NEW YORK STATE
HOMES AND COMMUNITY RENEWAL
BOARD MEETING

Rockland County RGB Research Meeting

Held Via Teleconference

Thursday, June 10, 2021

7:13 p.m.

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MR. PETER M. STECKER: Okay. Good evening. The time 7:13. It's Thursday, June 10th.

Chair?

MS. PATRICIA CALDWELL: Thank you. Welcome to our Zoom meeting for tonight's -- and at this time -- now, April, do you want me to introduce you, and then you introduce Guy, or do you just want me to go straight to Guy?

MS. APRIL GRAY HUERTAS: No, you're welcome to introduce him. I believe Guy and Jeff are both with us this evening.

MS. CALDWELL: Yes. We've established that we have a quorum.

At this time --

MS. GRAY HUERTAS: You know what? Let me take attendance just so it's on the record.

MS. CALDWELL: Okay.

MS. GRAY HUERTAS: Since Karen was unable to make tonight's meeting.

Patricia Caldwell?

MS. CALDWELL: Here.

MS. GRAY HUERTAS: Kim Foskew?

MS. KIM FOSKEW: Here.

MS. GRAY HUERTAS: Milagros Guzman?

MS. MILAGROS GUZMAN: Here.

MS. GRAY HUERTAS: Jain Jacob? Alejandra?

MS. ALEJANDRA SILVA-EXIAS: Here.

MS. GRAY HUERTAS: Okay. Jarrhett Oates? Rabbi Hersh Horowitz.

RABBI HERSH HOROWITZ: Here.

MS. GRAY HUERTAS: All right. And on that, our two speakers this evening are Guy Alba and Jeff Horowitz, from DHCR's Office of Research. And I don't know which of the two of you will be taking the lead.

Is it you, Guy?

MR. GUY ALBA: Yes. Hi. Yes, I will be taking the lead. If I can say thank you very much to all of the of members of the board, including everybody on the research and data analysis staff. Thank you so much.

Worked very, very hard to make this happen. As you know, this is difficult times for everyone, and we were able to reach out to owners, communicate with them, and have them submit surveys for your data analysis and review for the '20/'21 cycle.

Jeff is going to take over. I'm going to display from my computer. Hopefully, I will be able to display it.

Am I a host of the proceeding?

MR. STECKER: Yes, Guy, you're a co-host.

MS. CALDWELL: I believe that you are.

MR. STECKER: You should be -- you should be able to share your screen.

MR. ALBA: Just be a second. I'm sorry. For some reason, there is no choice for sharing my screen. Usually, there is, but give me a sec. I'm unable to share my screen.

Is there some -- maybe you didn't give me credentials? Because it's not -- give me a second. Hold on. Something's coming up right now. There we go.

Jeff's going to take over. He's going to explain some of the data and answer the questions. I'm here, as well, to explain the data.

As you can see, we received 16 schedules for this year. We also have the 15 scheduled. Everybody, I hope, has this data. You should have received this data Tuesday. It's an email that came from Jeff.

MR. JEFFREY HOROWITZ: Two emails, actually.

MR. ALBA: Jeff's email. And I'll let Jeff Horowitz take over and go through the data.

MR. HOROWITZ: All right. Can everybody hear me, or?

MR. ALBA: Yes.

UNIDENTIFIED SPEAKER: Yes.

UNIDENTIFIED SPEAKER: Yup.

MR. HOROWITZ: Okay. Great. First, hopefully, everybody received -- this is the tabulated data. In addition, there was an email prior to this, which had the reports that are sent to you, the CPI data, as well as the New York City rent guidelines for price index of operating costs, and a mortgage survey report.

We do that consistently with the three guidelines boards, those four reports, the two RBG City reports, as well as the BLS, U.S. Bureau of Labor Statistics consumer price index data, as of April of the calendar year, and also the regional CPI for New York and New Jersey.

So hopefully, everyone did receive both emails. The most recent are the tabulated data reports. If anyone didn't receive the first email, just let me know, because I can forward it. But I'm assuming everyone, at least in the quorum, has received it.

So the first tabs, of course, as of quite a few years ago, we've been supplying two sets of tabs because Regency Village is such a large complex that it dwarfs almost all the other buildings in Rockland. That's why the board, at the time, felt it was a good idea to have two complete sets of tabs, one including and one excluding.

Now, compared to last year, we did receive one additional building schedule, so the total for this year is up to 16, which is kind of an average year. Maybe a very high year, we may get 18. I believe it's 37 schedules that are mailed to owner, and that 37 figure includes garden complexes as well as single buildings. So it can sound a little misleading, or a little bit on the low side, but we've been very careful to make sure that we're good in terms of mailing, we're current, and we've captured as many addresses as possible in the county.

So we have, actually, almost a 50 percent compliance rate. Maybe it's a 40 to 45 percent, but it does tell you, in the upper part of the heading of the tab, how many units are included in these tabs, and out of that, let's look at the 16 schedules, out of the 1,743 total housing units of these 16 buildings, 1,691, 1,691 are subject to the ETPA, so you have a good percentage of units in these 16 that are under the protections.

So in that regard, it's, I think, a fairly good sample. We always strive to try and increase the sample size, but it's not a state requirement like the registration requirement is. This is not as strict a requirement. We try and assist you guys and we try and say the boards are requesting, or requiring, this data to try and get some sort of teeth into it, but it's not a "state requirement", which limits our ability to have penalties imposed or enforcement on this.

But we're pretty much where we used to be. I think 16 to 18 has been our average for quite a few years. And at least most of the larger properties are included.

Now, one thing you might have noticed already, if you perused the tabs, is that the percentage changes in the actual amounts, the rental amounts, income in particular, rental income has been kind of static, and in a way, the drop from 25,812 to 25,237 is -- I wouldn't say it's unprecedented, but it's highly unusual, and I guess that's due to the two consistent years of zeroes for the guidelines for proposed one and two-year leases.

So that's one of the issues that I noticed in terms of something a little bit unique to this group. The rental income actually declined between '18 -- if you just look at '18 and '20, believe it or not, it was 25,231 total rental income versus 25,055 for calendar year '20.

MR. ALBA: Sorry to just chime in. It's always, actually, zero. So what you're seeing, --

MR. HOROWITZ: Yes, right.

MR. ALBA: -- Jeff is talking about in millions.

MR. HOROWITZ: Right. I mean, in terms of our reflection. It is -- it says under table 1, in thousands, so sorry about that. And under table, when it says, in thousands, so you multiply that figure. The bottom line is, it's been static. There's no change in income, and it's miniscule, and that's something to think about, I think.

The expense categories, as well, have also been fairly static, at least in this set. I mean, repairs and maintenance went down. Now, you could speculate on that. Was it due to the fact of the lower guidelines that owners didn't invest as much? I don't know. It's, again, a curiosity, right?

I looked at the repairs category, and noticed the drop in calendar year '20, and you could speculate, maybe that has something to do with the guidelines being frozen at zero. I'm not sure, but again, it's highly unusual to have a decrease from '18 to '20, and that looks like a fairly significant decrease in total repairs and maintenance. So that's the first table, which again, is based on numerical figures.

MR. ALBA: All right. I just wanted to add something to --

MR. HOROWITZ: Sure.

MR. ALBA: -- Jeff's -- regarding the expenses. The expenses, it could be from guidelines. Again, it could also be because, remember what we were in 2020, we were in the COVID situation --

MR. HOROWITZ: Right.

MR. ALBA: -- and I'm sure, getting certain professionals to come was difficult, so you see also, that dip in expenses, and maybe it's a little bit more dramatic, but in 2018, maybe expenses may have been a little greater, but we're basically comparing it to the times that we're living in. Could be the guidelines, but it could also be COVID.

MR. HOROWITZ: Could also be, yes, COVID. That is very true. I'm not forgetting that.

But you can see the rental income has been static, and hardly any fluctuation. I mean, nothing major. It's static, so there's nothing really to tell there, other than that's certainly due to the zero percent figures, that they've gotten decreases in total income. It could also be due to preferential rents that are given. So we are not -- I'm not 100 percent sure, but it's something to think about.

And the second table, percent distribution of expenses from year to year.

Does anyone see anything that strikes them as significant, or? Again, it's nothing -- there's not much of a progression. Utilities are nothing significant. Payroll, nothing significant. Insurance is actually very close. Maybe again, repairs and maintenance, percentagewise, but Guy mentioned, again, that COVID could have been a factor in 2020. I'm sure it was a factor.

MR. ALBA: Well, we know it was a factor because you can see management has gone down to a 5.7. That gives us just those tiny hints that that's what's --

MR. HOROWITZ: Um-hum.

MR. ALBA: -- been happening here.

MR. HOROWITZ: Did anyone have questions so far?

Okay. Table 3, percentage change of income and expenses, over a two-year period covered. So basically, during calendar year '18 to '19, there was a slight increase in rental income. Again, this is understandable, '19 to '20, it declines by over 2 percent. Now, that has to be due to the zeroes, at least on a certain level.

Now, I have to -- did anyone note this one? I'm not sure about it. It could be due to the real estate tax decline, or real estate taxes paid.

MR. ALBA: So basically, what --

MR. HOROWITZ: That may be due to --

MR. ALBA: -- basically, what you're looking at, again, even though we're looking at three years, 2018, 2019, and 2020 --

MR. HOROWITZ: Right.

MR. HOROWITZ: -- keep in mind that this particular table tries to give you a little picture of changes from 2018 to '19, and then a separate table showing you a 2019 to 2020 change. So stuff like miscellaneous income, things that have gone down, nothing major, but as miscellaneous income could be so many things, like operating of washing machines and laundry equipment, signal rentals, key sales --

MR. HOROWITZ: Uh-huh.

MR. ALBA: -- charges for master television antennas, and those matters, other items. So you see some of those incomes down as people did not take advantage of it.

As far as real estate, each county, it all depends on (indiscernible). Some people file for appeals on their real estate, and they receive a --

MR. HOROWITZ: Right.

MR. ALBA: -- refund.

MR. HOROWITZ: A refund.

MR. ALBA: We did not any -- we did not see any way to change from the 2019 to the 2020 in comparison to 2018 to 2019, so there were no reports of any substantial income refunds from any of the owners. And that's why it said zero.

MR. HOROWITZ: Now, did anybody have a question on the expenses rate of change, in terms of -- I mean, there was a decline again in expenses, at least for insurance. From an increase of 12 to a decline of 11, but I don't know if that's overall significant, because it really went up for a two-year period, then declines close to that amount for the second two years, so. I was looking at this. I'm not sure. We speculated that repairs and maintenance, that that could, again, be due to COVID, the lack of repair people during the second year of the two years. The second two-year period, I should say.

Okay. And finally, on table 4, this is an income versus expenses, again represented in thousands, so of course, it's millions in reality, in income. Again, it's static for the three years.

Just trying to see one other thing.

MR. ALBA: I'm going to switch to the vacancy tables, so you will be able to see one-year, two-year lease changes.

MR. HOROWITZ: Did you want to look at anything in the 15 group, just for argument's sake?

MR. ALBA: The 15 group is very static, also, with the 16 group.

MR. HOROWITZ: It's pretty static.

MR. ALBA: Because it's the same as 16, with --

MR. HOROWITZ: Pretty similar.

MR. ALBA: -- the exception of the (indiscernible) taken out.

MR. HOROWITZ: Did anyone have questions on the second group? Okay.

Now, the vacancy tables, hopefully everybody has their own set. Page 1 of it talks about lease terms of one year previously rent with lease terms by one year. And a median previous rent was reported versus a median current rent, and then a mean rent -- now, most people know that we generally, for reliability, go with the median for changes, or even for measurement, right? The mean is just a simple average, and we generally don't think it's reliable.

Right, Guy? I mean, in terms of --

MR. ALBA: Yeah. We tend to use the median. There's about a $11 difference, if you look at it from year to year. Again, this is a one-year lease renewal plan. Let me help those who maybe may be new or may have forgotten how we read this chart, and I'm -- if you look at the, let's say, on the left side, where it says 1,000 to 1,499, that would be the old, prior to new lease, a one-year lease rental amount --

MR. HOROWITZ: Rental amount, right.

MR. ALBA: -- was paid. Most of them who were new to the one-year, for a one-year lease, 38 of them remained in that category of 1,000 to 1,499. Only 1, after that lease -- could have been that that individual was at 1,450 the previous year, and with the new lease, it went up to between 15 to 1,999. So most remained within their category. Not a big change, and of course, the median rent tells us that there's no major change. $11 change from previous years to this year, as --

MR. HOROWITZ: Right.

MR. ALBA: -- far as -- as far as -- when I say $11 change, you look down where it says, median rent, previous, at 1,356, and median current rent changing at 1,367, so that's what you're looking at. About $11.

And we also have a table here for a two-year lease. And as you can clearly see, very clearly see, most tenants in Rockland do not go for a two-year lease --

MR. HOROWITZ: No.

MR. ALBA: -- most people there go for a one-year lease.

MR. HOROWITZ: Which I kind of find kind of -- that's very unique. I mean, we've seen most of them -- there are some two-year leases in most of the other counties. Most of the other munies, even, so. But maybe -- the bottom line is -- the bottom line is, it looks like there's basically three classes -- three rental ranges that you could focus on for this group of buildings. There were 39 tenants or apartments basically with the 1,000 to 1,499, and the one unit at 15 to 1,999. Then you have the 18 at the 15 to 1,999.

Now, the four units in the 2 to 2,500, I would assume those are the very large apartments. I mean, we don't have room counts here, but you can just, on the basis of common sense, the four units that are at that rental range, I would assume are the three-bedroom units. We would have to look at the individual breakdowns by the schedules to see how many buildings have three-bedrooms, or certainly two-bedrooms or more. But there are very few of them.

So it's a static -- look, it's a static rental universe now. I mean, most of the owners are -- and some of them are still giving preferential rents within the ranges. So it's a complicated situation now, based on the tenant's universe.

MR. ALBA: Page 3 and 4 -- so page 3 and 4, by the way, the dollar amounts, they are basically the same in percentage. Just like page 1 and page 3 would be the ones you want to look at and see the change in percentage because -- and clearly it gives us a very, very clear picture of that. A very, very large percentage remained within their category, whether it's the 0 to 499, 500 to 999, 1,000 to 1,499, et cetera.

So this is just a percentage table, which is a very,

very good picture as to what's happening as far as one-year leases. Again, the three-year leases, you'll see the zeroes in the percentages because we have no data for them.

We're going to go to the table that's cost to income ratio, once one of my things here disappears. Give me a second. I'm sorry. There we go. This is the cost to income ratio.

Go ahead, Jeff.

MR. HOROWITZ: Now, basically, this is taken from the City board's methodologies and we employ it for the suburban counties. I mean, the formula may have originated with the City board, right, in their reporting. I'm not sure if -- I think the City first started it, and then we incorporated it over the years. People first asked me about it, and I think that's how the chain of events works.

The bottom line is, at least as far as I understand it, that the higher the figure, a percentage figure, the better the owner is doing in terms of how much of his income he or she is spending on expenses. In other words, the closer you get to, maybe 50 percent, the more of the income is being spent on expenses.

MR. ALBA: So there's two columns. There's actually, when --

MR. HOROWITZ: Yes.
MR. ALBA: -- you look at --
MR. HOROWITZ: Two separate columns.
MR. ALBA: -- there's two different columns, and there's including interest and depreciation, and excluding interest and depreciation --
MR. HOROWITZ: Excluding.
MR. ALBA: -- and this is something that the Rockland board and the Westchester board always have asked us to separate them so you would be able to see if -- with interest and depreciation and without.
Again, it's a very -- in my view, it's a very good table, because it's a historical table for any board member. It gives you a good -- but it's also an inverse table, so when you're looking at a percentage, let's look at the second column, the one on the right side --
MR. HOROWITZ: Um-hum.
MR. ALBA: -- the one that's -- that says excluding interest and depreciation. If you look at the excluding interest and depreciation, for 2019, you had 58.9 percent. In 2020, we have 55.5 percent.
MR. HOROWITZ: 5. Um-hum.
MR. ALBA: So this is an inverse table. The picture tells us that the owners were doing better, since now we have a decline from 58.9 to 55.5 percent.

MR. HOROWITZ: So they are, in effect, spending less now of their income --

MR. ALBA: That's correct.

MR. HOROWITZ: -- on "expenses."

MR. ALBA: That is correct.

MR. HOROWITZ: So in other words, in the earlier years, where you had higher figures -- I mean, in the excluding column, it's closer in general, the variation of the figures is less.

It seems, with the including interest and depreciation, there's a little bit more variance, right, because you have a very high figure in 2004, let's say, of 93.2 percent, and then in the excluding one, you have 66.1. But if you look at them individually --

MR. ALBA: Right.

MR. HOROWITZ: -- over the years, it looks like the column, the table excluding is more or less much more (inaudible) from year to year?

MR. ALBA: Just board members should know that including interest and depreciation, again, it's a report that's coming from different owners, it's very, very hard for us to say what they are using in their interest and depreciation, and that is -- gives me a better picture without the income interest and depreciation, so that's the second column, gives me a better picture of --

MR. HOROWITZ: Right.

MR. ALBA: -- the health of the income that an owner is enjoying or not enjoying.

MR. HOROWITZ: Right. And it's also much closer -- it's much closer, the grouping. There's less variance in the figures from year to year. If you look in the '90s, it's basically in the mid to high 50s, maybe it gets to 60 percent in '97. There's very little fluctuation overall. A high of 66.1 in '04.

But you have a lot of -- you have some fluctuation in the including, so I guess it's -- it may not be as reliable for our purposes.

MR. ALBA: I mean, it is, again, this is a historical table. If you're talking about the 2000s, you can see the mortgage crisis of 2008, you can see that it went up to about 71 percent, so again, inverse, and again, being in this situation, it's at 55.5 percent.

Are there any questions regarding this table or any other tables that Jeff and I can reply to? If somebody wants to ask, maybe you forgot to take yourself off mute. Just in case, as a reminder.

If there are no other questions, we're going to send this back, and I'll stop sharing my screen, and we'll send it back to Patricia.

MR. STECKER: Chair?

MR. ALBA: You're on mute. You're on mute.

MS. CALDWELL: Hello? Okay. I'm unmuted now.

UNIDENTIFIED SPEAKER: You are.

MS. CALDWELL: Okay. Let me say this again.

Thank you for the presentation, and although we didn't ask any questions tonight, I am sure in the next couple of days, you will get some calls, now that they've -- and give them a little time -- and give us all a little time to process the information that you just provided us.

MR. ALBA: I just wanted to ask something regarding phone calls. It's preferable if you just put it into an email form, and make sure you cc everyone, including all members of this Rockland board, the guidelines board, and as well as the secretary for the board, and the counsel for the board. That way, we can communicate with you in one shot, and everyone can see the question, and everyone can see the answer. So the only thing we ask is, if you call us up, we'd prefer that it goes through an email system so everyone can share in this kind of information and the Q and A.

MS. CALDWELL: Okay. That can work. Thank you.

That's the only item we had on the agenda for tonight.

Does any of the members have any comments to make at this time? Unmute yourself and say whatever.

UNIDENTIFIED SPEAKER: No.

MS. CALDWELL: Hearing none. Okay.

April, do you have any closing remarks to make?

MS. GRAY HUERTAS: My only remark is that next Thursday, this board will vote on its guideline increase subsequent to a hearing, if there's anybody that signs up to testify. So we will take testimony first, and then the board will vote on the increase or decrease for our guideline.

MS. CALDWELL: Okay. Thank you.

MS. GRAY HUERTAS: Thanks, Pat.

MS. CALDWELL: Thank you. If there are no other issues or concerns?

Hearing none, I'll entertain a motion to adjourn.

MS. GRAY HUERTAS: Motion to adjourn.

UNIDENTIFIED SPEAKER: Second.

MS. CALDWELL: A second?

UNIDENTIFIED SPEAKER: Second.

MS. CALDWELL: It’s been properly moved and seconded. All in favor?

MS. FOSKEW: Aye.

MS. CALDWELL: All right. Good night. We'll talk to you next Thursday, the 17th. Have a good night.

MS. GRAY HUERTAS: Thank you.

UNIDENTIFIED SPEAKER: Have a good night, everyone.

MS. CALDWELL: Good night, and thank you.

[END RECORDING]

C E R T I F I C A T I O N

The prior proceedings were transcribed from audio files and have been transcribed to the best of my ability. I further certify that I am not connected by blood, marriage or employment with any of the parties herein nor interested directly or indirectly in the matter transcribed.

Signature

Date June 14, 2021