
2011 Price Index of Operating Costs

April 14, 2011

Board Members

Chair:

Jonathan L. Kimmel, Esq.

Public Members:

Betty Phillips Adams
Courtney Moore
Ronald Scheinberg, Esq.
David H. Wenk

Owner Members:

Magda L. Cruz, Esq.
Steven J. Schleider

Tenant Members:

Adriene L. Holder, Esq.
Vacant

Staff Members

Executive Director:

Andrew McLaughlin

Research Associates:

Brian Hoberman
Danielle Burger

Office Manager:

Leon Klein

Public Information:

Charmaine Superville

PIOC Temp Manager:

Shirley Alexander

2011 Price Index Of Operating Costs

What's New

- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) increased 6.1% this year.
- ✓ Costs in pre-war buildings increased 6.6% and costs in post-war buildings rose 5.2%.
- ✓ The “core” PIOC, which excludes the erratic changes in fuel oil prices, natural gas, and electricity costs, is useful for analyzing inflationary trends. The core rose by 3.9% this year.
- ✓ Fuel oil costs rose 23.1%.
- ✓ Real estate taxes increased 3.5% due to a rise in assessments and tax rate for Class Two properties.
- ✓ Labor Costs rose 2.7%.
- ✓ The Utilities component increased by 7.7%, primarily due to a rise in water and sewer costs.
- ✓ Insurance Costs decreased by 0.4%.
- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 7.4% 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

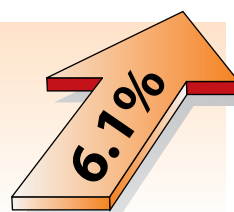
alterations in the quality of services provided requires that very careful specifications of the goods and services priced must be developed and applied. The pricing specifications must permit the measurement of changes in prices paid for

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.

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 2011 Price Index are based upon the 1983 Expenditure Study and are revised on the basis of annually measured price changes from 1982-2010.

The importance of each index component is shown by its “expenditure weight” (see Appendix 2). The measured 2010-11 price changes in each index component are also presented in this appendix. The expenditure weights and

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



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, March 2010 to March 2011

Taxes	3.5%
Labor Costs	2.7%
Fuel	23.1%
Utilities	7.7%
Contractor Services	2.7%
Administrative Costs	2.9%
Insurance Costs	-0.4%
Parts and Supplies	3.7%
Replacement Costs	0.6%
All Costs	6.1 %

the 2010-11 price changes are then combined to provide the overall change in the PIOC over the period from 2010-11.

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 6.1%, 2.7 percentage points more than the PIOC percentage change from the year before (3.4% in 2010). The PIOC was driven upward by a significant increase in fuel oil costs of 23.1%, along with a 7.7% increase in the Utilities component. More moderate increases were seen in Taxes (3.5%), Administrative Costs (2.9%), Labor Costs (2.7%), Contractor Services (2.7%), Parts and Supplies (3.7%) and Replacement Costs (0.6%). Insurance Costs declined 0.4%. The growth in the Consumer Price Index (CPI) of 1.7% was over four percentage points 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 2010-11.

The "core" PIOC, which excludes erratic changes in fuel oil, natural gas, and electricity costs, is useful for analyzing long-term inflationary trends. The core PIOC rose by 3.9% this year and was lower than the overall PIOC primarily due to the exclusion of fuel oil costs that rose significantly.

Price Index Components

Taxes



The Tax component of the PIOC is based entirely on real estate taxes and accounts for nearly thirty percent of the overall price index. The change in tax cost is estimated by comparing aggregate taxes levied on rent stabilized apartment houses in Fiscal Year (FY) 2010 and FY 2011. The tax data was obtained from the New York City Department of Finance.

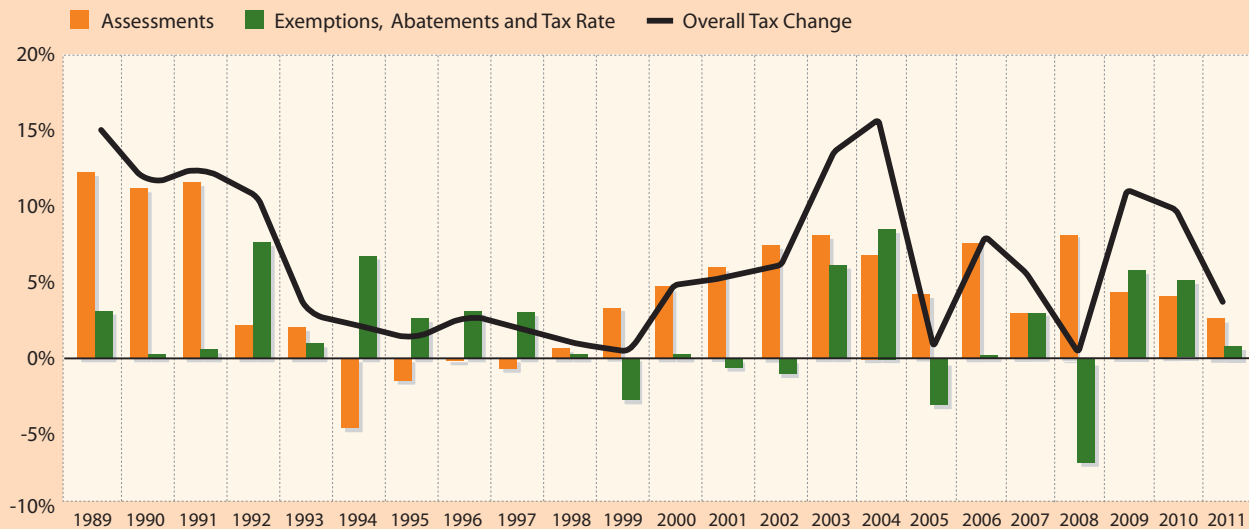
Real estate taxes rose this year by 3.5%. This is the lowest increase in this component since 2008 and a significant departure from the double-digit increases in real estate taxes witnessed in 2009 and 2010. The change in taxes was due to a rise in assessments and an increase in the tax rate in FY 2011. Abatements and exemptions had no real impact on the Tax component this year.

Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 4.2% from FY 2010 to FY 2011. The Class Two property levy rose slightly less than that of the City as a whole, at a rate of 4.0%. The distribution of the levy among property classes tends to shift from year to year. From FY 2010 to FY 2011, the levy share for Class Two properties decreased, by 0.05 percentage points, from 37.47% to 37.42% of the total tax burden. Although this is the first time since FY 2005 that the levy share decreased for Class 2 properties, the share is the second highest since the inception of the four-class system in 1983, when the share was 26.3%.

Tax Rate — The average annual FY 2010 Class Two tax rate of 13.241 increased by 0.85%, resulting in a new annualized rate of 13.353 for FY 2011. This is the third consecutive year in which the Class Two tax rate rose, increasing 5.1% in FY 2010 and 5.6% in FY 2009. For a historical perspective of changes in the tax rate, see the green bars on the graph below.

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1989-2011

Assessments and the Tax Rate Rise in 2011



Source: New York City Department of Finance

Assessments — Assessed valuations of rent stabilized properties rose by 2.7% citywide in FY 2011, the smallest increase in assessments since FY 1998. This increase was driven by a 6.1% growth in assessments in Manhattan. In contrast, both the boroughs of the Bronx and Staten Island witnessed a decline in assessments of 3.5%, while assessments fell in Queens by 2.9%. Assessments in Brooklyn were nearly flat, rising just 0.1%. Buildings in Manhattan generally drive much of the change in assessed value citywide, with 64% of all valuations emanating from this borough in FY 2011. For a historical perspective of changes in tax assessments, see the orange bars on the graph on the previous page.

Abatements and Exemptions — This year, the number of rent stabilized buildings with abatements decreased by 7.6%. In addition, the average benefit value of the typical tax abatement also decreased, by 0.8%, from FY 2010 to FY 2011. The net impact of the decrease in both the number of abatements and the average abatement value was a negligible increase in the tax liability for rent stabilized buildings of 0.2%.

In FY 2011, the value of the average tax exemption decreased. However, 2.4% more rent stabilized buildings benefited from tax exemptions. Therefore, the rise in the number of buildings receiving exemptions offset the decreases in the value of tax exemptions, resulting in owners' tax bills decreasing by 0.2%. (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 13.4% of the overall Price Index.

Labor Costs rose 2.7%, similar to the increase seen in last year's PIOC of 3.1%. 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 17.7%, but are still a small part of overall labor costs.

Wages comprise three-quarters of the Labor Costs component. Non-union pay increased by 3.1%, which was one percentage point higher than the increase seen in the 2010 PIOC (2.1%). In contrast, the unionized wage increase was 1.2 percentage points lower than the previous year, rising 1.5% in 2011, compared to 2.7% in 2010.

Fuel



The Fuel component comprises 13.0% 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 measured fuel prices from April to March and then compared them to the same months from the previous year. Over the past 12 months, fuel oil prices increased by 20.3%. The price for #2 oil, which comprises more than half of this component, increased 17.3%. Prices for #4 and #6 heating oil rose more than #2 oil, rising 23.4% and 24.6%, respectively.

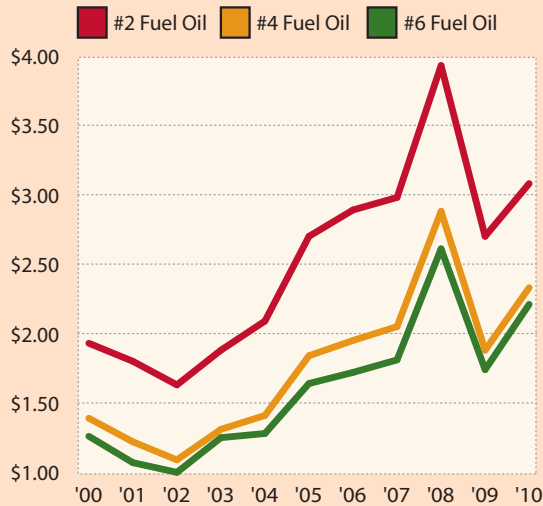
Second, along with measuring price, the PIOC also takes into account the effect of weather on the demand for fuel oil, especially during the heating season when the large majority of the fuel is burned. Since this year was colder than last year, weather increased the demand for fuel. The combination of the rise in heating oil prices and an increase in demand resulted in a rise in the cost for heating buildings with oil by 23.1%.²

Changes in the Fuel component have been the most variable of any component in the Price Index over the past ten years. In four of the past seven years, the cost of fuel oil rose more than 20%, yet in 2007 and 2010 fuel costs rose 0.5%, while in 2009 costs declined 10%. In 2002 and 2004, fuel costs declined by 36% and 3% respectively, yet in 2003 costs rose 67%.

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 calendar year 2010 was \$2.82 a gallon. Adjusted for inflation, the average price

Average Inflation-Adjusted Fuel Oil Prices per Gallon, 2000-2010

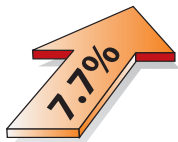
Average Fuel Oil Prices Have Risen Over the Past Ten Years



Note: Prices are in constant 2010 dollars.
Source: Price Indices of Operating Costs, 2000-2011

in 2000 was \$1.72. This is an annual rate of increase in the price of fuel of more than five percentage points above the general rate of inflation. Adjusted for inflation, the price of #2 Fuel Oil (the most commonly used fuel oil) rose by 14.1% in 2010, after declining more than 31% in 2009. (See graph on this page.)

Utilities



The Utilities component consists primarily of electricity, natural gas, and water and sewer charges. In fact, water and sewer costs account for 60% 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 (e.g. 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 7.7%, which is in contrast to last year's decrease of 1.7%. Increases in

water and sewer costs (12.9%), as well as costs for steam (12.3%) and electricity (9.98%), were somewhat offset by a decrease in gas costs (5.1%).

Contractor Services

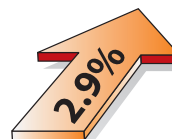


The Contractor Services component rose 2.7%, 0.4 percentage points higher than last year's growth of 2.3%. This is the third consecutive year in which the growth in this component was less than three percent. In contrast, the preceding six years showed growth in this component of more than four percent 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 3.0%, up from last year's increase of 0.4%. Rates charged by plumbers increased by 3.2%, a lower increase than last year's growth of 4.0%. Painters and plumbers reported that increases in the cost of labor, insurance, and materials were the primary factors that led to an increase in their rates. However, as reported in last year's report, there were still a few painters and plumbers who lowered their rates due to the poor economy and the need to attract customers.

All other items in this component witnessed changes in costs ranging from a 4.1% increase (Roof repair) to a decrease of 1.4% (Burner repair). (See Appendix 2.)

Administrative Costs



Administrative Costs rose 2.9%, 1.2 percentage points lower than last year's increase (4.1%) and the smallest growth in this component since 1999. 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 (3.4%) 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 less than last year's (4.8%), indicating that management companies lowered their fees and/or rents increased at a slower rate than last year. In addition, the lower growth rate may also be the result of more vacancies and/or collection losses in the buildings they manage compared to the previous year.

Accounting fees increased in this year's PIOC by 0.7%, 1.6 percentage points lower than last year's rise of 2.3%. Attorney fees rose 2.2%, similar to last year's increase of 2.1%.

All other items in this component witnessed changes in price relatives from 0%-4.6%. (See Appendix 2.)

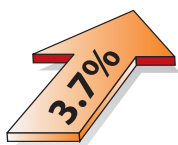
Insurance Costs



Insurance Costs decreased for the third consecutive year, falling 0.4%, a smaller decrease than witnessed in last year's Index (2.0%). The increases seen in this component from 2006 to 2008 of 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%.

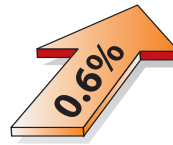
Changes in insurance costs for owners varied by the amount of the policy. Policies that cost more than \$4,450, which represent half of all verified insurance quotes, saw an average decline in cost of 0.6% upon renewal. Meanwhile, smaller buildings with policies under \$4,450 saw an increase of 0.7%.

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 3.7%, two percentage points higher than last year's increase of 1.7%.

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 0.6%, similar to the 0.9% increase reported in the 2010 Price Index.

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 a front desk, maid or linen services; 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 reside separately and independently of other occupants in a single room.

The Price Index for all stabilized Hotels rose 7.6% this year, nearly double the increase of 3.9% witnessed the year before. The Price Index for Hotels was 1.5 percentage points higher 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 Tax and Utilities components. Taxes for Hotels (8.5%) increased at a higher pace than the increase for apartments (3.5%). In contrast, the increase in Utilities for all types of Hotels was 5.0%, versus the higher rise of 7.7% in apartment buildings. This difference was due to a double-digit increase in water and sewer costs having more weight in the Apartment Index.

In addition to the rise in costs mentioned above, increases were seen in six out of the seven remaining Hotel cost components. The largest increase in costs occurred in the Fuel component, which increased 22.5%. More moderate increases were witnessed in Labor (3.2%), Administrative Costs (3.1%) and Contractor Services (2.0%) components. The Parts and Supplies and Replacement Costs components, which carry very little weight in the Hotel Index, saw

increases of 2.1% and 1.6%, respectively. Unlike the rise in cost of other Hotel components, Insurance Costs declined 0.4%.

Among the different categories of Hotels, the index for “traditional” hotels increased 10.4%, which was higher than increases for both Rooming Houses (7.5%) and SROs (7.1%). The differences between these indices are due to the increased weight and more rapid increase in costs in the Tax component for “traditional” hotels. (See Appendices 4 and 7)

Rent Stabilized Lofts

The increase in the Loft Index this year was 5.0%, 1.1 percentage points lower than the increase for apartments. This difference is explained by the fact that Attorney Fees (2.2%) have a much higher weight in the Loft index than in the Apartments. This moderate increase in Attorney Fees, which was less than the overall index for both Apartments and Lofts, placed 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 2010-11.

The Core PIOC

The Core PIOC, which measures long-term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 3.9% in 2011. The rise in the 2011 Core was 2.2 percentage points lower than the Apartment Index. The Core PIOC rose slower than the overall PIOC because fuel costs rose at a faster rate (23.1%) than the Index as a whole (6.1%). (See graph on the next page.)

The Core rose at a slower rate than projected last year due primarily to a reduction in insurance costs that was not reflected in last year’s Core projection and Taxes rising at a rate slower than anticipated. Insurance was projected to rise 5.6%, but instead declined 0.4%. Taxes rose 3.5% instead of the projected change of 8.3%. All of the remaining changes in the core components in the 2011 projected Core and the 2011 actual Core show agreement within 1.9 percentage points.

PIOC Projections for 2012

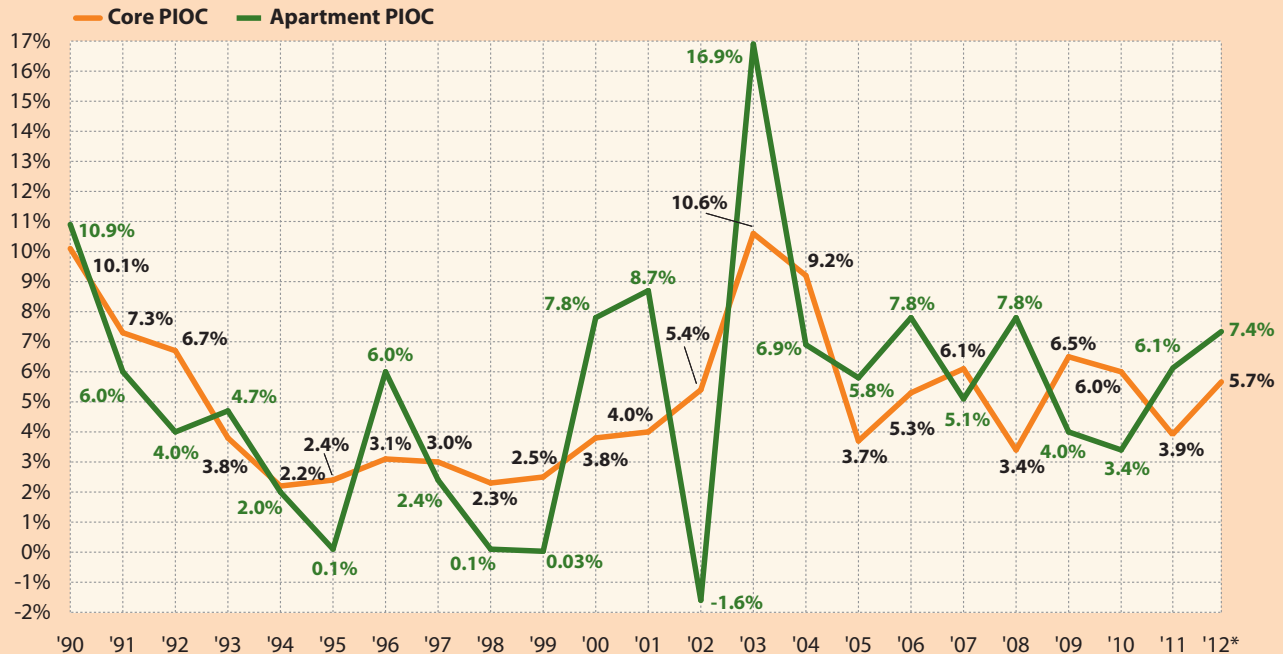
Section 26-510 of the Rent Stabilization Law requires the Board to consider prevailing and projected operating and maintenance costs. Projections for components of the PIOC are performed to provide the Rent Guidelines Board with an estimate of how much costs are expected to rise in the year following 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.

Hotels	
<i>Change In Costs for Rent Stabilized Hotel Buildings, March 2010 to March 2011</i>	
Taxes	8.5%
Labor Costs	3.2%
Fuel	22.5%
Utilities	5.0%
Contractor Services	2.0%
Administrative Costs	3.1%
Insurance Costs	-0.4%
Parts and Supplies	2.1%
Replacement Costs	1.6%
All Costs	7.6%

Lofts	
<i>Change In Costs for Rent Stabilized Loft Buildings, March 2010 to March 2011</i>	
Taxes	3.5%
Labor Costs	3.1%
Fuel	24.6%
Utilities	8.8%
Contractor Services	2.7%
Admin Costs, Legal	2.2%
Admin Costs, Other	3.0%
Insurance Costs	-0.4%
Parts and Supplies	3.7%
Replacement Costs	0.6%
All Costs	5.0%

Percent Change in the Price Index of Operating Costs and the Core PIOC, 1990-2012

The Apartment Index Rose More than “Core” PIOC in 2011



*Note: The percent change for 2012 is estimated.

Source: Price Indices of Operating Costs, 1990-2011, PIOC and Core PIOC projections for 2012

It is important to note that changes in costs and prices after March 2011, 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 represent about one-fifth of the market basket of operating costs measured in the index — have become increasingly volatile. Unpredictable geo-political events, 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 roughly thirty percent 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 6.1%, versus last year's projected PIOC increase of 6.7%. The components that showed the most variance between actual changes in costs versus projected changes were Fuel, Insurance Costs and Taxes. Fuel, a historically volatile component, was projected to increase 8.9%, but actually rose 23.1%. Insurance costs declined by 0.4% in 2011, versus the expected increase of 5.6%, a difference of roughly six percentage points. And Taxes were anticipated to rise 8.3%, but actually rose 3.5%.

2012 Projections

Projected Change In Costs for Rent Stabilized Apartment Buildings, March 2011 to March 2012

Taxes	10.0%
Labor Costs	3.7%
Fuel	19.6%
Utilities	6.0%
Contractor Services	2.6%
Administrative Costs	3.7%
Insurance Costs	-1.8%
Parts and Supplies	1.9%
Replacement Costs	1.7%
All Projected Costs	7.4%

Meanwhile, Utilities were projected to increase 9.5%, but only rose 7.7%, and Parts and Supplies were expected to increase 1.8%, but actually increased 3.7%. The remaining four 2011 projected components of the PIOC were within 1.6 percentage points of the actual measured changes.

Overall, the PIOC is expected to grow by 7.4% from 2011 to 2012. Costs are predicted to rise in each component except Insurance, where costs are anticipated to decrease 1.8%. Fuel, the most volatile PIOC component, is expected to increase the greatest proportion, by 19.6%. Taxes, the component that carries the most weight in the Index, is projected to increase 10.0%. The Utilities component is anticipated to increase 6.0% while both the Labor and Administrative Costs components by 3.7%. More moderate increases are projected in Contractor Services (2.6%), Parts and Supplies (1.9%) and Replacement Costs (1.7%). The table on this page shows predicted changes in PIOC components for 2012. The core PIOC is projected to rise 5.7%, less than the overall PIOC.

Commensurate Rent Adjustment

Throughout its history, the Rent Guidelines Board has used a formula, known as the commensurate rent adjustment, to help determine annual rent guidelines

for rent stabilized apartments. In essence, the “commensurate” combines various data concerning operating costs, revenues, and inflation into a single measure indicating how much rents would have to change for net operating income (NOI) in stabilized buildings to remain constant. The different types of “commensurate” adjustments described below are primarily meant to provide a foundation for discussion concerning prospective guidelines.

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

The first commensurate method is called the “Net Revenue” approach. While this formula takes into consideration the types of leases actually signed by tenants, it does not adjust landlords’ NOI for inflation. The “Net Revenue” formula is presented in two ways: First, adjusting for the mix of lease terms; and Second, adding an assumption for stabilized apartment turnover and the impact of revenue from vacancy increases. Under the “Net Revenue” formula, a guideline that would preserve NOI in the face of this year’s 6.1% increase in the PIOC is 4.75% for a one-year lease and 9.5% for a two-year lease. Using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover result in guidelines of 3.25% for one-year leases and 6.5% 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) costs and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 1.7% increase in the Consumer Price Index (see Endnote 1) and the 6.1% increase in the PIOC is 6.0% for a one-year lease and 10.0% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 4.0% for one-year leases and 7.5% for two-year leases.³

Commensurates

"Net Revenue" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.75%	9.5%

"Net Revenue" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
3.25%	6.5%

"CPI-Adjusted NOI" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
6.0%	10.0%

"CPI-Adjusted NOI" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.0%	7.5%

"Traditional" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
4.2%	6.9%

The "traditional" commensurate adjustment is the formula that has been in use since the inception of the Rent Guidelines Board. The "traditional" commensurate yields 4.2% for a one-year lease and 6.9% for a two-year lease. This reflects the increase in operating costs of 6.1% found in the 2011 PIOC and the projection of a 7.4% increase next year.⁴

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.⁵

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 (6.1%). 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 (7.4%). 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 39,000 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 14% of the questionnaires mailed out were returned to the RGB, down from over 16% last year. A total of 672 returned surveys contained usable information, from which quotes of owners' annual insurance costs (573), non-union labor quotes (119) and management fees (93) were validated. The number of verified prices in 2010 and 2011 for the Owner Survey is shown in Appendix 1.

Utility Cost Computations

The Utilities component consists of costs for electricity, gas, steam, telephone, and water and sewer. RGB staff calculates a hypothetical monthly bill for utilities based in part on supply rates, fuel adjustments, delivery

charges, taxes, and other surcharges and fees. Bills are calculated based on typical usage in a multi-family building in New York City, an amount that remains constant from year to year. Where the component represents prices to heat a building, such as Spec 406 (gas), monthly price data is adjusted to account for changes in weather. Water and sewer price changes are based on annual rate adjustments set by the NYC Water Board. Telephone prices are determined by calculating a hypothetical bill based on rates provided by Verizon. The price relatives for the Utilities component were calculated using the most recent 12-month period from April-March and comparing it to the prior April-March period.

Fuel Oil

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 is 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 2011 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 38,000 buildings in FY 2010 and FY 2011. This data was used to compute a tax bill for each stabilized building in each of these fiscal years. The change computed for the PIOC is simply the percentage difference in

aggregate tax bills for these buildings from FY 2010 to FY 2011.

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 657 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 and Heating Degree Days. These items are used in computing some of the labor components, and the cost-weighted changes in fuel and utility prices.

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. This year projections are based on the time period from April 2011 to March 2012.

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2012 along with estimates to the change in class 2 property levy share, 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 calculating the average wage increase of the most

recent labor contracts for 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.⁶

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

Acknowledgments

The Rent Guidelines Board would like to acknowledge the following individuals for their assistance in preparing the Price Index of Operating Costs this year: Dr. James F. Hudson for technical assistance and methodology and report review; Shirley Alexander for supervising the data collectors for the owner and vendor surveys; and Jeanette Bisamunyu and Charmaine Superville for collecting owner and vendor information. □

Endnotes

1. The average CPI for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2009 to February 2010 (237.6) compared to the average for the year from March 2010 to February 2011 (241.6) rose by 1.7%. 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 March, monthly cost-weighted figures from April to March, or the two most recent fiscal year bills.
2. Due to changes in methodology of the 2010 Price Index, the cost-weight relatives are now calculated on an April to March time period. The April 2010 to March 2011 time period was 1.6% colder than the previous April to March period. "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. See "Utilities Component Computations" and "Fuel Oil" in the

Methodology section of this report for a detail explanation of changes to the Fuel component calculations.

3. The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 68.3% of the 2011 PIOC increase of 6.1%, or 4.2%. The 68.3% 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 31.7% times the latest 12-month increase in the CPI ending February 2011 (1.7%) or 0.53%; (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 10.45% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2009 apartment registration file from the Division of Housing and Community Renewal was used; and (6) the collectability of these commensurate adjustments are assumed.
4. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 7.4% PIOC projection for 2012 is used.
5. 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.
6. Source: "Short-Term Energy Outlook," March 2011. U.S. Energy Information Administration, Department of Energy.

Appendices

1. PIOC Sample, Number of Price Quotes per Item, 2010 vs. 2011

Spec	Description	2010	2011	Spec	Description	2010	2011
211	Apartment Value	143	125	701	INSURANCE COSTS	605	573
212	Non-Union Super	106	79				
216	Non-Union Janitor/Porter	48	40	801	Light Bulbs	7	6
	LABOR COSTS	297	244	802	Light Switch	7	5
301	Fuel Oil #2	22	21	803	Wet Mop	6	8
302	Fuel Oil #4	5	5	804	Floor Wax	10	9
303	Fuel Oil #6	5	5	805	Paint	11	10
	FUEL	32	31	806	Pushbroom	8	8
501	Repainting	127	128	807	Detergent	7	7
502	Plumbing, Faucet	32	33	808	Bucket	13	12
503	Plumbing, Stoppage	33	35	809	Washers	14	11
504	Elevator #1, 6 fl., 1 e.	11	10	810	Linens	11	10
505	Elevator #2, 13 fl., 2 e.	11	10	811	Pine Disinfectant	13	10
506	Elevator #3, 19 fl., 3 e.	10	10	812	Window/Glass Cleaner	9	10
507	Burner Repair	10	10	813	Switch Plate	10	11
508	Boiler Repair, Tube	11	10	814	Duplex Receptacle	9	10
509	Boiler Repair, Weld	6	5	815	Toilet Seat	15	12
510	Refrigerator Repair	8	8	816	Deck Faucet	13	13
511	Range Repair	12	12		PARTS & SUPPLIES	163	152
512	Roof Repair	22	22	901	Refrigerator #1	9	7
513	Air Conditioner Repair	6	10	902	Refrigerator #2	10	10
514	Floor Maint. #1, Studio	9	7	903	Air Conditioner #1	7	7
515	Floor Maint. #2, 1 Br.	9	7	904	Air Conditioner #2	6	6
516	Floor Maint. #3, 2 Br.	9	5	905	Floor Runner	5	9
518	Linen/Laundry Service	5	6	906	Dishwasher	8	5
	CONTRACTOR SERVICES	331	328	907	Range #1	8	8
601	Management Fees	133	93	908	Range #2	7	7
602	Accountant Fees	31	28	909	Carpet	10	11
603	Attorney Fees	21	21	910	Dresser	7	5
604	Newspaper Ads	18	18	911	Mattress & Box Spring	7	5
605	Agency Fees	5	3		REPLACEMENT COSTS	84	80
606	Lease Forms	8	9				
607	Bill Envelopes	10	11				
608	Ledger Paper	5	7				
	ADMINISTRATIVE COSTS	231	190		ALL ITEMS	1,743	1,598

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2011

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.2905	1.0351	3.51%	0.0499	601	Management Fees	0.7311	1.0340	3.40%	1.0920
201	Payroll, Bronx, All (Union)	0.1040	1.0000	0.00%	0.0000	602	Accountant Fees	0.1346	1.0069	0.69%	1.3261
202	Payroll, Other, Union, Supts.	0.1025	1.0197	1.97%	0.0000	603	Attorney Fees	0.1009	1.0220	2.20%	2.5488
203	Payroll, Other, Union, Other	0.2547	1.0193	1.93%	0.0000	604	Newspaper Ads	0.0038	1.0459	4.59%	2.1743
204	Payroll, Other, Non-Union, All	0.2916	1.0305	3.05%	0.6408	605	Agency Fees	0.0053	1.0000	0.00%	0.0000
205	Social Security Insurance	0.0435	1.0210	2.10%	0.0000	606	Lease Forms	0.0083	1.0359	3.59%	2.8039
206	Unemployment Insurance	0.0059	1.1772	17.72%	0.0000	607	Bill Envelopes	0.0087	1.0000	0.00%	2.2016
207	Private Health & Welfare	0.1978	1.0447	4.47%	0.0000	608	Ledger Paper	0.0073	1.0438	4.38%	3.3242
	LABOR COSTS	0.1335	1.0266	2.66%	0.1869		ADMINISTRATIVE COSTS	0.0740	1.0288	2.88%	0.8584
301	Fuel Oil #2	0.5560	1.1973	19.73%	0.8632	701	INSURANCE COSTS	0.0728	0.9964	-0.36%	0.6808
302	Fuel Oil #4	0.1602	1.2636	26.36%	0.3526	801	Light Bulbs	0.0350	1.0191	1.91%	1.8829
303	Fuel Oil #6	0.2838	1.2771	27.71%	0.9156	802	Light Switch	0.0430	1.0217	2.17%	2.1279
	FUEL	0.1296	1.2306	23.06%	0.5487	803	Wet Mop	0.0376	1.0235	2.35%	1.3626
401	Electricity #1, 2,500 KWH	0.0079	1.0993	9.93%	0.0000	804	Floor Wax	0.0454	1.0122	1.22%	0.8739
402	Electricity #2, 15,000 KWH	0.1000	1.0998	9.98%	0.0000	805	Paint	0.2300	1.0843	8.43%	3.0665
403	Electricity #3, 82,000 KWH	0.0000	1.0857	8.57%	0.0000	806	Pushbroom	0.0328	1.0032	0.32%	0.3304
404	Gas #1, 12,000 therms	0.0034	1.0363	3.63%	0.0000	807	Detergent	0.0361	0.9889	-1.11%	1.0857
405	Gas #2, 65,000 therms	0.0489	0.9536	-4.64%	0.0000	808	Bucket	0.0370	1.0174	1.74%	1.1222
406	Gas #3, 214,000 therms	0.2148	0.9460	-5.40%	0.0000	809	Washers	0.0963	1.0366	3.66%	2.0399
407	Steam #1, 1.2m lbs	0.0158	1.1427	14.27%	0.0000	811	Pine Disinfectant	0.0554	1.0516	5.16%	2.1365
408	Steam #2, 2.6m lbs	0.0056	1.0685	6.85%	0.0000	812	Window/Glass Cleaner	0.0518	1.0333	3.33%	1.5756
409	Telephone	0.0083	1.0128	1.28%	0.0000	813	Switch Plate	0.0440	1.0253	2.53%	1.7585
410	Water & Sewer	0.5954	1.1290	12.90%	0.0000	814	Duplex Receptacle	0.0317	1.0088	0.88%	0.8903
	UTILITIES	0.1555	1.0766	7.66%	0.0000	815	Toilet Seat	0.0971	1.0197	1.97%	1.2978
501	Repainting	0.3802	1.0302	3.02%	0.9392	816	Deck Faucet	0.1269	1.0217	2.17%	1.2037
502	Plumbing, Faucet	0.1425	1.0340	3.40%	1.1447		PARTS AND SUPPLIES	0.0146	1.0369	3.69%	0.7891
503	Plumbing, Stoppage	0.1266	1.0306	3.06%	1.2203	901	Refrigerator #1	0.0958	1.0052	0.52%	0.9191
504	Elevator #1, 6 fl., 1 e.	0.0546	1.0282	2.82%	0.4917	902	Refrigerator #2	0.4669	1.0053	0.53%	0.6441
505	Elevator #2, 13 fl., 2 e.	0.0357	1.0256	2.56%	0.5632	903	Air Conditioner #1	0.0165	1.0113	1.13%	0.8410
506	Elevator #3, 19 fl., 3 e.	0.0198	1.0271	2.71%	0.5625	904	Air Conditioner #2	0.0207	1.0118	1.18%	0.9401
507	Burner Repair	0.0395	0.9856	-1.44%	1.4299	905	Floor Runner	0.0877	0.9862	-1.38%	4.7706
508	Boiler Repair, Tube	0.0538	1.0201	2.01%	1.9491	906	Dishwasher	0.0499	1.0156	1.56%	0.9554
509	Boiler Repair, Weld	0.0429	0.9875	-1.25%	1.4132	907	Range #1	0.0486	1.0133	1.33%	0.7220
510	Refrigerator Repair	0.0118	1.0234	2.34%	2.2164	908	Range #2	0.2139	1.0132	1.32%	0.7419
511	Range Repair	0.0110	1.0324	3.24%	1.8287		REPLACEMENT COSTS	0.0064	1.0064	0.64%	0.5501
512	Roof Repair	0.0688	1.0408	4.08%	1.8503		ALL ITEMS	1.0000	1.0613	6.13%	0.1256
513	Air Conditioner Repair	0.0080	0.9885	-1.15%	3.4956						
514	Floor Maint. #1, Studio	0.0003	1.0214	2.14%	1.5931						
515	Floor Maint. #2, 1 Br.	0.0004	1.0130	1.30%	1.2756						
516	Floor Maint. #3, 2 Br.	0.0040	1.0000	0.00%	0.0000						
	CONTRACTOR SERVICES	0.1231	1.0265	2.65%	0.4639						

3. Price Relative by Building Type, Apartments, 2011

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES	1.0472	1.0162	1.0351	1.0351	1.0351
201-207	LABOR COSTS	1.0262	1.0272	1.0287	1.0263	1.0286
301-302	FUEL	1.2246	1.2532	1.1977	1.2316	1.1987
401-410	UTILITIES	1.0628	1.0790	1.0219	1.1173	1.0554
501-516	CONTRACTOR SERVICES	1.0270	1.0251	1.0286	1.0260	1.0256
601-608	ADMINISTRATIVE COSTS	1.0276	1.0302	1.0289	1.0287	1.0231
701	INSURANCE COSTS	0.9964	0.9964	0.9964	0.9964	0.9964
801-816	PARTS AND SUPPLIES	1.0372	1.0363	1.0395	1.0362	1.0309
901-908	REPLACEMENT COSTS	1.0066	1.0059	1.0086	1.0059	1.0031
ALL ITEMS		1.0659	1.0523	1.0277	1.0772	1.0463

4. Price Relative by Hotel Type, 2011

Spec #	Item Description	Hotel	Rooming House	SRO
101	TAXES	1.1581	1.0645	1.0427
205-206, 208-216	LABOR COSTS	1.0306	1.0329	1.0338
301-303	FUEL	1.2215	1.1973	1.2554
401-407, 409-410	UTILITIES	1.0458	1.0897	1.0384
501-516, 518	CONTRACTOR SERVICES	1.0198	1.0208	1.0188
601-608	ADMINISTRATIVE COSTS	1.0320	1.0261	1.0288
701	INSURANCE COSTS	0.9964	0.9964	0.9964
801-816	PARTS AND SUPPLIES	1.0110	1.0421	1.0325
901-904, 907-11	REPLACEMENT COSTS	1.0155	1.0160	1.0160
ALL ITEMS		1.1041	1.0754	1.0708

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2011

	% 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	6.06%	-0.54%	-0.13%	0.91%	0.05%	6.36%
Bronx	-3.55%	1.25%	-0.40%	0.56%	-0.02%	-2.15%
Brooklyn	0.05%	-0.56%	0.21%	0.95%	0.00%	0.65%
Queens	-2.86%	-0.10%	0.07%	0.86%	-0.03%	-2.05%
Staten Island	-3.47%	-3.15%	-0.52%	0.88%	-0.06%	-6.33%
All Apartments	2.69%	-0.25%	0.17%	0.88%	0.02%	3.51%
HOTELS						
Hotel	17.04%	-1.20%	0.00%	-0.09%	0.05%	15.81%
RH	5.70%	-0.10%	0.00%	0.80%	0.05%	6.45%
SRO	4.91%	-1.70%	0.23%	0.80%	0.02%	4.27%
All Hotels	8.99%	-1.14%	0.10%	0.52%	0.04%	8.50%

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2011

Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative	Borough	Community Board	Number of Buildings	Tax Relative
Manhattan		12,671	6.36%	Brooklyn	7	962	-3.26%	Queens	17	629	-1.34%
	1	87	-6.33%		8	338	-4.67%		18	77	-2.79%
	2	1,126	7.96%		9	310	-0.25%			6,849	-2.05%
	3	1,575	8.85%		10	205	-0.27%		1	1,930	2.69%
	4	979	8.14%		11	308	-2.67%		2	876	1.24%
	5	269	4.78%		12	442	-1.44%		3	478	-1.01%
	6	836	6.55%			12,997	0.65%		4	456	-0.03%
	7	1,779	7.99%		1	1,536	6.11%		5	1,242	0.50%
	8	2,083	6.19%		2	626	3.70%		6	337	-3.31%
	9	762	3.00%		3	933	-0.15%		7	474	-6.76%
	10	1,008	9.66%		4	1,377	3.45%		8	219	-3.45%
	11	728	10.01%		5	434	-0.57%		9	226	-1.39%
12	1,432	2.32%	6	953	7.55%	10	60	-8.67%			
Lower	8,231	6.58%	7	900	1.10%	11	126	-7.48%			
Upper	4,440	4.88%	8	1,004	1.29%	12	180	-1.36%			
Bronx	5,520	-2.15%	9	589	-2.77%	13	52	-1.95%			
	1	373	-8.03%	10	808	3.32%	14	107	-0.76%		
	2	253	4.10%	11	737	0.80%		171	-6.33%		
	3	360	-9.89%	12	611	-2.20%	1	118	-7.79%		
	4	759	1.39%	13	171	1.34%	2	28	0.41%		
	5	680	-0.11%	14	889	-3.18%	3	24	-4.04%		
	6	506	-0.08%	15	368	0.44%		38,208	3.51%		
			16	350	4.70%	ALL					

Note: No Community Board could be assigned to the following number of buildings for each borough: Manhattan (7), Bronx (24), Brooklyn (4), Queens (86), 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, 2011

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES	0.3194	1.0850	8.50%	1.7598	601	Management Fees	0.6696	1.0340	3.40%	1.0920
205	Social Security Insurance	0.0517	1.0210	2.10%	0.0000	602	Accountant Fees	0.0793	1.0069	0.69%	1.3261
206	Unemployment Insurance	0.0125	1.1772	17.72%	0.0000	603	Attorney Fees	0.1068	1.0220	2.20%	2.5488
208	Hotel Private Health/Welfare	0.0497	1.0299	2.99%	0.0000	604	Newspaper Ads	0.0906	1.0459	4.59%	2.1743
209	Hotel Union Labor	0.3164	1.0306	3.06%	0.0000	605	Agency Fees	0.0236	1.0000	0.00%	0.0000
210	SRO Union Labor	0.0124	1.0309	3.09%	0.0000	606	Lease Forms	0.0096	1.0359	3.59%	2.8039
211	Apartment Value	0.1189	1.0328	3.28%	0.7681	607	Bill Envelopes	0.0120	1.0000	0.00%	2.2016
212	Non-Union Superintendent	0.3109	1.0334	3.34%	0.8384	608	Ledger Paper	0.0085	1.0438	4.38%	3.3242
213	Non-Union Maid	0.0000	0.0000	NA	0.0000		ADMINISTRATIVE COSTS	0.0812	1.0305	3.05%	0.8130
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000	701	INSURANCE COSTS	0.0407	0.9964	-0.36%	0.6808
215	Non-Union Maint. Worker	0.0000	0.0000	NA	0.0000	801	Light Bulbs	0.0153	1.0191	1.91%	1.8829
216	Non-Union Janitor/Porter	0.1274	1.0245	2.45%	0.9350	802	Light Switch	0.0171	1.0217	2.17%	2.1279
	LABOR COSTS	0.1526	1.0322	3.22%	0.3008	803	Wet Mop	0.0469	1.0235	2.35%	1.3626
301	Fuel Oil #2	0.6470	1.1973	19.73%	0.8632	804	Floor Wax	0.0598	1.0122	1.22%	0.8739
302	Fuel Oil #4	0.0165	1.2636	26.36%	0.3526	805	Paint	0.1335	1.0843	8.43%	3.0665
303	Fuel Oil #6	0.3366	1.2771	27.71%	0.9156	806	Pushbroom	0.0394	1.0032	0.32%	0.3304
	FUEL	0.1436	1.2252	22.52%	0.6379	807	Detergent	0.0510	0.9889	-1.11%	1.0857
401	Electricity #1, 2,500 KWH	0.0620	1.0993	9.93%	0.0000	808	Bucket	0.0477	1.0174	1.74%	1.1222
402	Electricity #2, 15,000 KWH	0.0666	1.0998	9.98%	0.0000	809	Washers	0.0508	1.0366	3.66%	2.0399
403	Electricity #3, 82,000 KWH	0.2207	1.0857	8.57%	0.0000	810	Linens	0.2807	0.9957	-0.43%	1.2051
404	Gas #1, 12,000 therms	0.0412	1.0363	3.63%	0.0000	811	Pine Disinfectant	0.0229	1.0516	5.16%	2.1365
405	Gas #2, 65,000 therms	0.0420	0.9536	-4.64%	0.0000	812	Window/Glass Cleaner	0.0211	1.0333	3.33%	1.5756
406	Gas #3, 214,000 therms	0.1906	0.9460	-5.40%	0.0000	813	Switch Plate	0.0550	1.0253	2.53%	1.7585
407	Steam #1, 1.2m lbs	0.0003	1.1427	14.27%	0.0000	814	Duplex Receptacle	0.0404	1.0088	0.88%	0.8903
409	Telephone	0.1696	1.0128	1.28%	0.0000	815	Toilet Seat	0.0512	1.0197	1.97%	1.2978
410	Water & Sewer	0.2070	1.1290	12.90%	0.0000	816	Deck Faucet	0.0670	1.0217	2.17%	1.2037
	UTILITIES	0.1340	1.0499	4.99%	0.0000		PARTS AND SUPPLIES	0.0369	1.0209	2.09%	0.5771
501	Repainting	0.2124	1.0302	3.02%	0.9392	901	Refrigerator #1	0.0212	1.0052	0.52%	0.9191
502	Plumbing, Faucet	0.0904	1.0340	3.40%	1.1447	902	Refrigerator #2	0.1026	1.0053	0.53%	0.6441
503	Plumbing, Stoppage	0.0850	1.0306	3.06%	1.2203	903	Air Conditioner #1	0.0608	1.0113	1.13%	0.8410
504	Elevator #1, 6 fl., 1 e.	0.0375	1.0282	2.82%	0.4917	904	Air Conditioner #2	0.0724	1.0118	1.18%	0.9401
505	Elevator #2, 13 fl., 2 e.	0.0338	1.0256	2.56%	0.5632	907	Range #1	0.0095	1.0133	1.33%	0.7220
506	Elevator #3, 19 fl., 3 e.	0.0307	1.0271	2.71%	0.5625	908	Range #2	0.0427	1.0132	1.32%	0.7419
507	Burner Repair	0.0289	0.9856	-1.44%	1.4299	909	Carpet	0.3431	1.0303	3.03%	1.6175
508	Boiler Repair, Tube	0.0355	1.0201	2.01%	1.9491	910	Dresser	0.1794	1.0000	0.00%	0.0000
509	Boiler Repair, Weld	0.0335	0.9875	-1.25%	2.2164	911	Mattress & Box Spring	0.1683	1.0144	1.44%	1.2838
511	Range Repair	0.1301	1.0324	3.24%	1.8287		REPLACEMENT COSTS	0.0157	1.0157	1.57%	0.6063
512	Roof Repair	0.0311	1.0408	4.08%	1.8503		ALL ITEMS	1.0000	1.0760	7.60%	0.5770
513	Air Conditioner Repair	0.0415	0.9885	-1.15%	3.4956						
514	Floor Maint. #1, Studio	0.0008	1.0214	2.14%	1.5931						
515	Floor Maint. #2, 1 Br.	0.0017	1.0130	1.30%	1.2756						
516	Floor Maint. #3, 2 Br.	0.0154	1.0000	0.00%	0.0000						
518	Linen/Laundry Service	0.1915	1.0000	0.00%	0.0000						
	CONTRACTOR SERVICES	0.0760	1.0198	1.98%	0.3899						

8. Expenditure Weights and Price Relatives, Lofts, 2011

Spec #	Item Description	Weights	Price Relative	Spec #	Item Description	Weights	Price Relative
101	TAXES	0.2872	1.0351		ADMINISTRATIVE COSTS, LEGAL	0.0701	1.0220
201	Payroll, Bronx, All	0.0000	1.0000	601	Management Fees	0.8212	1.0340
202	Payroll, Other, Union, Supts.	0.2482	1.0197	602	Accountant Fees	0.1396	1.0069
203	Payroll, Other, Union, Other	0.0000	1.0193	604	Newspaper Ads	0.0045	1.0459
204	Payroll, Other, Non-Union, All	0.5381	1.0305	605	Agency Fees	0.0062	1.0000
205	Social Security Insurance	0.0416	1.0210	606	Lease Forms	0.0088	1.0359
206	Unemployment Insurance	0.0064	1.1772	607	Bill Envelopes	0.0109	1.0000
207	Private Health & Welfare	0.1657	1.0447	608	Ledger Paper	0.0089	1.0438
	LABOR COSTS	0.0898	1.0307		ADMINISTRATIVE COSTS - OTHER	0.0958	1.0298
301	Fuel Oil #2	0.2969	1.1973	701	INSURANCE COSTS	0.1824	0.9964
302	Fuel Oil #4	0.5807	1.2636				
303	Fuel Oil #6	0.1224	1.2771	801	Light Bulbs	0.0349	1.0191
	FUEL	0.0961	1.2456	802	Light Switch	0.0429	1.0217
401	Electricity #1, 2,500 KWH	0.0086	1.0993	803	Wet Mop	0.0376	1.0235
402	Electricity #2, 15,000 KWH	0.1092	1.0998	804	Floor Wax	0.0455	1.0122
403	Electricity #3, 82,000 KWH	0.0000	1.0857	805	Paint	0.2299	1.0843
404	Gas #1, 12,000 therms	0.0037	1.0363	806	Pushbroom	0.0328	1.0032
405	Gas #2, 65,000 therms	0.0530	0.9536	807	Detergent	0.0361	0.9889
406	Gas #3, 214,000 therms	0.1481	0.9460	808	Bucket	0.0370	1.0174
407	Steam #1, 1.2m lbs	0.0171	1.1427	809	Washers	0.0963	1.0366
408	Steam #2, 2.6m lbs	0.0060	1.0685	811	Pine Disinfectant	0.0553	1.0516
409	Telephone	0.0090	1.0128	812	Window/Glass Cleaner	0.0518	1.0333
410	Water & Sewer - Frontage	0.6455	1.1290	813	Switch Plate	0.0439	1.0253
	UTILITIES	0.0817	1.0877	814	Duplex Receptacle	0.0317	1.0088
501	Repainting	0.3801	1.0302	815	Toilet Seat	0.0971	1.0197
502	Plumbing, Faucet	0.1425	1.0340	816	Deck Faucet	0.1270	1.0217
503	Plumbing, Stoppage	0.1266	1.0306		PARTS AND SUPPLIES	0.0158	1.0369
504	Elevator #1, 6 fl., 1 e.	0.0546	1.0282	901	Refrigerator #1	0.0959	1.0052
505	Elevator #2, 13 fl., 2 e.	0.0358	1.0256	902	Refrigerator #2	0.4668	1.0053
506	Elevator #3, 19 fl., 3 e.	0.0198	1.0271	903	Air Conditioner #1	0.0165	1.0113
507	Burner Repair	0.0394	0.9856	904	Air Conditioner #2	0.0207	1.0118
508	Boiler Repair, Tube	0.0537	1.0201	905	Floor Runner	0.0877	0.9862
509	Boiler Repair, Weld	0.0430	0.9875	906	Dishwasher	0.0499	1.0156
510	Refrigerator Repair	0.0118	1.0234	907	Range #1	0.0485	1.0133
511	Range Repair	0.0110	1.0324	908	Range #2	0.2140	1.0132
512	Roof Repair	0.0687	1.0408		REPLACEMENT COSTS	0.0128	1.0064
513	Air Conditioner Repair	0.0080	0.9885				
514	Floor Maint. #1, Studio	0.0002	1.0214				
515	Floor Maint. #2, 1 Br.	0.0005	1.0130				
516	Floor Maint. #3, 2 Br.	0.0040	1.0000				
	CONTRACTOR SERVICES	0.0683	1.0265		ALL ITEMS	1.0000	1.0498