

2005 Price Index of Operating Costs

April 25, 2005

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2005 Price Index Of Operating Costs

what's new

- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) increased 5.8% this year.
- ✓ Costs in pre-war buildings increased 6.8% and costs in post-war buildings rose 4.7%.
- ✓ The “core” PIOC, which excludes the erratic changes in fuel oil prices, natural gas, and electricity costs, is useful for analyzing inflationary trends. The core rose by 3.7% this year.
- ✓ Fuel oil costs increased 20.0%.
- ✓ Real estate taxes rose 1.2%, due to the rise in assessments and the decrease in the tax rate for Class Two properties.
- ✓ Labor Costs rose 3.5%.
- ✓ The Utilities component increased by 8.4% due primarily to increases in electricity and gas costs.
- ✓ Insurance Costs grew by 8.9%.
- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 6.7% next year.

Introduction

The Price Index of Operating Costs (PIOC) measures the price change in a market basket of goods and services used in the operation and maintenance of rent stabilized apartment buildings in New York City. The goods and services which make up the market basket were originally selected on the basis of the findings of a study of 1969 expenditure patterns by owners of rent stabilized apartment buildings. Minor changes in the specification of some of these goods and services have been carried out over time to maintain the representativeness of the market basket. The relative importance of the various goods and services in the market basket was updated in 1983 by means of a study of expenditure patterns of owners of rent stabilized apartment buildings.

The PIOC was maintained by the Bureau of Labor Statistics (BLS) from 1970 to 1981. From 1982 to 1990, private consulting firms prepared the PIOC. In 1991, the Rent Guidelines Board (RGB) staff's growing expertise and familiarity made it possible to move the PIOC “in house.”

The PIOC measures changes in the cost of purchasing a specified set of goods and services, which must remain constant both in terms of quantity and quality from one year to the next. The need to exclude the effect of any alterations in the quality of services provided requires that very careful specifications of the goods and services priced must be developed and applied. The pricing specifications must permit the measurement of changes in prices paid for carefully defined pricing units with specific terms of sale, such as cash, volume or trade discounts. For certain items, such as real estate taxes, the price paid is determined administratively, through information collected from City records.

Changes in the overall PIOC result from changes in the prices of individual goods and services, each weighted by its relative importance as a percentage of total operating and maintenance (O&M) expenditures. Because the market basket is fixed in the sense that the quantities of goods and services of each kind remain constant, the relative importance of the various goods and services will change when their prices increase either more quickly or more slowly than average. Thus, the relative importance, or weight, attached to each good or service changes from year to year to reflect the different rates of price change among the various index items. The expenditure weights used in the construction of the 2005 Price Index are based upon the 1983 Expenditure Study and revised on the basis of annually measured price changes from 1982-2004.



terms and definitions

Price Index - the measure of price change in a market basket of goods and services.

Component - categories of goods and services, such as Labor Costs or Taxes, that comprise the market basket of a price index.

Item - representative individual goods and services within a component, such as Pushbroom, Plumbing, Faucet or Roof Repair.

Price Relative - the ratio of current and prior year's prices.

Expenditure Weight - the relative importance of the change in costs of different goods and services.

Specification - defined pricing units with specific terms of sale, such as cash, volume or trade discounts.

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 2004-05 price changes in each index component are also presented in this appendix. The expenditure weights and the 2004-05 price changes are then combined to provide the overall change in the PIOC over the period from 2004-05.

The 1983 Expenditure Study provides a basis for calculating separate sets of expenditure weights for buildings constructed before 1947 and for buildings constructed in 1947 or later (post-1946). Typically, buildings constructed before 1947 incur a lower percentage of operating and maintenance costs for property taxes, but their fuel costs represent a significantly higher percentage of total operating and maintenance costs than do the fuel costs of the post-1946 buildings. The differences between the pre-1947 and post-1946 expenditure patterns for buildings are combined in the construction of the overall PIOC. It is nevertheless possible to develop separate price indices for the pre-1947 and post-1946 buildings. In addition, there are separate price indices for gas-heated, oil-heated and master-metered buildings. Although the expenditure weights for all rent stabilized buildings and for each of the five subcategories of buildings differ, the price changes are the same for each of the six indices. (See Appendices 2 and 3)

The PIOC consists of nine cost components, each designed to measure changes in a category of costs such as fuel, insurance, utilities, etc. The methodology for each component is described in the final section of this report.

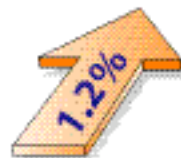
Summary

This year, the PIOC for rent stabilized apartment buildings increased by 5.8%, 1.1 percentage points below the PIOC percentage change from the year before (6.9% in 2004). The PIOC was driven upward by the increase in fuel costs (20.0%), utility costs (8.4%) and escalating insurance costs (8.9%). These increases were offset by an increase in real estate taxes of 1.2% and more moderate increases in the remaining five cost components that ranged from 2.6% to 4.5%. See the adjacent table and Appendix 2 for changes in costs and prices for all rent stabilized apartment buildings from 2004-05.

The "core" PIOC, which excludes erratic changes in fuel oil, natural gas and electricity costs, is useful for analyzing long-term inflationary trends. The core PIOC rose by 3.7% this year, which was nearly the same as the growth in the Consumer Price Index (CPI) of 3.81%.¹

Price Index Components

Taxes



The Tax component of the PIOC is based entirely on real estate taxes. The change in tax cost is estimated by comparing aggregate taxes levied on rent stabilized apartment houses in FY 2004 and FY 2005. The tax data was obtained from the New York City Department of Finance.

apartments

Change In Costs for Rent Stabilized Apartment Buildings, April 2004 to April 2005

Taxes	1.2%
Labor Costs	3.5%
Fuel	20.0%
Utilities	8.4%
Contractor Services	4.5%
Administrative Costs	4.0%
Insurance Costs	8.9%
Parts and Supplies	2.6%
Replacement Costs	3.1%
All Costs	5.8%

Real estate taxes rose this year by 1.2%, the smallest rise since 1999. A decline in the tax rate of 3.2% for rent stabilized buildings was outpaced by the growth in assessments (4.6%) resulting in an overall increase in real estate taxes. (See graph below). Changes in tax exemptions and abatements had little impact on taxes this year.

Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 3.8% from FY 2004 to FY 2005. The Class Two property levy rose less than that of the City as a whole, at a rate of 1.8%. The distribution of the levy among property classes tends to shift from year to year. From FY 2004 to FY 2005, the levy share for Class Two properties decreased, by 0.7 percentage point, from 35.6% to 34.9% of the total tax burden, a return to the same percentage reported in both FY 2003 and FY 2002.

Tax Rate — The FY 2004 Class Two rate of 12.620 decreased by 3.2%, resulting in a new annualized rate of 12.216. This decrease follows a 9.3% rise in the tax rate

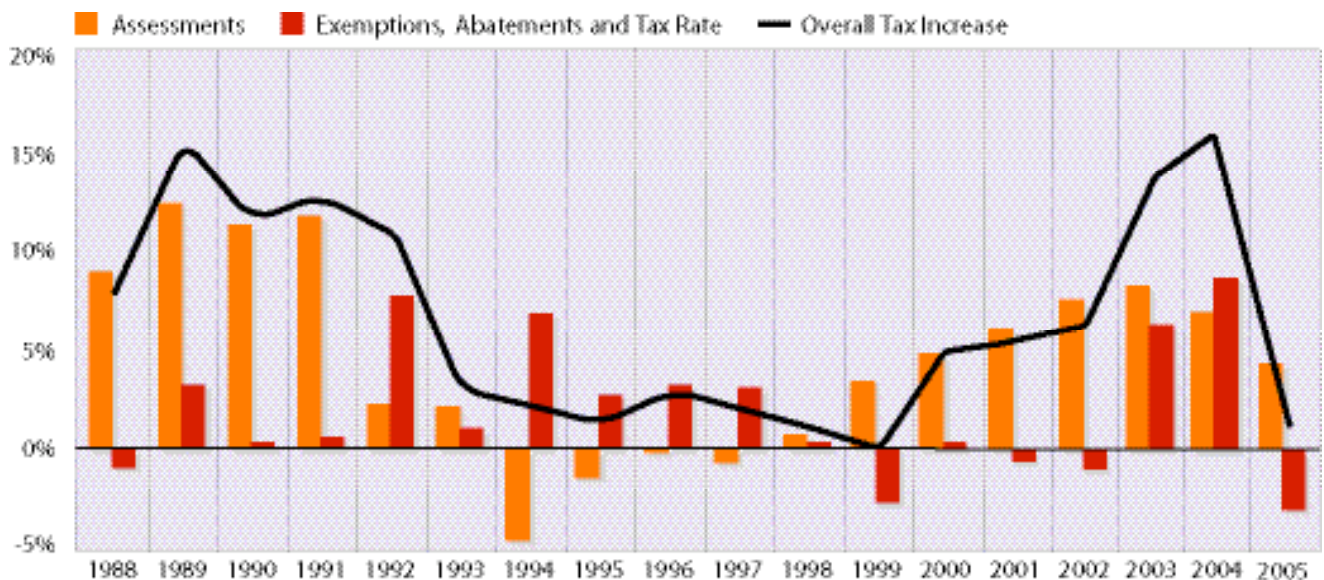
levied in FY 2004 and an overall increase of 7.3% in FY 2003. Decreases in the tax rate for Class Two properties were last seen in FY 2002 and FY 2001, and were 0.5% and 0.07% respectively.

Assessments — In FY 2005, assessed valuations of rent stabilized properties rose by 4.6% citywide. This rise in assessments was not as great as last year's increase, the second straight year in which the increase in assessed valuation was not as high as the year before. All five boroughs showed increases in assessments. Assessments rose 5.3% in Manhattan, 1.6% in the Bronx, 3.1% in Brooklyn, 5.1% in Queens, and 8.1% in Staten Island.

The change in assessed valuations of rent stabilized buildings in New York City has fluctuated following the cycles in the real estate market. Assessments rose dramatically from the late 1980s through 1991, increasing 8% or more each year (see graph below). In FY 1992 and FY 1993, the increase in valuations for stabilized buildings slowed to 2% per year. The impact of the recession was finally reflected in tax bills the following two years — valuations dropped 4.7% in FY

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1988-2005

The Growth in Real Estate Tax Cost is the Lowest Since 1999



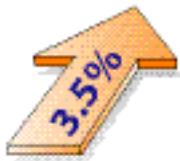
Source: New York City Department of Finance

1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years. From FY 1998 to 2003, assessments increased each year at a higher rate than the previous year. This trend ended in FY 2004, the first time in seven years the increase in assessed valuations was not as high as the year before.

Abatements and Exemptions — This year, the number of rent stabilized buildings with abatements declined by 2.8%. The average benefit value of the typical tax abatement also decreased, by 1.0%, from FY 2004 to FY 2005. The net impact of the decreases in the number of abatements and in the average abatement value is a slight increase in the tax liability for rent stabilized buildings of 0.1%.

In FY 2005, the number of buildings receiving exemptions increased, but the value of average tax exemptions decreased. Overall, 2.1% more rent stabilized buildings benefited from tax exemptions than in the year before. In contrast, the average value of exemptions decreased by 1.6%. For all stabilized properties, the rising number of exemptions combined with the decline in the value of tax exemptions reduced owners' tax bills by about 0.05%. (See Appendices 5 and 6)

Labor Costs



The Price Index measure of labor costs includes union and non-union salaries and benefits, in addition to Social Security and unemployment insurance. The cost of unionized labor makes up nearly two-thirds of the Labor Costs component. The entire Labor Costs component comprises roughly 15% of the overall Price Index.

Labor Costs rose 3.5%, one percentage point lower than last year's PIOC (4.5%). Unionized wages as a group increased by 2.5%, offsetting the faster growth in non-union pay (3.9%). This is the twelfth consecutive year in which the growth in non-union labor pay outpaced union labor wages. Primarily due to increases in the cost of health care insurance, employers saw a rise in the cost of union benefit contributions of 6.9%. The cost of unemployment insurance was nearly flat, rising 0.6%, which coincided with a decline in the New York

City unemployment rate over this same period. In each of the previous two years, the cost of unemployment insurance rose 14%.

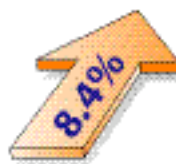
Fuel



The change in cost measured in the fuel component considers both the change in weather and the change in prices for the three types of heating oil used to heat multi-family buildings in New York City. First, the PIOC measures fuel prices from May to April and then compares them to the same months from the previous year. Over the past twelve months, fuel oil prices increased by 26.5%. An increase in prices for #2 fuel oil of 30.6% was offset by lesser increases in prices for #4 and #6 fuel oil of 26.1% and 17.5% respectively.

Second, along with measuring price, the PIOC also takes into account the effect of weather on the demand for fuel oil, especially during the heating season when the large majority of the fuel is burned. Since this year was warmer than last year, weather decreased the demand for fuel. The combination of the rise in heating oil prices and the decrease in demand increased the cost owners incurred for heating their buildings with oil by 20.0%.²

Utilities

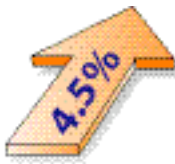


The Utilities component consists primarily of electricity, natural gas, and water and sewer charges. Telephone and steam costs are a small part of the Utilities component. In the case of most Utilities items, changes in costs are measured using the PIOC specifications (i.e. the quantity of electricity, steam, etc. being purchased) and the changes in rate schedules. Water and sewer costs are based on the rate established by the New York City Water Board.

This year Utilities increased 8.4%, which is higher than last year's increase of 0.8%. Gas and electricity costs, which account for roughly 46% of the Utilities component, increased 10.1% and 15.5% respectively. The increases in gas and electricity costs were offset by a lower increase in water and sewer costs of 5.5%. Water and sewer costs account for about half of the Utilities

component. Steam costs that increased 11.0% and telephone costs that increased 0.2% had little impact on the overall Utilities component.

Contractor Services

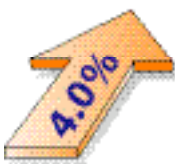


The Contractor Services component rose 4.5%, an increase that is 0.4 percentage point higher than last year's growth of 4.1%. The most important items in this component by weight are repainting and plumbing rates, which comprise two-thirds of the Contractor Services component.

For the fifth consecutive year, plumbing rates increased more than those for repainting. Plumbers' rates rose by 4.2% while Repainting rates increased by 3.0%. Painters reported that an increase in the cost of labor, materials, and insurance were the factors which led to a higher increase in their services. Plumbers indicated that the increase in their rate was due to the rises in the cost of labor and materials.

Every item in the Contractor Services component experienced some rise in prices or rates for services. Boiler Repair showed the highest increase (12.8%) of any item in this component due in part to a significant rise in steel prices. The growth in Burner Repair costs had the smallest increase of any item in this component, 1.6%.

Administrative Costs

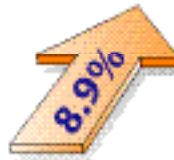


The Administrative Costs component rose 4.0%, the same increase reported the previous year. Fees paid to management companies, accountants, and attorneys make up nearly this entire component.

A large portion of the growth in the Administrative Costs component can be attributed to a rise in management company fees (4.6%) that comprise over two-thirds of this component. Management fees are often tied to apartment buildings' rental income and are affected by changes in rents and vacancies. This year's growth is similar to last year's (4.0%), indicating that management companies continue to see roughly the same rate of increased rents and fewer vacancies in the buildings they manage.

Accounting fees increased in this year's PIOC by 4.7%, a full percentage point higher than last year's rise of 3.7%. Accountants reported that increases in their cost of labor led to higher rates. In contrast, Attorney fees were nearly flat, increasing 0.2%, 3.5 percentage points lower than the prior year's increase of 3.7%.

Insurance Costs

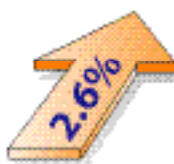


Insurance Costs increased this year by 8.9%, 5.8 percentage points lower than last year's increase in costs of 14.7%. This is a continuation of escalating insurance costs that have risen cumulatively 104% over the past four years. Changes in this component in the fourteen-year period prior to 2002 fluctuated from a decrease of 1.5% to an increase of 5.2%. In the mid-80s and the post-9/11 years, the Insurance Costs component has been subject to very high double-digit increases and unlike energy-related items, has never shown commensurately large decreases.

Roughly one in six, or 17%, of building owners responding in this year's survey reported a change in insurance carriers for the surveyed building in the past year. This percentage is down from 19% in 2004. Owners who changed carriers experienced a larger rise in costs (9.9%) than owners who remained with the same insurer (8.6%).

Those owners who changed the amount of coverage on their buildings, such as increasing the insured value or adding terrorism coverage, saw a 10.5% rise in costs, compared to a 7.9% increase for owners who had the same coverage from year to year. Of the owners that changed the amount of coverage on their renewal policies, 55% increased the amount for which the building was insured, while 16% of these owners increased their maximum liability insurance coverage.

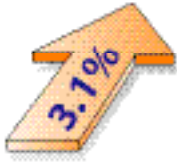
Parts and Supplies



The Parts and Supplies component accounts for roughly two percent of the entire Price Index. The overall increase in the Parts and Supplies component was 2.6%, 1.4 percentage points higher

than last year's increase of 1.2% and the highest increase since 1991.

Replacement Costs



The Replacement Costs component is even less significant than the Parts and Supplies component, its weight being less than 1/100th of the PIOC. This year there was an overall increase in Replacement Costs of 3.1%, the highest rise in this component since 1993.

Rent Stabilized Hotels

The Hotel Price Index includes separate indices for each of three categories of rent stabilized hotels (due to their dissimilar operating cost profiles) and a general index for all stabilized Hotels. The three categories of hotels are: 1) "traditional" hotels—a multiple dwelling which has amenities such as front desk, maid or linen service; 2) Rooming Houses—a multiple dwelling other than a hotel with thirty or fewer sleeping rooms; and 3) single room occupancy hotels (SROs)—a multiple dwelling in which one or two persons occupy a single room residing separately and independently of other occupants.

The Price Index for all stabilized Hotels increased 5.7% this year, half of a percentage point lower than the 6.2% increase found the year before. The Price Index for Hotels was just 0.1 percentage point lower overall than the increase in costs measured in the Apartment Price Index. The primary differences between the increase in the Hotel Index and the Apartment Index was in the Tax and Utilities components. The increase in taxes for all types of Hotels was 0.6% overall versus 1.2% in apartment buildings. This disparity in taxes placed downward pressure on the Hotel Index. However, it was offset by utility costs that increased in Hotels by 10.6%, compared to the 8.4% increase for apartments, resulting in two indices that are nearly identical.

Prices in all other components in the Hotel Index had similar changes in rates to the same components in the Apartment Index. Labor Costs increased more rapidly in Hotels (4.1%) versus the 3.5% rise in apartments. Hotels tend to employ more non-union

labor than apartment buildings, and non-union labor costs increased at a higher rate than unionized labor costs did this year. Conversely, the rates for Contractor Services did not rise as quickly in Hotels (3.5%) as they did in apartments (4.5%) this year. Because the Contractor Services component is less important in the Hotel Index (accounting for about 8% of the weight) than in the Apartment Index (about 13% of the weight), the lower increase in maintenance rates did not offset the overall Hotel Index significantly. Fuel and Insurance increased at the same rates in both indices. See the table on the facing page for changes in costs and prices for all rent stabilized hotels from 2004-05.

Among the different categories of Hotels, the index for "traditional" hotels increased 2.8%, the index for Rooming Houses increased 9.0%, and SROs increased by 6.5%. The differences between these indices are primarily due to the increased weight placed on the Tax component for "traditional" hotels and the increased weight for certain fuel, electricity, and gas items for the smaller rooming houses and SROs. (See Appendices 4 and 7)

There was diversity among hotel subgroups in tax expense this year, as real estate taxes decreased in "traditional" stabilized hotels by 4.1% but increased 2.6% in SROs, and by 3.4% in Rooming Houses. The decrease in tax burden found for "traditional" hotels this year was caused by the decline in assessments for Hotels of 3.1%, compared to increases of 6.6% for both SROs and Rooming Houses. (See Appendix 5) A decrease in tax costs for traditional Hotels along with high fuel costs, which have more importance in Rooming Houses and SROs, resulted in significant disparities among the different hotel indices.

Rent Stabilized Lofts

The increase in the Loft Index this year was 5.2%, 0.6 percentage point lower than the increase for apartments. This difference is explained by the fact that Labor Costs for lofts increased by 2.2%, compared to 3.5% for apartments, and that Attorney fees, which rose 0.2%, are much more important for lofts than for apartments. These two disparities placed more downward pressure on the Loft Index. See the table on the facing page and Appendix 8 for changes in costs and prices for all rent stabilized lofts from 2004-05.

The Core PIOC

The Core PIOC (see graph on the following page), which measures long-term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 3.7% in 2005. The 3.7% rise in the 2005 Core was 2.1 percentage points lower than last year's Core PIOC projection of 5.8%. Insurance Costs showed the most variation between the actual (8.9%) and predicted (23.4%) core increases. All of the remaining changes in the core components in the 2005 projected core and the 2005 actual core show agreement within 2.0 percentage points.

PIOC Projections for 2006

Section 26-510 of the Rent Stabilization Law requires the Board to consider the prevailing and projected operating and maintenance costs. Projections for the components of the PIOC are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to rise in the year following the current Price Index. The PIOC Projection is used in correlation with the old 'traditional' commensurate rent adjustment formula only. Before the new commensurate formulas were devised, the projection was used to assist the Board in setting guidelines for tenants choosing two- or three-year leases.

It is important to note that changes in costs and prices after April 2005, the last month covered by this study, will be measured in next year's Price Index. The PIOC Projection is not used in the calculation of the 'Net Revenue' and 'CPI-Adjusted NOI' commensurate formulas (see "Commensurate Rent Adjustment" section on the next page), which calculate one- and two-year guidelines that will compensate owners for the most recent change in costs measured by the Price Index. The PIOC Projection should not be considered in combination with these newer formulas in establishing guidelines.

Projecting changes in the PIOC has become more challenging in recent years. Energy prices—which affect about one-fifth of the market basket of operating costs measured in the index—have become increasingly volatile. Unpredictable geopolitical events and changing weather patterns are some of the forces behind large changes in fuel-related costs (heating fuel, electricity, gas and steam) that have in turn hindered the accuracy of the PIOC projections in recent studies. Insurance prices have also become increasingly volatile in the past several years, making it harder to accurately project these costs.

This year, operating costs in rent stabilized apartment buildings increased by 5.8% versus last year's projected PIOC increase of 3.6%. The projected increases in all components of the PIOC except for Fuel, Insurance Costs, and Utilities were within 2.2 percentage points of the actual measured changes.

The three components that showed the most variance between actual changes in costs versus projected changes, Fuel, Insurance Costs, and Utilities, are historically among the most volatile components of the PIOC, making it difficult to predict future changes in costs. Fuel increased by 20.0% in 2005 versus the expected decrease of 8.1%, a difference of 28 percentage points. The major reason for the disparity in the fuel costs projection versus the actual 2005 costs can be

hotels

Change In Costs for Rent Stabilized Hotel Buildings, April 2004 to April 2005

Taxes	0.6%
Labor Costs	4.1%
Fuel	20.0%
Utilities	10.6%
Contractor Services	3.5%
Administrative Costs	3.6%
Insurance Costs	8.9%
Parts and Supplies	1.8%
Replacement Costs	1.6%

All Costs 5.7%

lofts

Change In Costs for Rent Stabilized Loft Buildings, April 2004 to April 2005

Taxes	1.2%
Labor Costs	2.2%
Fuel	20.1%
Utilities	8.3%
Contractor Services	4.5%
Administrative Costs, Legal	0.2%
Administrative Costs, Other	4.5%
Insurance Costs	8.9%
Parts and Supplies	2.6%
Replacement Costs	3.1%

All Costs 5.2%

projections

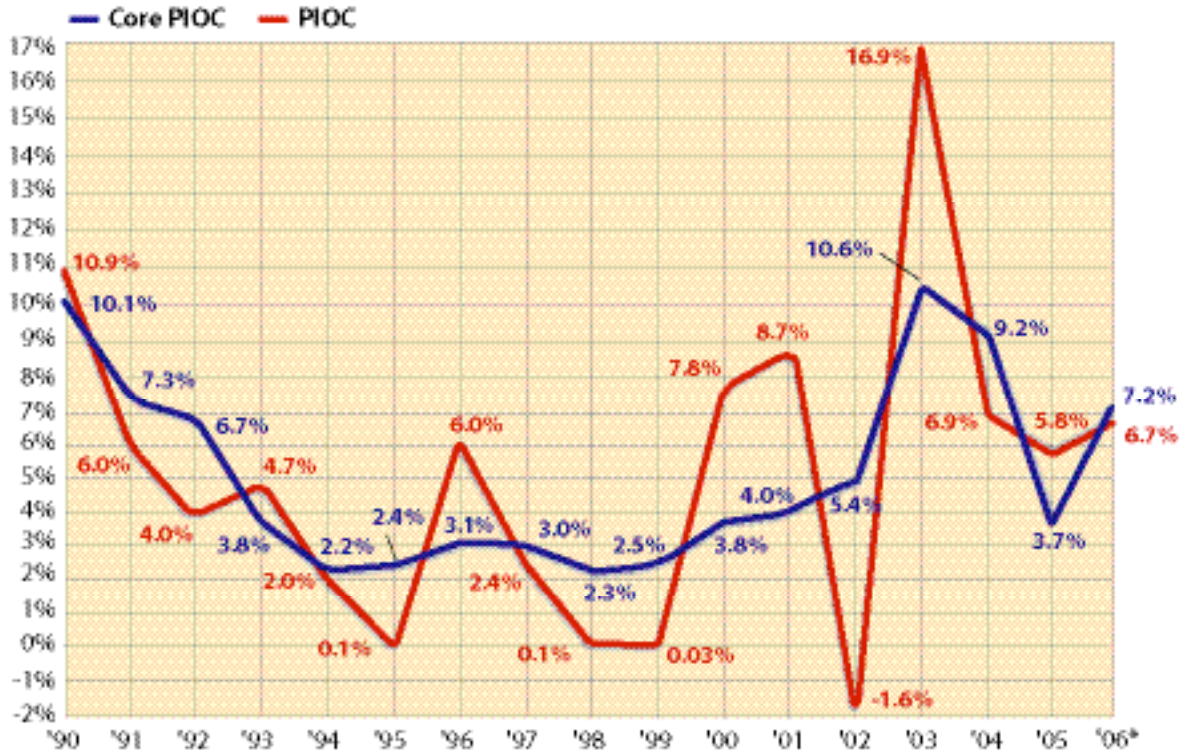
Projected Change In Costs for Rent Stabilized Apartment Buildings, April 2005 to April 2006

Taxes	12.7%
Labor Costs	3.3%
Fuel	6.7%
Utilities	2.0%
Contractor Services	4.5%
Administrative Costs	4.4%
Insurance Costs	7.9%
Parts and Supplies	1.2%
Replacement Costs	1.1%

All Projected Costs 6.7%

Percent Change in the Price Index of Operating Costs and the Core PIOC, 1990-2006

The Increase in the "Core" PIOC was Lower than the Apartment PIOC in 2005



*Note: The percent change for 2006 is estimated.
Source: Price Indices of Operating Costs, 1990-2005, PIOC projection for 2006

attributed to the prediction that fuel prices would decrease when in fact they witnessed high increases.³ Insurance Costs, another increasingly unpredictable component, rose 8.9%, compared to the projected increase of 23.4%. The actual increase in Utilities (8.4%) was 7.2 percentage points higher than the anticipated increase of 1.2%.

Overall, the PIOC is expected to grow by 6.7% from 2005 to 2006, with projected increases in every PIOC component. The three most volatile components, Fuel, Insurance Costs, and Utilities, are projected to rise 6.7%, 7.9%, and 2.0% respectively. Taxes are projected to increase 12.7% due to an increase in the tax rate and billable assessments for Class Two properties. Contractor Services (4.5%) and Administrative Costs (4.4%) are expected to rise at nearly the same rate while

Labor Costs are projected to increase by 3.3%. The table on previous page shows predicted changes in PIOC components for 2006. The core PIOC is projected to rise more rapidly than the overall PIOC, by 7.2%.

Commensurate Rent Adjustment

Throughout its history, the Rent Guidelines Board has used a formula, known as the commensurate rent adjustment, to help determine annual rent guidelines for rent stabilized apartments. In essence, the "commensurate" combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to change for net operating income (NOI) in stabilized buildings to remain constant. The different types of

“commensurate” adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

In its simplest form, the commensurate rent adjustment is the amount of rent change needed to maintain landlords' current dollar NOI at a constant level. In other words, the formula provides a set of one- and two-year renewal rent increases or guidelines that will compensate owners for the change in prices measured by the PIOC and keep net operating income “whole”.

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the types of leases actually signed by tenants, it does not adjust landlords' NOI for inflation. The “Net Revenue” formula is presented in two ways, first adjusting for the mix of lease terms and second, adding an assumption for stabilized apartment turnover and the impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year's 5.8% increase in the PIOC is 4.25% for a one-year lease and 8.0% for a two-year lease. Guidelines using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover are 2.5% for one-year leases and 4.5% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both O&M and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 3.81% increase in the Consumer Price Index (see Endnote 1) and the 5.8% increase in the PIOC is 6.5% for a one-year lease and 10.5% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 4.0% for one-year leases and 7.0% for two-year leases.⁴

The original formula that has been in use since the inception of the Rent Guidelines Board is called the “traditional” commensurate adjustment. The “traditional” commensurate yields 3.6% for a one-year lease and 5.9% for a two-year lease, given the increase in operating costs of 5.8% found in the 2005 PIOC and the projection of a 6.7% increase next year.⁵

As a means of compensating for cost changes, this “traditional” commensurate rent adjustment has two major flaws. First, although the formula is supposed to keep landlords' current dollar income constant, the formula does not consider the mix of one- and two-year lease renewals. Since only about three-fifths of leases are renewed in any given year, with a preponderance of leases having a two-year duration, the formula does not necessarily accurately estimate the amount of income needed to compensate landlords for operating and maintenance (O&M) cost changes.

A second flaw of the “traditional” commensurate formula is that it does not consider the erosion of landlords' income by inflation. By maintaining current dollar NOI at a constant level, adherence to the formula may cause profitability to decline over time. However, such degradation is not an inevitable consequence of using the “traditional” commensurate formula.⁶

All of these methods have their limitations. The “traditional” commensurate formula is artificial and does not consider the impact of lease terms or inflation on landlords' income. The “Net Revenue” formula does not attempt to adjust NOI based on changes in interest rates or deflation of landlord profits. The “CPI-Adjusted NOI” formula inflates the debt service portion of NOI, even though interest rates have been generally falling, rather than rising, over recent years. Including a consideration of the amount of income owners receive on vacancy assumes both that vacancy increases are charged and collected, and that turnover rates are constant across the City.

Finally, it is important to note that only the “traditional” commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the “Net Revenue” and “CPI-Adjusted NOI” formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The “Net Revenue” and the “CPI-Adjusted NOI” formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (5.8%). The traditional method differs from the other formulas in that it uses both the PIOC's actual change in costs as well as the projected change in costs (6.7%). If the change in projected costs, which may not be an accurate

commensurates

"Net Revenue" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.25%	8.0%

"Net Revenue" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
2.5%	4.5%

"CPI-Adjusted NOI" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
6.5%	10.5%

"CPI-Adjusted NOI" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.0%	7.0%

"Traditional" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
3.6%	5.9%

estimate of owner's costs, is added to the "Net Revenue" and "CPI-Adjusted NOI" formulas, the resulting guidelines will likely over- or under-compensate for the change in costs.

Each of these formulae may be best thought of as a starting point for deliberations. The other Rent Guidelines Board annual research reports (e.g. the Mortgage Survey report and the Income and Expense Study) and testimony to the Board can be used to modify the various estimates depending on these other considerations.

Methodology

Owner Survey

The Owner Survey gathers information on management fees, insurance, and non-union labor from building managers and owners. Survey questionnaires, accompanied by a letter describing the purpose of the PIOC, were mailed to the owners or managing agents of stabilized buildings.

If the returned questionnaire was not complete, an interviewer contacted the owner/manager and the missing information was gathered. All of the price information given by the owner/managing agent was then confirmed by calling the relevant insurance and management companies and non-union employees.

The sample frame for the Owner Survey included more than 42,000 stabilized buildings registered with the New York State Division of Housing and Community Renewal (DHCR). A random sampling scheme was used to choose 5,100 addresses from this pool for the owner mailing. The number of buildings chosen in each borough was proportional to the share of stabilized buildings in that borough. The "multiple contact" method was used for the seventh consecutive year for the Owner Survey. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample.

Nearly 17% of the questionnaires mailed out were returned to the RGB, similar to last year's return rate. A total of 772 returned surveys contained usable information, from which quotes of owners' annual insurance costs (674), non-union labor quotes (170) and management fees (103) were validated. The number of verified prices in 2004 and 2005 for the Owner Survey is shown in Appendix 1.

Fuel Oil Vendor Survey

Fuel price information is gathered on a monthly basis via a telephone survey. A monthly survey makes it possible to keep in touch with fuel vendors and to gather the data on a consistent basis (i.e. on the same day of the month for each vendor). Vendors are called each month to minimize the likelihood of misreporting and also to reduce the reporting burden for the companies that do not care to look up a year's worth of prices. The number of fuel quotes gathered this year were the same as last year and are contained in Appendix 1.

To calculate changes in fuel oil costs, monthly price data is weighted using a degree-day formula to account for changes in the weather. The number of Heating Degree Days (see Endnote 2) is a measure of heating requirements.

Real Estate Tax Computations

The sample of buildings used to compute the 2005 tax price relative was drawn by providing a list of rent stabilized properties registered with DHCR to the Department of Finance. Finance “matched” this list against its records to provide data on assessed value, tax exemptions, and tax abatements for more than 36,000 buildings in FY 2004 and FY 2005.

The Department of Finance data was used to compute a tax bill for each stabilized building in FY 2004 and FY 2005. The change computed for the PIOC is simply the percentage increase in aggregate tax bills for these buildings from FY 2004 to FY 2005.

Vendor Survey

The Vendor Survey is used to gather price quotes for Contractor Services (e.g. painting), Administrative Costs (e.g. accountant and attorney fees), Parts and Supplies (e.g. mops), and Replacement Costs (e.g. refrigerators). As in prior years, the vendor database was updated by adding new vendors and by deleting those who no longer carry the products or perform the services outlined in the Vendor Survey item specifications. All vendor quotes were obtained over the telephone. The telephone interview procedures used for gathering price quotes were unchanged from prior years. A total of 756 recorded price quotes were gathered. For a description of the items priced and the number of price quotations obtained for each item, refer to Appendix 1.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC, including labor union contract and benefit information, Social Security rates, unemployment insurance rates, Heating Degree Days, and telephone and utility rate schedules. These items are used in

computing some of the labor components, changes in utility costs for electricity, gas, steam, and telephone, and the cost-weighted change in fuel prices. Finally, to measure the change in water and sewer costs for rent stabilized buildings, staff used the Water Board FY 2005 increase of 5.5%.⁷

Price Index Projections

The PIOC Projections are estimated by using data from federal, state and local agencies; estimates from related industry experts and trend forecasting using three-year or long-term averages.

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2006 and the amended and restated City Council tax-fixing resolution to estimate (for Class Two properties) the change in class levy share and assessments, the tax rate and the impact of exemptions and abatements in the coming fiscal year. These estimates produce a projected tax cost for the owners of rental properties. Labor costs are projected by analyzing labor contract terms supplied by apartment workers union Local 32-BJ and a ten-year geometric average of all other Labor items. Fuel costs are projected by using data and information from the U.S. Energy Information Administration's (EIA) current “Short-Term Energy Outlook” report, which includes assumptions about changes in usage according to a projected return to the average temperature over the last five years. Utility costs are projected by obtaining rate projections for the coming year from the New York City Water Board and EIA projections. Natural gas rate projections are combined with assumptions about usage if the coming year's weather had the five-year average number of Heating Degree Days.⁸

The other components—Administrative Costs, Contractor Services, Insurance Costs, Parts and Supplies, and Replacement Costs—are projected by using three-year or twelve-year geometric averages of the component price relatives.

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Endnotes

1. The average CPI-U for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2003 to February 2004 (198.8) compared to the average for the year from March 2004 to April 2005 (206.3) rose by 3.8%. This is the latest available CPI data and is roughly analogous to the 'PIOC year', which for the majority of components compare the most recent point-to-point figures from April to April, monthly cost-weighted figures from May to April, or the two most recent fiscal year bills.
2. The May 2004 to April 2005 year was 2.5% warmer than the most recent 5-year average "normal" year, and 5.3% warmer than the year before. "Normal" weather refers to the typical number of Heating Degree Days measured at Central Park, New York City, over a given period. A Heating Degree Day is defined as, for one day, the number of degrees that the average temperature for that day is below 65 degrees Fahrenheit. The most recent five-year average "normal" temperature refers to the total number of average annual Heating Degree Days from "PIOC" years, May 2000 to April 2005, measured in Central Park by the National Weather Service.
3. Projected fuel prices used in the Fuel projection for 2005 were taken from "Short-Term Energy Outlook," April 2004, U.S. Energy Information Administration, Department of Energy.
4. In the initial release of this report on April 22, 2005, the incorrect O&M to rent ratio of 63.7% was used to calculate the commensurate rent increases. However, since the change was minor, only the "traditional" commensurate rent adjustments were affected [see Endnote 5]. Adjustments for the "Net Revenue" and "CPI-Adjusted NOI" commensurates did not change from the initial report. The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 62.5% of the 2005 PIOC increase of 5.8%, or 3.6%. The 62.5% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the "CPI-Adjusted NOI" commensurate, the increase in revenue due to the impact of inflation on NOI is 37.5% times the latest 12-month increase in the CPI ending February 2005 (3.81%) or 1.4%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2002 Housing and Vacancy Survey; and (5) for the commensurate formulae, including a vacancy assumption, the 18.0% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2001 Apartment registration file from the Division of Housing and Community Renewal was used.
5. The "traditional" commensurate adjustments have been revised since the initial release of this report on April 22, 2005. In the initial report, the incorrect ratio of average operating costs to average income of 63.7% was used in calculating the commensurate adjustment. The correct ratio is 62.5% and it was used to calculate the "traditional" commensurate in this report. This resulted in lowering the "traditional" commensurates from 3.7% for one-year lease renewals and 6.0% for two-year lease renewals to 3.6% and 5.9%. The

collectability of legally authorized adjustments is assumed. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 6.7% PIOC projection for 2006 is used.

6. Whether profits will actually decline depends on the level of inflation, the composition of NOI (i.e. how much is debt service and how much is profit), changes in tax law and interest rates.
 7. "Public Information Regarding Water and Wastewater Rates," New York City Water Board, April 2005.
 8. Source: "Short-Term Energy Outlook," April 2005. U.S. Energy Information Administration, Department of Energy.
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1. PIOC Sample, Number of Price Quotes per Item, 2004 vs. 2005

Spec	Description	2004	2005	Spec	Description	2004	2005
211	Apartment Value	198	187	701	INSURANCE COSTS	731	674
212	Non-Union Super	119	112				
216	Non-Union Janitor/Porter	79	58	801	Light bulbs	11	9
	LABOR COSTS	396	357	802	Light Switch	11	7
301	Fuel Oil #2	28	28	803	Wet Mop	13	11
302	Fuel Oil #4	6	6	804	Floor Wax	12	12
303	Fuel Oil #6	6	6	805	Paint	16	16
	FUEL	40	40	806	Pushbroom	12	13
501	Repainting	127	142	807	Detergent	8	8
502	Plumbing, Faucet	34	32	808	Bucket	17	19
503	Plumbing, Stoppage	34	30	809	Washers	15	17
504	Elevator #1	14	17	810	Linens	10	10
505	Elevator #2	14	17	811	Pine Disinfectant	12	12
506	Elevator #3	14	17	812	Window/Glass Cleaner	12	11
507	Burner Repair	14	10	813	Switch Plate	11	11
508	Boiler Repair, Tube	10	10	814	Duplex Receptacle	14	12
509	Boiler Repair, Weld	5	5	815	Toilet Seat	21	21
510	Refrigerator Repair	11	9	816	Deck Faucet	18	20
511	Range Repair	10	10		PARTS & SUPPLIES	213	209
512	Roof Repair	22	22	901	Refrigerator #1	11	9
513	Air Conditioner Repair	10	9	902	Refrigerator #2	12	10
514	Floor Maint. #1	9	8	903	Air Conditioner #1	6	6
515	Floor Maint. #2	9	8	904	Air Conditioner #2	5	5
516	Floor Maint. #3	9	8	905	Floor Runner	10	9
518	Linen/Laundry Service	5	5	906	Dishwasher	8	7
	CONTRACTOR SERVICES	351	359	907	Range #1	11	9
601	Management Fees	108	103	908	Range #2	11	9
602	Accountant Fees	27	29	909	Carpet	11	11
603	Attorney Fees	24	21	910	Dresser	5	5
604	Newspaper Ads	19	18	911	Mattress & Box Spring	9	8
605	Agency Fees	5	5		REPLACEMENT COSTS	99	88
606	Lease Forms	9	10				
607	Bill Envelopes	10	11				
608	Ledger Paper	9	6				
	ADMINISTRATIVE COSTS	211	203		All Items	2,041	1,930

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2005

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2834	1.0124	1.24%	0.0477	601	Management Fees	0.6996	1.0456	4.56%	1.0477
201	Payroll, Bronx, All	0.1151	1.0143	1.43%	0.0000	602	Accountant Fees	0.1397	1.0468	4.68%	1.5819
202	Payroll, Other, Union, Supts.	0.1133	1.0263	2.63%	0.0000	603	Attorney Fees	0.1229	1.0017	0.17%	0.1753
203	Payroll, Other, Union, Other	0.2807	1.0280	2.80%	0.0000	604	Newspaper Ads	0.0043	1.0161	1.61%	1.1340
204	Payroll, Other, Non-Union, All	0.3002	1.0392	3.92%	0.6446	605	Agency Fees	0.0059	1.0084	0.84%	0.4827
205	Social Security Insurance	0.0467	1.0300	3.00%	0.0000	606	Lease Forms	0.0098	1.0439	4.39%	2.1399
206	Unemployment Insurance	0.0083	1.0059	0.59%	0.0000	607	Bill Envelopes	0.0094	1.0210	2.10%	1.3008
207	Private Health & Welfare	0.1357	1.0686	6.86%	0.0000	608	Ledger Paper	0.0084	1.0300	3.00%	2.9348
	LABOR COSTS	0.1468	1.0350	3.50%	0.1935		ADMINISTRATIVE COSTS	0.0762	1.0397	3.97%	0.7667
301	Fuel Oil #2	0.5898	1.2382	23.82%	1.1511	701	INSURANCE COSTS	0.0914	1.0889	8.89%	0.9980
302	Fuel Oil #4	0.1489	1.1972	19.72%	2.1351	801	Light Bulbs	0.0378	1.0198	1.98%	2.0131
303	Fuel Oil #6	0.2613	1.1156	11.56%	0.8508	802	Light Switch	0.0475	1.0000	0.00%	0.0000
	FUEL	0.0981	1.2001	20.01%	0.7819	803	Wet Mop	0.0428	1.0004	0.04%	1.4712
401	Electricity #1, 2,500 KWH	0.0097	1.1488	14.88%	0.0000	804	Floor Wax	0.0400	1.0307	3.07%	1.7229
402	Electricity #2, 15,000 KWH	0.1269	1.1556	15.56%	0.0000	805	Paint	0.2251	1.0312	3.12%	1.0897
403	Electricity #3, 82,000 KWH	0.0000	1.1500	15.00%	0.0000	806	Pushbroom	0.0367	1.0055	0.55%	0.5155
404	Gas #1, 12,000 therms	0.0045	1.3011	30.11%	0.0000	807	Detergent	0.0337	1.0790	7.90%	3.3877
405	Gas #2, 65,000 therms	0.0579	1.0999	9.99%	0.0000	808	Bucket	0.0402	1.0175	1.75%	1.0413
406	Gas #3, 214,000 therms	0.2578	1.0977	9.77%	0.0000	809	Washers	0.0965	1.0126	1.26%	0.8311
407	Steam #1, 1.2m lbs	0.0153	1.1170	11.70%	0.0000	811	Pine Disinfectant	0.0477	1.0326	3.26%	1.3620
408	Steam #2, 2.6m lbs	0.0060	1.0906	9.06%	0.0000	812	Window/Glass Cleaner	0.0519	1.0619	6.19%	2.6351
409	Telephone	0.0089	1.0016	0.16%	0.0000	813	Switch Plate	0.0464	1.0281	2.81%	2.2255
410	Water & Sewer	0.5132	1.0550	5.50%	0.0000	814	Duplex Receptacle	0.0334	1.0104	1.04%	0.8236
	UTILITIES	0.1464	1.0841	8.41%	0.0000	815	Toilet Seat	0.1000	1.0210	2.10%	0.8476
501	Repainting	0.3938	1.0297	2.97%	0.8286	816	Deck Faucet	0.1204	1.0269	2.69%	1.0701
502	Plumbing, Faucet	0.1434	1.0419	4.19%	0.8986		PARTS AND SUPPLIES	0.0171	1.0256	2.56%	0.3929
503	Plumbing, Stoppage	0.1287	1.0428	4.28%	1.4084	901	Refrigerator #1	0.0957	1.0277	2.77%	1.3946
504	Elevator #1, 6 fl., 1 e.	0.0562	1.0482	4.82%	1.3061	902	Refrigerator #2	0.4627	1.0344	3.44%	1.2402
505	Elevator #2, 13 fl., 2 e.	0.0374	1.0391	3.91%	0.9963	903	Air Conditioner #1	0.0178	1.0090	0.90%	1.0256
506	Elevator #3, 19 fl., 3 e.	0.0212	1.0363	3.63%	0.9205	904	Air Conditioner #2	0.0219	1.0150	1.50%	1.3565
507	Burner Repair	0.0395	1.0158	1.58%	1.3523	905	Floor Runner	0.0957	1.0149	1.49%	1.2452
508	Boiler Repair, Tube	0.0489	1.1280	12.80%	3.8759	906	Dishwasher	0.0472	1.0414	4.14%	1.5430
509	Boiler Repair, Weld	0.0340	1.1269	12.69%	4.1293	907	Range #1	0.0464	1.0330	3.30%	1.1571
510	Refrigerator Repair	0.0116	1.0572	5.72%	2.4570	908	Range #2	0.2126	1.0323	3.23%	1.0255
511	Range Repair	0.0121	1.0272	2.72%	1.4965		REPLACEMENT COSTS	0.0073	1.0309	3.09%	0.6467
512	Roof Repair	0.0594	1.0631	6.31%	2.0652						
513	Air Conditioner Repair	0.0086	1.0579	5.79%	1.9097						
514	Floor Maint. #1, Studio	0.0003	1.0519	5.19%	8.4182						
515	Floor Maint. #2, 1 Br.	0.0005	1.0454	4.54%	8.9240						
516	Floor Maint. #3, 2 Br.	0.0045	1.0461	4.61%	8.8080						
	CONTRACTOR SERVICES	0.1332	1.0448	4.48%	0.4894		ALL ITEMS	1.0000	1.0584	5.84%	0.1515

3. Price Relative by Building Type, Apartments, 2005

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES, FEES, & PERMITS	1.0132	1.0113	1.0124	1.0124	1.0124
201-207	LABOR COSTS	1.0347	1.0354	1.0364	1.0348	1.0360
301-303	FUEL	1.2093	1.1632	1.2380	1.1988	1.2375
401-410	UTILITIES	1.0835	1.0891	1.0903	1.0776	1.1012
501-516	CONTRACTOR SERVICES	1.0453	1.0434	1.0396	1.0463	1.0443
601-608	ADMINISTRATIVE COSTS	1.0381	1.0417	1.0358	1.0403	1.0395
701	INSURANCE COSTS	1.0889	1.0889	1.0889	1.0889	1.0889
801-816	PARTS AND SUPPLIES	1.0255	1.0258	1.0258	1.0256	1.0263
904-908	REPLACEMENT COSTS	1.0313	1.0299	1.0322	1.0305	1.0280
ALL ITEMS		1.0683	1.0471	1.0522	1.0652	1.0582

4. Price Relative by Hotel Type, 2005

Spec #	Item Description	Hotel	Rooming House	SRO
101	TAXES, FEES, & PERMITS	0.9590	1.0336	1.0256
205-206, 208-216	LABOR COSTS	1.0384	1.0481	1.0424
301-303	FUEL	1.2046	1.2382	1.1575
401-407, 409-410	UTILITIES	1.0919	1.1698	1.1062
501-509, 511-516, 518	CONTRACTOR SERVICES	1.0282	1.0391	1.0505
601-608	ADMINISTRATIVE COSTS	1.0365	1.0340	1.0342
701	INSURANCE COSTS	1.0889	1.0889	1.0889
801-816	PARTS AND SUPPLIES	1.0143	1.0244	1.0224
901-904, 907-911	REPLACEMENT COSTS	1.0135	1.0202	1.0208
ALL ITEMS		1.0279	1.0899	1.0653

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2005

	% Change Due to Assessments	% Change Due to Exemptions	% Change Due to Abatements	% Change Due to Tax Rates	% Change Due to Interactions	Total % Change
APARTMENTS						
Manhattan	5.35%	0.19%	-0.08%	-3.45%	-0.18%	1.83%
Bronx	1.63%	-0.33%	-0.17%	-1.76%	-0.04%	-0.66%
Brooklyn	3.15%	-0.29%	0.15%	-3.31%	-0.09%	-0.40%
Queens	5.08%	-0.34%	0.08%	-3.28%	-0.15%	1.39%
SI	8.12%	-1.75%	-0.13%	-3.34%	-0.20%	2.69%
All apts	4.58%	-0.05%	0.10%	-3.25%	-0.15%	1.24%
Hotels						
Hotel	-3.13%	-0.62%	0.02%	-0.22%	-0.15%	-4.10%
RH	6.63%	-0.12%	0.02%	-2.98%	-0.19%	3.36%
SRO	6.62%	-3.03%	1.03%	-2.07%	0.01%	2.56%
All hotels	3.52%	-1.79%	0.55%	-1.63%	-0.08%	0.57%

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2005

Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative
Manhattan		12,590	1.83%	Bronx (cont.)	6	455	3.28%	Queens		6,190	1.39%
	1	45	8.55%		7	888	-1.39%		17	606	-0.47%
	2	1171	2.41%		8	333	-0.77%		18	72	-0.86%
	3	1567	3.46%		9	270	0.81%		1	1742	1.44%
	4	1008	-0.45%		10	181	-2.65%		2	823	0.26%
	5	293	0.80%		11	297	-3.75%		3	381	2.69%
	6	886	0.62%		12	382	-1.49%		4	364	0.64%
	7	1994	1.54%	Brooklyn		12,123	-0.40%		5	1186	3.21%
	8	2187	2.57%		1	1426	2.23%		6	335	0.07%
	9	706	4.23%		2	633	-0.41%		7	380	3.25%
	10	777	2.72%		3	797	4.73%		8	192	1.26%
	11	563	4.42%		4	1188	4.20%		9	197	-1.04%
	12	1382	3.05%		5	362	-3.02%		10	56	1.46%
Lower		8,629	1.64%		6	931	-0.93%		11	114	6.19%
					7	843	2.17%		12	156	0.07%
Upper		3,961	3.40%		8	900	0.04%		13	49	1.48%
					9	552	-0.46%		14	94	4.83%
Bronx		4,940	-0.66%		10	784	-0.77%	Staten Island		172	2.69%
	1	276	0.44%		11	717	0.33%		1	118	2.97%
	2	200	1.30%		12	606	-1.98%		2	27	2.44%
	3	268	-4.72%		13	170	-0.34%		3	24	2.10%
	4	690	0.85%		14	876	-0.51%				
	5	644	2.08%		15	369	-1.49%				
					16	280	0.39%	Total		36,015	1.24%

Note: No Community Board could be assigned to the following number of buildings for each borough: Manhattan (11), Bronx (56), Brooklyn (9), Queens (123), Staten Island (3). The number of buildings in the category "All" for each borough includes these buildings which could not be assigned a Community Board. Core and Upper Manhattan building totals are defined by block count and cannot be calculated by using Community Board numbers alone.

7. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 2005

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2968	1.0057	0.57%	1.1913	601	Management Fees	0.6311	1.0456	4.56%	1.0477
205	Social Security Insurance	0.0548	1.0300	3.00%	0.0000	602	Accountant Fees	0.0811	1.0468	4.68%	1.5819
206	Unemployment Insurance	0.0173	1.0059	0.59%	0.0000	603	Attorney Fees	0.1282	1.0017	0.17%	0.1753
208	Hotel Private Health/Welfare	0.0406	1.0357	3.57%	0.0000	604	Newspaper Ads	0.1003	1.0161	1.61%	1.1340
209	Hotel Union Labor	0.3118	1.0400	4.00%	0.0000	605	Agency Fees	0.0260	1.0084	0.84%	0.4827
210	SRO Union Labor	0.0121	1.0400	4.00%	0.0000	606	Lease Forms	0.0110	1.0439	4.39%	2.1399
211	Apartment Value	0.1193	1.0627	6.27%	0.5873	607	Bill Envelopes	0.0128	1.0210	2.10%	1.3008
212	Non-Union Superintendent	0.3154	1.0407	4.07%	0.7361	608	Ledger Paper	0.0096	1.0300	3.00%	2.9348
213	Non-Union Maid	0.0000	0.0000	NA	0.0000		ADMINISTRATIVE COSTS	0.0844	1.0357	3.57%	0.6847
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000	701	INSURANCE COSTS	0.0508	1.0889	8.89%	0.9980
215	Non-Union Maintenance Worker	0.0000	0.0000	NA	0.0000	801	Light Bulbs	0.0155	1.0198	1.98%	2.0131
216	Non-Union Janitor/Porter	0.1287	1.0359	3.59%	1.3059	802	Light Switch	0.0178	1.0000	0.00%	0.0000
	LABOR COSTS	0.1694	1.0411	4.11%	0.2951	803	Wet Mop	0.0503	1.0004	0.04%	1.4712
301	Fuel Oil #2	0.6785	1.2382	23.82%	1.1511	804	Floor Wax	0.0495	1.0307	3.07%	1.7229
302	Fuel Oil #4	0.0151	1.1972	19.72%	2.1351	805	Paint	0.1230	1.0312	3.12%	1.0897
303	Fuel Oil #6	0.3064	1.1156	11.56%	0.8508	806	Pushbroom	0.0415	1.0055	0.55%	0.5155
	FUEL	0.1094	1.2000	20.00%	0.8240	807	Detergent	0.0448	1.0790	7.90%	3.3877
401	Electricity #1, 2,500 KWH	0.0678	1.1488	14.88%	0.0000	808	Bucket	0.0488	1.0175	1.75%	1.0413
402	Electricity #2, 15,000 KWH	0.0752	1.1556	15.56%	0.0000	809	Washers	0.0480	1.0126	1.26%	0.8311
403	Electricity #3, 82,000 KWH	0.2396	1.1500	15.00%	0.0000	810	Linens	0.3182	1.0007	0.07%	0.0498
404	Gas #1, 12,000 therms	0.0486	1.3011	30.11%	0.0000	811	Pine Disinfectant	0.0186	1.0326	3.26%	1.3620
405	Gas #2, 65,000 therms	0.0443	1.0999	9.99%	0.0000	812	Window/Glass Cleaner	0.0199	1.0619	6.19%	2.6351
406	Gas #3, 214,000 therms	0.2037	1.0977	9.77%	0.0000	813	Switch Plate	0.0547	1.0281	2.81%	2.2255
407	Steam #1, 1.2m lbs	0.0002	1.1170	11.70%	0.0000	814	Duplex Receptacle	0.0400	1.0104	1.04%	0.8236
409	Telephone	0.1615	1.0016	0.16%	0.0000	815	Toilet Seat	0.0496	1.0210	2.10%	0.8476
410	Water & Sewer	0.1589	1.0550	5.50%	0.0000	816	Deck Faucet	0.0598	1.0269	2.69%	1.0701
	UTILITIES	0.1408	1.1057	10.57%	0.0000		PARTS AND SUPPLIES	0.0455	1.0176	1.76%	0.2912
501	Repainting	0.2146	1.0297	2.97%	0.8286	901	Refrigerator #1	0.0199	1.0277	2.77%	1.3946
502	Plumbing, Faucet	0.0888	1.0419	4.19%	0.8986	902	Refrigerator #2	0.0953	1.0344	3.44%	1.2402
503	Plumbing, Stoppage	0.0843	1.0428	4.28%	1.4084	903	Air Conditioner #1	0.0614	1.0090	0.90%	1.0256
504	Elevator #1, 6 fl., 1 e.	0.0376	1.0482	4.82%	1.3061	904	Air Conditioner #2	0.0718	1.0150	1.50%	1.3565
505	Elevator #2, 13 fl., 2 e.	0.0345	1.0391	3.91%	0.9963	907	Range #1	0.0085	1.0330	3.30%	1.1571
506	Elevator #3, 19 fl., 3 e.	0.0320	1.0363	3.63%	0.9205	908	Range #2	0.0398	1.0323	3.23%	1.0255
507	Burner Repair	0.0283	1.0158	1.58%	1.3523	909	Carpet	0.3410	1.0156	1.56%	1.0844
508	Boiler Repair, Tube	0.0315	1.1280	12.80%	3.8759	910	Dresser	0.1940	1.0134	1.34%	1.2689
509	Boiler Repair, Weld	0.0259	1.1269	12.69%	2.4570	911	Mattress & Box Spring	0.1685	1.0057	0.57%	0.5063
511	Range Repair	0.1393	1.0272	2.72%	1.4965		REPLACEMENT COSTS	0.0191	1.0159	1.59%	0.4842
512	Roof Repair	0.0262	1.0631	6.31%	2.0652		ALL ITEMS	1.0000	1.0570	5.70%	0.3781
513	Air Conditioner Repair	0.0435	1.0579	5.79%	1.9097						
514	Floor Maint. #1, Studio	0.0009	1.0519	5.19%	8.4182						
515	Floor Maint. #2, 1 Br.	0.0019	1.0454	4.54%	8.9240						
516	Floor Maint. #3, 2 Br.	0.0169	1.0461	4.61%	8.8080						
518	Linen/Laundry Service	0.1938	1.0000	0.00%	0.0000						
	CONTRACTOR SERVICES	0.0838	1.0347	3.47%	0.4002						

8. Expenditure Weights and Price Relatives, Lofts, 2005

Spec #	Item Description	Weights	Price Relative	Spec #	Item Description	Weights	Price Relative
101	TAXES	0.2663	1.0124	603	ADMINISTRATIVE COSTS, LEGAL	0.0887	1.0017
201	Payroll, Bronx, All	0.0000	1.0143	601	Management Fees	0.8060	1.0456
202	Payroll, Other, Union, Supts.	0.2757	1.0263	602	Accountant Fees	0.1486	1.0468
203	Payroll, Other, Union, Other	0.0000	1.0280	604	Newspaper Ads	0.0052	1.0161
204	Payroll, Other, Non-Union, All	0.5563	1.0392	605	Agency Fees	0.0071	1.0084
205	Social Security Insurance	0.0449	1.0300	606	Lease Forms	0.0106	1.0439
206	Unemployment Insurance	0.0090	1.0059	607	Bill Envelopes	0.0120	1.0210
207	Private Health & Welfare	0.1141	1.0686	608	Ledger Paper	0.0105	1.0300
	LABOR COSTS	0.0957	1.0222		ADMINISTRATIVE COSTS, OTHER	0.0914	1.0449
301	Fuel Oil #2	0.3256	1.2382	701	INSURANCE COSTS	0.2176	1.0889
302	Fuel Oil #4	0.5579	1.1972	801	Light Bulbs	0.0378	1.0198
303	Fuel Oil #6	0.1166	1.1156	802	Light Switch	0.0474	1.0000
	FUEL	0.0669	1.2010	803	Wet Mop	0.0428	1.0004
401	Electricity #1, 2,500 KWH	0.0107	1.1488	804	Floor Wax	0.0400	1.0307
402	Electricity #2, 15,000 KWH	0.1409	1.1556	805	Paint	0.2250	1.0312
403	Electricity #3, 82,000 KWH	0.0000	1.1500	806	Pushbroom	0.0367	1.0055
404	Gas #1, 12,000 therms	0.0049	1.3011	807	Detergent	0.0337	1.0790
405	Gas #2, 65,000 therms	0.0638	1.0999	808	Bucket	0.0402	1.0175
406	Gas #3, 214,000 therms	0.1808	1.0977	809	Washers	0.0965	1.0126
407	Steam #1, 1.2m lbs	0.0168	1.1170	811	Pine Disinfectant	0.0476	1.0326
408	Steam #2, 2.6m lbs	0.0065	1.0906	812	Window/Glass Cleaner	0.0520	1.0619
409	Telephone	0.0098	1.0016	813	Switch Plate	0.0464	1.0281
410	Water & Sewer - Frontage	0.5659	1.0550	814	Duplex Receptacle	0.0334	1.0104
	UTILITIES	0.0718	1.0827	815	Toilet Seat	0.1000	1.0210
501	Repainting	0.3937	1.0297	816	Deck Faucet	0.1205	1.0269
502	Plumbing, Faucet	0.1435	1.0419		PARTS AND SUPPLIES	0.0175	1.0256
503	Plumbing, Stoppage	0.1287	1.0428	901	Refrigerator #1	0.0957	1.0277
504	Elevator #1, 6 fl., 1 e.	0.0562	1.0482	902	Refrigerator #2	0.4627	1.0344
505	Elevator #2, 13 fl., 2 e.	0.0375	1.0391	903	Air Conditioner #1	0.0178	1.0090
506	Elevator #3, 19 fl., 3 e.	0.0212	1.0363	904	Air Conditioner #2	0.0218	1.0150
507	Burner Repair	0.0395	1.0158	905	Floor Runner	0.0957	1.0149
508	Boiler Repair, Tube	0.0488	1.1280	906	Dishwasher	0.0473	1.0414
509	Boiler Repair, Weld	0.0340	1.1269	907	Range #1	0.0463	1.0330
510	Refrigerator Repair	0.0116	1.0572	908	Range #2	0.2127	1.0323
511	Range Repair	0.0121	1.0272		REPLACEMENT COSTS	0.0139	1.0309
512	Roof Repair	0.0593	1.0631		ALL ITEMS	1.0000	1.0524
513	Air Conditioner Repair	0.0086	1.0579				
514	Floor Maint. #1, Studio	0.0003	1.0519				
515	Floor Maint. #2, 1 Br.	0.0005	1.0454				
516	Floor Maint. #3, 2 Br.	0.0045	1.0461				
	CONTRACTOR SERVICES	0.0702	1.0448				