2009 Price Index of Operating Costs

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What's New

- ✔ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) increased 4.0% this year.
- ✔ Costs in pre-war buildings increased 3.4% and costs in post-war buildings rose 3.9%.
- ✔ 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 6.5% this year.
- ✔ Fuel oil costs decreased 10.1%.
- ✔ Real estate taxes rose 11.7% due to a rise in assessments and tax rate for Class Two properties.
- ✔ Labor Costs rose 2.9%.
- ✔ The Utilities component increased by 10.9% due primarily to an increase in water and sewer costs.
- ✔ Insurance Costs decreased by 2.9%.
- ✔ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 2.2% 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 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.

The Price Index of Operating Costs for Rent Stabilized Apartment Buildings rose ...

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 2009 Price Index are based upon the 1983 Expenditure Study and are revised on the basis of annually measured price changes from 1982-2008.

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 2008-09 price changes in each index component are also presented in this appendix. The expenditure weights and

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.

Apartments

Change In Costs for Rent Stabilized Apartment Buildings, April 2008 to April 2009

Taxes	11.7%
Labor Costs	2.9%
Fuel	-10.1%
Utilities	10.9%
Contractor Services	2.8%
Administrative Costs	4.1%
Insurance Costs	-2.9%
Parts and Supplies	2.6%
Replacement Costs	6.1%
All Costs	**4.0%**

the 2008-09 price changes are then combined to provide the overall change in the PIOC over the period from 2008-09.

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.

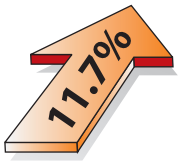
Summary

This year, the PIOC for rent stabilized apartment buildings increased by 4.0%, nearly 4 percentage points less than the PIOC percentage change from the year before (7.8% in 2008). The PIOC was driven upward by significant increases in real estate taxes (11.7%) and utility (10.9%) costs. More moderate increases were seen in administrative costs (4.1%), labor (2.9%), contractor services (2.8%), parts and supplies (2.6%) and replacement costs (6.1%). These increases were offset by declines in the cost of fuel oil of 10.1% and insurance of 2.9%. The growth in the Consumer Price Index (CPI) of 3.5% was just half a percentage point lower than the PIOC.[1] See the adjacent table and Appendix 2 for changes in costs and prices for all rent stabilized apartment buildings from 2008-09.

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 6.5% this year, higher than the overall PIOC due to the exclusion of declining fuel oil prices.

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 Fiscal Year (FY) 2008 and FY 2009. The tax data was obtained from the New York City Department of Finance.

Real estate taxes rose this year by 11.7%, a significantly higher rise than the 0.3% increase seen last year and the highest increase in taxes since 2004 when tax costs increased 16.2%. The change in taxes was due to a rise in assessments and two increases in the tax rate in FY 2009. Abatements and exemptions had a minor impact on the rise in taxes this year.

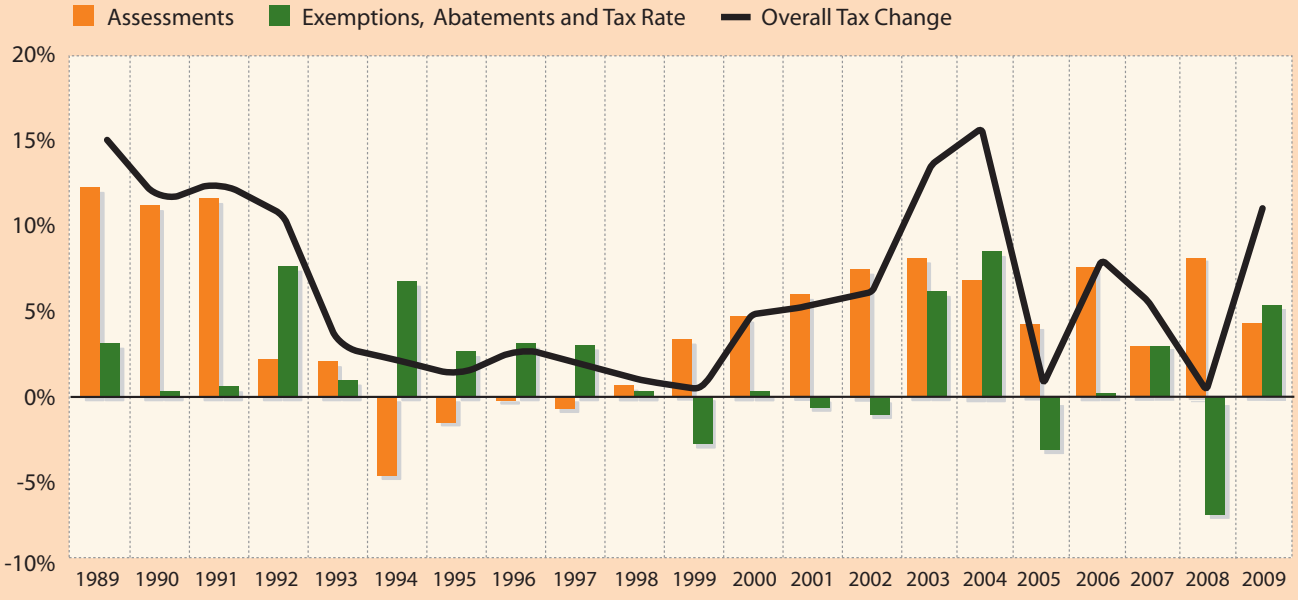
Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 10.8% from FY 2008 to FY 2009. The Class Two property levy rose more than that of the City as a whole, at a rate of 12.3%. The distribution of the levy among property classes tends to shift from year to year. From FY 2008 to FY 2009, the levy share for Class Two properties increased, by 0.5 percentage points, from 36.7% to 37.2% of the total tax burden. The Class Two proportion of the levy share is the highest since the inception of the four-class system in 1983 when the share was 26.3%.

Tax Rate — The FY 2008 Class Two tax rate of 11.928 increased by 5.6%, resulting in a new annualized rate of 12.596 for FY 2009. The annualized tax rate for the first and second quarters of FY2009 was 12.139, just a 1.8% increase over FY2008. However, in December of 2008 the City Council approved to reinstate a 7% increase in the citywide tax rate, resulting in a new annualized rate for Class Two of 13.053 which increased the tax bills for the second half of FY2009. The 12.596 is an average annualized rate for all of FY2009.

This increase in the Class Two tax rate follows a significant decrease in the tax rate of 6.4% in FY 2008. Increases in the tax rate of 2.8% and 1.5% were witnessed in FY 2007 and FY 2006, while a decrease

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1989-2009

Assessments and the Tax Rate Rise in 2009



Source: New York City Department of Finance

was seen in FY 2005 when the rate declined 3.2%. Significant increases in the tax rate for Class Two properties were seen in FY 2004 and FY 2003 of 9.3% and 7.3% respectively.

Assessments — Assessed valuations of rent stabilized properties rose by 4.8% citywide in FY 2009. This rise in assessments was less than last year's increase (7.8%) and the lowest rise in assessments since 2007 (2.9%). All five boroughs showed increases in assessments. The highest percentage increase in assessments was in the Bronx (7.4%) followed by Manhattan (4.8%), Brooklyn (4.1%), Queens (4.0%) and Staten Island (0.2%).

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 on the previous page). 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 1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years. From FY 1998 to FY 2003, assessments increased each year at a higher rate than the previous year. Increases in assessed valuations were not as high as the year before in both FY 2004 and FY 2005. Since 2005, increases in assessments have been between 2.9% and 7.8%.

Abatements and Exemptions — This year, the number of rent stabilized buildings with abatements decreased by 5.5%. However, the average benefit value of the typical tax abatement increased, by 1.4%, from FY 2008 to FY 2009. The net impact of the decrease in the number of abatements and in the rise in the average abatement value was a negligible increase in the tax liability for rent stabilized buildings of 0.1%.

In FY 2009, the value of the average tax exemption decreased. However, 1.0% more rent stabilized buildings benefited from tax exemptions. The rise in the number of buildings receiving exemptions was offset by decreases in the value of tax exemptions resulting in owners' tax bills actually rising by 0.8%. (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 13.5% of the overall Price Index.

Labor Costs rose 2.9%, a lower increase than in last year's PIOC (4.0%). The rise in Labor Costs was due to increases in union and non-union wages as well as rises in healthcare and pension contributions. Unemployment insurance costs rose slightly, increasing 0.2%.

Wages comprise three-quarters of the Labor Costs component. For the past sixteen years the growth in non-union labor pay has outpaced union labor wages. Non-union pay increased by 3.1%, which was two and a half percentage points lower than increases seen in the 2008 price index (5.6%). Unionized wages as a group increased by 1.7%, 1.1 percentage points lower than last year's increase of 2.8%.

Fuel

The Fuel component comprises roughly 15% of this year's Price Index. The change in cost measured in this 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 12 months, fuel oil prices decreased by 16.9%. The price for #2 oil, which comprises more than half of this component, declined 13.4%. Prices for #4 and #6 fuel oil declined more than #2 oil, decreasing 22.0% and 21.7%, respectively.

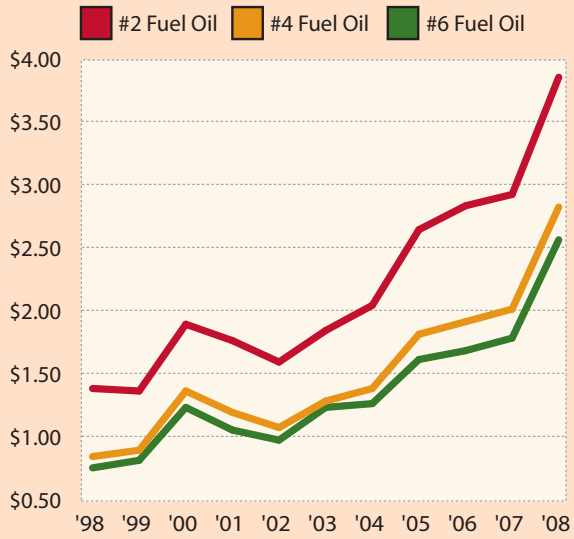
Second, along with measuring price, the PIOC also takes into account the effect of weather on the demand

for fuel oil, especially during the heating season when the large majority of the fuel is burned. Since this year was colder than last year, weather increased the demand for fuel. The combination of the decline in heating oil prices and an increase in demand resulted in a decrease in the cost for heating buildings with oil by 10.1%.[2]

Changes in the Fuel component have been the most variable of any component in the Price Index over the past eight years. From 2005 to 2008, the cost of fuel oil rose more than 20% in each year but 2007, which saw a smaller increase of 0.5%. In 2002 and 2004, fuel costs actually declined by 36.1% and 2.8% respectively, yet in 2003 costs rose 66.9%.

Over the past ten years the average prices per gallon for all fuel grades, which are pure prices that do not factor in weather, have risen substantially. The average price for all grades of fuel oil in 2008 was $3.52 a gallon. Adjusted for inflation, the average price in 1998 was $1.19. This is an annual rate of increase in the price of fuel of nearly 12% above the general rate of inflation. (See graph on this page)

Average Inflation Adjusted Fuel Oil Prices per Gallon, 1998-2008



Note: Prices are in constant 2008 dollars
Source: Price Indices of Operating Costs, 1998-2009

Utilities

The Utilities component consists primarily of electricity, natural gas, and water and sewer charges. In fact, water and sewer costs account for half of the Utilities component. Telephone and steam costs are a small part of this 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 10.9%, which is higher than last year's increase of 8.9%. Substantial increases were seen in gas (14.8%) and water and sewer costs (14.5%), which make up over 80% of the Utilities component. Electricity costs decreased 9.6%, somewhat offsetting the larger increases in gas and water and sewer costs.[3]

Contractor Services

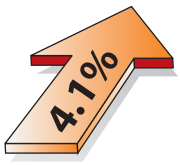
The Contractor Services component rose 2.8%, the lowest increase in this component since 1998 (2.7%) and nearly two percentage point lower than last year's growth of 4.6%. In contrast, the last six years showed growth in this component of more than four percent annually. Previously, Contractor Services costs rose above four percent only once from 1992 through 2002.

The most important items in this component by weight are repainting and plumbing rates, which comprise nearly two-thirds of the Contractor Services component. Painters' rates rose by 3.0%, down from last year's increase of 4.5%. Rates charged by plumbers increased by 2.8%, a lower increase than last year's growth of 4.8%. Painters and plumbers reported that increases in the cost of labor and materials were the primary factors that led to an increase in their rates.

Due to a continued rise in the cost of oil-based materials, the rates charged by roofers increased more than six percent for the fourth consecutive year, rising 6.1%, the highest increase of any item in this

component. All other component items had price relatives ranging from 0.0%-4.9%. (See Appendix 2)

Administrative Costs



Administrative Costs rose 4.1%, the first time in the past four years the increase in this component was below 5%. From 2001-2005, this component's cost rose each year between 4.0% and 5.4%. Increases in Administrative Costs did not exceed four percent from 1991 through 2000. 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 (4.4%) that comprise nearly three-quarters 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 lower than last year's (5.5%), indicating that management companies raised their fees and/or rents increased at a lower rate than last year and there were more vacancies in the buildings they manage. The growth in management fees is about half of that seen in 2007 (8.2%).

Accounting fees increased in this year's PIOC by 4.0%, 3.1 percentage points lower than last year's rise of 7.1%. Attorney fees rose 1.7%, lower than the prior year's increase of 2.1%.

Insurance Costs

Insurance Costs decreased this year by 2.9%, the first time since 1998 there was a decrease in this component and the largest decline in the history of the PIOC. The increases seen in this component in the three previous years, 1.9%-2.5%, were more moderate compared to the period between 2002-2005, when escalating insurance costs rose a cumulative 104%. 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%.

Changes in insurance costs for owners varied by when the policy was renewed and the amount of the policy. Policies renewed from December 2008 through April 2009 saw an increase in insurance costs of 4.6%. Meanwhile, policies renewed prior to December 2008 witnessed a decrease of 3.0%. Furthermore, policies that cost more than $5,000, which are nearly half of all insurance quotes verified, saw an average decline in cost of 4.2% upon renewal. Smaller buildings with policies under $5,000 saw an increase of 3.8%.

Parts and Supplies

The Parts and Supplies component accounts for less than two percent of the entire Price Index. The overall increase in the Parts and Supplies component was 2.6%, 0.3 percentage points higher than last year's increase of 2.3%.

Replacement Costs

The Replacement Costs component has the lowest weight of any component, with its weight being less than 1/100th of the PIOC. This year Replacement Costs rose 6.1%, the highest increase in this component since 1982 and the fourth year out of the last five in which prices rose more than three percent.

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 3.5% this year, less than half of the 7.4% increase witnessed the year before. The Price Index for Hotels was just 0.5 percentage points lower overall than the increase in costs measured in the Apartment Price Index. Significant disparities between the Hotel Index and the Apartment Index were seen in the Utilities and Tax components. The increase in Utilities for all types of Hotels was 2.0% versus 10.9% in apartment buildings. This difference was due to a double digit increase in water and sewer costs having more weight in the Apartment Index, and declining electricity costs having more weight in the Hotel Index. In addition, Taxes increased 14.1% for Hotels versus the 11.7% increase for apartments. These disparities resulted in a Hotel Index that was lower than that for apartments.

Prices and costs in all other components in the Hotel Index had similar changes in rates to the same components in the Apartment Index. See the table on this page for changes in costs and prices for all rent stabilized hotels from 2008-09.

Among the different categories of Hotels, the index for "traditional" hotels increased 5.2%, which was significantly higher than increases for both Rooming Houses (1.2%) and SROs (1.6%). The differences between these indices are primarily due to the increased weight placed on the Tax component for "traditional" hotels. Furthermore, there were disparities among the three hotel types in Fuel and Utilities, with Rooming Houses showing a decrease in the cost for both of these components. (See Appendices 4 and 7)

Rent Stabilized Lofts

The increase in the Loft Index this year was 2.8%, 1.2 percentage points lower than the increase for apartments. This difference is explained by the fact that Attorney fees, which rose 1.7%, and Insurance Costs, which declined 2.9%, carry much more weight for lofts than for apartments. More weight put on these components placed more downward pressure on the Loft Index. See the table on this page and Appendix 8 for changes in costs and prices for all rent stabilized lofts from 2008-09.

The Core PIOC

The Core PIOC, which measures long-term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 6.5% in 2009. The rise in the 2009 Core was 2.5 percentage points higher than the Apartment Index (4.0%). Since declining fuel costs were excluded from the Core PIOC calculation, the Core rose by the greatest proportion since 2004 (9.2%) when Fuel Costs declined 2.8%. (See graph on next page)

The Core rose at a slower rate than projected due primarily to a reduction in insurance costs that was not reflected in last year's Core projection. Insurance was projected to rise 6.8% but instead declined

Hotels

Change In Costs for Rent Stabilized Hotel Buildings, April 2008 to April 2009

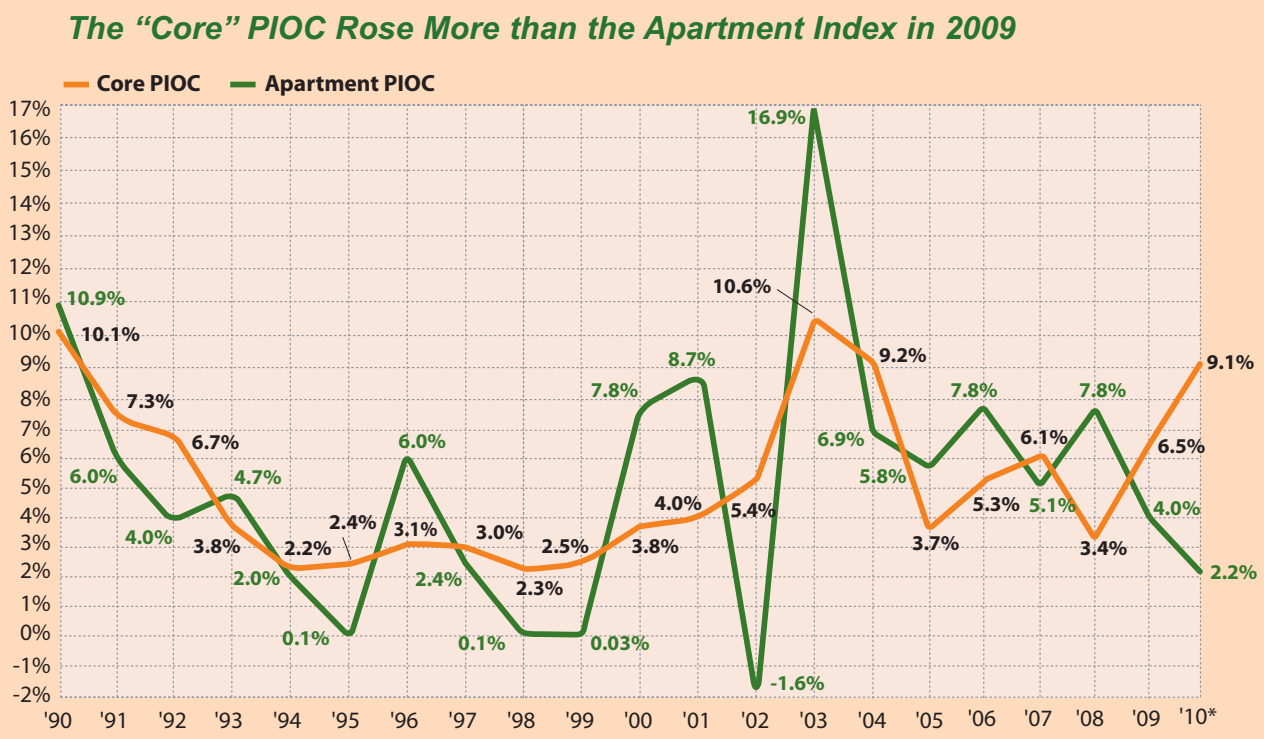
Taxes	14.1%
Labor Costs	3.0%
Fuel	-9.2%
Utilities	2.0%
Contractor Services	3.2%
Administrative Costs	3.9%
Insurance Costs	-2.9%
Parts and Supplies	2.0%
Replacement Costs	4.0%
All Costs	**3.5%**

Lofts

Change In Costs for Rent Stabilized Loft Buildings, April 2008 to April 2009

Taxes	11.7%
Labor Costs	3.0%
Fuel	-12.7%
Utilities	10.4%
Contractor Services	2.8%
Admin Costs, Legal	1.7%
Admin Costs, Other	4.3%
Insurance Costs	-2.9%
Parts and Supplies	2.6%
Replacement Costs	6.1%
All Costs	**2.8%**

Percent Change in the Price Index of Operating Costs and the Core PIOC, 1990-2010



*Note: The percent change for 2010 is estimated.
Source: Price Indices of Operating Costs, 1990-2009, PIOC and Core PIOC projections for 2010

2.9%. Furthermore, both Contractor Services and Administrative Costs rose less than projected. Contractor Services rose 2.8% versus the 5.4% projection, while Administrative Costs rose 4.1% versus the predicted rise of 6.2%. Replacement Costs, which have very little weight in the Core Index, rose 6.1% versus the projection of 1.5%. All of the remaining changes in the core components in the 2009 projected Core and the 2009 actual Core show agreement within 1.4 percentage points.

PIOC Projections for 2010

Section 26-510 of the Rent Stabilization Law requires the Board to consider prevailing and projected operating and maintenance costs. Projections for 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 2009, 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 the "Commensurate Rent Adjustment" section on 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 geo-political events, the current worldwide recession 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. The tax component, which accounts for one-quarter of the entire Price Index, has also become harder to project due to changes in tax policy, such as tax rate reductions, after the period covered in this Price Index.

This year, operating costs in rent stabilized apartment buildings increased by 4.0% versus last year's projected PIOC increase of 7.3%. The components that showed the most variance between actual changes in costs versus projected changes were Fuel and Insurance. Fuel, a historically volatile component, was projected to rise 4.7%, but actually declined 10.1% due to a fall in fuel oil prices during the heating season. Insurance costs, which almost always increase, declined by 2.9% in 2009 versus the expected increase of 6.8%, a difference of nearly 10 percentage points. The unexpected declines in the Fuel and Insurance components resulted in an overall apartment index that was lower than projected.

Meanwhile, Administrative Costs rose 4.1%, compared to the projected increase of 6.2%, while Contractor Services were projected to increase 5.4% but only rose 2.8%. Replacement Costs were projected to rise 1.5% but actually rose 6.1%. The remaining four 2009 projected components of the PIOC were within 1.4 percentage points of the actual measured changes.

Overall, the PIOC is expected to grow by 2.2% from 2009 to 2010. Fuel, the most volatile PIOC component, is expected to decline 24.5%. Conversely, Taxes are projected to increase 15.2% due to an increase in billable assessments, levy share and the tax rate for Class Two properties. Insurance Costs and Utilities are projected to rise 6.1% and 0.8% respectively. Contractor Services are expected to rise 4.3%, Administrative Costs 5.4%, and Labor Costs are projected to increase by 4.1%. The table on this page shows predicted changes in PIOC components for 2010. The core PIOC is projected to rise 9.1%, a significantly higher rate than the overall PIOC.

2010 Projections

Projected Change In Costs for Rent Stabilized Apartment Buildings, April 2009 to April 2010

Taxes	15.2%
Labor Costs	4.1%
Fuel	-24.5%
Utilities	0.8%
Contractor Services	4.3%
Administrative Costs	5.4%
Insurance Costs	6.1%
Parts and Supplies	1.8%
Replacement Costs	1.8%
All Projected Costs	**2.2%**

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,

Commensurates

"Net Revenue" Commensurate Adjustment

1-Year Lease	2-Year Lease
3.5%	5.5%

"Net Revenue" Commensurate Adjustment with Vacancy Increase

1-Year Lease	2-Year Lease
1.75%	2.5%

"CPI-Adjusted NOI" Commensurate Adjustment

1-Year Lease	2-Year Lease
5.0%	8.0%

"CPI-Adjusted NOI" Commensurate Adjustment with Vacancy Increase

1-Year Lease	2-Year Lease
3.25%	5.0%

"Traditional" Commensurate Adjustment

1-Year Lease	2-Year Lease
2.7%	3.5%

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 4.0% increase in the PIOC is 3.5% for a one-year lease and 5.5% 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 1.75% for one-year leases and 2.5% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both operating and maintenance (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 3.5% increase in the Consumer Price Index (see Endnote 1) and the 4.0% increase in the PIOC is 5.0% for a one-year lease and 8.0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 3.25% for one-year leases and 5.0% 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 2.7% for a one-year lease and 3.5% for a two-year lease, given the increase in operating costs of 4.0% found in the 2009 PIOC and the projection of a 2.2% 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 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 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 (4.0%). 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 (2.2%). If the change in projected costs, which may not be an accurate 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 over 41,000 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 nearly proportional to the share of stabilized buildings in that borough. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample.

Over 15% of the questionnaires mailed out were returned to the RGB. A total of 717 returned surveys contained usable information, from which quotes of owners' annual insurance costs (648), non-union labor quotes (134) and management fees (93) were validated. The number of verified prices in 2008 and 2009 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 are similar to 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 2009 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 over 34,000 buildings in FY 2008 and FY 2009. This data was used to compute a tax bill for each stabilized building in FY 2008 and FY 2009. The change computed for the PIOC is simply the percentage

increase in aggregate tax bills for these buildings from FY 2008 to FY 2009.

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 675 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 2009 increase of 14.5%.[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 2010 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 sixteen-year geometric averages of the component price relatives.

Acknowledgments

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Endnotes

1. The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2007 to February 2008 (228.3) compared to the average for the year from March 2008 to February 2009 (236.4) rose by 3.55%. 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 2008 to April 2009 year was 7.4% colder than the most recent 5-year average "normal" year and 10.9% colder 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 2004 to April 2009, measured in Central Park by the National Weather Service.

3. Note that the electricity items are calculated on a point-to-point basis. In this case, the electricity increase represents a comparison of the price for electricity in April 2008 to the price in April 2009. If we were to calculate electricity on a monthly basis, with cost weights for heating use, the change for the twelve-month period from May 2008 to April 2009 would be a 4.6% increase.

4. The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 67.9% of the 2009 PIOC increase of 4.0%, or 2.7%. The 67.9% 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 32.1% times the latest 12-month increase in the CPI ending February 2009 (3.5%) or 1.1%; (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 2008 Housing and Vacancy Survey; (5) for the commensurate formulae, including a vacancy assumption, the 11.13% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2008 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.

5. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 2.2% PIOC projection for 2010 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), and changes in tax law and interest rates.

7. "Public Information Regarding Water and Wastewater Rates," New York City Water Board, April 2008.

8. Source: "Short-Term Energy Outlook," March 2009. U.S. Energy Information Administration, Department of Energy.

Appendices

1. PIOC Sample, Number of Price Quotes per Item, 2008 vs. 2009

Spec	Description	2008	2009
211	Apartment Value	116	140
212	Non-Union Super	82	94
216	Non-Union Janitor/Porter	38	40
	LABOR COSTS	**236**	**274**
301	Fuel Oil #2	25	24
302	Fuel Oil #4	6	6
303	Fuel Oil #6	6	6
	FUEL	**37**	**36**
501	Repainting	121	126
502	Plumbing, Faucet	32	35
503	Plumbing, Stoppage	31	38
504	Elevator #1	13	12
505	Elevator #2	13	12
506	Elevator #3	12	11
507	Burner Repair	11	11
508	Boiler Repair, Tube	10	10
509	Boiler Repair, Weld	5	5
510	Refrigerator Repair	6	6
511	Range Repair	11	10
512	Roof Repair	22	23
513	Air Conditioner Repair	6	6
514	Floor Maint. #1	6	5
515	Floor Maint. #2	6	5
516	Floor Maint. #3	6	5
518	Linen/Laundry Service	5	5
	CONTRACTOR SERVICES	**316**	**325**
601	Management Fees	64	93
602	Accountant Fees	29	27
603	Attorney Fees	23	22
604	Newspaper Ads	18	18
605	Agency Fees	4	5
606	Lease Forms	6	6
607	Bill Envelopes	10	10
608	Ledger Paper	7	7
	ADMINISTRATIVE COSTS	**161**	**188**

Spec	Description	2008	2009
701	INSURANCE COSTS	**567**	**648**
801	Light bulbs	6	5
802	Light Switch	6	5
803	Wet Mop	9	5
804	Floor Wax	10	9
805	Paint	10	12
806	Pushbroom	6	5
807	Detergent	5	6
808	Bucket	10	15
809	Washers	10	14
810	Linens	10	10
811	Pine Disinfectant	7	11
812	Window/Glass Cleaner	8	8
813	Switch Plate	5	10
814	Duplex Receptacle	6	9
815	Toilet Seat	11	18
816	Deck Faucet	10	17
	PARTS & SUPPLIES	**129**	**159**
901	Refrigerator #1	6	7
902	Refrigerator #2	10	12
903	Air Conditioner #1	5	8
904	Air Conditioner #2	5	9
905	Floor Runner	6	7
906	Dishwasher	7	11
907	Range #1	7	11
908	Range #2	7	8
909	Carpet	10	11
910	Dresser	5	5
911	Mattress & Box Spring	5	7
	REPLACEMENT COSTS	**73**	**96**
	ALL ITEMS	**1,519**	**1,726**

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2009

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	**0.2539**	**1.1172**	**11.72%**	**0.1002**
201	Payroll, Bronx, All	0.1042	1.0295	2.95%	0.0000
202	Payroll, Other, Union, Supts.	0.1044	1.0148	1.48%	0.0000
203	Payroll, Other, Union, Other	0.2594	1.0135	1.35%	0.0000
204	Payroll, Other, Non-Union, All	0.2940	1.0305	3.05%	0.4586
205	Social Security Insurance	0.0440	1.0225	2.25%	0.0000
206	Unemployment Insurance	0.0059	1.0023	0.23%	0.0000
207	Private Health & Welfare	0.1881	1.0571	5.71%	0.0000
	LABOR COSTS	**0.1353**	**1.0288**	**2.88%**	**0.1348**
301	Fuel Oil #2	0.5802	0.9379	-6.21%	1.1363
302	Fuel Oil #4	0.1576	0.8424	-15.76%	0.9932
303	Fuel Oil #6	0.2622	0.8463	-15.37%	0.8808
	FUEL	**0.1543**	**0.8988**	**-10.12%**	**0.7158**
401	Electricity #1, 2,500 KWH	0.0101	0.8743	-12.57%	0.0000
402	Electricity #2, 15,000 KWH	0.1282	0.9058	-9.42%	0.0000
403	Electricity #3, 82,000 KWH	0.0000	0.8876	-11.24%	0.0000
404	Gas #1, 12,000 therms	0.0054	0.8546	-14.54%	0.0000
405	Gas #2, 65,000 therms	0.0590	1.1566	15.66%	0.0000
406	Gas #3, 214,000 therms	0.2625	1.1520	15.20%	0.0000
407	Steam #1, 1.2m lbs	0.0178	1.0439	4.39%	0.0000
408	Steam #2, 2.6m lbs	0.0070	0.9866	-1.34%	0.0000
409	Telephone	0.0077	1.0812	8.12%	0.0000
410	Water & Sewer	0.5023	1.1450	14.50%	0.0000
	UTILITIES	**0.1533**	**1.1091**	**10.91%**	**0.0000**
501	Repainting	0.3868	1.0300	3.00%	0.7329
502	Plumbing, Faucet	0.1404	1.0242	2.42%	1.0359
503	Plumbing, Stoppage	0.1242	1.0334	3.34%	1.1123
504	Elevator #1, 6 fl., 1 e.	0.0558	1.0093	0.93%	0.6822
505	Elevator #2, 13 fl., 2 e.	0.0362	1.0197	1.97%	1.6948
506	Elevator #3, 19 fl., 3 e.	0.0204	1.0032	0.32%	0.3229
507	Burner Repair	0.0388	1.0380	3.80%	1.4438
508	Boiler Repair, Tube	0.0522	1.0180	1.80%	1.2485
509	Boiler Repair, Weld	0.0442	1.0000	0.00%	0.0000
510	Refrigerator Repair	0.0115	1.0293	2.93%	1.5635
511	Range Repair	0.0111	1.0086	0.86%	2.8969
512	Roof Repair	0.0655	1.0612	6.12%	1.7266
513	Air Conditioner Repair	0.0080	1.0488	4.88%	2.2375
514	Floor Maint. #1, Studio	0.0003	1.0000	0.00%	0.0000
515	Floor Maint. #2, 1 Br.	0.0005	1.0000	0.00%	0.0000
516	Floor Maint. #3, 2 Br.	0.0043	1.0000	0.00%	0.0000
	CONTRACTOR SERVICES	**0.1259**	**1.0277**	**2.77%**	**0.3843**

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
601	Management Fees	0.7237	1.0439	4.39%	1.3853
602	Accountant Fees	0.1370	1.0402	4.02%	1.5437
603	Attorney Fees	0.1052	1.0169	1.69%	0.7869
604	Newspaper Ads	0.0040	1.0220	2.20%	0.8239
605	Agency Fees	0.0053	1.0812	8.12%	5.1240
606	Lease Forms	0.0089	1.0000	0.00%	0.0000
607	Bill Envelopes	0.0085	1.0803	8.03%	3.3248
608	Ledger Paper	0.0075	1.0331	3.31%	2.5094
	ADMINISTRATIVE COSTS	**0.0734**	**1.0405**	**4.05%**	**1.0289**
701	INSURANCE COSTS	**0.0823**	**0.9710**	**-2.90%**	**0.6528**
801	Light Bulbs	0.0359	1.0000	0.00%	0.0000
802	Light Switch	0.0428	1.0000	0.00%	0.0000
803	Wet Mop	0.0384	1.0000	0.00%	0.0000
804	Floor Wax	0.0464	1.0328	3.28%	2.5990
805	Paint	0.2299	1.0252	2.52%	1.2225
806	Pushbroom	0.0337	1.0000	0.00%	0.0000
807	Detergent	0.0358	1.0000	0.00%	0.0000
808	Bucket	0.0376	1.0102	1.02%	0.9755
809	Washers	0.0963	1.0332	3.32%	1.9330
811	Pine Disinfectant	0.0547	1.0394	3.94%	3.1603
812	Window/Glass Cleaner	0.0500	1.0706	7.06%	4.0066
813	Switch Plate	0.0458	1.0000	0.00%	0.0000
814	Duplex Receptacle	0.0328	1.0000	0.00%	0.0000
815	Toilet Seat	0.0965	1.0256	2.56%	2.1257
816	Deck Faucet	0.1235	1.0600	6.00%	2.1232
	PARTS AND SUPPLIES	**0.0151**	**1.0265**	**2.65%**	**0.5571**
901	Refrigerator #1	0.0934	1.0995	9.95%	2.2775
902	Refrigerator #2	0.4720	1.0503	5.03%	1.5354
903	Air Conditioner #1	0.0166	1.0350	3.50%	2.6129
904	Air Conditioner #2	0.0204	1.0633	6.33%	3.2701
905	Floor Runner	0.0922	1.0191	1.91%	1.7844
906	Dishwasher	0.0479	1.0881	8.81%	2.3185
907	Range #1	0.0480	1.0692	6.92%	2.6690
908	Range #2	0.2095	1.0785	7.85%	2.0964
	REPLACEMENT COSTS	**0.0064**	**1.0607**	**6.07%**	**0.9085**
	ALL ITEMS	**1.0000**	**1.0396**	**3.96%**	**0.1556**

3. Price Relative by Building Type, Apartments, 2009

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES, FEES, & PERMITS	1.1288	1.0996	1.1172	1.1172	1.1172
201-207	LABOR COSTS	1.0298	1.0277	1.0271	1.0293	1.0263
301-303	FUEL	0.9053	0.8733	0.9373	0.8975	0.9361
401-410	UTILITIES	1.1207	1.0940	1.1305	1.0936	1.0606
501-516	CONTRACTOR SERVICES	1.0280	1.0269	1.0282	1.0275	1.0277
601-608	ADMINISTRATIVE COSTS	1.0396	1.0416	1.0387	1.0408	1.0396
701	INSURANCE COSTS	0.9710	0.9710	0.9710	0.9710	0.9710
801-816	PARTS AND SUPPLIES	1.0269	1.0254	1.0279	1.0259	1.0237
901-908	REPLACEMENT COSTS	1.0614	1.0589	1.0657	1.0595	1.0536
	ALL ITEMS	**1.0342**	**1.0388**	**1.0695**	**1.0204**	**1.0506**

4. Price Relative by Hotel Type, 2009

Spec #	Item Description	Hotel	Rooming House	SRO
101	TAXES	1.1481	1.1147	1.1492
205-206, 208-216	LABOR COSTS	1.0328	1.0203	1.0263
301-302	FUEL	0.9124	0.9379	0.8716
401-407, 409-410	UTILITIES	1.0305	0.9346	1.0483
501-516	CONTRACTOR SERVICES	1.0353	1.0316	1.0233
601-608	ADMINISTRATIVE COSTS	1.0395	1.0391	1.0386
701	INSURANCE COSTS	0.9710	0.9710	0.9710
801-816	PARTS AND SUPPLIES	1.0145	1.0269	1.0292
901-904, 907-911	REPLACEMENT COSTS	1.0374	1.0452	1.0465
	ALL ITEMS	**1.0520**	**1.0123**	**1.0161**

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2009

	% 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	4.83%	1.63%	-0.07%	5.71%	0.36%	12.46%
Bronx	7.37%	-0.61%	-0.04%	6.04%	0.38%	13.15%
Brooklyn	4.06%	-0.49%	0.14%	5.83%	0.20%	9.74%
Queens	3.96%	-0.31%	0.27%	5.73%	0.20%	9.86%
Staten Island	0.19%	1.84%	-0.82%	5.95%	0.11%	7.27%
All Apts.	**4.75%**	**0.83%**	**0.10%**	**5.72%**	**0.31%**	**11.72%**
HOTELS						
Hotel	9.74%	0.35%	0.10%	4.27%	0.35%	14.81%
RH	5.87%	-0.17%	0.00%	5.48%	0.30%	11.47%
SRO	8.61%	0.08%	0.44%	5.38%	0.42%	14.92%
All Hotels	**8.34%**	**0.10%**	**0.25%**	**5.09%**	**0.38%**	**14.14%**

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2009

Borough	Community Board	Number of Buildings	Tax Relative
Manhattan		**11,944**	**12.46%**
	1	58	22.79%
	2	1,056	12.27%
	3	1,506	16.00%
	4	953	10.71%
	5	271	10.24%
	6	807	11.45%
	7	1,793	13.50%
	8	2,030	11.21%
	9	681	17.03%
	10	863	24.81%
	11	563	26.73%
	12	1,357	13.14%
Lower		**7,967**	**11.84%**
Upper		**3,977**	**16.76%**
Bronx		**4,937**	**13.15%**
	1	301	13.09%
	2	225	10.00%
	3	281	39.44%
	4	662	20.59%
	5	622	16.39%
	6	444	14.88%
	7	913	14.07%
	8	339	7.49%
	9	279	16.76%
	10	179	11.34%
	11	291	6.37%
	12	377	12.24%
Brooklyn		**11,248**	**9.74%**
	1	1,373	16.43%
	2	575	12.74%
	3	687	13.78%
	4	1,111	11.48%
	5	307	12.05%
	6	860	14.98%
	7	774	13.24%
	8	831	10.69%
	9	498	13.23%
	10	727	8.10%
	11	678	8.24%
	12	580	6.89%
	13	156	10.43%
	14	834	6.80%
	15	360	8.42%
	16	274	-31.25%
	17	546	10.31%
	18	69	10.73%
Queens		**5,836**	**9.86%**
	1	1,663	8.57%
	2	786	8.70%
	3	371	3.47%
	4	350	11.53%
	5	1,118	12.92%
	6	307	12.81%
	7	357	9.13%
	8	179	10.75%
	9	191	6.64%
	10	50	-4.81%
	11	114	8.77%
	12	145	9.18%
	13	44	11.60%
	14	85	14.41%
Staten Is.		**157**	**7.27%**
	1	106	6.05%
	2	27	-2.93%
	3	23	15.41%
All		**34,122**	**11.72%**

Note: No Community Board could be assigned to the following number of buildings for each borough: Manhattan (6), Bronx (24), Brooklyn (8), Queens (76), Staten Island (1). 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, 2009

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	**0.2652**	**1.1414**	**14.14%**	**0.7540**
205	Social Security Insurance	0.0521	1.0225	2.25%	0.0000
206	Unemployment Insurance	0.0123	1.0023	0.23%	0.0000
208	Hotel Private Health/Welfare	0.0489	1.0358	3.58%	0.0000
209	Hotel Union Labor	0.3093	1.0400	4.00%	0.0000
210	SRO Union Labor	0.0120	1.0400	4.00%	0.0000
211	Apartment Value	0.1254	1.0074	0.74%	0.7156
212	Non-Union Superintendent	0.3104	1.0324	3.24%	0.5582
213	Non-Union Maid	0.0000	0.0000	NA	0.0000
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000
215	Non-Union Maint. Worker	0.0000	0.0000	NA	0.0000
216	Non-Union Janitor/Porter	0.1295	1.0254	2.54%	0.7650
	LABOR COSTS	**0.1554**	**1.0301**	**3.01%**	**0.2188**
301	Fuel Oil #2	0.6736	0.9379	-6.21%	1.1363
302	Fuel Oil #4	0.0161	0.8424	-15.76%	0.9932
303	Fuel Oil #6	0.3103	0.8463	-15.37%	0.8808
	FUEL	**0.1715**	**0.9080**	**-9.20%**	**0.8129**
401	Electricity #1, 2,500 KWH	0.0704	0.8743	-12.57%	0.0000
402	Electricity #2, 15,000 KWH	0.0757	0.9058	-9.42%	0.0000
403	Electricity #3, 82,000 KWH	0.2481	0.8876	-11.24%	0.0000
404	Gas #1, 12,000 therms	0.0589	0.8546	-14.54%	0.0000
405	Gas #2, 65,000 therms	0.0450	1.1566	15.66%	0.0000
406	Gas #3, 214,000 therms	0.2066	1.1520	15.20%	0.0000
407	Steam #1, 1.2m lbs	0.0003	1.0439	4.39%	0.0000
409	Telephone	0.1403	1.0812	8.12%	0.0000
410	Water & Sewer	0.1549	1.1450	14.50%	0.0000
	UTILITIES	**0.1491**	**1.0199**	**1.99%**	**0.0000**
501	Repainting	0.2188	1.0300	3.00%	0.7329
502	Plumbing, Faucet	0.0902	1.0242	2.42%	1.0359
503	Plumbing, Stoppage	0.0844	1.0334	3.34%	1.1123
504	Elevator #1, 6 fl., 1 e.	0.0388	1.0093	0.93%	0.6822
505	Elevator #2, 13 fl., 2 e.	0.0347	1.0197	1.97%	1.6948
506	Elevator #3, 19 fl., 3 e.	0.0320	1.0032	0.32%	0.3229
507	Burner Repair	0.0288	1.0380	3.80%	1.4438
508	Boiler Repair, Tube	0.0349	1.0180	1.80%	1.2485
509	Boiler Repair, Weld	0.0349	1.0000	0.00%	1.5635
511	Range Repair	0.1321	1.0086	0.86%	2.8969
512	Roof Repair	0.0300	1.0612	6.12%	1.7266
513	Air Conditioner Repair	0.0417	1.0488	4.88%	2.2375
514	Floor Maint. #1, Studio	0.0009	1.0000	0.00%	0.0000
515	Floor Maint. #2, 1 Br.	0.0018	1.0000	0.00%	0.0000
516	Floor Maint. #3, 2 Br.	0.0166	1.0000	0.00%	0.0000
518	Linen/Laundry Service	0.1793	1.0705	7.05%	4.5099
	CONTRACTOR SERVICES	**0.0768**	**1.0321**	**3.21%**	**0.9288**

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
601	Management Fees	0.6600	1.0439	4.39%	1.3853
602	Accountant Fees	0.0804	1.0402	4.02%	1.5437
603	Attorney Fees	0.1109	1.0169	1.69%	0.7869
604	Newspaper Ads	0.0948	1.0220	2.20%	0.8239
605	Agency Fees	0.0235	1.0812	8.12%	5.1240
606	Lease Forms	0.0101	1.0000	0.00%	0.0000
607	Bill Envelopes	0.0116	1.0803	8.03%	3.3248
608	Ledger Paper	0.0087	1.0331	3.31%	2.5094
	ADMINISTRATIVE COSTS	**0.0810**	**1.0393**	**3.93%**	**0.9389**
701	INSURANCE COSTS	**0.0460**	**0.9710**	**-2.90%**	**0.6528**
801	Light Bulbs	0.0152	1.0000	0.00%	0.0000
802	Light Switch	0.0166	1.0000	0.00%	0.0000
803	Wet Mop	0.0467	1.0000	0.00%	0.0000
804	Floor Wax	0.0594	1.0328	3.28%	2.5990
805	Paint	0.1299	1.0252	2.52%	1.2225
806	Pushbroom	0.0395	1.0000	0.00%	0.0000
807	Detergent	0.0493	1.0000	0.00%	0.0000
808	Bucket	0.0472	1.0102	1.02%	0.9755
809	Washers	0.0495	1.0332	3.32%	1.9330
810	Linens	0.2954	1.0167	1.67%	1.3388
811	Pine Disinfectant	0.0220	1.0394	3.94%	3.1603
812	Window/Glass Cleaner	0.0199	1.0706	7.06%	4.0066
813	Switch Plate	0.0558	1.0000	0.00%	0.0000
814	Duplex Receptacle	0.0406	1.0000	0.00%	0.0000
815	Toilet Seat	0.0495	1.0256	2.56%	2.1257
816	Deck Faucet	0.0635	1.0600	6.00%	2.1232
	PARTS AND SUPPLIES	**0.0390**	**1.0196**	**1.96%**	**0.5072**
901	Refrigerator #1	0.0205	1.0995	9.95%	2.2775
902	Refrigerator #2	0.1030	1.0503	5.03%	1.5354
903	Air Conditioner #1	0.0608	1.0350	3.50%	2.6129
904	Air Conditioner #2	0.0709	1.0633	6.33%	3.2701
907	Range #1	0.0093	1.0692	6.92%	2.6690
908	Range #2	0.0415	1.0785	7.85%	2.0964
909	Carpet	0.3416	1.0378	3.78%	2.2248
910	Dresser	0.1829	1.0069	0.69%	0.7874
911	Mattress & Box Spring	0.1695	1.0496	4.96%	3.0896
	REPLACEMENT COSTS	**0.0159**	**1.0403**	**4.03%**	**0.9934**
	ALL ITEMS	**1.0000**	**1.0351**	**3.51%**	**0.2702**

8. Expenditure Weights and Price Relatives, Lofts, 2009

Spec #	Item Description	Weights	Price Relative
101	TAXES	**0.2486**	**1.1172**
201	Payroll, Bronx, All	0.0000	1.0295
202	Payroll, Other, Union, Supts.	0.2527	1.0148
203	Payroll, Other, Union, Other	0.0000	1.0135
204	Payroll, Other, Non-Union, All	0.5416	1.0305
205	Social Security Insurance	0.0421	1.0225
206	Unemployment Insurance	0.0063	1.0023
207	Private Health & Welfare	0.1573	1.0571
	LABOR COSTS	**0.0903**	**1.0302**
301	Fuel Oil #2	0.3116	0.9379
302	Fuel Oil #4	0.5746	0.8424
303	Fuel Oil #6	0.1138	0.8463
	FUEL	**0.1126**	**0.8726**
401	Electricity #1, 2,500 KWH	0.0112	0.8743
402	Electricity #2, 15,000 KWH	0.1426	0.9058
403	Electricity #3, 82,000 KWH"	0.0000	0.8876
404	Gas #1, 12,000 therms	0.0060	0.8546
405	Gas #2, 65,000 therms	0.0651	1.1566
406	Gas #3, 214,000 therms	0.1845	1.1520
407	Steam #1, 1.2m lbs	0.0196	1.0439
408	Steam #2, 2.6m lbs	0.0076	0.9866
409	Telephone	0.0085	1.0812
410	Water & Sewer - Frontage	0.5549	1.1450
	UTILITIES	**0.0782**	**1.1044**
501	Repainting	0.3867	1.0300
502	Plumbing, Faucet	0.1404	1.0242
503	Plumbing, Stoppage	0.1242	1.0334
504	Elevator #1, 6 fl., 1 e.	0.0558	1.0093
505	Elevator #2, 13 fl., 2 e.	0.0363	1.0197
506	Elevator #3, 19 fl., 3 e.	0.0204	1.0032
507	Burner Repair	0.0388	1.0380
508	Boiler Repair, Tube	0.0522	1.0180
509	Boiler Repair, Weld	0.0443	1.0000
510	Refrigerator Repair	0.0114	1.0293
511	Range Repair	0.0111	1.0086
512	Roof Repair	0.0654	1.0612
513	Air Conditioner Repair	0.0080	1.0488
514	Floor Maint. #1, Studio	0.0003	1.0000
515	Floor Maint. #2, 1 Br.	0.0005	1.0000
516	Floor Maint. #3, 2 Br.	0.0043	1.0000
	CONTRACTOR SERVICES	**0.0691**	**1.0277**

Spec #	Item Description	Weights	Price Relative
	ADMINISTRATIVE COSTS, LEGAL	**0.0747**	**1.0169**
601	Management Fees	0.8171	1.0439
602	Accountant Fees	0.1428	1.0402
604	Newspaper Ads	0.0047	1.0220
605	Agency Fees	0.0062	1.0812
606	Lease Forms	0.0094	1.0000
607	Bill Envelopes	0.0106	1.0803
608	Ledger Paper	0.0092	1.0331
	ADMINISTRATIVE COSTS - OTHER	**0.0937**	**1.0434**
701	INSURANCE COSTS	**0.2041**	**0.9710**
801	Light Bulbs	0.0359	1.0000
802	Light Switch	0.0427	1.0000
803	Wet Mop	0.0384	1.0000
804	Floor Wax	0.0464	1.0328
805	Paint	0.2299	1.0252
806	Pushbroom	0.0337	1.0000
807	Detergent	0.0358	1.0000
808	Bucket	0.0376	1.0102
809	Washers	0.0963	1.0332
811	Pine Disinfectant	0.0546	1.0394
812	Window/Glass Cleaner	0.0501	1.0706
813	Switch Plate	0.0458	1.0000
814	Duplex Receptacle	0.0328	1.0000
815	Toilet Seat	0.0964	1.0256
816	Deck Faucet	0.1236	1.0600
	PARTS AND SUPPLIES	**0.0161**	**1.0265**
901	Refrigerator #1	0.0934	1.0995
902	Refrigerator #2	0.4719	1.0503
903	Air Conditioner #1	0.0167	1.0350
904	Air Conditioner #2	0.0204	1.0633
905	Floor Runner	0.0921	1.0191
906	Dishwasher	0.0479	1.0881
907	Range #1	0.0479	1.0692
908	Range #2	0.2096	1.0785
	REPLACEMENT COSTS	**0.0127**	**1.0607**
	ALL ITEMS	**1.0000**	**1.0282**