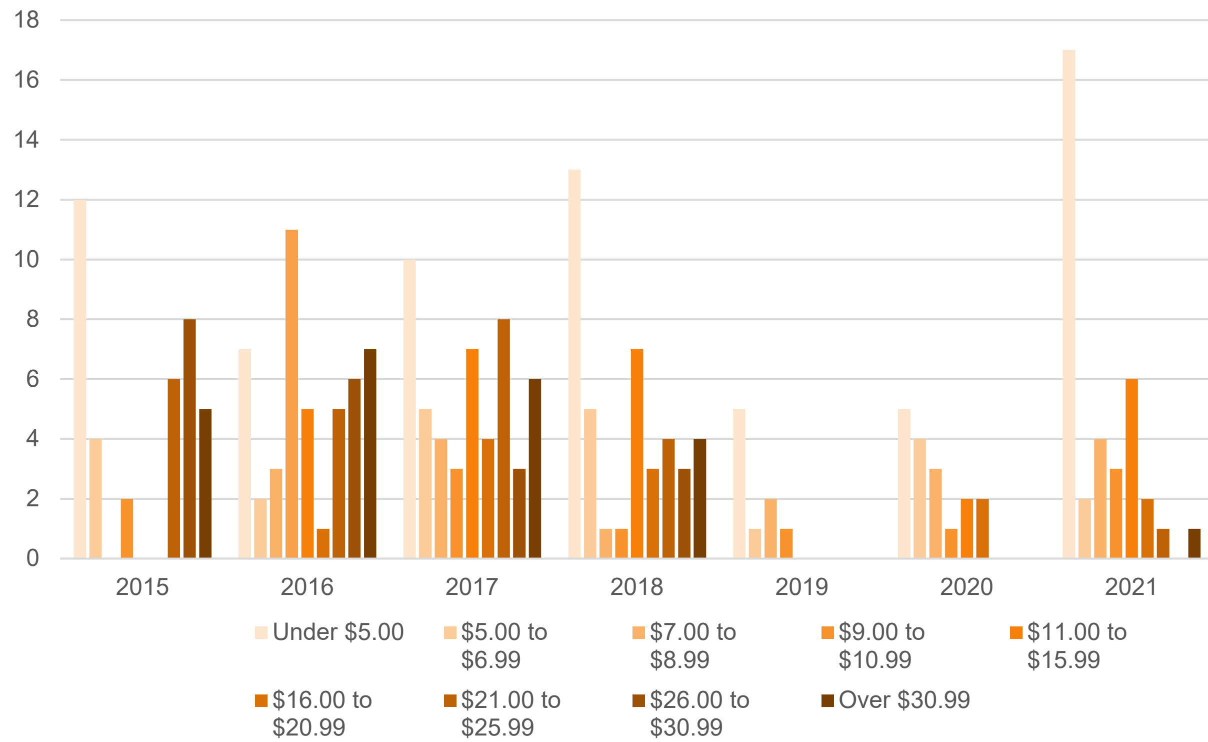
MCI Orders: Case Summary



Source: DHCR, MCI Case Summary 2015-2021

Pattern also received a summary of MCI rent increase amounts by year from 2015 to 2021. The following chart shows this summary.

MCIs by Room Rent Increase 2015 to 2021



Source: DHCR Room Rent Increase Summary 2015-2021

There were a greater number of MCIs in the years prior to the 2019 legislation and a greater number of rent increases with higher dollar amounts. In 2019 there were only rent increases for under $10.99. In 2020 there were four increases over $11.00 and in 2021 there were 10 increases over $11.00, with one for over $39.99. Year 2020 had the largest number of rent increases under $5.00.

MCI Orders Work Done: Westchester County 2015-2021

MCI Orders include details about the type of work that was done and the associated costs. On a single MCI order there may be multiple items each with a separate cost listed. DHCR may grant all, some, or none of the items from a single order.

Pattern acquired MCI orders to analyze details of submitted MCIs from before the 2019 HSTPA legislation and after. Pattern submitted a request for orders from 2015 to 2021 and received 150 of 246 MCI orders by the date of this writing. One order was eliminated from analysis because it was amended with a second order.

MCI applications are submitted before orders are granted with a lag time of several months in most cases. For this reason, the number of orders each year does not match the number of applications.

This analysis is only for the MCI orders received. Only for year 2021 were all orders received in time for this analysis.

The following table shows the type of work for MCI orders in Westchester County from year 2015 to 2022. Types of work are broad categories as listed in the table below. Engineering services may be related to the other types of work categories however are counted separately. Types of work that did not fit into any of the groupings are counted as Other.

MCI Orders: Type of Improvement by Year of Order 2015-2022

	2015	2016	2017	2018	2019	2020	2021	2022
DHCR total orders	37	53	53	47	11	20	36	N/A
Orders received for analysis	22	21	4	34	9	18	36	5
% Of total orders received	59%	40%	8%	72%	82%	90%	100%	N/A
Individual MCI items	41	38	4	57	10	30	89	11

Types of Work Completed – MCI Order Items

Roof related	19	12	0	14	1	5	9	1
Heat/cool (boiler/burner/fuel tank/AC/related)	2	5	0	19	4	6	24	1
Windows	0	3	1	2	1	5	1	0
Exterior/doors	0	2	0	4	1	3	11	1
Walkways/Driveways	0	0	0	4	1	1	4	1
Security	0	0	0	0	2	1	13	1
Elevator and related	2	3	0	0	0	1	7	3
Engineering services	16	10	0	2	0	1	1	0
Other	2	3	3	2	0	7	19	3

Source: DHCR, MCI Orders 2015-2022 (dates are when orders were returned)

Year 2021 is the only year for which all orders received for this analysis. In that year there were 26 orders with a total of 89 individual MCI items. Of the categories of type of work, Heat/cool (boiler/burner/fuels tank/AC/related) made up the largest number of items (24). The Other category had the second largest number of items (19) followed by Security and then Exterior/doors (13). Year 2021 had by far the largest number of items categorized as Other as compared to other years. Because this is the only year with all orders, it is difficult to compare it to other years or to evaluate whether the type of work has changed since the legislation.

MCI Applications and Orders – Discussion of Findings:

- ***There has been a decline in MCI applications in Westchester County since the legislation was enacted. From 2018 to 2021 there was an 80% decrease in MCI applications. The pandemic may have contributed to this decline. A longer-term trend will need to be examined to fully assess the impact of the HSTPA legislation on the number of MCI applications.***
- ***In year 2020 and 2021 the number of MCI cases climbed back up but did not reach the number of cases prior to the legislation. For the years after the legislation, as with the years before, the highest number of cases were those that were granted in part.***
- ***Starting in 2019 there were fewer rent increases for MCIs and fewer of the higher rent increases.***
- ***2021 had the largest number of rent increases under $5.00 of all years in the analysis.***

INVESTMENT AND PROPERTY MAINTENANCE

Annual Income and Expense Reports from Division of Housing and Community Renewal

2018-2020

The following income and expense analysis is based on reports produced by New York State Division of Housing and Community Renewal (DHCR) from 403 schedules for Westchester County buildings that contain housing units that are subject to ETPA. The buildings contain 14,440 housing units, 12,253 of which are subject to ETPA. The income and expenses are for year 2018, 2019 and 2020. Dollar amounts are in thousands.

Income and Expenses: 2018-2020 – *Dollar amounts are in thousands*

	2018	2019	2020	Change 2018-2019		Change 2019-2020		Change 2018-2020	
				$	%	$	%	$	%
Rental	$228,048	$233,695	$233,616	$5,647	2%	-$79	0%	$5,568	2%
Miscellaneous	$2,396	$2,653	$2,490	$257	11%	-$163	-6%	$94	4%
Real estate	$25	$867	$239	$842	336%	-$628	-72%	$214	856%
Nonresidential	$6,668	$6,540	$6,473	-$128	-2%	-$67	-1%	-$195	-3%
TOTAL INCOME	**$237,137**	**$243,755**	**$242,818**	**$6,618**	**3%**	**-$937**	**0%**	**$5,681**	**2%**
Fuel	$16,431	$16,765	$14,468	$334	2%	-$2,297	-14%	-$1,963	-12%
Utilities	$10,387	$10,081	$10,288	-$306	-3%	$207	2%	-$99	-1%
Payroll	$17,493	$18,602	$18,633	$1,109	6%	$31	0%	$1,140	7%
Real estate taxes	$35,478	$36,557	$37,503	$1,079	3%	$946	3%	$2,025	6%
Insurance	$9,516	$10,341	$11,104	$825	9%	$763	7%	$1,588	17%
Management	$17,832	$18,750	$18,629	$918	5%	-$121	-1%	$797	4%
Repairs & Maintenance	***$34,115***	***$34,586***	***$31,374***	***$471***	***1%***	***-$3,212***	***-9%***	***-$2,741***	***-8%***
Interest	$24,531	$25,880	$26,220	$1,349	5%	$340	1%	$1,689	7%
Miscellaneous	$6,914	$6,996	$6,801	$82	1%	-$195	-3%	-$113	-2%
EXPENSES (excluding depreciation)	**$172,697**	**$178,558**	**$175,020**	**$5,861**	**3%**	**-$3,538**	**-2%**	**$2,323**	**1%**
Depreciation	$17,239	$17,302	$17,124	$63	0%	-$178	-1%	-$115	-1%
TOTAL EXPENSES	**$189,936**	**$195,860**	**$192,144**	**$5,924**	**3%**	**-$3,716**	**-2%**	**$2,208**	**1%**
INCOME - EXPENSES	**$47,201**	**$47,895**	**$50,674**	**$694**	**1%**	**$2,779**	**6%**	**$3,473**	**7%**

Source: DHCR Westchester Income and Expense Reports, 2018-2020

The income and expense data in the table above show repair and maintenance expenditures increased from 2018 to 2019 and then decreased from 2019 to 2020. In 2020 total expenses went down by $3,716,000. Fuel costs, and repairs and maintenance saw the largest drop that year. Fuel costs decreased by $2,297,000 (14%) and repairs and maintenance expenditures dropped by $4,212,000 (9%). From 2018 to 2020 repairs and maintenance expenditures decreased by 8%.

2019-2021

The following income and expense analysis is based on reports produced by New York State Division of Housing and Community Renewal (DHCR) from 419 schedules for Westchester County buildings that contain housing units that are subject to ETPA. The buildings contain 14,738 housing units, 12,923 of which are subject to ETPA. The income and expenses are for year 2019, 2020 and 2021. Dollar amounts are in thousands.

Income and Expenses: 2019, 2020, 2021 – *Dollar amounts are in thousands*

	2019	2020	2021	Change 2019-2020		Change 2020-2021		Change 2019-2021	
				$	%	$	%	$	%
Rental	$233,022	$232,813	$236,091	-$209	-0.1%	$3,278	1%	$3,069	1%
Miscellaneous	$2,392	$2,243	$2,038	-$149	-6%	-$205	-9%	-$354	-15%
Real estate	$868	$241	$83	-$627	-72%	-$158	-66%	-$785	-90%
Nonresidential	$7,130	$6,956	$7,388	-$174	-2%	$432	6%	$258	4%
TOTAL INCOME	**$243,412**	**$242,253**	**$245,600**	**-$1,159**	**-0.5%**	**$3,347**	**1%**	**$2,188**	**0.9%**
Fuel	$16,957	$14,804	$17,136	-$2,153	-13%	$2,332	16%	$179	1%
Utilities	$10,519	$10,557	$11,090	$38	0.4%	$533	5%	$571	5%
Payroll	$17,512	$17,391	$17,649	-$121	-0.7%	$258	2%	$137	0.7%
Real estate taxes	$36,101	$36,917	$37,177	$816	2%	$260	1%	$1,076	3%
Insurance	$10,890	$11,626	$12,675	$736	7%	$1,049	9%	$1,785	16%
Management	$17,609	$17,110	$18,007	-$499	-3%	$897	5%	$398	2%
Repairs & Maintenance	***$33,472***	***$29,995***	***$33,314***	***-$3,477***	***-10%***	***$3,319***	***11%***	***-$158***	***-0.5%***
Interest	$27,239	$27,359	$28,079	$120	0.4%	$720	3%	$840	3%
Miscellaneous	$6,942	$6,250	$6,770	-$692	-$692	$520	8%	-$4,656	-2%
EXPENSES (excluding depreciation)	**$177,241**	**$172,009**	**$181,897**	**-$5,232**	**-3%**	**$9,888**	**6%**	**$4,656**	**3%**
Depreciation	$19,716	$19,336	$20,312	-$380	-2%	$976	5%	$596	3%
TOTAL EXPENSES	**$196,957**	**$191,345**	**$202,209**	**-$5,612**	**-3%**	**$10,864**	**6%**	**$5,252**	**3%**
INCOME - EXPENSES	**$46,455**	**$50,908**	**$43,391**	**$4,453**	**10%**	**-$7,517**	**-15%**	**-$3,064**	**-7%**

Source: DHCR Westchester Income and Expense Reports, 2019-2021

Similar to the table for income and expenses from years 2018 to 2020, the table above which includes income and expense data for years 2019-2021 shows that there was a drop (-10.39%) in repair and maintenance expenditures from 2019 to 2020. In 2021 the expenses on repairs and maintenance increased but was still below the amount of pre-legislation year 2019.

Income and Expense Report – Discussion of Findings

- ***DHCR income and expense reports show that from 2018 to 2020 there was a drop in maintenance and repair expenditures.***
- ***From 2020 to 2021 repair and maintenance expenditures picked up but remain below what they were in 2019.***

SALES TRENDS

Sales data were analyzed to identify market trends that may have been influenced by the passage of HSTPA in 2019. To contextualize the information and identify existing trends, data from the past 10 years were included in the analysis. The Covid-19 pandemic heavily impacted the real estate market less than a year after HSTPA was passed, making it difficult to conclusively tie any changing trends with the passage HSTPA. Still, analysis of sales data is a useful exercise to establish baseline trends and examine differences between ETPA and non-ETPA buildings. Data from two different data sources were used for this analysis: The Multiple Listing Service (MLS) and the New York State Office of Real Property Tax Services (ORPS).

The following analysis uses both the median and average sales prices. The average provides an overall estimate of prices but can be skewed if there is a very high or very low number. The median is included because as the center point in the data, it is less prone to being skewed by outlier values.

Office of Real Property Tax Services (ORPS) Data

ORPS data captures information about virtually all property sales transactions in New York State and includes information such as sales price, parcel ID, and property type. This information, combined with a list of ETPA buildings in Westchester County, allowed for an analysis of sales trends for ETPA buildings and non-ETPA buildings over time.

ORPS Data – Analysis Methodology

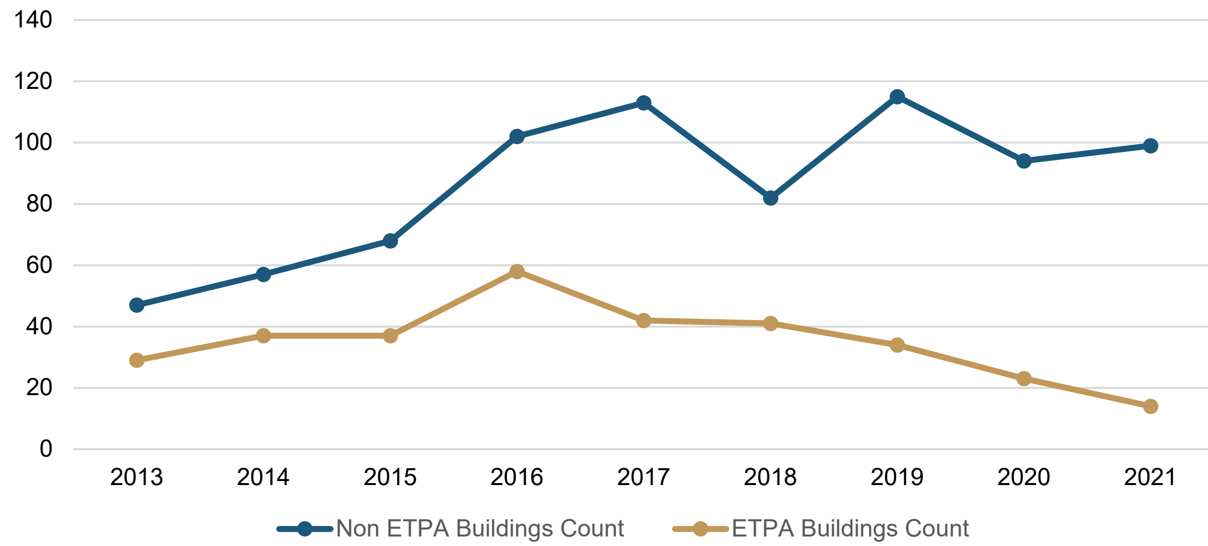
The first step of the ORPS data analysis was to establish an efficient way to identify ETPA buildings within the ORPS data using the list of ETPA properties provided by DHCR. The parcel ID of each property (also known as parcel number or tax ID) was determined to be best common identifier to match properties from the list of DHCR ETPA properties to the sales data from ORPS. The ORPS data included the parcel ID, but the list of ETPA buildings did not. For the list of ETPA properties, the parcel ID for each building was located by using municipal tax assessor and parcel viewer websites. Of the 21 Westchester municipalities that have with adopted ETPA legislation, six did not have searchable or otherwise accessible assessment data, so parcel IDs were not located for ETPA buildings in these municipalities. In these municipalities it was impossible to distinguish ETPA buildings from non-ETPA buildings. As a result, these six municipalities were removed from the ORPS data analysis:

- City of White Plains
- Town of Eastchester
- Village of Larchmont
- Village of Mount Kisco
- Village of Pleasantville
- Village of Sleepy Hollow

For the remaining 39 Westchester municipalities, ORPS sales data were retrieved for the years 2013 through 2021. Sales that were not "arm's length transactions" were removed from the analysis. Arm's length transactions are deals that are made between parties that are independent and act in their own self-interest. The data were further filtered to only include sales of buildings with a property class code of 411 (apartments). Finally, the data were matched with the list of ETPA buildings to identify whether each building that was sold was an "ETPA building" or a "non-ETPA building."

ORPS Data Analysis-Results

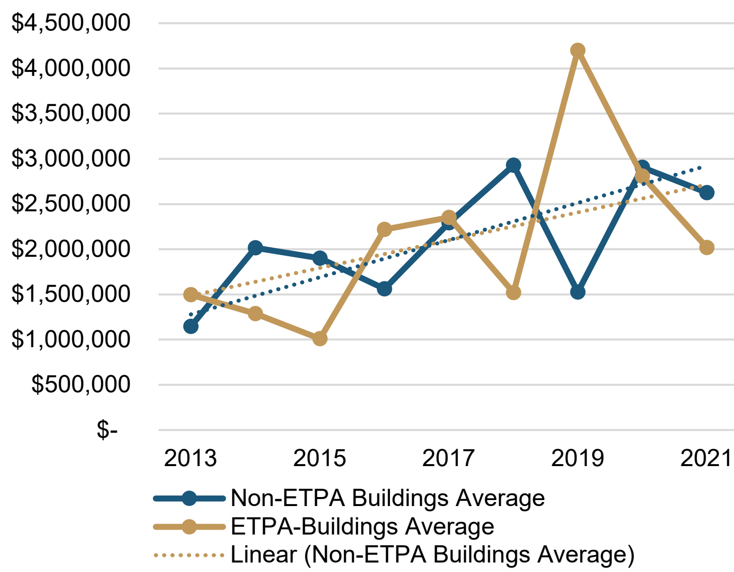
Number of Sales: ETPA & Non-ETPA Apartment Buildings



Source: NYS Office of Real Property Sales (ORPS)

The chart above shows the number of sales by ETPA and non-ETPA buildings. The data reveal a consistent decline in the number of ETPA buildings sold starting in the year 2017. The number of ETPA buildings sold dropped from 58 in 2016 to 14 in 2021. The sale of non-ETPA buildings does not have a clearly identifiable trend. The number of non-ETPA buildings sold increased steadily from 2013 to 2017. After 2017, the number of non-ETPA units sold was up and down, but remained relatively close to 100 buildings per year.

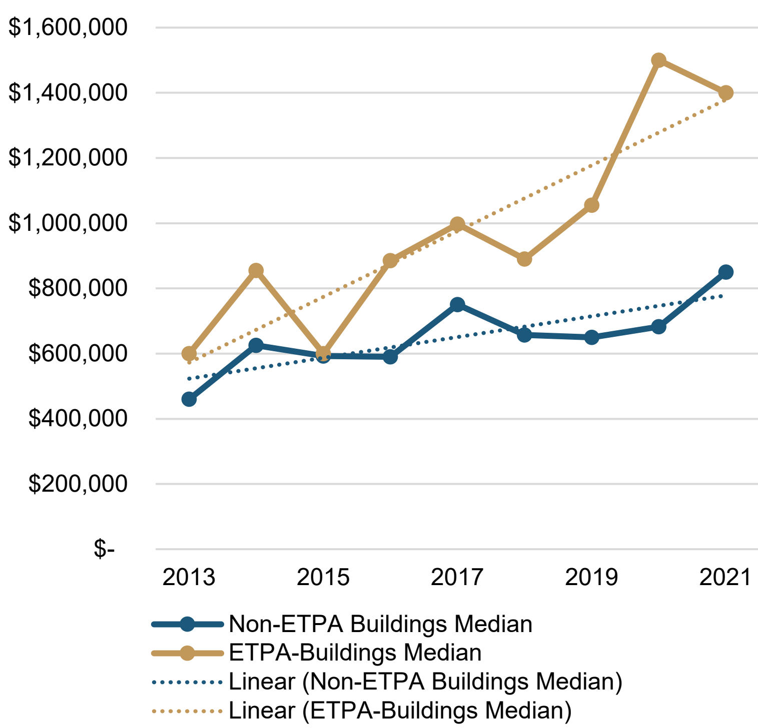
Average Sale Price: ETPA & Non-ETPA Apartment Buildings



Since 2013, the average sale price of both ETPA buildings and non-ETPA buildings has been trending up. Since 2019, the average sale price of ETPA buildings has decreased by about $1 million for two years in a row. However, it's worth noting that the sample size is relatively small with only 23 sales in 2020 and 14 in 2021. It's also worth noting that in 2019 there was one outlier transaction that increased the average sale price of ETPA buildings by $1 million that year. Without that outlier, the change from 2019 to 2020 would be significantly less pronounced.

Source: NYS Office of Real Property Sales (ORPS)

Median Sale Price: ETPA & Non-ETPA Apartment Buildings



Analysis of the median sales price provides a slightly different picture than the analysis of average sale price. A benefit of computing a median as opposed to an average is that median values are less sensitive to outliers. This is particularly helpful in small sample sizes where outliers can have a particularly significant impact on an average. The data show that the median sale price for both ETPA and Non-ETPA buildings has been trending up since 2013. In every year from 2013 to 2021, the median sale price of ETPA buildings was higher than that of non-ETPA buildings.

Source: NYS Office of Real Property Sales (ORPS)

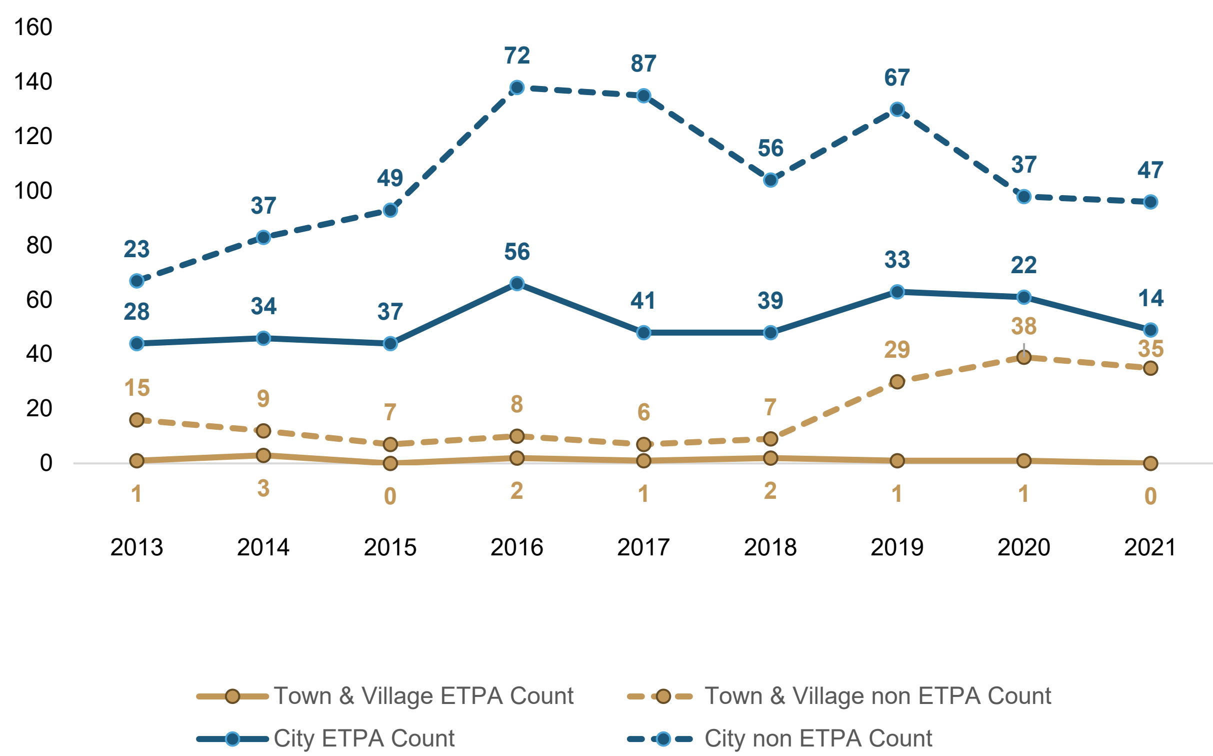
Sales Trends: Cities vs. Towns & Villages

The charts below depict sales trends for Westchester County cities vs. Westchester County towns and villages. The cities included in this analysis are New Rochelle, Mount Vernon, and Yonkers. The towns and villages included in this analysis are Croton-On-Hudson, Dobbs Ferry, Greenburgh, Harrison, Hastings-On-Hudson, Irvington, Mamaroneck, and Tarrytown.

The first chart shows that in both cities and towns and villages, the number of non-ETPA buildings is consistently higher than the number of ETPA buildings sold. Overall, very few ETPA buildings were sold in Towns and Villages from 2013-2021.

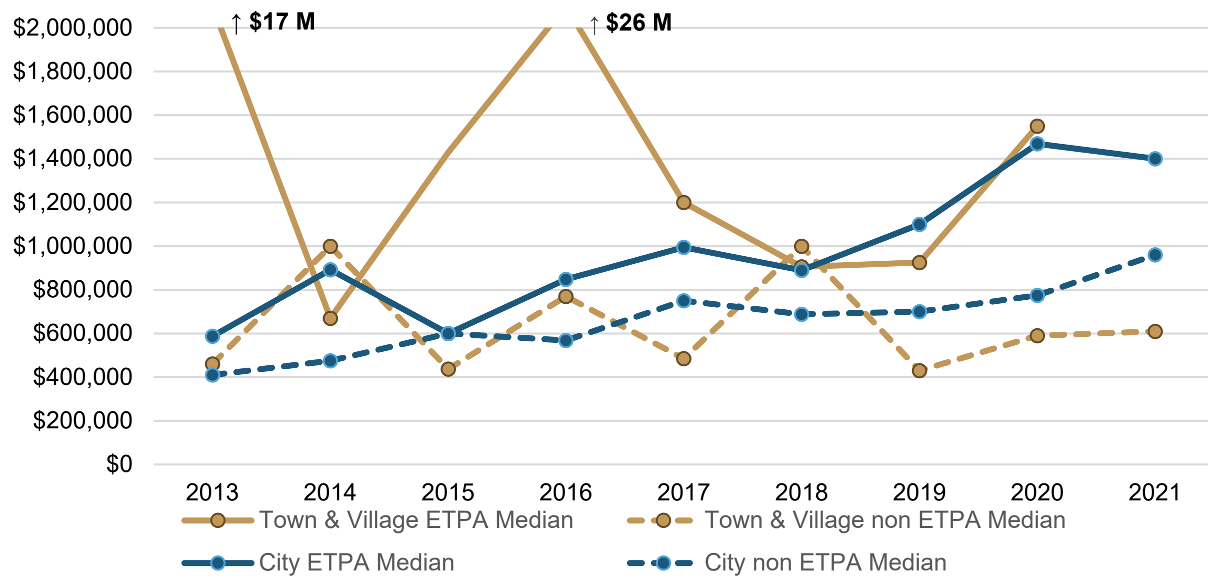
The second chart shows that the median sale price of ETPA buildings is consistently higher than non-ETPA buildings, especially in cities. In every year from 2013 to 2021, the median sale price of ETPA buildings was greater than or equal to non-ETPA buildings in Westchester County cities.

Count of Sales - Westchester Cities vs. Towns and Villages



Source: NYS Office of Real Property Sales (ORPS)

Median Sales Price - Westchester Cities vs. Towns and Villages



(some vales go above the upper limit of the chart. The scale shown was chosen to better show the yearly changes)
Source: NYS Office of Real Property Sales (ORPS)

Geographic Analysis of Sales

Approximately half of the records in the ORPS data included information about the zip code of the buyer. This information can be used to identify trends in the location of buyers for both ETPA and non-ETPA apartment buildings in Westchester. Due to data limitations, this analysis only includes sales in New Rochelle, Mount Vernon, Yonkers, Croton-On-Hudson, Dobbs Ferry, Greenburgh, Harrison, Hastings-On-Hudson, Irvington, Mamaroneck, and Tarrytown.

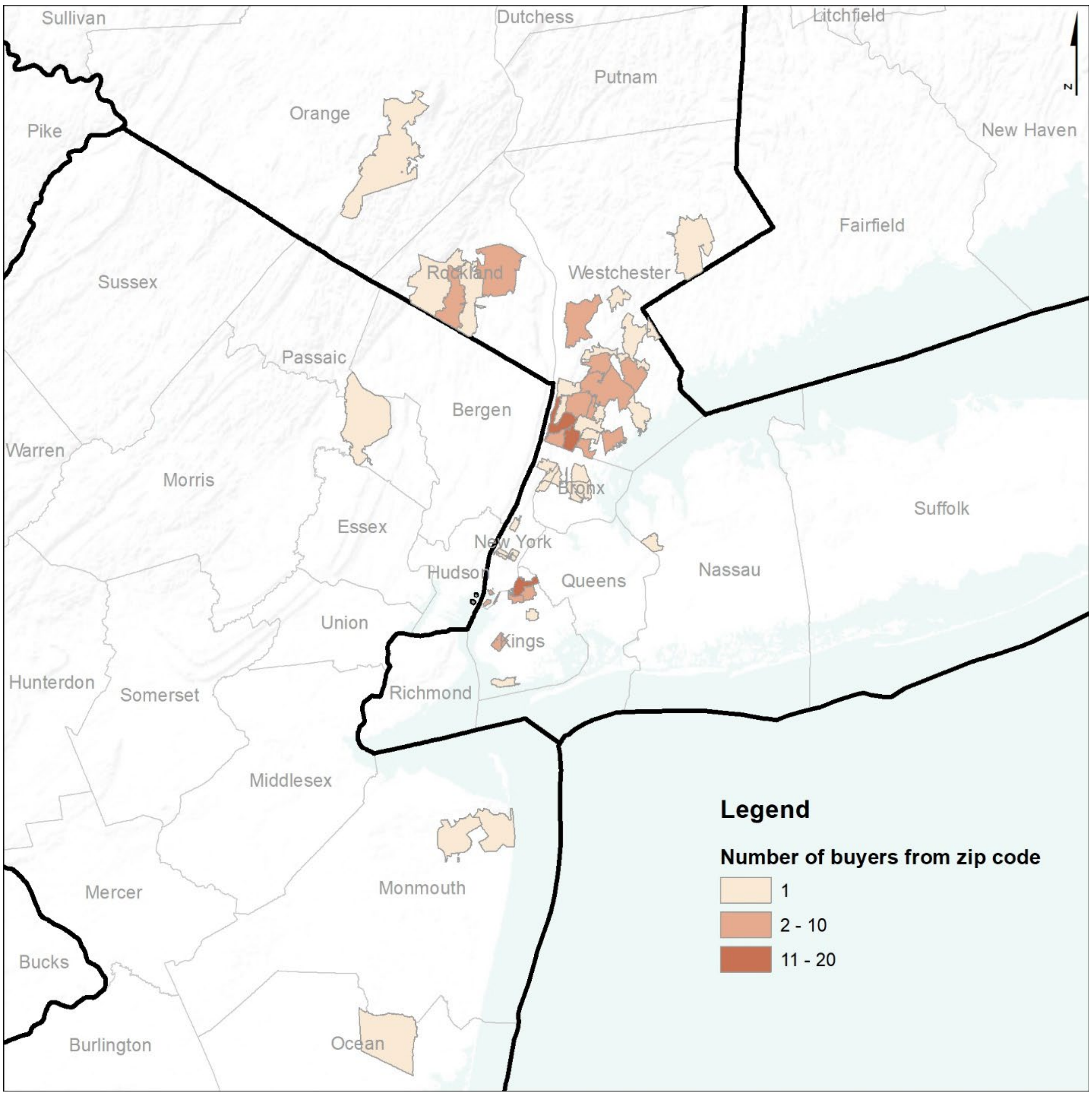
Location of Buyers who Purchased an Apartment Building in Westchester County in the years of 2013-2021- Non ETPA vs. ETPA Buildings

	Non-ETPA Apartment Buildings	ETPA Apartment Buildings
Westchester	73%	57%
NYC	18%	34%
Long Island	3%	1%
Other NY County	4%	5%
Other State	3%	3%

The table above indicates that a greater share of ETPA building purchases in Westchester County from buyers in New York City compared to non-ETPA building purchases. For both ETPA and Non-ETPA buildings, the majority of buyers are from within Westchester County.

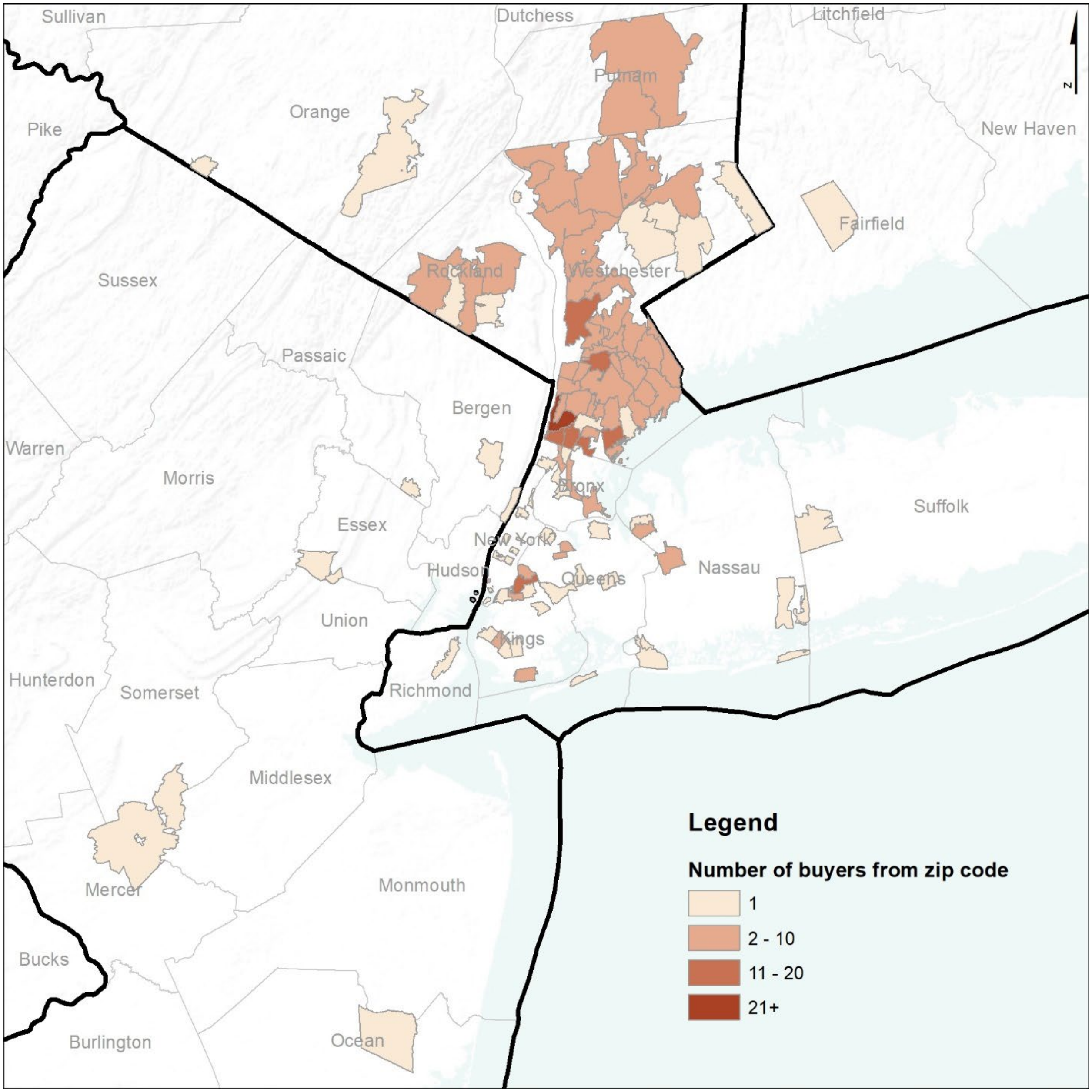
The maps on the following pages show the number of ETPA and non-ETPA apartment building purchases in Westchester by zip code of the buyer. The maps demonstrate that most of the Westchester based buyers of ETPA buildings are located in the lower part of the county. In contrast, Westchester-based purchasers of non-ETPA buildings are more evenly distributed throughout the County.

Location of Buyers who Purchased an ETPA Apartment Building in Westchester County in the years of 2013-2021



Source: NYS Office of Real Property Sales (ORPS)

Location of Buyers who Purchased a Non-ETPA Apartment Building in Westchester County in the years of 2013-2021



Source: NYS Office of Real Property Sales (ORPS)

Multiple Listing Service (MLS) Data

Multiple Listing Service (MLS) sales data are primarily utilized by residential real estate agents. While most of the recorded transactions are for individuals and families buying or selling homes for personal use, some small investor sales transactions are also recorded. Larger commercial real estate transactions are not typically recorded under MLS with a few exceptions. For these reasons, MLS has a different number of recorded sales transactions than ORPS, which is a more complete list of real estate sales. Of the transactions included in this analysis the largest building had 51 units. MLS data are used in this analysis because unlike ORPS, MLS data include a unit count for buildings. Using the unit count, the average and median sale price per unit can be calculated.

Multiple Listing Service (MLS) Data – Methodology

This analysis includes MLS sales for all 411 apartment buildings in Westchester County from years 2012 to 2021 (the most recent available data). Recorded sales transactions were sorted by year and whether they were ETPA or non-ETPA buildings. The DHCR ETPA building list was used to match addresses in the sales transaction records to identify ETPA buildings.

Of all recorded transactions, five records were removed because the buildings in the sale were built after 1974. ETPA only applies to buildings built before 1974 and so to minimize the differences between ETPA and non-ETPA building sales these were taken out of the sample. The sale transaction recordings include all commercial residential transactions for buildings with four or more units. Again, because ETPA only applies to buildings with six or more units, any sale records for buildings with less than six units were removed to reduce the differences between the ETPA and the non-ETPA sales for the analysis. This resulted in the removal of 87 sale records. Sale records for which there were no unit count were also removed, which resulted in the elimination of another three sale records.

After these edits, 173 sale records were included in the analysis. Some addresses repeat in the sale recordings if these buildings sold more than once in the ten-year period. Seventy-four of the recorded sales transactions were for non-ETPA buildings and 99 were for ETPA buildings.

The average year built for ETPA buildings included in this analysis is 1939. For non-ETPA buildings it is 1926. The average number of units in the ETPA buildings included in this analysis is eight and for non-ETPA buildings it is 9 units.

Multiple Listing Service (MLS) Data – Results

The following tables show the number of sales, the average and median sales prices for the buildings, and the average and median per-unit sales price for ETPA and non-ETPA buildings in Westchester County from 2012 to 2021. Red numbers indicate a decrease in sales price from the previous year.

ETPA Buildings Sales: 2012-2021

	# of Sales	Average	Median	Average price/unit	Median price/unit
2012	7	$825,357	$585,000	$95,391	$83,571
2013	14	$819,536	$560,750	$82,270	$72,626
2014	12	$626,867	$552,500	$80,809	$77,560
2015	16	$649,375	$492,000	$86,406	$77,917
2016	18	$800,926	$603,333	$101,232	$94,893
2017	8	$857,688	$777,000	$126,590	$122,500
2018	8	$1,146,250	$970,000	$136,365	$133,125
2019	6	$883,167	$900,000	$147,194	$150,000
2020	3	$1,213,333	$1,380,000	$137,302	$150,000
2021	7	$1,166,071	$937,500	$133,512	$128,333

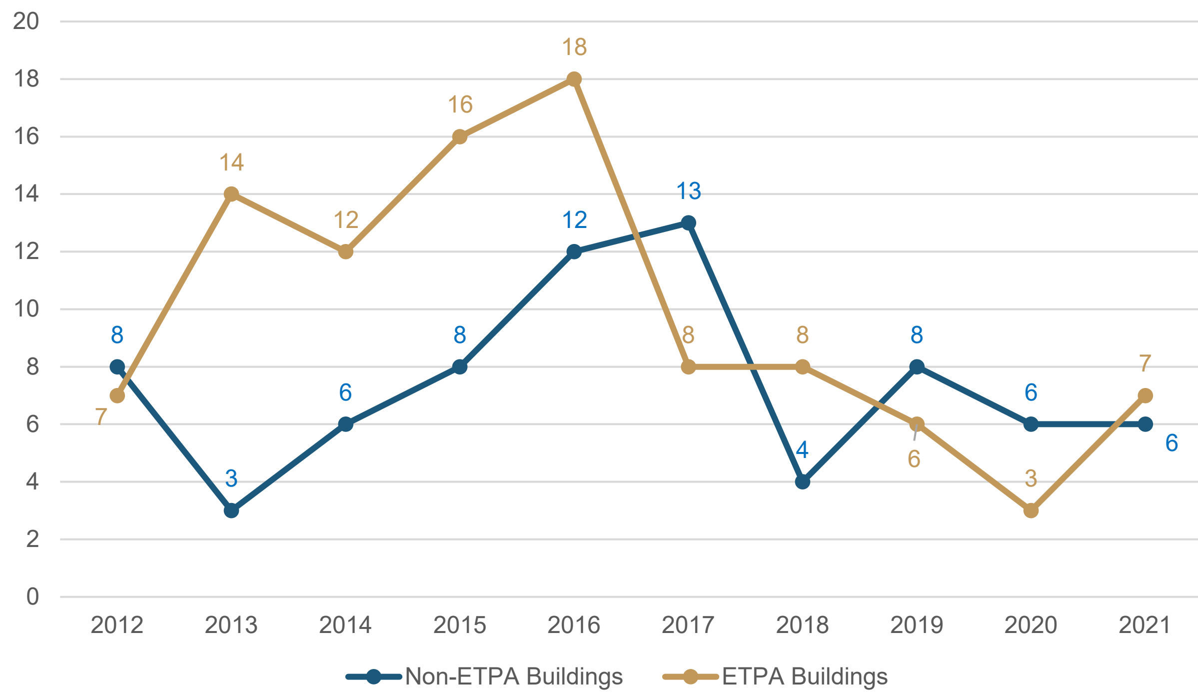
Source: Westchester Multiple Listing Service (MLS)
**red font denotes a decrease from the prior year*

Non-ETPA Buildings: 2012-2021

	# of Sales	Average	Median	Average price/unit	Median price/unit
2012	8	$858,313	$425,000	$65,544	$52,381
2013	3	$1,098,333	$1,045,000	$98,704	$116,111
2014	6	$984,167	$775,000	$98,255	$96,875
2015	8	$620,000	$642,500	$95,208	$102,917
2016	12	$1,485,278	$752,500	$189,340	$114,167
2017	13	$1,408,900	$925,000	$165,686	$150,000
2018	4	$1,110,000	$1,087,500	$155,573	$157,292
2019	8	$1,424,063	$1,006,250	$149,781	$146,667
2020	6	$1,257,333	$1,037,500	$156,405	$144,214
2021	6	$1,006,667	$1,015,000	$161,429	$169,167

Source: Westchester Multiple Listing Service (MLS)
**red font denotes a decrease from the prior year*

Number of Sales for ETPA & Non-ETPA - 4+ Unit Apartment Buildings: Westchester County 2012-2021



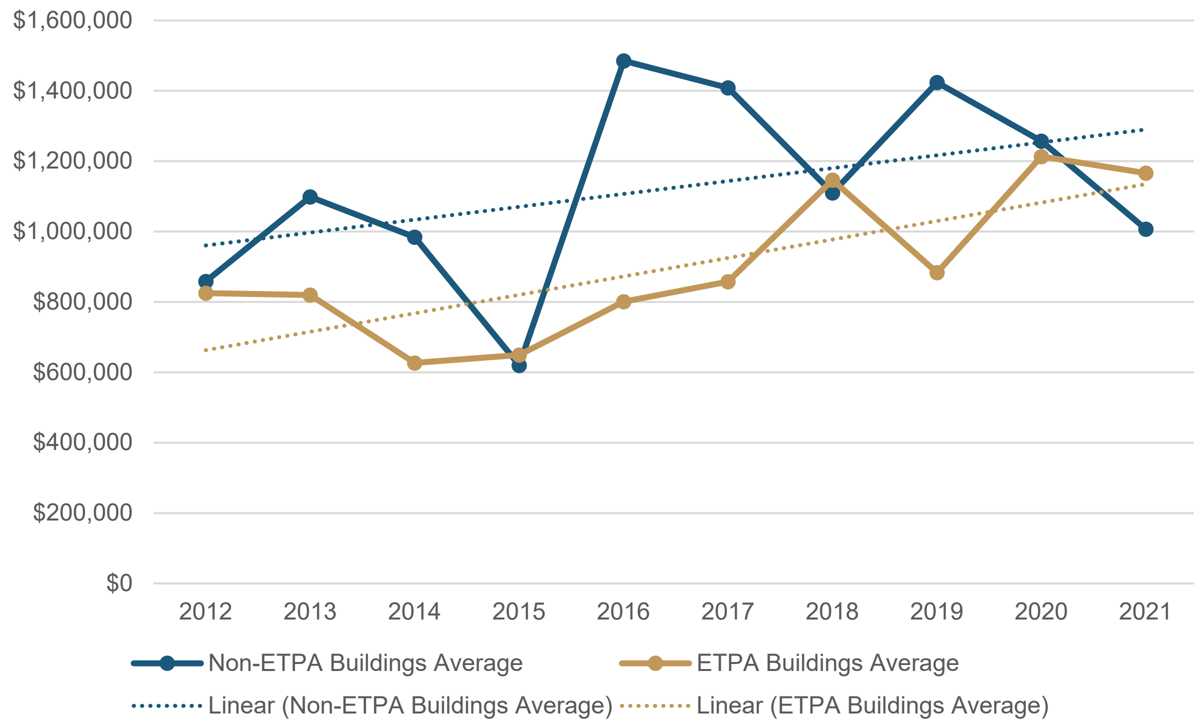
Source: Westchester Multiple Listing Service (MLS)

The number of sales for both ETPA and non-ETPA buildings has fluctuated year to year over the period from 2012 to 2021. Year 2016 had the highest number of sales of ETPA buildings at 18. Non-ETPA property sales peaked with 13 sales in 2017.

The most significant drop in the number of ETPA apartment building sales was from 2016 to 2017, where the number went from eighteen to eight. In 2020, the first full year with the HSTPA legislation in place, the number of sales recorded for ETPA buildings was the lowest (three recorded sales). That year there were six sales of non-ETPA buildings.

In 2021, the number of ETPA building sales went up to seven.

Average Sale Price for ETPA & Non-ETPA - 4+ Unit Apartment Buildings:



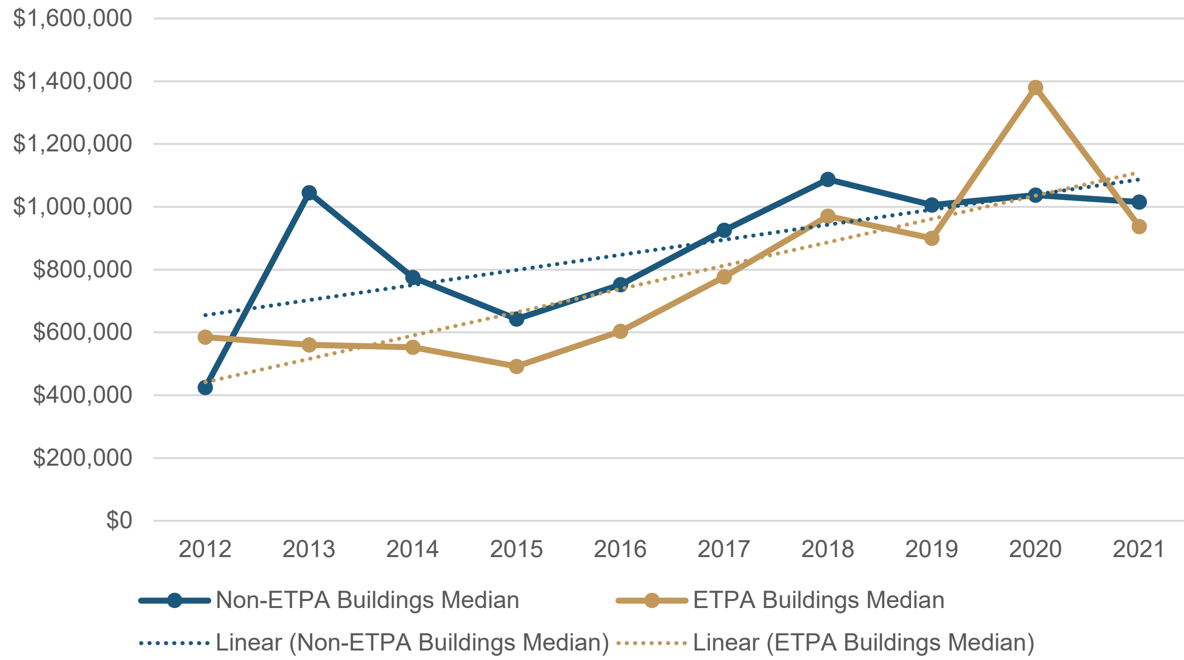
Source: Westchester Multiple Listing Service (MLS)

Westchester County 2012-2021

According to the MLS data used in this analysis, the average sales price has increased for both non-ETPA and ETPA buildings since 2012. The linear trendline for the average sale price of ETPA buildings in this sample has a slightly steeper slope than for non-ETPA buildings indicating that over the ten-year period the sales price of ETPA buildings has increased more than for non-ETPA buildings.

From 2018 to 2019, the year of the legislation, the average sale price of ETPA buildings decreased but then increased from 2019 to 2020. From 2020 to 2021 it again decreased, dropping by 4%. Meanwhile, the average sale price for non-ETPA buildings decreased from 2019 to 2020 and again from 2020 to 2021.

Median Sale Price for ETPA & Non-ETPA - 4+ Unit Apartment Buildings: Westchester County 2012-2021

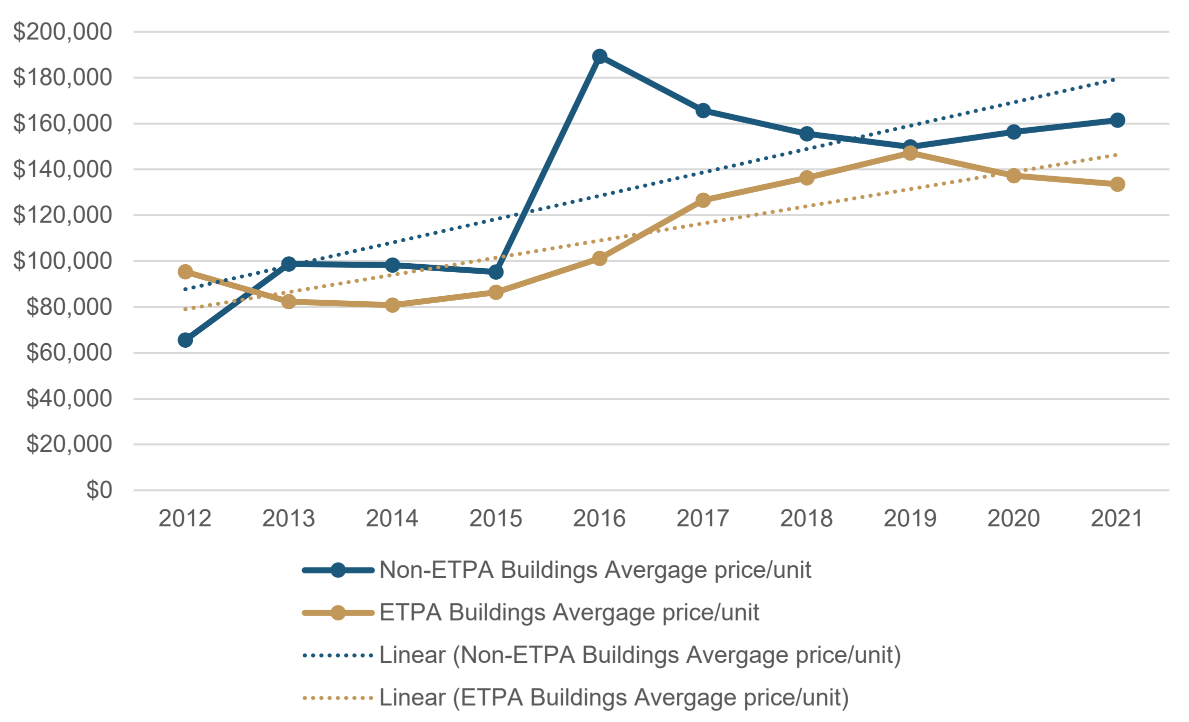


Source: Westchester Multiple Listing Service (MLS)

Like the average sales prices, the median sales prices for both non-ETPA and ETPA buildings used in this analysis increased over the ten-year period between 2012 and 2021. From 2018 to 2019, the median sales price for ETPA buildings decreased but then rebounded in 2020. Then, in 2021 the median sales price for ETPA buildings decreased again. From 2020 to 2021 the drop in median price for ETPA buildings was 32%. In 2020 there were only three sales of ETPA buildings, and two higher sales prices that year result in a high median.

As with the average price trendline, the trendline for the ETPA median sales price is slightly steeper than for non-ETPA building sales, indicating that in the sample used for this analysis, over the ten-year period, prices for ETPA buildings have increased more than for non-ETPA buildings.

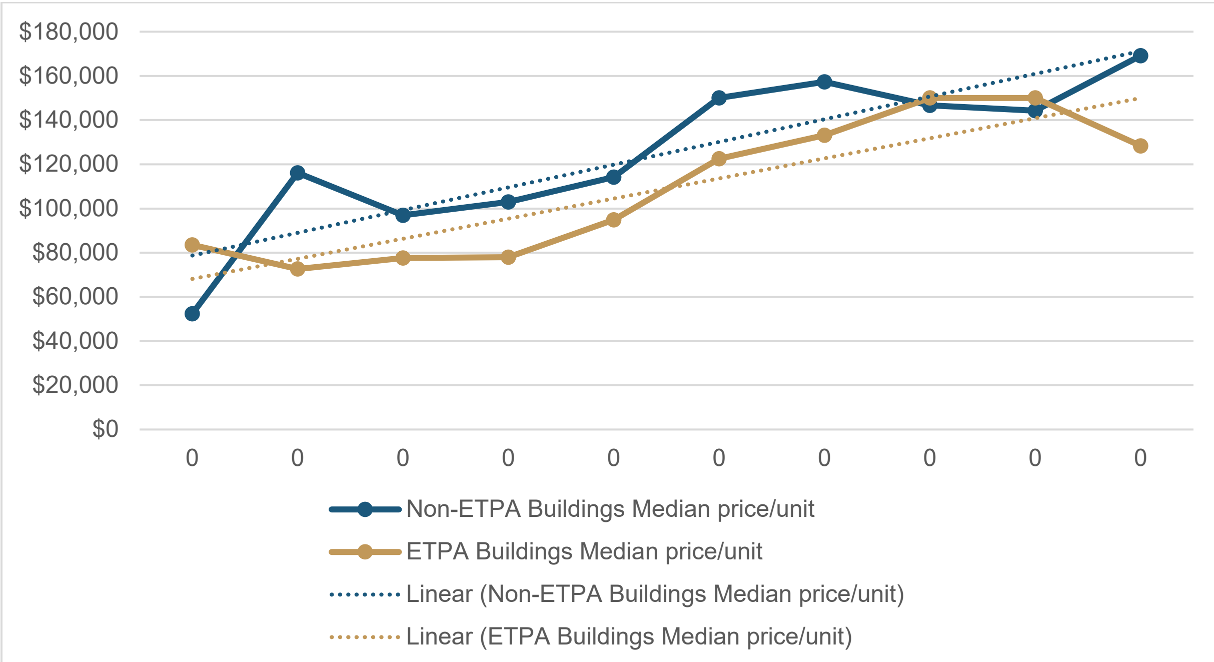
Average Per-Unit Sale Price for ETPA & Non-ETPA - 4+ Unit Apartment Buildings: Westchester County 2012-2021



Source: Westchester Multiple Listing Service (MLS)

The chart above shows that over the ten-year period there has been an increase in the average per-unit sales price for both non-ETPA and ETPA buildings. Except for the first year, 2012, non-ETPA buildings have consistently sold for a higher average per-unit dollar amount every year. In 2019 the average per-unit sales price for ETPA and non-ETPA buildings was nearly the same but then in year 2020 and 2021 the average per-unit sale price for non-ETPA buildings increased while for ETPA buildings it decreased.

Median Sale Price/Unit for ETPA & Non-ETPA - 4+ Unit Apartment Buildings: Westchester County 2012-2021



Source: Westchester Multiple Listing Service (MLS)

Like the average per-unit price, there has been an increase in the median per-unit sales price for both non-ETPA and ETPA buildings over the last decade. Non-ETPA buildings had a higher median per-unit sale price all years except for in three: 2012, 2019, and 2020. From 2013 the median per-unit sale price of ETPA buildings increased each year. Then, from 2019 to 2020 the median per-unit price for ETPA buildings did not change, it was $150,000 both years. In 2021 the median per-unit sales price for ETPA buildings declined to 128,333, a 14% drop. Meanwhile, the non-ETPA per-unit sales price went down from 2019 to 2020 but then back up in 2021 to its highest point yet, $169,167.

Sales Data –Findings

Analysis of the sales data, while useful, does have some important limitations. While these limitations somewhat impact the confidence of the findings, they do not prevent the identification of noteworthy trends. The primary limitations of the sales data are:

- ***The relatively small sample sizes, especially for the MLS data. For example, in 2013 there were only three non-ETPA building sale records for this analysis, and in 2020 there were only three ETPA building sale records.***
- ***The inability to control for the number of units in each building for the ORPS data. Property class code 411 includes apartment buildings of 4+ units, but no additional information on unit count.***
- ***A limited amount of time that has passed since the adoption of HSTPA. Only two full years of data are available for analysis after 2019.***
- ***The real estate market was impacted by the Covid-19 pandemic which began in 2020.***

The primary findings from the MLS and ORPS sales data are:

- ***The number of ETPA building sales appears to be declining. ORPS data show that the number of ETPA buildings sold has decreased for 5 straight years starting in 2017.***
- ***The sale price of both ETPA and non-ETPA buildings has been trending upwards in the past 10 years.***
- ***ORPS data show that the median sale price of ETPA buildings is consistently higher than the median sale price of non-ETPA buildings. However, the median and average per/unit sales prices for non-ETPA buildings was higher in most years than for ETPA buildings. This indicates that the ETPA buildings in this analysis are generally larger and contain more units than the non-ETPA buildings.***
- ***Median and average per/unit sales prices for both ETPA and non-ETPA buildings increased between 2012 and 2021.***
- ***MLS show that in years 2020 and 2021 the average per-unit sale price increased for non-ETPA buildings, and decreased for ETPA buildings.***
- ***A six-year trend of increasing median per-unit sales prices for ETPA buildings stopped from 2019 to 2020. The price remained the same in both years at $150,000. Then the median per-unit price for ETPA buildings declined by 14% into year 2021. Meanwhile, the non-ETPA per-unit sales price went down from 2019 to 2020 but then back up in 2021 to its highest point yet, $169,167.***

QUALITATIVE DATA: SUMMARY

The qualitative research conducted for this study provides a broader understanding of the impacts of HSTPA that are not fully captured by measurable metrics. To ensure a variety of perspectives were heard, interviews were conducted with people representing different interests related to multifamily rental housing. These included housing advocates; owners of buildings with ETPA units; commercial housing lenders and appraisers; municipal staff including assessors, planners, and building inspectors; building contractors; and other housing professionals. Several attempts were made to schedule an interview with a tenant representative from the Westchester Rent Guidelines Board, but our research team received no response.

The following is a summary of the input from interviews:

- Most interviewees for this study identified some positive aspects of the 2019 HSTPA legislation in terms of the increased protection for tenants against property owner discrimination. Tenant advocates said one of the most important changes for improving the situation for tenants is the extended period of notice for renewal and rent increases. The extra time offers tenants an opportunity to plan for changes in rent.
- Several people expressed concerns that the new tenant screening process removes property owner protections against problematic tenants who may not pay rent or who otherwise break their lease. The eviction process can take many months during which property owners may not collect any rent, and the property owner can incur high costs associated with eviction proceedings. There was speculation that naturally occurring affordable rental units, like small units attached to owner-occupied homes, will be kept vacant because the property owners feel too much risk renting them due to new tenant protections.
- There were differing opinions about the impact of the new limits to rent increases. Tenant advocates viewed these changes favorably. From their perspective, HSTPA helps protect financially vulnerable households where even a small rent increase can lead to extreme hardship and even the loss of housing. In contrast, property owners stated that the new limits on rent increases will jeopardize the financial sustainability of their buildings. Related to this, some property owners reported that they have already seen the value of their buildings drop and have had a difficult time refinancing or selling their property.
- The prevailing opinion among property owners with regards to the Major Capital Improvement (MCI) and the Individual Apartment Improvement (IAI) programs is that the changes to these programs have made it difficult to maintain buildings at the same level as prior to the 2019 legislation. Several property owners reported that because of the new requirements for the MCI and IAI programs, property owners are using cheaper materials and using in-house staff to do some maintenance and repair work as opposed to hiring professional contractors. Property owners also described how they are deferring some repairs such as a new staircase, or windows. Several property owners also said they are purposefully keeping units vacant because the needed repairs cannot be recovered with the allowable rents.

- Housing professionals and lenders also expressed concern about the limits on rent increases associated with building improvements. The point was made by several interviewees that buildings with ETPA units have greater maintenance needs because they are older. Typical big expenses include new roofs, boiler systems, and elevator upgrades. There is a concern that the improvement-related rent increases under the MCI or IAI programs may be insufficient to cover these costs. Older buildings are also less energy efficient and now there is less of an incentive for building owners to improve energy efficiency through improvements. One interviewee said that without an incentive to maintain buildings they will deteriorate in quality which will lead to disparate housing choices for low-income households versus households that can pay market rate. The interviewee pointed out that this would result in a form of segregation.

- Several housing professionals also mentioned that operating costs are increasing due to inflation, rising labor costs, and climbing fuel costs, but there is no flexibility in the formula for rent increases. As a result, building owners may not be able to afford their debt services and keep up with payments to banks.

- Building owners also talked about how the size and scale of buildings is a factor in how the legislation affects them. Owners of smaller buildings said it is more difficult for them to meet the new MCI and IAI program requirements as well as to absorb other to new costs such as those related to modified eviction procedures.

- Appraisers discussed how the value of buildings would reflect the income limits if the formula to appraise buildings includes income. However, both appraisers and lenders stated that it is too early to see the long-term impacts of the legislation on building values. Not only is it early to see the impact, but it is also difficult to sort out the impact of HSTPA from the simultaneously occurring economic and housing market changes that are the result of the Covid-19 pandemic.

- Rent-stabilized buildings are often more heavily scrutinized by lenders because it’s unclear whether the owners will have the ability raise enough capital to pay off debts. The expectation is that costs will continue to rise, but rent stabilized building owners may not be allowed to raise rents enough to keep up with the rising costs.

PROPERTY OWNER SURVEY

Pattern created a survey that was sent out to property owners by the Builders Institute. The survey included the following questions:

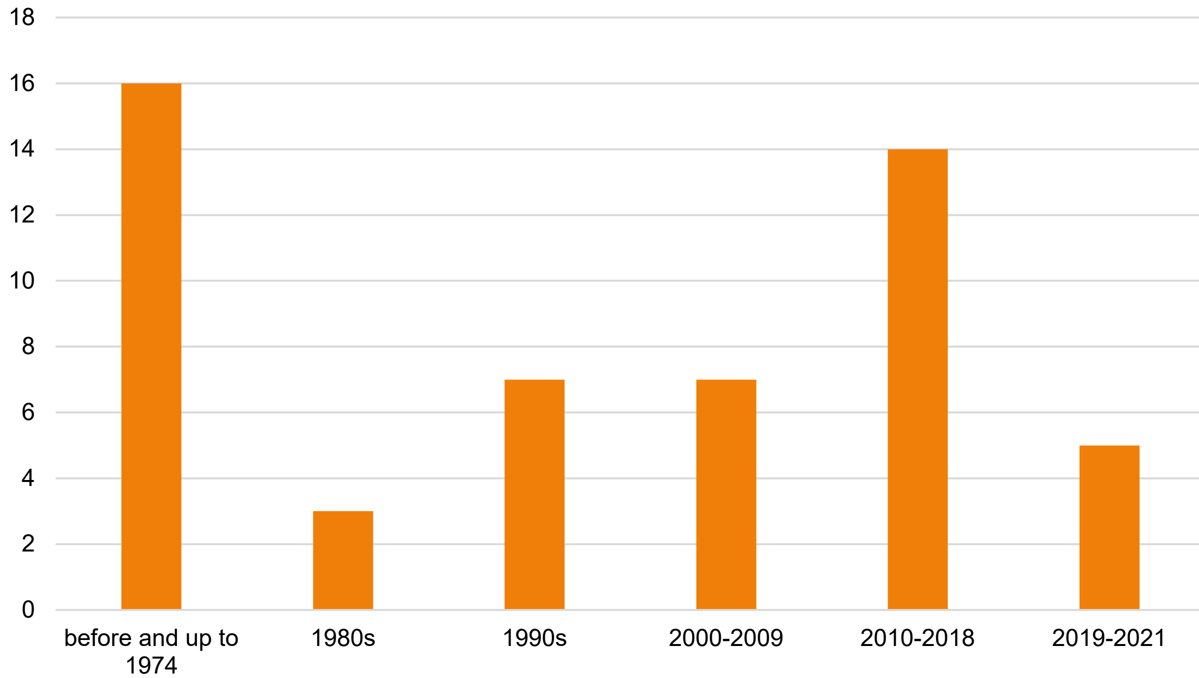
1. **How many buildings do you own in Westchester County that contain units which are subject to ETPA? Please enter a number.**
2. **What year did you purchase your building(s) with ETPA units?**
3. **How many units are in your building(s) with ETPA units?**
4. **Have you ever grieved the local assessment of your ETPA rental property(ies)?**
5. **If you have ever grieved the assessment(s) of your ETPA rental property(ies) in what year(s)?**
6. **Have you completed any Individual Apartment Improvements (IAIs) since July of 2019?**
7. **If you have completed any IAIs since July of 2019 please describe the work done and the cost?**
8. **Are you planning to do an IAI this year?**
9. **If so, for what work?**
10. **Have you submitted an application for any Major Capital Improvements (MCIs) since July of 2019?**
11. **If you have submitted an application for a MCI since July of 2019 please describe the work done and the cost.**
12. **Are you planning to do any MCIs this year?**
13. **If so for what work?**
14. **What is your current vacancy rate for your ETPA units?**
15. **Are you holding any ETPA units off the market?**
16. **Please share any other comments you have below:**

After eliminating respondents who owned buildings outside of Westchester there was a total of 27 respondants.

Most of the respondents own a single rental ETPA property in Westchester (55%), 15% owned two buildings, 15% owned three buildings while the remainder of the respondents owned between four and fifteen buildings.

About a third of properties owned by respondents were purchased before the 1974 ETPA legislation was enacted. A large portion of the properties were purchased between 2010 and 2018 (31%). **About 10% (5 properties) were purchased in the years since the HSTPA legislation was enacted, 2019 to 2022.** Given that this is only a three-year period; this is a fair portion (10%) of the total buildings reported on.

Number of Property Purchases by Years Based on Survey Responses



Close to half of respondents reported that they have grieved the assessment of their ETPA rental properties. The years with the highest number of reported property tax grievances were years 2012 and 2018, both of which had four grievances those years. **Since the 2019 legislation the number of reported grievances has dropped: three in 2019, three in 2020, one in 2021 and one so far in 2022.**

About a third of respondents reported that they have completed an IAI since July of 2019, the date the legislation was enacted. Less than a quarter report that they will do an IAI in the next year. When asked what the completed IAI's since 2019 were for and what the cost was responses included renovation of entire apartment for a range of around $14,000-$30,000, window replacements, as well as replacing items like tiles and cabinets.

Only two respondents reported that they have submitted an application for a MCI since the 2019 legislation. The MCIs were for a balcony renovation and an apartment renovation. Close to a quarter (6) respondents reported that they were planning on doing a MCI this coming year. The list of work to be done includes elevators, entry system, boilers, and an intercom system.

A majority of respondents reported that they have a 0% vacancy rate (17, 68%). Otherwise vacancy rates ranged pretty evenly among respondents from 1-5%. One person reported a vacancy rate of 97%, which may have been a reporting error.

A notably high 22% (6) of respondents said that they were intentionally holding vacant units off the market.

When asked to share other comments respondents wrote on a variety of topics. Respondents mostly focused on how the terms of the MCI and IAI programs discourage investment in properties.

One wrote about how the legislation does not include provisions to account for the differences in buildings in terms of age, size, the reason for an upgrade, and reason for vacancy (legal-nonpayment-nuisance, natural progression-tenant vacating of own accord.) This respondent wrote:

> *"The result is the exact opposite of what the supposed intent was behind the restrictions: Smaller landlords cannot afford to make necessary improvements to buildings/apartments resulting the need to sell to larger REIT type investors as opposed to owner's with vested interests."*

In general, respondents find that the limits on rents are problematic because they do not account for rising costs of operation. Several respondents mentioned that they will keep units vacant rather them rent them at the allowable amount. There is concern that the legislation does not provide guidance on record keeping for these programs which will be problematic when properties are sold. One respondent discussed the issue with tenant protections and said that now landlords rely more on credit scores to select tenants which makes it difficult for many tenants to get an apartment.

CONCLUSION

This report represents preliminary findings on the impacts of HSTPA in Westchester County. The primary limitations of this study are the short amount of time that has passed since HSTPA was adopted in 2019, the concurrent timing of Covid-19 pandemic with the passage of HSTPA, and, in some cases, the quality of data available. Despite these limitations, this study identified a number of findings that indicate certain trends may be starting. Perhaps most importantly, this report lays the factual groundwork for future studies to confirm or invalidate these early trends.

The findings in this report suggest that there may be some unintended consequences of HSTPA that will eventually adversely affect tenants, but it is too early to know with any certainty if this will be the case. There has been a decrease in the number of MCI applications since HSTPA was adopted into law, this downward trend may reflect building owners responding to the new conditions of the improvement program. A decrease in the dollar amount on repairs and maintenance as reported by DHCR also points to possible reduced building maintenance. New amortizations periods for the MCI and IAI programs have a more significant impact on rent increases, and under the MCI program buildings with low rents may have difficulty recouping the cost of improvements. Building size and unit count is a factor in how a property's financials are impacted by rent increase limits under the MCI program. Finally, the lengthened IAI and MCI amortization periods implemented by HSTPA can have substantial impacts for both renters and building owners – simultaneously mitigating rent increases for tenants while also decreasing the financial feasibility for building owners to make improvements.

Interviews with stakeholders and industry professionals confirmed that there is a wide range of opinions on HSTPA, from wholehearted support to vehement opposition. These strong contradicting opinions underscore the need for additional objective evaluation of the impact of HSTPA.

Further analysis in several years would offer time for early trends to be more definitive, and would minimize the pandemic-induced distortion of data. The continued monitoring of income and expense reports may show sustained reduced disinvestment in repairs and maintenance. A full comparison of the type of work done under the MCI program before HSTPA and after may show whether the legislation has achieved its intended purpose of preventing property owners from making unnecessary improvements, or if property owners are neglecting necessary improvements because of the constraints of the law. Sales data may eventually show a decline in sale volume and prices of ETPA properties. Consistent record keeping and readily accessible data across municipalities and at the state level would support better analysis of the impacts of the HSTPA legislation.

APPENDIX

Non-Conclusive Metrics

Due to data limitations, several of the metrics analyzed for this study provided no conclusive findings. These metrics include: property assessments, tax grievances, and building permit activity.

Property assessment data was considered as a metric to determine if the assessments for ETPA properties have depreciated or appreciated at a slower rate than non-ETPA properties since the passage of HSTPA. Assessments for commercial residential properties are typically based on income and expenses. Under this type of income approach, the value of real estate is based on the net rental capacity of the real estate[4]. Some assessors utilize recent income and expense statements and current market lease data to assess properties. As a result, recent assessments might reflect the reduced income for ETPA properties because of the restricted rent increases under HSTPA. If ETPA property assessments depreciate or have a slower rate of appreciation as compared to non-ETPA properties this would show that ETPA property values are declining as compared to non-ETPA properties. However, upon investigation of municipal assessment data it was found that in some municipalities, local assessments do not change on an annual basis, in other municipalities local assessments appreciate (or depreciate) at a uniform rate across all properties in a property class, in some ETPA municipalities the assessor was not aware of the legislation or of having ETPA buildings, and in some municipalities the number of ETPA properties in the municipality was too small to provide a useful sample. Municipalities may lack administrative capacity to do individual income and expense analyses, and property owners are not typically required to submit income and expense reports for properties except in the case that the property owner files a tax grievance. Because actual income and expense data are not provided for all rental properties, assessors often rely on comparable properties, which may or may not be an accurate way to assess income and expenses. Additionally, in several municipalities assessment data was not readily available.

Pattern also explored using tax grievance data and building permit activity to measure the impact of the legislation. Using tax grievance data for ETPA properties as compared to non-ETPA multifamily properties from years prior to the legislation to the most current year available might indicate depreciating values of ETPA buildings. A drop-in building permit activity would indicate a reduction in investment and maintenance of buildings. For both types of data, it was found that there are inconsistencies across municipalities in whether the data were available, and how activities were recorded.

[4] New York State department of Taxation and Finance - I. Valuation Standards

QUALITATIVE DATA

Interview Comments

The following is a record of comments made during interviews for this study. Interview comments are organized into the following groups:

- Property Owners
- Commercial Real Estate Financial Professionals
- Commercial Real Estate Appraisers
- Housing Advocates
- Other Housing and Building Professionals

Property Owners with ETPA Units

Pattern interviewed the following property owners and management companies:

- Alana Ciuffetelli
- Alan Zaretsky
- Carol Danziger
- Erich Hoffman
- Franco Milio
- Gene DiResta
- George Curtis
- Howie Ravikoff
- Jaclyn Tierney
- Joyce Gifford
- Ken Nilsen
- Lawrence Cosenza
- Lisa DeRosa
- Lynne White
- Maria Villamia
- Moe Rieder
- Ronald E Devenuti
- Ursula DiResta
- Sue Smith

How has the legislation impacted the revenues from ETPA properties?

- Revenues have stagnated because there are no rent increases.
- I am barely making ends meet – I am up to $50K in rent arears between two buildings.
- In our area there is a huge construction boom. This will make it more difficult to rent units, even ours.
- Our main business model is we take properties that are underperforming and make an investment to improve them. We typically put in somewhere between $100K to $1 million dollars. Many of our buildings were built in the decades between the 1960s-80s. Our investment brings them up to current feel and level of service. We are able to do this by increasing rents and putting it back in the property. Now with the legislation, we are unable to do this with ETPA buildings. Our incomes do not rise, and rents are flat.

How has the legislation impacted the value of ETPA properties?

- The value has been hurt tremendously. I tried to refinance and the bank which has my mortgage would not give the value of the mortgage which is $900K. They only gave $750K. I had to find a different bank for the refinance.
- Since other expenses have increased and revenues are stagnant, the value has dropped.
- Yes, I have seen the value of buildings drop and it will drop more since lenders value buildings based on rent for refinance. The Rent Guideline Board rent increase are laughable.
- Our building had dropped by about 30% in value. I know this because prior to the new legislation we were in the process of doing a 1031 exchange which involves selling property and buying another property to avoid paying capital gains. The law passed and the person who was thinking about purchasing our property dropped their offer by 30%. The company that was handling it said business just dropped for them. Everyone who was looking at properties stopped. Now no one knows how to value a property – the equations that were used to value a property were yanked. Everyone is still trying to figure it out. Investors know they will not be able to get rent increases and that they cannot get rid of deadbeat tenants. As a result, all the ETPA properties have taken a big hit.
- Clearly the value has gone down.
- It's the little property owners like me who are getting hammered.
- There is no incentive to own a property anymore. We want to sell our property and move out of the business. The properties will continually get devalued. Look at the history of Harlem. There, property owners abandoned their property, especially if they had a mortgage on them. The city was left with huge areas where the properties were abandoned. Now, history is repeating itself.
- No, property values are not going down. There is a craze in real estate, and I am seeing the opposite, especially lately.
- Refinancing is how property owners can make major capital improvements. Now, because the value of our buildings is less, we use less capital to make improvements with.

How has the legislation impacted management of ETPA properties?

- Property management is more complex because tenant have more power over control of building.
- Tenants feel empowered and they think they can do and say whatever they want.
- The cost of evictions has gone up, the time it takes is longer, and the amount of work to process it takes longer. Tenants incur no costs while property owners must absorb the cost.
- You can no longer do tenant investigations with the new legislation. This means you cannot see if a person has a criminal record. A property manager no longer can see if a tenant has not paid rent. The only thing we can ask now is about the tenant's credit score. They are trying to remove this as well. Signing a lease means nothing since once a tenant is in it is nearly impossible to get them out. So, property owners are now reticent to consider new tenants. We are at a loss.
- Property owners have to honor the contract of a lease, but tenants do not.

How has the legislation impacted building repairs and maintenance schedules?

- We have delayed or decided against upgrades or improvements that would have made the property more attractive. For example, a unit was recently vacated after a tenant lived there for twenty years. It needed a lot of work but because I can only get a $85 a month increase for 15 years to reach the $15k limit, I did things as cheap as possible.
- We were going to do upgrades to the lobby but there is no return on this so we will not do it.
- Tenants complained that packages were being stolen so we had to install a new security system. To save costs I did this myself rather than hire a professional. The service companies are also taking a hit because property owners are delaying or doing patch work.
- To hold down expenses we are doing the work ourselves or not doing it unless we are forced to.
- Of course, it had caused delays in maintenance. I keep up as I can, fix little leaks here and there. One building needs a staircase, but this is not going to happen. I can only do the minimum.
- There is a unit coming up that needs $30K worth of work but I will never get it back at $575/month in rent. I am considering not renting this unit.
- Someone leaves the apartment to go somewhere else – it used to be you could raise the rent 19% - this gave the leeway to fix the apartment. I might put in a new floor and a refrigerator and raise the rents by $200. I would compensate myself to recapture my costs. Or, if I had to keep it empty while I fixed it this would cover those costs. No more. The vacancy increases should be restored.
- Our buildings were built in 60s and 70s. I am upgrading windows in a 250-unit building. I am skipping all the rent stabilized units. Before the new HSTPA I would have done them and only added capital rent upon vacancy. Now I am not doing them at all.
- Some tenants have been in their units since the 1970s. These units have linoleum and yellow bathrooms, etc. We normally modernize units upon vacancy. But these below market units are now just painted. If it is below market, I try to get a family member to live there since I cannot rent it for a higher amount. Renting it to a stranger is a risk.
- The buildings I own are brick buildings. We needed to point a section of one of them, but it doesn't qualify for the MCI because it is not the whole building.
- Over the last two years we are not able to maintain some of the properties and keep them well kept. Who would want to buy these? You wouldn't buy a car that the owner did not change the oil. We are seeing properties that are deteriorating and property longevity is comprised.
- I will keep the buildings from having violations but that is all. Older buildings have extra maintenance problems but if you take care of them, they will live forever. The buildings I have are 70 years old but now will only get minimum repairs as necessary.
- We are leaving two units vacant because when the tenants left, they needed so much work, but we cannot fix them up with only $15,000. You can barely do a bathroom renovation for $15,000.
- There are probably many units that need lead abatement, but a property owner will never be able to afford abatement for $15,000. Lead abatement on a unit usually costs at least $40,000.
- One tenant asked us to upgrade their kitchen and they were willing to pay a little more for us to do it, but because of the legislation we could not afford to do so.
- The legislation is terrible for housing quality.

Other impacts of the legislations:

- People who are small property owners will be the most hurt.
- There are high costs to operate and low rents. We will not be able to give the tenants what they want. Nice residential areas will deteriorate because of disinvestment in buildings.
- Upon vacancy we now have just two weeks to refund a tenant their security. If we don't refund it in two weeks, we are penalized. In that time, we have to bring in a dog to make sure there are no bedbugs, we have to assess the damage before beginning repairs. Now we need invoices to send tenants a check, but the timeframe is unrealistic. So, now we are sending out security estimates which rewards tenants who damaged units and penalizes the ones who did no damage.
- We employ many people to work in our buildings. Most of them are paid a minimum of $20/hour. Now we are no longer able to do this because of the income is not there to support these employees.
- I was an immigrant who used property ownership to elevate myself. The mechanism of buying properties, living in them, improving them - this was a vehicle used by many immigrants to escape poverty. This vehicle for vertical mobility and getting out of poverty is no longer valid.
- The worst part of the legislation is the new rules around IAI – this was a crazy thing to take away. The more upgrades you do to a property the better it lasts.
- The new eviction rules make no sense. We try to make up a solution with tenants, but if they have no motivation because they are protected, we have no recourse.
- All the related economy is impacted. It is good for politicians but not for anyone else.
- The jobs related to maintenance of buildings are not there anymore. What happens to these people? Also, local governments are not going to get the same level of tax revenues when building values drop.
- We are going to see a lot of fires. It is going to keep the firefighters busy.

Commercial Real Estate Financial Professionals

Pattern interviewed the following real estate financial professionals:

- Ryan Sheflott, Lakeland Bank
- Thomas Szczepaniak, Sterling National Bank
- William Dunkel, Tompkins Mahopac Bank
- Laura Conte, Wells Fargo
- John Manginelli, Key Bank

How has the HSTPA legislation impacted the value of multifamily housing?

- I am not sure if the HSTPA legislation has affected values because it does not lower current rents, it just limits the upside end of it.
- You will see a decrease in value and a high level of disinvestment. The buildings will start to decline rapidly. What the legislation is intended to achieve, to help tenants, will actually hurt them.
- It is difficult to see what the impact is now because of the Covid-19 pandemic. There has been an outflow of tenants from NYC to suburbs and so it is hard to pinpoint how the laws have changed things since it was only in place for a year before the pandemic started.
- While it makes sense to limit rent increases so tenants can afford to live in these buildings, real estate taxes and energy costs are going up. With higher operating costs buildings are less able to afford debt services and yet property owners are still required to make real estate payments.
- We now make sure leases are in place. Some owners were used to renting month to month, but this is no longer an option. Landlords have new costs associated with having attorneys draw up lease contracts.
- Most of our deals are appraised before they come in and we follow appraisal guidelines on income. There is such a mass exodus from the city it is difficult to know what is normal or inflated rent. The appraisers have a difficult job now, knowing what is just a bump versus the long term impact.
- The new legislation disincentives an owner to make capital improvements. It kills a lot of the incentive for people to invest in real estate. It is a matter of time; it will play out over time.

How does rent stabilization and HSTPA impact lending decisions for affected properties?

- In banking right now, access to credits and funds is fairly easy for multi-family buildings. HSTPA units are not generally constrained by their access to financing, but they are constrained by the total loan amount they can get.
- If you looked at two side-by-side properties, one HSTPA and one market rate, the market one will always yield a greater loan amount.
- Banks will generally look at the amortization period of a loan on a multi-family building and provide funds based on revenue growth – but they don't have the ability to make that case for HSTPA units.

- Lending for HSTPA buildings is more scrutinized because it's unclear whether the owners will raise enough capital to pay off debts.
- HSTPA buildings are subject to a more extensive review of property condition reports (PCR). Lenders want to know the condition of the building with more detail than others. There is a fear of lending for the purchase, and then finding problems (roof, HVAC systems, etc.) and owners not being able to afford the mortgage and repairs because of rent constraints.
- If HSTPA building owners have existing debt on the books it will be harder for them to get loans because of the lack of control over their revenue streams. Lenders know that expenses will continue to rise, but there is not guarantee that rents will rise to meet them. Because you cannot raise your rents, the net income on these buildings would be expected to deteriorate over time.
- Underwriting has not shifted so much as the selection for who the lenders will give loans to has changed. The lenders now place more emphasis on working with investors who have experience in real estate and can articulate a plan for how they will address needed capital improvements, work with tenants, and who have a good deed plan, etc., in order to meet the requirements of the new law. The bank is not interested in working with people who are on their first property but rather people with a developed portfolio of properties.

Commercial Real Estate Appraisers

Pattern interviewed the following real estate appraisers:

- Paul Adler of the William Shubert & Company Inc.
- Ronny McInerney, Domus Appraisers
- Kevin Schick, McGrath and Company
- Lawrence Samsky, Skyline Appraisers

The appraisers interviewed for this study use either an income approach or a comparable approach, or a combination of both for the appraisal of multifamily housing (commercial appraisals).

The income approach incorporates building income, expenses, and the capitalization rates (the process of converting net income into value.) The higher the value, the lower the capitalization rate.

The comparable approach compares properties to comparable properties in the same market to appraise value.

What has been HSTPA's impact on commercial real estate appraisals?

- The income approach methodology has not shifted but the values they apply are different. The multi-gross multiple (sales price divided by the total gross income) is lower now due to the legislation. In the Bronx it has going from 11.5 to 8. Units that were valued as $200K/unit are now at $150K/unit.
- Income is impacted by the new legislation so values drop accordingly under an income approach appraisal.
- The perceived risk on continued cash flow has gone up so capitalization rates have gone up. It has not been long since the legislation was passed and the pandemic has messed up the market so it is difficult to isolate how much perceived risk is in the market.

What has been HSTPA's impact on the market?

- Immediately after the legislation for about six to twelve months there was a pause on transactions.
- Even if you take Covid-19 away, there are other factors that make it difficult to assess what the impact of the legislation has been.
- With the exception of Manhattan, the market got back to normal pretty quickly after the initial phase of Covid-19 restrictions had ended. The markets are strong.
- Because there is such a shortage of inventory the people who are looking to buy have expanded upon what they are willing to buy. Right now investors are willing to go outside of two- to four-unit properties and move on to more commercial properties. This is driven by the current market conditions. Some purchasers are not very aware of the legislation.
- There has been a COVID-bump with more people wanting to invest in multifamily housing outside of the city, and this has compensated for the impact of the legislation in the prices.
- The number of all residential transactions have decreased because there is a shortage of inventory. Marketing times are low and market values have gone up across the board.

Has HSTPA has an impact on building values and disinvestment?

- It remains to be seen what the long-term impact will be on building values and in terms of disinvestment. When we do appraisals, we go inspect buildings in person to gather information on income and expenses. The owners we have spoken to are concerned that their property values are impacted because the expenses are going up and the ability to increase income has dropped. Some owners are looking to get out of the businesses.
- We have already gotten to the point where you see those lower values; brokers report that you do not see the values you used to.
- The elimination or change to the Major Capital Improvement program has scared a lot of people and will likely lead to disinvestment.
- It will take a while to become evident but in the long term, property owners are only going to do what is necessary to make do.
- If the legislation could be amended to bring back the MCI program as it was then this would give property owners a light at the end of the tunnel.

Housing Advocates

Pattern interviewed the following real estate appraisers:

- Andrew Smith, Westchester Residential Opportunities
- Dennis Hanratty, Mount Vernon United Tenants
- Alec Roberts, Community Housing Innovations

What is the impact of the HSTPA legislation on the communities your work with?

- To the extent that it is limiting property owners in how much they can raise rents, we are supportive of that.
- The biggest benefit is the extended period for notice for renewal and rent increases. Now renters have 30-,60-, or 90-day notices on renewals so they have time to properly plan. It used to be they were given a quick notice that rent will increase.
- The new legislation is great from our perspective. It made the law permanent and now we don't have to go through it every year.
- We have a lot of folks who are housing instable and who are living check to check; a 5% increase in their rent year over year might break them. It does not mean that a property owner is not entitled to investment in their investment - it is a complicated public policy issue. The most abusive practices are what we most care most about. Property owners should not be fabricating expenses or billing expenses that a tenant didn't want or need as a way to force tenants out. The point of increases in rent controls is to protect tenants.
- How do you separate the impact of the pandemic and eviction moratorium from the legislation in your analysis? I would guess that a lot of property owners who are disinvesting right now are doing so because their tenants are not paying rent.
- The tenant screening process - we are not allowed to check if they have a prior eviction. In some ways it is good. In other ways it is not good because property owners have less control over who they rent to.

Other impacts of the legislation

- The largest impact is on rent stabilized buildings. It was a huge hit for rent stabilized properties and the ability to market these properties. We were thankful to have sold our buildings before the legislation went into effect. The value of those buildings probably went down by 10-15% because of onerous provisions in the law. We couldn't recapture enough funding to warrant the work that the buildings needed.
- It prevents owners from keeping up their buildings to the level that they should. When you have people who cannot pay rent on time, property owners will generally work with them. When the protections are too strong bad actors can act as a free rider and this is to the detriment of the whole industry. Think about what happened to the South Bronx. Onerous regulation led to the abandonment of properties. We don't yet know the full impact.
- It is a possibility that there will be less investment. So, then it is up the tenants to push to make sure services are maintained.

How the legislation might be modified

- The new formula for Individual Apartment Improvements (IAIs) drastically reduced incentive to do renovation. You could have been a better blend. Also, instead of eliminating the 20% vacancy, it should have just gone down to 10%. Eliminating it completely got rid of incentives.
- Major Capital Improvements should be better designed. A building has to be self-sufficient, a property owner has to be able to cover its costs.

Other Housing and Building Professionals

Pattern interviewed the following:

- Paul Vacca, New Rochelle Building Inspector
- Kim Jacobs, Community Capital New York
- Wilson Kimball, Yonkers Housing Authority
- Faruk Haxhaj, Building Contractor

What are Special Considerations for HSTPA Impacted Buildings?

- It is the HSTPA impacted buildings that are going to fail first because they are the oldest and need the most investment. What is it with arbitrary 1974 date? There should be caps and limitations on the types of buildings that need the most investment in order to be maintained decent space.
- There is a high need for elevator upgrades because in old buildings elevators reach their life expectancy. This is a high-cost maintenance issue.
- Other big expenses in old buildings are new roofs and boiler system replacements.
- The impact is buildings are not energy efficient. There is no incentive to do anything about it. You have a state system designed to keep buildings bad, with caps on the rent. The system is set up in a way that leads to disparate outcomes and housing quality. The wrong solution to the right problem.

What are other HSTPA Impacts?

- There are a ton of naturally occurring affordable housing units that are being taken off the market because owners are now afraid to rent them with the new tenant protections.
- It will drive out the good property owners. Instead of making it easy for people to file complaints and prosecute property owners, they hit everybody.
- Contractors have lost a significant amount of work because building owners are no longer making investments to fix up properties.

On affordable housing in general:

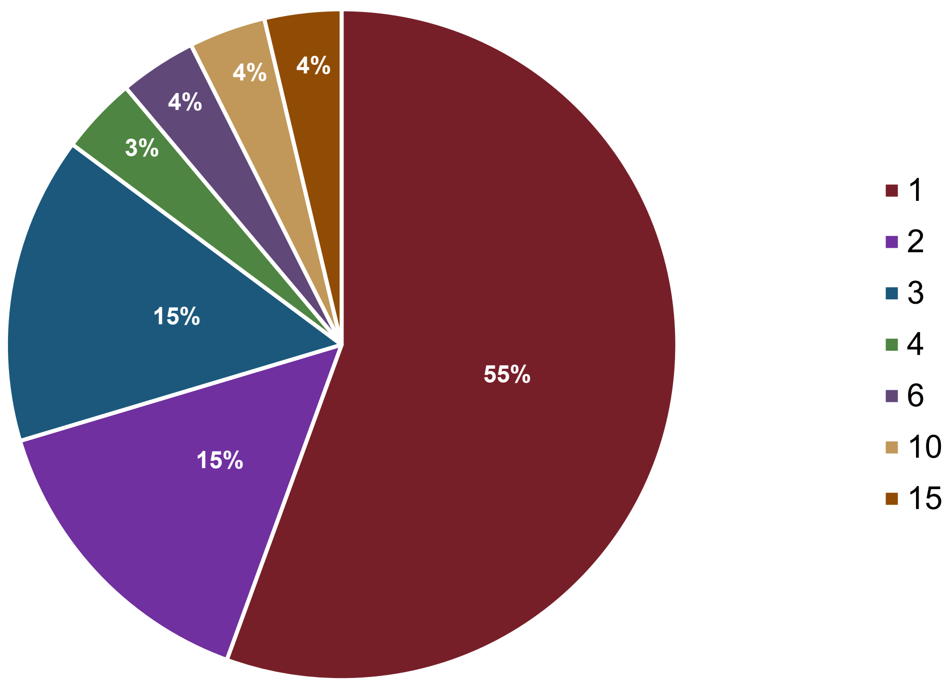
- There should be a rent subsidy instead of a capital subsidy. Currently the subsidy might be 200k going to capital costs of new units. If it was a rent subsidy instead it would buy you a lifetime of affordable rent for some people.

Property Owner Survey Results

Total responses: 27

The following chart shows the number of buildings owned by survey responders as a percentage of total resonses.

Number of buildings owned by survey respondents as a percentage of total responses



What year did you purchase your building(s)?

The following table shows what year survey respondents purchased their buildings. The survey provided space for up to ten buildings. One respondent owns 15 buildings so indicated year of purchase as a range for the 15 buildings. The purchase date of the buildings ranges from the 1950s to 2021.

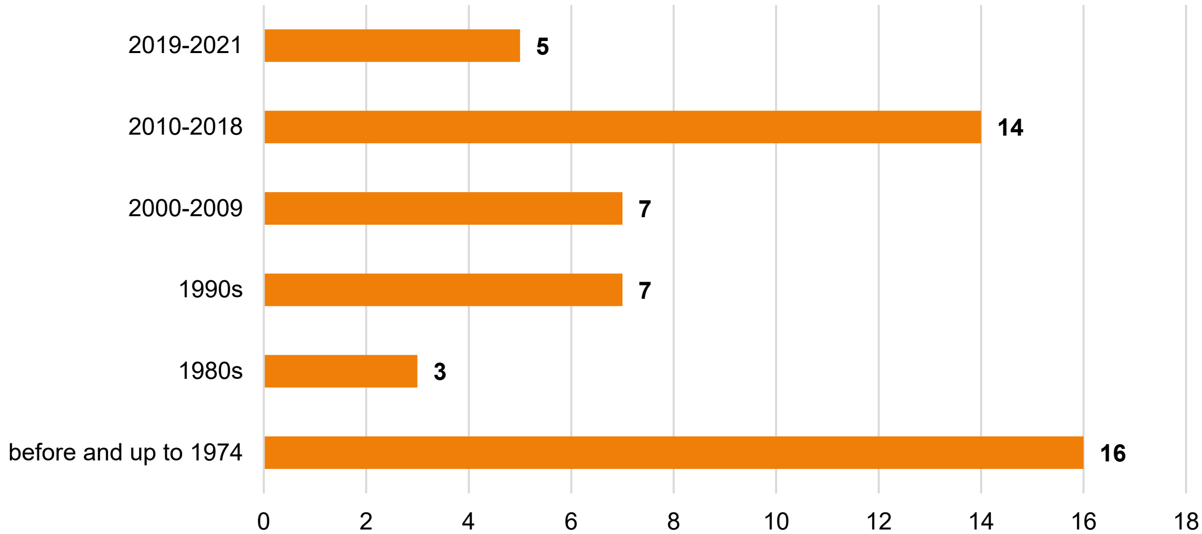
Respondent #	Building 1	Building 2	Building 3	Building 4	Building 5	Building 6	Building 7	Building 8	Building 9	Building 10
1	2012									
2	1974	1964	1971							
3	1962*	1967	1969							
4	1984									
5	1960s	1960s	1950s	1963						
6	1961									
7	1970-2013 (15 buildings)									
8	1990	1991	1995							
9	1992									
10	2005									
11	1998									
12	2008	2012	2014	2016	2020	2011				
13	1971*	1974*								
14	2003									
15	**									
16	1981									
17	2017	2018								
18	1969	1972								
19	2004									
20	2001	2007	2009	2012	2013	2014	2015	2016	2019	2021
21	Blank									
22	1999	2021	2022							
23	2014									
24	1970									
25	1984									
26	1997									

**Built that year*

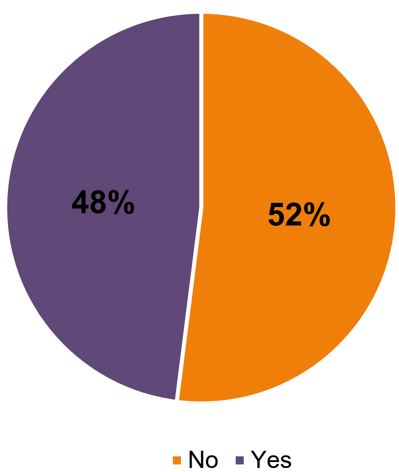
*** ownership passed down in the family*

**** One person did not respond*

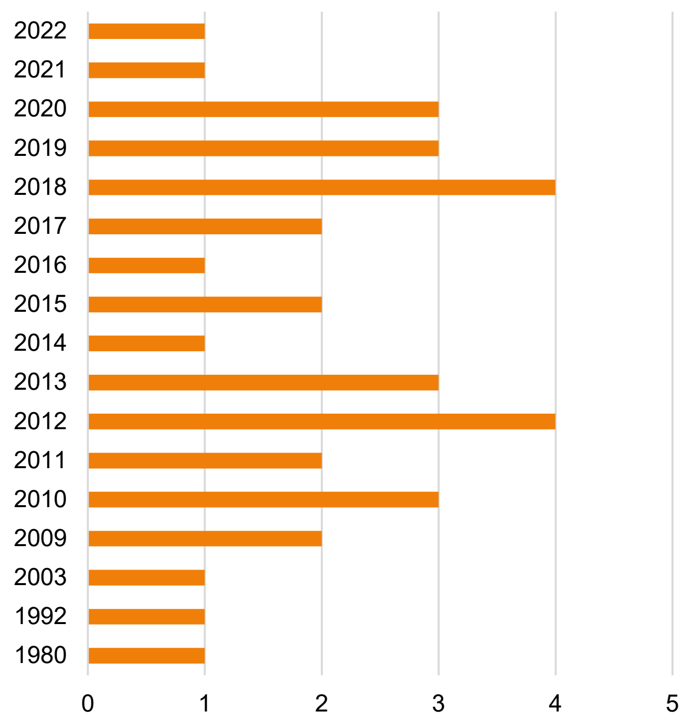
Number of property purchases by years



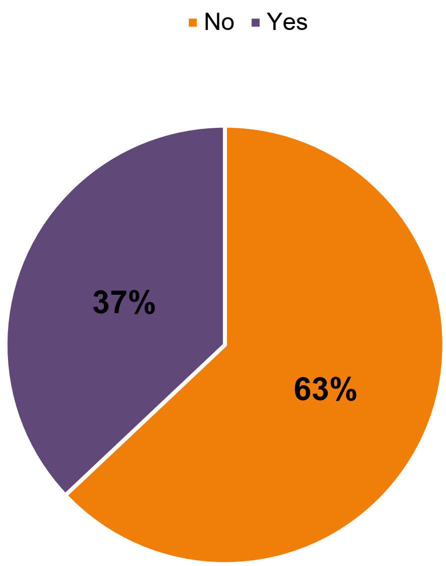
Have you ever grieved the local assessment of your ETPA rental property(ies?)



Number of grievances by year-all survey respondents



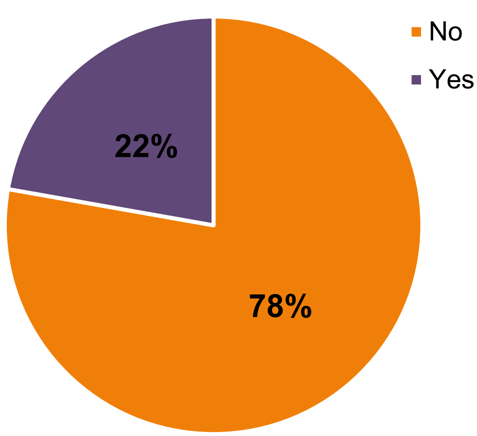
Have you completed any individual apartment improvements (IAIs) since July of 2019?



If you have completed any IAIs since July of 2019 please describe the work done and the cost?

- We only do IAI's when we absolutely have to in order to rent the unit. IAI's are now the absolute minimum
- Apartment renovation, bathroom, kitchen flooring doors… Over $21,000
- New windows
- Had to renovate a trashed apartment that a hoarder lived in - the place was a mess $14,201.64
- One partial gut renovation of a 2-bedroom unit
- $30,000
- Total rehab $30,000
- New bathroom, new kitchen, flooring, painting which cost $25,000
- We are always doing work as this building is over 100 years old. We replace cabinets, appliances, tiles, fixtures etc. Since rent increases are not allowed for IAIs we have not applied.

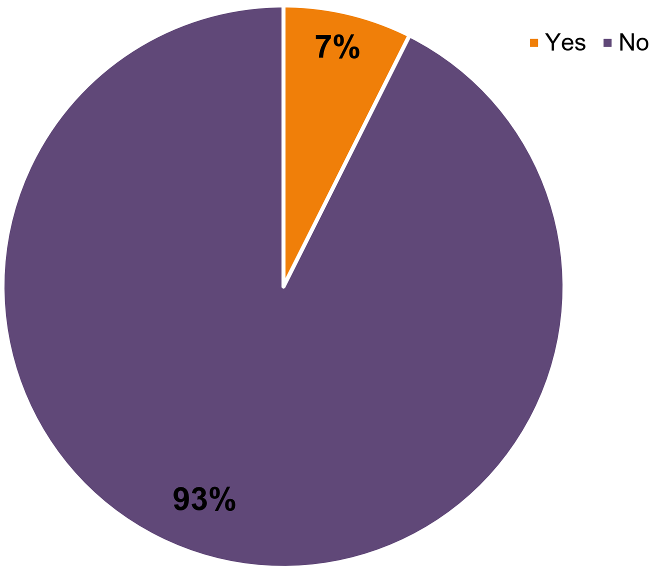
Are you planning on doing an IAI this year?



If so, for what work?

- Wanted to do floors in hallways
- Bathroom renovation
- Total rehab
- May need to redo an old bathroom. Would rather not but we have no choice.

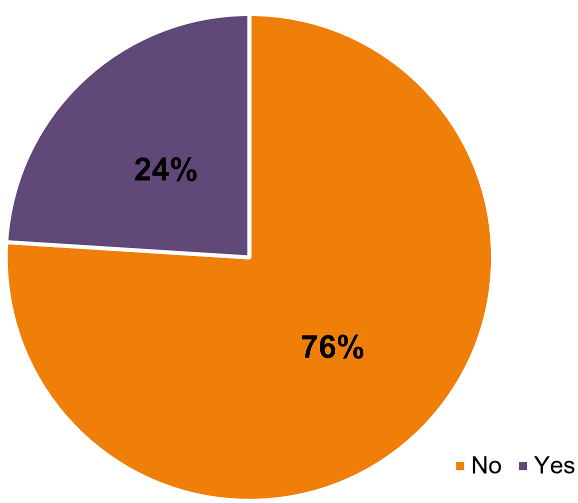
Have You Submitted an Application for any Major Capital Improvements (MCIs) Since July of 2019?



If so for what work?

- Balcony restoration
- Apartment renovation

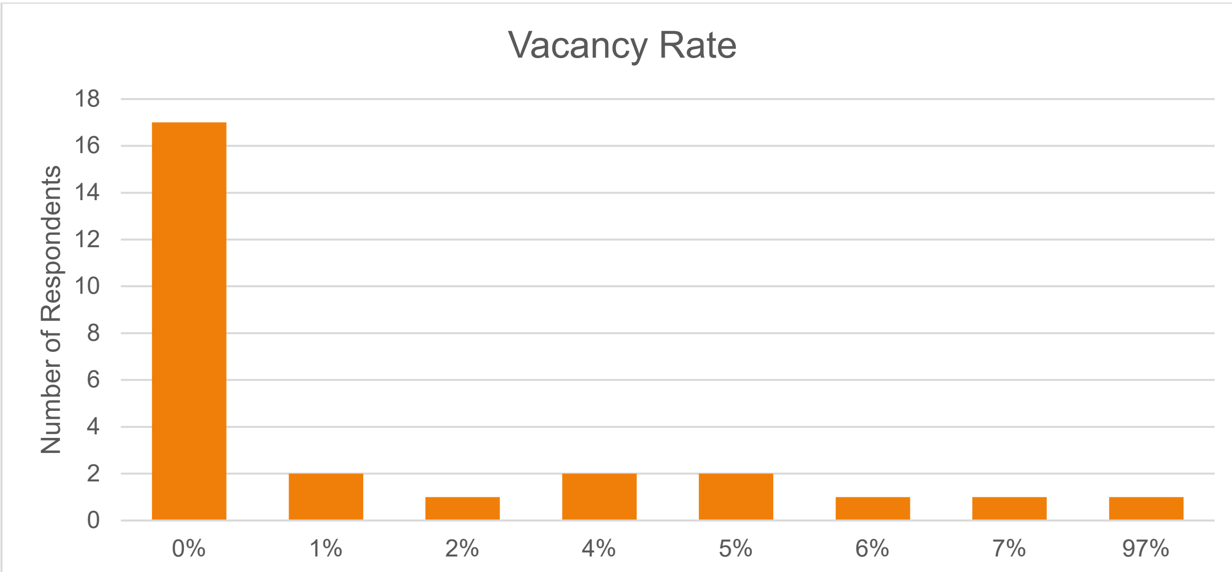
Are you planning to do any MCIs this year?



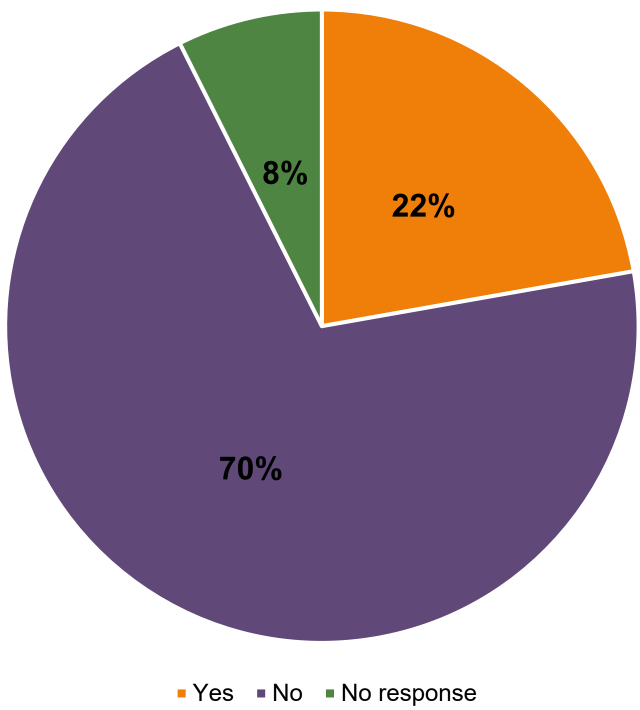
If so for what work?

- Elevators
- New entry system to replace aging one
- Gas-fired Replacement Boiler to make hot water for building residents & fire-proofing ceiling
- New furnace
- Elevator cosmetic improvement, new intercom system
- Again there is so much work to maintain a 100-year old building but unfortunately it will be very hard to do when there is no money to pay for them

What is your vacancy rate?



Are you holding any ETPA units off the market?



Of the respondents who replied that they were holding units off the market, two respondents owned one building, while the others owned between 3-15 buildings. Within the buildings there was a range of sizes with between 6-42 units. Only one of these respondents had submitted an MCI application since 2019 and none had plans to do any MCIs in the next year.

Please share any other comments you have below:

- To discourage property owners from NOT investing in their units hurts everyone, the tenants, and the small local contractors.
- I cannot rent at the current low rents. Better to take a tax loss.
- The IAI paperwork and amount of increase we are allowed is a joke it's not worth it. Nor is it worth it to rent low priced apts. We will warehouse vacant units and file for tax grievances.
- The new law is financially preventing me from maintaining my properties. I will be placing the properties for sale.
- Because of new rules we only rent to 650++ credit score with 40 times income/rent. We have heard from many applicants it's nearly impossible to get an apt with low credit scores.
- We have a unit that had a long-term tenant (60 years) a 2bdrm with a rent of $603. My daughter is living in the unit right now. A full renovation has $50k price tag at best and we would never recoup the cost. I refuse to rent an apt for $603. I would rather it sit empty and hope they change these useless laws.
- The 2019 HSTP act has hurt us in so many ways. There are primary tenants who have moved out but because the rent can't be raised to legal rent once a preferential rent has been offered, they illegally sublet their apartment. They are charging the amount that the landlord is not allowed to charge however they do not put any of that money back into the building like a landlord does. They do not pay the taxes or the insurance or the heat. They are taking profits and the landlord does not know who lives in the apartment. There are also a lot of tenants not paying rent and are able to use Covid as an excuse. The legal fees are exorbitant. Now the heating fuel is exorbitant as well. The taxes and water continue to rise but the same people raising those will not allow the rents to be raised more than .5%. It cannot continue like this, or the older buildings will crumble.
- The ETPA and related legislation is disincentivizing me from considering investment in residential real estate. The imposition of arbitrary rules and caps, without consideration of the financial impact they represent, is contrary to the principles of the free market. The restrictions imposed represent a theft of value. The threat of additional restrictions will only exacerbate this situation.
- The rent reform law of 2019 has destroyed the ability for landlords to compete with the rising costs of expenses (i.e.: oil, electric, tax, water etc.).These laws are detrimental to the quality of our housing stock for tenants. Law makers think by keeping rents frozen that they are doing justice for tenants, but those tenants are suffering from poor housing conditions. Furthermore, those same tenants may work for companies that landlords cannot afford to use such as contractors (i.e. plumbing, painting). If landlords cannot afford to spend or fix then landlords may be at a loss for employment and housing stock. Our Legislators need to note all the building fires and destruction that can be pointed back at poor housing with unsafe conditions. We need to help our tenants by investing back into the properties which will better serve them both from housing and employment. When our real estate market does well, so does the economy which is a direct and positive effect for our tenants.
- I wish that NYS would do away with the HSTPA. It is killing us to not be able to get vacancy allowances and rent increases.

- Two concerns: 1-The record keeping for the IAI and MCI rental increases will be problematic especially when a property is sold. I worry about a seller with IAI/MCI rent increase that does not report it to the prospective buyer who may then assume the rent is not subject to roll back. Who is liable when building is misrepresented? 2-How is a property's value computed when rent roll-backs are required at a future date? This will affect obtaining a bank mortgage
- This legislation is destroying the housing stock in Westchester County. When good rental apartments are needed so badly, this legislation will reduce the number of good rental units available in the County. This legislation needs to be re-evaluated by the legislature.
- The current regulations were hastily implemented with no consideration for the proper management of properties. Specifically, the limitation on capital improvements, both building wide and individual apts. does not take into account numerous factors such age of the building, size of the apartment (studio 5 bedroom), reason for the upgrade, how the apartment became available (legal-nonpayment-nuisance, natural progression-tenant vacating of own accord. The result is the exact opposite of what the supposed intent was behind the restrictions: smaller landlords cannot afford to make necessary improvements to buildings/apartments resulting the need to sell to larger REIT type investors as opposed to owners with vested interests. Reduced appraisals based upon the same restrictions cause issues with expiring mortgages as banks are reluctant to renew/extend at term expiration. Operating costs continue to skyrocket inclusive of fuel costs, Real estate Taxes, Utilities costs etc. Con Edison has almost tripled the charge for "Transportation" of gas and electric as differentiated from the cost of "SUPPLY" of these essential products. Labor and material cost continue to rise even if they are available to be engaged/purchased. The attempt to further inhibit legitimate legal proceedings is insane as anybody bothering to take the time to go to ANY courthouse can see that it is virtually impossible to evict someone under the current system. While I cannot take issue with the "Concepts' espoused by the legislators, the "Devil is always in the detail" and imposing draconian laws and regulations that in many cases simply cannot be followed or are so onerous and administratively costly, defeats the concept of providing good affordable housing. In meeting with Andrea Stewart-Cousins along with many other AOAC members and being directly told "The landlords have had it good for so many years, now it is the Tenant's turn" gives me little hope as to the powers that be truly looking at this situation with any rational and realistic approach. As an aside, I have a tenant owing over $35,000 on whom legal action was started several months before Covid. She has not provided any Covid related filings or applications and in fact, does not reside in the apartment for some time now. Her illegal occupant, on whom I have no information, continues to live in the apartment with no payments being made and I believe, paying the tenant of record. There is a judgement awaiting a judge signing, albeit only for around $10,000 which is just sitting there. As the tenant has not even feigned Covid implications, there is no legal reason for this matter not to be addressed. And yet it does with no explanation or response or inquires other than being "busy". In short, fair is fair and be it a landlord or a tenant that is not complying with the laws or lease, they should be held accountable. Thank you for the opportunity to express these views.
- if we can avoid renovations moving forward, we will.

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The Builders Institute
The Building & Realty Institute
of Westchester & the Mid-Hudson Region