NEW YORK CITY COMPTROLLER
BRAD LANDER

Accurately Assessing and Effectively Addressing Vacancies in NYC's Rent Stabilized Housing Stock

MARCH 2024

Executive Summary

Amidst the broader challenges of housing affordability in New York City, concerns have been raised about whether an increasing number of rent stabilized units are being kept off the market because they require renovations greater than can be financed with the returns from re-renting those units.

Real estate owners have alleged that changes to New York State’s rent regulation laws made as part of the passage of the Housing Stability and Tenant Protection Act of 2019 (HSTPA) too severely limited the amount by which rents can be raised on vacant units, rendering it economically inefficient to renovate them for re-

rental. Some have called for a rollback of the HSTPA and a restoration of vacancy decontrol.

To better understand the issue, the Comptroller's office analyzed data from the recently-released 2023 Housing and Vacancy Survey (HVS) and other sources to assess the changes in conditions and composition of rental housing supply before and after the passage of HSTPA five years ago.

This analysis finds that the number of rent-stabilized units that are vacant and not available to rent, both in general and specifically due to landlords' inability to make repairs, fell significantly from 2021 to 2023.

A quite small number of affordable rent-stabilized units – likely fewer than 2,000 that rent for $1,500 or less, representing less than 0.5% of the City's stabilized housing stock – is sitting vacant due to landlords' inability to make repairs. This report makes recommendations for addressing the challenges facing these units.

Key Findings

- The COVID-19 pandemic caused a significant one-year bump in rental vacancies from 2020 to 2021. However, vacancies have now plunged to their lowest rate ever.
- The vacancy rate among rent stabilized apartments in NYC is even lower than the vacancy rate for all rental units, declining from 4.57% in the 2021 HVS to 0.98% in the 2023 HVS.
- Between 2021 and 2023, there was a significant decline in the number of units that are vacant but not available to rent for any reason (e.g. held for occasional use, awaiting or undergoing renovation, legal dispute). This universe is much smaller for rent stabilized units than for all rentals:
    - The number of rent stabilized units in NYC that are vacant but not available for rent for any reason declined from 42,860 in 2021 to 26,310 in 2023.
    - The number of rent stabilized units deemed dilapidated or otherwise uninhabitable declined from 11,500 in 2021 to just over 3,000 units in 2023.
- For rent-stabilized buildings, the rate of sales and the value per unit have recovered from the pandemic dip in 2020, and both have returned to levels similar to before the passage of the HSTPA in 2019.
- This report finds no evidence that the HSTPA led to an increase in vacancies, or distress on the city's rent stabilized housing. The proposal for the re-introduction of vacancy decontrol is a dramatic overreaction.
- There are likely fewer than 2,000 vacant apartments that rent for less than $1,500 each month and have been held off the market due to an owners' inability to make repairs. For this small universe of units, a targeted approach is warranted to return them stable occupancy.

Recommendations

To ensure that rent-stabilized buildings can receive the repairs they need to place rent stabilized units back online, while ensuring tenants remain protected, this report recommends the following:

Raise the Cap on Individual Apartment Improvement Increases (IAI) to $25,000

- The State should raise the cap for allowable Individual Apartment Increases (IAI) from $15,000 to $25,000 (to match HPD's recently launched "Unlocking Doors" program) and peg it to inflation moving forward.

Modify Existing Programs to Address Hardships

- For the very small universe of buildings where unit vacancies cannot be addressed by a higher IAI cap, the Office of Rent Administration (ORA) within the State's Department of Homes and Community Renewal (HCR) has a process through which building owners can apply for hardship, allowing for modifications to legal rents on a case-by-case basis as necessary. HCR should adapt the hardship program to include:
    - *Capital subsidies*: The City of New York's "Unlocking Doors" pilot provides a grant of up to $25,000 per units for rent stabilized units that are vacant and unavailable to rent. The State Legislature should authorize a similar program to complement City funding.
    - *Rental vouchers*: The State should pass the Housing Access Voucher Program to provide rental subsidies for low-income and homeless families. These vouchers could be made available for units or buildings facing hardship, while still ensuring affordability. CityFHEPS vouchers could also be used for this purpose. The State should also consider amending Section 610 of the Private Housing Finance Law to allow for owners who utilize vouchers as part of a hardship application to charge up to the fair market rent as long as a voucher holder resides in the unit, under HCR supervision. The legal rent, registered with HCR, would only increase subject to the rules of rent regulation.
    - *Preservation loans*: Property owners can be assisted to utilize preservation loan programs at HPD, including but not limited to, the Housing Preservation Opportunities program, which provides tax exemptions to owners of buildings in good physical condition in exchange for signing a regulatory agreement.

Include Funding for Preservation Purchases in the City's Fiscal Year 2025 Capital Budget through the "Neighborhood Pillars" Program

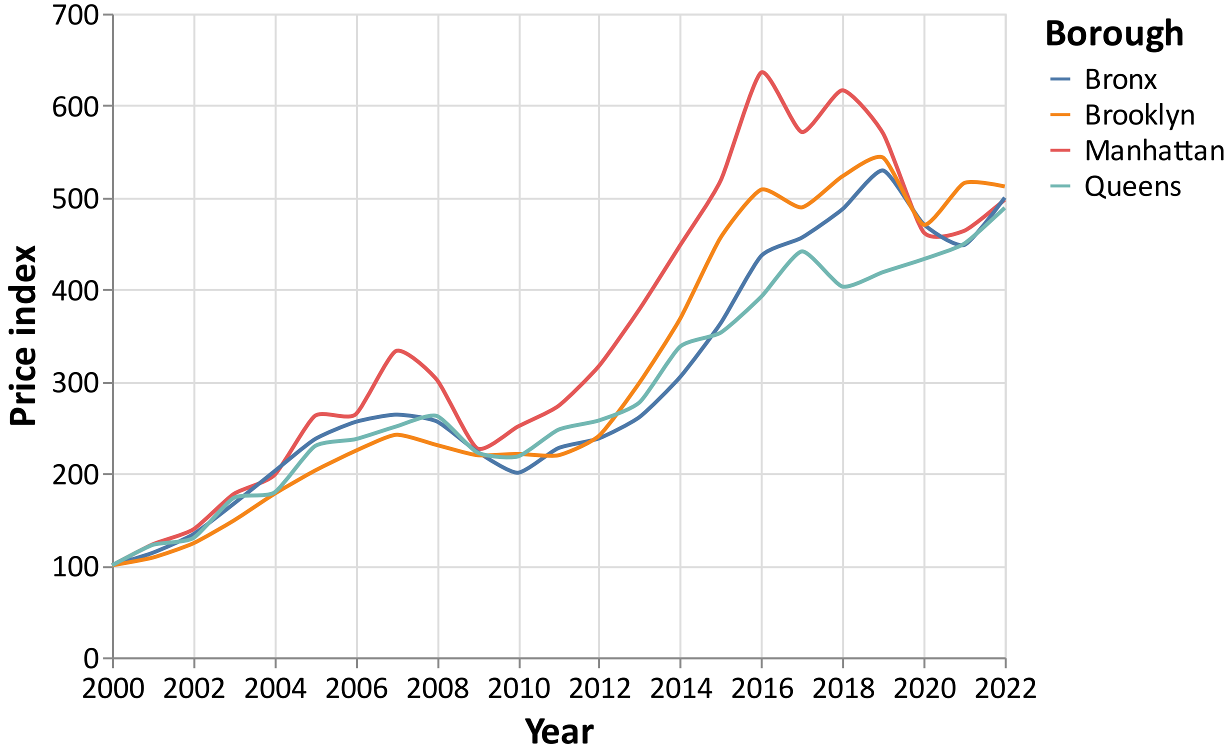
- The City should increase funding for the Neighborhood Pillars program in its FY 2025 capital budget. Neighborhood Pillars enables affordable housing groups to acquire and renovate multifamily rental buildings, in order to stabilize them, address repair issues, and permanently preserve them as affordable housing. The "Homes Now, Homes for Generations" campaign is calling for the addition of $250 million for Neighborhood Pillars each year over the next four years. Expanding Neighborhood Pillars would provide a strong preservation strategy for buildings where over-leveraging or long-term neglect by prior owners have resulted in significant distress.

For the small number of units that are vacant and unavailable to rent as a result of distress, a modest increase in the IAI cap, a more strategic approach to hardship applications that offers appropriate capital and rental subsidies, and funding for preservation purchases will ensure the proper balance of affordability and tenant protections with an owner's ability to economically make repairs and reinvest in their property.

Background: Vacancy Decontrol

In 1994, the New York City Council (which, at the time, had greater power to modify rent regulations) voted to introduce vacancy decontrol into the City's system of rent regulation: allowing landlords to permanently remove a unit from rent regulation if the monthly rent was greater than $2,000 at vacancy.[1] In 1997, the rules were amended further, allowing owners to increase the rent on a rent stabilized unit by twenty percent every time a unit became vacant, regardless of the length of tenancy or if the landlord made improvements or repairs to the unit. The passage of these two pieces of legislation, along with broader economic trends, caused the valuation of rental buildings in New York City to grow dramatically. According to Furman Center data, between 2000 and 2007, the rental building sales prices more than tripled in Manhattan and more than doubled in the Bronx, Brooklyn, and Queens.[2] Following a brief dip in valuation following the Great Recession of 2008, average sales prices for rental buildings rose again, more than doubling in each borough between 2010 and 2017.

Average price change in repeated sales of the same 5+ family properties

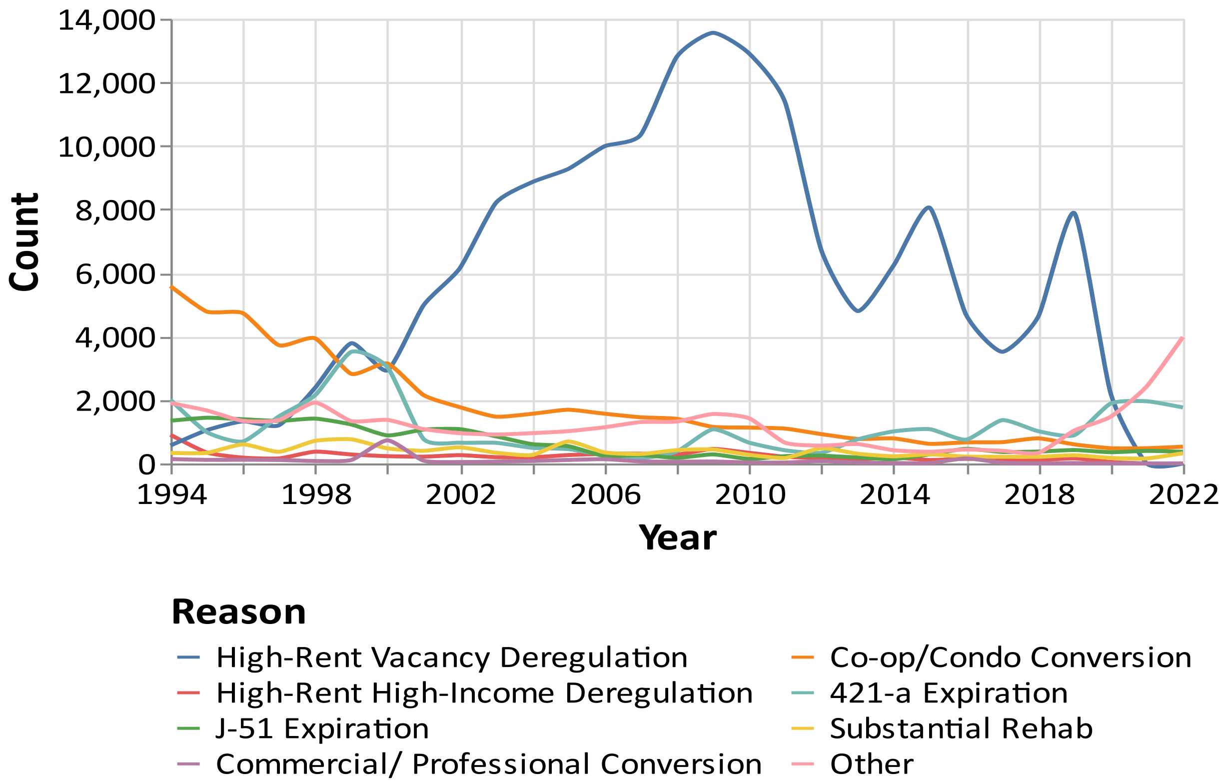


Note: Indexed values, index=100 in 2000. Data: NYU Furman Center CoreData.nyc. [3]

The introduction of vacancy decontrol created a new process by which landlords could raise rents. After an apartment became vacant, landlords received an automatic vacancy bonus and raised the rent by a portion of the individual apartment improvements (IAI) made to the unit or major capital improvements (MCI) made to the building. Reports have shown that IAIs and MCIs claimed during this period were frequently characterized by improper calculations, compounded by deficient oversight due to a lack of agency capacity. HCR stated in a 2014 the rules made "proper enforcement difficult" and that it was "challenging at best" for HCR to fulfill their enforcement mandate.[4]

In the years following the 1994 and 1997 legislation, there was an enormous increase in the number of units removed from rent regulation through vacancy decontrol. As documented in several studies, many landlords utilized legal and illegal methods to push residents out of rent regulated units, raise the rent above the vacancy threshold and permanently remove units from rent regulation.[5]

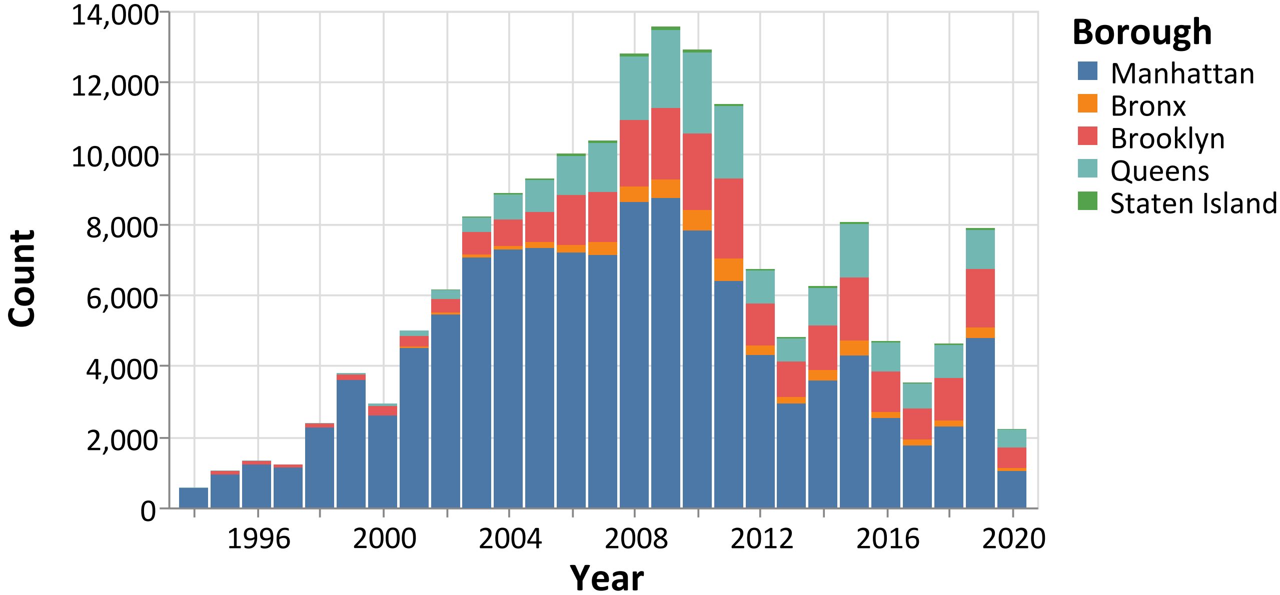
Subtractions from Stabilized Housing by Reason



Data: Rent Guidelines Board.[6]

While there are other ways in which units leave rent stabilization, the vast majority of units deregulated over the past two decades were removed through high-rent vacancy decontrol and co-op/condo conversion.[7] Since 1994, a minimum of 328,714 rent stabilized units have been deregulated, 52% (170,386) through high-rent vacancy deregulation and 68% (222,907) through either high-rent vacancy deregulation or condo/coop conversions.[8]

Subtractions from stabilized housing by borough



Data: Rent Guidelines Board.[9]

The increase in units being removed from rent regulation, largely through vacancy decontrol, was accompanied by an increase in higher value sales. Between 2010 and 2016, total sales volume for rentals rose from $1.28 billion to a high point of $8.31 billion in 2016 in Upper Manhattan, the Bronx, Brooklyn, and Queens.[10] Other owners held onto their buildings, and after raising the net operating income (NOI) took out much larger mortgages, pulling out significant equity, with no requirement to put that cash towards investments in the building.[11]

A report from University Neighborhood Housing Program (UNHP) and Local initiatives Support Corporation (LISC) found that buildings that were sold for the greatest price increases, or that took on the greatest amount of additional debt, had significantly more violations per unit than those that did not. The report also found that landlords who purchased their buildings at speculative prices or took on high levels of debt were more likely to evict residents.[12]

Since units could be deregulated and rents dramatically increased upon vacancy, some landlords deployed aggressive tactics to pressure tenants to leave their units: withholding repairs, repeatedly filing frivolous eviction notices, making repeated and unwanted buy-out offers, “construction as harassment” (purposefully conducting construction work to disrupt tenant safety and comfort), and even threatening physical violence to get residents out of their homes. Some lenders and investors were found to be providing financing that was premised on increases in NOI that could only be achieved through the displacement of existing residents and the removal of units from rent regulation.[13]

Case Study: 304-310 East 12th and 301-309 East 11th

A pair of buildings in the East Village provide an example of the harmful impacts of this type of business strategy. Both 304-310 East 12th Street and 301-309 East 11th Street have been home to a close-knit group of residents for several decades. The previous landlord, a small family-owner who purchased the building in 1966, generally followed the rules of rent regulation, providing tenants with renewal leases with the modest increases allowed, and not actively working to get rent-paying tenants out of their homes. Nonetheless, as a result of the owner utilizing the vacancy bonus and raising the rent by the 20% every time a tenant moved between 1997 and 2019, and applying vacancy decontrol when allowed, only 26 of 89 units remained rent regulated at the time the building was sold in 2022. These units housed dozens of individuals and families who paid rents far below the deregulated neighboring units and offered long-term stability in a neighborhood that has experienced significant gentrification over the past 25 years.

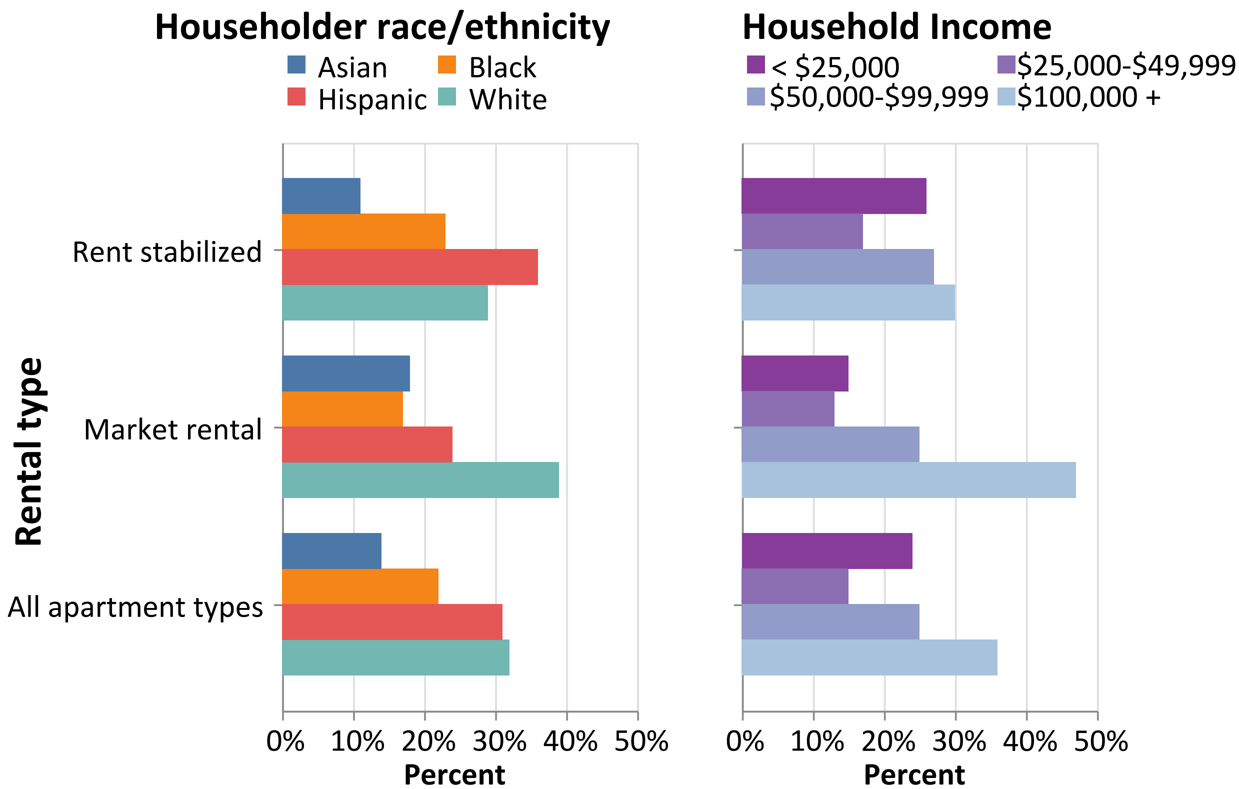
Meadow Partners, a private equity firm, purchased the buildings for $57,800,000, or $649,438 per unit, in September 2022. The new owners leveraged the buildings beyond the purchase price – with $60,600,000 in debt secured against the buildings at time of sale. Meadow Partners then implemented a strategy that has become commonplace similar situations: First, the new owner tells all market rate tenants that they will not be renewing their leases or states the tenant will need to figure out how to afford an enormous rent increase in order to stay in their homes. Next the owner sets about clearing out the remaining rent-stabilized tenants through various tactics, including using construction as harassment, withholding repairs, and making repeated and unwanted buyout offers.

Meadow Partners website states that their: "[i]nvestments generally combine distress and/or a unique 'story' with value creation opportunities at the property level[.]"[14] In this case, the "value creation opportunity" was the dramatic increase in rents enabled by the displacement of dozens of long-term tenants, who are highly unlikely to be able to remain in their neighborhood once evicted. One long-term resident of the building died by suicide several days after the sale of the building was announced publicly. [15]

Demographics of Rent Stabilized Housing

Rent stabilized housing disproportionately protects Hispanic, Black, and low-income New Yorkers. The 2023 Housing and Vacancy Survey found that 59% of rent stabilized apartments were headed by either a Hispanic or Black New Yorker. Eleven percent were headed by an Asian New Yorker and 29% had a head of household that was White.

Race/Ethnicity and Household Income by Apartment Type



Note: Asian, Black, and White race/ethnicity categories include only non-Hispanic individuals of each race. Data: NYC Housing Preservation & Development.[16]

The legal and illegal business strategies have attracted huge amounts of capital into the city's rental stock and made the owners of the buildings and the investors wealthy, but in addition to causing mass displacement of rent stabilized tenant over the past 40 years, these strategies have also left those buildings, and the remaining tenants, exposed to exogenous shocks. When real estate markets decline as happens cyclically under our economic system, interest rates rise, or regulations change that modify the underlying assumptions of the loans, the apartment buildings are vulnerable to foreclosure and the tenants who call those buildings home are at even greater risk of deteriorating building conditions and displacement.

The answer to the current moment is not to reintroduce vacancy decontrol, one of the roots of our City's current housing crisis. We must instead learn from the mistakes made in the 1990s and chart a different path forward. One that balances affordability, tenant stability, and high quality of housing.

The Current State of Rent Stabilized Housing in New York City

Amidst the broader challenges of housing affordability in New York City, concerns have been raised in recent years about the financial health of the city's rent stabilized housing stock and whether an increasing number of rent stabilized units are being kept off the market because they require renovations greater than can be financed with the returns from re-renting those units.

HR&A Advisors released a report on February 29, 2024, commissioned by the Real Estate Board of New York (REBNY) and the Rent Stabilization Association (RSA) on the current condition of the rental units their members own and/or manage.[17]

The HR&A report emphasizes significantly outsized conclusions from the survey. The report finds low vacancy rates (approximately 3%) among all owners, and among larger portfolios (11 or more units) who make up the vast majority of rent stabilized housing. Nonetheless, the report emphasizes higher vacancy rates among owners with small portfolios (under 11 units) with moderately or primarily rent stabilized units; however, these findings are based on an exceedingly small and non-representative sample size. Survey takers overall represent approximately 242,000 units (or 11% of the total rental stock of New York City). Out of that total, approximately 3% of the units were vacant.[18]

The report of high vacancies amongst owners of smaller portfolios are based on just a tiny handful of those units. Out of 266 total units in the survey owned by owners with small portfolios that were moderately rent-stabilized, 48 were vacant (18%). Out of 579 total units owned by owners with small portfolios with primarily rent stabilized units, 145 were vacant (25%). The vacant units in these categories are presented as large percentages in a breakout box in the report, but they represent just 0.08% of the total units in the survey. They are far too small a sample size to draw any meaningful conclusions.[19]

The HR&A report reflects a dramatic pandemic increase in 1-year vacancies from 2020 to 2021 that reversed a year later, and shows a decline in overall vacancies from 2018 to 2023. The number of units that were vacant for 1-year fell significantly from 2021 to 2023, and longer-term vacancies were essentially flat over that period.[20]

2023 Housing and Vacancy Survey

To get a more statistically representative assessment, the Comptroller's office reviewed the preliminary findings of the 2023 Housing and Vacancy Survey (HVS)survey data. New York City's Rent Stabilization Law requires that a survey be conducted every three years to determine the vacancy rate. In order for rent regulation to remain in place, the vacancy rate must be below 5%. To comply with the law, the HVS is conducted every three years and provides an accurate, comprehensive suite of data on the occupants and condition of the housing stock in New York City. This survey is impartial, regularly evaluated for validity, and conducted by the United States Census Bureau.

Vacancy Rates

If changes to rent regulation rules made in 2019 by the HSTPA had made it more difficult for building owners to make repairs when a unit becomes vacant, because it will either take too long to recoup the cost through the monthly rent or because there is a shortage of operating funds in the building or portfolio, it stands to reason that a growing number of rent stabilized units would be vacant. These units would either appear as a growth in the vacancy rate of rent stabilized units, or in an increase in units characterized as vacant but unavailable to rent. However, from 2021 to 2023, as measured by the HVS, there was instead a significant decline in each of these categories.

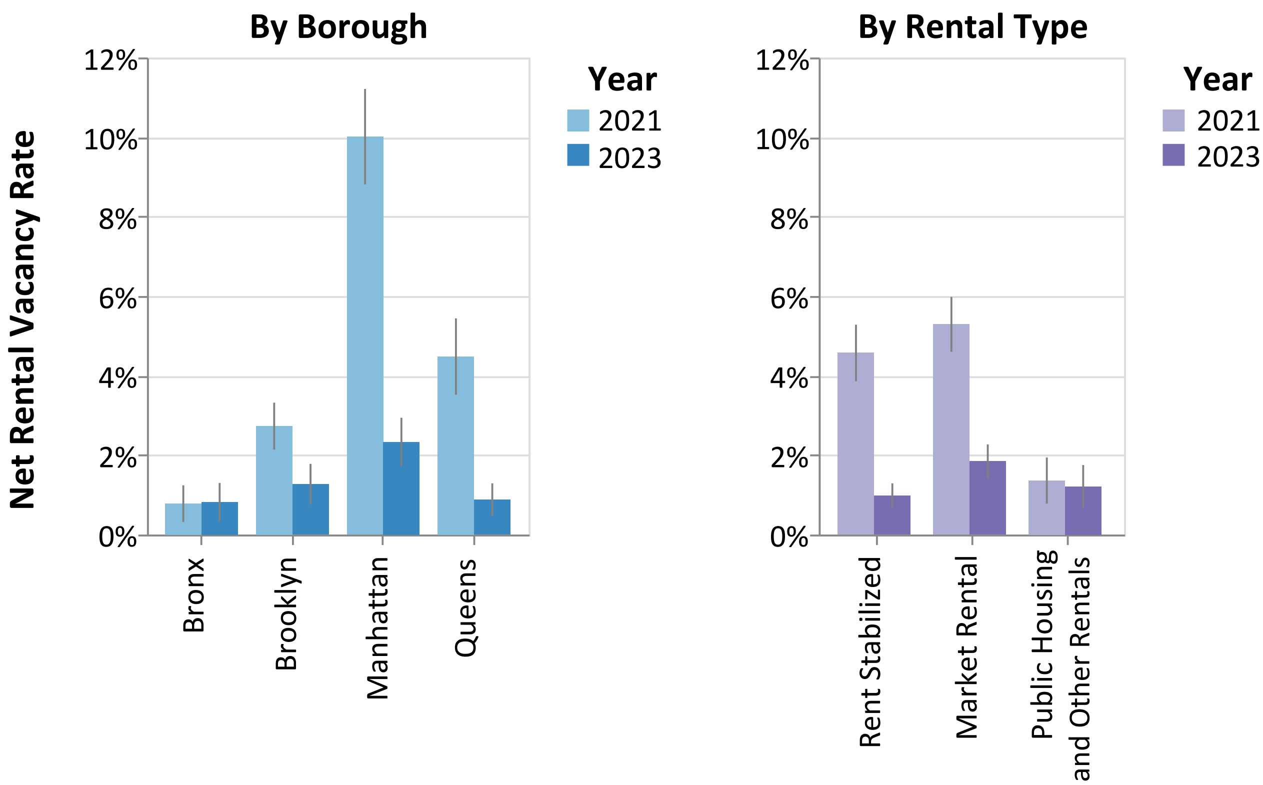
The New York City Department of Housing Preservation and Development (HPD) released the initial findings of the 2023 HVS on February 8, 2024. HPD's analysis of the survey found that the net vacancy rate across all housing accommodations in New York City (or 2,357,000 units) was 1.41%, declining significantly since the high rate of vacancy in 2021, at which time the vacancy rate was at 4.54%. The vacancy rate among only rent stabilized apartments is lower than the citywide rate, declining from 4.57% in the 2021 HVS to 0.98% in the 2023 HVS. The high vacancy rate during the pandemic, and the rapid decline between the 2021 and 2023 HVS, suggests that the pandemic was the cause, rather than HSTPA.

Net Vacancy Rate by Borough, Asking Rent, and Type of Housing

	2021			2023		
	Net Rental Vacancy Rate	90% Confidence Interval		Net Rental Vacancy Rate	90% Confidence Interval	
		Lower Bound	Upper Bound		Lower Bound	Upper Bound
Citywide	**4.54%**	4.10%	4.98%	**1.41%**	1.15%	1.67%
Borough						
Bronx	**0.78%**	0.32%	1.24%	**0.82%**	0.34%	1.30%
Brooklyn	**2.73%**	2.14%	3.32%	**1.27%**	0.76%	1.78%
Manhattan	**10.01%**	8.81%	11.21%	**2.33%**	1.72%	2.94%
Queens	**4.48%**	3.52%	5.44%	**0.88%**	0.47%	1.29%
Staten Island	**-**	-	-	**-**	-	-
Monthly Asking Rent						
<$1,650	**0.90%**	0.60%	1.19%	**0.65%**	0.44%	0.85%
$1,650+	**7.57%**	6.83%	8.30%	**2.16%**	1.79%	2.53%
Type of Rental Housing						
Rent Stabilized	**4.57%**	3.86%	5.28%	**0.98%**	0.67%	1.29%
Market Rental	**5.29%**	4.60%	5.98%	**1.84%**	1.41%	2.27%
Public Housing and Other Rentals	**1.36%**	0.78%	1.94%	**1.21%**	0.67%	1.75%

Data: NYC Housing Preservation & Development: 2023 New York City Housing and Vacancy Survey Selected Initial Findings. [21]

Net Vacancy Rate by Borough and Rental Type



Data: NYC Housing Preservation & Development.[22]

Units Not Available for Rent or Sale

The net rental vacancy rate calculation in the HVS includes units that were not occupied but were available for rent at the time of the survey. Units that do not meet this definition are classified by the HVS as vacant and not available for rent or sale. Such units declined significantly between 2021 and 2023.[23]

For all units (ownership or rental, regardless of rent stabilization status), there were 230,200 units that were vacant but not available in 2023, down 35% from 353,400 in 2021. The most prevalent reason was that the unit was held for seasonal, recreational, or occasional use (58,810 units or 26%), down from 102,900 in 2021 and 74,950 in 2017. There were 41,270 units undergoing or awaiting renovation, up slightly from 37,320 units in 2021. There were 13,680 units that were held vacant for 12 months or longer, down significantly from 26,050 in 2021.

For rent stabilized units, the number that were vacant but not available declined 47% from 42,860 in 2021 to 23,310 in 2021, according to HPD's preliminary findings from the HVS.

The number of units overall deemed dilapidated or otherwise uninhabitable (for example, if the unit had no access to a bathroom or had an active vacate order in effect) shrunk from 11,500 in 2021 to just over 3,000 units in 2023.[24]

The 2023 HVS microdata have yet to be released, but HPD officials who have analyzed the data stated in a Gothamist article published on February 26, 2024: "the 2021 survey found under 2,500 low-cost, rent stabilized apartments that were off the market for over a year and in need of repairs. With most apartments that were off the market in 2021 becoming occupied in 2023, we estimate that figure to be much, much lower."[25]

Furthermore, at a City Council hearing on HPD's initial findings of the 2023 HVS on March 6, 2024, HPD staff stated that in the 2021 HVS there were 2,477 "vacant, not available for rent" units subject to rent stabilization with rents below $1,000 that needed repair and were held off the market for 12 months or longer. In 2023, the sample size of long-term vacant stabilized units in need of repair with rents below $1,000 was too small for analysis, so they ran the numbers for those units with rents below $1,500. Even when increasing the monthly rental amount from $1,000 to $1,500, the total number of units that are being held off the market dropped from 2,477 to 1,732.

IBO Analysis of Vacancy History

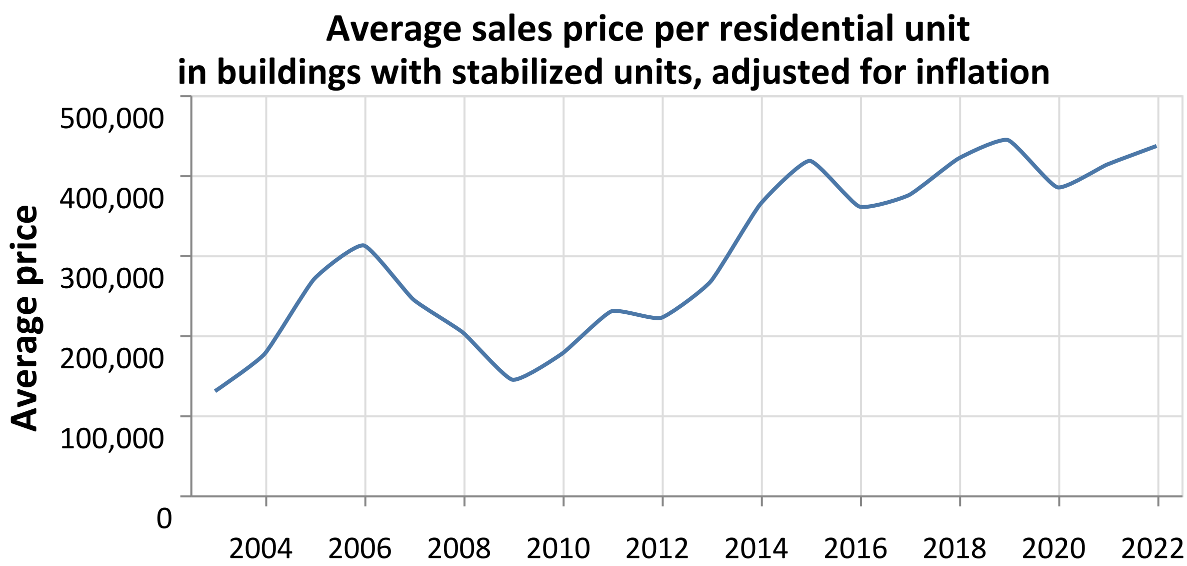
Public data from the HVS offers statistically valid samples at snapshots in time. The NYC Independent Budget Office (IBO), with access to much more detailed data from HCR, was able the track the vacancy history of each registered, regulated apartment over the past several years. From these data, IBO found that the total number of vacant rent-stabilized apartments in 2022 dropped significantly from the highpoint in 2021, from 59,785 to 42,275, or 29%, but was still elevated above pre-2019 numbers. The IBO found that the number of units vacant for two years increased significantly from pre-2020 levels (roughly 6,500 to 8,000 each year) to 2021 (12,318), and remain elevated in 2022 (13,362). It will be important to keep a close eye on this data, to see whether it follows the pattern of the 2023 HVS.[26]

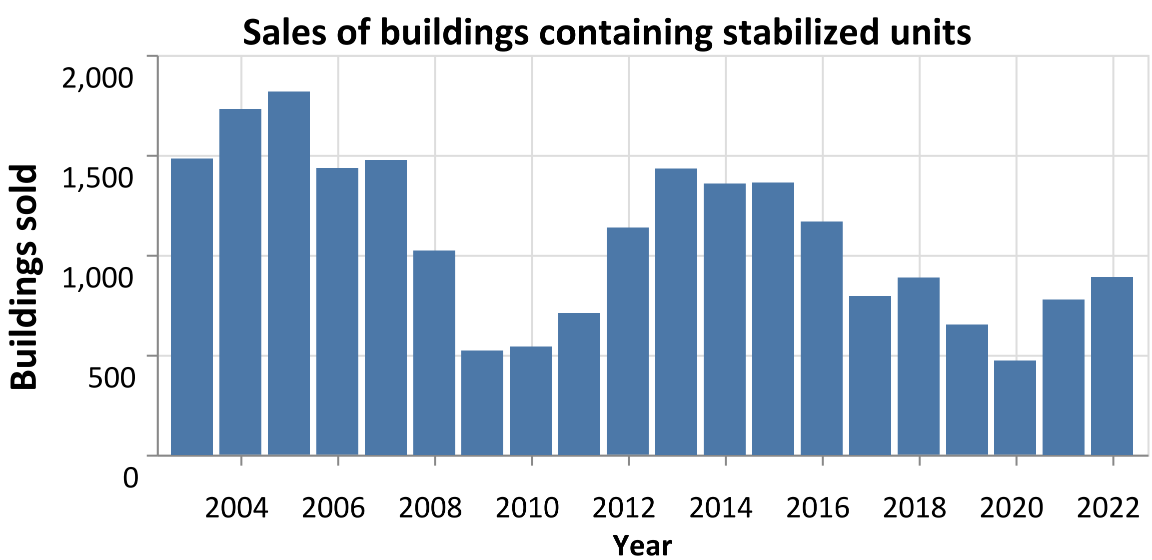
Rent Stabilized Property Valuation and Sales

Many factors make it difficult to assess the impact of the HSTPA on the values of rent stabilized buildings. The erratic impact of the COVID-19 pandemic, emergency tenant protections, higher inflation, and higher interest rates have all affected the value of rental properties since 2019.

The sales price per unit rose to a high point in 2019, reaching nearly $450,000 per unit. Following a brief dip in 2020, it has risen in the past two years and has on average remained nearly as high in the three years following the passage of HSTPA. Data from the NYC Rent Guidelines Board indicates that although sales volume dropped in 2020, it has risen back to levels comparable to the before the passage of HSTPA.

Average sale price and sales volume in buildings with stabilized units





Data: Rent Guidelines Board.[27]

Recommendations

The data analyzed for this report indicate that claims of distress in the city's rent stabilized housing stock are overstated. Vacancies, and the number of units vacant but not available to rent, fell significantly from 2021 to 2023. Sales prices and volumes do not indicate a problem in the marketplace. The data do not indicate that the HSTPA has caused significant problems for the rent stabilized housing stock. There is no evidence that a roll-back of the HSTPA or restoration of vacancy decontrol is warranted.

While the universe of rent stabilized units that are vacant and not available to rent, especially at lower rents, is quite small, it is nonetheless worth improving policy tools to ensure that these units are renovated and placed back online, and to address the small number of rent-stabilized buildings with long term vacancies or cash flow issues. There are several existing policy solutions that protect long-term tenants, improve buildings conditions, and provide reasonable rates of returns to building owners.[28]

Raise the Cap on Individual Apartment Improvement Increases (IAI) to $25,000

Individual Apartment Improvement (IAI) rent increases allow landlords to collect a rent increase on a rent stabilized apartment in return for making physical improvements and/or providing new appliances to that apartment. Pursuant to HSTPA, the permitted increase in the legal regulated rent is 1/168th of the total cost of the improvements for buildings of 35 units or fewer, and 1/180th for larger buildings. Costs and improvements must be approved by HCR. A tenant in occupancy must consent to such increases; as a result, in practice, most larger IAIs take place upon vacancy.

As part of HSTPA, a $15,000 per unit cap (over a 15-year period) was placed on IAI, to address concerns about abuses in previous years and limit the incentives for landlords to seek to vacate units. In practice, $15,000 has proved too limited in some cases, especially for vacant units that had been previously occupied for many years, as a result had seen few improvement, and continue to have low rents. For its recently developed "Unlocking Doors" pilot program, which provides grants to owners for the renovation of distressed, rent stabilized units, the NYC Department of Housing Preservation and Development (HPD) established a $25,000 limit, a reasonable standard.

The State should raise the cap for allowable Individual Apartment Increases (IAI) from $15,000 to $25,000, and peg it to inflation moving forward.

Utilize or Modify Existing Programs to Address Hardships

For the very small number of units for which a modified IAI is insufficient, the office of Rent Administration (ORA) within the State's Department of Homes and Community Renewal (DHCR) has a process through which building owners can apply for hardship. ORA determines whether "adjustments in rent [are] needed to enable the owner to maintain approximately the same average ratio (as defined by usage) between operating expenses and gross rents as was realized for the preceding five-year period."[29]

The State should evaluate reasonable changes to this system so that modifications to legal rents are awarded on a case-by-case basis as necessary, and offer appropriate capital grants, rental vouchers, or preservation loan programs. For capital grants, HCR should coordinate with the City to offer HPD's new "Unlocking Doors" program, provides $25,000 in subsidy to landlords who need to make repairs to individual units. The State Legislature should allocate funding to HCR to provide similar grants. HPD and HCR should also ensure that there is an adequate budget for outreach and technical assistance for owners.[30]

The State should also pass the Housing Access Voucher Program to provide rental subsidies for low-income and homeless families, and vouchers should be made available to residents to ensure that any increase in rent does not exceed thirty percent of their income. These vouchers should be made available for units or buildings facing hardship, while still ensuring affordability. CityFHEPS vouchers could also be used for this purpose. The State should consider amending Section 610 of the Private Housing Finance Law to allow for owners who utilize vouchers as part of a hardship application to charge up to the fair market rent as long as a voucher holder resides in the unit, under HCR supervision. Through this modification, the legal rent of the apartment would remain (subject to appropriate IAI increases), but the landlord would be able to receive the greater value of the voucher.[31]

In February 2021, HPD published an updated term sheet for the Housing Preservation Opportunities program. The program helps landlords who own properties without significant code violations to receive an Article XI tax exemption in exchange for signing a regulatory agreement, which adds additional affordability restrictions.[32] Thus far the City has financed 14,925 units across 88 buildings in this program and it continues to be an option available to property owners.[33] These loan programs provide low-cost capital for making both building wide and individual apartment improvements in addition to a full property tax exemption. In exchange for subsidy, building owners must agree sign a regulatory agreement with the City of New York.

Include Funding for Preservation Purchases in the City's Fiscal Year 2025 Budget through the "Neighborhood Pillars" Program

Finally, in some cases, it may make sense for the owner of a distressed rent stabilized building to sell the building to a "preservation purchaser," a not-for-profit organization with a mission to improve, preserve, and stabilize affordable housing. In 2018, New York City launched the "Neighborhood Pillars" program to transition privately owned housing into community ownership, make any necessary building repairs, and preserve the affordability for the long term. The original vision for Neighborhood Pillars was to preserve 7,500 units citywide, but it was put on pause during the pandemic and never realized at scale.

The "Homes Now, Homes for Generations" campaign is calling for the addition of $250 million for Neighborhood Pillars each year over the next four years. Expanding Neighborhood Pillars would provide a strong preservation strategy for buildings where over-leveraging or long-term neglect by prior owners have resulted in significant distress. This would allow the City of New York to work with owners to find a mutually agreeable preservation strategy in which nonprofit affordable housing groups acquire and renovate multifamily rental buildings, in order to stabilize them, address repair issues, and permanently preserve them as affordable housing.

Conclusion

Between 1994 and 2019, 170,386 rent-stabilized apartments in New York City were permanently deregulated, mostly as a result of vacancy decontrol. The process of deregulation often led to the displacement of New Yorkers from their homes and the permanent loss of affordable rental housing for working families.

Passage of the HSTPA wisely ended vacancy decontrol. This report finds no evidence that this led to a significant increase in vacancies, or distress on the city's rent stabilized housing. While the pandemic caused a significant one-year bump in rental vacancies from 2020 to 2021, vacancies have now dived to their lowest level ever. The proposal for the re-introduction of vacancy decontrol (S6352/A06772)[34] is a dramatic overreaction.

For the small number of units that are vacant and unavailable to rent as a result of distress, a modest increase in the IAI cap, a more strategic approach to hardship applications that offer appropriate capital and rental subsidies, and funding for preservation purchases will ensure the proper balance of affordability and tenant protections with an owner's ability to economically make repairs and reinvest in their property.

Acknowledgements

This report was primarily researched by Daniel Levine, Senior Data Analyst and Products Manager with assistance from Robert Callahan, Director of Policy Analytics in the Policy & Organizing Bureau and Annie Levers, Deputy Comptroller for Policy.

Endnotes

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